

Synergies Created by a Strategic Fit between Business and Human Resource Strategies

Synergies Created by a Strategic Fit
between Business and Human Resource Strategies:
An Assessment of Transnational
Tea Firms in Kenya

By

Wilson J. Osito Odiyo

**CAMBRIDGE
SCHOLARS**

P U B L I S H I N G

Synergies Created by a Strategic Fit between Business and Human Resource Strategies:
An Assessment of Transnational Tea Firms in Kenya,

by Wilson J. Osito Odiyo

This book first published 2013

Cambridge Scholars Publishing

12 Back Chapman Street, Newcastle upon Tyne, NE6 2XX, UK

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

Copyright © 2013 by Wilson J. Osito Odiyo

All rights for this book reserved. No part of this book may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the copyright owner.

ISBN (10): 1-4438-4843-3, ISBN (13): 978-1-4438-4843-5

This work is dedicated to my dear wife Carol, without whose dedicated support and unfailing love it would have been impossible to piece together, our sons James Allan and Timothy Jakes Odiyo, my mother Phelgona and above all to Almighty God, whose grace has been more than sufficient.

TABLE OF CONTENTS

List of Tables	x
List of Figures.....	xii
Acknowledgements	xiii
Abstract	xiv
List of Acronyms and Abbreviations.....	xv
Operational Definition of Terms	xvi
Chapter One.....	1
Introduction	
1.1 Background to the study	
1.2 Statement of the problem	
1.3 Objectives of the study	
1.4 Research questions	
1.5 Significance of the study	
1.6 Scope of the study	
1.7 Limitations of the study	
Chapter Two	10
Literature Review	
2.1 Introduction	
2.2 Corporate Strategies	
2.3 Business Strategies	
2.4 Human Resource Strategies	
2.5 Approaches to Strategic HRM	
2.6 HR Linkage and HR Integration-the HR Triad	
2.7 Synchronizing business planning with HR planning	
2.8 Strategic importance of measuring Productivity	
2.9 Flexibility in the face of constant change-Need for a Learning organization	
2.10 Employee Commitment	

2.11 Human Resource Development	
2.12 Strategic fit	
2.13 Strategic Synergies	
2.14 Strategic Concerns of Kenyan Tea Firms	
2.15 Empirical Literature	
2.16 Summary	
2.17 Theoretical Framework	
2.18 Conceptual Framework	
Chapter Three	49
Research Methodology	
3.1 Introduction	
3.2 Research Design	
3.3 Target Population	
3.4 Sample Design	
3.5 Data Collection Methods and Instruments	
3.6 Validity and Reliability of Research Instrument	
3.7 Data Analysis Procedure	
Chapter Four	53
Data Analysis, Presentation and Interpretation	
4.1 Introduction	
4.2 Major business strategies	
4.3 Integration between business strategies	
4.4 Human Resource Strategies	
4.5 Integration of HR strategies	
4.6 Strategic HRM processes	
4.7 Strategic Fit	
4.8 Synergies created by Strategic Fit	
Chapter Five	101
Summary of Findings, Conclusions and Recommendations	
5.1 Introduction	
5.2 Summary of findings	
5.3 Conclusions	
5.4 Recommendations	
5.5 Suggestions for further research	

References	125
Appendix 1	131
Cover Letter for Questionnaire	
Appendix 2	132
Questionnaire for Human Resource Managers	
Appendix 3	140
Questionnaire for Managers in Charge of Strategic Business Units	
Appendix 4	147
Pilot Study Letter	
Appendix 5	148
Letter from Kabarak University, Institute of Postgraduate Studies, Quality Assurance and Research to NCST	
Appendix 6	149
Research Authorization Letter from National Council for Science &Technology	
Appendix 7	150
Research Permit from National Council for Science & Technology	

LIST OF TABLES

- 1.1 International data on organizations with business and human resource strategies
- 2.1 Kenya's cost of Production compared with other producer Countries (US \$/Kg of Made Tea)
- 2.2 Role Behaviours appropriate for different Strategies
- 3.1 Target population
- 4.1 Generic strategies
- 4.2 Horizontal integration
- 4.3 Vertical Integration
- 4.4 Diversification
- 4.5 Acquisition
- 4.6 Divestiture
- 4.7 Number of years strategies are envisaged to work
- 4.8 Factors affecting successful implementation of strategies
- 4.9 Identification of core competencies
- 4.10 Satisfaction of Customer needs
- 4.11 How to improve working methods and systems
- 4.12 Correlation results for integration of Business Strategies
- 4.13 Continuous Learning
- 4.14 Performance management
- 4.15 Job redesign
- 4.16 Job rotation
- 4.17 Reward management
- 4.18 Teamwork
- 4.19 Downsizing
- 4.20 Recruitment
- 4.21 Extent of Multi-skilling
- 4.22 Mode of compensation
- 4.23 Basis of compensation
- 4.24 Organization structure
- 4.25 Correlation results for HR integration
- 4.26 Approaches to formulation and implementation of HR strategies
- 4.27 Strategic fit between cost leadership and HR strategies
- 4.28 Strategic fit between Differentiation and HR strategies
- 4.29 Strategic fit between Divestiture and HR strategies

- 4.30 Strategic fit between Acquisition and HR strategies
- 4.31 Strategic fit between Diversification and HR strategies
- 4.32 Strategic fit between Vertical integration and HR strategies
- 4.33 Strategic fit between Horizontal integration and HR strategies
- 4.34 Regression results for relationship between strategic fit and Employee
Commitment
- 4.35 Regression results for relationship between strategic fit and Employee
Flexibility
- 4.36 Regression results for relationship between HR integration and
Employee productivity

LIST OF FIGURES

- 2.1 Formulating HR Strategy
- 2.2 Sequential Strategic HRM Model
- 2.3 Model of Empirical approach to Strategic HRM
- 2.4 The Human Resource Cycle
- 2.5 Conceptual Framework
- 4.1 Benchmarking as part of strategy formulation
- 4.2 Competitor analysis as part of strategy formulation
- 4.3 Average cost of production per kilogram made tea (2006-2010)
- 4.4 Mean percentage cost of production accounted for by labour cost (2006-2010)
- 4.5 Productivity in Kilograms Green leaf per Labour Day (2006-2010)
- 4.6 Expenditure on training (2006-2010)
- 4.7 Extent to which HR development and career management are part of management philosophy
- 4.8 Extent to which the firms are learning organizations
- 4.9 Extent to which the employees work in teams
- 4.10 Management Level of head of HRM
- 4.11 Mean Total numbers of employees (2006-2010)
- 4.12 Average number of employee by category (2006-2010)
- 4.13 Separation cost
- 4.14 SHRM processes

ACKNOWLEDGEMENTS

I wish to, in a very special way, express my gratitude to my Ph. D thesis supervisors, Dr. Ronald Chepkilot and Dr. Isaac Ochieng for meticulously guiding me through the demanding process of thesis writing, sometimes at great personal inconvenience to them. May God bless you both.

ABSTRACT

This study seeks to establish the synergies created by achieving strategic fit between business and human resource strategies in transnational tea firms in Kenya. The research was necessitated by the fact that though these firms formulate and implement one form of business strategy or the other, there are no significant attempts to achieve a strategic fit between the business and human resource strategies. It therefore sets out to determine the extent to which these firms formulate and implement both business and human resource strategies, if there is a strategic-fit between the two and the concomitant synergies achieved by the fit. A literature review was conducted to link this research to the existing theoretical framework as well as empirical research findings in an attempt to fill some of the gaps. The research, which adopted a descriptive design, was conducted at seven transnational tea companies in Kenya. The 27 respondents, chosen through census, comprised 20 Managers of the strategic Business units and 7 Managers in charge of the human resource function at these companies. Most of the data was collected by way of questionnaires, personally administered to ensure clarification where necessary. Finally, the data is analyzed using descriptive and inferential statistics and findings presented in table, graph and text form. The study found that once business strategies are decided upon, human resource strategies that both complement and justify them are formulated and implemented. The study further established that strategic fit leads to several synergies in the organizations, among them enhanced employee commitment, employee flexibility and employee productivity, all of which are crucial for competitive advantage. These synergies notwithstanding, HR strategies need to be as explicit and clearly stated as the business strategies. It is necessary that HR is represented at the board of director's level, and that the firms outsource the non-core activities. The study findings will be useful to employers and employees, government economic planners, scholars, management consultants and management students.

Key words: synergies, strategic fit, business strategies, human resource strategies

LIST OF ACRONYMS AND ABBREVIATIONS

CEO	Chief Executive Officer
GDP	Gross Domestic Product
HPWS	High Performance Work Systems
HR	Human Resources
HRD	Human Resource Development
HRP	Human Resource Planning
HRM	Human Resource Management
KIPPRA	Kenya Institute for Public Policy Research and Analysis
SHRM	Strategic Human Resource Management
UNDP	United Nations Development Program

OPERATIONAL DEFINITION OF TERMS

The following definitions have been adopted for the terms used in the study.

Aligned HRM process. In this approach, HR strategy is developed together with the business strategy. They may be presented and discussed together but are distinct outcomes of parallel processes. By considering them together, there is a likelihood that they will influence each other and be adopted as a cohesive whole.

Acquisition. A strategy through which one firm buys a controlling or one hundred percent interest in another firm with the intent of making the acquired firm a subsidiary business within its portfolio. The management of the acquired firm reports to the management of the acquiring firm.

Benchmarking. Evaluating the sustainability of advantages against key competitors, comparing the way a company performs a specific activity with a competitor or other companies doing the same thing.

Business Process Outsourcing. Obtaining work previously done by employees inside the company from sources outside the company. In view of rising labour costs, tea companies have begun to outsource non-core activities while retaining only activities directly related to tea growing and processing.

Business Process Re-engineering. The radical redesign of business processes to achieve major gains in cost, service or time. It strives to break away from the old rules and procedures that have become ingrained in the organization over the years and not seriously questioned since their establishment.

Business Strategy. This implies a series of systematic and related decisions that give a business a competitive advantage relative to other businesses. In this study, business strategy is also referred to as competitive strategy (Bennet, 1999).

Competitive Advantage. The capability a company possesses that adds value to its target customers and is superior to that of its competitors. It sets the company apart from other market players.

Commitment. The acceptance of and belief in the organization's goals and values. Employees identify with organizational goals which are consistent with their own goals (Armstrong, 2009).

Core competencies. Something a company does well, relative to other internal activities.

Corporate Strategy. The attempt by those who control an organization to find ways to position their organizational objectives so they can exploit the planning environment and maximize the future use of the capital and human assets.

Distinctive Competencies. Something a company does well relative to its competitors.

Downscoping. Referring to a divestiture or some other means of eliminating businesses that are unlimited to a firm's core business, this is a set of actions that cause a firm to strategically refocus on its core businesses. Downscoping has a more positive effect on a firm's performance than downsizing.

Downsizing. Reduction in the number of a firm's employees and sometimes in the number of its operating units, but which may or may not change the composition of businesses in the company's portfolio. For Kenyan tea firms, it has mainly been carried out in the area of employee reduction.

Flexibility. Providing the capacity to manage planned organizational change and enable the organization to be adaptive and responsive to the ever-changing needs of shareholders, customers etc. (Armstrong, 2009).

Generic Strategies. Three general types of business strategies that are commonly used by any firm to achieve competitive advantage. They can be applied by any firm, i.e. they are not unique to any industry. They include cost leadership, differentiation and focus.

Human Resource Development. A systematic process of training and growth by which employees gain and utilize skills, knowledge, attitudes and insights to carry out the work in their organizations. It deliberately prepares them for their role in the achievement of strategic objectives. Becton and Schraeder (2009) suggest that although there are many changes required for HR to become more strategic, it should aggressively pursue, among key activities, the development of employees.

Human Resource Strategy. This involves the decisions and actions which concern the management of employees at all levels in the business related to the implementation of strategies directed towards creating and sustaining competitive advantage. For tea firms, the strategies employed have mainly focused on employee reduction through the use of contract and part time workers (Armstrong, 2009).

Integrated HRM Process. Where HR strategy is an integral part of the business strategy, along with all the other functional strategies.

Learning Organizations. Organizations structured around the idea that it should be set up to enable learning, share and seek knowledge and create opportunities for new knowledge to help firms constantly renew themselves in view of the ever-changing business environment.

Mergers. This is a strategy through which two firms agree to integrate their operations on a relatively equal basis. Few true mergers occur because one party is usually dominant with regard to market share or firm size.

Restructuring. This is a strategy through which a firm changes its set of businesses or its financial structure with the overall objective of being more competitive.

Separate HRM process. A distinct HR plan is developed. It is both prepared and considered separately from the overall business plan. It focuses on HR issues and, so far as possible, looks for business-relatedness of the information obtained. This approach perpetuates the notion of HR as a staff driven, functional, specialist concern.

Strategy. Large-scale, future-oriented plans for interacting with the competitive environment to achieve company objectives

Strategic fit. The integration of human resource considerations into the overall corporate planning and strategy formulation procedures. In this study, it is the level at which Human Resource and Corporate Strategies are aligned and geared towards achieving the same objectives (Armstrong, 2009).

Synergy. When two or more activities or processes complement one another to the extent that when undertaken in unison, the total output is significantly greater than when they are done individually. The idea may be summarized by the phrase “making two plus two equal five.” For the purpose of this study, these are the benefits accruing to the organization when Human Resource and Business Strategies are consistent with one another. This concept is derived from Systems theory (Bennett, 1999).

Takeover. A special type of acquisition strategy wherein the target firm does not solicit the acquiring firm’s bid. Many takeover bids are not desired by the target firm’s managers and are referred to as hostile.

Transactional HR activities. The day-to-day transactions such as benefits administration, record keeping and employee services. Strategic Human Resource Management goes beyond these activities and focuses on the benefits for business of the human resources.

Transnational Tea company. A tea-growing and processing company carrying out business in Kenya but which is a subsidiary of a larger company outside the country, most having their parent companies in Europe.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Industries are characterized by trends and new developments that gradually or speedily produce changes important enough to require a strategic response from participating firms. The popular hypothesis about industries going through a life cycle from rapid growth, to early maturity, through to saturation and decline helps to explain industry change but is still incomplete (Thompson and Strickland, 2003). More importantly, there are driving forces that have the biggest influence on what kind of changes take place in the industry, firm structure and competitive environment. Major examples include the emergence of the internet and e-commerce and the increased globalization of industry. In an increasingly competitive business environment, companies inevitably move towards identifying their core and distinctive competencies, and have to engage in strategic management (Thompson and Strickland, 2003).

The achievement of any set of corporate objectives, however, requires the deployment of the two most basic resources—money and people. Deficiency in either can reduce the best-laid strategy to a valueless pipe dream. Organizations seem to find it difficult to develop human resource strategies which are linked to business strategies, despite widespread recognition that this is important (Hussey, 2000). Table 1.1 below presents the percentages of international organizations with both business and human resource management strategies.

The scenario in Table 1.1 below exists because the task of strategic human resource planning is more complex than that of providing the needed capital. Worthwhile human resource planning can only take place if the human resource function is regarded as a genuine partner in the management team. The organization can only do the job efficiently if the right quantity and quality of management and non-management personnel are on board.

Table 1.1 International Data on Organizations with Business and Human Resource Strategies.

Business Strategies	%	HRM Strategies	%
Yes, written	75	Yes, written	56
Yes, unwritten	17	Yes, unwritten	25
No Strategy	7	No Strategy	18
Don't know	1	Don't know	1
Total	100	Total	100

Source: Tyson (2006, 90).

However, it is not enough to believe that the implementation of Human Resource Management (HRM) policies and practices within the framework of integrated Human Resource (HR) strategies will have positive impact on results. According to Armstrong and Baron (2007), too often in the past personnel practitioners have had to justify their proposals by asking management to accept them, not as proven catalysts for the attainment of corporate objectives but as an act of faith. While there is no shortage of experts calling for HR to be more strategic, recommendations for accomplishing this goal are not as plentiful (Becton and Schroeder, 2009). The truth, however, is that human resource planning, human resource forecasting and other scientifically quantifiable modes of tying both present and future human resource quality and quantity to the business strategy ought, ultimately, to contribute to organization performance.

In the past, one of HR's primary roles has been to ensure compliance with laws, rules and regulations. Although this is still the case, and always will be, many recent developments have led to a strong emphasis on results (US office of Personnel Management, 1999).

The purpose of HR has now been recognized as the articulation of what an organization intends to do about its HRM policies and practices, both now and in the long term. Walker (1992) suggests that the two following types of processes should be used in Strategic Human Resource Management (SHRM): the integrated process, through which HR strategy is an integral part of the business strategy, along with other functional strategies, and the aligned process whereby the HR strategy is developed together with the business strategy. They may be presented and discussed together but they are distinct outcomes of parallel processes. By considering them together there is a likelihood that they will influence each other and be adopted as a

cohesive whole. Lastly, the separate process is whereby a distinct HR plan is developed, and is both prepared and considered separately from the overall business plan. It focuses on HR issues and, as far as possible, looks for the business-relatedness of the information obtained. This approach perpetuates the notion of HR as a staff-driven, functional, specialist concern.

Whichever process is used, a mutually reinforcing and interrelated set of personnel and employment policies and programmes, which jointly contribute to the achievement of the organization's strategies, needs to be developed. In other words, business and human resource strategies need to be coherent and geared towards achieving competitive advantage.

Although it is generally agreed that different organizations and different corporate scenarios require different HR strategies, Armstrong (2009) differentiates between two basic types: (a) general strategies, including high-performance working, high commitment and high-involvement, and; (b) specific strategies, relating to different aspects of human resource management such as learning, development, reward etc.

Although each organization tackles Strategic HRM on its own and follows whichever approach is appropriate to its circumstances, Armstrong and Baron (2007) argue that certain themes stand out, such as the modification of values, behaviours and attitudes. According to them, some key components of the HR strategy can be pointed out as investing in intellectual capital, performance management, job design, the reward system and the work-life balance. Armstrong (2009) suggests that in the process of formulating HR strategies, it is important to achieve a vertical fit, that is integrating the business and HR strategies, as well as a horizontal fit (or bundling), that is achieving coherence and mutual support between various HR strategies.

What is not in doubt is that business strategy needs to be dovetailed into the right quality and quantity of human resources. Without attracting and retaining the right people, in the right jobs, with the right skills and training, an organization cannot succeed (US office of Personnel Management, 1999). The HR strategy ought to influence the business strategy, and in turn be influenced by it. A merger between two firms, for instance, almost always results in the new organization having several pairs of functional managers. An emergent retrenchment HR strategy must therefore be put in place to ensure the organization benefits and is not

disadvantaged when one manager is chosen and the other left out. Similarly, divestiture sees the less successful branch of an enterprise cut off, stopping it from being a drain on the other business units. Certainly there is need, in such situations, to “right size” organizations by eliminating unnecessary work and responding to economic, legal, technological and consumer changes. In this situation, thought must be put into the human resource component even as the business side is brought to a close. An appropriate HR strategy encompassing such issues as separation costs, outplacement and retraining of staff, if necessary, must be envisaged and planned for. In addition, business leaders must come to terms with the cost of the sudden, unplanned reduction of employees, as well as the psychological impact of corporate downsizing on the remaining employees.

On the other hand, growth strategies such as expansion or diversification necessitate the recruitment, selection and actual hiring of additional human resources, of the right quantity and quality and at the right time. The firm therefore needs to put in place superior HR strategies, targeting the areas of training, development, compensation, quality of work life etc. to be competitive in the labour market.

Kamoche (1992) noted that there was not a strong tradition of long-term strategic management in Kenya. This weakness went back to the 1960s and 1970s when the government fostered a policy of import substitution ostensibly to discourage imports and establish a local manufacturing industry. Unfortunately, rather than give the much-needed impetus to a nascent industry, this policy created a protected and largely inefficient local industry. The relative weakness of long-term strategic planning, Kamoche argues, is also explained by the fact that the subsidiaries of multinational companies had, to a large extent, relied on their head offices in matters of strategy and policy formulation, which invariably boiled down to short-term, tight reporting schedules. This situation led to a combination of strategic planning and a less rational and less objective approach which resembles a “gut feeling,” and this has implications for the viability of SHRM.

There is little evidence to demonstrate that the situation has changed, and, as Yabs (2007) argues, strategic management approaches in Kenya have been introduced slowly and gradually, and not much has been written on their spreading. Indeed, many consultants in Kenya have attributed the

unsatisfactory performance by many firms to the limited use of strategic management approaches.

Businesses in the formal sector in Kenya are generally unlikely to hire more workers as they are convinced that the costs of doing so will exceed the benefits. They therefore choose to either maintain their operations at lower levels than they would if the benefits of hiring more workers exceeded the costs, or increase the use of machines in their operations as substitutes for employing workers as their preferred means of expanding their operations (UNDP, 2007). Nowhere is this truer than the tea industry, where traditionally labour intensive jobs such as tea plucking are becoming increasingly mechanized due to the ever-rising labour wages. These firms therefore need to take a strategic view of their human resource requirements. Due to the seasonal nature of their operations, coupled with susceptibility to such external phenomena as wage rates, foreign exchange rate fluctuations and international prices, they walk a tight rope in terms of labour numbers and costs.

1.2 Statement of the problem

The fact that management has to be concerned with deliverables rather than abstractions has now been sufficiently recognized and HR practitioners are aware of the current mantras of “be strategic” and “be a business partner,” but how they can achieve these things has not always been explained. In practice, many more organizations around the world see the need for business strategies than see the need for human resource strategies. Kenyan Tea firms, like most international organizations, formulate and implement one form or another of business strategies, but studies have neither brought out any attempts at achieving a strategic fit between the business and human resource strategies nor the synergies associated with achieving this. The closest study, that by Dimba and K’Obonyo (2009), focuses on the effect of SHRM practices on the performance of multinational manufacturing companies. No tea company was studied and the aspect of strategic fit is not discussed.

Due to their labour intensive nature, these tea firms require major decisions on human resources. For most of them, labour related costs constitute up to 60% of the total cost of production (Task Force Report on the Tea Industry, 2007). It is therefore crucial that every effort is made to first achieve a strategic fit between the business and HR Strategies and second to realize the synergies associated with the fit. The matter of

strategic fit is even more important now as it is established that for HRM practices to impact on performance there must be a particular “fit” between a firm’s HRM practices and the firm’s competitive strategy (Wright and Snell, 1998). This study therefore seeks the additional benefits (synergy) associated with business and HR strategies being formulated and implemented together, rather than each working alone.

1.3 Objectives of the study

The general objective of this study is to identify the synergies created by a strategic-fit between the business and human resource strategies of transnational tea firms operating in Kenya.

Specific objectives are:

- (i) To find the major business strategies employed in the last five years, as well as those formulated for implementation in the next five years.
- (ii) To establish whether there is integration between the various business strategies employed.
- (iii) To find out the major human resource strategies employed in the last five years as well as those formulated for implementation in the next five years
- (iv) To establish whether there is integration between the various human resource strategies employed.
- (v) To identify which SHRM processes are used by the firms, i.e. integrated, aligned or separate.
- (vi) To establish the extent of strategic fit between various business and human resource strategies.
- (vii) To determine whether strategic fit between business strategies and HR strategies is a predictor of synergy in the firms.

1.4 Research questions

- (i) What are the major business strategies employed in the last five years and those formulated for implementation in the next five years?
- (ii) Is there integration between the various business strategies employed?

- (iii) What are the major human resource strategies employed in the last five years and those formulated for implementation in the next five years?
- (iv) Is there integration between the various human resource strategies employed?
- (v) Which SHRM processes are used by the firms, i.e. integrated, aligned or separate?
- (vi) What is the extent of strategic fit between various business and human resource strategies?
- (vii) Is strategic fit between business strategies and HR strategies a predictor of synergy in the firms?

1.5 Significance of the study

The findings of this study are a significant pointer to the synergies associated with the achievement of a strategic fit between the business and human resource strategies for tea industry players. These firms are prone to cyclical changes in weather patterns and the resultant changes in production levels and prices. Furthermore, currency exchange rate fluctuations affect incomes from tea as it is predominantly grown and processed for export. Short-, medium-and long-term strategic plans should consider these expected changes. The firms need to decide, for instance, on the ratio of permanent to seasonal employees appropriate for their operations. Among other costs that a firm could incur is interest on bank overdraft which can occur following unforeseen cash flow problems. Whatever business strategy is chosen, it is necessary that human resources be equally strategically managed so as to deal with longer-term people issues. An integration of the two would ensure that the human resource strategy supports the accomplishment of the business strategy, and indeed helps to define it. In addition, it would help deal with micro concerns about organizational efficiency, effectiveness, structure, values, culture, quality, commitment, performance, competence and management development.

Present and future employees of the tea firms need to be assured of a predictable manner of handling the contracts between them and their employers, especially on issues to do with termination. The findings of this study will, where corporate downsizing has been decided on as the appropriate business strategy, afford the workers the benefit of well-planned employment/redundancy practices.

Since employment level and its stability are major challenges for government planners at the national level, by achieving rationalization of employment in the tea industry, the government will reduce the problem of unemployment while the exchequer will be guaranteed continued revenue from corporate tax paid by these firms as well as a sustainable flow of foreign exchange.

Future researchers and those in academia, principally the universities, are expected to use the findings of this study not only as a basis for further research to fill the gaps identified but also as a source of new knowledge.

1.6 Scope of the study

This study is limited to the seven transnational tea companies with a presence in Kenya. In particular, it focuses on the business and human resource strategies of these firms, the details of which were found from company documents as well as from the managers in charge of strategic business units and human resource management.

The study was conducted at various strategic business units which are also profit centres. However, because these firms largely produce one product, that is tea, the study makes no distinction between corporate level and business level strategies. Coherence is therefore sought between business strategies on the one hand, and HR strategies on the other hand.

Furthermore, the study does not focus on functional strategies. As the concept of SHRM is about adaptation and integration of the human resources with the strategic business needs of the firm, the position of the human resource function transcends all the other functional areas, such as marketing, finance, production, research and development. Moreover, functional strategies, being short-term, narrowly-scoped plans that a company uses to achieve short-term objectives, would not address the medium- to long-term aspects of strategic fit that the study aims to achieve.

1.7 Limitations of the study

Strategy has always been emergent and flexible, and is never for the present. Therefore, longitudinal studies offer the best option for researching strategy effectiveness. Since this study was conducted at one point in time, the researcher employed forecasting techniques while

remaining aware of the possibility of sudden changes even to the best-laid plans.

Strategy is not realized merely by formal statements but comes about also by actions and reactions. It was therefore necessary to deduce strategy from what the firms actually do, not what they say they do.

The search for a contingency model that matches HR and business strategies is limited by the impossibility of modelling all the contingent variables (in this case, all the matching HR and business strategies), the difficulty of showing their interconnection, and the way in which changes in one variable have an impact on others. In order to overcome this shortcoming, the researcher limited the matching of business and HR strategies to a selected range of commonly-used strategies. In addition, any variables that showed signs of multicollinearity were dropped.

Part of the information sought was classified as confidential by the organizations being studied. The respondents were, in certain instances, unwilling to answer all the questions in the questionnaire or had to seek permission from the upper echelons of management. The researcher persuaded them by indicating that the findings of the research would not only be disseminated back to them for decision making in their organizations but would also be kept confidential by, for instance, not mentioning any respondent or his/her organization by name. The letter from the National Council for Science and Technology played a major part in getting the respondents to make the required information available. In addition, the researcher made use of company documents and publications of tea industry organizations, such as the Tea Board of Kenya, to fill any gaps.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant theoretical and empirical literature from books, refereed journals, research projects and the internet.

2.2. Corporate strategy

Strategic management is that set of managerial decisions and actions that determine the long-term performance of corporations. The study of strategic management emphasizes the monitoring and evaluation of external opportunities and threats in light of comparative strengths and weaknesses to generate and implement a new strategic direction (Hunger and Wheelen, 2007). It is a continuous, iterative process aimed at keeping an organization as a whole appropriately matched to its environment (Certo and Peter, 1993). Certo and Peter further state that organizational environments are constantly changing and organizations must be modified accordingly to ensure that organizational goals can be attained.

Ireland, Hoskisson and Hitt (2009) see strategic management as a process which entails the full set of commitments, decisions and actions required for a firm to achieve strategic competitiveness and earn above-average returns. Thus, a firm does not engage in strategy formulation and implementation merely to achieve average returns. The first step in the process is to analyze its external and internal environments to determine its resources, capabilities and core competencies. With this information, the firm develops its vision and mission, formulating its strategy. Strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy. Strategic management is a continuing set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of an organization. It starts with the assessment of the organizational environment, specifying objectives to be achieved, developing plans for