

Influence of Strategic Management Practices on Performance of Agribusiness Firms in Kakamega County, Kenya

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Abstract: Performance of businesses in Kenya has not been predominantly exceptional despite the much ongoing efforts to provide enterprises with entrepreneurial incentives, many have nevertheless failed. While contributions of enterprises to development are generally acknowledged, entrepreneurs in this sector face many obstacles that limit their long-term survival and development. However, strategic management practice sets priorities, focuses energy and resources, strengthens operations and ensures that all stakeholders are working towards common goals. It is with this regard that the researcher sought to conduct this study with a specific objective of examining the influence of strategy formulation on performance of agribusiness firms in Kakamega County. This research adopted descriptive survey research design since the data was collected from sampled firms representing the entire population of the small-scale agribusiness firms in Kakamega County. It was majorly guided by the Resource-Based View of a firm. The target population was 700 small-scale agribusiness firms in Kakamega County. The researcher used both stratified and simple random sampling techniques. The sample size was represented by 70 agribusiness firms selected across Kakamega County. Primary data was collected by the use of structured and unstructured questionnaires while the respondents were the owners or managers of the agribusiness firms. Reliability of the data was arrived at using the test and retest technique which was computed using the Cronbach's alpha coefficient while the data was validated by the supervisors' guidance. The results were summarised in the project report by use of graphs, charts, frequencies, percentages and tables accordingly.

Keywords: Strategic Management Practices, Strategy Formulation, Organizational Performance and Firm size.

I. INTRODUCTION

Agribusiness is the business of agricultural production. The term was coined in 1957 by Goldberg and Davis. It includes agrichemicals, breeding, crop production (farming and contract farming), distribution, farm machinery, processing, and seed supply, as well as marketing and retail sales. All agents of the food and fibre value chain and those institutions that influence it are part of the agribusiness system. Within the agriculture industry, "agribusiness" is used simply as a combination of agriculture and business, referring to the range of activities and disciplines encompassed by modern food production. The UN's Food and Agriculture Organization (FAO) operates a section devoted to Agribusiness Development which seeks to promote food industry growth in developing nations.

Agriculture is a crucial driver of economic growth in Kenya, contributing nearly a fourth of the country's gross domestic product and employing close to eighty percent of the rural population. Recognizing the importance of this sector, the Government of Kenya and development organizations have made commitments to improve agricultural productivity through policy, legal and regulatory reforms laid out in the government's Agricultural Sector Development Strategy. This strategy encourages 'farming as a business' and the shift from subsistence to market-oriented commercial production by small-scale farmers (KARI, 2013).

As rapid urbanization will soon cause more than 50% of Africans to live in cities, the World Bank estimates that continent's food market will be worth \$1 trillion by 2030. Over the next decade, agribusiness in Africa could hence become the engine that drives dynamic, unprecedented economic growth and development (Info Dev publication. 2014). The entire agricultural system will need to adapt and respond to fundamental changes. Food processing will move from the home to organized factories and later sold in grocery stores. Africa needs a vibrant agribusiness industry, well oriented to produce efficiently and effectively, to meet the growing demand of an affluent consumer class (Info Dev publication, 2014).

In Kenya, agriculture contributes about 25 percent of the gross domestic product (GDP) and provides a livelihood to three-quarters of the population. Food production plays an important part in maintaining the country's food security while the industrial and horticultural crops subsectors are important foreign exchange earners. However, the country's agricultural potential is still unrealized and its growth targets are not being met. Opportunities to add value to agricultural produce are largely unexploited. This, coupled with high production costs arising from escalating energy prices and poor infrastructure, makes Kenyan agricultural exports less competitive in global markets (Kenya Food Security Brief 2013).

Kenya Vision 2030 identifies agriculture as a key sector through which annual economic growth rates of 10 percent can be achieved. Under the Vision, smallholder agriculture will be transformed from subsistence activities, marked by low productivity and value addition, to 'an innovative, commercially-oriented, internationally competitive and modern agricultural sector.

II. STATEMENT OF THE PROBLEM

Performance of businesses in Kenya has not been predominantly exceptional (Akabueze 2002). Despite the much ongoing efforts to provide small-scale enterprises with entrepreneurial incentives, many have nevertheless failed. While the contributions of enterprises to development are generally acknowledged, entrepreneurs still face many obstacles that limit their long-term survival and development (Fabayo, 2009). Kakamega County for instance is mostly getting a lot of its agribusiness foodstuffs from other counties, this is evidenced by the supplies that the majority big chain stores and supermarkets in the county are receiving on a daily basis yet Kakamega has a great potential to produce in large masses to meet its demands. This is a serious concern particularly when put into consideration that Kakamega County does not only experience favourable climatic conditions but also has large cultivable lands and endowed with significant agricultural institutions that have been in existent for a considerably large duration of time.

III. RESEARCH OBJECTIVE

The general objective of this study was to explore the influence of strategic management practices on the performance of agribusiness firms in Kakamega County, Kenya.

A. Specific Objective

To examine the influence of strategy formulation on the performance of agribusiness firms in Kakamega County.

B. Research Question

How does strategy formulation influence the performance of agribusiness firms in Kakamega County?

IV. SIGNIFICANCE OF THE STUDY

The results of this study would be very useful to researchers and scholars, as it will form a basis for further research. Students and academicians will use this study as a basis for discussions on strategic management practices and firm performance of agribusiness firms. This study may also be a source of reference material for future researchers on other related topics; it would also help other academicians who undertake the same topic in their studies.

V. LITERATURE REVIEW

Strategy Formulation

Strategy formulation includes defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines. it is achieved by reviewing key objectives and strategies of the organization, identifying available alternatives, evaluating the alternatives and deciding on the most appropriate alternative (Wheelen & Hunger,

2008). The process of strategy formulation is mainly carried out at three levels, which include the corporate level, business level and the functional level. The lower level managers drive the functional strategies, which have short-term horizons and relate to a functional area (Macmillan & Tampoe, 2000). Taiwo and Idunnu (2010) examined the impact of strategic planning on organizational performance and survival. The study evaluated the planning-performance relationship in organization and the extent to which strategic planning affected performance of First Bank of Nigeria. The findings indicated that planning enhances better organizational performance, which in the long term impacts its survival. Bakar et al, (2011) studied the practice of strategic management in construction companies in Malaysia. The findings of the research showed that most of the firms practicing strategic management had a clear objective, a winning strategy to achieve the objective and a sound mission statement to guide the organization towards success.

Organizational Performance

Good performance influences the continuation of the firm and can be divided to financial or business performance (Gibcus and Kemp, 2003). Financial performance is at the core of the organizational effectiveness domain. Accounting-based standards such as return on assets, return on sales and return on equity measure financial success. Business performance measures market-related items such as market share, growth, diversification, and product development (Gibcus and Kemp, 2003). The organizational performance measures as indicated by Kaplan and Norton (2004) include excellence in internal business processes and effective timely and accurate data collection, quality workforce, quality work environment.

Firm Size

The size of the company is considered by many authors as a contingency factor of high importance concerning the relationship between rational strategic planning and performance (Fredrickson & Mitchell, 1984; Matthews & Scott, 1995; Pearce et al., 1987). Strategic planning is often considered as significantly useful management tool for large companies, which has driven many authors to bring into question the fact of transferring this system to small and medium companies.

Accordingly, the size of the enterprise is also considered as a determining factor in the adoption of an effective system of a rational strategic planning (Falshaw et al., 2006; Ghobadian et al., 2008). Thus, Miller et al., (1998) state that large organizations, because of their complex structure, are expected to adopt a strategic process more comprehensive and more formal than the smaller companies. In fact, if several authors consider that strategic planning is beneficial for large firms; many others noted that small businesses do not need of a rational strategic planning. For example, Mintzberg (1994) argues that smaller firms tend to abandon the rational strategic planning process because they operate in less complex environments and their internal operations are manageable by a single manager or a small group of managers without the need to engage in formal strategic planning process. Therefore, small businesses would do well to focus on intuition and the emergence rather than engaging in a formal strategic planning process, particularly in turbulent environments (Bhide, 1994).

Empirical Literature

Strategic management practices contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty. Porter (2004) states that organizational performance is determined by the ability of the firm to find its unique position and strategic management practice is the tool to enable the firm acquire that strategic position. Ofunya (2013) examined the relationship of strategic management practices and firm performance in Post bank in Kenya. The study revealed that the strategies adopted by Post bank so as to cope with the competitive environment included vigorous pursuit of cost reductions, providing outstanding customer service, improving operational efficiency, among other.

VI. RESEARCH METHODOLOGY

The research design that was used in this study is descriptive survey method aimed at establishing the relationship between strategic management practices and performance of agribusiness firms in Kakamega County in Kenya. The study was conducted within the nine constituencies of Kakamega County from which sampled firms fall in each of the constituencies. The target population of the study comprised of 700 agribusiness firms in the sub counties of Kakamega County distributed as tabulated below. Stratified sampling technique to identify 70 agribusiness firms in Kakamega County. The goal of using stratified random sampling was to achieve the desired representation from various sub-groups in the population. Mugenda and Mugenda (2003), states that a sample of 30% is considered representative for a

population less than 500. The sample sizes of firms were determined on the basis of 10% recommended by Kombo and Tromp (2006). In this research 10% was used in deriving the sample size from the target population for the study.

Sample size

10% of the target population

$$700 \times \frac{10}{100} = 70$$

Research instruments

The research instruments in the research included administered questionnaires. Each item on the questionnaires was developed to address specific objective of the study. The study adopted the drop and pick method where the researcher will leave the questionnaires with the respondents and collect them at an agreed date and time. The advantage of using questionnaires is that it is easy to analyze the data when handling a large group of respondents and it is also economical in terms of time and money.

Reliability and Validity of research instruments

Reliability of the data was arrived at using the test and retest technique which was computed using the Cronbach's alpha coefficient while the data was validated by the supervisors' guidance. Reliability in this research was used to mean the measure of the degree to which research instruments will yield consistent results or data after repeated trials. Validity refers to the degree to which results obtained from the analysis of data will actually represent the phenomenon under study.

Data collection

The study heavily relied on primary data which was collected through administering structured questionnaire comprising of closed and open-ended questions; developed in line with the objectives of the study. The study sought responses from owners or managers of the targeted agribusiness firms in Kakamega County.

Proposed data analysis

The data was sorted and coded then entered into the Statistical Packages for Social Sciences (SPSS) software. Mean and standard deviation was used to analyze the various strategic management practices employed by small enterprises. The process of data analysis involved several stages; the completed questionnaires were edited for completeness and consistency, checked for errors and omissions and then coded. It was then entered into the Statistical Packages for Social Sciences (SPSS) software. Descriptive analysis was employed. Descriptive statistics involving percentages, mean scores and standard deviations were used to determine the influence of strategic management practices on the performance of agribusiness firms in Kakamega County.

VII. RESULTS & DISCUSSIONS

The target population of this study was seventy operating agribusiness sectors in the region. A total of 70 questionnaires were distributed. The research received back 64 (91%) filled questionnaires which were considered valid and without errors. This was considered significant for the study.

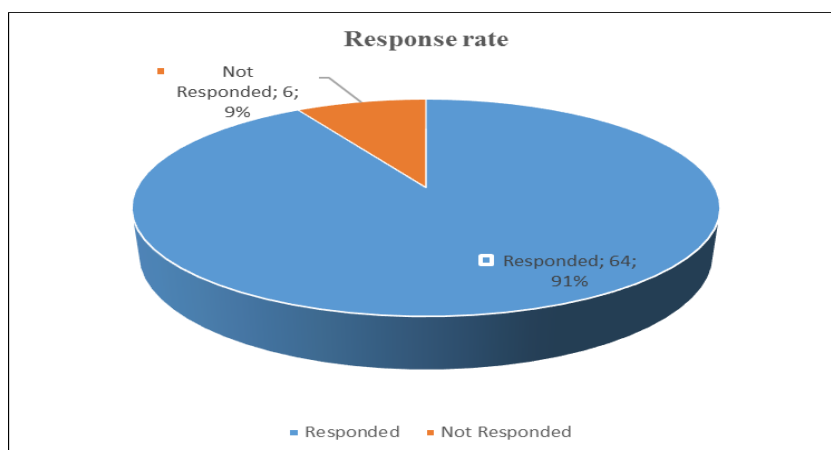


Fig. 1: Response rate

Majority (26%) of the respondents had been working in agribusiness for between 6 to 10 years. In addition, another 25% had worked for 3-5 years. 21% of the respondents had ventured newly in agribusiness while 14.1% had been in agribusiness for more than 10 years as presented below. This indicated that they had the knowledge and experience of their respective subject of business and therefore offered credible information towards the study.

Influence of Strategy Formulation on the Performance of Agribusiness Firms

Table I: Formulation Of Strategy On Performance Of Agribusiness

Influence of strategy formulation	SD	D	NS	A	SA	Conclusions
It is important for a firm to have a clear and achievable objective	0	25	0	39	0	Majority (39/64) Agreed 60.94%
A winning strategy will help achieve the firm's objectives	0	1	0	63	0	Majority (63/64) Agreed 98.44%
A sound mission statement will guide the firm towards success regardless of the firm size	0	10	2	52	0	Majority (52/64) Agreed 81.25%
Strategy planning and formulation influences the performance of agribusiness firms	0	24	0	40	0	Majority (40/64) Agreed 62.5%

Strongly Disagree (SD=1), Disagree (D=2), Not Sure (NS=3), Agree (A=4), Strongly Agree (SA=5)

The findings illustrate the level of respondents' knowledge in strategic-implementation in their respective agribusiness. It is clear that 60% of the agribusiness studied had important aspects of a firm to have a clear and achievable objective. In addition, close to 100% of the respondents in agribusiness understood the contents of their strategic plans, indicating a winning strategy will help achieve the firm's objectives whereas indicating a high level awareness on strategy or a government stress over the same provoking need for awareness. Additionally, 81% indicated that a sound mission statement would guide the firm towards success regardless of the firm size. This may be attributed to the sector by qualification and skills of members in accordance to future idea of the business. However, only 62% said strategy planning and formulation influences the performance of agribusiness firms. This may be attributed to the kind of management styles and the market structure of agribusiness.

Summary of Research Findings

The level of respondent's knowledge on strategy formulation in their respective agribusiness was highly noted as studies showed that agribusinesses under the study had important aspects of a firm to have a clear and achievable objective. In addition, the respondents in agribusiness understood the contents of their strategic plans, indicating a winning strategy will help achieve the firm's objectives indicating a high level awareness on strategy or a government stress over the same provoking need for awareness. Additionally, some indicated that a sound mission statement would guide the firm towards success regardless of the firm size. This may be attributed to the sector by qualification and skills of members in accordance to future idea of the business. However, only 62% said strategy planning and formulation influences the performance of agribusiness firms. This may be attributed to the kind of management styles and the market structure of agribusiness.

VIII. CONCLUSION

The study concludes that most agribusiness firm owners and managers have profound knowledge in strategic-implementation in their respective agribusiness. It is evident that a larger percentage of the agribusiness studied had important aspects of a firm having a clear and achievable objective. In addition, they understood the contents of their strategic plans, indicating a winning strategy will help achieve the firm's objectives. Furthermore, it is clear that a sound mission statement would guide the firms towards success regardless of their sizes. This therefore settles that strategy formulation has a strong influence on the performance of agribusiness firms in Kakamega County. This study further concludes that performance of agribusiness firms is not only conceivable but it most importantly requires accurate strategic management approach to be taken by those in leadership right from the formulation of the strategic plans which should be inclusive of all the stakeholders to implementation, evaluation and firm control measures to be put in place. In

particular, agribusiness firms need to do much quite well by creating and sensitizing all functions on strategic management practices and the emerging trends.

IX. RECOMMENDATION

This study recommends that in order to achieve more on the performance of agribusiness firms in Kakamega County, strategy awareness and campaigns in strategic plans formulation should be kept in place. More resources should be allocated to implementation ensuring clear and achievable objectives are set. Such a practice could be expressed as a key aspect to enhance performance. Successful implementation of strategy is largely dependent on the involvement of all stakeholders in the firm.

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