

EFFECT OF MANAGERIAL CONTROL MECHANISM ON PERCEIVED SUSTAINABLE COMPETITIVENESS OF TEA FIRMS IN KENYA

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Abstract

Tea is one of the leading foreign exchange earners for the Kenyan economy; however, the managerial control mechanism and sustainable competitiveness in tea firms is inadequate. There is concern to produce and process tea in an environmentally friendly manner through collaboration with the stakeholders, in a way that guarantees sustainable competitiveness. The objective of the study was to evaluate the effect of managerial control mechanism on sustainable competitiveness in tea firms. This research utilized the stakeholder theory. The study targeted 878 respondents from 107 registered tea firms in Kenya and multistage sampling method was used to get sample size of 484. Questionnaires were used to collect the primary data. Inferential and descriptive statistics was employed during data analysis. A positive relationship existed between managerial control mechanism and sustained competitiveness [$r = .625, n = 433, p < .05$]. The managerial control mechanism had positive significant effect on sustainable competitiveness. Managers of firms should put in place comprehensive policy on production policies and procedures that reduces pollution by coming up with positive steps toward preserving environment, and policy on clean energy and renewable energy. This will help to measure the firm in environmental measurements and create obligations that must be complied with by all the parties including the stakeholders.

Keywords: Managerial, control, mechanism, sustainable, competitiveness, firms

INTRODUCTION

Sustainable competitiveness is important for a firm because it increases benefits. Barney (2001) indicates that sustainable competitiveness is procured through assets and abilities a firm control, that are important, uncommon, defectively imitable, and not substitutable. Any firm should be competitive to survive and should have the capacity to meet focused gauges of profitability, that is, the effectiveness with which it changes over assets into better value. Smith *et al.* (2008) point out that worries about sustainability concentrate on the need to embrace advancements and practices that don't significantly affect the environment, are effortlessly open to and successful for farmers, can prompt to enhancements in sustenance efficiency and have positive reactions on ecological products and enterprises. Esty and Winston (2006) assert that organizations that don't add ecological speculation to their practices, risk missing upside openings in business sectors that are progressively molded by environmental factors. The consequences of corporate environmental exercises have stretched out to end up determinants of the long-term performance. To be fruitful in the long term, organizations need to set up activities that have a quantifiable positive and durable effect on the environment (Ringbeck and Gross, 2008).

Epstein (2008) sketched out the significance of creating ecological methodologies, which would minimize environmental effects through reusing, life-cycle evaluations and waste reduction systems. Furthermore, for stakeholderships with contamination counteractive action situated corporate ecological techniques, the relationship amongst environmental and corporate performance was more positive (Wagner, 2005). Ambec and Lanoie (2008) point out that all the more particularly, acting in an ecologically sustainable manner gives a chance to firms to make an incentive by upgrading incomes or potentially diminish costs. Through focused environmental activities and initiatives, firms can make interest for new, environmentally friendly products, which can open up new markets prompting to improved incomes. Dowell *et al.* (2000) noted that firms can likewise accomplish significant reputational profits by ecological activity which thus can prompt to expanded deals and, in this way, improve incomes.

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Research has demonstrated that through corporate environmental practice systems, firms can accomplish positive financial execution results (Aragon-Correa and Sharma, 2003; Dowell, *et al.*, 2000; Sharma, 2000) and gain an upper hand over their opponents.

Ambec and Lanoie (2008) point out that all the more particularly, acting in an ecologically sustainable manner gives a chance to firms to make an incentive by upgrading incomes or potentially diminish costs. Through focused environmental activities and initiatives, firms can make interest for new, environmentally friendly products, which can open up new markets prompting to improved incomes. Furthermore, Dowell *et al.*, (2000) note that firms can likewise accomplish significant reputational profits by ecological activity which thus can prompt to expanded deals and, in this way, improve incomes. Tea is the most well-known and least expensive drink beside water and is an essential product as far as occupations and export income for various tropical developing nations. Sande van der Wal (2008) points out that just a modest bunch; China, India, Kenya and Sri Lanka are in charge of very nearly seventy percent of generation.

At worldwide scale, Kariuki (2012) notes that tea is significantly produced in vast farms; however, smallholder production is critical in nations, for example, Kenya and Sri Lanka. The tea segment additionally offers work lasting through the year to around 639,521 farmers in the rural regions notwithstanding providing work in different parts of the tea value chain. The Tea Board of Kenya (2008) report notes that as a labour exhaustive firm, the tea segment is a source of jobs for more than 3m people specifically and by implication (comprising of 10% Kenya's population). Notwithstanding its significance to developing nations, the tea sector is confronted with various limitations. The tea production is hindered by poor farming practices and climate change among many other difficulties (Sanne van der Wal, 2008). Genuinely, the costs of tea have gone around 35% in the previous 25 years (Mulder, 2007).

Kagira *et al.*, (2012) notes that whatever is left of tea is shaped by exclusive extensive scale tea organizations that function and manage thirty tea firms. A couple of these substantial scale tea firms incorporate Unilever Tea, James Finlay, Kakuzi, George Williamson and Kaisugu. It might be contended that sustainable competition is impacted by the level of joint effort on corporate environmental practices with every one of the stakeholders. Most imperative in tea sector in Kenya, is that sustainable competitiveness might be derived from the joint effort with stakeholders that's; government, clients, providers, and workers.

Production and processing of tea in an environmentally friendly manner is the desire for global customers for the tea products more so from Kenya. These requirements in the market for tea includes among other guarantees includes process adaptation, product adaptation, managerial control mechanism and training is compelling firms to search for new strategies for

sustainable competitiveness. The growing concern on the need for collaboration with the stakeholders has been drawn by the decline in the level of sustainable competitiveness of tea firms.

Purpose of the study

The purpose of the study was to evaluate the effect of managerial control mechanism on sustainable competitiveness in tea firms. This was achieved by establishing how the managerial control mechanism influencing the sustainable competitiveness.

LITERATURE REVIEW

Concept of Sustainable Competitiveness

Competitiveness can be defined as a capacity and its potential must be acknowledged in an association's ordinary operations. Porter (2004) notes that unless there is suitable change at the micro and macro-economic levels, the political, legitimate and social changes won't bear meaningful outcomes that can be appreciated by all that are involved. At the end of the day, macro-economic conditions impact the micro-economic environment and the other way around. In addition, there are numerous cases where firms practice different levels of competitiveness (both decidedly and contrarily) despite the fact that they exist in a similar large-scale business environment. The generally accepted result markers in the literature are development, export, and profit. This study utilized these markers and developed them by including the effect of the organization on the client and the society.

On the off chance that manageability of competition should be measured, it ought to surely incorporate stakeholders into the measure of the firm's level of performance. The key assets for competitiveness can be gathered under three classifications, to be specific, human related, monetary and innovation related, advancement and configuration-based assets. This means that the innovation assets are kept wide to incorporate advancement and configuration since innovation assets does not really cover non-specialized developments and design capability that can add to competitiveness. The pointers in the administrative procedures and capacity intend to assess how an organization creates and utilizes its assets through leadership, procedures and frameworks in an organization, and manageability of strategies.

Managerial Control Mechanism and Sustainable Competitiveness

This is firmly grounded and reliant on the improvement of ecological administration bookkeeping. Sustainability is multifaceted with extraordinary assortment of components that are important to commercial achievement. With a specific end goal to better perceive and

effectively deal with these components anyway it is fundamental that an extended comprehension of administration control be produced, and also a more extensive yet very much organized idea of sustainability management control. Since the Porter's Diamond Model deliberately incorporates non-financial components into administration, Schaltegger (2010) points out that it offers incredible potential for organizing a more extensive idea of administration control that likewise incorporates non-market perspectives. Sroufe *et al.* (2002) asserts that it is like natural approaches and techniques with a conspicuous place in the company's key planning procedure, for example, an environmental statement of purpose with broad and point by point targets for environmental performance or plainly characterized environmental obligations regarding workers.

The diverse sorts of corporate environmental activity, depending on the RBV point of view, uncovers various advantages that can possibly be gotten from the usage of an assortment of environmental activities, through asset protection, process productivity improvements, product adaptation and additionally waste reduction, in this manner giving a general bearing to the coordination and combination of these activities in the mission for achievement.

Theoretical framework

Freeman's (1984) offers an administrative and down to earth scope and does not so much comprise a hypothesis. Be that as it may, it has established a base for the advancement of the stakeholder theory, which have been broadly created since the 1980's. Stakeholder idea offered ascends to heterogenic hypothetical improvements Donaldson and Preston (1995). Stakeholder theory foresees that organizations have stakeholders and ought to proactively focus on them (Freeman, 1984), that it exists in strain (at any rate) with investor hypothesis (Friedman, 1970), and gives a vehicle to associating morals and procedure (Phillips, 2003), that organizations that steadily look to serve the premiums of a general gathering of stakeholders will make more an incentive after some time (Freeman, Harrison and Wicks, 2009).

Reliable central thought that a firm should serve numerous stakeholders, firm execution may be characterized as the aggregate esteem made by the firm through its exercises, which is the total of the utility made for every one of a company's authentic stakeholders, (Harrison et al 2013). Stakeholder connections have been contemplated from alternate points of view including the supportable practices perspective. The job of stakeholder relations in association's execution was first concentrated by Freeman (1984) who depicted the issue as a "multifaceted, multi objective, complex wonder". These days, the stakeholder approach is usually used to help practical intensity (Dyllick and Hockerts, 2002). Studies demonstrate that stakeholder

commitment is basic in creating both semi-proactive and proactive states of mind towards sustainability (Factor, 2003).

RESEARCH METHODOLOGY

The identification of the nature and extent of effect-and-cause relationships was through the explanatory research design. It assesses impacts of specific changes on existing norms, various processes. According to Creswell et al., (2007), the focus on a specific problem or an analysis of a situation by causal studies is to enlighten on the designs of relations between variables.

Several districts in Kenya mainly grow tea, for instance; Nandi, Kericho, Kiambu, Bomet, Thika, Sotik, Maragua, Kisii, Muranga, Nyamira, Kakamega, Nyambene, Nakuru, Meru, Trans-Nzoia, Nyeri, Embu and Kirinyaga. Eighty percent of favorable weather patterns are experienced in these areas. Small-scale growers and multinational companies share production as mentioned earlier and; several scientific advances in tea cultivation have come their way, currently small-scale sector average yields stand at 1800kg per hectare which is still below estates sector (Teas Research Foundation, 2002; Willson, 1999). Higher quality standards have been achieved in small-scale sector despite the disparities in yields leading to steadily higher selling prices. According to KTDA (2003), people earning their livelihood from the sector is approximately 3 million, with over 80,000 people employed in the estate, rendering it the largest employer in the private sector industry.

The target population was 878 managers responsible for production, finance and human resource in tea firms because they understood the various environmental practices (Tea firms HR database, 2015) that are in place in their own firms and also have strong knowledge on how basic requirements in both local and international market for tea. Nassiuna (2006), argues that in most descriptive and experimental research, coefficient of variation of at most 20% is accepted and standard error of 0.02 can be used. Sample size for production managers in community owned tea firms is 134 and the rest of the managers as per the type of tea firms were calculated. Random sampling method was used so that the senior most managers in the three key departments was asked to fill the self-designed questionnaire at one in employee relations office and finance and two in production department. Further, multi stage sampling technique was used because according to Singh (2006); this type of sampling is more representative and comprehensive of the population. Stages of a population were created, through stratification that is according to the nature of ownership of the tea firms that's; community owned and private owned tea firms. Then, the researchers used purposive sampling to administered questionnaire of managers responsible and have adequate knowledge of for the

environmental practices being carried out by tea firms and random sampling to pick on the interviewee where there is more than the required number of managers.

This research collected qualitative data using self-administered questionnaires taken to tea firms then a follow-up visits after 7 to 10 days to increase of response rate. Four research assistants underwent two weeks training on environmental practices on data collection and thereafter, the researcher made formal request for approval for this research study from the Office of the President. Upon completion of the data collection, the data was checked, cleaned, coded and analyzed before making final report. Both primary sources of data were utilized in this study.

Primary data was collected using self-administered questionnaires to firm managers, employee relations managers and leaf-based managers of the tea firms with telephone calls prior to delivery of the questionnaires to the contact persons and thereafter to made follow ups. The correlation analysis was used to give correlation coefficients between the four independent variables measured using seven-item likert scales. The correlation coefficients indicate the strength of the association between the variables.

RESULTS

Descriptive Statistics for Sustainable Competitiveness

During the study the dependent variable was the sustainable competitiveness among the tea firms. The respondents were requested to establish the extent they agree or disagree with statements relating to the sustainable competitiveness in tea firms as summarized in Table 1.

Table 1: Descriptive Statistics on Sustainable Competitiveness

	Mean	Std. Deviation	Skewness	Kurtosis
Our market share grows faster than the rival tea firms	5.94	.799	-.046	1.332
Our profitability share grows faster than the profitability of the rival tea firms	6.07	.677	-.344	1.027
Our productivity grows faster than the productivity of the rival tea firms	5.99	.668	-.296	1.912
Our clients are more satisfied than the clients of the rival tea firms	5.98	.717	-.414	1.561
The skill of adjustment to the changeable needs of the markets in our tea firms is better than in the rival tea firms	5.99	.700	-.118	1.212
We have a better image than the rival tea firms	5.88	.738	-.784	1.131

	Mean	Std. Deviation	Skewness	Kurtosis
The employees' motivation of our tea firms is higher than the employees' motivation of the rival tea firms	6.02	.745	-.982	1.594
We have less labour absenteeism than the rival tea firms	6.07	.690	-.287	1.328
Mean	6.0007	.41491	-.609	1.964

The findings showed that all the statements representing sustained competitiveness had a mean of above 5.8, indicating that the respondents highly rated the tea firm sustained competitiveness. The overall skewness was -5.61 and kurtosis was 59.96, indicating that the distribution of values deviates from the mean. From the 8 statements used to explain sustained competitiveness characteristics at tea firms had an overall mean score of 6.00 indicating that respondents agreed on its sustained competitiveness. This implies that the sustained competitiveness was highly rated among the respondents.

Descriptive Statistics for Managerial Control Mechanism

The respondent's views on the managerial control mechanism were sought and their responses presented in table 2. The findings showed that all the statements representing managerial control system had a mean of above 5.8952, indicating that the respondents highly rated the tea firm managerial control system. From the 8 statements used to explaining managerial control system characteristics at tea firms had an overall mean score of 5.8952 indicating that respondents agreed on its managerial control system. This implies that the managerial control mechanism was highly rated among the respondents.

Table 2: Descriptive Statistics on Managerial Control Mechanism

	Mean	Std. Deviation
We recycle of solid waste	5.88	.689
We have Environmental management procedures for internal use	5.86	.665
We use advanced prevention and safety systems at work	5.89	.649
We have policy on clean energy and renewable energy.	5.99	.488
We have positive steps toward preserving our environment	6.00	.531
We have voluntary programs in place, including recycling	5.89	.669
We have major policies to prevent air and water pollution	5.82	.692
We have environmental report, including data on pollution	5.83	.671
Mean	5.8952	.38437

Correlations Analysis

Pearson moment correlation was used to describe the relationship between two variables, depending on the level of measurement. The relationship between managerial control mechanism and sustainable competitiveness was investigated using Pearson product-moment correlation coefficient as shown in table 3. There was a positive relationship between managerial control mechanism and sustainable competitiveness [$r = .625$, $n = 433$, $p < .05$].

Table 3: Pearson Moment Correlation Results

		SC	MCM
Zscore (SC)	Pearson Correlation	1	
	Sig. (2-tailed)		
Zscore (MCM)	Pearson Correlation	.625**	1
	Sig. (2-tailed)	.000	

** . Correlation is significant at the 0.01 level (2-tailed); N=433

This indicated a positive relationship existed between the variables and the more the tea firms enhanced the managerial control system the higher the sustainable competitiveness. These findings gave a reflection of Youndt *et al.* (2004) that the company's formal reportage structure, its formal and informal planning, controlling and coordination of systems, is an aspect of organizational capital. This is designed to track the information on which proactive and reactive management control mechanisms are based.

CONCLUSION AND RECOMMENDATIONS

The managerial control mechanism influenced the sustainable competitiveness. The managerial control mechanism had positive and significant effect on sustainable competitiveness of tea firms. On this aspect, the firms should put in place comprehensive policy on production policies and procedures, policies to prevent air and water pollution, environmental report, including data on pollution, positive steps toward preserving environment, and policy on clean energy and renewable energy. This will help to measure the firm in environmental measurements and create obligations that must be complied with by all the parties including the stakeholders. This study focused only on the influence of managerial control mechanism on sustainable competitiveness of tea firms in Kenya. There is need for similar study to be carried out in other firms other than the tea firms and make comparisons. The study is should be done in public organization s and make comparisons.

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