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Factors Affecting Performance of Cut Flower Firms in Kenya: A Case of Maji Mazuri Flowers Ltd, Uasin Gishu County

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Abstract: **The flower firms in Kenya face high competition from those in the developed countries whose produce is deemed to be of quality. There is a need therefore to improve on the activities in Kenyan flower firms to gain competitive edge. This study sought to provide insights into policies and practices of flower production and marketing in MajiMazuri Flower Company in Uasin Gishu County. The overall objective of the study was to look at the Factors Affecting the Performance of Cut flower firms and the main factors that shape its structure and functioning in the cut flower industry in Kenya. Specifically, the study sought, to establish the contribution Government policy in the performance of the cut flower. The target population is Maji Mazuri flowers with 37 employees. The study used Census research design on a total of 37 departmental heads and supervisors. Data was collected through questionnaires and interviews then analysed by SPSS. It was found out that the Government of Kenya supports the flower sector by providing export licenses, marketing horticultural produce internationally through the Ministry of Agriculture. It is recommended that Flower firms need to follow the rules and regulation in place for them to succeed.**

Keywords: **Competition, competitive edge, cut flower firms, Kenya, quality.**

I. INTRODUCTION

The flower business environment today is very dynamic and therefore calls for flexibility in the decision making in order to remain competitive on the international market. This can be done by applying value chain analysis of the key processes of the firm. Grant (2013) defines Value Chain Analysis as a process where a firm identifies its primary and support activities that add value to its final product and then analyse these activities to reduce costs or increase differentiation. Value chain represents the internal activities a firm engages in when transforming inputs into outputs. This analysis can be used in the cut-flower firms to improve the performance by looking at the key processes and then upgrading them. M. Porter (1985) introduced the generic value chain model. Value chain represents all the internal activities a firm engages in to produce goods and services. VC is formed of primary activities which include Inbound logistics, Operations, Outbound logistics, Marketing and sales that add value to the final product directly and support activities that are Firm infrastructure, Procurement, Human Resource Management and Technology which add value indirectly.

Since cut flower industry is the fastest growing agricultural sub-sector in Kenya and is ranked second in foreign exchange earnings, with cut flowers dominating the sub-sector according to Bolo et al. (2006). Flowers contribute about half of fresh horticultural exports and it employs a labour force of about 50,000 directly and 500,000 depend on it through indirect employment Nyongesa, et al. (2004) and the competitive edge has to be maintained for its sustenance. The industry is dominated by large-scale production, which contributes 97% and small scale contributing 3%. Before the global economic recession, it demonstrated constant growth of 6-9 % annually Van Hemert, (2005) and gets more and more diverse in terms of global actors. Value chain can be seen as a vehicle by which new forms of production,

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technologies, logistics, labour processes and organizational relations and networks are introduced. Global value chains are characterized by falling barriers on international trade due to decreasing tariffs and the lowering of price support and export subsidies in the last decades.

1.1 Statement of the Problem:

Despite Porters (1990), factor conditions such as the nation's endowment with resources such as physical, human, knowledge, technology and infrastructure, managers of flower firms have not employed the same so to add value in the supply chain in order to compete effectively in the market. These factors enable or constrain value addition to the processes. This has led to cut flowers from Kenya to fluctuate in terms of quality on the global market and this is consequently affecting the performance of cut flower firms negatively.

1.2 General objective:

To establish the Factors that affects the Performance of cut flower firms' in Kenya.

1.2.1 Specific objective:

To establish the contribution of Government policy in the performance of the cut flower.

1.3 Research question:

What is the role of Government policy in the performance of cut flower firms in Kenya?

II. LITERATURE REVIEW

2.1 Resource Based View:

Resources of a company refer to both tangible and intangible assets that can be valued and exchanged for economic returns. Examples of the resources are patents, brand name, efficient procedure, skilled personnel and special technology among others. Walker (2007) observes that resources of a business organization are exploited to improve customer value and to lower cost. This study seeks to appreciate the various activities in the value chain of cut flower firms and determine those to which value can be added and then establish the key resources or combination of resources that are required to execute these activities. Based on this theory, performance of a company can not only be a function of the opportunities it confronts but it also depends on the resources the organization can muster TeeceD.J,etal,(1997) Eisenhardt, and &Martin, (2000) argue that resources form the basis of unique value creating strategies and their potential to create sustainable advantage is enhanced when they complement their related activity systems. In normal business operations, we find some resources will support more than one activity while others will be specialized. It is therefore important to understand the various value chain activities and how they utilize existing resources. Peteraf (1993) also argues that differences in profitability of firms within an industry which can be attributed to the endowment of unique resources and how effectively they are exploited Wernerfelt (1984) held the view that optimal growth of the firm involved striking a balance between exploitation of existing resources and development of new ones. Walker (2007) argues that a firm's attractive resources are exploited for economic benefits which provide it with the financial resources required to develop them further.

This suggests the need to reinvest in firms attractive resources. Wernerfelt (1984) argued that if a firm possesses attractive resources, it will create a situation where its own resource position directly or indirectly makes it more difficult for others to catch up and maintain a leadership position. The leadership position can be maintained by applying barriers to the resource acquisition and as development of enhancements to the resource functions to ensure rivals do not catch up.

2.2 Conceptual framework:

The dependent variable is performance which depends on the regulatory procedures become costly and audit firm`s activities fee increase, the performance of the firm goes down.

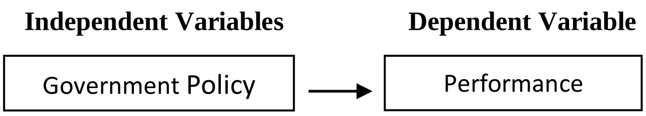

Figure2.1 Conceptual Framework

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2.2.1 Government policy:

According to the research on Roles of tax incentives in encouraging harmful tax competition conducted in East Africa January, 2010, the authorities are not able to provide adequate education, health and housing facilities due to the massive population increase. Attempts to introduce or increase levies are met with stiff resistance from the flower lobbies with threats to relocate. In any case, the local authorities are also bound by laws that protect foreign direct investments from such taxation. The situation results in a contradiction, the flower farms are always complaining of the poor infrastructure and road systems and calling on the governments to improve this while at the same time threatening to relocate if the local authorities make them pay levies, this is according to Mosioma,(2010).

According to Prahalathan et al., (2003), various incentives are being offered by the Government of India, which has enabled the setting up of a number of floriculture units for producing and exporting flowers. Tax benefits are offered to new export oriented floriculture companies in the form of income-tax holidays and exemption from certain import duties. Duties have been reduced for import of flower seeds and tissue-cultured plants. Financial support is provided for setting up of pre-cooling and cold storage units'. The same can be done by the Kenyan government to improve the performance of the flower firms.

Since the launch of the vision 2030 in June 2008 (GOK, 2008), the focus is on implementation of its first 5-year phase that is guided by the medium term plan (MTP) covering the period 2008 –2012. Implementation of Kenya Vision 2030 relies heavily on the direct and indirect involvement of the private sector – the business community as well as civil society organizations. It is noted that one of the flagship projects identified in the MTP 2008 –2012 was fertilizer cost reduction programme (GOK, 2008

The cut-flower trade in Kenya is controlled by policies formulated by the government in collaboration with other sectors. Horticultural trade policy in Kenya is mainly driven by private sector (growers and exporters) interests and the government's pursuit to earn foreign exchange. Policy measures aimed at the horticultural sector are geared towards: enhancing the marketing infrastructure; establishing an improved network of price information; and strengthening of the Horticultural Crops Development Authority (HCDA). Unlike the coffee and tea sectors, which are also major exports, the government's intervention policy on the horticultural sector has been and continues to be limited. For example, the government through the HCDA issues exports licenses, but it does not impose substantial export taxes nor attempt to control the marketing or distribution of the crop. However, the government is now attempting through the Horticultural Bill 2001,

2.2.2 Performance:

According to Bolo et al. (2006), the vital mechanism in minimizing the cost of operation is to find different ways to put together both small–medium scale growers into large scale producer's supply chains and continuing to integrate technology and tough environmental standards into production activities.

III. RESEARCH METHODOLOGY

The research design was descriptive survey. The target population was the workers of Maji Mazuri flowers. The sample of this study was the same as the population of 37 departmental managers and supervisors of Maji Mazuri Flowers Ltd. Self-administer questionnaire and interview was used to gather data. The data collected was analyzed using statistical analysis tools such as mean, mode, frequency distribution, standard deviation by the help of SPSS.

IV. RESULTS, FINDINGS AND DISCUSSION

4.1. Government policy:

Table 4.1The Contribution of government policy

Response	Frequency	Percent	Valid Percent	Mean
Strongly agree	9	24.4	24.4	7.4
Agree	7	18.9	18.9	
Neutral	3	8.1	8.1	
Disagree	10	27	27	
strongly disagree	8	21.6	21.6	
Total	37	100	100	

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Respondents were asked to express their feeling on the export policy of the government encourages or discourages their sales volume.27% respondents disagreed, 22% of the respondents strongly disagreed with the statement.24%, 19% strongly agreed, and agree respectively while 3% were neutral. According to the open ended answers by the respondents, the government of Kenya supports the flower sector by providing export licenses, marketing horticultural produce internationally through the Ministry of Agriculture. Also the Kenyan government carries out promotional activities, search market, gives credit freight costs, prepares the flower exhibition and invites flower exporters to participate on the flower exhibition in the country and outside the country as well as providing some training. Most of the respondents interviewed expressed their dissatisfaction with the degree of government support of the sector. However, there is a perception that Kenyan government is not doing enough to support flower companies by engaging the industry and increase the volumes of flower export which return in affects the performance of the firms. Another criticism is that at the expense of flower exporters, the government has been intervening to strengthen the local currency. The regulatory business environment(Government) also covers regulations that immediately affect businesses through the costs of compliance. These are composed of direct costs, such as license fees, and indirect costs resulting from (often unnecessary) transactions. The latter include transaction costs arising from the time that has to be spent in obtaining a license as well as increasing costs stemming from inappropriate government regulations that make contract enforcement or the hiring and firing of workers unnecessarily complicated and costly.

V. SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary:

The results indicate that the government support the flower industry is neither nor there since there exist a thin line between the disagreement rate of 48.6% and the agreement rate of 43.3%. By the open ended answers by the respondents, the Government of Kenya supports the flower sector by providing export licenses, marketing horticultural produce internationally through the Ministry of Agriculture.

5.2 Conclusion:

The Kenyan government plays a major role in the performance of the flower firms through the formulated trade policies. The government regulates export and import through various means; they issue export license, inspection services and tax on the sales of the flower firms this directly or indirectly affect the profits of the flower firms.

5.3 Recommendation:

Flower firms need to follow the rules and regulation in place for them to succeed and firms should make proper use of the provided resources to improve their performance.

5.4 Area for further research:

There are other factors to look at such as the cost of production, the market environment, transport climate and analyze the way they affect the competitiveness of flower firms in the global market.

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