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FACTORS AFFECTING THE GROWTH OF THE BREWERY SECTOR IN KENYA: A CASE STUDY OF KEROCHE BREWERIES LTD

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Abstract

Purpose: The study sought to determine the factors affecting growth of the brewery sector with a special focus on Keroche Breweries.

Methodology: A descriptive case study design was used in this study. A population of 38 managers originating from various departments was identified. A census was preferred instead of a sample as the population was small enough to warrant the inclusion of 100 percent of the population in to the sample of respondents. The preferred data collection instrument was a questionnaire. The questionnaire consisted of both open and close ended questions. The collected data was analyzed by use of descriptive statistics such as percentage means, median and mode. The findings were presented using graphs and charts

Results: Findings in this study indicated that management competence, legal constraints, competition, working capital management and technology are factors that explain the growth of Keroche Breweries. While some of these factors may have affected the growth of Keroche Breweries positively, others affected it negatively.

Unique contribution to theory, practice and policy: It was recommended that the management of Keroche Breweries should enhance those factors that contribute positively to its growth while taking action in lobbying the government to address those factors that are not within Keroche Breweries control. Possible areas of future study include corporate governance mechanism and their impact on the performance of the Brewery Sector.

Keywords: *competition, growth, legal practices, management competencies, management of working capital, technology*

1.0 BACKGROUND OF THE STUDY

World beer and barley industry is on the rise especially in the developed countries. This has been propelled by economic growth, technology advancement, high per capita beer consumption, improved quality and globalisation of markets that has provided better market opportunities. Likewise some of the developing countries with better economic indexes are expected to experience growth as well. In other regions, the industry has either declined or is stagnant as a result of economic recession, health and social concern, negative influence on globalisation of markets, lack of donor funding support, and industrial brewing technology as in the case of some African countries (EPZ Report, 2009).

Production of beer worldwide is forecasted to increase to an annual growth rate of 2.3 percent through 2010 to a volume of about 153 billion litres. Demand in the developed world will continue to be restrained by health and social concerns, high taxes and competition from alternative beverages, although favorable demographic patterns will help to boost consumption. In many developing nations, demand is expected to rise with the strongest gains being in Asia especially China and Eastern Europe. This is propelled by economic recovery, expanding population, rising disposable income, improvement in beer quality, efficient distribution systems, high per capita consumption levels, and rising popularity of beer at the expense of traditional beverages, especially among women, youth and more affluent consumers (EPZ Report, 2009)

Kenya has a flourishing beer industry producing high quality beer recognized internationally. This has been possible due to factors such as good climate for agro production, availability of barley, affordable labour, local market (beer per capital consumption at 14 litres), access to the regional markets like COMESA and the East African Community. Kenya's strategic location in the East African coast provides accessibility to the East and Central African markets via International seaport/airport. The Kenya government has additionally set up investor friendly centres such as the Export Processing Zones Authority and the Investment Promotion Centre to facilitate investors setting up projects in Kenya. Furthermore, investor friendly policies in place include the liberalization of marketing and processing of cereals and other agro produce, removal of duties on importation of farm inputs and free repatriation of capital and profits (EPZ Report, 2009)

Kenya's food and beverage processing industry comprises more than 1,232 businesses. Agro processing is the largest manufacturing sub sector accounting for 13% of total manufacturing output. The businesses range from small family owned businesses to large businesses listed on the Nairobi Stock Exchange and subsidiaries of foreign or multinational businesses. Major multinationals have established operations in Kenya as foreign companies or as joint ventures with Kenyan shareholding to supply the domestic and neighboring markets. East African Breweries Ltd (EABL) partners with Guinness PLC and Diageo Group to brew and supply bottled beer to the East African and COMESA markets. The company produces the same high standard of their products that are well known around the world.

Beer industry in Kenya dates back to 1922 when two brothers from England, George and Charles Hurst, started brewing beer in Kenya. The two formally incorporated their business as a private company under the name of Kenya Breweries Ltd. In 1929 the first malted barley beer was brewed and the first batch delivered to New Stanley Hotel where it was opened with mixed reaction. In 1930, the first lager beer was brewed and released into the market. By 1938 the company was recognized for its beer after it won the first brewing award in an international competition. Bottled beer consumption was exclusive for whites in postcolonial era until 1947 when Africans were allowed to drink formal sector beer (EPZ Report, 2009).

Incorporated in June 2007, Keroche Breweries Ltd is a successor to another trailblazing manufacturing company Keroche Breweries Ltd which came into being with the liberalization of the alcoholic beverages sector in the mid-90s. Their foray into the beer market started with the launch of Summit Lager in October 2007 and achieved critical recognition as part of everyday Kenyan life with the introduction of a vastly acclaimed 100% malt beer, Summit Malt in Dec 2009. Keroche Breweries Ltd is 100% locally owned.

Introduced in October 2008 as the first brand at the launch of Keroche Breweries, Summit Lager is here to stay. Summit Lager is brewed in cool conditions using slow-acting brewer's yeast, known as bottom-fermenting yeast, and then stored for a period in cool conditions. Introduced in December 2009 as the first brand at the launch of Keroche Breweries, Summit Malt was a ground breaker. Kenyan consumers are gradually realizing the full spectrum of brewing potential, and are asking for specialty brews more often than ever before. Summit Malt became the country's first 100% malt beer.

1.1 Problem Statement

World beer and barley industry is on the rise especially in the developed countries. This has been propelled by economic growth, technology advancement, high per capita beer consumption, improved quality and globalisation of markets that has provided better market opportunities. Kenya has a flourishing beer industry producing high quality beer recognized internationally.

According to the CEO of Keroche, Tabitha (2009), access to finance is a very important determinant to the growth of Keroche Breweries. In addition, she argues that unfair competition and the poor regulatory framework (especially the Monopoly Act) also act as a hindrance to the growth of Keroche industry. According to Okpara (2007), the determinants of firm growth include management competence, working capital ma World beer and barley industry is on the rise especially in the developed countries. This has been propelled by economic growth, technology advancement, high per capita beer consumption, improved quality and globalisation of markets that has provided better market opportunities. Kenya has a flourishing beer industry producing high quality beer recognized internationally.

This study argues that Keroche faces various factors that affect its growth. The study therefore undertakes to establish the factors that affect its growth. Management practices, good infrastructure, good record keeping and a favorable economic, legal and social environment. This study argues that Keroche faces various factors that affect its growth. The study therefore undertakes to establish the factors that affect its growth.

1.2 Research Objectives

i. To establish the effect of management competence on the growth of Keroche Breweries
ii. To determine the effect of working capital management to the growth of Keroche Breweries
iii. To find out the effect of competition to the growth of Keroche Breweries
iv. To verify the effect of legal constraints to the growth of Keroche Breweries
v. To establish the effect of technology to the growth of Keroche Breweries

2.0 LITERATURE REVIEW

2.1 Theoretical Review

Chappell (1996) suggests that competence is a contested concept, the meaning of which is shaped by those who use it. This is particularly problematic in a multi-cultural or multinational context, because multiple meanings will make empirical analysis almost impossible. For some researchers, competence appears to be an internal personality trait residing within the individual (Bass, 2000; Pascarella, 1999, Goodstein et al, 1998). That is, someone has a set of traits that make them more likely to be 'competent' than someone who does not possess these traits. From this perspective, it could be claimed that someone is born with specific characteristics that make them more likely to be 'competent'. Based on this approach, the key to an organization's efficiency and effectiveness is to determine who within the organization has these traits and who does not.

A second approach views competence as a set of skills or learned behaviors (Bratton 1998, Brunner 1999, Parry 1998, Perry 1998). In this case, competence is defined as internal to the individual, but learned over time. Analyzing the situation further, researchers have tried to distinguish between skills and behaviors (McAuley 1994, Armstrong et al 1995, and Elkin 1991). They have focused on establishing a difference between identifiable skills and patterns of behaviors. Ultimately, theirs may be a redundant path of research because the only way to measure skill is as a behavior, building an inevitable confound.

From the perspective that competence is learned, it is unlikely that someone will be competent within the company immediately, but will learn how things are done within the organization and their competence will increase over time. For the organization, there are several implications. First, not only must recruiting be exercised carefully, but there must also be a management training structure in place to facilitate the development of competence skills. Second, the prospect of 'growing' competent managers is possible under this approach. Therefore, organic growth and hiring from within are not only possible but also desirable, because an internal candidate already has knowledge of the internal systems and does not have to relearn it.

A third perspective posits that competence is a standard of behavior that does not reside within the individual, but is a function of how the organization performs (Pitt et al., 1999; Krohe, 1997; Kochansk, 1998; Javidan, 1998). Instead of focusing on the individual and evaluating how she or he works, this perspective focuses on the work group/Strategic Business Unit and uses an external benchmark of competence. The implication of this approach is that not only must the organization seek out those with management skills and 'competence', but also structure itself to facilitate competent management and develop evaluation systems to ensure that standards are being maintained.

The management of working capital is a vital element in all firms. It poses problems both in respect of individual components of assets and the volume and maturity of liabilities (Pandey, 2006). Working capital management implicates the administration of current assets as well as current liabilities (Weston, 1986). WCM is the main part of a firm’s short-term financial planning since it encompasses the management of cash, inventory and accounts receivable (Enhardt & Brigham, 2009). These three components and the way in which they are managed determine some of a company’s most vital financial ratios, e.g. the ‘inventory turnover’, the ‘average collection period’ and the ‘quick ratio’ (Ross et al., 2008). Hence, working capital management reflects a firm’s short-term financial performance.

Business is often associated with competition as most companies are in competition with at least one other firm over the same group of customers (Hamel, 2000). Competition, in economics refers to rivalry in supplying or acquiring an economic service or good. Sellers compete with other sellers, and buyers with other buyers. In its perfect form, there is competition among many small buyers and sellers, none of whom is too large to affect the market as a whole. The classical theory of perfect competition, as developed by economists from Adam Smith to Alfred Marshall (Stigler, 1965), takes a reduced-form approach: it depicts the outcome of competition, but not the activity of competing. Much of what is interesting and important about competition is hidden in the background. Generally, firms are in competition with each other if they sell good and services to the same groups of customer or try to employ factors sourced from the same group of suppliers.

Flexibility is considered to be a major source of competitiveness for small and medium sized business compared to larger enterprises. The use of ICT could now on the one hand increase the competitiveness of business as they enable the creation of more flexible links with trading partners because of faster and more reliable communication channels (Müller-Falcke, 2001). On the other hand ICTs could help bigger enterprises to increase their flexibility through a restructuring of the organization which will enable them to adapt quicker to changing conditions. Therefore the competitive advantage of medium sized businesses could also decline. In general SMEs rely much more on informal information systems than larger enterprises. To get the relevant information that is needed for a rational decision is not costless especially as in SMEs usually there is only one decision maker – the owner/manager – whose personal resources (time, knowledge, and capabilities) are restricted. However SMEs have the advantage of smaller internal coordination costs, as all decisions are made by one or few people (Blili & Raymond, 1993).

Legal changes are happening on a daily basis, and as a result, can have a large influence on what is happening within the business environment. Health and safety legislative changes may increase costs, or force working practices to change. This is particularly important when considering new businesses, such as companies trading online. Legal legislation changes may increase the cost of working practice to changes. This is particularly important when considering a new business venture, such as diversifying into the internet market. Changes to minimum wage, the standard working week and employee contracts need also to be taken into consideration.

Empirical studies on legal regulatory framework indicate that an appropriate legal and regulatory framework can impact on the growth of a business. Harper (1976) states that a tightly regulated economy work against small enterprises since large firms have capacity and resources to get around regulations or bend the rules in their favor but small enterprises are caught in them and this affect their growth. McCormick (1992) argues that laws have an effect in business entry and growth and even if they are not enforced they increase uncertainty in the business environment since nobody knows when the law will be enforced. She concludes that policy makers should examine the entire business environment and identify regulations and policies that affect entry and growth of small enterprises.

There is no general agreement on how firm size should be measured and therefore there is a wide variation on the growth variables used by researchers. A firm size may be measured according to its revenue or profits or by the amount of human and physical capital it employs (Barkham, 1996). This study considers sales and employment as growth indicators for the following reasons. First, the use of sales and employment measures are the most widely used in empirical growth research (Delmar, 1998). Second, those growth indicators are the only ones available in the present study for all the firms of interest. Sales are a relatively good indicator of size and therefore growth. Sales may be considered a precise indicator of how a firm is competing within a market, and indeed firms themselves tend to use it as a measure of their own performance. An analysis of company growth should at least in part be based on changes in turnover.

However, sales are not the perfect indicator for growth for all purposes. Sales are sensitive to inflation and currency exchange rates, while employment is not. It is not always true that sales lead the growth process. For high technology startups and the startup of new activities in established firms, it is possible that assets and employment will grow before any sales occur. Obvious drawback of employment as a growth indicator are that this measure is affected by labour productivity increases, machine for man substitution, degree of integration and other make or buy decisions. A firm can grow considerably in output and assets without a growth in employment especially technology based firms. Therefore, the combination of turnover and employment makes the measure more reliable (Barkham, 1996).

2.2 Empirical/Analytical Literature and Knowledge Gap

Majority of the studies noted in the theoretical framework looked at the effect of a single factor on the growth or otherwise of a firm. For instance, Nordhaug et al (1994), Chappell (1996), Kanungo et al (1990) and Versi (1998) looked at the effect of management competence on firm's growth and concluded that management competence did in fact determine the ability of a firm to operate in a turbulent environment as well as to cope with resource deficiencies. Pandey (2006), Smith (1980) and Weston and Copeland (1986) argue that working capital management is important to a firm as it affects the firms profitability and risk

Hamel (2000) and Stigler (1965) argue that competition is an important determinant to the growth of a firm as it affects the product, price, distribution and promotional decisions. Matambalya (2000) and Akerlof (1970) argue that the use of ICT leads to competitive advantage of firms. According to Matambalya (2000), ICT is a growth enabler. McCormick (1992) argues that laws have an effect in business entry and growth and even if they are not enforced they increase uncertainty in the business environment since nobody knows when the law will be enforced. She concludes that policy makers should examine the entire business environment and identify regulations and policies that affect entry and growth of small enterprises.

However, none of the factors looked at the above factors in combination. This study finds it important to look at all the factors together so as to draw a valid conclusion on which factors affect the growth of the firms and their relative importance. In addition, none of the studies listed in literature review focused on our case study (Keroche breweries). Consequently, this study wishes to cover the evident research gap.

3.0 RESEARCH METHODOLOGY

A descriptive case study design was appropriate for this study. The population to be used in this study entailed all employees in management (including supervisors, and middle level management) at Keroche Breweries ltd. These were 38 Managers (supervisors included). The 38 managers were selected using a stratified random sampling technique where the strata was the five departments in question that is; Production department, sales, finance, IT, audit and quality assurance. The researcher used a self-administered or self-report questionnaire as a data collection tool. The questionnaire contained both open ended and close ended questions. The data was analysed by use of descriptive statistics such as means and percentages. The data was then presented using graphs, charts and tables.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

Of the 38 questionnaires distributed, 84% were properly filled and returned by the respondents. However, 16% of the questionnaires were unreturned and therefore termed as unsuccessful.

4.2 General Information

Of the successful responses, 44% were from the production department. The rest of the respondents were from the sales department (31%), audit and quality department (13%), IT department (6%) and Finance Department (6%).

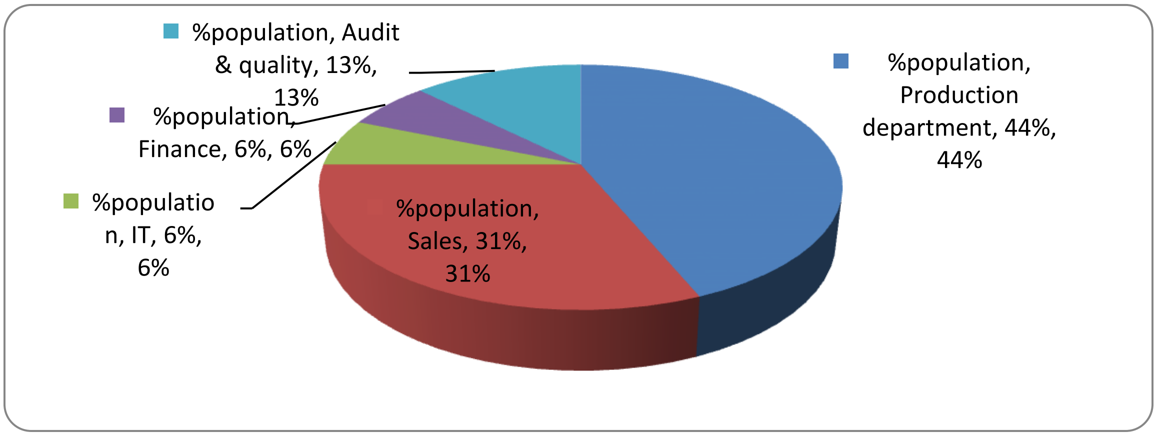

Figure 1: Respondents Department

According to the study, 75% respondents were male. The rest of the respondents (25%) were female. The finding indicated that Keroche Breweries is still male dominated firm despite its CEO Tabitha Karanja being of the female gender.

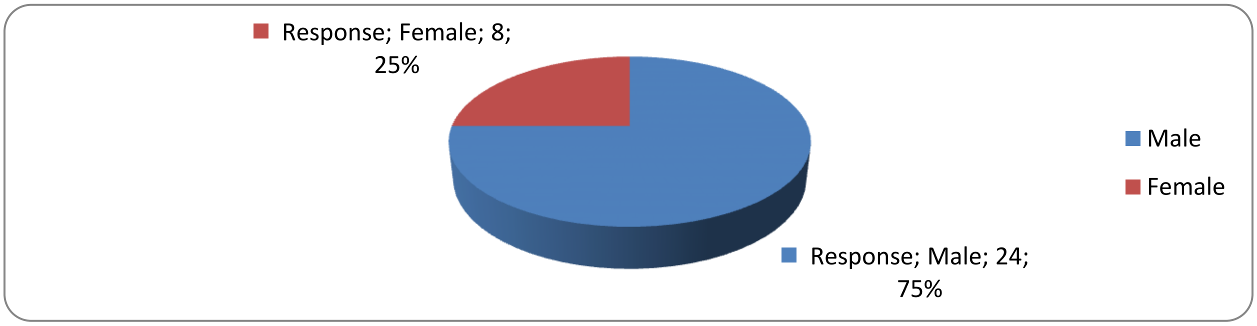

Figure 2: Gender of Respondents

Findings in this study indicated that 75% respondents had university level of education as their highest level of education. Only 25% respondents had college level of education. None of the respondents in the study were primary level and secondary drop outs. The finding can be interpreted to mean that the respondents in the study were highly educated. This is in line with

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the observation that managers ought to be highly educated in order to steer the business in the right direction.

Table 1: Education Level

Column1	Educational level	% Educational level
Primary level	0	0%
Secondary level	0	0%
College level	8	25%
University level	24	75%
Total	32	100%

Study findings were that, 75% respondents were in senior management, while 16% were in junior management. The finding implies that the respondents in this study are knowledgeable enough of issues affecting the business and hence their answers to the research questions are appropriate for this study.

Table 2: Position in Organization

Position in organization	Response	% Response-Position in firm
Senior Management	24	75%
Junior Management	5	16%
Others	3	9%
Total	32	100%

Study findings indicated that 69% respondents had experience of 3 years and above. The rest, 19% and 13% respondents, had 1 to 2 years and less than one year of experience respectively. The finding implies that the respondents had been in Keroche Breweries long enough for them to be familiar with factors affecting the business.

Table 3: Number of Years at Keroche

Number of year at Keroche	Response	% Response-Years at Keroche
less than one year	4	13%
1 to 2 years	6	19%
3 years and above	22	69%
Total	32	100%

4.3 Management Competence and Growth of Keroche Breweries

Study findings showed that 66% of respondents strongly agreed with the statement that education is a factor in ascending to a managerial position at Keroche Breweries. Professional training is a key factor in ascending to a managerial position as indicated by 59% of respondents. 78% of respondents also indicated that experience is a factor in ascending to managerial position at Keroche Breweries. It was also noted that 69% of respondents strongly agreed with the statement that performance upon appraisal is a factor in retaining a managerial position at Keroche Breweries. The findings are consistent with Boyatzis (1982) which argue that competence is a multidimensional construct and the empirical measurement of such a construct requires the broadest definition in exploratory research in order to determine its boundaries. The study findings indicate that Keroche Breweries adopts a very broad definition of competence as it considers education level, professional training, experience and performance upon appraisal as important aspects of competence which are considered in ascending managers to managerial position.

Table 4: Management Competencies

Company Management	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Education is a factor in ascending to a managerial position	21-66%	4-13%	2-6%	2-6%	3-9%
Profession training is a key factor in ascending to a managerial position	19-59%	5-16%	1-3%	4-13%	3-9%
Experience is a key factor in ascending to a managerial position	25-78%	2	2-6%	1-3%	2-6%
Performance upon appraisal is a factor in retaining managerial position	22-69%	3-9%	2-6%	3-9%	2-6%

Findings from the study showed that 75% respondents stated that management competence has to a large extent contributed to the growth of Keroche Breweries. This finding confirms our expectation that indeed management competence largely influences the growth of firms. In this case, considering the level of education, professional training, experience and perfomance upon appraisal has led to the good perfomance and growth of Keroche Breweries.

Table 5: Management Competencies and Growth

Column1	Response	% Response
Large extent	24	75%
Moderate extent	5	16%
Low extent	3	9%
Total	32	100%

4.4 Working Capital Management and Growth of Keroche Breweries

In this study, 72% of respondents answered positively to the question of whether proper inventory management affects the growth of Keroche Breweries. This finding is in line with study expectations as the proper management of inventory ensures that there are no stock outs.

It was also in this study that 81% of respondents answered positively to the question whether proper account receivable management affects growth of Keroche Breweries. The findings are in line with study expectation and with literature review. For instance, Weston and Copeland (1986), Smith (1980) argue that proper account receivable management is important because of its effects on the firm's profitability and risk, and consequently its value.

Findings in this study also indicated that 75% of respondents responded positively to the question whether proper account payable management affects growth of Keroche Breweries. This finding is in line with study expectation as it is a well understood fact that failure to meet

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current and long term obligation to suppliers and other creditors can expose the company to legal suits and finally force the firm to close down. The finding implies that Keroche Breweries growth can be explained by the proper management of account payables.

Furthermore, 88% of respondents responded positively to the question whether proper cash management affects growth of Keroche Breweries. Indeed, the findings are in agreement to literature review and study expectations. Proper cash management enables a firm to meet its current and long term obligations such as salaries, rent, interest payments, loan principal payment, and supplier's payments. The finding implies that the growth of Keroche Breweries can be explained by the proper management of cash flow.

Table 6: Working Capital Management and Growth

Column1	Yes	No	Not sure
Inventory management	23-72%	2-6%	7-22%
Account receivable management	26-81%	3-9%	3-9%
Account payables management	24-75%	2-6%	6-19%
Cash management	28-88%	1-3%	3-9%

4.5 Competition and Growth of Keroche Breweries

Findings from the study indicated that 63% of respondents perceived the state of competion facing the Keroche Breweries as very stiff.

Table 7: Competition

Column1	Response	% Response-competition
Stiff	6	19%
Fairly stiff	3	9%
Not stiff	2	6%
Very stiff	20	63%
Not sure	1	3%
Total	32	100%

According to study findings 88% of respondents rated the competitive behaviour of competitiors as unfair. Only 6% of respondnets rated the competitive behaviour of competitors as not stiff while another 6% of respondents were not sure about the issue. The findings are consistent with documented reports from the CEO of Keroche Breweries citing unfair trade practices from Keroche Breweries main rival East African Brweries Ltd. At one point, it was alleged that East African Breweries sales staff were buying bottles belonging to Keroche Breweries inorder to create an inventory problem. In other alleged instances, EABL sales staff were threatening stockists of their beer not to stock any other beer,failure to which they may not be supplied with beer by EABL. This finding can partly explain why some stockists selling Keroche Products are not doing as well as they should. Probably, if the competititon was fair, Keroche breweries growth would be higher than its current growth.

Table 8: Unfair Competition

Column1	Response	% Response-competition
Fair	2	6%
Unfair	28	88%
Not sure	2	6%
Total	32	100%

Study findings indicated that 84% of respondents were of the opinion that the level of competition affected the growth of Keroche Breweries to large extent. The finding is in agreement with study expectations. In addition, the finding is similar with other findings found in this study that indicate the presence of unfair competition by competitors. The stiff competition coupled with unfair trade practices may explain the reason why Keroche growth is not leading in the brewing sector.

Table 9: Competition and Growth

Column1	Response	% Response-competition
Large extent	27	84%
Moderate extent	2	6%
Low extent	3	9%
Total	32	100%

4.6 Legal Constraints and Growth of Keroche Breweries

The majority of the respondents (84%) indicated that trade licensing processes had affected the growth of Keroche Breweries. The respondents further explained that the process of obtaining licenses for new products such as for the newly introduced products, Summit Malt and Vienna Ice was lengthy. In addition, 72% of respondents indicated that the registration of Keroche Breweries as a distinct company apart from Keroche Industries was also a lengthy process. Study findings also indicated that 78% of respondents answered that the resolution of court cases was a factor affecting the growth of Keroche breweries. This finding is in line with study expectations. The finding is also consistent with the general observation that the court process in Kenya is very lengthy and costly. In addition, the courts have witnessed a backlog of very many cases. As the saying goes, “Justice delayed is Justice denied.

Table 10: Legal Constraints and Growth

Legal constraints	Yes	No	Not sure
Trade licensing processes	27-84%	3-9%	2-6%
Business name registration processes	23-72%	6-19%	3-9%
Resolution of court cases	25-78%	3-9%	4-13%
City council by laws	28-88%	1-3%	3-9%

88% of respondents indicated that city council bylaws affect the growth or Keroche Breweries. For instance, health requirements and environmental degradation rules among other by laws are arbitrarily applied to those firms who can pay bribes. Such arbitrary applications of city council bylaws are against equity and hence do not permit the establishment of a fair playing ground.

The respondents explained that the recently introduced Alcoholic Control Act 2010 popularly known as "Mututho Act" had affected the sales and consequently the growth of Keroche breweries.

4.7 Technology and growth of Keroche Breweries

75% of respondents rated as highly important the technological benefit of local and regional expansion. The respondents explained that the drop in internet cost as well as mobile telephony costs has enabled them to communicate with their distributors. Furthermore, 81% of respondents rated as highly important the technological benefit of cost containment, data processing and data storage. The respondents explained that Keroche had taken advantage of the drop in internet costs, computer hardware and accessories cost to adopt a robust information technology system which has led to a drastic reduction in paperwork and associated costs.

It was also in this study that 69% of the respondents rated as highly important the technological benefit of customer base growth. The respondents explained that it was easy to reach new customer and customers found it easier to inquire about new products. In addition, mass media advertisements as well as e-marketing through company websites were instrumental in attracting new customers. For instance, the Summit Malt advertisement was very effective in attracting more customers. In addition, 78% of respondents rated as highly important the technological benefit of ease of management. The respondents explained that technology was instrumental in maintain optimal inventory, generation of timely management reports, and monitoring of performance. Finally, 88% respondents rated as highly important the technological benefit of competitiveness. The respondents explained that automation had led to cost reduction advantages, quality advantages and improved performance of Keroche breweries in terms of customer base, turnover and profitability.

Table 11: Technology and Growth

Column 1	Highly important	Moderately important	Lowly important
Local and regional expansion	24-75%	6-19%	2-6%
Cost containment on data processing and data storage	26-81%	3-9%	3-9%
Customer base growth	22-69%	7-22%	3-9%
Ease of management	25-78%	6-19%	1-3%
Competitive advantage	28-88%	2-6%	2-6%

The majority of respondents, 91%, indicated that to large extent, technology had affected the growth of Keroche breweries. The findings were presented below.

Table 12: Effect of Technology

Effect of technology	Response	% Response-technology
Large extent	29	91%
Moderate extent	1	3%
Low extent	2	6%
Total	32	100%

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4.8 Qualitative Reponses

In response to the question on management competence, the respondents explained that management policy that considers the level of education, professional training, experience and performance upon appraisal has led to the good performance and growth of Keroche Breweries. In addition, the respondents said that the management had put in place a sponsorship programme for furthering studies for those mangers with high performance.

In relation to the question on working capital management, the respondents said that though proper working capital management practices were in place, it was factors from being perfect. There was therefore room for improvement. Such improvement would reduce the few cases of stock outs and pilferage of beer stock.

The respondents confirmed that the past media reports on unfair competition represented the reality on the ground. Their responses were consistent with documented reports from the CEO of Keroche Breweries citing unfair trade practices from Keroche Breweries main rival East African Breweries Ltd. At one point, it was alleged that East African Breweries sales staff were buying bottles belonging to Keroche Breweries in order to create an inventory problem. In other alleged instances, EABL sales staff were threatening stockists of their beer not to stock any other beer, failure to which they may not be supplied with beer by EABL.

The respondents further explained that the process of obtaining licenses for new products such as for the newly introduced products, Summit Malt and Vienna Ice was lengthy. In other instances, the respondents observed that the court process in Kenya is very lengthy and costly and that the Kenyan courts have witnessed a backlog of very many cases. According to some respondents, “Justice delayed is Justice denied”. Furthermore, the respondents explained that the recently introduced Alcoholic Control Act 2010 popularly known as “Mututho Act” had affected the sales and consequently the growth of Keroche breweries.

The respondents explained that the drop in internet cost as well as mobile telephony costs has enabled them to communicate with their distributors. The respondents further explained that Keroche had taken advantage of the drop in internet costs, computer hardware and accessories cost to adopt a robust information technology system which has led to a drastic reduction in paperwork and associated costs. In addition, technology made it easy to reach new customer and customers found it easier to inquire about new products. For instance, mass media advertisements as well as e-marketing through company websites were instrumental in attracting new customers. The respondents singled out, the Summit Malt advertisement, which “was very effective in attracting more customers”. The respondents were of the opinion that technology was instrumental in maintain optimal inventory, generation of timely management reports, and monitoring of performance. The respondents argued that automation had led to cost reduction advantages, quality advantages and improved performance of Keroche breweries in terms of customer base, turnover and profitability.

5.0 DISCUSSION CONCLUSIONS AND RECOMMENDATIONS

5.1 Findings

The effect of management competence on the growth of Keroche Breweries was positive. This was indicated by 75 % of the respondents who asserted that to large extent, management competence had affected the growth of Keroche Breweries. The management of Keroche Breweries was highly competent and this may have contributed to the positive performance of the firm.

The effect of working capital management on the growth of Keroche Breweries was positive. This finding was supported by 72% of respondents who indicated that proper inventory management had affected the growth of Keroche Breweries. 81% of respondents indicated that proper account receivable management had affected the growth of Keroche Breweries. Furthermore, 75% of respondents said that proper account payable management had affected the growth of Keroche Breweries. Finally, 88% of respondents indicated that proper cash management had affected the growth of Keroche Breweries. The Proper management of working capital elements such as account receivable, inventory, accounts payable and cash may have had a positive influence on the Growth of Keroche Breweries.

The effect of competition on the growth of Keroche Breweries was negative. This finding was supported by 63% of respondents who perceived the state of competition as very stiff. In addition, 88% of respondents indicated that the competition was unfair. Stiff competition and unfair trade practices may have had a negative influence on the Growth of Keroche Breweries.

Legal constraints may have had a negative effect on the growth of Keroche Breweries. Specifically, the presence of legal constraints such as slow trade licensing procedures (84%), slow business registration processes (72%), backlog of court cases (78%), and an inequitable application of city council by laws (88%) may have had a negative influence on the Growth of Keroche Breweries.

Adoption of technology may have had a positive effect on the growth of Keroche Breweries as indicated by a majority of respondents (91%). Specifically, the benefits of technology such as local and regional expansion (75%), customer base growth (69%), cost containment (81%), ease of management (78%) and competiveness (88%) may have had a positive influence on the Growth of Keroche Breweries.

5.2 Conclusions

Based on the research findings, the study made the following conclusions:

Management competence is an important factor in explaining the growth of Keroche Breweries. High level of Management Competence as indicated by education, professional training, experience and performance upon appraisal may have had a positive influence on the Growth of Keroche Breweries. Working Capital Management is an important factor in explaining the growth of Keroche Breweries. Proper Management of working capital elements such as account receivable, inventory, accounts payable and cash may have had a positive influence on the Growth of Keroche Breweries.

Competition is an important factor in explaining the growth of Keroche Breweries. The state of competition such as stiff competition and unfair trade practices may have had a negative influence on the Growth of Keroche Breweries. Legal constraints are an important factor in explaining the growth of Keroche Breweries. The presence of legal constraints such as slow trade licensing procedures, slow business registration processes, backlog of court cases, and an inequitable application of city council by laws may have had a negative influence on the Growth of Keroche Breweries. Technology is an important factor in explaining the growth of Keroche

Breweries. The benefits of technology such as local and regional expansion, customer base growth, cost containment, ease of management and competiveness may have had a positive influence on the growth of Keroche Breweries.

5.3 Recommendations

The study recommends that the management of Keroche Breweries should continue its practice of promoting and retaining managers on the basis of education, professional training, experience and performance upon appraisal as it may have a positive effect on the growth of Keroche Breweries. The management of Keroche Breweries should continue its practice of proper working capital management as it may have a positive effect on the growth of Keroche Breweries.

The Government of Kenya should address the unfair trade practices being carried out by competitors of Keroche Breweries. In addition, Keroche Breweries needs to improve on its promotion strategy, pricing as well as the quality of its products so as to counter the stiff competition. The judicial system in Kenya needs an overhaul so as to reduce the backlog of cases. New offices for trade licensing and business registration should be established to deal with the high demand for such services. The city council should apply its by-laws equitably and refrain from the practice of asking for bribes from Keroche Breweries. The management of Keroche Breweries should continue investing in technology as the benefits brought about by technology may have led to the improved growth of Keroche Breweries

5.4 Suggestions for Further Studies

It would be important to carry out a study on the corporate governance mechanisms practiced by Brewery Sector and their impact on performance

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