

## **IMPLEMENTATION OF OPERATIONAL MANAGEMENT PRACTISES IN THE PUBLIC SUGAR SECTOR IN KENYA**

**Barasa Khanda Benson**

School of Business, Department of Accounting and Finance, Kenyatta University,  
Kenya

**Dr. Ambrose Jagongo**

School of Business, Department of Accounting and Finance, Kenyatta University,  
Kenya

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## **ABSTRACT**

Operations management is the administration of business practices aimed at ensuring maximum efficiency within a business, which in turn helps to improve the firm's performance and profitability. According to Amit Kothari, (2016), it involves resources from staff, materials, equipment, and technology, converting these inputs into efficient and effective outputs on both day-to-day and strategic levels within an organization. The Kenyan sugar sector has had many perennial challenges. Despite the governments' efforts to revive the sector and help it stabilize, the efforts have not borne any fruits. Many hypothesis have been raised, about the factors that have contributed to the state of the sugar sector in the country. Among them is the implementation of operational management. This is what necessitated this study. This study aims to analyze the factors influencing of the

operational management practices in the public sugar sector in Kenya. These factors include of employee competence, availability of functional infrastructure and operation environment and framework. The study will be carried out in all public sugar cane companies in Kenya. The population of the study will include all departments of Mumias Sugar Company, the researcher will carry out a simple random selection of the respondents from all the 8 departments of the company. Both primary and secondary data will be used in the study. The research study will use a questionnaire as a key instrument for primary data collection due to convenience and reference. Secondary data will include online data, information collected by company agricultural authority, government archive, department records and publications made. The data will be analyzed using SPSS and presented in tables and charts.

## **INTRODUCTION**

In the wake of unending demand for finances in the market coupled with stringent measures set by commercial banks to caution themselves against default risk, microcredit has emerged as promising tool for financial inclusion (Servet, 2016). Over the years commercial banks have by and large considered micro borrowers and low income earners as undeserving and un-bankable. It's on this premise that the microfinance institutions have identified a glaring gap and exploited it. These institutions have in the last two decades dedicated their efforts to designing and implementing strategies aimed at attracting and addressing the peculiar needs of low income earners. As a result, the focus by low income earners has since shifted to credit only and microfinance banks (Revindo & Gan, 2017).

## **Background of the Study**

Operations management in organisations is the driving force behind the desired success. It involves certain responsibilities that are influenced by factors which cannot be overlooked if the company is to achieve its objectives, Fayol, (1991). One of those responsibilities is ensuring the business operates efficiently, both in terms of using the least amount of resources necessary and in meeting customers' requirements to the highest standard economically viable. Operations management entails managing the process by which raw materials, labor and energy are converted into goods and serving fices. People skills, creativity, rational analysis and technological knowledge are some of the important for the successful implementation of operations management in organisations. In the history of business and manufacturing operations, division of labor and technological advancements have benefited company productivity, Gatimu, (2011). Systematically analysis of these factors and and their constant applications in organisations enhances success. In 1911, Taylor published the principles of scientific operations management, characterized by four specific elements: developing a true science of management, scientific selection of an effective and efficient worker, education and development of workers, and an intimate cooperation between management and staff, Sturkhart (2007)

## **Operational management in organisations**

Today, operations management revolves around four theories: business process redesign (BPR), reconfigurable manufacturing systems, six sigma and lean manufacturing. BPR was formulated in 1993 and is a business management strategy that focuses on analyzing and designing workflow and business processes within a company. The goal of BPR is to help companies dramatically restructure organization by designing the business process from the ground up. The implementation of operational management in the Kenyan sugar industry has faced many challenges which has led to the collapse of the sugar industry in kenya. The sugarcane sector for years has been a big contributor to the Kenyan economy with more than half of its production from state owned companies including Mumias Sugar company in western Kenya sugar belt, Kenyasugarboard, 2017. For many years Kenya has been known for the production of quality sugar for both export and local consumption. The sector was one of the major pillars in agricultural secor of the economy but of the recent past the statistics have changed leading to shortage of the commodity and closure of the many companies that were once termed as giant industries. Several researches have been conducted to ascertain the reasons for the decline of the sector and the recomandations made on ways of reviving it. With the coming of Jubilee government focus on agriculture as one of its pillars, the proposal of privatizing the 5 major sugar companies with an aim of bringing efficiency in operational process.

According to the Kenya Sugar Industry strategic plan 2010-2016, all sugar industries need to be privatized in order to compete effectively. Despite developing strategic plans, public sugar companies in Kenya rely on Government cash bail out to make them survive. For example Mumias Sugar Company received over Kshs 1 billion in June, 2015 from the National Treasury against an unexpected over Kshs 6 billion (RoK, 2015). The industry produces 68% of Kenya's domestic sugar requirement, making the country a net importer of sugar (RoK, 2013). The decline in sugarcane production and sugar output can be attributed to the existing major operational management problems in the industry; the rising level of inefficiency in sugar production, milling and transportation. Due to factors attributed to performance, the Kenya sugar industry has not met COMESA sugar safeguards for the last 12 years, since 2001 (ROK, 2014). This has resulted in the Government of Kenya request for extension of the COMESA safeguards year in year out. Kenya's sugar production has recorded under production from the various sugar millers, against what is expected from the forecasted annual production (MOA, 2015).

The expiry of preferential trade tariff prices from the COMESA region in 2016 has complicate matters to the local millers as their sugar will compete with cheap imported sugar (Mwanje; Guyo & Muturi, 2016). The Cost of producing sugar in Kenya is higher than those in other producing countries in East Africa and COMESA member states. The Kenya Sugar Industry Strategic plan (2010-2014) puts the cost of producing sugar in Kenya at 415-500USD/ton while that of Uganda and Tanzania are put at 180-190 USD/ton and 140-180USD/ton respectively. Report by The Kenya Sugar Industry Strategic plan (20102014) indicated the challenges such as irregular factory maintenance, low crushing capacity, low sugar extraction rates, slow adoption of new and appropriate technology, inadequate industrial research, high cost of sugar production, narrow product base, dilapidated processing equipment, inefficient factory operations and wastage in cane yard (RoK, 2015). While Mumias Sugar Company (MSC) has been the most successful of the ten sugar factories in Kenya, its survival remains uncertain due to increased competition for both market and raw materials. In its endeavor to improve efficiency, the company installed a high capacity processer (diffuser), but this was met by another problem of shortage of the raw cane as a good number of farmers contracted to the company uprooted their crops as they went for other substitutes which they believed offered better returns.

MSC has in the recent past suffered continuous losses arising from mainly operational challenges attributed to poor planning of logistics management practices and poor operational management (Mukolwe & Wanyoike, 2015). From 2012, Mumias Sugar Company has been experiencing low sugar output and decreased profits which have been blamed on internal inefficiencies and fall in cane supply.

According to a forensic audit carried out by KPMG, the company registered a loss of up to Ksh. 1 billion in 2012. A further loss of Ksh. 2.7 billion was recorded in 2014. The Gross loss for 2015 was 1,660,212,000 which rose to 1,754, 422,000 for the year ending June 2016 (Mumias Sugar Annual report, 2016). The challenges experienced by MSC majorly circulate around poor logistics management, processing, operational handling and control, distribution and consumption coupled with raw operational shortage (Annual Report, 2016). The Effect of proliferation of mills created competition for the available cane in the western region, while the general impact of the financial pressures on farming led to inadequate inputs to obtain optimum cane yields. High unit cost of production arose mainly from underutilization of factory capacity due to low cane supply and high cost of servicing the factory. Further, the company has been bogged with poor operational planning and poor inventory control. This study therefore seeks to establish the effect of operational management on performance of Mumias Sugar Company Limited.

### **Statement of the Problem**

The subject of sugar industry in Kenya has been full of altercations (Ikiara, 2007). Many reports have been done revealing ineffectiveness in the public sugar sector management with most of them pointing Corruption, incompetency, political interferences and lack of strong policy guidelines between public officials and the business community as key hindrances to effectiveness in the sector. This therefore makes institutions commit to ineffective operational management practices without the good will of the leadership to drive the desired change that can result in effective operational management practices. Angeles, R. and Nath, R. (2007), (Odhiambo & Kamau, 2013)

The factors that influence the effective operational management practices landscape are designed to automate the operational cycle, optimize spending, improve process and workflow, support bidding and tendering and facilitate more effective search for products and services via the internet, (Garcia-Dastugue and Lambert, 2003). With even the growth in consumption and high pricing of the commodity in the country, the public sugar firms have been had associated with loss making for many decades attributed to the high operation costs, protruded striking labor force, poor management, but also the operating environment that made sugar produced in Kenya more costlier than imported ones on account of the poor infrastructure in the sugar growing areas.

A number of research studies have also done on public sugar sector but little has dealt into the challenges faced by public sugar firms in implementation effective operational management system, Kbensons (2017). Investigation in the implementation of operational management practices in Singapore and presented stumbling blocks to this initiative from the point of view of Singaporean firms. Huber, Sweeney, and Smyth, (2014) found the perceived barriers to effective operational management thereby, a laizaeres fare” attitude among firms managers in selecting strategies and operational management services in organisations

Also, poor infrastructure and competence issues have been cited as key issues resulting to resistance to change and achieve radical revision to the implementation and evaluation of effective operational management practices.

The basis of this study is therefore majorly founded on some of these gaps identified in the existing literature seeking to analyse the levels of effective operational management implementation, with a view to carrying out detailed study on challenges of implementation of effective operational management practices in sugar sector in Kenya.

### **Objective of the Study**

The general objective of this research will be to examine the factors influencing implementation of operational management practices in public sugar sector in Kenya.

### **Specific Objectives**

To examine the effect of employee competency on implementation of operational management practices in public sugar sector in Kenya

To examine the availability of functional infrastructure to support the implementation of operational management practices in public sugar sector in Kenya

To analyze the operational environment and framework that exists to facilitate for implementation of operational management practices in public sugar sector in Kenya

To document the possible ways through which the public sugar sector in Kenya can operate optimally through the implementation of operational management practices.

### **Research Questions**

Is employee competency a challenge in implementation of operational management practices in public sugar sector in Kenya?

Is there a functional organizational infrastructure to support the implementation of operational management practices in public sugar sector in Kenya

What kind of operation environment and framework exists to facilitate implementation of operational management practices in public sugar sector in Kenya?

What are there are no documented possible ways through which the public sugar sector in Kenya can operate optimally through the implementation of operational management practices?

### **Research Hypothesis**

H01 Employee competency is not a challenge in implementation of operational management practices in public sugar sector in Kenya

H02 There is no adequate and available functional infrastructure to support the implementation of operational management practices in public sugar sector in Kenya

H03 The operational environment and framework that exists does not facilitate the effective implementation of operational management practices in public sugar sector in Kenya

H04 There are not enough documented possible ways through which the public sugar sector in Kenya can operate optimally through the implementation of operational management practices.

### **Justification/Significance of the Study**

This study will be of benefit not only to the government of the Republic of Kenya but to all business players in the sugar sector and other sections being the main users of the policies, rules and processes of the “operational management practices”.

The other beneficiaries are the policy makers and operational management officers in various departments in the public sector since it will guide them on the way forward as far as the implementation operational management system is in operational management of public and private organization. Sugar sector management Authorities will also benefit from this study through consolidation of the results of this research to inform policies & procedures that will enhance the better practices in operational management docket in the public sector. This will also contribute to the existing literature in the field of effective operational management practices. It will be a guide to further research in implementation of effective operational management practices and a basis for benchmarking with other institutions in other countries.

### **Scope of the study**

This study will major on the challenges of implementing effective operational management practices in State Corporation in the sugar sector in Kenya. The study will only be limited to the implementation challenges of effective operational management practices. Due to the magnitude of this study only one state corporation in the sugar sector will be looked into to represent the rest.

### **Limitations of the study**

The inability to include all firms in the surge industry in the research is the major limitation of study. This could have led to a broader analysis to this study. However, the need to study specific sector constraints places this limitation.

### **Organization of the study**

The study will be organised into three chapters, chapter 1 will comprise the background to the study. The second chapter will provide the theoretical framework. Finally, the third chapter will present the empirical literature review aiding to draft the conceptual framework of the study.

## **LITERATURE REVIEW**

This chapter focusses on the theoretical frame work, general literature review, empirical literature review and the conceptual frame work. Acquiring a leadership position and becoming a leader are quite different. Time, experience, mentorship, mistakes and successes all equally contribute to the process of developing great leaders.

### **Theoretical Framework**

Business in developed countries has shifted to the e-commerce platform. Many of the developed economies in the world are driven by effective operational management practices in their economic activities (Kbensons, 2017). The impact of operational management system on organization cannot be over emphasized (Toyin and Damilola 2012) as it is one of the most technological advancement that can be used to drive the firm into profitability. The OECD (2008) identified operational management as the driving tools of the management areas in developing world with 18.9 % GDP.

### **Operational Management Theories**

Merriam Webster defines efficiency as, “the ability to do something or produce something without wasting materials, time, or energy.” A prerequisite, therefore, its understanding exactly what you are going to do or produce. You simply can’t have operations management efficiency without a set of corporate goals and objectives as well as the key performance indicators against which success will be measured. From all of the studies, it’s realized that efficiency in operational management has undergone through various evolution right from the theories of F. Taylor till to date. The implementation of operational management practice in organizations can be achieved by three major concepts in management. JIT, TQM and lean management.

Slack, Chambers and Johnston (2002), states that the single biggest factor a firm needs to think about, therefore, when optimising its operational efficiency is its operating model. Achieving efficiencies is not just about generating cost savings at the margins; it is about reassessing the operating model to bring about a fundamental change in the way a firm operates. The firm needs to examine what is core to its competencies and capabilities and create an end-to-end operating model. It can then lift out the non-core elements of that model and place them with an outsourced service provider that has the scale and expertise to perform them more efficiently. Taking that approach will enable a firm to bring about a major reduction in its underlying cost base.

## **JIT, TQM and lean management philosophies in Operational management**

JIT as an operational management practice means getting products mainly when they become needed. Slack, Chambers and Johnston (2002) expressed JIT into philosophy and a series of techniques that helps direct the activities a company leadership and the workforce. It's based on doing things well and simple, constantly improving them for better quality, and eliminating waste; hence leading to efficiency in operational activities. This technique was developed by by Taiichi Ohno (1982), the Executive Vice-President of the Toyota Motor Company and it spread to other companies of Japan in late 1970s. Knudsen, D. (2003). By the early 1980s, it became a very popular manufacturing innovation in Western and Asian countries (Schonberger, 1982). It is an approach to continuous manufacturing improvement based on the idea of eliminating all waste in the manufacturing process and gaining edge over the others through improving the manufacturing process.

Effective operational management in Africa is a cumbersome practice public institution. To some extent these institutions are captives to powerful forces in government that makes it difficult to implement effective operational management practices on their own.

In Ghana, after years of the implementation of effective operational management practices, significant progress has been achieved (Clear, 2012). However, challenges include financial constraints; organizational, operational and technical capacity constraints; disintegrated and uncoordinated information, majorly at the sector level. To address these challenges several researches argues that the current organizational realignments must be reinforced with adequate capacity to support and sustain the implementation of effective operational management practices which must be strengthened, harmonized and effectively coordinated.

### **Factors that influence Implementation of Operational Management practices**

Operational management practice is a new phenomenon that has not been fully exploited in the management practice of many of African public institutions. Therefore the implementation of these processes in establishing quality service delivery is faced by many challenges (Kibisu, 2015). However, because of insufficient data, their discussions are limited to benefits accrued in well-established institutions. There are several empirical evidences on the challenges of effective operational management practices implementation management, which range from the institutional infrastructure, workforce competence, management environment and organizational resources among others (Auriol, 2009). Operations management involves planning, organizing, and supervising processes, and make necessary improvements for higher profitability. The adjustments in the everyday operations have to support the company's strategic goals, so they are preceded by deep analysis and measurement of the current processes.

Still, it was not until Henry Ford took a twist on manufacturing with his famous assembly line concept, otherwise known as "bring work to men," that the management of production for improving productivity became a hot topic. From the 1950's and 1960's, it formed a separate discipline, besides bringing other concepts, such as Taylorism, production planning, or inventory control, to life.

## **Employee Competency**

As the economies in the developed world were gradually shifting to the new dynamics, all the corporate functions, including product management, started to integrate them. The service side also began its approach by applying product management principles to the planning and organizing of processes, to the point where it made more sense to call it operations management.

### **Required skills**

The skills required to perform such work are as diverse as the function itself. The most important skills are:

**Organizational abilities.** Organizing processes in an organization requires a set of skills from planning and prioritizing through execution to monitoring. These abilities together help the manager achieve productivity and efficiency.

**Analytic capabilities/understanding of process.** The capability to understand processes in your area often includes a broad understanding of other functions, too. An attention to detail is often helpful to go deeper in the analysis.

**Coordination of processes.** Once processes are analyzed and understood, they can be optimized for maximum efficiency. Quick decision-making is a real advantage here, as well as a clear focus problem-solving.

**People skills.** Flaws in the interactions with employees or member of senior management can seriously harm productivity, so an operation manager has to have people skills to properly navigate the fine lines with their colleagues. Furthermore, clear communication of the tasks and goals serves as great motivation and to give a purpose for everyone.

**Creativity.** Again, problem-solving skills are essential for a creative approach if things don't go in the right direction. When they do, creativity helps find new ways to improve corporate performance.

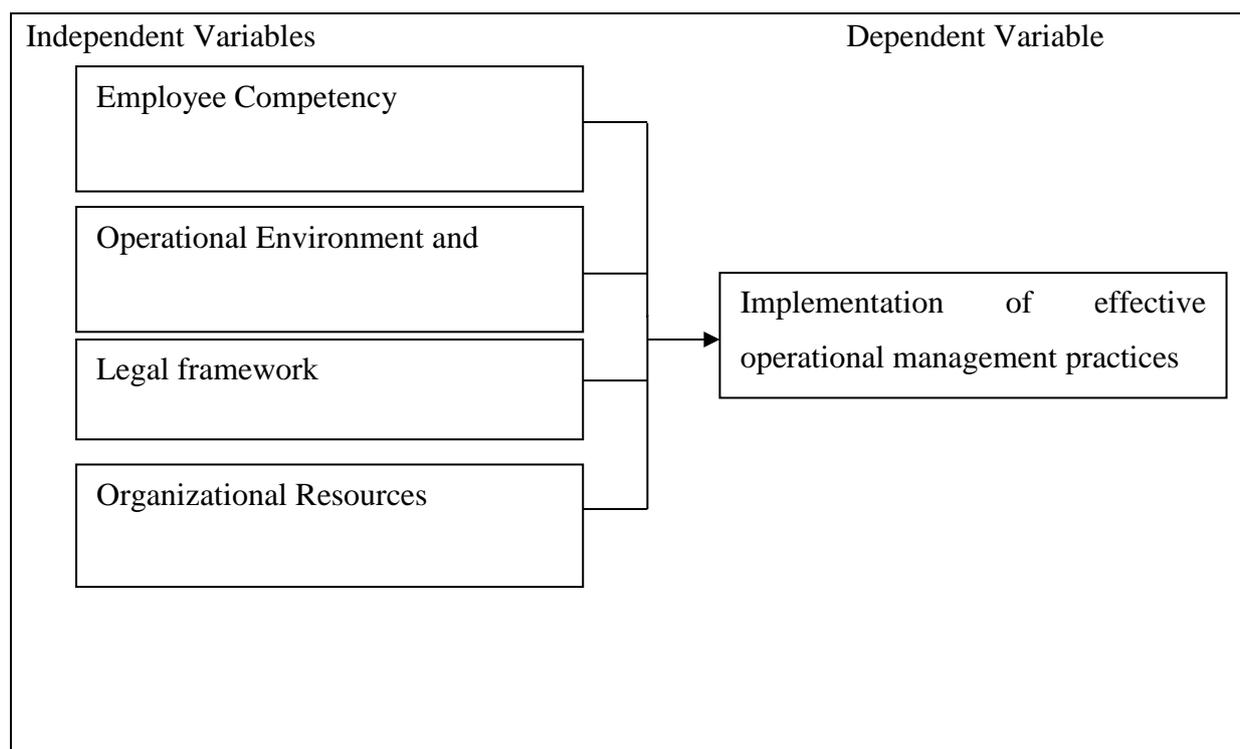
**Tech-savviness.** In order to understand and design processes in a time when operations are getting increasingly technology-dependent, affinity for technology is a skill that can't be underestimated. Operations managers have to be familiar with the most common technologies used in their industries, and have an even deeper understanding of the specific operation technology at their organizations.

## **Conceptual Framework**

The constant changing business environment demands a response from the public institutions through realignment of its management tools in operational management. Among the strategic responses are changes to governance tools in the governance structures is the implementation of effective operational management practices. The implementation of effective operational management practices can be hindered by several factors, Corini, J. (2000). To alleviate these, the organizations require resources. The factors that are outstanding come from organizational characteristics such as employee competency, Operational Environment and Legal framework, organizational infrastructure and resources of implementing operational management practices set.

Therefore the implementing process of effective operational management practices is influenced by these factors posing as challenges and this study seeks to investigate these variables.

**Figure 1: Conceptual framework**



Source: Author 2019

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