EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON EXPORT VALUE ADDITION IN THE TEA SUBSECTOR IN KENYA

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Effect of Strategic Management Practices on Export Value Addition in the Tea Subsector in Kenya

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University

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DEDICATION

This thesis is dedicated to my family and friends and more sincerely to my parents who planted the inaugural seed of education in my life and taught me the art and science of hard work.

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ABBREVIATIONS AND ACRONYMS

ANOVA Analysis of Variance

CEO Chief Executive Officer

CTCT Cut Tear and Curl Tea

EATTA East Africa Tea Trade Association

EPZA Export Processing Zone Authority

ERP Enterprise Resource Planning

FAO Food and Agriculture Organization

FAOSTAT Food and Agriculture Organization Corporate Statistical Database

GDP Gross Domestic Product

ITC International Tea Committee

ITC International Trade Center

JKUAT Jomo Kenyatta University of Agriculture and Technology

KTDA Kenya Tea Development Agency

KMO Kaiser- Meyer –Olkin

KRA Kenya Revenue Authority

MAFAP Monitoring African Food and Agricultural policies

MBA Master of Business Administration.

NSE Nairobi Securities Exchange

PCM	Principle Components Method
PIN	Personal Identification Number
SPSS	Statistical Package of Social Sciences
TBK	Tea Board of Kenya
UAE	United Arab Emirates
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
USA	United States of America
WTO	World Trade Organization
ROK	Republic of Kenya

DEFINITION OF KEY TERMS

Value Addition

Value Addition is the process of creating or improving consumable raw materials to produce high quality products that can fetch higher prices in the market place (Fleming, 2005).In this study, value addition will mean any form of product improvement after the primary processing.

Strategic Management

Strategic management is the comprehensive collection of ongoing activities and processes that organizations use to systematically coordinate and align resources and actions with mission, vision and strategy throughout an organization (Cravens, Piercy & Cravens, 2009)

Export

It is a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade (Stehrer, & Stollinger, 2013).

Market Promotion

This is the method used to spread the word about your product or service to customers, stakeholders and the broader public (Tellis, 2004).

Partnerships

Is the relationship between two or more persons or organizations that carry on a trade or business. Partnerships may take the form of a joint business venture, mergers/ acquisition or contracting (Beamish & Inkpen, 2005).

Product Diversification

It is a marketing strategy that businesses use to distinguish a product from similar offerings on the market (Pawaskar, 2009).

Cost Leadership

It is an approach which companies take where the goal is to be the lowest cost producer or provider of one or more products at a particular level of quality (Christine, 2010).

Export Value Addition

It is the act of adding value to a product, whether you have grown the initial product or not. It involves taking any product from one level to the next level (Ministry of Agriculture, 2007). Export tea value addition in this study has been taken to mean the outcome of activities involved in selling value added teas to markets outside Kenya.

ABSTRACT

Tea is the second most popular non-alcoholic beverage in the world after water. Tea is the leading foreign exchange earner in Kenya, contributing to about four (4%) percent of the country's Gross Domestic Product (GDP). The general objective of this research was to study the effect of strategic management strategies on export value addition in the tea subsector in Kenya. Specifically, the study sought to evaluate the effect of market promotions practices, partnerships, product diversification, cost leadership and technological innovation practices on value addition for Kenyan tea exports. The study used a descriptive survey design. The target population comprised of 107 tea factories, 75 tea packers and 72 tea exporters from which the target and accessible population was drawn. A sample size of 256 employees was selected randomly from the top and middle management employees. The sampling frame for this study consisted of all the top and middle management employees of all registered tea factories, tea exporters and tea packers in Kenya. Two questionnaires were administered to randomly sampled employees in the cadres of senior management and middle management. Questionnaire was the main instrument of data collection which underwent pilot study to test the validity and reliability of the research instrument. Primary data was therefore the main source of data. After collecting data through questionnaires, it was prepared in readiness for analysis using statistical package for social sciences (SPSS) to generate descriptive and inferential statistics. Data was summarised using percentages, mean and standard deviation while F-test was used to test the hypothesis. All the analysis was done using SPSS statistical package. The study findings indicated that the Kenyan tea subsector was not adequately practicing relevant management strategies such as market promotion, business partnerships, product diversification, cost leadership and technological innovation that would help grow exports tea value addition. Regression results indicated that strategic management practices (market promotion, business partnership strategy, cost leadership and technological innovation were statistically significant in explaining export value addition of tea subsector in Kenya. From the study, it is possible to conclude that the Kenyan tea subsectors has not put in place robust strategic management practices in the form of marketing promotion,

strategic business partnership, product diversification, cost leadership and technological innovations that would boost tea value addition. The study recommends that the Kenyan government should help the Kenyan tea players (tea producers, tea packers and tea exporters) in adapting some of these practices of which some are too costly for individual firms to adapt.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tea is the second most popular non-alcoholic beverage in the world after water. Tea drinking originated from China in the sixth century BC. Tea is the leading foreign exchange earner in Kenya, contributing to about four (4%) percent of the country's Gross Domestic Product (GDP) (Kenya Tea Development Agency [KTDA], 2014). Kenya earned from tea Kshs.112 billion, representing 26% share of the total export earnings in 2012. Black tea in bulk constitutes to about 85% of tea exports and 15% in value added form. Value added tea earns more revenue than bulk tea to the producer and to the country and also helps to create employment, amongst other benefits. There is, therefore, a strong case for tea value addition. This will also contribute to the realization of Kenya's Vision 2030 economic pillar that supports value addition by processing, packaging and blending the bulk of agricultural products, hence value addition will contribute to the growth of the economy which is expected to grow at a rate of 10% per annum (ROK, 2013).

In the period starting in the year 2000, global tea production has outstripped demand by about 2.4% annually while it is expected to grow at 1.8% yearly in the next decade. Tea production data shows that in the period 2005 to 2010 world production of tea grew by 3.5% per annum while consumption grew at 3% per annum (WTO, 2010). Due to the obvious oversupply of tea in the market, average global auction prices have been declining in real terms. Based on the Food and Agriculture Organization (FAO) composite index, the price of tea has been gradually rising. However longer term analysis shows that, after taking inflation into consideration, the real tea prices dropped substantially in real terms to about half what the producers used to receive 5 decades ago (KTDA, 2014).

The situation has not been helped by management of costs of production as these have been escalating arising from high cost of labor, fertilizers, electricity, furnace

oil as well as high taxation. In addition globally, there have been new entrants into the market such as Vietnam, Nepal, Malawi and Rwanda while in Kenya there has been increased production due to expansion in tea planting and the promotion of high yielding varieties of tea plants. These developments have resulted in the collapse of tea industries in some countries such as South Africa and pose serious challenges to the future growth and direction of the tea industry in Kenya. As such in Kenya, like in Sri Lanka and India, the tea industry should re-evaluate itself and make a strategic shift in order to remain profitable and globally competitive. Sri Lanka and India, have already taken measures to address these challenges by enhancing the value of their exports through value addition, product diversification and aggressive promotion (Tea Board of Kenya [TBK], 2014).

1.1.1 Tea Export Value Addition

Value addition is a term frequently mentioned when discussing the future profitability of agriculture. In general, adding value is the process of changing or transforming a product from its original state to a more valuable state. Many raw commodities have intrinsic value in their original state. With the continuous shifting to a global economy, the international market for value-added products is growing. Market forces have led to greater opportunities for product differentiation and added value to raw commodities because of; increased consumer demands regarding health, nutrition, and convenience; efforts by food processors to improve their productivity and technological advances that enable producers to produce what consumers and processors desire (Biegon, 2009).

Product development is needed to achieve product diversity. De Silva (2006) observed that over a period of time, the Kenyan tea industry has made progress in expanding the value added tea products. At present, Kenya's value added tea exports include instant tea, tea bags, iced tea, flavored tea, green tea, and organic tea. Hot and cold water soluble instant tea, have become an important ingredient in the making of tea mixes. While catering to the needs of the conventional tea lovers, Kenya has to face the challenges in an increasingly competitive beverage market as

the variety of teas in the world is now increasing while consumption of unbranded tea is declining (Biegon, 2009).

Exporters have realized the difference between trading a commodity (black tea in bulk) and marketing a consumer product (value added tea in branded pack). Commodities are products that consumers cannot differentiate from one another as they all seem to serve the same need and deliver the same value. Consumer brands in contrast are differentiated with compelling characteristics that make it better than other offerings in the product category (De Silva, 2006). Kenyan tea will remain vulnerable to downward demand-led price pressure as long as it is treated as commodity. Kenya is conscious of the need to bring about vertical integration in its traditional tea exports and is now into converting a major portion of tea exports to consumer packs and other forms of value added exports, meeting the requirements of more sophisticated markets (De Silva, 2006).

Efficiency is an important factor of productivity growth as well as stability of production in developing agricultural economics. In view of slow growth and increasing instability in tea production in Kenya, the tea economy of Kenya is expected to be benefited to a great extent from the study on technical efficiency studies. Estimates on the extent of inefficiencies could help decide whether to improve efficiency or to develop new technology to raise tea productivity in Kenya. In an economy where resources are scarce and opportunities for a new technology are lacking, studies will be able to show the possibility of raising productivity by improving the industry's efficiency.

Tea exporters are faced with many threats and opportunities emanating from both local and global business environment. They experience high degree of competition from tea exporters from other advanced world tea producing countries such as Sri Lanka, India, China as well as local competition at Mombasa tea auction. In particular Sri Lanka traders are advanced in value addition with developed brands unlike the case for Kenya tea exporters who mainly deal in CTC teas whereas their competitors deal in many varieties such as CTC, orthodox, green tea and other advanced varieties in value added form (EPZA, 2005).

The exporters are faced with more challenges as a result of squeeze that resulted from the world recession which limited access to credit lines locally and for overseas buyers of tea, existence of trade barriers to countries like Sudan, and USA and UN sanctions on Iran which have succeeded in cutting the country from normal financial institutions. Tea consumers in the world are becoming increasingly health conscious with demands of evidence of good manufacturing practices by players in the tea industry (EPZA, 2005). The volatile exchange rates are impacting negatively on the consumer prices in consuming world. The government introduction of Ad Valorem levy which was gazetted in January 2012 will see Kenyan tea charged an additional one per cent of the customs value at the point of export and import thus making Kenyan tea uncompetitive (EATTA).

1.1.2 Tea Production in Kenya

Agriculture is the mainstay of the Kenyan economy directly contributing 24% of the Gross Domestic Product (GDP) annually, and another 27% indirectly (RoK, 2013). The sector accounts for 65% of Kenya's total exports and provides more than 70% of informal employment in the rural areas. Therefore, the agricultural sector is not only the driver of Kenya's economy but also the means of livelihood for the majority of Kenyan people.

According to Vision 2030 blue print, the agricultural sector is classified into six major sub-sectors, namely: industrial crops, food crops, horticulture, livestock, fisheries and forestry. Tea and coffee falls under the industrial crops. Kenya is the leading exporter of tea in the World, with its exports in 2010 reaching 441 million kilograms, and accounting for about 22% of the global tea export volumes (TBK, 2014). Tea is also the leading foreign exchange earner in the country accounting for 21% of the total export earnings (RoK, 2012). Tea also supports over 3 million people directly and indirectly and accounts for 4% of Gross National Product (GDP) (TBK, 2014).

Amongst the importing Countries that blends, packs and re-exports tea include U.A.E, UK, and Germany. According to the International Trade Center (2010),

Kenya records a 31% share of the value in US dollars of bulk tea exported, followed by Sri Lanka and India. Whereas in terms of non-bulk teas Sri Lanka, UK, India and the UAE top the list, but Kenya does not feature. Interestingly UK and UAE are not even producers and the UK is one of the largest buyers of Kenyan bulk tea.

Kenyan tea is predominantly sold in bulk after the initial primary tea processing. After tea is plucked from the farms in green form, it is taken through the primary processing. This process entails subjecting the green leaves to the withering process and thereafter the leaf is cut into small pieces, torn into small sizes and finally curled. The product is taken through oxidation process and then subjected to dryers to undergo the heating process. The final product is black CTC tea which is later graded into various sizes depending on grain sizes. This product is thereafter packed into packages of between 50-80 kilograms which is now sold as bulk tea. This entire process is the primary level of tea processing (KTDA, 2007). This study will focus on any other level of tea improvement which is referred to as value addition.

1.2 Statement of the Problem

Despite Kenya taking the tea export leadership position in the world in terms of volume, it takes a second position in earnings after Sri Lanka (ITC//WTO, 2010). In 2010, Kenya earned US$ 1.23 Billion from exports of 441 million kilograms of tea, while Sri Lanka earned US$ 1.37 Billion (or 10% higher) from export of 314 million kilograms (or 29% lower volumes) owing to higher prices for Sri Lanka exports. This means that the average tea export price realization by Sri Lanka in 2010 was higher at US$ 4.30 per kg compared to US$ 2.80 on average realized by Kenya, a difference of 35% in terms of value realization (ITC/WTO, 2010). According to the International Trade Center (2010), Kenya records a 31% share of the value in US dollars of bulk tea exported, followed by Sri Lank and India. Whereas in terms of non-bulk teas Sri Lanka, UK, India and the UAE top the list, but Kenya does not feature.

According to the Tea Board of Kenya (2014), the main reason for lower unit earnings from tea exports by Kenya is due to low export value attributed to selling

tea in bulk form. Compared to Kenya, where bulk tea exports are over 90% of the total, Sri Lanka's bulk exports are lower at about 52%. Kenya tea exported in bulk to various markets is mostly blended and packed in packages of less than 3kgs and either sold within importing countries or re-exported for consumption in other countries. Assuming Kenya adopted similar levels of tea value addition like Sri Lanka (48%), and fetched similar average price of US$ 4.30 per kg in tea export price in 2010, the country would have fetched Kshs 125 Billion in tea exports earnings, an addition of Kshs28 Billion. This unfortunate scenario could be a result of poor management practices being applied by Kenya tea players. A strategic management approach through market promotions, partnerships, product diversification, cost leadership and technological innovation is needed in the management of the entire Kenyan tea subsector which may be denying the country substantial amounts of revenue that is associated with value added tea exports (Kenya Tea Board, 2014).

Ngore, Mshenga, Owuor and Mutai (2011) determined the technological factors influencing decisions by meat agribusiness operators to add value to their products. Christine (2010) carried out a study on distribution strategies used by Chai Trading Limited to penetrate the Middle East markets in bulk tea exports. Muthenya (2008) studied cost management strategies used by KTDA to grow the Gulf Region Markets. Biegon (2009) studied market expansion challenges facing the Kenyan tea industry in exporting of value-added (branded) tea.

As a consequence, this study has considered the least investigated practices for export value addition through, market promotions, partnerships, product diversification, cost leadership and technological innovation. Value added tea earns more than bulk tea to the producer and to the country and also helps to create employment, amongst other benefits. There is, therefore, a strong case for tea value addition. This will also contribute to the realization of Kenya’s Vision 2030 economic pillar that supports value addition by processing, packaging and blending the bulk of agricultural products, hence value addition will contribute to the growth of the economy which is expected to grow at a rate of 10% per annum (ROK, 2013).

It is in this view that this study sought to establish the effects of strategic management practices on export value addition in tea subsector in Kenya.

1.3 Research Objectives

1.3.1 General Objective

To establish the effect of strategic management practices on export value addition in the tea subsector in Kenya.

1.3.2 Specific Objectives

1. To evaluate the effect of market promotion on export value addition in the tea subsector in Kenya
2. To establish the effect of business partnership on export value addition in the tea subsector in Kenya
3. To analyze the effect of product diversification on export value addition in the tea subsector in Kenya
4. To evaluate the effect of cost leadership on export value addition in the tea subsector in Kenya
5. To establish the effect of technological innovation on export value addition in the tea subsector in Kenya

1.4 Research Hypotheses

H_{01}: Market promotion has no significant effect on export value addition in the tea subsector in Kenya

H_{02}: Business partnerships has no significant effect on export value addition in the tea subsector in Kenya

H_{03}: Product diversification has no significant effect on export value addition in the tea subsector in Kenya

H_{04}: Cost leadership has no significant effect on export value addition in the tea subsector in Kenya

H_{05}: Technological innovation has no significant effect on export value addition in the tea subsector in Kenya

1.5 Significance of the Study

This study is of value to policymakers in the Kenyan tea subsector. It provides concrete information on value addition and how this may be approached in the Kenyan situation. Policy makers especially Ministry of Agriculture and Tea Board of Kenya can be able to use the findings of this study to examine critical issues surrounding value addition and to formulate appropriate and relevant policies to form a guiding framework for value addition of Kenyan tea. The government, through the findings of the study can appreciate the importance of partnerships in the tea sector in promoting export value which also help the country expand its processing and packaging capabilities. The management of the tea subsector can also benefit from the findings of the study as it comes in handy in identifying gaps that may need to be addressed in order to control strategies that reduce value addition.

Additionally, tea producers who are involved in production, processing and marketing of tea can also benefit from the findings to identify opportunities for up-scaling their activities, in the entire value chain. KTDA which particularly manages small scale farmers shall greatly benefit from the study as it would understand value addition strategies which can ultimately increase revenue to small scale tea farmers.

Tea exporters who have predominantly over the years relied on exports of bulk teas can be guided accordingly by the study to make a business shift to value added tea exports which can increase their tea income accordingly. Researchers can use the study as a reference point for further research on value addition of Kenyan tea. Kenya is among the leading exporters of tea in Africa, which generates significant revenues for the country, thus, carrying out a research on management practices on

export value addition in tea subsector in Kenya is an interest whose results can yield valuable implication to Kenya's tea subsectors amongst others.

1.6 Scope of the Study

This study was concerned with value addition in the Kenyan tea sector owing to the low levels of value added tea exports. Tea is the leading foreign exchange earner in Kenya, contributing to about four (4%) percent of the country's Gross Domestic Product (Central Bank of Kenya, 2008). Value added tea earns more revenue than bulk tea to the producer and to the country and also helps to create employment, amongst other benefits (TBK, 2014).The study was conducted in Kenya and used sampled respondents in the Kenyan tea subsectors drawn from tea factories, tea packers and tea exporters. The study focused on strategic management practices through; market promotions, partnerships, product diversification, cost leadership and technological innovation.

1.7 Limitation of the Study

Even though different efforts have been made, the researcher faced some challenges while doing this study. To begin with, the fact that the majority of the respondents' educational background is low created some negligence in filling the questionnaire. Some do not give values to the questionnaire and some others do not return it totally. Besides this, some others see the questionnaire politically even though orientations have been made.

Furthermore, since respondents have been in a tight work schedule, some were not as such willing to fill the questionnaires. The respondents were assured that the research was purely academic and their identity was not to be revealed. Lastly, since the respondents were scattered in different sites, some difficulties were faced in giving orientations, following up respondents and collecting responses. This was mitigated by use of emails and telephone calls to do follow-ups and submission of filled questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter discusses the theoretical review and the frameworks that explain the effect of strategic management practices and export value addition as well as the empirical studies that have been done on the area. A conceptual framework was also presented to provide an illustration of the relationship of the variables under study.

Strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. In other words, strategic management can be seen as a combination of strategy formulation, implementation and evaluation (David, 2007; Mohd, 2005). Based on the Management Theory it could be observed that the strategic management theories stem mainly from the systems perspective, contingency approach and information technology approach. In light of this background, following David (2007) and Mohd (2005), among the common strategic management theories noted and applicable are the profit-maximizing and competition-based theory, the resource-based theory, the survival-based theory, the human resource based theory, the agency theory and the contingency theory.

2.2 Theoretical Framework

This section contains review of theories relevant and which inform the theoretical background of the research subject matter. The theories reviewed are; strategic leadership, resource based theory, competitive advantage theory and cost leadership theory and value chain analysis theory. This study was guided by the value chain analysis theory.

This is because value chain analysis is a concept which, through the analysis, could demonstrate the strength and weaknesses of the company and alight to create transparency. The results could then be used for internal and external benchmarking.

2.2.1 Resource Based Theory

Penrose (1959) established resource based theory that argues firms possess resources which enable firms to achieve competitive advantage and lead to superior long term performance. Valuable and rare resources can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource limitation, transfer or substitution (Christine, 2010). Information system resources may take on many of the attributes of dynamic capabilities and may be useful to firms operating in rapidly changing environment. Information resources may not directly lead the firm to a position of superior sustained competitive advantage but they may be critical to the firm's long term competitiveness in unstable environments if they help it develop, add, integrate and release other key resources over time (Wade & Hulland, 2004).

Resources such as adequate finance and competent human resource are crucial for the effectiveness of market entry strategy management practices in a rapidly changing environment (Wade & Hulland, 2004). The dynamic capabilities which consist of the activities and mechanisms of managing resources in the creation of value which enables companies manage its activities for improvement in performance.

It is expected that an organization that has adequate resources would have more influence on the value addition of their products. This theory is also relevant to the study as it explains how resources at a firm's disposal are a critical factor to consider when implementing strategies on export value addition.

2.2.2 Cost Leadership Theory

This theory was developed in 1980 by Michael Porter. Cost leadership theory states that a firm can exploit its resource-capability combinations to effectively attain an efficiency-based competitive advantage that should be able to improve its financial performance compared to competitors by selling more units at the same margin, that is low price or by selling the same number of units at a greater margin that is parity price (Porter, 1980). In either case, it is logical to assume that a firm that attains a competitive advantage, whether in the form of greater benefits at the same cost or the same benefits at lower cost, will be able to improve its performance in ways that its competitors cannot (Wade & Hulland, 2004). Christine (2010) assert that competitive advantage and performance are terms that have been inter changeably used as they are based on the definition of Porter (1985), which asserts that competitive advantage and performance are more or less the same thing.

Porter (1990) identifies three generic strategies for gaining competitive advantage. These generic strategies are cost leadership, differentiation and focus. Value addition has therefore an implication to performance of any organization and further the theory supports the concept of the study as it argues cost leadership, through value addition will lead to superior firm's performance. This theory addresses the cost leadership strategy variable.

2.2.3 Disruptive Innovation Theory

Christensen's (2003) original theory focused on disruptive technologies. Over time, the same theory has been used to explain all kinds of disruptive innovations. The theory focused primarily on technological innovation and explored how new technologies came to surpass seemingly superior technologies in a market. Over time, Christensen widened the application of the term to include not only technologies but also products and business models. For example, Christensen and Raynor (2003) list disruptive innovations as such unrelated things as discount department stores; low-price, point-to-point airlines; cheap, mass-market products

such as power tools, copiers, and motorcycles; and online businesses such as bookselling, education, brokerage, and travel agents.

Christensen (2003) also asserts that disruptive technologies should be framed as marketing, and not a technological, challenge. Firms succeeding in disruptive innovations have a strong attitude in interpreting and addressing needs expressed by a market niche or a new market segment. Thus, the challenge that incumbent firms should overcome in developing and responding to disruptive innovations relates to the development of capabilities to forecast market trends and attitudes as well as "riding" new technological trajectories (Suzuki & Kodama, 2004).

Therefore, disruptive innovation has been used from the very beginning to discuss innovation dynamics taking place with the entry of new companies in established and developed markets (Chesbrough, 2002). One of the most convincing responses provided by researchers, albeit widely discussed and doubted (Danneels, 2004), is that these companies should promote the creation of spin-off enterprises in order to better serve and interpret emerging markets. The creation of a separate organization of a smaller dimension with large autonomy allows overcoming the problem of resource allocation that is too mainstream-customer oriented. Matching the initially small market size to the size of the investment potentially enables the new company to be profitable (Cefis & Marsili, 2006).

This theory is suitable for this study as it explores the firms' characteristics and technology capabilities responsible that facilitate for value addition as an innovation. It addresses the technological innovation and market promotion variables.

2.2.4 Value Chain Analysis Theory

The term value chain was originally introduced in Michael Porter's book "Competitive Advantage - Creating and Sustaining Superior Performance" (Porter 1985). The value chain analysis is based on Michael Porter's generic value chain model (Porter 1990), developed in 1985 and used to explore Porter's model of competitive advantages through differentiation or cost leadership strategy. Porter

always warns of the danger of being “stuck in the middle” (Porter 1990). Porter breaks companies’ value chains down into single activities. The method allows the firm to understand which parts of its operations create value and which do not (Cefis & Marsili, 2006). The aim is to cut the entire complicated supply chain of a company into smaller units. Ireland et al., (2009) state that the fundamental notion in the value chain analysis is that a product gains value as it passes through the vertical stream of production within the firm. When created value exceeds costs a profit is generated. The model was originally introduced for companies in the manufacturing industry which has a significant impact on service firms. The value chain is segmented into primary and support activities.

Primary activities are those involved with a product’s physical creation, sales and distribution, and after-sales service. In detail, this involves the product interrelations inbound logistic and operations and the market interrelations outbound logistic, marketing, sales and after-sales service (Ireland et al., 2009). Primary activities are always defined as value-added activities which are those that customers perceive as adding utility to the goods or services they purchase (Cefis & Marsili, 2006).).

Support activities provide the assistance necessary for primary activities. In detail, this involves the infrastructure interrelations firm's infrastructure and human resource management, technological interrelations (technology development) and procurement interrelations (procurement) (Ireland *et al.*,2009). Those activities are not part of the closer value chain they are included in every function of the value chain. Usually most companies do not produce all components by themselves and has, as incoming, a set of already-finished products. In this situation, the company is part of a larger supply chain and needs to consider linkages with external activities (Mowen & Hansen, 2011). Porter (1990) also identified the importance of chains or networks which lies outside and controlled by other companies (Armistead & Clark, 1993). The upstream-suppliers (preceding company) provide input to a company which adds value (own company), which then down streams the products to the next company (following company) (Normann & Ramirez, 1993).

The target of a well-planned and organized value chain is to maximize value creation while minimizing costs, where all activities of a company link efficiently together Ireland *et al.,* 2009). The result of adding together the total value and the cost of creating value is, according to Porter (1985), the margin. The total value is referred to as the price a customer is willing to pay. According to Johnson (2010), especially in service organizations, the organizational culture also has an impact on creating value, as culture includes the way people perform the service, which if it successfully enhances competitive advantages and is difficult for competitors to copy.

Accounting data is also essential for the value chain analysis. Therefore, cost accounting is an excellent approach to dedicating cost to single functions and operations (Muthenya, 2008). According to Johnson (2010), measuring the effects of a value chain is a fundamental service of cost accounting. This theory is relevant because value chain analysis is a concept which, through the analysis, could demonstrate the strength and weaknesses of the company and alight to create transparency. The results could then be used for internal and external benchmarking.

2.3 Conceptual Framework

According to Zikmund (2010), a concept is an abstract or general idea inferred or derived from specific instances. A conceptual framework is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation. Kothari, (2014) defines a conceptual framework as a hypothesized model identifying the model under study and the relationship between the dependent and independent variables. He defines an independent variable also known as the explanatory variable as the presumed cause of the changes of the dependent variable, while a dependent variable refers to the variable which the researcher wishes to explain. The goal of a conceptual framework is to categorize and describe concepts relevant to the study and map relationships among them. Such a framework would help researchers define the concept, map the research terrain or conceptual scope, systematize relations among concepts, and identify gaps in literature (Zikmund, 2010).

Figure 2.1 shows the diagrammatical representation of the relationship among variables under study drawn from the literature review. It depicts the effect of market promotions, strategic business partnership, product diversification, cost leadership and technological innovation as independent variables and value addition as the dependent variable.

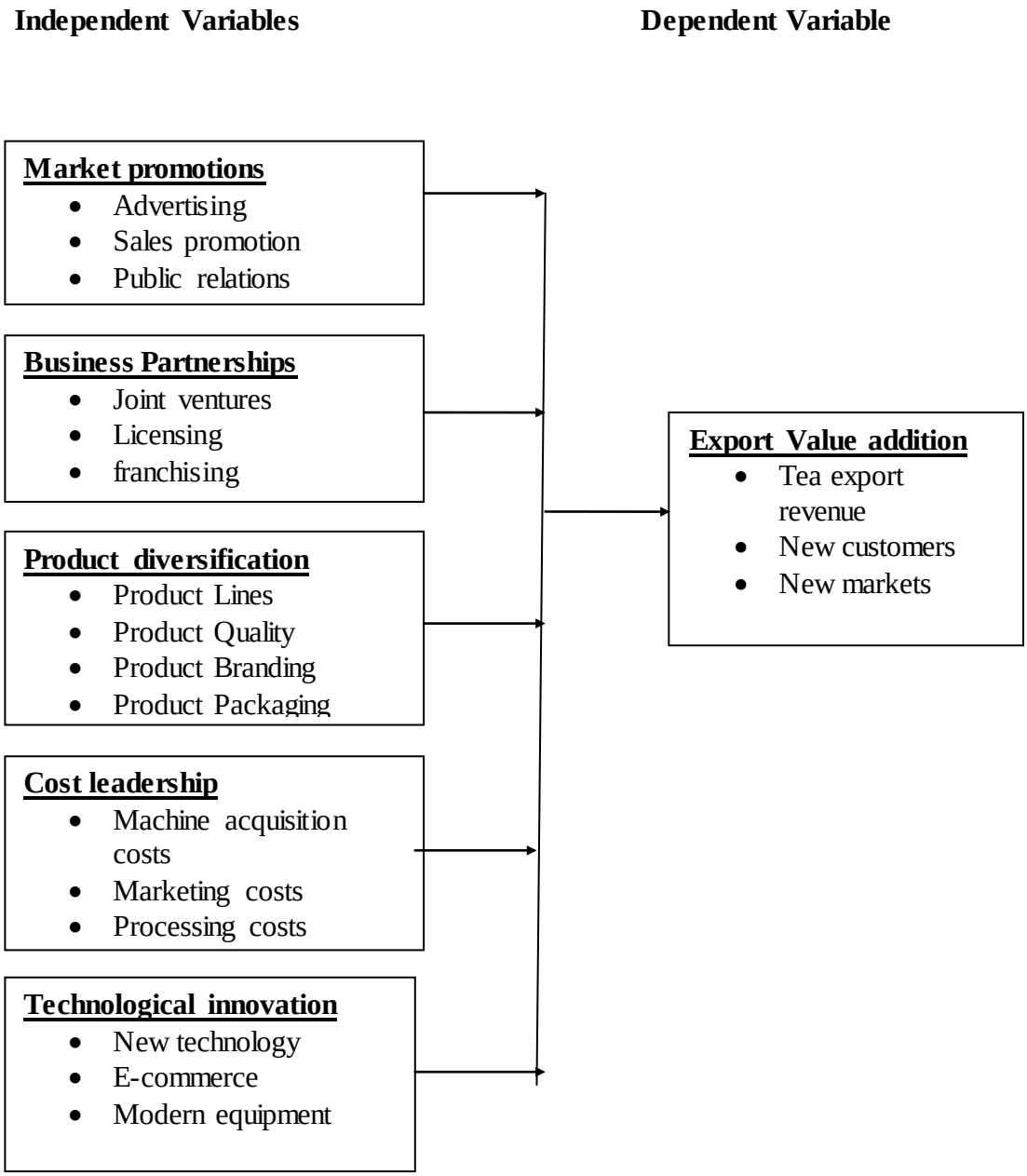

Figure 2.1: Conceptual Framework

2.4 Review of Literature on Variables

This section discusses the relationship among variables under study drawn from the literature review. It depicts the effect of market promotions, strategic business partnership, product diversification, cost leadership and technological innovation as independent variables and value addition as the dependent variable.

2.4.1 Market Promotion

Promotion and communication efforts in marketing strategy are directed at accomplishing brand awareness, brand loyalty and increase in market share. The increase in market share is characterized by effective advertising; secured channels of distribution, retail outlets and other forms of communication and other promotion variables. Marketing communication and promotion specialist in every organization are faced with the demanding issues of how to communicate and promote the organization's brand name to its clients or consumers (Tellis, 2004).

It is recommended that Kenya considers providing incentives like other competitors (especially Sri Lanka) do to the producers and packers of teas through duty free imports of flavors and packing equipment and materials and also placing all factories under the special economic zones. Currently, the tea industry is subject to more than 30 per cent in form of taxes, fee, levies, and charges. The tea industry will earn the country if the packers and traders are offered incentives to invest in equipment for value addition without having to pay expensive duty.

Some studies in the literature suggest a negative long-term impact of promotions on base sales (Foekens, Leeflang, & Wittink, 2009),others suggest the opposite effect due to the positive effects of state dependence and purchase reinforcement (Ailawadi, Gedenk, Lutzky & Neslin, 2007). Overall, it is not clear whether the positive effect of promotion dominates the negative effect on base sales, and a large-scale generalization seems necessary.

Brand-oriented advertising strengthens brand image, causes greater awareness, differentiates products and builds brand equity. Advertising may also signal product quality leading to an increase in brand equity (Kirmani & Wright, 2009).

Ngore, Mshenga, Owuor and Mutai (2011) describe and characterize the existing systems of value addition in rural Kenya by examining the socio-economic factors influencing decision by meat agribusiness operators to add value to their products. The study carried out a census of 120 butchery operators in Igembe North District. Data was collected with the help of a structured questionnaire. The study found that credit, management's level of education and age significantly influenced the decision to engage in value addition. The study therefore recommends policy interventions to enhance access to credit, reduce illiteracy levels among rural entrepreneurs through training and extension services.

Dave (2013) discusses the role of consumer-directed and physician-directed promotion in the pharmaceutical market. The results show that pharmaceutical promotion has both informative and persuasive elements. Consumer advertising is more effective at enlarging the market, educating consumers, inducing physician contact, expanding drug treatment, and promoting adherence among existing users. Physician advertising is primarily persuasive in nature, effectively increasing selective brand demand.

Sarah (2009) carried out a study whose objective was to find the best and appropriate promotion and communication strategies in terms of variables and mediums for Sinebrychoff a Ghanaian energy drink. The findings from the research showed that 61% of the respondents were motivated, by the presence of endorsers in promotion and communication advertisements. The findings also showed that, advertising, with the television and radio mediums, were the most effective and efficient. Other promotion variables included sales promotion, sponsorships and personal selling.

In the multi-period optimization framework considered by Bhattacharya and Vogt (2003), the firm simultaneously manages promotion to determine sales and to maximize profits over the life cycle. The dynamic profit maximizing strategy for a

firm is to initially employ a relatively high level of promotion and set a relatively low price to increase current demand by raising consumers' knowledge regarding the drug. The researchers also found that in subsequent periods, promotion can therefore be decreased to lower costs, and price can be raised to increase revenue.

2.4.2 Business Partnerships Strategy

The challenge for partnerships and joint venture coordinators is to identify, and nurture, such global contacts, which, it is emphasized, do not have to be international buyers (KTDA, 2014). They can be sizeable local buyers with extensive global connections. Even in small agricultural or artisanal partnerships and joint ventures, the integration of large buyers has proved beneficial. Dave (2013) has established relationships with local cooperatives to produce 'specialty coffee. Beamish and Inkpen (2005) found that multinational enterprises could benefit equally well from local market knowledge which their partners could provide. They also stated that the life cycles of many manufacturing subsidiaries are short because the MNE is unable to understand the knowledge of local culture, economy and politics.

Rothlauf and Dung Le (2008) give a case of Google the online search engine. Google entered a multiple partnership with universe online in Latin America, Web.de Germany, and Daum.net in Korea and Yam.com in China. These partnerships were built around licensing and marketing agreements. Under licensing contract, Google sells its search engine services to prominent portals that incorporate Google's search technology into their websites. Marketing agreements allow Google to provide portals with its paid search listings products from its huge base of advertisers thus spreading the business. From the above case it is therefore conclusive to establish that Google entered new markets through licensing, and marketing agreement where it fully established itself (WTO, 2010).

An illustration of the current alliance environment is provided by the strategic initiatives for international partnering pursued by air carriers. The trade source Airline Business indicates that by the spring of 1998 the total number of alliances in the industry had reached 500 (World Bank, 2009). The strategic logic is that a global

alliance, such as One World with American Airlines and British Airways at its core, can expand global coverage through the formation of alliances with other airlines serving different geographical regions, more effectively than could otherwise be achieved.

A successful example of overcoming barriers is the long-standing relationship between Corning, the US glass manufacturer, and Samsung, the South Korean electronics company. This relationship started with a single plant making television tubes in South Korea and has grown into a wide-ranging agreement covering much of East Asia (Cravens, Piercy & Cravens, 2009). Regardless of the initial motivation for creating a relationship, it is the strategic intent for the future that will eventually provide a basis from which to evaluate the performance of the relationship. For example, the intent of alliances of State owned and independent organizations in developing countries like China is, in part, to gain learning opportunities, such as partnering with Boeing in aircraft production. The nature of the objectives will drive the type of partners sought, the manner in which the relationship operates, and thus the type of evaluation metrics selected for evaluation (Cravens, Piercy & Cravens, 2009).

2.4.3 Product Diversification

Product diversification is the growth engine for markets in terms of market size, and consumer mix world over. Product diversification implies several product lines are developed for same markets and customers which ultimately increase revenues to the business (Charles, 2012). Christine (2010) carried out a study on strategies used by Chai Trading Limited to penetrate the Middle East markets. The results found out that the office was also to facilitate demand for Kenya's tea abroad and also as a window to venture into tea value addition with a view of sustaining and growing business to profitability. Her study further found that Chai Trading Limited was only exporting black tea and had not diversified into other tea variants.

Nyangito and Kimura (2009) carried out a study on challenges in the tea sector. The study found that the main challenge in the Kenyan tea sub- sector is that small scale

farmer's tea is mainly exported in semi-processed form to produce some of the well-known global tea brands. The research found that Kenya's tea plays a very important role in blending with other teas to improve their quality. Value addition of Kenyan tea exports is minimal. The key players in the world tea exports like United Kingdom and Germany are not tea producers themselves but generate up to fifty percent of Kenya tea export earnings through adding value. Thus, the limited value addition and high costs of production makes tea export from Kenya less competitive in world markets (Cravens, Piercy & Cravens, 2009).

Dickens (2013) investigated the effect of structural adjustment policies in Coffee production in Kenya with a case study in Nyeri and the strategies of the farmers after the coffee crisis. The researcher found out that coffee diversification, knowledge of the market and government intervention would help in linking the consumer and the producer. Baus and Pils (2009) stated that "Unless a new major crop is introduced in the area, efforts in diversification will most likely be at individual level, base based on quick diffusion of innovations. As a result of small-scale farmers' lack the resources and marketing expertise the vertical dimension of diversification will be dominated by established actors. Vertical diversification will gain more and more meaning in the post-coffee society.

Adamu, Zubairu, Ibrahim and Ibrahim (2011) determine the influence of diversification on the performance of some Nigerian construction firms. The findings reveal that undiversified firms outperform the highly diversified firms in terms of Return on Total Assets and Profit Margin. Similarly, the moderately diversified firms were found to outperform the highly diversified firms in terms of Return on Equity, Return on Total Assets and Profit Margin. However, no performance difference was found between the undiversified firms and the moderately diversified firms based on the three measures used. A nonlinear relationship was found between the extent of diversification and performance. It was concluded that diversification does not necessarily lead to an improvement in profitability. The implication is that firms are better-off remaining focused if the aim is to improve financial performance.

Escuer and Aleson (2005) discuss the impact of product diversification strategy on corporate performance of 103 large non-financial Spanish firms. The results indicate that the firms with the intermediate levels of product diversification have the highest performance while the firms with low and high levels of diversification show significantly lower performance.

A review by O' Dwyer, Gilmore and Carson (2009) examining innovative marketing in SMEs, reiterates previous authors in the literature who state that the primary components of innovative marketing are; uniqueness, newness and unconventionality. Taken together, these variables are the basis from which SMEs can formulate a unique proposition. This study also presents a conceptual model for innovative marketing in SMEs based on incessant supplemental adjustments to current activities and practices, which enables SMEs in niche markets to differentiate their product or service from the standardized offerings of larger firms. These practices extend across all elements of the supply chain process and provide rural abattoir butchers with opportunities to create a unique value proposition in the areas of sourcing, slaughtering, producing, preparing, marketing, distributing and selling fully traceable local quality artisan meat to hoteliers and restaurateurs.

Oyedijo (2012) analyzed the effects of product and market diversification strategy on corporate financial performance and growth in Nigeria. A significant difference was also found between the performance of firms that develop through related or unrelated diversification and the performance of firms that remained specialized, with firms that remained specialized performing better on all parameters and growing faster in sales than those that develop through related and unrelated diversification only. The study concludes that the financial performance and sales growth of firms in Nigeria are significantly affected by the mode of diversification used and recommends that Nigerian firms that are seeking a sustainable fast growth and superior performance should pursue a related product-market diversification strategy or a specialization strategy but not both.

Thilmany, Umberger and Ziehl (2005) conducted a study that used survey data from Colorado consumers, and factor and cluster analysis to determine market segments

for various (varied by production protocols and other meat attributes) natural beef products. Findings from the cluster analysis indicate that there are multiple segments of consumers who are likely to purchase natural beef, and that different segments are motivated by different factors.

2.4.4 Cost Leadership Strategy

In order for businesses to be competitive in the market place, every company aims at reducing its costs as a way of producing products that are price competitive. This is achieved through employing efficient processes in the entire value chain and thus reducing unit costs for all its products. This way the company becomes a cost leader in its line of business and therefore ability to grow in new markets. Some of the companies that have explored this practice in Kenya include KTDA in the Kenya tea subsector which has established modern tea processing facilities that have ultimately reduced production costs (KTDA, 2007).

Monitoring African Food and Agricultural policies (MAFAP) (2013) carried out a survey whose objective was to establish how to make Kenya's tea more inclusive. MAFAP analysis suggests that KTDA smallholders receive prices close to their international market equivalent. This indicates that the Kenya tea market is functioning efficiently, with no distortions from domestic policies. However, the prices smallholders receive may fail to reflect the high quality of, and international demand for, Kenyan tea. The research suggested that more efforts through pricing are needed to further develop and strengthen the Kenyan tea sector in the context of highly competitive international markets. Muthenya (2008) studied relationship between value exchange and firms profitability. This study utilized secondary data from the Nairobi Stock Exchange. The study concluded that there exists a strong relationship between costs and profitability and value addition for tea exporting companies in Kenya. The study revealed that profitability from companies that engaged in value addition is higher compared to those of companies that did not engage in value addition.

2.4.5 Technological Innovation

Technological Innovation is one of the key aspects of a learning organization that attempts to continuously align itself to economic development and continuously address the competitive environment in which it operates. This way the organization aims at coming up with new ideas backed with modern technological advancements. Many organizations in the world today have created centers of excellence whose main purpose is to collect new ideas both from the internal and external environment, while continuously focusing on its core business mandate (Charles, 2012). For example in Kenya, Equity Bank has a center of excellence headed by people with different skills and talents as think-tanks to drive change and growth in the bank. This has greatly helped the bank to grow in technology which is relevant and able to timely address the needs of its target customers. When technical innovation is given the weight it requires, it becomes the growth engine of a business and in most cases, it is able to be aligned with the Enterprise Resource Planning (ERP) of that business (East African (2009). Therefore, it is assumed that successful innovation depends upon the ability to provide added value through a relevant customer experience. The customer experience represents all of the outcomes necessary for customers to 'feel' the desired effects of innovation. In a mass market, the total market is segmented into similar groups of customers and their relevant experiences (Osterwalder & Pigneur, 2010).

Baten, Kamil and Haque (2010) investigated the productive efficiency of the tea industry using a stochastic frontier approach. Their study attempts to measure the status of technical efficiency of tea-producing industry for panel data in Bangladesh using the stochastic frontier production function, incorporating technical inefficiency effect model. The study estimates that the average technical efficiency of tea producing industries in Bangladesh is 59%. The results indicated that there is a great potential exists for tea industry to further increase the value added by forty one using the available input, technology and efficiency improvement, thereby reducing the cost of production. The study identifies that the mean efficiency of tea industries for value added vary among the regions and year-wise mean efficiency seems to be

unstable during the study period and therefore, continued efforts to update technologies and equipment are required in pursuit of efficiency in tea industry.

While value creation is the ultimate goal of the firm, sustainable value creation requires that value is created for everyone involved: the customer, the service provider, the supplier, all the stakeholders. In the frameworks under consideration, all imply that service innovations require all stakeholders to gain over the long-term for the interrelationships to be sustainable. However, the customer tends to be the initial focal point for driving value, (Johnson, 2010).

According to Kleindl (2002) many industries have the geographic distribution of work changing significantly. For instance, service providers such as utility companies or banking or investment companies have their bill payment centers located far from some people, as a result firms have found that they can overcome this challenge and make their services accessible to users through technology. Mobile phones for instance have been the best source of technology where customers can transact without having to be physically present in the service companies. Furthermore, such arrangements can take advantage of the time differencesso that critical projects can be worked on nearly around the clock. Technology provides the opportunity to fasten service provision to customers which has helped in avoiding people joining large queues just to pay for their utilities or to get other services. For instance, Kenya Revenue Authority initiative of the online PIN (personal identification number) registration assisted in registering so many people who never had their personal identification numbers just because they “feared” the long queues in the KRA towers (Kleindl, 2002).

Githii, Kimani and Kagira (2012) examined the strategies to curb challenges facing small holder tea sector in Kenya. The researchers provided some solutions to the challenges, borrowing from some supply chain management practices to culminate into competitive strategies. Various strategies to enhance competitiveness in this sector were outlined and among these strategies are: supplier and customer relationships, value addition, information technology and flexibility in internal operations/processes.

2.4.6 Export Value Addition

Value-addition is simply the act of adding value to a product, whether you have grown the initial product or not. It involves taking any product from one level to the next level (Ministry of Agriculture, 2007). As such, every business world over attempts to increase the value of its products by focusing on anything that might improve the product outlook in design or form, with the ultimate goal of making it more attractive to its customers and therefore, generating more revenue (Kotler, 2012). While value creation is the ultimate goal of the firm, sustainable value creation requires that value is created for everyone involved: the customer, the service provider, the supplier, all the stakeholders.

One motivation for increasing the exports of such products is an example of the United States which captures the economic benefits of the added processing. Not all value-added products create more economic activity than bulk products. Additional production of grain, a bulk product, will create more economic activity than a similar increase in value-added meat production. Value-added exports are subject to economic laws and political diversions (Fleming, 2005).

A coffee grower can even add more value by opening the farm to visitors who can tour the farm and learn about the whole process of growing, harvesting, pulping, drying, milling, grading, roasting, packaging and ultimately, tasting coffee (Stehrer & Stollinger, 2013). The amount of value to be added to a farm product is limited only by imagination. Continuing with coffee as an example, a grower could produce or market coffee in a fundamentally different way. While organic production is the most obvious method of differentiating a product, many can be effective (Stehrer, & Stollinger, 2013).

According to Central Bank of Kenya (2008), Kenya can capture more value in the tea supply chain by diversifying into value-added production. Value added tea is tea exported as small packets and bags; and also herbal tea, flavored tea and green tea instead of black tea. The Country also needs to promote more the origin of teas from a particular region and then marketing the teas with a clear indication of their origin.

In the Kenyan tea subsector, Tea Board of Kenya recently launched the Mark of Origin for the promotion of the exporting of value added Tea. Tecee (2010) observes that gaining, maintaining or improving competitive advantage requires a firm's activities, resources and systems to be arranged to either reduce overall cost or add most value for least cost. Whether a firm chooses to configure its value chain to reduce overall cost or add most value at least cost, depends on the competitive strategy the firm is pursuing cost based or differentiation based. Most importantly, value activities should be assigned to categories that best represent their contribution to a firm's competitive advantage. The key tools of value addition that generate competitive advantage arise from careful analysis of value chain activities through cost advantage and differentiation (Pride & Ferrel, 2012).

2.5 Empirical Review

Johnson (2010) focused on effects of marketing strategies on the performance of insurance companies in Kenya. His research found that sales promotion strategy, increases firms' sales and profitability. Grankvist, Kollberg and Person (2004) investigated promotion strategies for banking services. The researcher found that the external factor influencing the choice of promotion strategies are technological orientation of the industry, cultural aspects, competitiveness of the market and economic factors. Christine (2010) carried out a study on strategies used by Chai Trading Limited to promote and penetrate the Middle East markets. The research design was a case study. An in-depth understanding of the global tea markets was required. Primary data was used in this study and was collected through interviews with senior managers at Chai Trading Limited. The interviews which consisted of open ended questions were guided by an interview guide. The study found that Chai Trading Limited has opened an office in Dubai. The office was also to facilitate demand for Kenya's tea abroad and also as a window to venture into tea value addition with a view of sustaining and growing business to profitability.

Biegon (2009) did a study on challenges facing the Kenyan tea industry in exporting of value-added (Branded) tea. The broad objective of the study was to establish the challenges facing the Kenyan tea industry in exporting of value-added (branded) tea.

The target population of the study comprised of 12 tea producers, 136 tea packers, and selected key informants from the Ministries of Agriculture and Trade & Industry, Export promotion council and Tea board of Kenya. To enhance effectiveness of this study in the light of a population of 136 tea packers and 12 tea producers, the researcher used a sample size of 30 % of the population of tea packers and a census for the tea producers, which led to a sample of 52 respondents drawn from both categories proportionately.

The findings of the study established that the challenges facing the Kenyan tea industry in exporting of value-added tea (Branded) arise due to lack of domestic support either from the government, relevant agencies/institutions, or from the players within the tea industry itself; restrictions to market access; stringent Sanitary and Phyto-sanitary measures and the standards set by importers of tea on the basis of climatic conditions of the source country; unexpected changes in prices in the world tea markets; and terms-of-trade losses. This study focused on challenges facing the Kenyan tea industry in exporting of value added (branded) tea while the current study focuses on the effect of strategic management practices on export value addition in all firms in the tea sub sector. The above study focused on tea packers and tea producers while the current study focused on tea packers, tea producers and tea exporters.

Caldas, Colombia, Nespresso (2008) asserts that even in small agricultural or artisanal partnerships and joint ventures, the integration of large buyers has proved beneficial. They further established relationships with local cooperatives to produce ‘specialty coffee (Anderson, Hansson, Schwaag-Serger, & Sorvik, 2004). Beamish and Inkpen (2005) found that multinational enterprises could benefit equally well from local market knowledge which their partners could provide. They also stated that the life cycles of many manufacturing subsidiaries are short because the MNE is unable to understand the knowledge of local culture, economy and politics.

Adamu, Zubairu, Ibrahim and Ibrahim (2011) determine the influence of diversification on the performance of some Nigerian construction firms. The findings reveal that undiversified firms outperform the highly diversified firms in terms of

Return on Total Assets and Profit Margin. Similarly, the moderately diversified firms were found to outperform the highly diversified firms in terms of Return on Equity, Return on Total Assets and Profit Margin. However, no performance difference was found between the undiversified firms and the moderately diversified firms based on the three measures used. A nonlinear relationship was found between the extent of diversification and performance. It was concluded that diversification does not necessarily lead to an improvement in profitability. The implication is that firms are better-off remaining focused if the aim is to improve financial performance.

Nyangito and Kimura (2009) carried out a study on challenges in the tea sector. The study found that the main challenge in the Kenyan tea sub- sector is that small scale farmer's tea is mainly exported in semi-processed form to produce some of the well-known global tea brands. The research found that Kenya's tea plays a very important role in blending with other teas to improve their quality. Value addition of Kenyan tea exports is minimal. The key players in the world tea exports like United Kingdom and Germany are not tea producers themselves but generate up to fifty percent of Kenya tea export earnings through adding value. Thus, the limited value addition and high costs of production makes tea export from Kenya less competitive in world markets (Chan *et al.*, 2010).

De Silva and Herath (2011) investigated cost leadership as a source of competitive advantage in Sri Lanka Tea industry. It was found that some tea subsectors in the country is adopting a different strategy compared with the other firms in the study. In one of the tea company in Sri Lanka, the CEO recognizes his company as a marketing organization more than an exporter of value added tea. The firm is managed by a team in Sri Lanka, while the chairman is coordinating the business from Canada. They are very strongly established in the North American market. Their business is considered to be in the category of beverage industry rather than tea. Therefore, they concentrate on the marketing aspects of value added tea and have moved out of manufacturing. The company has taken a strategic decision not to run factories, as the company perceives it is not viable in Sri Lanka.

Hence manufacturing has been outsourced to Akbar Brothers. From the CEO, the results show that there is no value addition in manufacturing.

Furseth and Cuthbertson (2013) provide a new framework for technological innovation based on an extensive literature review, semi-structured interviews with some of the best known thinkers and practitioners in the field of innovation, as well as supported through case study analysis, in order to identify the components of technological innovation and their interrelationships, especially with respect to creating value through the innovative management of business models, service systems and the resulting customer experiences. The result of this research is the technological innovation triangle, a simple but rich model, consisting of nine integrated elements in three layers. The technological innovation triangle can be used by firms to explore innovation opportunities for themselves, customers, and suppliers, as well as providing a foundation for future research in the area of technological innovation.

Muthenya (2008) did a study on the relationship between tea value addition and profitability of exporting companies in the Kenyan tea industry. Company profitability, liquidity and shareholder's wealth are affected by how the managers allocate the available resources they have been entrusted with. The study used data covering a five year period from 2001 to 2005 derived from the Nairobi Stock Exchange (NSE) and end of year published financial reports for those companies which were not listed. Returns on equity and asset were determined by net income divided by average equity and average total assets respectively. Security returns were determined using the market model on monthly basis. The study revealed that profitability from companies that engaged in value addition is higher compared to those of companies that did not engage in value addition. The study concluded that there exists a strong relationship between value addition and profitability for tea exporting companies in Kenya. The above study focused on the effect of value addition on profitability for tea exporting companies while the current study will focus on effect of strategic management strategy on export value addition in tea sub sector.

2.6 Critique of Existing Literature

Christine (2010) carried out a study on strategies used by Chai Trading Limited to promote and penetrate the Middle East markets. The research design was a case study. An in-depth understanding of the global tea markets was required. Primary data was used in the study and was collected through interviews with senior managers at Chai Trading Limited. The study revealed that the various challenges encountered include stiff competition from established players, business restrictions in some markets such as Iran, thin margins in the industry, foreign exchange fluctuations leading to forex loses and volatile political environments in some countries in the region. The study focused on strategies used by Chai Trading Limited to penetrate Middle East market. However the study focused only on one firm, Chai Trading limited, and failed to link failed to review practices used by similar firms in the same market. The study further failed to link the importance of value addition in market penetration.

Ariyawadana (2003) in an intensive study on value added tea producers in Sri Lanka examines the sources of competitive advantage and studies how it would relate to the performance of the tea growers. His study provides a deep understanding of this issue from the management point of view but fails to appraise the study from the cost leadership point of view as postulated by Michael Porter. Several studies have focused on target costing in the manufacturing industry.

Biegon (2009) did a study on challenges facing the Kenyan tea industry in exporting of value-added (Branded) tea. The broad objective of the study was to establish the challenges facing the Kenyan tea industry in exporting of value-added (branded) tea. The target population of the study comprised of 12 tea producers, 136 tea packers, and selected key informants from the Ministries of Agriculture and Trade & Industry, Export promotion council and Tea board of Kenya. To enhance effectiveness of this study in the light of a population of 136 tea packers and 12 tea producers, the researcher used a sample size of 30 % of the population of tea packers and a census for the tea producers, which led to a sample of 52 respondents drawn

from both categories proportionately. Biegon's study did not focus on strategic steps required to boost tea value addition.

De Silva and Herath (2011) investigate cost leadership as a source of competitive advantage in Sri Lanka Tea industry. It was found that some tea subsectors in the country is adopting a different strategy compared with the other firms in the study. Their business is considered to be in the category of beverage industry rather than tea. The study concentrated on the marketing aspects of value added tea and have moved out of manufacturing and failed to consider the entire value chain drivers. It further focused on general market expansion and failed to link benefits of cost leadership to value addition.

2.7 Research Gaps

According to the Tea Board of Kenya (2014), the main reason for lower unit earnings from tea exports by Kenya is due to low export value attributed to selling tea in bulk form. A strategic management approach through market promotions, partnerships, product diversification, cost leadership and technological innovation is needed in the management of the entire Kenyan tea subsector which may be denying the country substantial amounts of revenue that is associated with value added tea exports (Kenya Tea Board, 2014). Studies related to value addition have used domains of technological factors, distribution, cost management, market expansion and branding and have failed to consider management practice domains that boast value addition. Further according to World Bank (2010) most studies in this area have been done in other countries like United States of America and Britain focusing on the contribution of value addition to their economies and very little of such studies has not been done in Kenya.

2.8 Summary

From the literature review, there is sufficient literature that better explains the significance of market promotion, partnerships, product diversification, cost leadership and technological innovation on value addition of firms. Few empirical

studies identified in this chapter exist that support this study. For instance, Rothlauf and Dung Le (2008) who give a case of Google established that Google entered new markets through partnerships where it fully established itself. Escuer and Aleson (2005) found that product diversification strategy positively impacts corporate performance.

Oyedijo (2012) who analyzed the effects of product and market diversification strategy on corporate performance and growth concluded that the financial performance and sales growth of firms in Nigeria are significantly affected by the mode of diversification used. Lastly, Baten, Kamil and Haque (2010) study was of significance to the study as the researchers found that the mean efficiency of tea industries for value added vary among the regions and year-wise mean efficiency seems to be unstable during the study period and therefore, continued efforts to update technologies and equipment are required in pursuit of efficiency in tea industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses research methods and parameters that were used in the study. They include research design, target population, Sampling methods, sample size, instruments of data collection, data collection procedure and data analysis and presentation.

3.2 Research Design

Research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 2012). According to Sekaran and Bougie, (2010), the function of a research design is to provide for the collection of relevant evidence with minimal expenditure of effort, time and money. According to Zikmund, (2010), a descriptive research design includes a process of collecting data in order to answer questions concerning the current status of the subjects under study and that it uses a preplanned design for analysis. This study adopted descriptive survey design. Results into the collection of both quantitative and qualitative data appropriate to test the independent variables; market promotion, partnerships, product diversification, cost leadership and technological innovation on tea value addition.

According to Yang (2008) descriptive survey focuses on the research design and is concerned with addressing the particular characteristics of a specific population of subjects, either at a fixed point in time or at varying times for comparative purposes. As such they do not share the emphasis in analytic designs upon control but they do share a concern to secure a representative sample of the relevant population. This is to ensure that any subsequent assessments of the attributes of that population are accurate and the findings are generalizable in other words, they have population validity (John & Johnson, 2002).

The study used mixed methods both qualitative and quantitative. The purpose of this form of research is that both qualitative and quantitative research, in combination provides a better understanding of a research problem or issue than either research approach alone. According to Sekaran and Bougie (2009) a researcher should use more than one design to enhance the study, hence these two designs were used to achieve the optimal results as recommended by Saunders, Lewis and Thornhill (2009).

3.3 Target Population

Target population consists of all members of a real or hypothetical set of people, events or objects from which a researcher wishes to generalize the results of their research while accessible population consists of all the individuals who realistically could be included in the sample (Borg & Gall, 2007). The target population comprised of all entities in the tea subsector. The study purposely concentrated on only tea subsector because it was expected the players would have the relevant and accurate information needed in this study. This study therefore comprised of 107 tea factories, 75 tea packers and 72 tea exporters from which the target and accessible population was drawn. Target and accessible population comprised of management and supervisory employees in tea subsector in Kenya. Strategic management issues are mostly handled by top managers of organizations. Strategy is initiated and led by top management and hence they appreciate the influence of strategic initiatives in a company more than the ordinary workers. This study therefore handpicked top management and middle management employees from the firms given that they are more informed about strategic issues and have strategic responsibilities in the organization.

Table 3.1: Target Population

Category	Target Population
Tea Factories	107
Tea Packers	75
Tea Exporters	72
Total	**254**

Source; Tea Board of Kenya (2014)

3.4 Sampling Frame

A sampling frame is the list of elements from which the sample may be drawn (Zikmund, 2010). Zikmund also calls it a working population because it provides the list that can be worked with operationally. The sampling frame for this study consisted ofa list of tea factories, tea exporters and tea packers in Kenya as shown in Appendix III, IV and V.

3.5 Sample and Sampling Technique

Sampling refers to the process of obtaining information about an entire population by examining only a part of it (Kothari, 2012). The study used a systematic random sampling technique to come up with 50% of the target firms (127 firms). According to Mugenda and Mugenda (2003) a sample of 10% of the accessible population is considered as adequate sample. From the 127 firms the study chose two respondents, each drawn at random from top management and middle level management. The list of respondents from each category was provided from the human resource departments of each firm. The total sample size was 256.

Table 3.2: Sample Size

Category	Tea Factories	Tea Packers	Tea Exporters	Sample size
Senior Management	54	38	36	128
Middle Management	54	38	36	128
Total	**108**	**76**	**72**	**256**

Source; Tea Board of Kenya (2014)

3.6 Data Collection Instruments

Primary data was used for data collection specifically a questionnaire.

3.6.1 Questionnaire

Mugenda and Mugenda, (2003) defines data collection as a means by which information is obtained from the selected subjects of investigation. The study largely relied on primary data. The primary data was collected using questionnaires which comprised of both open and closed ended questions. The use of structured questionnaire ensures consistency of questions and answers from the respondents. A questionnaire is more preferred by respondents due to anonymity. Kothari, (2014) defines a questionnaire as a document that consists of a number a number of questions printed in a definite order on a form or a set of forms. According to Krishnaswamy, Sivakumar and Mathirajan (2006), a questionnaire is good because, a standardized and impersonal formats of a questionnaire have uniformity and help in getting data objectively, information on facts, attitudes, motivation and knowledge can be obtained easily. The study used a questionnaire with different set of questions for the respondent to answer.

A five anchor Likert scale questions was used. A Likert scale is an interval scale that specifically anchors of strongly disagree, disagree, neutral, agree and strongly agree. Likert scale measures the level of agreement or disagreement. These are normally good in measuring perception, attitude, values and behavior (Bell, 2005).

3.7 Data Collection Procedure

The researcher used self- introduction letters to gain entry into the sample organizations. The 256 questionnaires were sent to the respondents under a forwarding letter accompanied by an introduction letter from the University. The researcher ensured follow ups are made and the fully completed questionnaires picked from the respondents later by use of a research assistants.

3.8 Pilot Test Study

Pilot study has been described by various authors as an exercise that ensures that errors are restricted at a very little cost. A pilot study was conducted in order to establish the validity and reliability of the questionnaire. The subjects participating in the pilot study were not included in the final study to avoid survey fatigue and response bias. Thirteen questionnaires were piloted by issuing to the management employees from tea exporters, tea packers and tea producers and these were not included in the final study sample.

3.8.1 Validity

According to Mugenda and Mugenda (2003), validity is the accuracy and meaningfulness of inferences, which are based on the research results. In other words validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. Validity exists if the data measure what they are supposed to measure. In order to test and enhance the validity of the questionnaire, the researcher randomly selected five managers from either the tea exporters to discuss and improve the contents of the questionnaire. This aims at assessing the content and construct validity of the questionnaire. The comments from the five managers were reviewed and incorporated to enhance the validity of the questionnaire.

3.8.2 Reliability

Reliability is the consistency of a set of measurement items (Cronbach, 1951). Reliability is the consistency of measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. A measure is considered reliable if a person's score on the same test given twice is similar. Sekaran and Borgie (2010) states that the size of a sample to be used for piloting testing varies depending on time, costs and practicality, but the same would tend to be 5- 10 per cent of the main survey. According to Cooper and Schindler (2013) the respondents in a pilot test do not have to be statistically selected when testing the validity and reliability of the instruments.

In this study, data collection instrument which is a questionnaire was tested on 5% of the sample of the questionnaires to ensure that it is relevant and effective. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013). Thirteen questionnaires were piloted by issuing to the management employees from the tea packers, tea exporters and tea producers who were not included in the final study sample. The thirteen questionnaires were then coded and responses input into SPSS which were used to generate the reliability coefficient. The researcher used the most common internal consistency measure known as Cronbach's Alpha (α) generated by SPSS. The recommended value of 0.7 was used as a cut–off of reliability for this study.

3.9 Data Analysis and Presentation

After obtaining the data through questionnaires, it was prepared in readiness for analysis using statistical package for social sciences (SPSS) computer software version 20. The statistics to be generated are frequencies, descriptive and inferential statistics. Microsoft excel was used to complement SPSS especially in production of figures and tables.

Once the strength of the predictors was determined, the variables that determined the model best were used in the step by step method to run the regression to determine

the predictors that best predict the dependent variable. Pearson's product moment correlation (r) was derived to show the nature and strength of the relationship. Coefficient of determination (R^2) was used to measure the amount of variation in the dependent variable explained by the independent variable.

Factor analysis was used to establish the appropriateness of the questionnaire constructs. Specifically factor loadings were used to establish the weights of the various statements on extracted factors. Before the factor analysis was conducted, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was conducted to determine whether adequate correlation exists between the individual items contained within each of the sections of the questionnaire. A KMO statistic, an associated Bartlett's p-value and an Anti-image correlation statistic are determined when using this test.

Before regression analysis, the researcher conducted diagnostic tests as recommended by Conver 1999, Malhotra and Dash, (2011) and Njuguna (2013) to assess for the model's underlying statistical assumptions. To check for normality, the study used skewness and kurtosis statistic to check the distribution of the variables and as recommended by Myoung (2008), the researcher used the rule of thumb that a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0.

Multiple linear regression model was used to test the significance of the influence of the predictor variables on the dependent variable. In linear regression, the model specification is that the dependent variable is a linear combination of the parameters. The regression model is most appropriate for the study as there are several independent study variables which are known and predict the dependent variable. This regression model is more appropriate as it is also used to understand which among the independent variables are related to the dependent variable, and the model explores the forms of these relationships. Additionally, the model is chosen given the fact that the dependent variable cannot go outside a certain range of values. Pawaskar (2009) used this model when testing the hypothesis of diversification and performance improvement in Malaysia firms. Valipour *etal.* (2012) also applied the

regression model in their study of the effects of cost leadership strategy and product differentiation strategy on the performance of firms in India. Nyangito and Kimura (2009) also adopted a linear regression model for the Provision of Agricultural services in a Liberalized Economy using Kenya as the case study.

$$Y = \beta_0+\beta_1X_1+\beta_2X_2+\beta_3X_3+ \beta_4X_4+\beta_5X_5+ e$$

Where:

Y = Export Value Addition

X_1= Market Promotion Strategies

X_2 = Business Partnership Strategies

X_3 = Product Diversification Strategies

X_4 = Cost Leadership Strategies

X_5=Technological Innovation Strategies

e =Error term which captures the unexplained variations in the model.

The descriptive analysis of the data was presented using means where a mean score of between 1 and 2 represented disagreement, while a mean score of 3 indicated neutral responses and a mean score of between 4 and 5 represented agreed responses. In addition the significance level of the independent variables was also tested using Fischer distribution test also called F-test. The significance of the overall model was determined from a 5 percent confidence level. The p-value for the F-statistic was applied in determining the robustness of the model. The conclusion was based on the basis of p value where if the null hypothesis of the beta is rejected then the overall model was significant and if null hypothesis accepted the overall model was insignificant. In other words if the p-value is less than 0.05 then it was concluded that the model is significant and has good predictors of the dependent variable and that the results are not based on chance.

If the p-value is greater than 0.05 then the model was not significant and cannot be used to explain the variations in the dependent variable.

3.10 Measurement of Variables

Table 3.3 presents the measurement of variables and its parameters which clearly predict export value addition.

Table 3.3: Export Value Measurement

Variable	Nature	Indicator	Measure
Export Value Addition	Dependent	• Tea export revenue • New customers • New markets	Interval scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree
Market Promotion	Independent	• Advertising • Sales promotion • Public relations	Ordinal scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree
Partnership Strategies	Independent	• Joint ventures • Licensing • franchising	Ordinal scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree
Product Diversification	Independent	• Product Lines • Product Quality • Product Branding	Ordinal scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree
Cost leadership	Independent	• Machine acquisition costs • Marketing costs • Processing costs	Ordinal scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree
Technological Innovation	Independent	• New technology • E-commerce • Modern equipment	Ordinal scale 1=Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter represents the empirical findings and results of the application of variables using techniques mentioned in chapter three of the methodology. Data analysis was in line with specific objectives where patterns were investigated, interpreted and implications drawn on them. The general objective of this research was to determine to establish the effect of strategic management practices on export value addition in tea subsector in Kenya. In an attempt to address the specific objectives of the study, this chapter provides a detailed description of descriptive and inferential statistics and research findings and discussions, clearly outlining how each of the hypothesis as stated in chapter three was tested.

4.2 Response Rate

Out of the 256 questionnaires administered, 192 were filled and returned. This represented 75% of response. According to Mugenda and Mugenda (2003), a 50% response rate is considered to be adequate, 60% to be good, while a 70% and above rate is considered to be very good. Therefore, a 75% response rate from this study is considered to be very good and satisfactory. The high response rate can be attributed to an overwhelming willingness of respondents to participate in the research. The response rate per classification is presented in Table 4.1.

Table 4.1: Response Rate

Company classification	Response	Percentage (%)
Tea Factory	92	36
Tea exporter	39	15
Tea packer	43	17
Tea factory, Tea packer, Tea exporter.	10	4
Tea packer, Tea Exporter.	8	3
Total	192	75

4.3 Results of Reliability Tests

4.3.1 Reliability Test

Reliability is a measure of the degree to which a research instrument yields consistent result or data after repeated trials (Mugenda and Mugenda, 2003). Reliability in research is influenced by random error. As random error increases, reliability increases. Random error is the deviation from a true measurement due to factors that have not effectively been addressed by the researcher. According to Zikmund (2010), errors may arise from inaccurate coding, ambiguous instructions/questions to the subjects, interviewers fatigue, interviewee fatigue, interviewer's bias. There are three types of random errors that arise at the time of data collection. These are: error due to the inaccuracy of the instrument; error due to the inaccuracy of scoring by the researcher and unexplained error. These three types of errors combine to produce inconsistencies in the measurement, which ultimately affect the reliability of the data collected (Mugenda & Mugenda, 2003).

Reliability was tested using Cronbach's coefficient Alpha. Cronbach's Alpha measures how well a set of items or variables, measure a single uni-dimensional latent construct that is a coefficient of reliability or consistency. Reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more

reliable is the test. A threshold of a Cronbach Alpha of 0.7 and above is acceptable (Cronbach, 1951). Cronbach Alpha was used to test the reliability of the proposed constructs. The findings indicated that, market promotions had a coefficient of 0.8562, strategic partnership had a coefficient of 0.8558, product diversification had a coefficient of 0.8168, cost leadership had a coefficient of 0.8164, technological innovations had a coefficient of 0.8687 and value addition had a coefficient of 0.8398. All constructs depicted that the value of Cronbach's Alpha were greater or equal to 0.7000 and thus, the study constructs were reliable.

Table 4.2: Reliability Test

Section	No. of Cases	No. of items	Cronbach's Alpha	Comments
Market Promotions	13	8	0.8562	Reliable
Strategic Partnerships	13	4	0.8558	Reliable
Product Diversification	13	6	0.8168	Reliable
Cost Leadership	13	5	0.8164	Reliable
Technological Innovation	13	6	0.8687	Reliable
Value Addition	13	7	0.8398	Reliable

Source, Author (2015)

4.4 Sampling Adequacy

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests, two main tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.3 showed that the KMO statistic was 0.827 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 6596.329 with 1485 degrees of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.3. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.3: KMO and Bartlett's Test

Indicator	Coefficient
Kaiser-Meyer-Olkin Measure	0.651
Bartlett's Chi- Square	6596.329
Bartlett's df	1485
Bartlett's Sig.	0.000

Source, Author (2015)

4.5 Demographic Characteristics

The section gives the general analysis on the demographic data gotten from the respondents which included;- company classification, gender of respondent, age of the respondent, education of the respondent and management level.

4.5.1 Company Classification

The respondents were asked to classify the nature of their company in terms of what they deal with. Figure 4.1 indicates that 7.9% of the respondents indicated that their company is a tea factory, 22.4% of the respondents indicated that their company is a tea packer, 20.3% of the respondents indicated tea exporter, 5.2% tea factory, tea exporter and tea packer and finally 4.2% of the respondent indicated tea factory and tea exporter. The findings of the study implies that majority of the respondents were from tea factories.

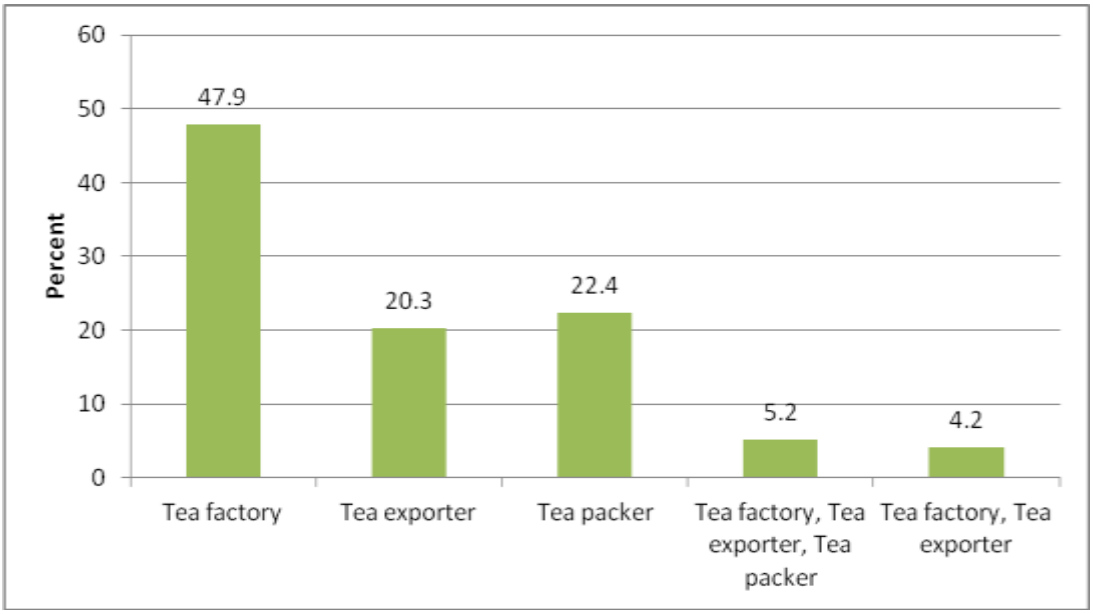

Figure 4.1 Company Classification

4.5.2 Gender of the Respondents

The respondents were asked to indicate their gender. Results were presented in Figure 4.2. Majority (80%) of the respondents was male and 20% were female. This implies that the tea sub sector in Kenya is dominated by male at the middle and senior level management. This therefore means the Kenyan tea subsector has therefore not embraced the gender rule as entrenched in the Kenyan constitution. According to Ellis et al. (2007), in spite of women being major actors in Kenya's economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 0.74 : 0.26.

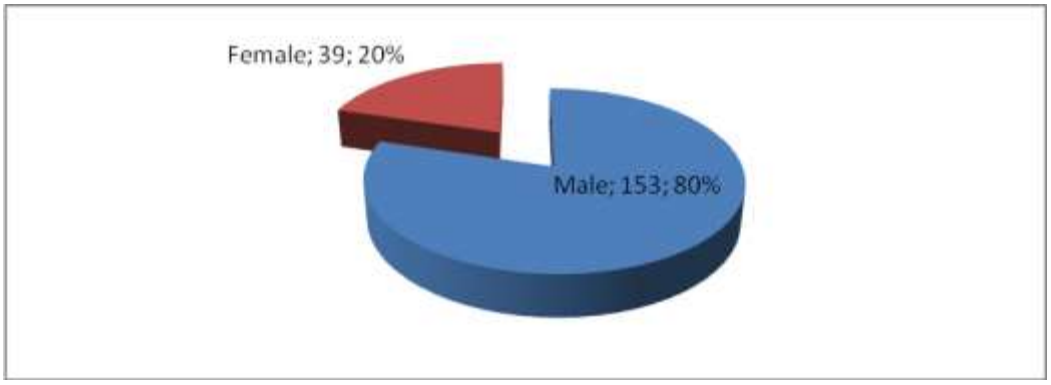

Figure 4.2: Gender of Respondents

Source, Author (2015)

4.5.3 Age of the Respondents

The respondents were asked to indicate their age brackets. Results in Figure 4.3 revealed that 40% of the respondents were aged between 41 to 50 years,42% of the respondent were aged 31 to 40 , 9% were aged above 50 and 9% and were less than 30 years. The finding of the study implies that the industry is dominated by young people. This implies that the tea sub sector in Kenya is managed by a youthful workforce with over 90% being below 50 years.

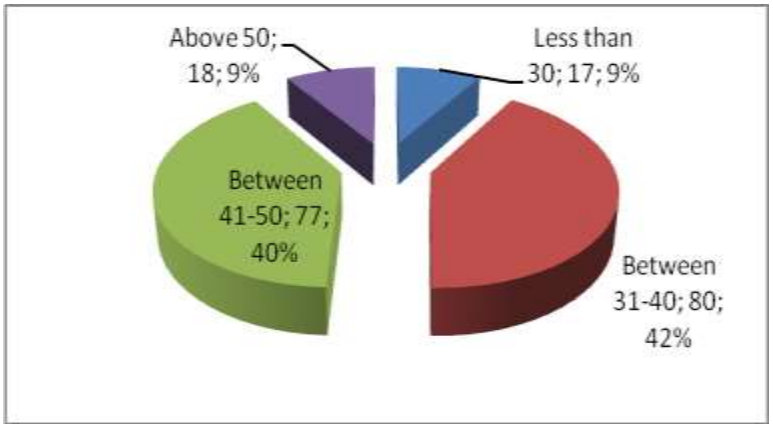

Figure 4.3: Age of Respondents

Source, Author (2015)

4.5.4 Years worked in Firm

The study sought to find out the years the respondents had worked in the organization. Table 4.4 shows that 54.2% of the respondents indicated they had worked for the organization for more than 15 while 20.8% indicated 6 to 10 years 14.1% of the respondent indicated 11-15 years and 10.9% indicated less than 5 years. The findings imply that the respondents had worked long enough in the firms and hence had knowledge about the issues that the researcher was looking for.

Table 4.4: Years worked in Firm

Years worked	Frequency	Percent
Less than 5	21	10.9
6-10 years	40	20.8
11-15 years	27	14.1
More than 15 years	104	54.2
Total	192	100

Source, Author (2015)

4.5.5 Position of the Respondents

The respondents were asked to indicate their positions at the organization. Results on figure 4.4 indicate that 53% of the respondents were senior management while 47% were at middle management level. The findings imply that the respondents were both in the middle and senior levels hence advantage to the researcher because both technically and practically issues were handled accurately.

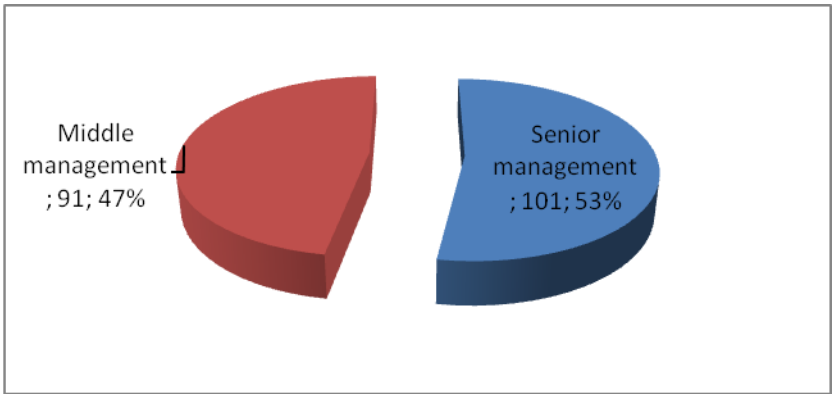

Figure 4.4: Gender of Respondents

Source, Author (2015)

4.5.6 Level of Education

The respondents were asked to indicate their highest level of education. The findings in Figure 4.5 illustrates that 81.3% of the respondents had attained university level, while 18.8% of the respondents had attained college level. The findings imply that most of the respondents had high level of education which could have contributed to accurate responses. The high level of education of respondent indicates that many employees in the industry sector had attained university level of education hence more knowledge on strategic management practices in the organizations.

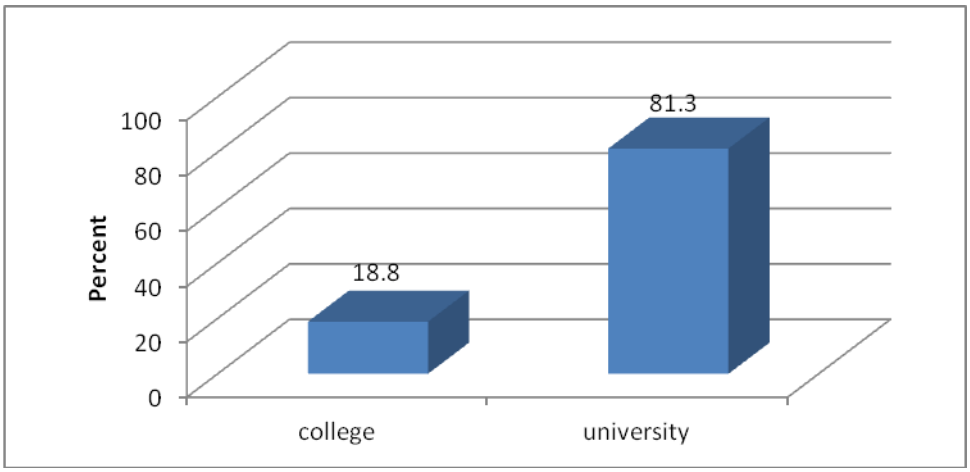

Figure 4.5: Level of Education

Source: Author (2015)

4.5.7 Strategic Plans

The responded were asked to indicate if their organization has any strategic plans, 96% of the respondents indicated that their organization do have strategic plans while 8%of the respondent indicated no. The finding implies that the firms had strategic plans.

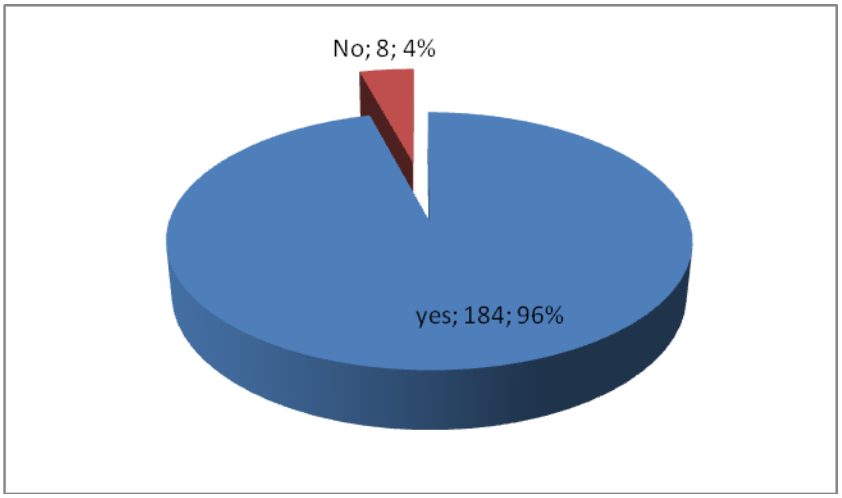

Figure 4.6: Strategic Plans

Source: Author (2015)

4.6 Market Promotion and Export Value Addition

4.6.1 Factor Analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 8 statements on market promotion can be factored into 1 factor. The total variance explained by the extracted factor is 82.563% as shown in Table 4.5.

Table 4.5: Market Promotion and Export Value Addition

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.605	82.563	82.563	6.605	82.563	82.563
2	0.398	4.973	87.536			
3	0.273	3.411	90.947			
4	0.255	3.187	94.134			
5	0.176	2.195	96.329			
6	0.121	1.515	97.843			
7	0.096	1.197	99.04			
8	0.077	0.96	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.6 shows the factor loadings for market promotion statements. All the eight factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions

Table 4.6: Market promotion Factor Analysis Component Matrix

Statement	**Component Matrix**
Our company creates awareness in the export market	0.885
Our company sets advertising budget	0.892
We have an advertising agent in every export market	0.915
Our products are visible in most cities in our export markets	0.928
We do demonstration in our export market outlets	0.924
We follow our products all the way to retail export outlets for merchandising	0.924
We have sales people in our export markets	0.895
We work closely with government agencies in our export markets	0.905

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.6.2 Descriptive Results

i) Export Sales Promotion

The respondents were asked to indicate whether their companies carry export sales promotion. The findings in Figure 4.7 illustrate that 31% of the respondents indicated they do carry out export sales, while 69% of the respondents indicated no they don't carry out export sales promotion. The study findings imply that the organizations had not put in place correct marketing strategies that would enable and enhance creating export added value to tea. This also implies that the firms thus do not enhance their competitive advantage.

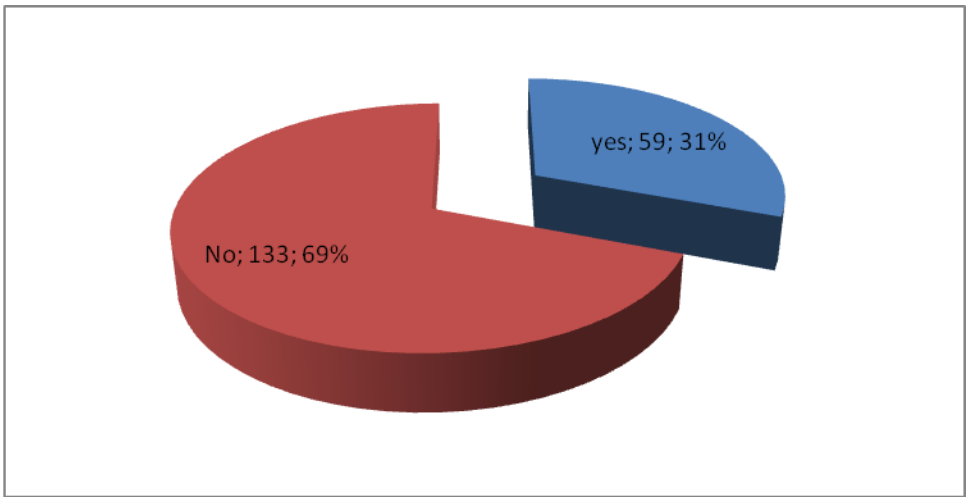

Figure 4.7: Export Sales Promotion

Source: Author (2015)

ii) Promotion Mixes

The respondents were asked to indicate the promotion mixes their organization use. Result in Table 4.7 indicated that 17.7% indicated Sales promotion, 15.1% indicated none 11.5% indicated public relations,10.9% indicated advertising, personal selling, sales promotion, public relations, 10.4% indicated personal selling public relations, 9.4% indicated adverting, 6.3% indicated personal selling, 5.2% indicated advertising, sales promotion and public relations, 4.7% indicated advertising and

sales promotion,2.1% indicated auctions, 2.1% indicated personal selling, sales promotion and public relations, 1.6% indicated personal selling, sales promotion, exhibitions and trade fairs,1% indicated sales promotion and public relations, another 1% indicated adverting and public relations and finally 1% indicated sales promotion and trade exp. This result implies that the organizations are involved in different promotion mixes although in a fairly small scalehence an advantage to reaching out to new markets and expanding their market share.

The study findings agree with those Tellis (2004) who asserts that the increase in market share is characterized by effective advertising; secured channels of distribution, retail outlets and other forms of communication and other promotion variables. Marketing communication and promotion specialist in every organization are faced with the demanding issues of how to communicate and promote the organization's brand name to its clients or consumers.

Table 4.7: Promotion Mixes

Statement	Frequency	Percent
Advertising	18	9.4
Personal selling	12	6.3
Sales promotion	34	17.7
Public relations	22	11.5
Advertising, Personal selling, sales promotion, PR	21	10.9
personal selling, PR	20	10.4
personal selling, sales promotion, exhibitions, trade fairs	3	1.6
sale promotion, PR	2	1
None	29	15.1
advertising, sales promotion, PR	10	5.2
Auction	4	2.1
advertising, sales promotion	9	4.7
advertising, PR	2	1
personal selling, sales promotion, PR	4	2.1
sales promotion, trade expo	2	1
Total	**192**	**100**

Source: Author (2015)

iii) Effect of Market Promotion on Export Value Addition

The first objective of the study was to evaluate the effect of market promotion on export value addition in tea subsector in Kenya. Table 4.8 illustrates that 53.6% of the respondents disagreed that their companies create awareness in the export market, 38% disagreed that their companies sets advertising budget for export value addition and 59.4% disagreed that they have an advertising agent in every export market. In addition 47.4% of the respondents disagreed the products are visible in most cities in our export markets, 43.7% disagreed that they do demonstration in export market outlets, 60.9% of the respondents disagreed that they follow their products all the way to retail export outlets for merchandising, 55.2% of the respondent disagreed that they have sales people in their export markets and finally 50%of the respondent disagreed that they work closely with government agencies in their export markets The mean score for responses for this section was 2.6 which indicates that majority of the respondents disagreed that their organizations had put in place marketing promotion strategy that would boost exports of value added teas. The findings imply that the Kenyan tea subsector is still lagging behind in venturing into marketing and promotion strategies to enhance export value addition of tea. The findings recommend that the Kenyan tea subsector should realign their strategies to ensure they create and add value to tea exports and further put in place an aggressive promotional strategy to market these value added teas in export markets.

The study findings are in support of some studies in the literature which suggest a negative long-term impact of promotions on base sales (Foekens, Leeflang, & Wittink, 2009), others suggest the opposite effect due to the positive effects of state dependence and purchase reinforcement (Ailawadi,Gedenk, Lutzky & Neslin, 2007). Overall, it is not clear whether the positive effect of promotion dominates the negative effect on base sales, and a large-scale generalization seems necessary. Brand-oriented advertising strengthens brand image, causes greater awareness, differentiates products and builds brand equity. Advertising may also signal product quality leading to an increase in brand equity (Kirmani & Wright, 2009).

The study findings disagree with those of Sarah (2009) who carried out a study whose objective was to find the best and appropriate promotion and communication strategies in terms of variables and mediums for Sinebrychoff a Ghanaian energy drink. The findings from the research showed that 61% of the respondents were motivated, by the presence of endorsers in promotion and communication advertisements. The findings also showed that, advertising, with the television and radio mediums, were the most effective and efficient. Other promotion variables included sales promotion, sponsorships and personal selling.

Table 4.8: Market Promotion on Export Value Addition

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
Our company creates awareness in the export market	7.8%	45.8%	6.8%	26.6%	13.0%	2.91
Our company sets advertising budget	17.2%	20.8%	25.0%	33.3%	3.6%	2.85
We have an advertising agent in every export market	31.8%	27.6%	20.8%	17.2%	2.6%	2.31
Our products are visible in most cities in our export markets	24.0%	23.4%	24.0%	24.5%	4.2%	2.61
We do demonstration in our export market outlets	23.4%	20.3%	28.6%	19.8%	7.8%	2.68
We follow our products all the way to retail export outlets for merchandising	32.3%	28.6%	22.4%	15.6%	1.0%	2.24
We have sales people in our export markets	22.9%	32.3%	26.6%	13.0%	5.2%	2.45
We work closely with government agencies in our export markets	12.5%	37.5%	22.9%	17.7%	9.4%	2.74
Average	21.5%	29.5%	22.1%	21.0%	5.9%	2.60

Source: Author (2015)

4.6.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in Table 4.9 shows that market promotion had a skewness coefficient of -0.168 and its kurtosis coefficient being -0.295. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.9: Market Promotion Normality Test

Market Promotion	Statistic	Std. Error
Skewness	0.016	0.175
Kurtosis	-1.014	0.349

Source: Author (2015)

4.6.4 Relationship between Marketing Promotion and Export Value Addition

Table 4.10 shows the correlation results which indicate that there was a positive and significant relationship between marketing promotion and export value addition. This reveals that any positive change in marketing promotion led to increased added tea export value. The relationship has been illustrated by the correlation co-efficient of 0.602, implying a positive relationship between marketing promotion and export value addition in tea sector in Kenya. This was also evidenced by the p value of 0.000 which is less than that of critical value (0.05). The study Findings are in support of Bhattacharya and Vogt (2003) who in the multi-period optimization

framework considered the firm simultaneously manages promotion to determine sales and to maximize profits over the life cycle. The dynamic profit maximizing strategy for a firm is to initially employ a relatively high level of promotion and set a relatively low price to increase current demand by raising consumers' knowledge regarding the drug. The researchers also found that in subsequent periods, promotion can therefore be decreased to lower costs, and price can be raised to increase revenue.

Table 4.10: Relationship between Marketing Promotion and Export Value Addition

Variable		Export Value Addition	Marketing Promotion
Export Value Addition	Pearson Correlation	1	
	Sig. (2-tailed)		
Marketing Promotion	Pearson Correlation	0.602	1
	Sig. (2-tailed)	0.000	

Source: Author (2015)

Regression analysis was conducted to empirically determine whether market promotion was a significant determinant of export value addition in tea subsector in Kenya. The coefficient of determination $R^2$and correlation coefficient (r) shows that the degree of association between the independent variable and market promotion. The results of the linear regression indicate R^2= .0363 and R= .602 as shown in Table 4.11. This is an indication that there is a significant relationship between independent variable market promotion and the dependent export value addition.

From the model summary Table 4.11 adjusted R^2 was 0.359 this indicates that market promotion explain 35.9% of variations in export value addition. Therefore further research should be conducted to investigate these other factors that affect export value addition in tea subsector in Kenya.

Table 4.11: Model Summary Marketing Promotion

Indicator	Coefficient
R	0.602
R Square	0.363
Adjusted R Square	0.359
Std. Error of the Estimate	0.40575

Source: Author (2015)

The overall model significance was presented in table 4.12 An F statistic of 108.159 indicated that the overall model was significant as it was less than the critical F value of 108.157 with (1, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that marketing promotion was statistically significant in explaining export value addition.

Table 4.12: ANOVA for Marketing Promotion

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	17.807	1	17.807	108.159	0.000
Residual	31.281	190	0.165		
Total	49.088	191			

Source: Author (2015)

The market promotion coefficients are presented in Table 4.13. The results show that market promotion contributes significantly to the model since the p-value for the constant and gradient is less than 0.05. The fitted equation is as shown below

$$Y= 3.24+ 0.339X_2$$

This confirms the positive effect of market promotion on export value addition. The study findings corroborate with those of Sarah (2009) who carried out a study whose objective was to find the best and appropriate promotion and communication

strategies in terms of variables and mediums for Sinebrychoff a Ghanaian energy drink. The findings from the research showed that 61% of the respondents were motivated, by the presence of endorsers in promotion and communication advertisements. The findings also showed that, advertising, with the television and radio mediums, were the most effective and efficient. Other promotion variables included sales promotion, sponsorships and personal selling.

Table 4.13: Coefficients of marketing Promotion

Variable	Beta	Std. Error	t	Sig.
Constant	3.24	0.093	34.806	0.000
Marketing Promotion	0.339	0.033	10.4	0.000

Source: Author (2015)

4.7 Strategic Partnership

4.7.1 Factor analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 4 statements on market strategic business partnerships can be factored into 1 factor. The total variance explained by the extracted factor is 90.71% as shown in Table 4.14.

Table 4.14: Strategic Partnership and Export Value Addition

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.628	90.71	90.71	3.628	90.71	90.71
2	0.19	4.742	95.452			
3	0.131	3.274	98.726			
4	0.051	1.274	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.15 shows the factor loadings for strategic partnership statements. All the four factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions

Table 4.15: Market promotion Factor Analysis Component Matrix

Statement	**Component Matrix**
We have partnered with major wholesale distributors in export markets	0.925
We have partnered with most retail stores in export markets	0.966
We have licensees of our products in many markets	0.947
Franchising of our products is done in most export markets	0.972

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.7.2 Descriptive Results

i) Business Partnership

The study sought to investigate if the companies had any business partners in export markets. Result in Figure 4.8 indicates that 37% of the companies had partners in export markets while 63% of the respondent indicated that they did not have any partners in the export market. The study findings imply that the firms were slow on embracing and venturing into business partnership.

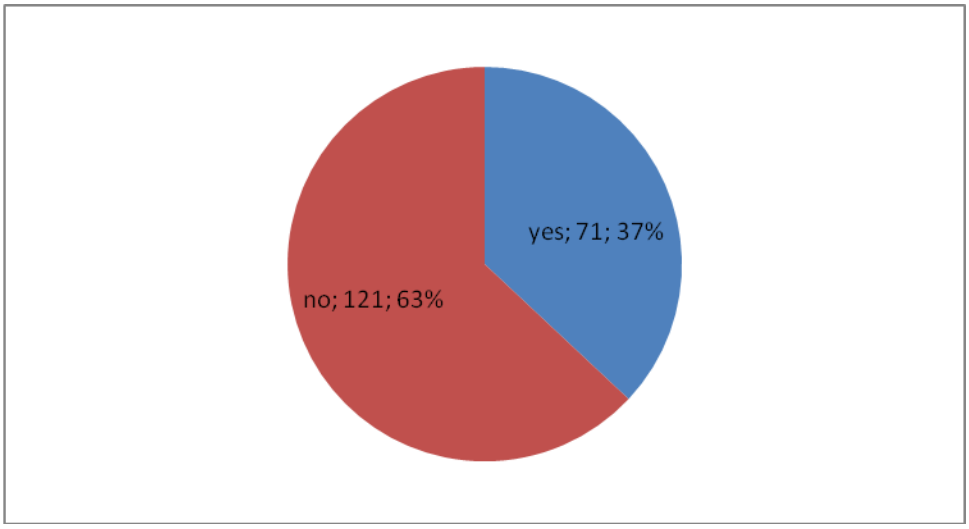

Figure 4.8: Business Partnership

Source: Author (2015)

ii) Business Partnership Practices

The respondents were asked to indicate whether they practice business partnerships in the export markets. Result in Table 4.16 indicates that 35%had none 19% practiced export marketing, 12% practiced joint ventures, 11.5%practised franchising, 4.7%practise private sale offer, 3.6% practiced joint venture and export processing, 3.6% practice agency, 2.1% joint ventures, export licensing, franchising, 1.6% Export licensing & Committed buyers through the Auction, 1% Export licensing & Committed buyers through the Auction and 1% are involved in export,

franchising. The findings imply that only few organizations in the Kenyan tea subsector were practicing business partnerships in export marketing.

Table 4.16: Practice of Business Partnerships in Export Market

Business Practice	Frequency	Percent
Joint ventures	24	12.5
Export licensing	38	19.8
Franchising	22	11.5
None	69	35.9
Export licensing & Committed buyers through the Auction	3	1.6
Agency	7	3.6
private sale offer	9	4.7
Buyers	2	1
joint, franchising	4	2.1
joint venture, export processing	7	3.6
joint ventures, export licensing, franchising	4	2.1
export, franchising	2	1
Distributors	1	0.5
Total	192	100

Source: Author (2015)

iii) Effect of Business Partnerships on Export Value Addition

The second objective of the study was to establish the effect of business partnership on export value addition in tea subsector in Kenya. Results in Table 4.17 indicate that 54.7% of the respondents disagreed that they have partnered with major wholesale distributors in export markets, 61.4% disagreed that they have partnered with most retail stores in export markets and 55.2% disagreed that they have licensees of their products in many markets. In addition, 62% of the respondents disagreed that franchising of their products is done in most export markets.

From the study findings it is clear that over 70% of the respondents indicated that their companies do not use strategic partnerships in tea export markets to promote

tea value addition. This therefore means that the Kenyan tea subsector lacks strategic partners in tea export markets to help them promote sale of value added teas. With lack of strategic partners in export markets who understand those markets well in terms of wholesaling, retailing and distribution, sale of value added teas in those markets will continue being a big challenge. The Kenyan tea sub sector therefore needs to adapt a strategic partnership approach if it is to boost tea value addition in export markets.

The study findings are inconsistent with those of Rothlauf and Dung Le (2008) who give a case of Google the online search engine. Google entered a multiple partnership with universe online in Latin America, Web.de Germany, and Daum.net in Korea and Yam.com in China. These partnerships were built around licensing and marketing agreements. Under licensing contract, Google sells its search engine services to prominent portals that incorporate Google's search technology into their websites. Marketing agreements allow Google to provide portals with its paid search listings products from its huge base of advertisers thus spreading the business. From the above case it is therefore conclusive to establish that Google entered new markets through licensing, and marketing agreement where it fully established itself (WTO, 2010).

Table 4.17: Business Partnership on Export Value addition

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
We have partnered with major wholesale distributors in export markets	28.1%	26.6%	21.9%	17.2%	6.2%	2.47
We have partnered with most retail stores in export markets	30.7%	30.7%	28.6%	9.4%	0.5%	2.18
We have licensees of our products in many markets	33.3%	21.9%	15.6%	22.9%	6.2%	2.47
Franchising of our products is done in most export markets	34.4%	27.6%	25.5%	11.5%	1.0%	2.17
Average	31.6%	26.7%	22.9%	15.3%	3.5%	2.32

Source: Author (2015)

4.7.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in table 4.18 Shows that product had a skewness coefficient of 0.258 and its kurtosis coefficient being 0.175. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.18: Strategic Business partnership and Normality Test

Market Promotion	Statistic	Std. Error
Skewness	0.258	0.175
Kurtosis	-1.113	0.349

Source: Author (2015)

4.7.4 Relationship between Strategic partnership and Export Value Addition

Table 4.19 shows the correlation results which indicate that there was a positive and significant relationship between strategic business partnerships and export value addition. This reveals that any positive change in strategic business partnerships led to increased added tea export value. The relationship has been illustrated by the correlation co-efficient of 0.709, implying a positive relationship between strategic business partnerships and export value addition in tea sector in Kenya. This was evidenced by the p value of 0.000 which is less than that of critical value (0.05).

The study findings are in agreement with those of Caldas, Colombia and Nespresso (2008) who asserted that even in small agricultural or artisanal partnerships and joint ventures, the integration of large buyers has proved beneficial. They further established relationships with local cooperatives to produce 'specialty coffee (Anderson, Hansson, Schwaag-Serger, & Sorvik, 2004). The study findings are further in support of Beamish and Inkpen (2005) who found that multinational enterprises could benefit equally well from local market knowledge which their partners could provide. They also stated that the life cycles of many manufacturing subsidiaries are short because the MNE is unable to understand the knowledge of local culture, economy and politics.

Table 4.19: Relationship between Strategic partnership and Export Value Addition

Variable		Export Value Addition	Strategic Partnership
Export Value Addition	Pearson Correlation	1	
	Sig. (2-tailed)		
Strategic Partnership	Pearson Correlation	0.709	1
	Sig. (2-tailed)	0.000	

Source: Author (2015)

Regression analysis was conducted to empirically determine whether strategic business partnership was a significant determinant of export value addition in tea subsector in Kenya. The coefficient of determination $R^2$and correlation coefficient (r) shows the degree of association between the independent variable strategic business partnership and dependent variable export value addition. The results of the linear regression indicate R^2= 0.503 and R= 0.709 as shown in Table 4.20. This is an indication that there is a significant relationship between independent variable; and the dependent variable.

From the model summary Table 4.20 adjusted $R^2$was 0.500 this indicates that strategic business partnership explains 50% of variations in export value addition. Therefore further research should be conducted to investigate these other factors that affect export value addition.

Table 4.20: Model Summary Strategic Business Partnership

Indicator	Coefficient
R	0.709
R Square	0.503
Adjusted R Square	0.500
Std. Error of the Estimate	0.35849

Source: Author (2015)

The overall model significance was presented in Table 4.21. An F statistic of 191.956 indicated that the overall model was significant as it was less than the critical F value of 191.956 with (1, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that strategic business partnership was statistically significant in explaining export value addition.

Table 4.21: ANOVA for Strategic Business Partnership

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	24.67	1	24.67	191.956	0.000
Residual	24.418	190	0.129		
Total	49.088	191			

Source: Author (2015)

The strategic business partnership coefficients are presented in Table 4.22. The results show that strategic business partnership contributes significantly to the model since the p-value for the constant and gradient is less than 0.05.

The fitted equation is as shown below

$$Y= 3.339+ 0.353X_2$$

This confirms the positive effect of strategic business partnership on export value addition. The study findings are in agreement with those of Caldas, Colombia, Nespresso (2008) who asserted that even in small agricultural or artisanal partnerships and joint ventures, the integration of large buyers has proved beneficial. They further established relationships with local cooperatives to produce 'specialty coffee (Anderson, Hansson, Schwaag-Serger, &Sorvik, 2004). The study findings are further in support of Beamish and Inkpen (2005) who found that multinational enterprises could benefit equally well from local market knowledge which their partners could provide. They also stated that the life cycles of many manufacturing subsidiaries are short because the MNE is unable to understand the knowledge of local culture, economy and politics.

Table 4.22: Coefficients of Strategic Business Partnership

Variable	Beta	Std. Error	t	Sig.
Constant	3.339	0.065	51.692	0.000
Strategic Partnership	0.353	0.025	13.855	0.000

Source: Author (2015)

4.8 Product Diversification

4.8.1 Factor Analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor.

Total Variance analysis indicates that the 4 statements on market promotion can be factored into 1 factor. The total variance explained by the extracted factor is 82.445% as shown in Table 4.23

Table 4.23: Product Diversification and Export Value Addition

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.947	82.445	82.445	4.947	82.445	82.445
2	0.493	8.222	90.667			
3	0.239	3.984	94.651			
4	0.139	2.318	96.969			
5	0.1	1.674	98.643			
6	0.081	1.357	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.24 shows the factor loadings for product diversification statements. All the six factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions

Table 4.24: Product Diversification and Export Value Addition

Statement	Component Matrix
We have different tea brands in export markets	0.898
Our packaging standards meet international standards for export markets	0.941
We have different packet sizes for export markets	0.906
We have a quality assurance department	0.912
We have different tea qualities for export markets	0.921
Our tea quality meets the international standards for export markets	0.869

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.8.2 Descriptive Results

i) Type of Teas

The respondent were asked to indicate the types of tea their companies deal with Table 4.25 indicates that 84% of the respondent indicated black CTC tea, 7.3% black CTC teas, green teas and orthodox teas, 3.6% indicated green teas, 3.6% black CTC teas and orthodox teas and finally 1% indicated orthodox tea. The results imply that most of the respondents dealt with black CTC teas and hence a very narrow product range which would be a big hindrance in competing effectively in international markets. To effectively promote tea value addition in export markets therefore a product diversification strategy must be adapted.

Table 4.25: Type of Tea

Type	Frequency	Percent
black CTC teas	162	84.4
green teas	7	3.6
orthodox teas	2	1
black CTC teas, green teas, orthodox teas	14	7.3
black CTC teas, orthodox teas	7	3.6
Total	192	100

Source: Author (2015)

ii) Product Attributes

The respondents were asked to indicate the products attributes that are used to differentiate their products in the export market. On product differentiation strategy only 10% of the respondents indicated that their companies use different tea varriants as a differentiation startegy in tea export market. Fifty two percent of the respondents indicated that their companies use or empasise tea quality as a tool of product differentiation in tea export market, Only 9% of the respondents indicated that their companies use branding as a differentiation strategy to grow their export tea value addition while only 4% indicated that their companies focus on product packaging as a way of promoting value added teas in export market. In addition only 22% indicated that their organisations focus on different tea variants, tea quality,branding and product packaging as a differentiation strategy to grow value addition in tea export markets.

From these ressults it is very clear the Kenyan tea sub sector focuses mainly on tea quality as a differentiation strategy in growing its export tea value addition and very little focus or attention is given to other product attributes such as branding,tea varriants and packaging.

The study findings are in agreement with those of Adamu, Zubairu, Ibrahim and Ibrahim (2011) who determined the influence of diversification on the performance of some Nigerian construction firms. The findings revealed that undiversified firms outperform the highly diversified firms in terms of Return on Total Assets and Profit Margin. Similarly, the moderately diversified firms were found to outperform the highly diversified firms in terms of Return on Equity, Return on Total Assets and Profit Margin. However, no performance difference was found between the undiversified firms and the moderately diversified firms based on the three measures used. A nonlinear relationship was found between the extent of diversification and performance. It was concluded that diversification does not necessarily lead to an improvement in profitability. The implication is that firms are better-off remaining focused if the aim is to improve financial performance.

Table 4.26: Product Attributes

Attribute	Frequency	Percent
Different teas	18	9.4
Quality	100	52.1
Branding	17	8.9
Quality, branding, packaging	24	12.5
Different teas, quality, branding	14	7.3
Different teas, quality, packaging	4	2.1
Quality, packaging	8	4.2
Different teas, packaging	3	1.6
None	2	1
Quality, branding	1	0.5
Different teas, quality	1	0.5
Total	192	100

Source: Author (2015)

iii) Effect of Product Diversification on Export Value Addition

The third objective of the study to analyze the effect of product diversification on export value addition in tea subsector in Kenya Results in Table 4.27 indicates that 51% of the respondents disagreed that they have different tea brands in export markets, 39% agreed that their packaging standards meet international standards for export markets and 56.3% disagreed that they have different packet sizes for export markets. In addition, 52.6% of the respondents agreed that they have a quality assurance department, 47.4% of the respondent agreed that they have different tea qualities for export markets and 59.9% of the respondents agreed that their tea quality meets the international standards for export markets. The mean score was 3.14 which indicated that most of the respondent agreed to a little extent with the statements on product diversification. This implies that product diversification was a key driver to export value addition. The study findings imply that the firms have embraced on product diversification to a little extent but have focused on quality as a diversification strategy. From these responses it means the Kenyan tea sub sector has put a lot of focus on tea quality to enable meet the international tea standards and this practice must continue in order to grow value added tea exports. However the organizations need to focus on other aspects of product diversification such as branding, packaging and variety brands in the market. This is to ensure that they broaden their market segments by targeting different tastes and preferences for different customers and thus create and add value to tea exports.

The study findings are in agreement with those of Escuer and Aleson (2005) who discussed the impact of product diversification strategy on corporate performance of 103 large non-financial Spanish firms. The results indicated that the firms with the intermediate levels of product diversification have the highest performance while the firms with low and high levels of diversification show significantly lower performance.

The results are in line with O' Dwyer, Gilmore and Carson (2009) who examined innovative marketing in SMEs, reiterates previous authors in the literature who state that the primary components of innovative marketing are; uniqueness, newness and

unconventionality. These practices extend across all elements of the supply chain process and provide rural abattoir butchers with opportunities to create a unique value proposition in the areas of sourcing, slaughtering, producing, preparing, marketing, distributing and selling fully traceable local quality artisan meat to hoteliers and restaurateurs.

Table 4.27: Product Attributes on Export Value Addition

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
We have different tea brands in export markets	22.9%	28.1%	17.2%	23.4%	8.3%	2.66
Our packaging standards meet international standards for export markets	8.9%	24.0%	28.1%	13.5%	25.5%	3.23
We have different packet sizes for export markets	21.9%	34.4%	13.5%	21.9%	8.3%	2.6
We have a quality assurance department	9.9%	24.5%	13.0%	22.4%	30.2%	3.39
We have different tea qualities for export markets	14.6%	25.0%	13.0%	26.6%	20.8%	3.14
Our tea quality meets the international standards for export markets	4.2%	18.2%	17.7%	10.4%	49.5%	3.83
Average	13.7%	25.7%	17.1%	19.7%	23.8%	3.14

Source: Author (2015)

4.8.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in table 4.28. Shows that product diversification had a skewness coefficient of -0.166 and its kurtosis coefficient being -0.359. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.28: Product Attributes Normality Test

Product Diversification	Statistic	Std. Error
Skewness	-0.359	0.175
Kurtosis	-0.166	0.349

Source: Author (2015)

4.8.4 Relationship between Product diversification and Export Value Addition

Table 4.29 shows the correlation results which indicate that there was a positive and significant relationship between product diversification and export value addition. This reveals that any positive change in product diversification led to increased added tea export value. The relationship has been illustrated by the correlation co-efficient of 0.574, implying a positive relationship between product diversification and export value addition in tea sector in Kenya. This was evidenced by the p value of 0.000 which is less than that of critical value (0.05).

The study findings agree with those in Oyedijo (2012) who analyzed the effects of product and market diversification strategy on corporate financial performance and growth in Nigeria. A significant difference was also found between the performance of firms that develop through related or unrelated diversification and the performance of firms that remained specialized, with firms that remained specialized performing better on all parameters and growing faster in sales than those that develop through related and unrelated diversification only. The study concludes that the financial performance and sales growth of firms in Nigeria are significantly affected by the mode of diversification used and recommends that Nigerian firms that are seeking a sustainable fast growth and superior performance should pursue a related product-market diversification strategy or a specialization strategy but not both.

Table 4.29: Relationship between Product diversification and Export Value Addition

Variable		Export Value Addition	Product Diversification
Export Value Addition	Pearson Correlation	1	
	Sig. (2-tailed)		
Product Diversification	Pearson Correlation	0.574	1
	Sig. (2-tailed)	0.000	

Source: Author (2015)

Regression analysis was conducted to empirically determine whether product diversification was a significant determinant of export value addition in tea subsector in Kenya. The coefficient of determination $R^2$and correlation coefficient (r) shows the degree of association between the independent variable product diversification and dependent variable export value addition. The results of the linear regression indicate R^2= 0.33 and R= 0.574 as shown in Table 4.30. This is an indication that there is a significant relationship between independent variable; and the dependent variable.

From the model summary Table 4.29 adjusted $R^2$was 0.326 this indicates that product diversification explains 32.6% of variations in export value addition. Therefore further research should be conducted to investigate these other factors that affect export value addition.

The study findings agree with those in Oyedijo (2012) who analyzed the effects of product and market diversification strategy on corporate financial performance and growth in Nigeria. A significant difference was also found between the performance of firms that develop through related or unrelated diversification and the performance of firms that remained specialized, with firms that remained specialized performing better on all parameters and growing faster in sales than those that develop through related and unrelated diversification only. The study concludes that the financial performance and sales growth of firms in Nigeria are significantly affected by the mode of diversification used and recommends that Nigerian firms that are seeking a sustainable fast growth and superior performance should pursue a related product-market diversification strategy or a specialization strategy but not both.

Table 4.30: Model Summary Product Diversification

Indicator	Coefficient
R	0.574
R Square	0.330
Adjusted R Square	0.326
Std. Error of the Estimate	0.41613

Source: Author (2015)

The overall model significance was presented in Table 4.31. An F statistic of 93.471 indicated that the overall model was significant as it was less than the critical F value of 93.471 with (1, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that product diversification was statistically significant in explaining export value addition.

Table 4.31: ANOVA for Product Diversification

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.186	1	16.186	93.471	0.000
Residual	32.902	190	0.173		
Total	49.088	191			

Source: Author (2015)

The product diversification coefficients are presented in Table 4.32. The results show that product diversification contributes significantly to the model since the p-value for the constant and gradient is less than 0.05. The fitted equation is as shown below

$$Y= 3.083+ 0.321X_2$$

This confirms the positive effect of product diversification on export value addition. The study findings are in agreement with those of Escuer and Aleson (2005) who discussed the impact of product diversification strategy on corporate performance of 103 large non-financial Spanish firms. The results indicated that the firms with the intermediate levels of product diversification have the highest performance while the firms with low and high levels of diversification show significantly lower performance.

The results are in line with O' Dwyer, Gilmore and Carson (2009) who examined innovative marketing in SMEs, reiterates previous authors in the literature who state that the primary components of innovative marketing are; uniqueness, newness and unconventionality. These practices extend across all elements of the supply chain process and provide rural abattoir butchers with opportunities to create a unique value proposition in the areas of sourcing, slaughtering, producing, preparing, marketing, distributing and selling fully traceable local quality artisan meat to hoteliers and restaurateurs.

Table 4.32: Coefficients of Product Diversification

Variable	Beta	Std. Error	T	Sig.
Constant	3.083	0.115	26.764	0.000
Product Diversification	0.321	0.033	9.668	0.000

Source: Author (2015)

4.9 Cost Leadership

4.9.1 Factor Analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 5 statements on cost leadership can be factored into 1 factor. The total variance explained by the extracted factor is 79.56% as shown in Table 4.33.

Table 4.33: Cost Leadership Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.978	79.561	79.561	3.978	79.561	79.561
2	0.389	7.777	87.338			
3	0.277	5.53	92.868			
4	0.203	4.06	96.928			
5	0.154	3.072	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.34 shows the factor loadings for cost leadership statements. All the five factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

Table 4.34: Cost Leadership Factor Analysis Component Matrix

Statement	Component Matrix
Buying packaging in bulk cuts costs	0.857
We maintain shorter lead times to cut costs	0.872
We practice Economic Order Quantity to cut costs	0.904
Continuous monitoring of staff productivity cuts processing costs	0.911
Export prices are not negotiable	0.915

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.9.2 Descriptive Results

i) Cost Control Methods

The study sought to find out whether the tea companies focus on cost control methods in production. Figure 4.9 illustrates that 97% of the respondent indicated that tea companies focus on cost control methods in tea production while 3% of the respondents disagreed.

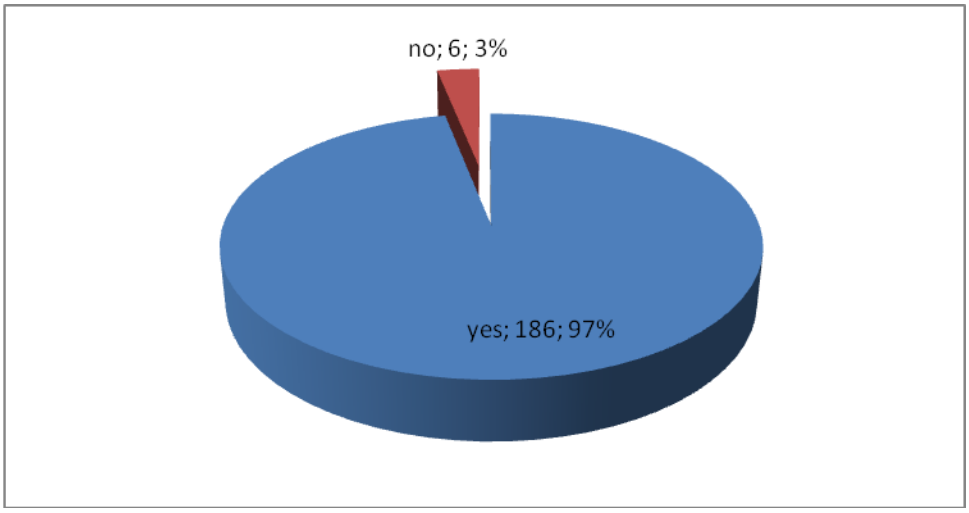

Figure 4.9: Cost Control Methods

Source: Author (2015)

ii) Types of Costs that affect Price

The respondents were asked to indicate the costs which mainly affect the price of their final product in export markets. The study findings illustrated that 43.2% of the respondents indicated that processing costs were the single largest category of costs that they incur in their operations, 5.2% of the respondents indicated that machine acquisition costs follows, while 11% of the respondents indicated that marketing costs were the third largest cost component in their operations. Twenty percent of the respondents indicated that processing costs, machine acquisition and marketing costs, were the biggest cost components in their business.

Table 4.35: Extent to which Costs affect Price

Factor	Frequency	Percent
Processing costs	83	43.2
Machine acquisition costs	10	5.2
Marketing costs	21	10.9
Processing, machine acquisition & marketing costs	39	20.3
Processing costs, marketing costs, freight costs, packaging	11	5.7
Processing, machine acquisition, marketing costs, packaging	2	1
None	4	2.1
Processing, machine acquisition, marketing, taxes and levies	2	1
Processing, machine acquisition costs	10	5.2
Processing, marketing costs	9	4.7
Auction	1	0.5
Total	192	100

Source: Author (2015)

iii) Effect of Cost Leadership on Export Value Addition

The fourth objective of the study was to evaluate the effect of cost leadership on export value addition in tea subsector in Kenya. Results indicate that 91.2% of the respondents agreed that buying packaging in bulk cuts costs, 75.5% agreed that they maintain shorter lead times to cut costs and 70.4% agreed that they practice Economic Order Quantity to cut costs. Finally 81.7% of the respondents agreed that continuous monitoring of staff productivity cuts processing costs and 64.5% agreed that export prices are not negotiable.

The study findings are in agreement with the report of Monitoring African Food and Agricultural policies (MAFAP) (2013) that was carried out a survey whose objective

was to establish how to make Kenya's tea more inclusive. MAFAP analysis suggests that KTDA smallholders receive prices close to their international market equivalent. This indicates that the Kenya tea market is functioning efficiently, with no distortions from domestic policies. However, the prices small holders receive may fail to reflect the high quality of, and international demand for, Kenyan tea. The research suggested that more efforts through pricing are needed to further develop and strengthen the Kenyan tea sector in the context of highly competitive international markets.

The results are in line with Muthenya (2008) who studied relationship between value exchange and firms profitability. The study utilized secondary data from the Nairobi Stock Exchange. The study concluded that there exists a strong relationship between costs and profitability and value addition for tea exporting companies in Kenya. The study revealed that profitability from companies that engaged in value addition is higher compared to those of companies that did not engage in value addition.

Table 4.36: Cost Leadership

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
Buying packaging in bulk cuts costs	1.0%	1.6%	6.2%	46.4%	44.8%	4.32
We maintain shorter lead times to cut costs	0.0%	8.3%	16.1%	54.7%	20.8%	3.88
We practice Economic Order Quantity to cut costs	5.2%	5.2%	19.3%	49.0%	21.4%	3.76
Continuous monitoring of staff productivity cuts processing costs	1.6%	2.1%	14.6%	50.5%	31.2%	4.08
Export prices are not negotiable	7.8%	5.7%	21.9%	41.1%	23.4%	3.67
Average	3.1%	4.6%	15.6%	48.3%	28.3%	3.94

Source: Author (2015)

4.9.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in table 4.37. Shows that cost leadership had a skewness coefficient of -0.730 and its kurtosis coefficient being 0.571. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.37: Cost Leadership Normality Test

Cost Leadership	Statistic	Std. Error
Skewness	-0.730	0.175
Kurtosis	0.571	0.349

Source: Author (2015)

4.9.4 Relationship between Cost Leadership and Export Value Addition

Table 4.38 shows the correlation results which indicate that there was a positive and significant relationship between cost leadership and export value addition. This reveals that any positive change in cost leadership led to increased added tea export value. The relationship has been illustrated by the correlation co-efficient of 0.676, implying a positive relationship between cost leadership and export value addition in tea sector in Kenya. This was also evidenced by the p value of 0.000 which is less than that of critical value (0.05).

The study findings are in support of De Silva and Herath (2011) who investigated cost leadership as a source of competitive advantage in Sri Lanka Tea industry. It was found that some tea subsectors in the country is adopting a different strategy compared with the other firms in the study. In one of the tea company in Sri Lanka, the CEO recognizes his company as a marketing organization more than an exporter of value added tea. The firm is managed by a team in Sri Lanka, while the chairman is coordinating the business from Canada. They are very strongly established in the North American market. Their business is considered to be in the category of beverage industry rather than tea. Therefore, they concentrate on the marketing aspects of value added tea and have moved out of manufacturing. The company has taken a strategic decision not to run factories, as the company perceives it is not viable in Sri Lanka. Hence manufacturing has been outsourced to Akbar Brothers. From the CEO, the results show that there is no value addition in manufacturing.

Table 4.38: Relationship between Cost Leadership and Export Value Addition

Variable		Export Value Addition	Cost Leadership
Export Value Addition	Pearson Correlation	1	
	Sig. (2-tailed)		
Cost Leadership	Pearson Correlation	0.676	1
	Sig. (2-tailed)	0.000	

Source: Author (2015)

Regression analysis was conducted to empirically determine whether cost leadership is a significant determinant of export value addition in tea subsector in Kenya. The coefficient of determination $R^2$and correlation coefficient (r) shows the degree of association between the independent variable and export value addition. The results of the linear regression indicate R^2= .457 and R= .676 as shown in Table 4.39.

This is an indication that there is a strong relationship between independent variable; cost leadership and the dependent variable export value addition.

From the model summary Table 4.39 adjusted $R^2$was 0.454 this indicates that cost leadership explain 45.4% of variations in export value addition in tea subsector. Therefore further research should be conducted to investigate these other factors that affect export value addition in tea subsector in Kenya.

Table 4.39: Model Summary for Cost Leadership

Indicator	Coefficient
R	0.676
R Square	0.457
Adjusted R Square	0.454
Std. Error of the Estimate	0.37446

Source: Author (2015)

The overall model significance was presented in Table 4.40. An F statistic of 160.084 indicated that the overall model was significant as it was larger than the critical F value of 3.88 with (1, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that cost leadership was statistically significant in explaining export value addition in tea sector in Kenya. The study, therefore, rejected the null hypothesis H_{05} at 95% confidence interval, meaning there was a significant relationship between cost leadership and export value addition.

Table 4.40: ANOVA for Cost Leadership

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	22.447	1	22.447	160.084	0.000
Residual	26.641	190	0.14		
Total	49.088	191			

Source: Author (2015)

The cost leadership coefficients are presented in Table 4.41. The results show that cost leadership contributes significantly to the model since the p-value for the constant and gradient are less than 0.05. The fitted equation is as shown below

$$Y= 1.974 + 0.554X_5$$

The findings imply that one positive unit change in cost leadership strategy led to a change in export value addition at the rate of 0.554. This confirms the positive effect of cost leadership on export value addition in tea subsector in Kenya. The study findings are in support of De Silva and Herath (2011) who investigated cost leadership as a source of competitive advantage in Sri Lanka Tea industry. It was found that some tea subsectors in the country is adopting a different strategy compared with the other firms in the study. In one of the tea company in Sri Lanka, the CEO recognizes his company as a marketing organization more than an exporter of value added tea. The firm is managed by a team in Sri Lanka, while the chairman is coordinating the business from Canada. They are very strongly established in the North American market. Their business is considered to be in the category of beverage industry rather than tea. Therefore, they concentrate on the marketing aspects of value added tea and have moved out of manufacturing. The company has taken a strategic decision not to run factories, as the company perceives it is not viable in Sri Lanka. Hence manufacturing has been outsourced to Akbar Brothers. From the CEO, the results show that there is no value addition in manufacturing.

Table 4.41: Coefficients of Cost Leadership

Variable	Beta	Std. Error	t	Sig.
Constant	1.974	0.175	11.291	0.000
Cost Leadership	0.554	0.044	12.652	0.000

Source: Author (2015)

4.10 Technological Innovations

4.10.1 Factor Analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 6 statements on technological innovation can be factored into 1 factor. The total variance explained by the extracted factor is 82.98% as shown in Table 4.42.

Table 4.42: Technological Innovation Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.979	82.988	82.988	4.979	82.988	82.988
2	0.339	5.655	88.643			
3	0.238	3.963	92.606			
4	0.195	3.257	95.863			
5	0.129	2.148	98.011			
6	0.119	1.989	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.43 shows the factor loadings for technological innovation statements. All the six factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

Table 4.43: Technological Innovation Factor Analysis Component Matrix

Statement	Component Matrix
Our staff are trained on how to use E-commerce	0.908
Our systems are adequately supported by ERP	0.91
We have a budget for new equipment	0.912
Our equipment meet international standards	0.933
Our equipment are automated and robust to produce for export markets	0.891
Our top leadership support technology and innovations	0.912

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.10.2 Descriptive Statistics

i) Creation of Innovation Centre

The respondents were asked to indicate whether their company has created a center of excellent for idea generation and innovation. Figure 4.8 shows that 56% of the respondents indicated yes while 44% indicated no. The findings imply that the tea sector is keeping up with the pace of the other organizations in adopting technological changes taking place in the world.

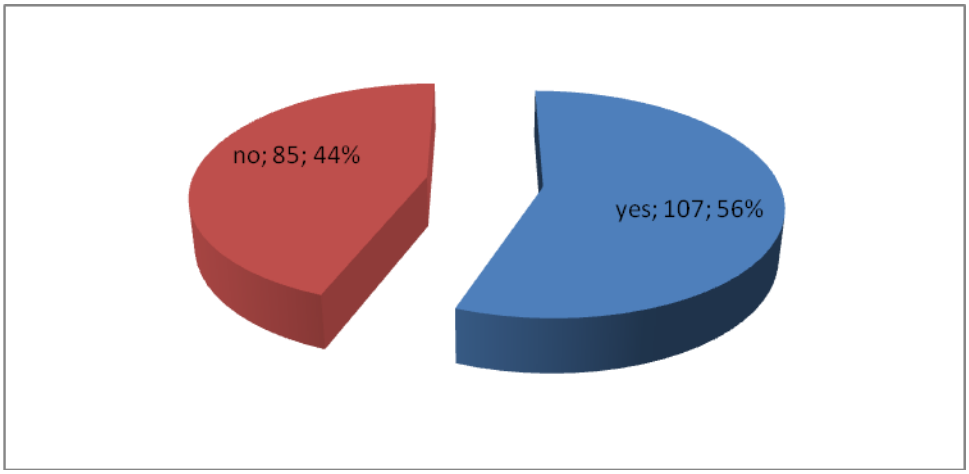

Figure 4.10 Centre of Innovation

Source: Author (2015)

ii) Aspects of Technology

The respondents were asked to indicate the aspects of technology and innovation that their companies use. The study pointed out that 12% of the respondents indicated that their companies used E-commerce to enhance technology and innovation, 16% of the respondents indicated that their company used ERP to enhance technology and innovation, 44% of the respondents indicated that their company used modern and efficient equipment to enhance technology and innovation, while 28% of the respondents pointed out that their company used a combination of E-commerce, ERP and Modern and efficient equipment to enhance technology and innovation.

Table 4.44: Technological Innovation Aspects

Technological Aspect	Frequency	Percent
E-commerce	22	11.5
Enterprise Resource Planning	30	15.6
Modern and efficient equipment	84	43.8
ERP, modern and efficient equipment	25	13
E-commerce, ERP, Modern and efficient equipment	17	8.9
E-commerce, modern and efficient equipment	8	4.2
ERP, modern and efficient equipment	6	3.1
Total	192	100

Source: Author (2015)

iii) Effect of Technological Innovation on Export Value addition

The fifth objective of the study was to establish the effect of technological innovation on export value addition in tea subsector in Kenya. Results in Table 4.45 indicated that 37.5% of the respondents agreed that their staffs are trained on how to use E-commerce; another 37.5% agreed that their systems are adequately supported by ERP and 70.8% agreed that they have a budget for new equipment. In addition 74% of the respondents agreed that their equipment meet international standards, 56.7% agreed that their equipment are automated and robust to produce for export markets and 74.5% agreed that their top leadership supports technology and innovations. The mean score for responses for this section was 3.57 which indicates that majority of the respondents agreed that technological innovations was a key determinant of export value addition in tea sector. However the level of agreement is to a lower extent since most of the tea factories are semi-automated or semi manual and thus the factories need to embark on the technological advances happening globally so as to gain competitiveness.

The study findings are consistent with Furseth and Cuthbertson (2013) who provided a new framework for technological innovation based on an extensive literature

review, semi-structured interviews with some of the best known thinkers and practitioners in the field of innovation, as well as supported through case study analysis, in order to identify the components of technological innovation and their interrelationships, especially with respect to creating value through the innovative management of business models, service systems and the resulting customer experiences. The result of this research is the technological innovation triangle, a simple but rich model, consisting of nine integrated elements in three layers. The technological innovation triangle can be used by firms to explore innovation opportunities for themselves, customers, and suppliers, as well as providing a foundation for future research in the area of technological innovation.

Results are in line with Githii, Kimani and Kagira (2012) who examined the strategies to curb challenges facing small holder tea sector in Kenya. The researchers provided some solutions to the challenges, borrowing from some supply chain management practices to culminate into competitive strategies. Various strategies to enhance competitiveness in this sector were outlined and among these strategies are: supplier and customer relationships, value addition, information technology and flexibility in internal operations/processes.

Table 4.45: Technological Innovation

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
Our staff are trained on how to use E-commerce	10.4%	21.4%	30.7%	30.2%	7.3%	3.03
Our systems are adequately supported by ERP	9.4%	14.1%	39.1%	24.0%	13.5%	3.18
We have a budget for new equipment	0.5%	9.9%	18.8%	47.4%	23.4%	3.83
Our equipment meet international standards	3.1%	4.7%	18.2%	43.8%	30.2%	3.93
Our equipment are automated and robust to produce for export markets	5.7%	9.9%	27.6%	38.5%	18.2%	3.54
Our top leadership support technology and innovations	3.1%	8.9%	13.5%	41.7%	32.8%	3.92
Average	5.4%	11.5%	24.7%	37.6%	20.9%	3.57

Source: Author (2015)

4.10.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West *et al.* (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008) who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in

table 4.46 shows that technological innovation had a skewness coefficient of -0.428 and its kurtosis coefficient being -0.112. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.46: Technological Innovation Normality Test

Technological Innovation	Statistic	Std. Error
Skewness	-0.428	0.175
Kurtosis	-0.112	0.349

Source: Author (2015)

4.10.4 Relationship between Technological Innovation and Export Value Addition

Table 4.47 shows the correlation results which indicate that there was a positive and significant relationship between Technological Innovation and Export Value Addition. This reveals that any positive change in technological innovations led to increased added tea export value. The relationship has been illustrated by the correlation co-efficient of 0.754, implying a positive relationship between technological innovations and export value addition in tea sector in Kenya. This was also evidenced by the p value of 0.000 which is less than that of critical value (0.05).

The study findings are consistent with Furseth and Cuthbertson (2013) who provided a new framework for technological innovation based on an extensive literature review, semi-structured interviews with some of the best known thinkers and practitioners in the field of innovation, as well as supported through case study analysis, in order to identify the components of technological innovation and their interrelationships, especially with respect to creating value through the innovative management of business models, service systems and the resulting customer experiences. The result of this research is the technological innovation triangle, a simple but rich model, consisting of nine integrated elements in three layers. The

technological innovation triangle can be used by firms to explore innovation opportunities for themselves, customers, and suppliers, as well as providing a foundation for future research in the area of technological innovation.

Results are in line with Githii, Kimani and Kagira (2012) who examined the strategies to curb challenges facing small holder tea sector in Kenya. The researchers provided some solutions to the challenges, borrowing from some supply chain management practices to culminate into competitive strategies. Various strategies to enhance competitiveness in this sector were outlined and among these strategies are: supplier and customer relationships, value addition, information technology and flexibility in internal operations/processes.

Table 4.47: Relationship between Technological Innovation and Export Value Addition

Variable		Export Value Addition	Technological Innovation
Export Value Addition	Pearson Correlation	1	
	Sig. (2-tailed)		
Technological Innovation	Pearson Correlation	0.754	1
	Sig. (2-tailed)	0.000	

Source: Author (2015)

Regression analysis was conducted to empirically determine whether technological innovation is a significant determinant of export value addition in tea subsector in Kenya. The coefficient of determination R^2 and correlation coefficient (r) shows the degree of association between the independent variable and export value addition. The results of the linear regression indicate R^2= .568 and R= .754 as shown in Table 4.48. This is an indication that there is a strong relationship between independent variable; technological innovations and the dependent variable export value addition.

From the model summary Table 4.48 adjusted R^2 was 0.566 this indicates that technological innovations explain 56.6% of variations in export value addition in tea subsector. Therefore further research should be conducted to investigate these other factors that affect export value addition in tea subsector in Kenya.

Table 4.48: Model Summary for Technological Innovation

Indicator	Coefficient
R	0.754
R Square	0.568
Adjusted R Square	0.566
Std. Error of the Estimate	0.33407

Source: Author (2015)

The overall model significance was presented in Table 4.49. An F statistic of 249.836 indicated that the overall model was significant as it was larger than the critical F value of 3.88 with (1, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that technological innovations were statistically significant in explaining export value addition in tea sector in Kenya. The study, therefore, rejected the null hypothesis H_{05} at 95% confidence interval, meaning there was a significant relationship between technological innovations and export value addition.

Table 4.49: ANOVA for Technological Innovation

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	27.883	1	27.883	249.836	0.000
Residual	21.205	190	0.112		
Total	49.088	191			

Source: Author (2015)

The technological innovation coefficients are presented in Table 4.50. The results show that technological innovation contribute significantly to the model since the p-value for the constant and gradient are less than 0.05. The fitted equation is as shown below

$$Y= 2.291 + 0.523X_5$$

The findings imply that one positive unit change in technological innovations led to a change in export value addition at the rate of 0.523. This confirms the positive effect of technological innovation on export value addition in tea subsector in Kenya. The study findings are consistent with Furseth and Cuthbertson (2013) who provided a new framework for technological innovation based on an extensive literature review, semi-structured interviews with some of the best known thinkers and practitioners in the field of innovation, as well as supported through case study analysis, in order to identify the components of technological innovation and their interrelationships, especially with respect to creating value through the innovative management of business models, service systems and the resulting customer experiences. The result of this research is the technological innovation triangle, a simple but rich model, consisting of nine integrated elements in three layers. The technological innovation triangle can be used by firms to explore innovation opportunities for themselves, customers, and suppliers, as well as providing a foundation for future research in the area of technological innovation.

Results are in line with Githii, Kimani and Kagira (2012) who examined the strategies to curb challenges facing small holder tea sector in Kenya. The researchers provided some solutions to the challenges, borrowing from some supply chain management practices to culminate into competitive strategies. Various strategies to enhance competitiveness in this sector were outlined and among these strategies are: supplier and customer relationships, value addition, information technology and flexibility in internal operations/processes.

Table 4.50: Coefficients of Technological Innovation

Variable	Beta	Std. Error	t	Sig.
Constant	2.291	0.121	18.995	0.000
Technological Innovation	0.523	0.033	15.806	0.000

Source: Author (2015)

4.11 Export Value Addition

The study sought to establish the effect of strategic management practices on export value addition in tea subsector in Kenya. This section presents the results for the dependent variable which is export value addition in tea sectors.

4.11.1 Factor Analysis

Factor analysis was conducted after successful testing of sampling adequacy and reliability using KMO coefficient and cronbach alpha results. Factor analysis was conducted using Principal Components Method (PCM) approach. The extraction of the factors followed the Kaiser Criterion where an eigen value of 1 or more indicates a unique factor. Total Variance analysis indicates that the 7 statements on export value addition can be factored into 1 factor. The total variance explained by the extracted factor is 80.16% as shown in Table 4.51.

Table 4.51: Export Value Addition Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.611	80.161	80.161	5.611	80.161	80.161
2	0.501	7.15	87.311			
3	0.346	4.949	92.26			
4	0.183	2.619	94.879			
5	0.143	2.047	96.926			
6	0.118	1.685	98.611			
7	0.097	1.389	100			

Extraction Method: Principal Component Analysis.

Source: Author (2015)

Table 4.52 shows the factor loadings for export value addition statements. All the seven factors attracted coefficients of more than 0.4 hence all the statements were retained for analysis. According to Rahn (2010) and Zandi (2006) a factor loading equal to or greater than 0.4 is considered adequate. This is further supported by Black (2002) who asserts that a factor loading of 0.4 has good factor stability and deemed to lead to desirable and acceptable solutions.

Table 4.52: Export Value Addition Factor Analysis Component Matrix

Statement	Component Matrix
Exports of value added teas fetch better revenues	0.835
There's less fluctuation of revenues in value added teas in export markets	0.924
Revenue value for added tea is better spread in export markets	0.875
There's a wide spread market of value added tea in exports markets	0.886
There's a higher brand loyalty in value added tea exports	0.91
Many product lines increase export markets	0.919
Value added teas increase number of customers in export markets	0.915

Extraction Method: Principal Component Analysis.

Source: Author (2015)

4.11.2 Descriptive Results

i) Effect of Export Value Added Tea on Revenue

The study sought to find out whether export of value added teas increase the revenue of the company. Results in Figure 4.11 shows that 90% of the respondents indicated that export of value added teas increases the revenue of the company and 10% indicated that export of value added teas does not increase the revenue of the company. The study findings are consistent with those of Tecee (2010) observed that gaining, maintaining or improving competitive advantage requires a firm's activities, resources and systems to be arranged to either reduce overall cost or add most value for least cost. Whether a firm chooses to configure its value chain to reduce overall cost or add most value at least cost, depends on the competitive strategy the firm is pursuing cost based or differentiation based. Most importantly, value activities should be assigned to categories that best represent their contribution to a firm's competitive advantage.

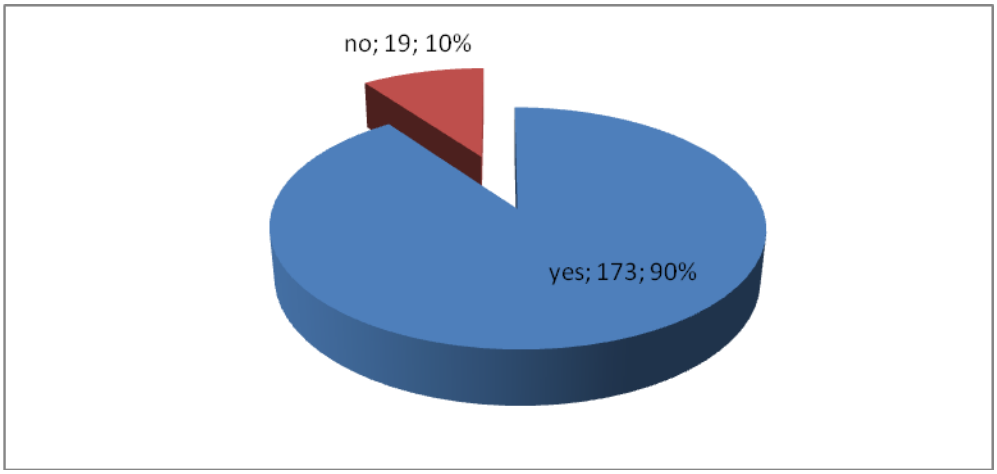

Figure 4.11: Effect of Export Value Added Tea on Revenue

Source: Author (2015)

ii) Extent of Value addition experienced in Export Markets

The study further sought to find out different outcomes of value addition experienced in the export market. It became evident that 36% of the respondents agreed that growth in revenue was one of the outcomes experienced in export markets, 9% of the respondents agreed that growth in number of customers was experienced in export markets, 10% of the respondents agreed that growth in number of markets was experienced in export markets, while 35% had a combination of all the three (growth in revenue, growth in number of markets, and growth in number of customers) being experienced in export markets. Ten percent of the respondents indicated growth in number of customers and markets was experienced in export markets. Results are presented in Table 4.53.

Table 4.53: Extent of Value addition Experienced in Export Markets

	Frequency	Percent
Growth in revenue	69	35.9
Growth in number of customers	18	9.4
Growth in number of markets	20	10.4
Growth in revenue, customers & number of markets	67	34.9
Growth in number of customers & markets	18	9.4
Total	192	100

Source: Author (2015)

iii) Export Value Addition in Tea Sectors

The study sought to determine the export value addition in tea sectors in Kenya. Table 4.54 shows that 92.7% of the respondent agreed that exports of value added teas fetch better revenues, 81.1% agreed that there is less fluctuation of revenues in value added teas in export markets and 80.2% agreed that revenue value for added tea was better spread in export markets. Seventy nine point seven percent of the respondents agreed that there is a wide spread market of value added tea in exports markets, 88% agreed that there's a higher brand loyalty in value added tea exports and 83.9% agreed that many product lines increase export markets. Finally 90.1% of the respondents agreed that value added teas increase the number of customers in export markets. The mean score for the responses was 4.16 which indicate that many employees agreed to the statements regarding export value addition in tea sectors in Kenya. The study findings imply that despite lack of better strategic management practices to promote export value addition in the Kenyan tea subsector, the findings indicate that export value addition was necessary in the tea subsector so as to enhance competitiveness and improve the organizational performance.

The study findings are consistent with a report of Tea Board of Kenya (2014), which cited that the main reason for lower unit earnings from tea exports by Kenya is due to low export value attributed to selling tea in bulk form. A strategic management

approach through market promotions, partnerships, product diversification, cost leadership and technological innovation is needed in the management of the entire Kenyan tea subsector which may be denying the country substantial amounts of revenue that is associated with value added tea exports.

The study findings are in agreement with Muthenya (2008) who did a study on the relationship between tea value addition and profitability of exporting companies in the Kenyan tea industry. Company profitability, liquidity and shareholder's wealth are affected by how the managers allocate the available resources they have been entrusted with. The study used data covering a five year period from 2001 to 2005 derived from the Nairobi Stock Exchange (NSE) and end of year published financial reports for those companies which were not listed. Returns on equity and asset were determined by net income divided by average equity and average total assets respectively. Security returns were determined using the market model on monthly basis. The study revealed that profitability from companies that engaged in value addition is higher compared to those of companies that did not engage in value addition. The study concluded that there exists a strong relationship between value addition and profitability for tea exporting companies in Kenya. The above study focused on the effect of value addition on profitability for tea exporting companies while the current study will focus on effect of strategic management strategy on export value addition in tea sub sector.

Table 4.54: Export Value Addition

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Likert Mean
Exports of value added teas fetch better revenues.	0.0%	1.0%	6.2%	41.1%	51.6%	4.43
There's less fluctuation of revenues in value added teas in export markets.	0.0%	3.6%	14.6%	52.6%	29.2%	4.07
Revenue value for added tea is better spread in export markets.	0.0%	0.5%	19.3%	57.3%	22.9%	4.03
There's a wide spread market of value added tea in exports markets.	0.0%	5.2%	15.1%	57.3%	22.4%	3.97
There's a higher brand loyalty in value added tea exports.	0.0%	2.6%	9.4%	51.0%	37.0%	4.22
Many product lines increase export markets.	2.1%	0.0%	14.1%	49.5%	34.4%	4.14
Value added teas increase number of customers in export markets.	0.5%	2.1%	7.3%	54.2%	35.9%	4.23
Average	0.4%	2.1%	12.3%	51.9%	33.3%	4.16

Source: Author (2015)

4.11.3 Normality Test

To check for normality, the study adopted the skewness and kurtosis statistic as recommended by Myoung (2008). The skew value of a normal distribution is zero, usually implying symmetric distribution. On the other hand Kurtosis is a measure of the peakedness of a distribution. West et al. (1996) proposed a reference of substantial departure from normality as an absolute skew value > 2 and an absolute kurtosis value > 7. However, for this study the recommendation of Myoung (2008)

who asserted that as a rule of thumb a variable is reasonably close to normal if its skewness and kurtosis have values between -1.0 and + 1.0. The results presented in Table 4.55 shows that export value addition had a skewness coefficient of -0.528 and its kurtosis coefficient being 0.354. Based on these it was concluded that data was normally distributed since they lie with the ± 1 range recommended by Myoung (2008).

Table 4.55: Export Value Addition Normality Test

Export Value Addition	Statistic	Std. Error
Skewness	-0.528	0.175
Kurtosis	0.354	0.349

Source: Author (2015)

4.11.4 Multivariate Regression

A multiple regression analysis was conducted to investigate the joint causal relationship between the independent variables and dependent variable (export value addition). This is represented by the overall model $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X4 + \beta_5 X_5 + e$

The coefficient of determination R square and correlation coefficient (r) shows the degree of association between the independent variables and export value addition. The results of the multiple regression indicate $R^2 = .813$ and $R = .662$ as shown in Table 4.56. This is an indication that there is a strong relationship between independent variables and the dependent variable export value addition. From the model summary Table 4.56 adjusted R^2 was .652; this indicates that strategic management practices explain 65.2% of variations in export value addition in tea sector.

Table 4.56: Model Summary

Indicator	Coefficient
R	0.813
R Square	0.662
Adjusted R Square	0.652
Std. Error of the Estimate	0.29888

Source: Author (2015)

The overall model significance was presented in table 4.57. An F statistic of 72.7 indicated that the overall model was significant as it was larger than the critical F value of 3.88 with (5, 191) degrees of freedom at the P=0.05 level of significance. The findings imply that strategic management practices were statistically significant in explaining export value addition in tea sector in Kenya.

Table 4.57: ANOVA

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	32.472	5	6.494	72.7	0.000
Residual	16.616	186	0.089		
Total	49.088	191			

Source: Author (2015)

Regression results in table 4.58 indicated that the relationship between export value addition and marketing promotion was positive and insignificant (b1=0.068, p value, 0.238). Results further indicated that strategic partnerships had a positive and significant relationship with export value addition (b1=0.101, p value, 0.032). This implies that an increase in strategic business partnerships by 1 unit leads to an increase in export value addition in tea sector by 0.101 units.

The results further indicated that the relationship between export value addition and product diversification was negative and significant (b1= -0.223, p value, 0.000).

This implies that a decrease in product diversification by 1 unit leads to an increase in export value addition by 0.223 units.

The results further indicated that the relationship between export value addition and cost leadership strategy was positive and significant (b1= 0.349, p value, 0.000). This implies that an increase in cost leadership strategy effectiveness by 1 unit leads to an increase in export value addition by 0.349 units.

The results further indicated that the relationship between export value addition and technological innovation was positive and significant (b1= 0.356, p value, 0.000). This implies that an increase in the level of technological innovations by 1 unit leads to an increase in export value addition by 0.356 units.

Table 4.58: Model Summary and Parameter Estimates

Variable	Beta	Std. Error	t	Sig.
Constant	1.84	0.184	10.018	0.000
Marketing Promotion	0.068	0.057	1.185	0.238
Strategic Partnership	0.101	0.047	2.16	0.032
Product Diversification	-0.223	0.059	-3.813	0.000
Cost Leadership	0.349	0.064	5.454	0.000
Technological Innovation	0.356	0.05	7.127	0.000

Source: Author (2015)

After the analysis the model arrived at was as follows;

$$Y = 1.840 + 0.068X_1 + 0.101X_2 - 0.223X_3 + 0.349X4 + 0.356X_5 + e$$

Export Value Addition = 1.84 + 0.068 Marketing Promotion + 0.101 Corporate Strategic Partnerships - 0.223 Product Diversification + 0.349 Cost Leadership + 0.356 Technological Innovation

The Y- intercept is 1.84 which is the predicted value of the effectiveness of export value addition when all the others variables are 0, implying that without inputs of the independent variables the effectiveness of export value addition would be 1.84. The other coefficients tell about the relationship between independent and dependent variables.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of major findings of the study, conclusions and the recommendations. The study sought to establish the effect of strategic management practices on export value addition in tea subsector in Kenya. The summary of key findings, conclusions and recommendations is done in line with the objectives of the study based on the output of the descriptive and inferential statistical analyses guided to test the research hypothesis of the study.

5.2 Summary of the Findings

The general objective of the study was to establish the effect of strategic management practices on export value addition in tea subsector in Kenya. One of the key findings was that the management at tea subsector was concerned with attaining high profits and thus improved performance due to exportation of value added teas. This was demonstrated by the extent of agreement with the statements in the questionnaire in support of export value addition in tea subsector in Kenya. The findings indicated that the overall organization performance was positively affected by the strategic management practices.

5.2.1 Effect of Market Promotion on Export Value Addition in Tea Subsector in Kenya

The first objective of the study was to evaluate the effect of market promotion on export value addition in tea subsector in Kenya. The study findings indicated that market promotion was a key determinant in export value addition in tea subsectors. The respondents further disagreed that their companies creates awareness in the export market, their companies set aside an advertising budget for export market ,and that they had an advertising agent in every export market. The respondents further

disagreed that their company's products were visible in most cities of their export markets and that they worked closely with government agencies in their export markets. The findings from the research showed that 61% of the respondents were motivated, by the presence of endorsers in promotion and communication advertisements. Regression and correlation results (beta= 0.339, p-value=0.000) indicated that there was a positive and significant relationship between market promotion and export value addition in tea subsector in Kenya.

5.2.2 Effect of Business Partnership on Export Value Addition in Tea Subsector in Kenya

The second objective of the study was to establish the effect of business partnership on export value addition in tea subsector in Kenya. Results indicated that half of the respondents agreed that they had a form of partnership with business partners in tea export markets while the other half disagreed. Some of the respondents agreed that their organizations practice joint ventures in export markets, export licencing, franciencing, others use distributors and agents in export market. Results further indicated that the Kenyan tea subsector had poor strategic business partnerships since the respondents disagreed that they had partnered with major wholesale distributors in export markets, they had partnered with most retail stores in export markets, they had licensees of their products in many export markets and franchising of their products was done in most export markets. Regression and correlation results (beta=0.353, p-value=0.000) indicated that there was a positive and significant relationship between business partnership and export value addition in tea subsector in Kenya.

5.2.3 Effect of Product Diversification on Export Value Addition in Tea Subsector in Kenya

The third objective of the study was to analyze the effect of product diversification on export value addition in tea subsector in Kenya. Results indicated that the tea subsector has not ventured fully into product diversification which has led to lagged or slow growth of tea export value addition. This was evidenced by the responses

from the respondents who disagreed that their organizations had different tea value added products in export markets, their organizations have packaging standards that meet international standards and their organizations have different tea packet sizes for different export tea markets. However a few of the respondents agreed that their organizations have a quality assurance department and that their companies have different tea qualities for different tea export markets. From these responses it implies that Kenyan tea sub sector focuses only on different tea quality for different export tea markets depending on different market requirements. Regression and correlation results (beta= 0.321, p value- 0.000) indicated that there was a positive and significant relationship between product diversification and export value addition in tea subsector in Kenya.

5.2.4 Effect of Cost Leadership on Export Value Addition in Tea Subsector in Kenya

The fourth objective of the study was to evaluate the effect of cost leadership on export value addition in tea subsector in Kenya. The study findings indicated that cost leadership strategy had a positive effect on export value addition in tea subsector. This was supported by the responses from the respondents who indicated that their companies focused on cost control mechanisms. Results further indicated that buying packaging in bulk cuts costs, they maintained shorter lead times to cut costs, they practiced economic order quantity to cut costs, continuous monitoring of staff productivity cuts processing costs and export prices are not negotiable. Regression and correlation results (beta= 0.554, p value= 0.000) indicated that there was a positive and significant relationship between cost leadership strategy and export value addition in tea subsector in Kenya.

5.2.5 Effect of Technological Innovation on Export Value Addition in Tea Subsector in Kenya

The fifth objective of the study was to establish the effect of technological innovation on export value addition in tea subsector in Kenya. The study findings indicated that technological innovation is a key driver in determining export value

addition in tea subsector. This was evidenced by the responses from the respondents who agreed that their companies had created a centre of excellent for idea generation and innovation. The respondents also agreed that their staffs are trained on how to use E-commerce, their systems are adequately supported by ERP and their companies had a budget for new equipment. In addition the respondents agreed that their equipment meet international standards and their top leadership supports technology and innovations. Regression and correlation results (beta= 0.523, p value= 0.000) indicated that there was a positive and significant relationship between technological innovation and export value addition in tea subsector in Kenya.

5.3 Conclusions

Following the study findings it is possible to conclude that the Kenyan tea subsector has put a lot effort in producing high quality tea but has very poor strategic management practices in the form of marketing promotion, strategic business partnership, product diversification, cost leadership and technological innovations. The study concludes that little value has been created since there are poor strategies in place by the tea subsectors.

5.3.1 Effect of Market Promotion on Export Value Addition in Tea Subsector in Kenya

Market promotion was found to be statistically significant in explaining export value addition in tea subsector in Kenya. It is possible to conclude that the tea subsector had poor marketing strategies and promotion mixes to aid in penetrating in the market for value added exports. The study findings led to the conclusion that there were weak marketing strategies among the tea sector players and that's the reason there was no much value addition in the export tea. The study implies that the tea subsector should ensure they carry out research on better marketing and promotion mixes to venture and embrace tea value addition. This will help in ensuring their products are well packaged and presented in various export markets as a way of building product image and visibility. It is evident that the acquisition of foreign market information is a problem commonly experienced by exporting firms which is

a disadvantage when competing in international markets. Such exporters rely on what little information they have and compete purely on the basis of price and are dependent on it for success. This is the reason as to why the exporting firms should invest in marketing and promotion so that they may also get to know other relevant information on the exporting platform from other firms. Advertising may also signal product quality leading to an increase in brand equity. This is the reason as to why Kenyan tea subsector has low export value addition since they have poor marketing and promotion strategies. From the study it was very clear that the sector players had inadequate international tea marketing knowledge and therefore the Government

should embrace international tea marketing research to guide the tea players.

5.3.2 Effect of Business Partnership on Export Value Addition in Tea Subsector in Kenya

Business partnerships were found to be statistically significant in explaining export value addition in tea subsector in Kenya. The study concludes that the Kenyan tea subsector has not formed strategic partnerships with companies in export markets which have the knowledge and experience to those markets to help Ernest the enormous markets benefits which come with such arrangements. There are many benefits an organization can get by forming long term trustworthy relationships such as the development of interpersonal ties leads to increased market information sharing which can lead to value addition. Communication between both parties is also enhanced. Each partner's objectives in the relationship are better understood, which provide both parties with an opportunity to expand the relationship as a whole.

The study therefore concludes that firms should embrace and engage in business partnerships as a means to improve their credibility and reputation. The study also highlighted that the business partnerships in the tea subsector needed to be improved since they were not exploited or ventured into fully. This is supported by the responses from the respondents who disagreed that they have partnered with major wholesale distributors and most retail stores in export markets. This clearly shows that Kenya is still lagging behind in creation and embracing of strategic business partnerships. If

the Kenyan tea subsector formed strategic alliances and partnerships with major exporting firms it would add value addition to teas by creating a brand image and have ease of marketing and gaining necessary information in the export markets.

Strategic alliances and partnerships with foreign markets players were found to be quite complex among the tea sector players as they require knowledge of those markets, people and cultures. It was found the Government of Kenya had played very little role in assisting the tea sector players in identifying the right partners in these foreign markets. Therefore, the Government of Kenya should establish a framework to assist in identifying the right partners in key foreign markets..

5.3.3 Effect of Product Diversification on Export Value Addition in Tea Subsector in Kenya

Product diversification was found to be statistically significant in explaining export value addition in tea subsector in Kenya. The study concludes that there is low product diversification in export value addition in tea subsector, this is supported by the responses from the respondents who disagreed that they have different tea value added products and different tea packet sizes for different export tea markets. The study therefore concludes that the managers can add export value by ensuring the organizations venture into product diversification. This can be done by having different tea value added products in export markets and ensuring their organizations have packaging standards that meet international standards and have different tea packet sizes for different export tea markets.

The study further concludes that the tea companies had a quality assurance department and different tea qualities for different tea export markets. This was highly ranked by the respondent who agreed that they have a quality assurance department and their tea quality meets the international standards for export markets. This is to enable reaching different and wide market and thus create added value to tea exports.

The study also established that Kenyan tea players mainly focused on black CTC teas and little of other tea types unlike other tea producing countries. This in itself is a product concentration risk and should the international market preferences for black CTC teas fundamentally changes the Government of Kenya can lose a lot of revenue. In view of this product diversification to other tea types like green tea, orthodox teas, white teas, are highly recommended.

5.3.4 Effect of Cost Leadership on Export Value Addition in Tea Subsector in Kenya

Cost leadership was found to be statistically significant in explaining export value addition in tea subsector in Kenya. It is possible to conclude that for any firm to add value in its exports it must focus on cost control and cost reduction strategies to ensure that they keep their production costs per unit as low as possible. The study concludes that the tea subsector have put in place this strategy by ensuring that they bought packaging in bulk, they maintained shorter lead times, they practiced economic order quantity and continuous monitoring of staff productivity cuts processing costs. It was found that some tea subsectors in the country is adopting a different strategy compared with the other firms in the study. Their business is considered to be in the category of beverage industry rather than tea.

The study concentrated on the marketing aspects of value added tea and have moved out of manufacturing and failed to consider the entire value chain drivers. It further focused on general market expansion and failed to link benefits of cost leadership to value addition. The study found that the value addition equipments were very expensive and input costs like energy and labor were very high. This ultimately increased the costs of value added teas and hence making them un competitive in the international markets. In order to address these concerns the government of Kenya should review taxes of tea manufacturing machinery and packaging materials among other initiatives the Government can undertake to boost Export tea value addition.

5.3.5 Effect of Technological Innovation on Export Value Addition in Tea Subsector in Kenya

Technological innovation was found to statistically significant in explaining value addition in tea subsector in Kenya. Technology has been found to be the lifeline of any efficient operations of a successful company. It is therefore possible to conclude that the firms had invested in management information system such as ERP which facilitated flow of information. By embracing technology the organization can lead to doing online business which is made faster and easier by use of new technological changes. Without the top management support and allocation of resources technology can be a jargon to deal with in an organization, however this is not the case in the tea subsector thus high technological innovations in the tea subsector has led to improved export value addition. All in all it is evident that value creating relationships enhance competitive advantage which then enhances market share, profits, customer satisfaction and sales growth. This therefore implies that the mean efficiency of tea industries for value added vary among the regions and therefore continued efforts to update technologies and equipment are required in pursuit of efficiency in tea industry.

5.4 Recommendations

Based on the results, findings and conclusions the following recommendations have been proposed.

Market promotion was found to be statistically significant in explaining export tea value addition and therefore in order to survive and prosper in a rapidly changing environment, the firms should strive to meet the customers' diverse needs and preferences. The firms should implement appropriate marketing strategies and take immediate reaction to the competition. The government should create an enabling environment for businesses to improve their overall competitiveness in the industry. The regulatory issues should encourage instead of hampering business success. This can be done by assisting the exporting promotion council in branding Kenya for instance in the Brand Kenya platform where tourism is marketed, the tea subsector

can also be promoted to gain global visibility. The government should also assist packers in the branding and in distribution strategies which can also help in creation or forming of global agencies to market and promote Kenyan tea.

Business partnership was found to be statistically significant in explaining export value addition. The study therefore recommends that the Government should assist in identifying international partnerships which will improve in export value addition in Kenyan tea subsector. The government should also ensure that the policies and regulations should be put in place that can stabilize the business environment and lower cost of doing business. The strength of the local currency in relation to the dollar should also be stabilized. Policies should be put in place that will cushion the local industry players against strategic shocks like additional taxes, global financial crisis. The management of tea factories should also collaborate with the Government and other policy makers so that they can promote international markets through drafting of agreements with international trade distributors and other global value chain players in tea sector.

The study further recommends that tea firms should continuously practice licensing as it improves their capability to market their products anywhere. Tea firms can also take advantage of third party logistics to get their products across to the customers faster than the competition. Joint ventures should continuously be optimized in accessing specialized skills, new technology, core competences and access to emerging economies such as Kenya.

The study found product diversification to be statistically significant in explaining export tea value addition. The study therefore recommends that the Kenyan tea sub sector needs to embrace product diversification and increase their product range from just black CTC teas to other tea types like green teas, orthodox teas white teas and so forth. This way the Kenya tea sub sector will increase its tea product lines and therefore compete favorably in the international markets and further increase its tea revenues.

From the study findings it is very clear the Kenyan tea sub sector focus mainly on tea quality as a differentiation strategy in growing its export tea value addition and very little focus or attention is given to other product attributes such as branding,tea varriants and packaging. If the Kenyan tea sub sector is therefore to grow exports of its value added tea, it must in addition focus on tea quality, branding, packaging and offering different tea variants as a way of offering differentiation of its products in the export markets. This can be done through training to enhance capacity building on branding and packaging to enable companies compete favorable in the international tea market arena.

From the observations made in the course of this study, it is recommended that the tea exporting companies invest more in environmental assessment to enable them gather adequate information which would enhance their response speed by minimizing uncertainties. The companies should also involve more workers in strategic issue management particularly the middle level and lower cadre workers. Further, they should democratize more the management by allowing more workers in decision making particularly by delegating decision making responsibilities thus harnessing the variable potentialities in them.

It is also recommended the Government of Kenya should establish a tax framework to boost tea value addition by reviewing import duties on tea manufacturing equipment, packaging materials and so forth. This way the cost of Kenyan value added teas will be cost effective and be competitive in the international markets.

Technological innovation was also found to be statistically significant in explaining export tea value addition as technology is revolutionizing the world in all faculties. It is however surprising that it is not the choice means of information collection and monitoring particularly with regard to internal and external tea exporting company environmental assessment. The management of the tea exporting companies should enhance the use of technology in all if not most of their areas of operation. The government should support the tea exporters by reviewing the multiple taxes and ensure that the global intense competition from multinational companies is reduced to see the Kenyan tea subsector flourish.

5.5 Areas for Further Research

It is recommended that a replica of this study should be carried out with or by expanding the scope to include other exporting firms in Kenya like coffee to see whether the findings hold true as well. A replica study can also be conducted on individual tea subsector firms in Kenya to find out if the findings will hold true.

Since the tea sector is dominated by small scale farmers (70%) a study of this nature will be appropriate to evaluate the uniqueness of the small scale farmers in export value addition. An in-depth study of sub-sector differences between the smallholder and plantations will be appropriate.

Another further research study could also be done to critically analyze other factors affecting the adoption of technologies among smallholder tea producers. This will provide further solutions to low technology adoption among smallholder tea farmers which has led to a wide gap between research and actual farm yields and thus improve on value addition. In this study it has clearly emerged that the countries that are doing well in export value addition have greatly been assisted by their governments.

In view of this, it is recommended that a detailed study on the role the Kenyan government can play in assisting the Kenyan tea exporters in growing their value addition should be done. Similar studies focusing on how other crops can enhance their value addition is also recommended. Implementation of the findings of such studies can greatly benefit the Kenyan economy from increased revenues associated with exports of value added product.

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APPENDICES

Appendix I: Introduction Letter

Date……..

Dear Sir,

RE: VOLUNTARY PARTICIPATION IN RESEARCH DATA COLLECTION

My name is Charles Mbui and I am a PhD student from Jomo Kenyatta University of Agriculture and Technology. I am conducting a study entitled *"Effect of Strategic Management practices on Export Value Addition in the tea Subsector in Kenya".* The aim of this survey is to obtain your valued feedback and views on the various strategies in use or that can be adopted to promote value addition in the tea sector. The data collected is for research purposes only and it takes the form of a survey which should take no more than 30 minutes of your time. All responses received are anonymous and information collected will not be distributed to any other party.

Thank you for taking time to complete this survey.

Yours faithfully,

Charles Mbui

Appendix II: Questionnaire

PART I: GENERAL INFORMATION

1. Indicate your company classification

   Tea factory [ ] Tea exporter [ ] Tea packer [ ]

2. Gender of respondent

   Male [ ] Female [ ]

3. Age of respondent

   Less than 30 [ ] Between 31-40 [ ] Between 41-50 [ ] Above 50 [ ]

4. How many years have you worked in the tea industry?

   Less than 5 years [ ] 6 to 10 years [ ]

   11to 15 years [ ] More than 15 years [ ]

5. What is your management level in the company?

   Senior Management [ ] Middle Management [ ]

6. Please indicate your highest level of education

   Primary [ ] College [ ] University [ ]

7. Does your company develop and execute strategic plans?

   Yes [ ] No [ ]

SECTION II: MARKET PROMOTION

1. Does your company carry out export sales promotion(s)?

Yes [] No [ ]

2. Which of the following promotion mixes does your organization use?

i. Advertising [ ]

ii. Personal selling [ ]

iii. Sales promotion [ ]

iv. Public relations [ ]

v. Any other specify ……...

3. Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

No	Statement	5	4	3	2	1
1	Our company creates awareness in the export market					
2	Our company sets aside an advertising budget					
3	We have an advertising agent in every export market					
4	Our products are visible in most cities in our export markets					
5	We do demonstration in our export market outlets					
6	We follow our products all the way to retail export outlets for merchandising					
7	We have sales people in our export markets					
8	We work closely with government agencies in our export markets					

SECTION III: STRATEGIC PARTNERSHIPS

1. Does your company have any business partners in export markets?

Yes [ ] No [ ]

2. Which of the following business partnerships does your organization practice in the export markets?

i. Joint ventures

ii. Export Licensing

ii. Franchising

iv. Any other specify ……..

3. Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

No	Statement	5	4	3	2	1
1	We have partnered with major wholesale distributors in export markets					
2	We have partnered with most retail stores in export markets					
3	We have licensees of our products in many export markets					
4	Franchising of our products is done in most export markets					

SECTION IV: PRODUCT DIVERSIFICATION

1. What type of tea(s) does your company deal with?
   i. Black CTC teas [ ]
   ii. Green teas [ ]

iii. Orthodox teas [ ]

iv. Other types [ ]

2. Which of the following product attributes are used to differentiate your products in the export market?

i. Different teas [ ]

ii. Quality [ ]

iii. Branding [ ]

iv. Packaging [ ]

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

No	Statement	5	4	3	2	1
1	We have different tea brands in export markets					
2	Our packaging standards meet international standards for export markets					
3	We have different Packet sizes for export markets					
4	We have a quality assurance department					
5	We have different tea qualities for export markets					
6	Our tea quality meets the international standards for export markets					

SECTION V: COST LEADERSHIP STRATEGY

1. Does your company focus on cost control methods in production?

Yes [ ] No [ ]

2. Which of the following costs mainly affect the price of your final product in export markets?

i. Processing costs

ii. Machine acquisition costs

iii. Marketing costs

iv. Others specify ……..

Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

No	Statement	5	4	3	2	1
1	Buying packaging in bulk cuts costs					
2	We maintain shorter lead times to cut costs					
3	We practice Economic Order Quantity to reduce costs					
4	Continuous monitoring of staff productivity cuts processing costs					
5	Export prices are not negotiable					

SECTION VI: TECHNOLOGICAL INNOVATION

1. Has your company created a center of excellent for idea generation and innovation?

Yes [ ] No [ ]

2. Which of the following aspects of technology and innovation does your company use?

i. E- commerce

ii. Enterprise Resource Planning

iii. Modern and efficient equipment

3. Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

No	Statement	5	4	3	2	1
1	Staff are trained on how to use E-commerce					
2	Our systems and processes are adequately supported by ERP					
3	We have a budget for new modern equipment					
4	Our equipment meet international standards					
5	Our equipment are automated and robust to produce for export markets					
6	Our top leadership support technology and innovations					

PART II: STRATEGIC MANAGEMENT PRACTICES ON EXPORT VALUE ADDITION

1. Do exports of value added teas increase the revenue of your company?

Yes [ ] No [ ]

2. Which of the following outcomes of value addition are experiencedin export markets?

i. Growth in revenue [ ]

ii. Growth in number of customers [ ]

iii. Growth in number of markets [ ]

3. Please indicate on the scale provided below by ticking the extent to which you agree with the following statements.

Strongly Agree=5, Agree=4, Neither Agree nor Disagree=3, Disagree=2, Strongly Disagree=1

SECTION 1: EXPORT VALUE ADDITION

No	Statement	5	4	3	2	1
1	Exports of value added teas fetch better revenues					
2	There's less fluctuation of revenues in value added teas in export markets					
3	Revenue for value added tea is better spread in export markets					
4	There's a wide spread market of value added tea in export markets					
5	There is a higher brand loyalty in value added tea exports					
6	Many product lines increase export markets					
7	Value added teas increase number of customers in export markets					

Appendix III: List of Tea Factories in Kenya

1) Arroket Factory - Sotik Tea Company Ltd	54) Kinoro Tea Factory Co. Ltd
2) Chagaik Factory - UTK Ltd	55) Kionyo Tea Factory Co. Ltd
3) Changana Factory - JFK Ltd	56) Kipkebe Factory/ Kipkebe Ltd
4) Changoi Tea Factory - WTK Ltd	57) Kipkoimet - EPK Ltd
5) Chebut Tea Factory Co. Ltd	58) Kiptagich Tea Estate Ltd
6) Chelal Tea	59) Kiru Tea Factory Co. Ltd
7) Chemomi Factory - EPK Ltd	60) Kitumbe Factory - JFK Ltd
8) Chinga Tea Factory Co. Ltd	61) Kobel Tea
9) Chomogonday Factory - JFK Ltd	62) Koros Factory - JFK Ltd
10) Eastern Produce Kenya Ltd	63) Kuri Tea Factory Co. Ltd
11) Eberege Tea Factory Co. Ltd	64) Kymulot Factory - JFK Ltd
12) Gacharage Tea Factory Co. Ltd	65) Litein Tea Factory Co. Ltd
13) Gachege Tea Factory Co. Ltd	66) Mabroukie Factory - UTK Ltd
14) Gathuthi Tea Factory Co. Ltd	67) Makomboki Tea Factory Co. Ltd
15) Gatitu Tea Factory	68) Mara Mara Instant - JFK Ltd
16) Gatunguru Tea Factory Co. Ltd	69) Maramba Tea Factory Ltd
17) Gianchore Tea Factory Co. Ltd	70) Mataara Tea Factory Co. Ltd
18) Githambo Tea Factory Co. Ltd	71) Mettarora Factory - Sotik Highlands Tea Estate Ltd
19) Githongo Tea Factory Co. Ltd	72) Michimikuru Tea Factory Co. Ltd
20) Gitugi Tea Factory Co. Ltd	73) Mogogosiek Tea Factory Co. Ltd
21) Igembe Tea Factory Co. Ltd	74) Momul Tea Factory Co. Ltd
22) Ikumbi Tea Factory Co. Ltd	75) Mudete Tea Factory Co. Ltd
23) Imenti Tea Factory Co. Ltd	76) Mungania Tea Factory Co. Ltd
24) Iriaini Tea Factory Co. Ltd	77) Mununga Tea Factory Co. Ltd
25) Itumbe Tea Factory Co. Ltd	78) Nandi Tea Estates - Nandi Hills
26) James Finlay (Kenya) Ltd	
27) Jamji Factory - UTK Ltd	
28) Kagwe Tea Factory Co. Ltd	

29) Kaimosi Tea Company Ltd - WTK Ltd
30) Kaisugu Tea Factory Co. Ltd
31) Kambaa Tea Factory Co. Ltd
32) Kangaita Tea Factory Co. Ltd
33) Kanyenyaini Tea Factory Co. Ltd
34) Kapchebet Tea Factory Ltd
35) Kapcheluch Tea Factory Ltd
36) Kapchorua Tea Company Ltd - WTK Ltd
37) Kapkatet Tea Factory Co. Ltd
38) Kapkoros Tea Factory Co. Ltd
39) Kapsara Tea Factory Co. Ltd
40) Kapset Tea Factory Co. Ltd
41) Kapsumbeiwa Factory - EPK Ltd
42) Kaptumo Tea Factory Co. Ltd
43) Karirana Estates Ltd
44) Kathangariri Tea Factory Co. Ltd
45) Kebirigo Tea Factory Co. Ltd
46) Kepchomo Factory - EPK Ltd
47) Kericho Factory - UTK Ltd
48) Kiamokama Tea Factory Co. Ltd
49) Kibwari Ltd
50) Kiegoi Tea Factory Co. Ltd
51) Kimari Factory - UTK Ltd
52) Kimugu Factory - UTK Ltd
53) Kimunye Tea Factory Co. Ltd
79) Ndima Tea Factory Co. Ltd
80) Nduti Tea Factory Co. Ltd
81) Ngere Tea Factory Co. Ltd
82) Ngorongo Tea Factory Co. Ltd
83) Njunu Tea Factory Co. Ltd
84) Nyamache Tea Factory Co. Ltd
85) Nyankoba Tea Factory Co. Ltd
86) Nyansiongo Tea Factory Co. Ltd
87) Nyayo Tea Zones Development. Corporation
88) Ogembo Tea Factory Co. Ltd
89) Ragati Tea Factory Co. Ltd
90) Rianyamwamu Tea
91) Rorok Tea Factory Co. Ltd
92) Rukuriri Tea Factory Co. Ltd
93) Sanganyi Tea Factory Co. Ltd
94) Saosa Factory - JFK Ltd
95) Savani Factory - EPK Ltd
96) Siret Tea Company Ltd Ltd
97) Tagabi Factory - UTK Ltd
98) Tegat Tea Factory Co. Ltd
99) Theta Tea Factory Co. Ltd
100) Thumaita Tea Factory Co.Ltd
101) Tinderet Tea Estate (1989) Ltd
102) Tirgaga Tea Factory Co. Ltd
103) Tombe Tea Factory Co. Ltd

	104) Toror Tea Factory Co. Ltd 105) Unilever Tea Kenya Ltd 106) Weru Tea Factory Co. Ltd 107) Williamson Tea Kenya Ltd

Source: Kenya Tea Board (2014)

Appendix IV: List of Tea Packers

1	Africa Tea & Coffee Company	40	Ladha Tea Enterprises
2	AlibhaiRamji (Msa) Ltd	41	London Tea Packers
3	Al Noor Feisal & Co. Ltd	42	Majani Bora Packers
4	Aspire Ventures	43	Matamu Holding Limited
5	Auropack Industries Ltd	44	Mau Tea Multi-Purpose Co-op
6	Bonti Enterprises		Society Ltd
7	Bryson Express Ltd	45	Mbaraki Port Warehouses Ltd
8	Casids Services Ltd	46	Melvin Marsh International Ltd
9	Chai Trading Co. Ltd	47	Mikuyu Investments
10	Chamu Supplies	48	Neem Tea Packers
11	Changana (James Finlay)	49	Nestle Kenya LTd
12	Crestwood Logistics Ltd	50	Ngorongo Tea Packers Ltd
13	Crystal Face Tea Traders	51	Oasis Limited
14	Danphill Holdings (K) Ltd	52	One Touch Ltd
15	Discover Kenya Tea Ltd	53	Pema Africa Holdings Ltd
16	Erigen Enterprises	54	Pen Pen Enterprises
17	Farmers Merchants Services	55	Pen- pen Enterprises
18	Gladhome Food Products Ltd	56	Pinky Investments
19	Gokal Beverages (EPZ) Ltd	57	Purid Enterprises
20	Gold Crown Beverages (K) Ltd	58	Safari Commodites Ltd
21	Gold Crown Foods (EPZ) Ltd	59	Sambagi General Traders
22	Hayamba Tea Packers	60	Saosa Instant Tea(James Finlay)
23	Higher Tea Traders	61	Sari Majani Co. Ltd
24	Home Comforts	62	Sasini (K)
25	Image Crops & Commodities	63	Simary Investment Co. Ltd
26	Kapchebet Tea Factory	64	Sondhi Trading Ltd
27	Karirana Estate Ltd	65	Sotik Highlands - Arroket
28	Kentea Emporium		Factory
29	Kent Tea Retailers	66	Sotik Highlands - Mettarora

30	Kenya Nut Co. Ltd		Factory
31	Kenya Tea Packers Ltd	67	Summer Liner Co. Ltd
32	Kericho Crops & Commodities	68	Sylodam International Limited
33	Kericho Top Cup Tea Traders	69	Taifa Quality Tea
34	Kingspride Tea Packers	70	Tanjal Tea Ltd
35	Kiptagich Tea Estates Ltd	71	Tealand Tea Blenders Ltd
36	Kiremanditi General Merchants	72	Timuka Tea Packers
37	Kirindo Traders Ltd	73	Top Cup Kenya Limited
38	Kisun Tea Packers	74	Tower Bridge Tea Co. Ltd
39	Kumail Enterprises	75	Tropical Crops & Commodities Ltd
		76	Trust Tea Traders
		77	Tru Tea Dealers
		78	Western Tea Enterprises

Source: Tea Board of Kenya (2014)

Appendix V: List of Tea Exporters in Kenya

1	Lipton ltd	32	GokalTradingKenya ltd
2	Global tea & commodities kenya ltd.	33	JawaiTea limited
		34	Apt commodities limited
3	James finlay (msa) ltd	35	Tea rose ltd
4	Lab international kenya ltd	36	Gacal merchants ltd
5	Van rees b.v	37	Unilever Tea (K) ltd
6	Cofftea agencies ltd	38	Trust tea traders ltd
7	Chai trading company ltd	39	Riotana trading limited
8	Mombasa coffee ltd	40	Mombasa tea traders ltd
9	JujaCoffeeExporters ltd	41	Lutex limited
10	M j. Clarke Ltd	42	Aimco enterprises
11	DevchandKeshavji (K) ltd	43	Al-itihad(1998) limited
12	Abbas Traders ltd	44	Suwad enterprise limited
13	Stansand (A) ltd	45	Swift commodities limited
14	Ranfer Teas Kenya ltd	46	Afribridge trade exporters ltd
15	AlibhaiRamji (MSA) d	47	Chamu supplies

16	Africa tea & coffee co. Ltd	48	Trade circles ltd
17	Al Emir limited	49	Tanjal tea company
18	ShakabExport&Import co. Ltd	50	Ken Elbagara tea exporters
19	Lindop& company (Kenya) ltd	51	KenteaGirinlin
20	Imperial teas (K) limited	52	Diamond tea exporters ltd
21	Lula trading company	53	Top cup limited
22	New star ventures	54	JanishTeaLtd.
23	Gokal beverages (EPZ) limited	55	Crown Tea ltd
24	Sardia international co. Ltd	56	Rauf coffee & tea expo
25	Pwanihauliers	57	Altea trading
26	Oriental tea expo ltd	58	Mombasa packers ltd
27	Summer liner co. Ltd	59	Dovercourt tea
28	Kirindo tea packers	60	Kipkebe ltd
29	Maymun enterprises	61	Chacha
30	Sasini limited	62	Kigless
31	Black dew limited	63	Afam
		64	North
		65	Mount kenya ltd
		66	Ristam tea limited
		67	Bico ltd
		68	Lexim
		69	Ketex
		70	Sodhi
		71	Al tawakul
		72	Dieger

Source; Tea Board of Kenya (2014)