

OPERATIONS MANAGEMENT AND THE PERFORMANCE OF PUBLIC SUGAR MANUFACTURING FIRMS

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ABSTRACT

Kenya's sugar sector dates back to the early 1920s when it first began operations. According to a research that was published in 2015 by the Export Processing Zone Authority, the sugar sector provides jobs for more than six million people in the nation, which is more than 16% of the total population of Kenya. Huge difficulties in operations management have plagued the industry, which has contributed to the underperformance of public sugar manufacturers. These challenges include: high transportation costs of both raw materials and finished products; high human resource remuneration costs; low capacity utilization; high factory maintenance costs and inadequate board structures. As a consequence of this, the majority of public companies that manufacture sugar has requested financial assistance from the government, in contrast to their counterparts in the private sector. This study was anchored on three theories; Resource Based Theory, Systems Theory and Dynamic Capabilities Theory to establish effect of operations management on performance of public sugar manufacturing firms in Kenya. The general objective of the study was to assess the effect of operations management on performance of public sugar manufacturing firms in Kenya. This was guided by the following specific objectives: to establish how transportation costs; human resource remuneration costs; capacity utilization; factory maintenance costs, affect performance of public sugar manufacturing firms in Kenya and to determine effect of corporate governance as a moderating variable on performance of public sugar manufacturing firms in Kenya. The six public sugar producing firms in Kenya that have been operating during the course of the last ten years, from January 1, 2009 through December 31, 2018, are the units of analysis. The research design utilized in the study was a mixed one, more particularly, a cross-sectional and an explanatory research design. The target population of the study comprised of 450 respondents stratified as 384 sugar cane farmers, 6 operations managers and 60 heads of departments of public sugar manufacturing firms in Kenya. Since the population was stratified both census and sampling methods of data collection were adopted. The study used both primary and secondary data. Data was analyzed using both descriptive and inferential statistics. Multiple regression and correlation analysis was used to determine the effect of operations management on firm's performance. From the data analysis an R value of 0.887 ($R^2 = 0.786$) was obtained which indicates there exists a strong influence of capacity utilization, human resource remuneration costs, factory maintenance and transportation costs on performance of public sugar companies in Kenya. When a moderating variable was incorporated an R value of 0.891 ($R^2 = 0.793$) was obtained this shows that there exists a strong influence of capacity utilization, human resource remuneration costs, factory maintenance costs and transportation costs on performance of public sugar companies with corporate governance as a moderating variable. The study concluded that there was need to address each of the operations management variables that is: capacity utilization, human resource remuneration costs, factory maintenance and transportation costs to resonate with the prevailing technological status and the economic state of the country. To crystalize the findings, the researcher recommends a comparative study on operations management across public and private sugar manufacturing firms

mediated by technology to be conducted. This will make valuable contribution to the area of Operations Management.