ENVIRONMENTAL CHALLENGES AFFECTING PERFORMANCE OFTHE CEMENTINDUSTRY INKENYA - A CASE OF EAST AFRICAN PORTLAND CEMENT

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other universityor for any other award.

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This research project has been submitted for examination with our approval as university supervisors.

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DEDICATION

Special dedication goes to the memory of my late father, Atibu Seboru, who passed away on 29th June, 2011.

To my family: Eliza my wife and children: Beatrice, Kajia and Dafrosa
And above all to the almighty God who has guided my life to where I am today.

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LIST OF ABBREVIATION AND ACRONYMS

ARM	–	Athi River Mining Kenya
BCL	–	Bamburi Cement Limited
CDF	-	Constituency Development Fund
CET	-	Common External Tariffs
EAPCC	–	East African Portland Cement Company Limited
kWh	-	Kilo Watt hour
R&D	-	Research and Development
RTC	-	Resistance to Change
US	-	United States of America

OPERATIONAL DEFINITION OF TERMS

Cement: Is defined as a hydraulic binder capable of uniting fragments ormassesof solid matter to a compact whole.

Clinker: Islumps or nodules – inter mediate product - usually 3-25 mm indiameter, produced by burning lime and aluminium silicate (clay)materials inside a cement rotary kiln. It's the main ingredient of cement.

Employee: This refers to the person being hired (supplier of labor).

Employer: An employer can be defined as a person or institution thathires people.

Environment: A set of forces surrounding an organization that may affect its operation, performance andaccess to scarce resources.

Innovation: Is the intentional introduction and application of ideas, processes,products, orprocedures that are new to the organization, designed to produce benefit.

Leadership: Is the action of committing employees tocontribute their best to the purpose ofthe organization.

Management: This can be defined as an act of controlling and directingpeople so as tocoordinate and harmonize the group therebyaccomplishing goal(s) within and beyond the capacity of people beingdirected.

Performance: Fulfillment of an obligation or task, measured against preset knownstandards of accuracy, completeness, cost or speed.

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ABSTRACT

This research project focused on the environmental challenges affecting performance of the cement industry in Kenya with a case of East African Portland Cement Company. The background of the study gave an overview, structure, characteristic, and the performance of cement industry in the World, Africa, East Africa and Kenya. Problem statement hinged on key performance indicators such as; capacity utilization, cost of sales and finance costs. The study was guided by the following specific objectives; to evaluate the influence of organization's support for innovation on performance, to establish the influence of employees' commitmenton performance, to determine the influence of leadership style on performance and to establish the influence of resistance to change on performance. A descriptiveresearch design was applied in its methodology.This study targeted a population size of one company out of the five main cement manufacturing firms in Kenya. A stratified random sampling method was used to select asample size of 50 employees. Data collectioninstruments used was a questionnaire developed on the basis of the Value-Based HR (VB-HR™) Engagement Framework, Siegel Scale of Support for Innovation (SSSI), Podsakoff's transformational Leadership Inventory (TLI) tool for measuring leadership style and Oreg's Resistance to Change Scale (RTC). These questionnaires were distributed to 50 employees and completed by 46, for a 92% response rate. Descriptive statistics was used in the analysis of the data and presented by use of frequency distribution tables, percentages and bar charts. The respondents profile portrayed a qualified, relatively less experienced, youthful and energetic employees mostly men with prior experience in the private and public sector. The study revealed that the level of organization's support for innovation was unsatisfactory hence negatively influencing performance of the organization. The employees' commitment level was hampered by inequitable treatment based on the existing rewarding system, hence negatively influencing the performance.The results showedthat transformational leadership as practiced by the management; save for individualized support and intellectual stimulation; positively influenced the organizational performance. Nevertheless, the management failed to impress on the transactionalleadership style in the area of contingent reward, thus yielding a negative influence on performance. On resistance to change, the study revealed that the employees embraced change, hence positively influencing the performance of the organization. The study concluded that organization's support for innovation; employee commitment; leadership style and resistance to change are vital environmental challenges influencing performance of the cement industry in Kenya.

CHAPTERONE

INTRODUCTION

1.1 Background of the Study

The structure of the world cement industry has become more globalized with a small number of multinational companies dominating the world cement manufacturing capacities. Cement has been a core building material for almost a century. Any country endowed with adequate deposits of the basic raw material cement grade limestone can produce cement. Cement industry plays a vital role in the economic development of a country. Cement demand is mainly driven by housing and other infrastructural construction.

The cement industry has some distinctive characteristics. It is capital intensive, where the typical investment cost of a cement plant with an annual capacity of one million ton is estimated to be about USDollars 200million (equivalent to Kes 17 billion). The industry is also energy intensive, where the production of one ton of cement requires about 130kg offuel oil or its equivalent, and about105kWh of electricity.(Faisal et al., 2009).

There are 149 cement producing nations in the world, with an installed capacity of 3.5 billion tonnes of cement. Global production reached 3.3 billion tonnes in 2010 (Appendix 1) while global consumption was 3.29 billion tonnes, same year. M/s Holcium and M/s Lafarge are the leading cement companies in the world in terms of capacity and sales (International Cement Review, 2011).

The performance of the world cement industry experienced a period of rapid growth during the past decade, in terms of supply and demand. Much of the growth in developing countries is attributable to intensive spending in the field of social development and construction activities. The global economy was significantly disrupted by the Islamic and Arab political turbulences, the all-time high US fiscal debt and the Euro zone debt crisis. This turmoil significantly contributed to the decline in consumer wealth and economic activity worldwide hence retarding global trade and cascading into lower investments, loss of jobs and diminished consumer incomes, which had a knock-on effect on demand for goods and services. China is the world's largest cement producer and consumer, accounting for over 54% of the world's

supply. China's large population of 1.3 billion people, besides the massive numbers of infrastructural projects and continuing urbanization are the driving forces behind its tremendous cement consumption and production quantities. The second largest producer and consumer of cement is India with a population of 1.1 billion people and substantial housing and infrastructure development projects. In Africa, Egypt leads in cement production, accounting for 1.4% of the world's production in the year 2010. (Appendix 1)

East African countries produced 7.2 million tons of cement in the year 2010(Appendix 2), against an installed capacity of 9.4 million tons. This represents a capacity utilization of 77%. All East African countries combined accounted for a paltry 0.00022% of the world's production in the year 2010. Kenya accounts for over 50% of the total cement production in East Africa.

The performance of the cement industry in East Africa has been negatively influenced by the challenge of cheap cement imports into its market. This is set to increase given the pricing pressure and proximity of the region to Asia (mainly Pakistan). The reluctance of the East African Customs Union to increase the Common External Tariffs (CET) leaves the local cement producers exposed to these imports. The high production cost and poor infrastructure in the region makes the current pricing attractive from global context and offers healthy margins to surplus producers like Pakistan.East African cement market provides opportunities since demand is projected to grow.The key demand drivers for cement are private investments and government spending driven by the desire to narrow the housing deficit and infrastructure situation. The new nation of Southern Sudan provides enormous opportunity for increasing cement demand in the country's reconstruction. Other inland export deficit markets include Uganda, Rwanda, Burundi and east of the Democratic Republic of Congo that are also on the reconstruction path and will support cement consumption going forward.

Locally, Kenya has been on the recovery path after the post-election violence of 2008. The Kenyan economy grew by 5.6% in 2010 compared to a growth of 2.6% in 2009 and 1.7% in 2008. Before the violence, the growth rate was 7.1% in 2007. The manufacturing sector grew by 4.4% in 2010 compared to 1.3% in 2009 (Oparanya,2009). The Building and Construction sector growth was reflected in cement consumption which grew by 16.2 % to 3.1 million tonnes in 2010 (Appendix 2). Thecement industry gained in sales revenue mainly due to increased demand occasioned by the increased government expenditure in infrastructure construction, rehabilitation activities and Constituency Development Fund (CDF) projects.

The rising middle-class and interest fromforeign investors continues to spur real estatesector. The country also being an economic hub inthe region; attracts variousmulti-nationals due to itsstrategic geographical positioning. The Government of Kenyain its Vision 2030 envisages massive infrastructural development involving a wide range of sectors including ports, railways, special industrial zones, general housing for human settlement and undertaking roadconstruction and rehabilitation estimated at Kes 20 billion per annum over a ten year period (2005-2015). So farvarious road projects are completed; likethe Nairobi-Thika super highway, Mombasa-Nairobi Highwayand Athi River - Namanga Highway. The National Housing policy envisages150,000 units per year to bridge the housing shortfall.These trends will definitely call for increasedcement production. Kenya thus continues to recordsignificant growth in infrastructure-led consumption.However since most of the capacity additionsby the firms are for cement grinding, the country willcontinue to import the key cement ingredient - clinker. This presents additionalopportunities for growth.However the economy still remains vulnerable to global forces such as the increase in international commodity prices, high international fuel prices, fluctuations in the exchange rate, rainfall patterns and rising global food prices. For instance, the Kenyan economy faced considerable turmoil for the last one year, chiefly due to severe drought, food shortages, spiraling inflation, and currency depreciation. This led to increased food prices and reduced purchasing power in the economy. The increase in fuel, power and transport costs particularly impacted negatively to the cost of cement manufacturing and distribution.

The Kenyan cement sector consists of 5 operating cement manufacturing firms, in which 3 companies namely; Athi River Mining, Mombasa Cement and National Cement are privately owned, while Bamburi Cement Ltd is owned by Lafarge (multinational company) and East African Portland Cement is a parastatal controlled by the Government of Kenya. The industry has a current installation of 5 rotary kilns with a capacity to produce 3.3 million tons of clinker in a year and 14 cement grinding mills with an annual grinding capacity of 5.1 million tons of cement (Appendix 3). Bamburi Cement Company leads other local firms in cement production and sales.

The performance data for the cement industry in Kenya in terms of capacity, production and consumption for a three year period (2008-2010) is shown in Appendix 4, while the financial performance for the Kenyan cement firms in the last 4 years is shown in Appendix 5.

1.2 Statement of the Problem

The variance in performance of the cement industry in Kenya is well captured by the following key performance indicators namely; Capacity Utilization, Cost of sales and Finance cost

The extent of capacity utilization by the cement firms in Kenya is depicted in Appendix4. The data shows that, in the year 2010, Kenya had a capacity to produce 5.1 million tons of cement annually, however, 3.7 million tons was actually produced, translating to a capacity utilization of72.5%, compared to the global capacity utilization of 80% in the same year (Joachim, 2008). For the 3 year period under study (2008-2010), Bamburi increased its plant capacity by 19% but only gained in production by 5%. EAPCC increased its capacity by 106% but gained by 55% in production. ARM increased its capacity by 114% but gained in production by 61%.

Cost of sales in the cement industry escalated by 43% on average over the last 4 years (Appendix 5). This directly impacts on financial performance and competitiveness of the firms.EAPCC's cost of sales went up by 6% from Kes 7.4 billion in 2010 to Kes 7.8 billion in 2011. ARM Kenya'scost of sales went up by 44% from Kes 3.9 billion in 2010 to Kes 5.6 billion in 2011.Bamburi'scost of sales went up by 40% from Kes 18.5 billion in 2010 to Kes 25.9 billion in 2011

Finance costs in the cement industry grew by 93% over the last four years (Appendix 5). EAPCC's finance costs increased by 47% from Kes 534 million in the year 2010 to Kes 783 million in 2011. ARM's finance costs increased by 35% from Kes 226 million in the year 2010 to Kes 306 million in 2011, while Bamburi's finance costs increased by 311% from Kes 91 million in the year 2010 to Kes 374 million in 2011.

From the ongoing discussion, the need to understand the challenges affecting performance of the cement industrycould not be overstated. This study therefore sought to find out the environmental challenges affecting the performance of the cement industry in Kenya.

1.3 Objectives of the Study

1.3.1 General objective

To examine the environmental challenges affecting performance of the cement industry in Kenya

1.3.2 Specific objectives

The research was guided by the following specific objectives:

i. To evaluate the influence of organization's support for innovation on performance.
ii. To establish the influence of employees'commitmenton performance.
iii. To determine theinfluence of leadership style on performance.
iv. To establish the influence of resistance to change on performance.

1.4 Research Questions

This study attempted to answer the following questions:

i. How does organization support for innovation influence performance?
ii. How does employee'scommitment influence performance?
iii. How does leadership style influence performance?
iv. How does resistance to change influence performance?

1.5 Significance of the research

Based on this, this study will be of immense significance in a number of ways:

It will help to reveal how effective leadership style could beapplied to the cement industry for performance improvements.This study will also help management and leaders of cement firms to become aware of the internal environmental factors that actually motivatetheir employees to low and high productivity in their work.Importantly, it is expected that when these suggestions aremade andapplied betweenleaders and workers in the organization, they wouldenhance co-operation andimprovement in their performance, highproductivity and interpersonal relationship. Other organizational issuessuch as stress, aggression, regression, fixation, resistance to change and friction amongworkers and leaders could also be reduced.

In addition, the research findings will helpthe Government in formulating strategic policiesfor effective management and shaping of the industry.It will be of importance for students of business administration who might become future managers, leaders and entrepreneurs.The researcher will also benefit by gaining additional knowledge.

1.6 Assumptions of the study

The researcher assumed the following in the proposed study:

All respondents were to be cooperative and provide truthful responses.The survey sample represented the employees in EAPCC and that, the outcome of all variables under study in EAPCC shall reflect for the entire cement industry in Kenya.

The secondary data, picked from sources such as Kenya National Bureau of Statistics, research firms and the annual reports and financial statements from company websites was assumed to be accurate.

The researcher shall take the proposed time to complete the collection of data and that the findings shall be accurate so as to help make informed conclusions and recommendations.

1.7 Limitations of the study

Due to time and financial constraints, the study focused on internal environmental challenges; excluding the external environmental factors affecting the performance of the cement industry in Kenya.

1.8 Scope of the study

This study was limited to one cement firm in Kenya (East African Portland Cement Co. Ltd). This study sampled employees in the category of management, supervisory and union.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter entails a review on the foundational theories of the study. It outlinestheoretical literature, empirical literature, research gaps and conceptual framework.

2.1 Theoretical Review on Employee Commitment

The level of commitment and involvement an employee puts into his work, how much he isaware of his employer's expectation, and how much he is willing to give of hisdiscretionary effort to do their jobs determines the level of employee engagement in a givencompany.

Employee engagement is quite a recent development of older theories of motivation andcommunication, which originated from social psychology (Smythe, 2007). Frank et al, (2004)noted that classic theories of employee motivation, such as McGregor (1957), Herzberg (1966)and Alderfer (1969) are seen as providing the pedigree for employee engagement, with the mostremarkable dating back to 1943 with Maslow's hierarchy of needs.

Maslow's Hierarchy of Needs

Maslow's hierarchy of needs is normally represented as a pyramid (see Appendix 6) with the more primitive needsat the bottom (Simons et al, 1987). Psychological and safety needs (food, air, salary, job security,protection etc.) are primary requirements needed in order for engagement to thrive. This givesmore meaning to engagement because the employee being human will need to meet his personalneeds then move on to think about what he can also offer either in gratitude to his employer or tofulfill his own career ambitions, he will need to do this through climbing up the hierarchy to self-actualization where he feels he has grown with fulfillment to appreciate the companies objectivesand own them which of cause has greater impact on engagement level.

The diagram (Appendix 6) shows lesser impact on engagement from the bottom and a greaterimpact onengagement at the top. The researcher sees quite a sense in it but at the same time is worried thatit does not work for all employees at the same time. It is very important that

businesses takestime to identify engagement needs for all levels of employees. An employee who works on the factory floor with less ambition to develop himself but rather needssufficient money to take care of himself and his family is not interested in climbing to reach self-actualization before he feels engaged, he feels satisfied and engaged right at the bottom wherehis needs are being met, knowing that his company provides for his meals and medical bills evenfor his dependants in addition to an 'okay' salary, such a person will love to give his maximumeffort to deliver.

A need to a particular individual once met will increase the engagement level ofthat same individual at that particular time.Also, an individual may not necessarily be satisfied with his current needs, but because of hisdesire to develop himself in order to move on with his career, he will seek for moreresponsibility and ensures he achieves his individual and team's objectives that feeds intocorporate objectives. What this means is that, there is not always a hierarchy of needs and onedoes not necessarily need to achieve the base first, it can always be skipped depending on one'slevel and need. It is however necessary that organizations continually measure the engagementlevels of their employees and take necessary and immediate actions as it can be more expensiveif delayed further. Smith (2005) therefore, discusses that taking the time to understand themotivations of individuals should pay dividends for the internal communicator in trying todetermine the drivers or influencers of employee engagement.

Herzberg's 'Two Factors'

Herzberg developed Maslow's hierarchy of needs in his two factors theory and arguedthat 'positive satisfaction' is only gained when motivators such as recognition and personalgrowth are met and not when hygiene factors such as salary and bonuses needs are met.However, Herzberg supports Maslow's theory that employees become more engaged throughpersonal growth and recognition than salary.

Herzberg's two factor theory is practical to an extent and also happens in an environment of trustand transparency where the employee's growth and development is of keen interest to hismanager. But this works best for a category of employees ofmedium to senior managers with amindset of career progression and has already their safety,biological and physiological needs met as this frees up their minds to think about theirdevelopment needs and fulfillments. At thislevel, they also feel engaged and have a greaterimpact on their organization. Employee

engagement does not require one format to suit all asemployee's needs and levels vary across tribes and nations.

Douglas McGregor's Theory X and Y

Douglas McGregor, a famed management theorist, discussed the Theory X and Theory Yemployee motivation model in his book, 'The Human Side of Enterprise', 1960. He explainedhow these affect people's attempts to influence the behavior of others especially how they affectmanagers' attitudes towards employees. According to McGregor, managers who maintainTheory Y have greater success with motivating workers and creating an environment of trustwith them than those who cling to theory X.

Theory X assumes that employees are lazy, avoid responsibility and uncommitted and shouldtherefore be threatened, persuaded, rewarded, punished, controlled, directed in order to get themto work, this amounted to the 'carrot' or 'stick' approach. Theory Y assumes that workersseek autonomy and responsibility, they are self-motivated,possess the potential for developmentand the readiness to direct behavior towards organizational goals.

Theory X set of assumptionsbelieves that people simply want to know what their benefits are while a greater sense ofcollective engagement is what the Theory Y assumes. The theory X manager is always on thelookout finding someone to blame when there is a problem without questioning the fundamentalcause be it the system or policies or even lack of training whilst the Theory Y manager is moreopen to a positive view of employees and the possibility that it creates.

McGregor (1957 p.12) says, "the essentialtask of management is to arrange the organizational conditions and methods of operation so thatpeople can achieve their own goals by directing their own efforts towards organizationalobjectives'. This he says "is a process primarily of creating opportunities, releasing potential,removing obstacles, encouraging growth and providing guidance".

When employees are less motivated by their organization, they are unable to commit to itsobjectives. For this reason, it is highly important for managers to commit to developingengagement of employees. Disengaged situations such as total disconnect from business makespeople withdraw from themselves and may be seen as defensive. Companies

that properlyengage their employees experience a direct link to employee retention, customer satisfaction,employee loyalty, safety, productivity and profitability.

2.2 Theoretical Review on Leadership

It is important for anorganization to effectively coordinate the behavior of people in orderto achieve its aims and objectives.According to London (2001), objectives assist executives in performingleadership roles by providing the basis for uniting the efforts of theworkers within the organization. Importantly, leadership of an organization should be given adequateattention, if the organization intends to achieve its objectives. Thepractice of leadership as it were involves taking charge andstreamlining the activities of organization members to ensure thatdesired results are achieved.

Leadership has been linked to management as it involves directing and controlling to an extent the nature and degreeofactivities and changes occurring within the organization.Managementas a process is rooted in the interactions of people at work directedtowards maximization of efficiency and scarce resources such as; labor,machines, raw materials and information (Hoover et al., 2001).

The leader of an organization should recognize that their responsibilities include performingmanagement function, which according to Dubrin (2007) are planning,organizing, directing, controlling and co-ordination of all activities asthey relate to the activities of the firm in order to achieve the firm'sobjectives.

Paley (2004) explained that planning is a process of looking ahead todetermine the course of action(s) a firm or organization will follow toachieve its objectives. Both short and long term plans should be dulyconsidered for an organization's success. The contributor furtherbuttressed that organizing as a function involves correlating the basiccomponents of the firm: people, tasks and materials so that they followand align with the set goals and objectives.

In most organization, directing involves face-to-face supervision ofemployment. In the dailybusiness activities, the effectiveness of themanager or leader in directing is a major factor in determining thesuccess of the industry.

Control as another duty of a leader is the function that provided themanager with the means ofchecking to ensure that the plans that weredeveloped were properly implemented.However,

control couldbe said to consist of four basic steps namely; Set standard of performance (establish acceptable levels ofemployee output); Check performance at regular intervals: hourly, daily, weeklyor monthly; Determine if there are deviations from the performancestandard and if there are deviations, take corrective measures such as moretraining or retraining; finally, if no deviation exists, continue with theactivity.

The Trait Theory

In the past, researchers and theorists in leadership focused on the features of leaders. This belief was probably due to the belief that leadership ability stemmed effective leadership. In turn this emanated from personality characteristics, which are either innate or acquired. This reasoning method lost favor during the first part of this century.

In fore front of explaining this reasoning is ‘’great man’’ theory and personality theory. According to Wikipedia (2007), Great man’s theory was explained to be a theory supported by some people who were of the opinion that history should be explained by impacts of great men or heroes. It was believed that great men influence individuals through their charisma, virtues, intellect or political will. It was further explained that progress could be accounted for by individual efforts and that accomplishment of these great men who have some special personal trait makes them suitable as effective leaders.

Behavioural Theory

Over time when trait theory was discredited, interest was focused onexploring the relationship between behavior of leader and workers’group performance as well as satisfaction. Quite a number of researchworks contributed to understanding the leader’s behavior indetermining performance. Among the most important studies of thepast were studies carried out at the OhioState University and theUniversity of Michigan.The research carried out in Ohio state research focused mainly onvarying issues affecting effectiveness and impact of leader behavior onthe actions of the subordinates. However, the Michigan studies wereconcerned with interactions among leader behavior, employeesatisfaction, group processes and performance.

Situational Theory

Quite a number of leadership theories developed in the late 1950's and 1960's, emphasized on the need for traits and behaviors of leaders to vary with situations ifthey are to be effective at work (Patchian, 1962). Patchian listed thefollowing factors to affect leadership effectiveness;Personality of the leader, Performancerequirements of the tasks for both; leader andfollower, Attitudes, Needs and expectations of his followers and the Organizational and physical environment of the leader and thegroup.

2.3 Theoretical Review on Innovation

The innovation of a firm is reflected in the introduction of an effortto implement new products, processes or organizational systems. Companies want toadopt innovation that will allow them to produce with less input, improve or developnew goods or introduce new forms of management, contributing to the firm's profitmaximization and competitiveness. As pointed out by Wagner (2010), among chiefexecutive officers of global companies, there is "an increasing awareness of the need forstrategic approaches to corporate sustainability andsocial performance thatare linked with related innovation activities".

Institutional Theory

As the impetus for innovation within the private sector has increased, so too hasthe call for innovation in public and nonprofit sector organizations. One explanationprovided byInstitutional theory, suggests that the actions of organizations are sociallyembedded and constrained (Rowan & Miskel, 1999), and tend to reflect the institutionsaround them (DiMaggio & Powell, 1983).

There are different indicators utilized to measure innovation. They can be classifiedas output indicators (e.g. product and process innovation), intermediate indicators (e.g.number of patent applications) and input indicator (e.g. total innovation and Research and Development expenditures). The literature does not offer a consensus on which type of indicator isbetter, andit is not expected to do so given that these innovation indicators reflectdifferent components of innovation.

Research and Development (R&D) and patents application are two commonly used indicatorsfor innovation. However they are not perfect indicators and some researchers argue

they have drawbacks. For instance,Kleinknecht et al. (2002) stated that patent applications are notnecessarily representative of innovation because not all firms that innovate apply forpatents; the patent application is costly and time consuming, so firms may not havethe resources and structure to apply and obtain patents approved. In addition, thisindicator refers mostly to innovations that are completely new to the sector, excludingincremental ones.On the other hand, the sole use of R&D as an innovation indicatorwill underestimate innovation efforts in sectors like services.

Information on innovation is universal (Crossan et al., 2010). Ameta-analysisconducted by Crossan and Apaydin (2010) revealed that articles on innovation inbusiness and economic journals grew, on average, 14% per year from 1981 to 2008.

Elected officials are depending on innovation as a key driver of the economy. In August2009, President Obama said, "The United States led the world's economies in the 20thcentury because we led the world in innovation. Today, the competition is keener; thechallenge is tougher; and that is why innovation is more important than ever. It is the keyto good, new jobs for the 21st century" (Executive Office of the President, 2009).

Research supports the positive effects of innovation. For entrepreneurs,innovation can positively support operational efficiency, improve performance, attract askilled workforce, and build knowledge. Innovation can enable acompetitive advantage in the marketplace and function to enhance performance (He et al., 2008).

2.4 Theoretical Review on Resistance to Change

The use of the term "resistance to change" is ubiquitous, yet its meaning is oftenінconsistent. Original work on resistance to change was contributed by Lewin (1951) where he used force field analysis todescribe "resistance to change" as a behavior that results from both the individual'sdisposition and the standards of the group of which the individual is a part. Lewin saworganizational change as a process of disrupting and then solidifying a quasi-stationary social equilibrium. He called this change process "the unfreezing, moving, and freezing ofa level" of social equilibria (1951, p. 234). Piderit (2000) aptly noted that Lewin'soriginal conceptualization, "borrowed a view from physics to metaphorically defineresistance as a restraining force moving in the direction of maintaining the status quo". Because Lewin's

theory took into account the power of group norms, he saw theforces of the group as a source of influence for changing attitudes or conduct.

In so many years, resistance to change has been framed as an employee problem to be addressed by management. For example, after consulting with numerous businesses on change initiatives, Kanter (1985) documented 10 reasons for resistance to change. The list included loss of control, concerns about competence, changing of habits, loss of face, and general uncertainty. Kanter urged managers to be cognizant of these reactions and to plan accordingly by increasing communication, foreshadowing, and asking for involvement.

2.5 Empirical Literature on Employee Commitment

According to Towers (2003), 'there are clear links between employee's level ofengagement and focus on customers, aspects of financial and operational performance',therefore, people's efforts should be harnessed to improve this performance. Teams andorganizations will be more effective and productive if employees are performing at their crownof their potential. This will impact on better service to customers, improved efficiency, and wastereduction and enhanced organizational performance.

Kahn (1990) study shows that employee engagement measures the degree of an employee's positive or negative emotionalattachment to their job, colleagues and organization which profoundly influences theirwillingness to learn and perform at work.

Hay Group (2001) is of the view that employee's perception of how meaningful their jobs are tothem and being happy to come to work every day to work for their employers are clearly linkedto their levels of engagement, which in effect shows on their performance. The Hay Group(2001) also discovered that engaged employees are up to 43% more productive than disengagedones.

Saks (2006) is of the view thatemployees have a choice with the level of responses he may provide in line with the resources heobtained from his employer. Kahn (1990) also suggest thatthe employee can respond to hisorganization's actions by bringing himself more fully into his job and devoting greater amountsof cognitive, emotional, and physical resources as repaymentfor the resources they receive fromtheir organization, thus, when such resources are

not forth coming, employees are more likely towithdraw and disengage themselves from their roles.

Researchers at Towers Perrin (2003) conducted a research comparing employee engagementacross a range of demographic segments, from job level (director, senior executive, manager,supervisor, specialist, professional, non-management salaried etc.) to industry category (nonprofit,high tech, heavy manufacturing, insurance, pharmaceuticals, hospitals, banking andfinance) of which they found a pattern across the segments. The highly engaged respondentswere quite a small group with a slightly bigger disengaged group, and the majority in themoderately engaged group.Towers Perrin found out that senior executives were more highly engaged than any other group.This can be attributed to high income level. Other factors such as access to information,resources and growth opportunities, challenge, authority, autonomy, and stimulation alsocontributed to this high level of engagement.

Gallup's US research found out that there was a difference between single and marriedemployees. Findings were that the level of engagement for the married employees was highercompared to the unmarried employees as this may be due to the fact that these employees mayhave come to be more settled in both their personal and professional lives. However, thesereasons may not be entirely true for those who are not happily married and having seriouschallenges in their marriage.

According to Robinson et al.,(2004 p.22), "the strongest driver of engagement is a sense of feelingvalued and involved", and that its components relevant to engagement includes involvement indecision making, vocalizing ideas and being listened to, good suggestions acted upon,opportunities for development, and the organization's concern for employee health and safetyand well-being. He argues that the line manager equally has a very important role in fosteringemployee's sense of involvement and value, and this point to the critical importance of theemployee-manager relationship. These pointers may differ from organization to organization,teams to teams and even on individual basis as engagement needs and levels vary.

2.6 Empirical Literature on Leadership

According to Dubrin (2007), effective leadership is determined by the degree towhich it facilitates adequate or high productivity. Fiedler (1996), one of the most respectedresearchers on leadership, has provided a recent treatise on the importance of leadershipby arguing that the

effectiveness of a leader is a major determinant of the success orfailure of a group, organization, or even an entire country. Indeed, it has been arguedthat one way in which organizations have sought to cope with the increasing volatilityand turbulence of the external environment is by training and developing leaders andequipping them with the skills to cope.

Boswell (1973) explained that some studies have shown that effectivemanagers stress the need for supportive people. Other studies did notproduce clearly defined results on this. Some have however showedreverse relationship to the following: size of the firm, the nature of theproduction process, personalities of subordinates, the feelings of thesubordinates and the manager's power in the organization.In context, there may be no leadership style that could be effective inevery situation. Thus, there has to be modifications.

Agboli andChikwendu (2006) further stressed that different work situations needdifferent styles if they are to perform optimally. Often, manager'sskills could be said to be diagnostic. The manager assesses all relevantfactors affecting work. However, diagnosis may not always be followedby proper behavior because managers could find it difficult to changetheir styles (Boswell, 1973).

According to Cleland (1998), the nature of environment in which interpersonal group relationship occursalso affects quality and style of leadership. The environment is affected byleader's success and failures, which in turn is also affected partly byother external factors like government policy.

Other studies which examine the links between leadership and performance coincidewith the re-emergence of the 'one best way to lead' debate. Of particular relevance isthe resurgence of interest into charismatic leadership, which is frequently referred to astransformationalleadership (Bass et al., 1993). Conceptually, it is argued thatthe visionary and inspirationalskills of transformational leaders motivate followers todeliver superior performance.

In summary, much of the above evidence presented as supporting the claim of aleadership–performance link is anecdotal and frequently over-concentrates on the'transformational' role of leaders in corporate successes (for example, Quick, 1992 & Taffinder,1995). The limited orinconclusive character of research findings in this area suggests

the need to investigatefurther the nature of the relationship between leadership and performance.

2.7 Empirical Literature on Innovation

Innovation positively impacts business performance in many industries.Calantone et al. (2002) examined 187 U.S. firms from a broad spectrum ofindustries, and found that innovation contributed to performance. Performance wasdetermined by measures of return on investment, return on sales, overall profitability, andreturn on assets.

Innovation is necessary and beneficial in a broad range of industries from serviceto design to product development. Li and Calantone(1998) reported a significant positive relationshipbetween having a new product andmarket performance. Even a positive reputation for product innovation can increaseconsumer excitement and loyalty, and improve corporate image.

In an earlier study, Prahalad andHamel (1990) argued that core competencies of the organization set the stage for firminnovation, whereas Teece (2009) cited dynamic capabilities as the impetus forinnovation and hence the key to enhancing organizational performance.

Siegel and Kaemmerer (1978) found that environments that foster innovationdemonstratesupport for creativity and tolerance for diversity. Several researchers havelinked perceived support for innovation to innovative action. For example, Scott and Bruce(1994) reported that the degree to which an employee thought that the environmentsupported innovation was related to the individual's innovative behavior.

Although performance is typically measured at the organizational level, complex,constituency-driven organizations must rely on their primary technology, employees, toinstigate and implement action. As Zimmerman (1999) explained, "Innovation itselfoccurs through persons" (p. 591). Similarly, Dess and Picken (2000) concluded thatwhen innovation is required for an organization's success, leaders must pay moreattention to intellectual capital and human resources.

According to Felin and Hesterly(2007), organizations are composed of people who displayindividual personalities, skills,abilities, and so on. They found that the locus of knowledge (animportant factor ininnovation) is found at the individual level, not at the firm level. Similarly,Bunce andWest (1995) argued that organizations vary in innovativeness, because of thevariation inpersonality of the individuals who inhabit them. Farazmand (2004) wrote, "…withoutwell-trained, well-developed, well-appreciated, and well-managed human resources,modern organizations of government and business cannot meet the challenges of theglobalization age, which demands a new generation of future-oriented, anticipatorymanagers who can develop effective visions and manage organizations by riding the highwaves of change in the turbulent world" (p. 3).

Attitude toward innovation also is important in the innovation process.Damanpour and Schneider (2006) found that compared to the leader's demographiccharacteristics (such as education, age, or gender), the leader's attitude toward innovationwas more influential in all phases of innovation. Although the external environment maybe influential, the context within the organization is a better predictor of innovation thanthe environmental context in every phase of innovation implementation.

Amabile et al. (1996) noted that employees' psychological perceptions of theirenvironment can influence and support creative work within the organization. Based on ameta-analysis, Parker et al. (2003) found that perceptions of organizational climate wererelated to work attitudes, motivation, and performance. Work environment has been aparticularly robust area of innovation research (Damanpour, 1991).One perception reported to be important to innovation is support for innovation.West (1990) defined support for innovation as "... the expectation, approval and practicalsupport of attempts to introduce new and improved ways of doing things in the workenvironment" (p. 38).

Ruiz-Moreno et al. (2008) also reported that support for innovationwas a determinant in organizational performance in their study of 202 quality managers.Burningham et al. (1995) studied 50 members of 13 teams in an oil company todetermine the level of team innovation. They found that support for innovation(operationalized as norms and enacted support) was highly and significantly related towork team innovation.In a study of 80 offices of a Spanish financial company, Montes et al. (2004) found that when the climate of an organization was cohesive andprovided support and intrinsic recognition,perceptions of support for innovation weremore likely.

Chandler et al. (2000) studied employees in medium-sizedmanufacturing firms, and identifiedsupervisory support and reward system support aspositively related to an innovative culture, and work overload as negatively related. Theyalso found that small companies with less formal human resources procedures and fewerslack resources were more likely to have cultures that were perceived as supportinginnovation.

2.8 Empirical Literature on Resistance to Change

Coch and French (1948) conducted research at Harwood Manufacturing Corporation, to ask why people resist change so strongly and what can be done to overcome this resistance. Conceptually, Coch and French followed Lewin's metaphor and wrote that "resistance to change is a combination of an individual reaction to frustration with strong group-induced forces" (p. 520). Coch and French (1948), conducted several experiments. In the experimental group, employees designed the changes either directly or through representation. In the control group, employees had no input in the implementation of the change. Coch and French (1948) found that employee involvement reduced resistance to change and hence suggested group meetings with employee participation as a management strategy.

Lawrence (1954) critiqued Coch and French (1948) for failing to separate technical change from social change in the resistance process. He wrote, "Actually, what employees resist is usually not technical change but social change – the change in their human relationships that generally accompanies technical change" (p. 49). Given these assumptions, Lawrence did not advocate for simply increasing employee participation through meetings; instead, he asked managers to be more astute about the effect of changes on the social relationships including appreciating and valuing the worker's perspective. He asked managers to engage employees in real participation based on respect and thus avoid some resistance.

At the end of the 20th century, the fundamental concepts associated with resistance to change began to be dissected, criticized, and reconsidered. Dent and Goldberg (1999) challenged conventional wisdom about resistance to change; in fact, they argued that the term and the concept should be retired. By tracing the historical evolution of "resistance to change," beginning with Lewin, they showed that the term was initially a systems concept but over time began to be used as a psychological concept. They argued that many people resist real changes that may affect their wellbeing, and hence the term should be disregarded.Addressing some of Dent and Goldberg's (1999) concerns, Piderit (2000) argued that many previous studies of

resistance to change had dichotomized and over-simplified employee reactions. She summarized how behavior could be misunderstood as resistance: "Hence, what some may perceive as disrespectful or unfounded opposition might also be motivated by individuals' ethical principles or by their desire to protect the organization's best interests. It is worth entertaining efforts to take those good intentions more seriously by down-playing the invalidating aspect of labeling responses to change 'resistant.'"(p. 785).

Piderit (2000) proposed using the more neutral language of "response to change" and categorized employee responses in three dimensions: emotional, cognitive, and intentional. Analyzing resistance to change in these three dimensions allows for differential responses, including: fully supportive, fully resistant, and varied. In fact, Piderit noted that the most likely response to change is ambivalence.

In contrast to the authors above who challenged traditional conceptions of resistance to change and its usefulness, Shaul Oreg incorporated suggestions from both the traditional authors and the more contemporary critics. Oreg (2003) conceptualized resistance to change as multifaceted. The instrument Oreg developed, the Resistance to Change (RTC) scale, was designed to measure an individual's dispositional inclination to change rather than to measure a reaction to a particular moment or change effort. The RTC scale measured four factors: namely; routine seeking, emotional reaction to imposed change, cognitive rigidity, and short-term focus. Oreg's work showed that people who scored higher on the RTC scale were less likely to be involved in voluntary change, were more likely to resist participation in innovative offerings, and were more distraught by imposed change. Resistance to change had significant negative relationships to sensation seeking and tolerance for ambiguity. He also found that resistance to change had a significant positive relationship to risk aversion.

2.9 Research Gap

From the literature reviewed, it is evident that performance in an organization can be influenced by various variables. Some of these are within the firms control while others are not.

Most of research findings, concentrated on the reviews carried out mainly in the corporate environment and outside African setup. The findings may therefore not sufficiently address the unique characteristics exhibited in the manufacturing sector in African context. The current

study went further and analyzed environmental challenges affecting performance inthe cement industry in Kenya.

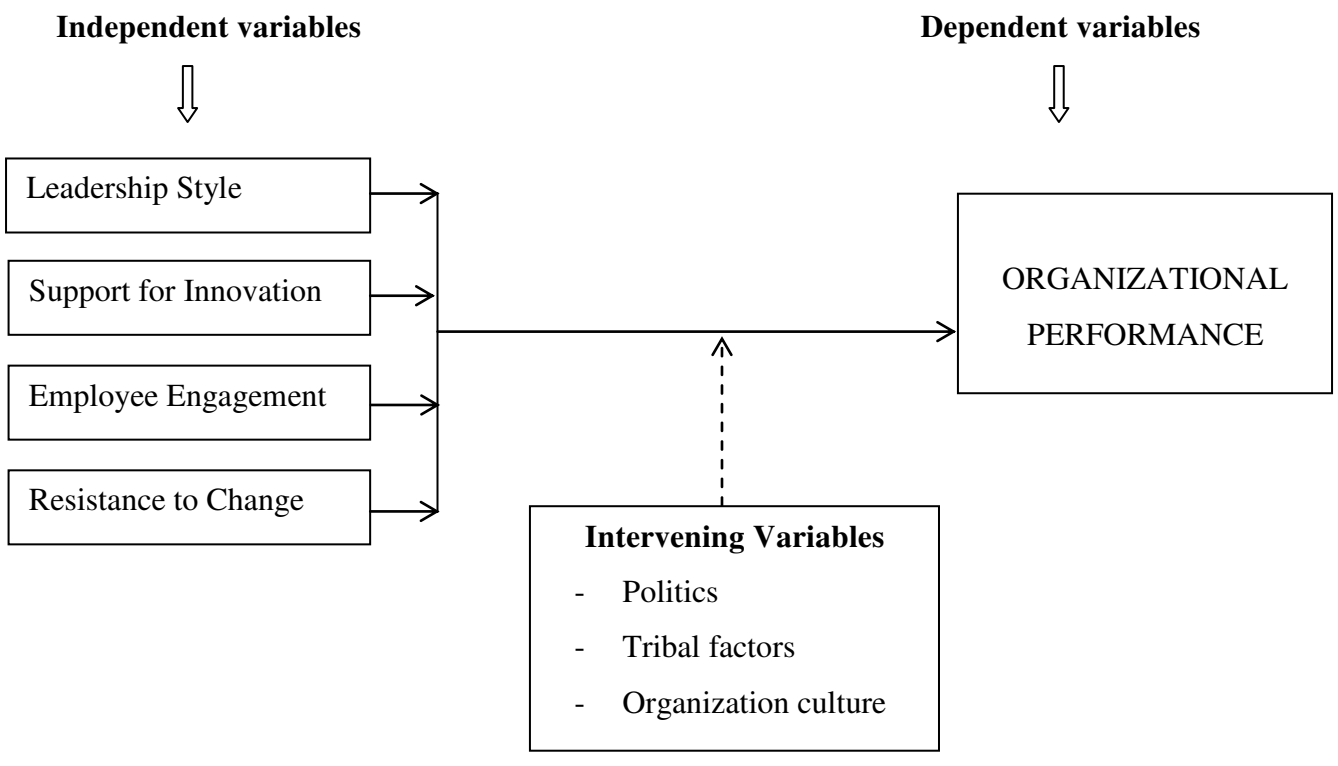
2.10 Conceptual framework

According to Orodho (2003), conceptual framework is a model of presentation where a researcher conceptualizes or represents the relationships between variables and shows the relationships graphically or diagrammatically.

In the study, the conceptual framework is a hypothesized model identifying the concepts or variables under the study and shows their relationship.

This is a diagram of relationship of the various variables in this study. The main variable of this study is performance. This variable is considered as dependent variable which depends on the independent variables as outlined in the figure below. The intervening variables are other factors that will determine the dependent variable and come between the independent and the dependent variable. In this study, the following are some of the variables that could affect the dependent variable and include: politics, tribal factors and organization culture.

Fig 2.1: Conceptual Framework.



Source: Researcher (2013)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the most appropriate methods of research design, target population, sample design,data collection, and data analysis will be discussed.

3.2 Research Design

A descriptive research design was used in this study. A descriptive research design involves collecting data in order to answer questions concerning the current status (Gay, 1987; Mugenda and Mugenda, 1999). It helps discover new meaning, describes what currently exists, verify the rate of which something occurs and categorizes information.

3.3 Target Population

The target population for this study was one cement factory in Athi River (EAPCC) and was assumed to represent the other cement firms in Kenya. The choice of population was based on the fact thatmost of these firms operate in similar environment, same locality, manufacture similar products, faced with similar market conditions, access similar raw materials, use similar manufacturing technology, utilize same infrastructure and subjected to same tax regime and policies by the Government.

Similarly, due to complexities in employee's working patterns, bureaucracies involved in gaining access for research to the privately owned cement firms, it posed a challenge for the

researcher to select them. The population of the study consisted of 1,309 employees of EAPCC.

3.4 Sample Design

Stratified random sampling of the total population was used in selecting the respondents.

To create a stratified random sample, there are seven steps namely:defining the population; choosing the relevant stratification; listing the population; listing the population according to the chosen stratification; choosing your sample size; calculating a proportionate stratification; and using a simple random or systematic sample to select your sample (Lund Research Ltd, 2012). The stratification was applied in order to achieve desired representation from the various subgroups in the population (Mugenda et al., 2003).

A sample size of 50 was selected from the target population; and included 6 employees from management, 5 from supervisory and 39 from the union as shown below.

Category	Grade	Target Population	% Proportion	Sample size
Management	(1-7)	145	11.1	6
Supervisory	(8-12)	119	9.1	5
Union	(A-H)	1045	79.8	39
Total		**1309**	**100.0**	**50**

Source: Company records (2012) and Researcher (2013)

Therefore in order to arrive at a statistically valid conclusion, 50 questionnaires were administered.

3.5 Data Collection Techniques and Instruments

Data was collected through the use of self-administered questionnaires (Appendix 8). The questionnaires were distributed to respondents by the researcherin person, and picked later. This gave the opportunity for clarification toany queries raised by respondents.

Measure on Employee engagement in the questionnaire will be based on the Value-Based HR (VB-HR™) Engagement Framework(Appendix9).Measureson Support for innovation will be based on the Siegel Scale of Support for Innovation (SSSI) (Appendix 10). Measures on Leadership style will be adopted from Podsakoff et al. (1990)'s "Transformational Leadership Inventory (TLI) and their contingency reward measure of transactional leadership". While resistance to change will be measured by "Resistance to Change scale" developed by Oreg.

Authority to collect data in EAPCC was sought from the management (see Appendix 7) and permission was granted (see Appendix 13).

3.6 Data Analysis:

Descriptive statistics was used in the analysis of the data. Descriptive statistics included frequency distribution tables, histograms and percentages.

3.7 Validity and Reliability of the Instruments:

Validity is ensuring that a test measures what it is supposed to measure (Jankowicz, 2005). The content validity of the research instruments was ensured through expert judgment provided by my supervisors. Gall et al. (2004) points out that content experts help bring out content validity by defining in precise and detailed terms the domain of the specific content that the test is assumed to represent and then determines how well that content universe is sampled by test.

Reliability is the degree to which a test yields the same results on repeated trials. (Jankowicz, 2005). Reliability of the instruments was tested during piloting. The research instrument was piloted in EAPCC.Gall et al. (2004) observed that piloting is important as it helps identify misunderstandings, ambiguities and useless or inadequate items. The number of respondents in the study was50. This allowed the researcher to enhance reliability in the targeted area of research.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter is a presentation of the research findings subsequent to the data collection and analysis described in chapter three. The results are presented in the form of charts and tables. For values attributed to strongly agree and agree; their percentages were summed up together for the sake of discussion. Likewise, cumulative percentages were used for the values attributed to disagree and strongly disagree.

4.2 Background Information

4.2.1 Response Rate

The researcher distributed 50questionnaires in EAPCC, out of which 46 were completed and retrieved successfully, representing 92% response rate. Mugenda and Mugenda (2003) stated that a response rate of 50% and above is sufficient for analysis.

4.2.2 Gender of Respondents

The table below shows the responses on the gender of the respondents.

Table 4.1 Gender of Respondents

Gender	Management	Supervisory	Union	Frequency	Percentage %
Male	5	2	24	31	67.4%
Female	1	3	11	15	32.6%
Total	6	5	35	46	100.0%

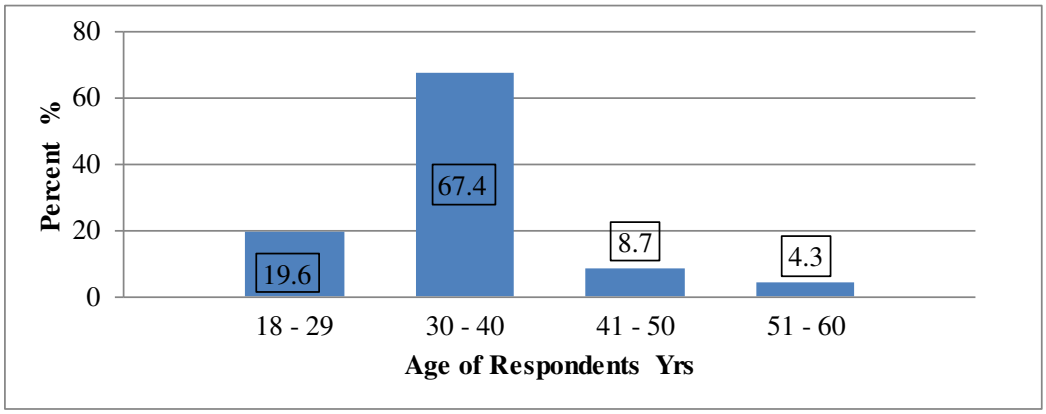
Source : Research data (2013)

Table 4.1 shows that 67.4% of the respondents were male and 32.6% were female. This implies that males are the most preferred people to work in the cement firm due to the manual nature of the work and dusty environment.

4.2.3 Age of Respondents

The figure below shows the responses on the age of the respondents.

Fig 4.1 Age of the Respondents



Source : Research data (2013)

Figure 4.1 shows that 19.6% of the respondents were in the age category of 18-29 years, 67.4%were in the age category of 30-40 years, 8.7% were in the age category of 41-50 years while 4.3% were in the age category of 51-60 years. This shows that majority of the people working in EAPCC, are young and energetic.

4.2.4 Level of Education

The table below shows the responses on the level of education of the respondents.

Table 4.2 Level of education

Level	Management	Supervisory	Union	Frequency	%
Primary			2	2	4.3
Secondary		1	4	5	10.9
Tertiary		2	16	18	39.1
University	5	1	11	17	37.0
Post graduate	1	1	1	3	6.5
Did not specify			1	1	2.2
Total	6	5	35	46	100.0

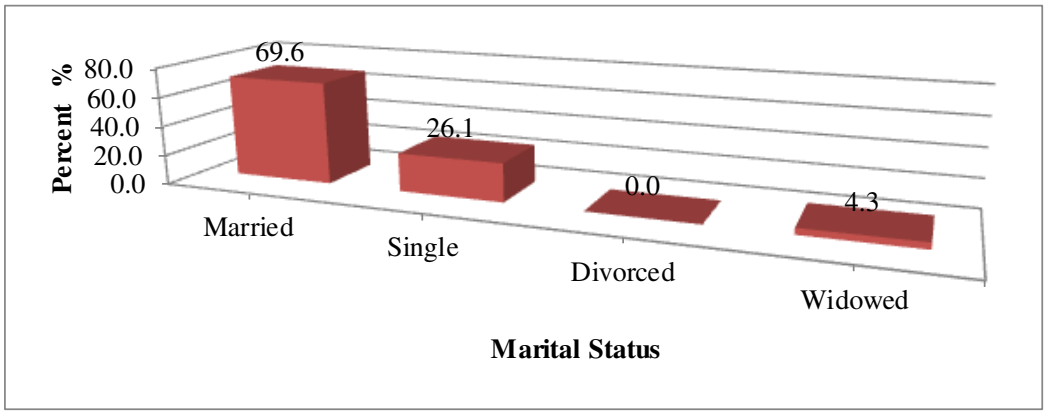
Source : Research data (2013)

Table 4.2 shows that39.1% of the respondents indicated they had tertiary education, 37.0% had university education and 6.5% had post graduate education. This implies that majority staffs of EAPCC are relatively well educated with certificates, diplomas and degrees.

4.2.5 Marital Status

The figure below shows the responses on the marital status of the respondents.

Fig 4.2 Marital Status



Source : Research data (2013)

Figure 4.2 shows that69.6% of the respondents were married, 26.1% were single, 4.3% were widowed and 0.0% divorced. This shows that a bulk of EAPCC employees have family obligations.

4.2.6 Number of organizations worked for prior to current organization

The table below shows the responses on the number of organizations the respondents had worked for prior to joining the current.

Table 4.3 No. of organizations worked for prior to current organization

Options	Management	Supervisory	Union	Total	%
0	3	3	4	10	21.7
1 - 3	3	2	28	33	71.7
4 - 8			2	2	4.3
8 and above			1	1	2.2
Total	6	5	35	46	100.0

Source : Research data (2013)

Table 4.3 shows that majority (71.7%)had worked for 1-3 years in other organizations prior tojoining EAPCC. This indicates that most of the employees had a previous job experience from other organizations.

4.2.7 Sector of Industry in previous organization

The table below shows the responses on the number of organizations the respondents had worked for prior to joining EAPCC.

Table 4.4 Sector of industry in previous organization

Options	Management	Supervisory	Union	Total	%
Public	2		18	20	43.5
Private	1	2	12	15	32.6
Did not specify	3	3	5	11	23.9
Total	6	5	35	46	100.0

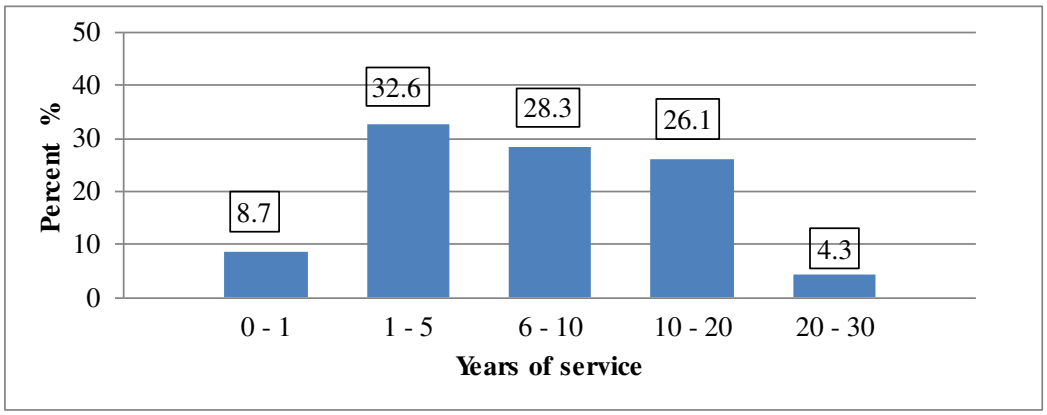
Source : Research data (2013)

Table 4.4indicates 43.5% of the respondents had worked in a public sector while 32.6% worked in the private sector. This represents a rich blend of expertise found in the employees.

4.2.8 Number of years of service at the present organization

The responses related to the number of years of service by the respondents at the present organization are shown in the figure below.

Fig 4.3 Number of years of service at present organization



Source : Research data (2013)

From figure 4.3 above, 8.7% of the respondents had worked for less than 1year,32.6% worked for 1 to 5 years, 28.3% worked for6 to 10 years, 26.1% worked for 10 to 20 years while 4.3% worked for over 20 years. Cumulatively, 69.6% of employees have worked for less than 10 years, while 30.4% had worked for over 10 years. This shows that majority of the work force are relatively less experienced, hence a negative influence on performance.

4.3Internal Environmental Challenges affecting performance of the CementIndustry in Kenya.

4.3.1 Employee Commitment

The responses related to aspects of employee commitment are shown in the table below.

Table 4.5 Employee Commitment

STATEMENT	STONGLY AGREE 5		AGREE 4		TEND TO AGREE 3		DISAGREE 2		STONGLY DISAGREE 1		**TOTAL**	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	**Frequency**	**%**
Line Of Sight												
I am aware of the wider business objectives	18	40.0	24	53.3	2	4.4	0	0.0	1	2.2	**45**	**100.0**
I understand my department goals and how my work supports these goals.	29	63.0	15	32.6	1	2.2	0	0.0	1	2.2	**46**	**100.0**
I am aware of my capabilities that will enable me to deliver on my job	27	60.0	16	35.6	1	2.2	0	0.0	1	2.2	**45**	**100.0**
Work Environment												
I have the materials and equipment I need to do my job efficiently	12	26.1	22	47.8	11	23.9	1	2.2	0	0.0	**46**	**100.0**
I receive the information and communication I need to do my job	14	30.4	23	50.0	7	15.2	2	4.3	0	0.0	**46**	**100.0**
All employees in this organization are treated equally	4	8.7	3	6.5	12	26.1	20	43.5	7	15.2	**46**	**100.0**
At work, I have the opportunity to do what I do best every day	7	15.9	22	50.0	11	25.0	3	6.8	1	2.3	**44**	**100.0**
Reward												
I feel the benefits offered here are fair and reasonable	7	15.2	16	34.8	10	21.7	10	21.7	3	6.5	**46**	**100.0**
I regularly receive recognition/praise for doing good work.	2	4.4	13	28.9	11	24.4	16	35.6	3	6.7	**45**	**100.0**
My salary reflects my contribution to the company	3	6.7	10	22.2	11	24.4	16	35.6	5	11.1	**45**	**100.0**
I receive bonus/incentives which rewards achievement of targets	4	8.7	17	37.0	13	28.3	9	19.6	3	6.5	**46**	**100.0**
Development												
Opportunities for advancement or promotion exist within the company	8	17.4	21	45.7	12	26.1	3	6.5	2	4.3	**46**	**100.0**
Internal candidates receive fair consideration for open positions	4	8.9	17	37.8	11	24.4	12	26.7	1	2.2	**45**	**100.0**
My participation and views in this organization are valued	4	8.7	20	43.5	14	30.4	7	15.2	1	2.2	**46**	**100.0**
My manager/supervisor provides me with feedback and guidance	10	21.7	20	43.5	11	23.9	3	6.5	2	4.3	**46**	**100.0**
Organization Architecture												
The organization design is key to the creation of employee's opportunities.	5	11.1	21	46.7	13	28.9	6	13.3	0	0.0	**45**	**100.0**
The reward system provides a context for each employee's personal reward	1	2.2	13	28.9	14	31.1	13	28.9	4	8.9	**45**	**100.0**
I am involved in decision making and feel a sense of empowerment at team and individual level	6	13.0	14	30.4	13	28.3	12	26.1	1	2.2	**46**	**100.0**
There is a clear and consistent set of values that governs the way we do business.	5	11.9	23	54.8	11	26.2	1	2.4	2	4.8	**42**	**100.0**

Source : Research data (2013)

4.3.1.1 Line of sight

Table 4.5 above shows that majority of the respondents (93.3%) agreedthat they were aware of the wider business objectives of the company. 95.7% agreedthat they understood their departmental goals and how their work supported these goals.While 95.6% agreedthat they were aware of their capabilities that would enable them deliver on their job.

4.3.1.2 Work Environment

73.9% of the respondents agreed that they had the materials and equipment needed to do their job effectively. 80.4% agreed to have received information and communication needed to do their job. 58.7% disagreedthat all employees in this organization were treated equally. 65.9%agreed that they had an opportunity to do what they do best every day.

4.3.1.3 Reward

50% of the respondents agreed that they felt the benefits offered by the company were fair and reasonable. 42.2% disagreed that they regularly received recognition for doing a good work. 46.7% disagreedthat their salary reflected their contribution to the company while 45.7% agreed that they received bonus/incentives which rewarded achievement of their targets.

4.3.1.4 Personal development

63.0% of the respondentsagreedthat opportunities for advancement or promotion existed within the company. 46.7% agreedthat internal candidates received fair consideration for open positions. 52.2% agreedthat their participation and views in the organization were valued, while 65.2% agreedthat their managers and/or supervisors provided them with feedback and guidance.

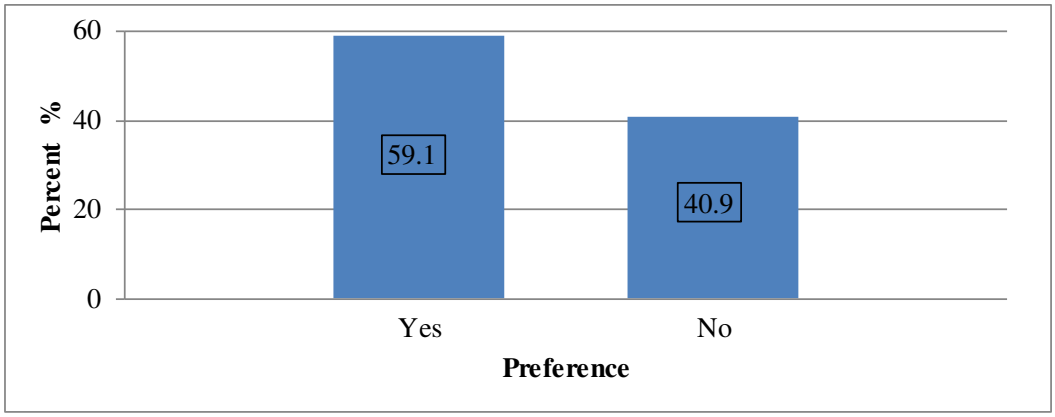
4.3.1.5 Organization architecture

57.8% of the respondents agreedthat the organization's design was key to the creation of employee's opportunities. Majority 37.8% disagreedthat the reward system provided a context for each employee's personal reward. 43.5% agreed that they were involved in decision making and felt a sense of empowerment at team and individual level while 66.7% agreedthat there was a clear and consistent set of values that governed the way the company conducted business.

4.3.1.6 Preference to stay in current organization

Respondents were asked to state their preference in continuing to stay in the current organization and the figure below shows the summary of their responses.

Fig 4.4 Preference to stay in current organization



Source : Research data (2013)

Figure 4.4 above indicates 59.1% of the respondents preferred to stay in the current organization while 40.9% preferred to leave.This shows that most of the employees are satisfied with the existing company work environment.

In evaluating influence of employee's commitment as an environmental challenge affecting performance in the industry; McGregor (1957 p.12) says, "The essential task of management is to arrange the organizational conditions and methods of operation so that people can achieve their own goals by directing their own efforts towards organizational objectives'. Saks (2006) is of the view that employees have a choice with the level of responses he may provide in line with the resources he obtained from his employer. Kahn (1990) also suggests that when such resources are not forth coming, employees are more likely to withdraw and disengage themselves from their roles. Robinson et al., (2004 p.22), says that "the strongest driver of commitment is a sense of feeling valued and involved", and that its components relevant to engagement includes involvement in decision making, vocalizing ideas and being listened to, good suggestions acted upon, opportunities for development, and the organization's concern for employee health and safety and well-being. From the findings of the study, it can be deduced that the employees' commitment level was hampered by inequality in employee treatment,lack of adequate benefits, inadequate recognition, low salary and lack of incentives. There was also unfair consideration for open positions, un-valuing views and participation of employees, existence of poor rewarding system and non-involvement of all employees in decision making. The positive finding of the studied variable included a clear line of sight being exhibited by the employees. Employees understood the wider business objective, their own goals and capabilities. They also acknowledged having adequate resources and

receivedadequate information and communications to enable them do their work, and that the organization had a clear and consistent set of values that governed the business.The study showed that; employee commitment is a vital environmental challenge likely to influence performance of the cement industry in Kenya.

4.3.2 Leadership style

The responses related to aspects of leadership style are shown below.

Transformational leadership

4.3.2.1 Articulating a vision

Table 4.6 below shows that 68.9% of the respondents agreed that their managers always sought new opportunities for the organization. 76.1% agreed that their managers had a clear understanding of where the company was going. 64.4% agreed that their managers inspired them with their plans for the future, while 63.0% agreed that their managers were able to get them committed to the dream of the future. The managers of EAPCC score fairly well on visionary leadership.

4.3.2.2 Providing an appropriate model

63.6% of the respondents agreed that their managers led by doing rather than telling. 62.2% agreed that their managers provided a good model to follow, while 60.9% agreed that their managers led by example. This shows that the managers fairly provided an appropriate leadership model to their junior staff.

Table 4.6 Leadership Style

STATEMENT	STONGLY AGREE 5		AGREE 4		TEND TO AGREE 3		DISAGREE 2		STONGLY DISAGREE 1		**TOTAL**	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	**Frequency**	**%**
Transformational Leadership												
Articulating a vision												
My manager is always seeking new opportunities for the organization	10	22.2	21	46.7	10	22.2	4	8.9	0	0.0	**45**	**100.0**
My manager has a clear understanding of where we are going	18	39.1	17	37.0	7	15.2	4	8.7	0	0.0	**46**	**100.0**
My manager inspires others with his/her plans for the future	13	28.9	16	35.6	8	17.8	8	17.8	0	0.0	**45**	**100.0**
My manager is able to get others committed to his/her dream of the future.	13	28.3	16	34.8	10	21.7	7	15.2	0	0.0	**46**	**100.0**
Providing an appropriate model												
My manager leads by doing rather than simply by telling	13	29.5	15	34.1	11	25.0	5	11.4	0	0.0	**44**	**100.0**
My manager provides a good model to follow	14	31.1	14	31.1	9	20.0	8	17.8	0	0.0	**45**	**100.0**
My manager leads by example	12	26.1	16	34.8	11	23.9	7	15.2	0	0.0	**46**	**100.0**
Fostering the acceptance of group goals												
My manager fosters collaboration among work groups	11	23.9	18	39.1	15	32.6	2	4.3	0	0.0	**46**	**100.0**
My manager encourages employees to be team players	18	40.0	17	37.8	7	15.6	3	6.7	0	0.0	**45**	**100.0**
My manager gets the group to work together for the same goal	15	32.6	15	32.6	12	26.1	4	8.7	0	0.0	**46**	**100.0**
High performance expectations												
My manager shows us that he/she expects a lot from us	20	43.5	18	39.1	7	15.2	1	2.2	0	0.0	**46**	**100.0**
My manager insists on only the best performance	14	30.4	22	47.8	8	17.4	2	4.3	0	0.0	**46**	**100.0**
Individualized support												
My manager shows respect for my personal feelings	8	17.4	20	43.5	13	28.3	3	6.5	2	4.3	**46**	**100.0**
My manager behaves in a manner that is thoughtful for my personal needs	8	17.4	17	37.0	15	32.6	5	10.9	1	2.2	**46**	**100.0**
Intellectual stimulation												
My manager has provided me with new ways of looking at things which used to be a puzzle for me	9	19.6	14	30.4	12	26.1	11	23.9	0	0.0	**46**	**100.0**
My manager has ideas that have forced me to rethink some of my own ideas I have never questioned before	12	26.1	18	39.1	9	19.6	7	15.2	0	0.0	**46**	**100.0**
My manager has stimulated me to think about old problems in new ways	6	13.0	17	37.0	11	23.9	11	23.9	1	2.2	**46**	**100.0**
Transactional Leadership												
Contingent reward												
My manager always gives me positive feedback when I perform well	10	21.7	17	37.0	9	19.6	9	19.6	1	2.2	**46**	**100.0**
My manager gives me special recognition when my work is very good	7	15.6	14	31.1	9	20.0	12	26.7	3	6.7	**45**	**100.0**
My manager commends me when I do a better than average job	7	15.2	18	39.1	10	21.7	9	19.6	2	4.3	**46**	**100.0**
My manager personally compliments me when I do outstanding work	9	19.6	14	30.4	10	21.7	11	23.9	2	4.3	**46**	**100.0**
My manager frequently does not acknowledge my good performance	3	6.5	10	21.7	7	15.2	19	41.3	7	15.2	**46**	**100.0**

Source : Research data (2013)

4.3.2.3Fostering the acceptance of group goals

63.0% of the respondents agreedthat their managers fostered collaboration among work groups. 77.8% agreedthat their managers encouraged employees to be team players, while

65.2% agreedthat their managers got the groups to work together for the same goal. This data shows that in EAPCC, the managers fairly encourage team work amongst its employees.

4.3.2.4 High performance expectations

82.6% of the respondents agreedthat their managers showed them that a lot was expected from them, while 78.3% agreedthat their managers insisted on only the best performance. The managers scored very highly on performance expectation from the employees.

4.3.2.5 Individualized support

60.9% of the respondents agreed that their managers showed respect to their personal feelings, while 54.3% agreedthat their managers behaved in amanner that was thoughtful to their personal needs.This was a fair score on individualized support accorded to the employees by their managers.

4.3.2.6 Intellectual stimulation

50.0% of the respondents agreedthat their managers had provided them with new ways of looking at things which used to be a puzzle to them. 65.2% agreedthat their managers had ideas that forced them to rethink some of their own ideas which they had not questioned before, while 50.0% agreed that their managers had stimulated them to think about old problems in new ways.The managers scored averagely on intellectual stimulation.

Transactional leadership

4.3.2.7 Contingent reward

58.7% of the respondents agreedthat their managers always gave them positive feedback when they performed well. 46.7% agreedthat their managers gave them special recognition when their work was very good. 54.3% agreed that their managers commended them when they did a better than average job. 50.0% agreedthat their managers personally complimented them when they did outstanding work, while 56.5%disagreed that their managers frequently didn't acknowledge their good performance. This shows that the managers fairly acknowledges, fairly gave special recognition, fairly gave positive feedback and fairly commended the employees, however they failed to personally compliment them.

In evaluating influence of leadership style as an environmental challenge affecting performance in the industry; Dubrin (2007), says that, effective leadership is determined by the degree to which it facilitates adequate or high productivity. Fiedler (1996) argued that the effectiveness of a leader is a major determinant of the success or failure of a group, organization, or even an entire country. Agboli and Chikwendu (2006) further stressed that different work situations need different styles if they are to perform optimally. Often, manager's skills could be said to be diagnostic. Cleland (1998) says that, the nature of environment in which interpersonal group relationship occurs also affects quality and style of leadership. Other studies reveal the resurgence of interest into charismatic leadership, which is frequently referred to as transformational leadership (Bass et al., 1993). Conceptually, it is argued that the visionary and inspirational skills of transformational leaders motivate followers to deliver superior performance. From the findings of this study it can be deduced that the transformational leadership practiced by the EAPCC management; save for individualized support and intellectual stimulation; positively influenced the organizational performance. Nevertheless, the management failed to impress on the transactionalleadership style in the area of contingent reward, thus yielding a negative influence on performance.

4.3.3 Organization's support for innovation

The responses related to aspects of organization support for innovation are shown below.

Table 4.7 below shows that 53.3% of the respondents agreed that creativity was encouraged in the company, 48.9% agreed that their ability to function creatively was respected by the leadership, while 54.3% agreed that the main function of employees in the organization was to follow orders which came down through channels. 37.0% of the respondents agreed that a person could get into lots of troubles by being different, 50.0% agreed that the organization could be described as flexible and continually adapting to change, while 45.7% agreed that the best way to get along in the organization was to think the way the rest of the group does.

52.2% disagreed that people were expected to deal with problems in a similar way, 44.4% agreed that the organization was open and responsive to change, 58.7% agreed that people in charge at the organization usually got credit for other's ideas, 47.7% agreed that employees in the organization tended to stick to tried and true ways while 34.8% agreed that assistance in developing new ideas was readily available. 43.5% of the respondents disagreed that there were adequate resources devoted to innovation in the organization, also 41.3% disagreed that

there was adequate time available to pursue creative ideas. 42.2% agreed that lack of funding to investigate creative ideas was the problem in the organization, 56.5% disagreed that the reward system in the organization encouraged innovation, while 50.0% disagreed that the organization publicly recognized those who were innovative.

Table 4.7 Support for Innovation

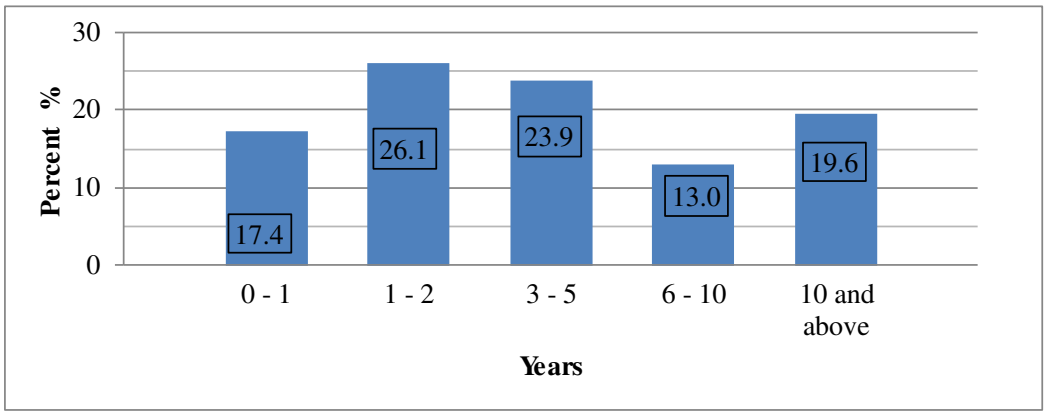
STATEMENT	STONGLY AGREE 5		AGREE 4		TEND TO AGREE 3		DISAGREE 2		STONGLY DISAGREE 1		**TOTAL**	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	**Frequency**	**%**
Creativity is encouraged here	9	20.0	15	33.3	15	33.3	4	8.9	2	4.4	**45**	**100.0**
Our ability to function creatively is respected by the leadership	6	13.3	16	35.6	17	37.8	4	8.9	2	4.4	**45**	**100.0**
The main function of employees in this organization is to follow orders which come down through channels.	9	19.6	16	34.8	12	26.1	7	15.2	2	4.3	**46**	**100.0**
Around here, a person can get in a lot of trouble by being different.	9	19.6	8	17.4	11	23.9	14	30.4	4	8.7	**46**	**100.0**
This organization can be described as flexible and continually adapting to change.	5	10.9	18	39.1	10	21.7	11	23.9	2	4.3	**46**	**100.0**
The best way to get along in this organization is to think the way the rest of the group does.	10	21.7	11	23.9	7	15.2	16	34.8	2	4.3	**46**	**100.0**
People around here are expected to deal with problems in the same way	2	4.3	10	21.7	10	21.7	21	45.7	3	6.5	**46**	**100.0**
This organization is open and responsive to change.	5	11.1	15	33.3	14	31.1	8	17.8	3	6.7	**45**	**100.0**
The people in charge around here usually get credit for others' ideas.	11	23.9	16	34.8	7	15.2	8	17.4	4	8.7	**46**	**100.0**
In this organization, we tend to stick to tried and true ways.	2	4.5	19	43.2	11	25.0	10	22.7	2	4.5	**44**	**100.0**
Assistance in developing new ideas is readily available.	3	6.5	12	26.1	15	32.6	9	19.6	7	15.2	**46**	**100.0**
There are adequate resources devoted to innovation in this organization.	3	6.5	13	28.3	10	21.7	17	37.0	3	6.5	**46**	**100.0**
There is adequate time available to pursue creative ideas	4	8.7	14	30.4	9	19.6	15	32.6	4	8.7	**46**	**100.0**
Lack of funding to investigate creative ideas is a problem in this organization.	10	22.2	9	20.0	10	22.2	11	24.4	5	11.1	**45**	**100.0**
The reward system here encourages innovation.	3	6.5	8	17.4	9	19.6	17	37.0	9	19.6	**46**	**100.0**
This organization publicly recognizes those who are innovative.	2	4.3	14	30.4	7	15.2	15	32.6	8	17.4	**46**	**100.0**

Source : Research data (2013)

4.3.3.1Number of years in current position

Respondents were asked to state the number of years they had worked on their current job positions and the figure below shows the summary of their responses.

Fig 4.5 Number of years in Current position



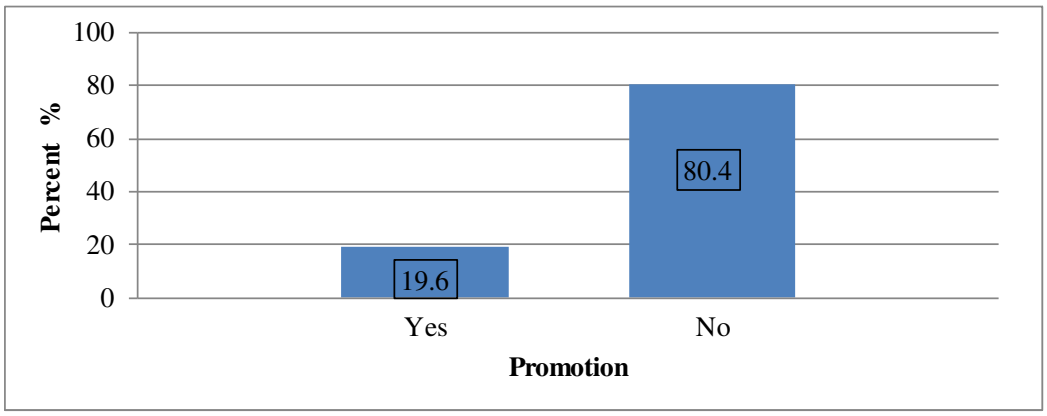
Source : Research data (2013)

Figure 4.5 above shows 17.4%, 26.1%, 23.9%, 13.0% and 19.6% of the respondents had served in same position for between 0-1 years, 1-2 years, 3-5 years, 6-10 years and over 10 years respectively.

4.3.3.2Recent promotion

The figure below shows the responses on whether the respondents had been promoted recently.

Fig 4.6 Recent promotion



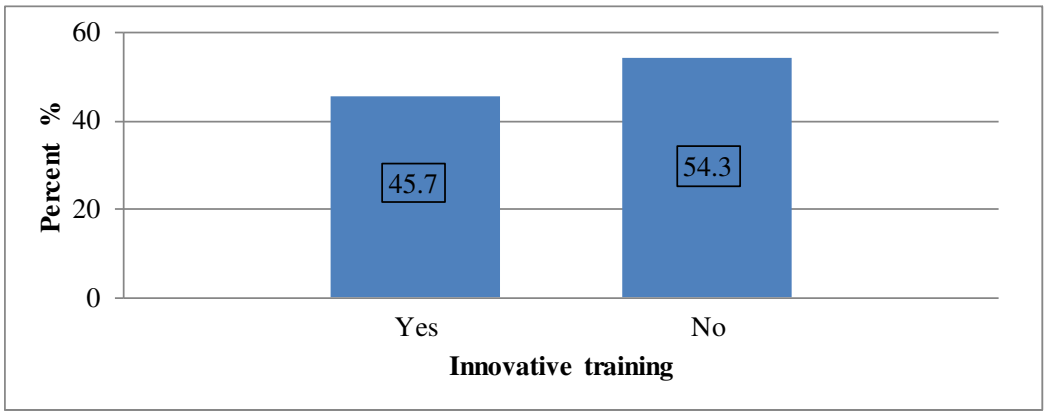
Source : Research data (2013)

Figure 4.6 above indicates 80.4% of the respondents had not been recently promoted.

4.3.3.3 Participation in Innovative training

The responses related to participation in innovative training are shown in the figure below.

Fig 4.7 Participation in Innovative training



Source : Research data (2013)

From figure 4.7 above, 54.3% of the respondents had not participated in innovative training.

4.3.3.4 Frequency of login into Innovative websites

The table below shows the responses on the frequency of login into innovative website every week by the respondents.

Table 4.8 Frequency of Login into Innovation website

Options	Management	Supervisory	Union	Frequency	%
0 - 1	4	3	18	25	55.6
2 - 3	1	2	10	13	28.9
4 - 5	1		2	3	6.7
6 - 7			2	2	4.4
8 or more			2	2	4.4
Total	**6**	5	34	45	100.0

Source : Research data (2013)

The above table 4.8 indicates that, 55.6% of the respondents logs-in at least once in a week while 28.9% logs-in 2-3 times in week.

In evaluating influence of organization support for innovation as an environmental challenge affecting performance in the industry; Prahalad and Hamel (1990) argued that the core competencies of anorganization set the stage for firm innovation. Teece (2009) cited dynamic capabilities as the impetus for innovation and hence the key to enhancing organizational performance. Siegel and Kaemmerer (1978) found that environments that foster innovation demonstrate support for creativity and tolerance for diversity. Zimmerman (1999)

explained;"Innovation itself occurs through persons" (p. 591). Similarly, Dess and Picken (2000) concluded that when innovation is required for an organization's success, leaders must pay more attention to intellectual capital and human resources. Similarly, Bunce and West (1995) argued that organizations vary in innovativeness, because of the variation in personality of the individuals who inhabit them. Attitude toward innovation also is important in the innovation process. Damanpour and Schneider (2006) found that the leader's attitude toward innovation was more influential in all phases of innovation. From the findings of this study it can be deduced that the level of organization's support for innovation was unsatisfactory hence negatively influencing performance of the organization. For instance, creativity was not adequately encouraged; organization's response to change and flexibility was average; inadequate financial resources to support new ideas; inadequate recognition of innovative minds and lack of robust reward system supported the above finding.

4.3.4 Resistance to Change

The responses related to aspects of resistance to change are shown in the table below.

Table 4.9 Resistance to Change

Resistance to change	STONGLY AGREE 5		AGREE 4		TEND TO AGREE 3		DISAGREE 2		STONGLY DISAGREE 1		**TOTAL**	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%	**Frequency**	**%**
I generally consider change to be a negative thing.	2	4.3	0	0.0	2	4.3	16	34.8	26	56.5	**46**	**100.0**
I like to do the same old things rather than try new and different ones.	1	2.2	1	2.2	3	6.5	18	39.1	23	50.0	**46**	**100.0**
Whenever my life forms a stable routine, I look for ways to change it.	10	23.3	15	34.9	11	25.6	4	9.3	3	7.0	**43**	**100.0**
I'd rather be bored than surprised	2	4.3	3	6.5	4	8.7	22	47.8	15	32.6	**46**	**100.0**
When I am informed of a change of plans, I tense up a bit	2	4.5	10	22.7	6	13.6	15	34.1	11	25.0	**44**	**100.0**
When things don't go according to plans, it stressess me out	4	8.9	15	33.3	12	26.7	8	17.8	6	13.3	**45**	**100.0**
Often I feel a bit uncomfortable even about changes that may improve my life.	3	6.5	4	8.7	4	8.7	17	37.0	18	39.1	**46**	**100.0**
I don't change my mind easily	6	13.3	9	20.0	6	13.3	15	33.3	9	20.0	**45**	**100.0**
Once I have come to a conclusion, I'm not likely to change my mind.	4	8.7	10	21.7	6	13.0	19	41.3	7	15.2	**46**	**100.0**
My views are very consistent over time.	6	13.3	14	31.1	12	26.7	9	20.0	4	8.9	**45**	**100.0**

Source : Research data (2013)

Table 4.9 above shows that, 91.3% of the respondents disagreed that they generally considered change to be a negative thing while 89.1% disagreed that they will do the same old things rather than try new and different ones. 58.1% agreed that whenever their life formed a stable routine, they would look for ways to change it, 80.4% disagreed that they would rather be bored than surprised while 59.1% disagreed that they tensed up a bit when informed of a change of plan. 42.2% agreed being stressed out when things didn't go according to plan, 76.1% disagreed that they felt uncomfortable on changes that were to improve their lives, 53.3% disagreed to the notion that they don't change their mind easily, while 56.5% disagreed that they were unlikely to change their minds after reaching a conclusion and 44.4% agreed that their views were very consistent over time.

In evaluating influence of resistance to change as an environmental challenge affecting performance in the industry; Coch and French (1948) found that employee involvement reduced resistance to change and hence suggested group meetings with employee participation as a management strategy.Lawrence (1954) wrote, "Actually, what employees resist is usually not technical change but social change, the change in their human relationships that generally accompanies technical change". Dent and Goldberg (1999) argued that many people resist real changes that may affect their wellbeing. Oreg (2003) conceptualized resistance to change as multifaceted.From the findings of this study on resistance to changeit can be deduced that EAPCC employees embraced change, liked to try new things and had flexible minds, hence positively influencing the performance of the organization.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers summary, conclusion and recommendations of the study.

5.2 Summary of Findings

This study sought to find out the internal environmental challenges affecting performance of the cement industry in Kenya. The study targeted the various categories of employees namely; managers, supervisors and union staff members of EAPCC. It used primary data which was collected using questionnaires that were hand delivered to the respondents. Secondary data was also used to guide in reaching the objectives of the study.

5.2.1 Background Information

An analysis of the profiles of respondents indicated that there were more males than females. A great number of the respondentswere quite youthful and energetic and fell between the ages of 30 and 40, whilst fewer people aged above 51 years. Most of the respondents had certificates, diplomas and university degrees.Majority of the respondents were married and had worked in 1 to 3 organizations prior joining EAPCC, in which they had substantiallyserved in both the public and private sector.Most of them had served the company for less than 10 years.

5.2.2 Employee Commitment

The research outcome showed that majority of the respondents were aware of the wider business objectives of the company, understood their departmental goals and how their work supported these goals and were aware of their capabilities that would enable them deliver on their job. Most of them had the materials and equipment needed to do their jobs effectively, received information and communication needed to do their job and had an opportunity to do what they do best every day. On personal development, most of the respondents acknowledged that opportunities for advancement or promotion existed within the company, concurred that their managers provided them with feedback and guidance. In addition, majority agreed that

there was a clear and consistent set of values that governed the way the company conducted business.

However, a significant number of respondents felt that not all employees in the organization were treated equally,neither the benefits offered by the company were fair and reasonable nor had they received regularly recognition for doing a good work nor their salary reflected their contribution to the company nor received bonus/incentives which rewarded achievement of their targets. Most of them disagreed that internal candidates received fair consideration for open positions and that their participation and views in the organization were valued. Most respondents rejected the notion that the organization's design was key to the creation of employee's opportunities. Majority denied that the existing reward system provided a context for each employee's personal reward, while few concurred that they were involved in decision making and felt a sense of empowerment at team and individual level

As for preference to stay in the current organization, most respondents preferred to stay on. Those preferred to stay on cited favorable terms, environment and work conditions, greatness of the company in sustaining their life, good treatment, feeling sense of belonging, fear to exit to the unknown, available room for improvement, existing opportunities for advancement, feeling appreciated, good pay package,job security, promotion of personal goals and proximity to retirement. Respondents who preferred to leave immediately cited the following issues; that the environment was not conducive for independent thought, to explore other companies, no room for personal growth or promotion, unfair remuneration, personal contribution not valued, unequal treatment of employees, tribalism, nepotism, discrimination and feel new environment.

5.2.3 Leadership Style

The survey shows that most managers in EAPCC always sought new opportunities for the organization, had a clear understanding of where the company was going, inspired their employees with their plans for the future, were able to get the employees committed to the dream of the future, led by doing rather than telling, provided a good model to follow, led by example, fostered collaboration among work groups, encouraged employees to be team players and got the groups to work together for the same goal. In addition, most of the managers expected a lot from the employees, insisted on only the best performance, showed respect to

their personal feelings and gave employees ideas that forced them to rethink some of their own ideas which they had not questioned before.

However, the managers neither adequatelybehaved in a manner that was thoughtful to their personal needs, nor adequately provided them with new ways of looking at things which used to be a puzzle to them, nor stimulated them to think about old problems in new ways. The managers also exhibited inadequacy in providing positive feedback to the employees whenever they performed well, neither gave them special recognition when their work was very good, nor commended them when they did a better than average job, nor personally complimented them when they did outstanding work nor frequently acknowledging their good performance.

5.2.4 Support for Innovation

The survey results showed that creativity was not highly encouraged in the company, ability to function creatively was not highly respected by the leadership and that mainly the employees in the organization followed orders which came down through channels. It was uncertain whether a person could get into trouble by being different. The organization could not be fairly described as flexible and continually adapting to change, while it was uncertain whether the best way to get along in the organization was to think the way the rest of the group does.

The study revealed that people weren't quite expected to deal with problems in a similar way and that the organization was not fairly open and responsive to change. Mostly,people in charge at the organization usually got credit for other's ideas. Employees in the organization fairly stuck to tried and true ways while assistance in developing new ideas was not readily available. Adequate resources devoted to innovation was also lacking in the organization. There was inadequate time allocated to pursue creative ideas. Lack of funding to investigate creative ideas was also a problem in the organization. The reward system in the organization fairly discouraged innovationwhile the organization rarely recognized publicly those who were innovative.

Most of the employees had served in less than ten years in the same positions and majority had not been promoted.In addition, most employees had not participated in innovative training and had less frequently accessed innovative websites.

5.2.5 Resistance to Change

The study revealed that majority of EAPCC employees generally didn't consider change to be a negative thing. Their views were not consistent over time. Most of them wouldn't do the same old things but rather try new and different ones. Majority would rather be surprised than get bored and felt comfortable on changes that were to improve their lives. In addition, they would change their mind easily even after reaching a conclusion.

However the survey showed that few employees would look for ways to change whenever their life formed a stable routine.Also few get stressed out when things didn't go according to plan and tensed up a bit when informed of a change of plan.

5.3 Conclusion

In conclusion, the main objective of the study was to examine the internal environmental challenges affecting performance of the cement industry in Kenya. The research was guided by the following specific objectives; to evaluate the influence of organization's support for innovation on performance, toestablish the influence of employees' commitmenton performance, to determine the influence of leadership style on performance and to establish the influence of resistance to change on performance.

The respondents profile portrayed a qualified, youthful and energetic employees mostly men with a prior experience in the private and public sector.

In regard to organization's support for innovation, the organization scored poorly in terms of nurturing creativity, flexibility in adapting to change, accommodating divergent views, problem solving, openness, responsive to change, reward system, employee recognition,availing resources for innovation, supporting new ideas, inadequacy in innovative training, and inadequate staff promotions. Therefore as major finding in this survey, the current status of organization's support for innovation had negativelyinfluenced the performance of the organization, since the innovation of a firm is reflected in the introduction of an effortto implement new products, processes or organizational systems. Competitive companies would want toadopt innovation that will allow them to produce with less input, improve or developnew goods or introduce new forms of management, contributing to the firm's profitmaximization and competitiveness.

On employee commitment, an impressive line of sight of employees was revealedin terms of clarity on business objectives, goals and capabilities.Employees had a fairly favorable work environment with adequate resources and fairly good communication system, save for unequal treatment pelted on them. The existing reward system was heavily criticized on issues of equity, recognition and motivation. On personal development, opportunities and guidance fairly existed. While on organization architecture, there was a clear set of values established. A major finding here is that the employee's level of commitment is heavily curtailed by the unequal treatment and the existing reward system, hence negatively influencing the performance of the organization.The level of commitment and involvement an employee puts into his work, how much he isaware of his employer's expectation, and how much he is willing to give of hisdiscretionary effort to do their jobs determines the level of employee engagement in a givencompany.

EAPCC managers scored highly on transformational leadership style in areas of articulating vision, providing an appropriate model, fostering the acceptance of group goals, high performance expectation; but failed to impress on individualized support and intellectual stimulation. Similarly, the managers failed to impress on transactional leadership style in the area of contingent reward. Therefore, the type of leadership styles practiced in EAPCC both negatively and positively influenced the organization's performance.

In regard to resistance to change, the survey shows that generally, EAPCC employees embraced change. Therefore,largely this variable didn't negatively influenced performance in the organization.

Based on the results of the findings, the researcher concludes that organization's support for innovation; employee commitment; leadership style and resistance to change are key internal environmental challenges influencing performance of the cement industry in Kenya.

5.4 Recommendation of the study

The constraints and challenges identified in the study greatly affected the industry and partly explain the reasons behind the not-so-good performance recorded by EAPCC during the period of the study. The following actions are therefore suggested to be taken by management and other stakeholders to improve the performance of the cement firm and that of entire cement industry in Kenya.

The management should endeavor to treat all its employees equitably in terms of remunerations, promotions and bonus payments. There is need to establish a robust reward system that fully recognizes employee's exemplary performance.Involve all employees in decision making and empower them to duly execute their roles.The managers should engage on individualized support and be thoughtful to employees' personal needs, in addition to providingintellectual stimulationand new ways of looking at emerging issues. They should give positive feedback to employees when they perform well,moreover, personally complimenting them. The organization needs to encourage creativity and flexibility in ideas and continually adapting and be responsive to change. Each employee must be allowed to earn credit for their work, allocate more resources (time, training, finance) to innovation activities and enhance the change management system

5.4.1 Recommendation of further study

In future research, a wide range of samples from different cement firms should be studied and generalize the findings. This will serve also to contribute to a comparative analysis of the various companies in the cement industry in Kenya. The further study should also focuson the external environmental challenges affecting the performance of the cement industry in Kenya as this aspect was omitted in the scope of the current study.This will add to literature and the body of knowledge.

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APPENDIX 1 - World Cement Production

Table 1: World Cement Production (tons)		YR 2010	
		(000)	(%)
1	China	1,800,000	**54.1**
2	India	220,000	**6.6**
3	United States (includes Puerto Rico)	63,500	**1.9**
4	Turkey	60,000	**1.8**
5	Brazil	59,000	**1.8**
6	Japan	56,000	**1.7**
7	Iran	55,000	**1.7**
8	Spain	50,000	**1.5**
9	Vietnam	50,000	**1.5**
10	Russia	49,000	**1.5**
11	Egypt	48,000	**1.4**
12	Korea	46,000	**1.4**
13	Saudi Arabia	45,000	**1.4**
14	Indonesia	42,000	**1.3**
15	Italy	35,000	**1.1**
16	Mexico	34,000	**1.0**
17	Thailand	31,000	**0.9**
18	Germany	31,000	**0.9**
19	Pakistan	30,000	**0.9**
	Other countries	520,000	**15.6**
	World total	**3,324,500**	**100.0**

Source: United States Geographical Survey 2010

APPENDIX 2 - East African Cement Industry

Table 2 : East African Cement Industry YR 2010

	Capacity (000)	Production (000)	Consumption (000)	% of East African production	% of world production
Kenya	5,066	3,691	3,105	51.5	0.00011
Uganda	1,400	1,436	1,485	20.0	0.00004
Tanzania	2,970	2,041	2,141	28.5	0.00006
Total	**9,436**	**7,168**	**6,731**	100.0	0.00022

Source: Kestrel Capital

APPENDIX 3 - The Capacity of Kenyan Cement Firms

Table 3 : The Capacity of Kenyan Cement firms Yr 2011

Cement Firms	CLINKER BURNING			CEMENT GRINDING			
	No. of Kilns	Location	Installed capacity (tons per hour)	No. of Mills	Location	Installed capacity	
						Ton per hour	Annual
1. Bamburi	2	Mombasa	134	4	Mombasa (2), Athi River (2)	265	2,003,832
2. EAPCC	1	Athi River	70	4	Athi River	175	1,323,286
3. ARM Kenya	1	Kaloleni	62	3	Kaloleni	90	680,547
4. Mombasa Cement	1	Kilifi	114	1	Athi River	80	604,931
5. National Cement	0			1	Athi River	60	453,698
Total	**5**		**380**	**13**		**670**	
Total Annual :			**3,326,145**				**5,066,293**

APPENDIX 4 - Cement Data

Table 4 : Cement Data	YR 2008	YR 2009	YR 2010	*% Growth*
Capacity (tons)	**(000)**	**(000)**	**(000)**	***(2008 - 2010)***
Bamburi	1,870	2,166	2,216	*19%*
EAPCC	630	1,300	1,300	*106%*
ARM Kenya	350	350	750	*114%*
Mombasa Cement	-	500	500	*0%*
National Cement	-	-	300	
Total Capacity	**2,850**	**4,316**	**5,066**	***78%***
Production (tons)				
	(000)	**(000)**	**(000)**	
Bamburi	1,800	1,906	1,895	*5%*
EAPCC	630	845	975	*55%*
ARM Kenya	280	333	450	*61%*
Mombasa Cement	-	250	250	*0%*
National Cement	-	-	121	
Total Production	**2,710**	**3,334**	**3,691**	***36%***
Total Consumption	**2,206**	**2,671**	**3,105**	***41%***

Source: Kenya National Bureau of Statistics &Renaissance Capital research

APPENDIX 5 - Cement Firms Profitability

Table 5 : Cement Firms Profitability	YR 2008	YR 2009	YR 2010	YR 2011	*% Growth*
	(Sh' million)	(Sh' million)	(Sh' million)	(Sh' million)	*2010/11*
REVENUE					
Bamburi	27,467	29,994	28,075	35,884	*28%*
EAPCC	7,204	8,101	9,409	10,172	*8%*
ARM Kenya	4,619	5,145	5,965	8,181	*37%*
	39,290	***43,240***	***43,449***	***54,237***	***38%***
OPERATING PROFIT					
Bamburi	3,412	6,970	5,299	5,859	*11%*
EAPCC	1,120	1,247	90	654	*627%*
ARM Kenya	503	646	1,075	1,150	*7%*
	5,035	***8,863***	***6,464***	***7,663***	***52%***
COST OF SALES					
Bamburi	19,611	19,179	18,457	25,920	*40%*
EAPCC	4,833	5,563	7,376	7,803	*6%*
ARM Kenya	2,945	3,290	3,866	5,550	*44%*
	27,389	***28,032***	***29,699***	***39,273***	***43%***
STAFF COSTS					
Bamburi	2,205	2,233	2,127	2,275	*7%*
EAPCC	471	412	885	731	*-17%*
ARM Kenya	455	580	620	736	*19%*
	3,131	***3,225***	***3,632***	***3,742***	***20%***
FINANCE COSTS					
Bamburi	74	14	91	374	*311%*
EAPCC	421	921	534	783	*47%*
ARM Kenya	262	76	226	306	*35%*
	757	***1,011***	***851***	***1,463***	***93%***

Source: Annual Reports and Financial Statements from the firms.

APPENDIX 6–Maslow's hierarchy of needs

Source:Abraham Maslow (1954)

APPENDIX 7 – Introductory Letter

SIKUJUA WHELAN SEBORU

P.O Box 17516 – 00500

Nairobi

To: Head of Human Resource and Administration

East African Portland Cement Co. Ltd

P.O Box 20 – 00204,

Athi River.

Dear Sir,

RE: INTRODCUCTION LETTER

I am an MBA student (Project Management option) at Kenyatta University, admission number D53/OL/14127/2005. I intend to carry out research on the Internal Environmental Challenges Affecting Performance of the cement Industry in Kenya.

As a key stakeholder and player in the industry, East African Portland Cement Company Limited has been identified in this study, to offer the information needed in order to improve the performance of the cement industry in Kenya.

The purpose of writing is to request you to allow a sample of employees to fill in the provided questionnaires. All information collected will be treated in confidence and will solely be used for the purpose of this study.

Yours Faithfully,

SIKUJUA WHELAN SEBORU

APPENDIX 8 – Questionnaire

This questionnaire is designed to gather information for a dissertation on the determinants of organizational performance in the cement industry.

Information gathered will be treated with utmost confidentiality and will not be used for any other purpose.

SECTION A - PERSONAL DATA

1. Sex?

a. Male [ ] b. Female [ ]

2. Age?

a.18 – 29 [ ] b. 30 – 40 [ ] c. 41 – 50 [ ] d. 51 - 60 [ ]

3. Marital status?

a. Married [ ] b. Single [ ] c. Divorced [ ] d. Widowed [ ]

4. Level of education?

a. Primary [ ] b. Secondary [ ]c. Tertiary [ ] e. University [ ] d. Post Graduate [ ]

5. Employee Level

a. Union [ ] b. Supervisory [ ] c. Manager [ ]

5. Number of Organizations Worked for prior to current organization?

a. 0 [ ] b. 1-3 [ ] c. 4-8 [ ] d. more than 8 [ ]

6. Sector of industry your previous organizations belonged to?

a. Public Sector [ ] b. Private Sector [ ] c. Other [ ]

7. Number of years of service at the present organization?

a. less than 1year [ ] b. 1-5 [ ] c. 6-10 [ ] d. 10-20 [ ] e. 20-30[ ]

SECTION B – EMPLOYEE COMMITMENT

For each of the following statements please indicate by ticking whether you **strongly agree (5), agree (4), tend to agree (3), disagree (2) or strongly disagree (1)** to a question.

QUESTION	Strongly Agree	Agree	Tend to Agree	Disagree	Strongly Disagree
Line Of Sight					
I am aware of the wider business objectives					
I understand my department goals and how my work supports these goals.					
I am aware of my capabilities that will enable me to deliver on my job					
Work Environment					
I have the materials and equipment I need to do my job efficiently					
I receive the information and communication I need to do my job					
All employees in this organization are treated equally					
At work, I have the opportunity to do what I do best every day					
Reward					
I feel the benefits offered here are fair and reasonable					
I regularly receive recognition/praise for doing good work.					
My salary reflects my contribution to the company					
I receive bonus/incentives which rewards achievement of targets					
Development					
Opportunities for advancement or promotion exist within the company					
Internal candidates receive fair consideration for open positions					
My participation and views in this organization are valued					
My manager/supervisor provides me with feedback and guidance					
Organization Architecture					
The organization design is key to the creation of employee's opportunities.					
The reward system provides a context for each employee's personal reward					
I am involved in decision making and feel a sense of empowerment at team and individual level					
There is a clear and consistent set of values that governs the way we do business.					

If you had the opportunity to get a similar job with another organization, would you prefer tostay on with your present company?

a. Yes [ ] b. No [ ]

Please give reasons to your answer

……..…

SECTION C – LEADERSHIP STYLE

For each of the following statements please indicate by ticking whether you **strongly agree (5), agree (4), tend to agree (3), disagree (2) or strongly disagree (1)** to a question.

QUESTION	Strongly Agree	Agree	Tend to Agree	Disagree	Strongly Disagree
Transformational Leadership					
Articulating a vision					
My manager is always seeking new opportunities for the organization					
My manager has a clear understanding of where we are going					
My manager inspires others with his/her plans for the future					
My manager is able to get others committed to his/her dream of the future.					
Providing an appropriate model					
My manager leads by doing rather than simply by telling					
My manager provides a good model to follow					
My manager leads by example					
Fostering the acceptance of group goals					
My manager fosters collaboration among work groups					
My manager encourages employees to be team players					
My manager gets the group to work together for the same goal					
High performance expectations					
My manager shows us that he/she expects a lot from us					
My manager insists on only the best performance					
Individualized support					
My manager shows respect for my personal feelings					
My manager behaves in a manner that is thoughtful for my personal needs					
Intellectual stimulation					
My manager has provided me with new ways of looking at things which used to be a puzzle for me					
My manager has ideas that have forced me to rethink some of my own ideas I have never questioned before					
My manager has stimulated me to think about old problems in new ways					
Transactional Leadership					
Contingent reward					
My manager always gives me positive feedback when I perform well					
My manager gives me special recognition when my work is very good					
My manager commends me when I do a better than average job					
My manager personally compliments me when I do outstanding work					
My manager frequently does not acknowledge my good performance					

SECTION D INNOVATION

How long have you been in your current position?

a. Less than 1 year [ ] b. 1-2 [ ] c. 3-5 [ ] d. 6-10 e. More than 10 years [ ]

Have you been promoted recently?

a. Yes [ ] b. No [ ]

Have you participated in any Innovation training?

Yes [ ] b. No [ ]

On average, how many times per week, do you log into the innovation website?

0-1 [ ] b. 2-3 [ ] c. 4-5 [ ] d. 6-7 [ ] e. 8 or more [ ]

In the next section of questions please share your perception of EAPCC's climate. Please be as accurate as possible. Please select the response that best describes your organization **Strongly Agree (5), Agree (4), Neither Agree nor Disagree (3), Disagree (2), Strongly Disagree (1)**

QUESTION	Strongly Agree	Agree	Tend to Agree	Disagree	Strongly Disagree
Support for Innovation					
Creativity is encouraged here					
Our ability to function creatively is respected by the leadership					
The main function of employees in this organization is to follow orders which come down through channels.					
Around here, a person can get in a lot of trouble by being different.					
This organization can be described as flexible and continually adapting to change.					
The best way to get along in this organization is to think the way the rest of the group does.					
People around here are expected to deal with problems in the same way					
This organization is open and responsive to change.					
The people in charge around here usually get credit for others' ideas.					
In this organization, we tend to stick to tried and true ways.					
Assistance in developing new ideas is readily available.					
There are adequate resources devoted to innovation in this organization.					
There is adequate time available to pursue creative ideas					
Lack of funding to investigate creative ideas is a problem in this organization.					
The reward system here encourages innovation.					
This organization publicly recognizes those who are innovative.					

SECTION E – RESISTANCE TO CHANGE

For each of the following statements please indicate by ticking whether you **strongly agree (5), agree (4), tend to agree (3), disagree (2) or strongly disagree (1) to a question.**

QUESTION	Strongly Agree	Agree	Tend to Agree	Disagree	Strongly Disagree
Resistance to change					
I generally consider change to be a negative thing					
I like to do the same old things rather than try new and different ones					
Whenever my life forms a stable routine, I look for ways to change it					
I'd rather be bored than surprised					
When I am informed of a change of plans, I tense up a bit					
When things don't go according to plans, it stressess me out					
Often I feel a bit uncomfortable even about changes that may improve my life.					
I don't change my mind easily					
Once I have come to a conclusion, I'm not likely to change my mind.					
My views are very consistent over time.					

APPENDIX 9–The Value-Based HR (VB-HR™) Engagement Framework.

The Value-Based HR (VB-HR™) Engagement Framework is a registered trademark of VaLUENTiS Ltd, and a leading professional services firm in the field of human capitalmanagement and organization performance with its global headquarters based in BerkeleySquare- London. The VB-HR™ is one of their flagship offerings which provide organizationswith proven performance improvement strategies with employee engagement as one of their areaof focus.Their research on the subject ofengagement and performance spans over 40years, client experience of over 20years and1,500research papers. (VaLUENTiS, 2008)

The VB-HR™ engagement framework has been tested and used across various industries (20),both private (16) and public (4). Industries in the private sector include manufacturing and FastMoving Consumer Goods (FMCG) categories.

VaLUENTIS Ltd, through its enterprise, has created a standard framework thatexpands the concept of engagement into five key domains: Line of Sight, Work environment,Reward, Development and OrganizationalArchitecturewhich includes all key elements ofemployee engagement.

i. **Line of sight** - this relates the employee's actions and inactions to the overall corporate objectives. This is to show that employee's engagement level increases when they are able to understand how their actions directly link into a broader corporate strategy.
ii. **Work environment** - this looks at the day-to-day surroundings within which employees carry out their jobs to enhance the bonding of the individual with the organization.
iii. **Reward** - this is the expected financial and non-financial benefits that an employee can receive from his employer to serve as compensation to his efforts and contribution to his organization. This can be of significant influence on an employee's motivation, behavior and engagement.
iv. **Development**- this shows the extent to which the organization will support the current and future development needs of the employee.
v. **Organizational architecture**- this provides the structural support required to successfully develop employee engagement.

APPENDIX 10–Siegel Scale of Support for Innovation (SSSI)

Siegel and Kaemmerer (1978) developed the Siegel Scale of Support forInnovation (SSSI). This scale is used to measure the support forinnovation. The purpose of Siegel andKaemmerer's original study was to"conceptualize the dimensions of organizationalclimatepresent in innovativeorganizations, translate these dimensions into a measuring instrument, and test thereliability and validity of the instrument" (p. 554). They defined an innovativeorganization as one that fosters the creative functioning of its members.

The authorspiloted a Likert-type scale to examine dimensions characteristic of innovativeorganizations: support for creativity, tolerance for diversity, feelings of ownership,leadership, continuous development, and consistency.

The instrument was piloted byteachers and students at one secondary school that was identified as innovative and oneschool that was identified as traditional. The original questionnaire was constructed bygraduate students.

APPENDIX 11–Research Budget

	KSHS.	KSHS.
COST OF PROPOSAL		
Printing 56 pages @ Kshs. 10	560.00	
Photocopying 6 copies @ Kshs. 168 per copy	1,008.00	
Binding 6 copies @ Kshs. 80	480.00	
Travelling expenses	8,000.00	**10,048.00**
PROJECTED COST OF THE PROJECT		
Printing 5 pages of research instrument @ Kshs. 10	50.00	
Photocopying 50 pages of research instrument @ Kshs. 3	750.00	
Cost of processing data	10,000.00	
Data analysis	20,000.00	
Travelling expenses	8,000.00	**38,800.00**
COST OF PROCESSING FINAL DOCUMENT		
Printing 80 pages @ Kshs. 10	800.00	
Developing 5 copies and Binding @ 550	2,750.00	**3,550.00**
GRAND TOTAL		**52,398.00**
Add 10% contingency		**5,239.80**
TOTAL COST		**57,638.00**

APPENDIX 12–Proposed Research Time Schedule

ACTIVITY	TIME
1. Proposal writing / presentation	6 weeks
2. Proposal corrections and amendment	2 weeks
3. Pilot study	1 week
4. Adjustment to the Questionnaire	1 week
5. Data collection	2 weeks
6. Data analysis / Report writing	2 weeks
Total Number of Weeks	**14 Weeks**

TIME SCHEDULE OF EVENTS

PHASE	DESCRIPTION	NUMBER OF MONTHS / WEEKS															
		Month 1				Month 2				Month 3				Month 4			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Proposal writing and presentation	■	■	■	■	■	■										
2	Proposal corrections and amendment							■	■								
3	Pilot study									■							
4	Adjustment to the Questionnaire										■						
5	Data collection											■	■				
6	Data analysis / Report writing													■	■		

APPENDIX 13–Authority to conduct Research in EAPCC

BLUE TRIANGLE Cement

THE EAST AFRICAN PORTLAND CEMENT COMPANY

Holding Life Together

Athi River Off Namanga Road
P O Box 20-00204 Athi River
Tel: (254) 045 6620627, 22777
Fax:(254) 045 – 6620406, 22378
E-mail: info@eapcc.co.ke
Website: *www.eastafricanportland.com*

Ref: EAPCC/hr.train/research/lm

March 13, 2013

Sikujua Whelan Seboru,
Kenyatta University
NAIROBI

Dear Sir,

RE: RESEARCH PROJECT

We are in receipt of your letter dated **February 28, 2013** on the above subject.

East African Portland Cement Company Limited acknowledges with appreciation your request to collect data on the **Internal Environment Challenges Affecting Performance of the cement Industry in Kenya** from our Company.

Kindly get in touch with the Training Officer for details and other modalities.

Please also ensure that the information collected is kept confidential and provide the company with a report of your research findings after completion.

We look forward to fruitful working relations.

Please sign your acceptance of the research on those terms by signing and returning a copy to the Training Officer immediately.

Yours faithfully,
For: E.A. Portland Cement Co. Ltd

for **ELIZABETH KIMANI**
Ag. EMPLOYEE RELATIONS MANAGER

Cc: Head of Production Operations

Signature ..... Date 19/3/13

Directors: Mark K. ole Karbolo (Chairman), Mr. Kephar L. Tande (Managing Director), Dr. Eng. Karanja Kibicho (Alt. Francis Maliti), H. Keith, J. K. Kinyua (Alt. J.Kinyanjui), NSSF, Titus T. Naikuni