*IOSR Journal of Business and Management (IOSR-JBM)*
*e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 24, Issue 3. Ser. III (March. 2022), PP 35-45*
*www.iosrjournals.org*

# Status of Internal Environment and Consequence on Organization Performance: Evidence from Chemelil Sugar Company in Kenya

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***Abstract***
*Chemelil Sugar Company's performance has been characterized by problems of profits, output, employee effectiveness, sales volume and market share. The study objectives focused on establishing the effect of financial utilization, factory capacity utilization, human resource motivation and promotion mix on organization performance. The study used descriptive design; with a target population of 50 and a census technique. The primary data was collected using a valid and reliable structured questionnaire and analyzed using descriptive and inferential statistics. The analyzed data was presented using frequency distribution tables. The findings showed that the effect of financial utilization, factory capacity utilization, human resource motivation and promotion mix on organization performance was low, moderate, somewhat significant and less satisfactory respectively. In conclusion, it is important to take into consideration the effect of internal environment on organization performance. There is need to rationalize utilization of finance, ensure regular supply of raw materials to maximize factory milling capacity, motivate human resource to sustain effective employee performance to increase promotion mix activities to increase sales volume. Recommendation for further research is on the role of agricultural department for supply of raw materials to regular milling capacity. Study should be carried out on financial costing and profitability of the organization and another one on effect of employee motivation on efficiency. Action research should be done on effect of advertising on market share. A case study can be carried out on financial costing on profitability of organizations. The studies are significant to policy makers in government, farmers and factory management*

***Key Words: Organization performance, Descriptive Research Design***

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Date of Submission: 02-03-2022 Date of Acceptance: 16-03-2022

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## I. Introduction

About 120 countries globally known to grow sugarcane according to reports from different quotas (Sheth, 2017) with 10 leading in total metric tons. The global/international sugar production which is approximately 80% is majorly produced in tropical and sub-tropical climatic regions of continents of South America (Brazil, Mexico and Argentina); Asia-India (Thailand and Pakistan) and 20% from temperate regions. The Southern and Eastern African countries such as Malawi, Mauritius, Swaziland and Sudan are also efficient producers of sugar. Malawi is the leading lower-cost sugar producer, manufacturer of high-valued downstream products with modern milling assets and increased factory capacity. The country has in- house technical expertise, expanded cane production and a network of distributor deports that sell sugar at factory price hence increased market share, good cash flow and expanded milling capacity as argued by Chinsinga (2017). Kariuki (2015) argues that the sugarcane industry employ thousands of workers. However, the author observes that the industry faces challenges, summarized as policy and marketing problems, poor cane husbandry practices and low productivity level. As per Chemelil Sugar strategic plan of 2012/13-2016/17), the sector in the continent of Africa is highly regulated and that the sugar industry in Kenya before 2000s had thriving production and market performance; but thereafter challenges emerged due to liberalization of sugar sector. It was coupled with conditions of COMESA bloc and sugar sale restrictions pegged on quotas to EU markets. Kenya's sugar industry particularly sugar milling factories have experiencing series of perpetual problems of cane shortage, use of out-dated milling technology, market shrinking , high debt levels , human resource changing dynamics , cash flow concerns and influx of cheap sugar imports. According to Kenya's Sugar Directorate Report of 2010 contained in Kenya Sugar industry strategic plan of 2010-2014, the sugar industry through efficient operations should earn fair profits and pay suppliers on time.

Cole (1997) defines internal environment of the firm as elements or variables from within the firm itself which have influence on it operations and these include firm's resources, production management, marketing, business culture, the ownership; all of which can provide strengths or pose weaknesses on the firm's operations. Internal weaknesses still persisted at Chemelil Sugar Company as evidenced by a presentation in a workshop on the challenges and way forward for the sugar sub-sector in Kenya. Odek, Kegode and Ochola's (2003) presentation was on poor cane seed variety with low sucrose content which yielded low quantity and poor quality milled sugar products. Al Sanfi and Al Ereeqi in Alshura & Assuli (2017) defines internal environment as all forces within the same organization Internal structural forces are forces which include internal structures, resources held and opportunities available to the company that influence decision making within the Company (Yabs 2010). Internal environment is a component of the business environment, which is composed of various elements present inside the organization that can affect or can be affected with, the choices, activities and decisions of the Organization (business Jargons, 2021)

Performance measures or key performance indicators would normally focus on productivity, costs, quality and customer satisfaction (Ainsworth, Smith and Millership, 2002). Lynch (2002) argues that the objective of low costs in manufacture is to raise profits. The author further argues that firm's operations contributes to value and competitive advantage by adding value through enhanced performance, achieving low cost in performance and the link between manufacturing and marketing. Pandey (2002) argues that enough cash is vital to covering the firm's operational requirements and cash should be well monitored. Armstrong (2006) argues that performance management is concerned with measuring outputs in the shape of delivered performance compared with expectations expressed as objectives. The financial ratios as argued by Mejia G. et al (2008) are one of the financial control techniques providing a quick overall check of a company performance. The author further argues that liquidity ratios is used to reflect an organization's commitment in clearing debts as they mature and to reflect the amount of funds available in an organization from shareholders and creditors and profitability ratios indicating the amount of financial returns from an investment. According to Ezendu (2009) organization performance is a long-term means of attaining results by increasing efforts of employees and enhancing their competence and achievement. Dias and Shah (2009) argue that financial managers scrutinize funds dynamics and financial transaction activities which appear in the financial books establishing the firm's liquidity levels. Jackson (2017*)* stipulated that performance can be measured using 18-Key Performance indicators, among them financial metrics on profit returns and sales generated; and people metrics such as Employee satisfaction. In the current study organization performance was conceptualized in terms of profit, output, employee effectiveness and sales volume. The disclosure of cost of production of a unit tone of sugar is much high in Kenya vis-a- vis other regional countries.

The capacity of a plant determines the amount of equipment needed by an organization (Kibera, 1996). The internal environment of the firm, sugar industry in this case, play significant role in their operations in terms of financial utilization, production capacity, Employee motivation and product promotion strategies. These internal forces have a bearing on the firm's strategic performance. . As part of human resource development and linking it to competitive strategy, Armstrong (2006) indicates that there is strategic need for training to provide skilled and motivated workforce. The scholar claims that organizations should provide motivational packages to ensure workers are retained for result-based performance. Yabs (2010) asserts that good industrial relations means that workers and management team understands each other and resolve their issues amicably. However, despite the effect on output, employees' job satisfaction is important for retention, which is critical in professions that experience shortages (Holmberg, Sobis, and Carlstrom, 2016).

Promotional mix includes all the relevant 'activities, materials, and media used by a marketer to inform and remind prospective customers about a particular product offering' (Connett, 2004). Brassington and Pettitt (2006) refer promotional mix as the direct way in which organization attempt to communicate with various target audience through advertising, sales promotion, personal selling and public relations. The company develops a combined mix of marketing namely product, price, place and promotion (Kotler et al. 2008). According to Cateora and Graham (2020) integrated marketing communications are synonymous with product promotional mix techniques.

## II. Statement Of The Problem

The Kenya's Sugar directorate strategic plan findings of 2004-2009 revealed that the role of the sugar industry had not been achieved due to debts, poor factory maintenance late payment to suppliers and other internal modernization weaknesses of the company. The cash level /working capital of a firm needs to be continuously planned, monitored and efficiently managed as it's very sensitive to the performance of the business and to the economic conditions (Mudida and Ngene, 2010). Wamangoli (2015) argues that financial problems have been reported and in some cases managers swindle sugar companies. Kariuki's (2015) study findings indicated that the decline in production and inefficiency at the sugar factory level is due to the machinery obsolescence and low performance. As per Chemelil Sugar Company's strategic plan of 2007/2008-

2011/2012 gap analysis indicated that there was variance between what was planned and what was achieved. It also showed that there was a reduction in cost of sugar cane production, optimization within factory, maintenance, training of managers and decline in launching aggressive marketing campaigns. According to Agatha (2018) the future of the sugar industry is unknown or uncertain and many farmers abandon sugar cane. The author observes that for a decade the sector has grappled with low production, low prices and mismanagement of Sugar companies. Therefore, problems of low profitability, limited output, low employee effectiveness and unsatisfactory sales volume prevail.

## III. Objectives

To establish the effect of financial utilization on organization performance
To establish the effect of factory utilization on organization performance
To determine the effect of human resource motivation on organization performance
To establish the effect of promotion mix on organization performance

## IV. Literature Review

Banerjee (2005) carried out investigation on the circumstances of international competitiveness and how it is pursued from different sugar producing and marketing nations, particularly Australia, Brazil and European Union (EU). The investigation showed that, in Australia, the operations are directed towards a cost efficient system, transport and processing. It indicated that, in Brazil, activities are directed to improving economic performance by lowering costs of financing. In EU, strategies for improving the rate of return are primarily limited to reduction of costs through concentration, rationalization and diversification into non sugar processing activities. Most of these strategies are rarely adopted by Kenya's sugar companies, specifically Chemelil Sugar Company. In Brazil, improving working conditions is one way of directing activities to improving performance of the firms (Banerjee, ibid).

Luseno (2005) studied the role of promotion mix elements on sales performance in Mumias Sugar Company in Kenya. The company introduced advertising as a promotional element in 1999 and used it effectively to increase sales consequently controlling 65% of the market then. The current study was carried out at Chemelil Sugar Company. The findings from the current study showed that the company has high level of production costs and minimal cash flows. Sugar Directorate, Kenya (formally Kenya Sugar Board) in its Kenya sugar industry strategic plan (2010-2014 strategic plan), reviewed its previous Strategic Plan edition of 2004-2009 on performance of Sugar industry with the results indicating that most sugar companies had large debts and unable to service their machines. In addition, there was limited production of variety of products, inadequate cash for maintenance and unpaid debts. Rabah (2011) carried out a study on the relationship between strategic human resource management practices and firm performance covering eight sugar manufacturing firms in western Kenya, applied cross- sectional descriptive survey design. The study covered training and development, performance-based compensation, flexible benefits and consultative performance appraisal. The findings indicated that these aspects had highest correlation with quality of products/services, development of new products, more efficiency of operations and sales growth. The results showed that manufacturing firms had implemented strategic human resource practices though the extent varied among the firms. Owelle (2011) studied on challenges of strategy implementation at Chemelil Sugar Company. The findings showed that despite six years of Strategic planning process, the company is yet to realize its goals and objectives as set out in its strategic plans of 2007/2008 to 2011/2012 and the reviewed strategic plan of 2009/2010 to 2011/2012. The Strategic issues linked to cane supply and availability, expansion and optimization of the milling plant, pursuit of new product lines, factory modernization, cost reduction and diversification to enhance competitiveness have fallen far below expectations both in terms of time and status. Gap analysis as per Chemelil Sugar Company's strategic plan of 2007/2008 - 2011/2012 in Kenya showed a variance between what was planned and what was achieved during the preceding strategic period. Factory capacity utilization, scheduled maintenance of machines, sourcing of affordable credit, acquisition and implementation of Information communication technology integrated system were not adequately attained as per the strategic plan. The realization of training of managers, cascading performance contracting process to lower levels, raising interest and desire in Chemelil's sugar brands by launching aggressive marketing campaigns and automation of sales process were not satisfactory. High cost of cane production, lack of financing/ inadequate funds, resistance to change by staff, sales promotion activities mostly advertising were scanty and low packaging capacities were experienced.

Mohammadi and Malek's (2012) case study on investigation of financial performance of a Malaysian manufacturing company indicated that the analysis of financial performance reflects the financial position of the company. It also showed that the level of the competitiveness in the same sector and a thorough knowledge about cost and profit centers within the firm. Jokwey's (2013) study findings at Kenana Sugar Company in Sudan showed that huge profits was due to cost efficient subsidized operations and diversified products such as bio-fuels, a by-product of sugar production. Nag (2014) carried out a study and found out that cash management

is crucial in business in order to attain the objectives of sufficient liquidity and profitable earnings. Kariuki (2015) studied on sugar factories performance in Kenya and found out that, due to government subsidy, imported sugar was cheap compared to locally produced sugar hence less competitive in the market. Adeyemi and Olufemi (2016) investigated the determinants of capacity utilization in the Nigerian manufacturing sector between 1995 and 2008. The findings showed that capacity output is associated with the input of fully utilized manpower, capital, prices of capital and other relevant factors of production The study considered the difference between capacity output and actual output flow regarded as the "Output gap". The ratio of the actual output to capacity output measures the capacity utilization rates. The head of Sugar Directorate Solomon Odera during a conference held on 18th November 2017 in Kisumu in Kenya pointed out that high debt portfolio, high cost of production, lack of revenue stream diversification and high costs of farm inputs were among the main issues bedeviling the industry (Nyabundi, 2017). It was recommended that if the companies milled at between 80 to 90 % of their installed capacities, the then current demand of 500,000 metric tons would have been realized and an equal quantity of surplus left for export. Therefore there was need to undertake the current research on the effect of internal environmental variables on organization performance of Chemelil Sugar Company.

In Malawi, sugar productivity levels are only second to those of Zambia in the Southern African region and are enhanced by average sucrose content of 14.3 % and Malawi's sugar industry is one of the most efficient in Africa and the world (Chinsinga, 2017). These researchers used 3-year qualitative study that assessed and evaluated the effect of the implementation of Green Belt Initiative on livelihood in Nkhoakota District in Malawi. Ariga (2018) studied on factors affecting the performance of Mumias Sugar Company in Kenya. The scholar found out that Kenya sugar market is not safeguarded from imports and that the company doesn't have competitive advantage over its rivals. The author also focused on internal factors and performance of organization and employees. The findings showed that there should be concerns on job satisfaction, whether physical resources provide a competitive edge and if an organization has a good infrastructure. There is also need to find out if an organization has taken keen interest in company culture, operations and whether an organization's transactions are financially risky. Thabit and Manaf (2018) studied on the influence of marketing mix elements on the effectiveness of product promotion and their role in reducing the problems of organization in Iraq, Middle East. The findings showed that promotion and company policy have very high level of impact on increase in sales of products. Al Badi (2018) studied on the impact of marketing mix on the competitive advantage of the SMEs sector in the Al Buraimi Govenorate in Oman using descriptive research design. The results indicated that all the marketing mix elements including promotion have a significant impact on achieving competitive advantage on SMEs. Tunyi, Agyei-Boapeah and Agyemang (2019) studied on relation between firm's internal capabilities, national governance quality and performance in African firms. The results revealed that firm's internal capabilities (financial resource availability and growth prospects) are critical enablers of performance in both weak and strong institution's environments. Kenya Association of manufacturers' sugar subsector strategic plan of 2021-2025 situation analysis revealed that the sugar sub sector is facing unprecedented challenges and facing cyclic markets, uncontrolled importation of sugar. The key ones are high-cost of production, acute shortage of sugar cane, low productivity, high indebtedness, poor governance, old equipment, obsolete technology. The findings of the current indicated that the cost of production was high, cash flow ratio was unhealthy and profit levels were not satisfactory. Abiodun and Kolade (2020) studied the effect of marketing strategies on performance of an organization with exceptional focus on small and medium size enterprises in Kwara state in Nigeria. Findings showed that operators make quality products, charge aggressive costs use appealing package for the product and give other particular practical advantage to shoppers. Rweyendela and Mwegoha (2021) carried out case study of the sugar industry on Industrial Symbiosis at Kilombero Sugar Company limited in Tanzania. The study focused on an evolving industrial symbiosis network involving physical exchange of bagasse, molasses, filter cake, and boiler ash and utility sharing among seven co-located units. Through the modest internal 'industrial symbiosis' arrangements, the company has optimized resource use, by generating additional revenues from resource recovery.

## V. Methodology

Descriptive research design and census techniques were used in the study. The target population was 50 comprising of heads of department, heads of section and officers. Descriptive statistics especially the mean and standard deviation were used. Inferential statistics particularly the analysis of variance and coefficients were computed with the aid of statistical package for social sciences (SPSS) version 24.Data was collected using a structured questionnaire. Validity and reliability of the research instrument were determined. Coefficient of reliability was found to be 0.886 which was above the threshold of Cronbach Alpha coefficient of 0.7

## VI. Results And Discussion

Descriptive and inferential statistics were used to analyze data on financial utilization factory capacity utilization, human Resource motivation, Promotion mix and organization Performance

**Table 1: Financial Utilization and Organization Performance**

| Financial utilization | Mean | Standard Deviation |
|---|---|---|
| Government funding increases Company's output | 4.07 | 0.513 |
| Sugar sale proceeds affects profitability | 4.40 | 0.734 |
| Income from sugar co-products is linked to sales volume | 3.12 | 0.889 |
| Lenders' loans determines output | 2.76 | 1.013 |
| Cost of production is high | 4.07 | 0.513 |
| Cash flow Ratio of the Company is high | 2.43 | 0.770 |
| There is Financial Utilization on Organization Performance | 2.40 | 1.106 |

**Source: Research Data (2020)**

From the table above, Government funding was moderate (mean of 3.21) with little effect on company's output which varied slightly (standard deviation of 1.523). Sugar sale proceeds had satisfactory effect on profit (a mean of 4.40) whose variation was (standard deviation of 0.734). Income from sugar co-products had a moderate effect on sales volume (mean of 3.12) but its variation was low (standard deviation of 0.889). Lenders' loans had low importance on output (mean of 2.76) but caused some variation in output (standard deviation of 1.013). In the study of Kenena Sugar Company in Sudan, Jokwey (2013) found out that it makes big profits due to cost-efficient subsidized operations. The cost of production was high (a mean of 4.07) but a low standard deviation of 0.0513. It was a confirmation that cost of production at Chemelil sugar company was high hence a negative effect on its finances. In Brazil, costs in sugar companies are lowered to realize improved performance (Banerjee, 2005). Research findings in countries such as Australia indicated that operations were directed towards cost –efficient system and processing (Banerjee, ibid). Empirical study on sugar industry conducted in South Africa by Economist (2013) showed that sugar mills found it difficult to contain increasing costs of production. At Kenana sugar Co. Ltd in Sudan, subsidized operations led to big profits as found out by Jokwey (2013). Government of Kenya's subsidy is low on sugar production. From the study on relationship between multi-dimensional resources and Financial performance of Mumias Sugar Company (Birgen and Kirui, 2020), the results established that there existed significant relationship between dimensional resources and financial performance of Mumias Sugar Company.

The findings showed that the cash flow ratio of the company was low (mean of 2.43), signifying unhealthy variation in cash flow of the factory (standard deviation of 0.770). However, the finding does not reveal the contribution of inherited debt to lack of cash as indicated by empirical study carried out by Shilista and Odhiambo (2015) on sugar milling corporations in Kenya. Their study findings showed that machines like diffuser which process crystal sugar malfunctioned due to lack of cash for maintenance as a result of inherited debts. The level of financial utilization on organization's performance is low (mean of 2.40). The variation in organization performance was significant (standard deviation of 1.106). The Sugar Directorate, Kenya in its Strategic Plan of 2010-2014 reviewed findings of implementation of its strategic plan of the period 2004-2009, showed that most factories had large debts and limited sources of income. Nag (2014) carried out a study and found out that cash management is crucial in business for attainment of the objective of sufficient liquidity and profit earnings. Waswa, Mukras and Oima (2018) studied on the effect of liquidity on financial performance of the sugar industry in Kenya and the results revealed that liquidity current liability coverage ratio is negatively correlated with firm performance. It implies that the firms in Kenya's sugar industry operate on low or negative cash flows, highly geared and lack of asset and liability strategies that could improve their performance, and that there is need for sugar industry firms to increase their operating cash flow to positively influence their performance and minimize rampant debt financing, replacing with introduction of equity-based financing option.

**Table 2: Factory Capacity Utilization and Organization's Performance**

| Factory utilization capacity | Mean | Standard Deviation |
|---|---|---|
| There is adequate supply of raw materials in a milling year | 2.99 | 0.596 |
| The company has efficient factory milling machinery | 3.33 | 0.786 |
| The company has diversified its products | 2.24 | 0.617 |
| The factory utilization capacity has an effect on organization performance | 1.98 | 0.643 |

**Source: Research Data (2020)**

The research findings indicated that there is inadequate supply of raw materials to the company in a milling year (mean of 2.29)**.** The factory milling machinery was somewhat efficient (mean of 3.33) with a low variation (standard deviation of 0.786). In comparison, Malawi's sugar industry is the most efficient in Africa and the world (Chinsinga, 2017). Chemelil Sugar Company has not adopted new efficient technology in machines for processing of sugar. The company had inadequate diversified products (mean of 2.24) with low variation (standard deviation of 0.617). Union's Factories in European Union diversify into non sugar processing activities to improve on their returns as found by Benerjee (2005). The rating of factory capacity utilization on Organization performance was low (mean of 1.98) and variation in organization performance was also low (standard deviation of 0.608). The finding is similar to the results of Gap Analysis carried out by management of Chemelil Sugar Company in 2012 showed a variance between what was planned and what was achieved. In the preceding period the Company only produced 117,499 tons of sugar in 2010/2011-2011/2012 which was short of expected output. These findings are linked to recent results by Imbambi (2018) on the study to determine the influence of Technology Capability on Competitive advantage of Sugar Companies in Western Kenya, which revealed that the Kenya sugar industry operate at an average capacity utilization of 50-60% due to technical limitations which make them uncompetitive in the COMESA region; the sugar industry has not synchronized its maintenance functions to reap full benefits; crushing time and factory stoppage hours due to factory breakdowns; indecisiveness on management in building technology capacity of the sugar industry; and manifestation of highest sugar production costs in Kenya at USD 200-260 and Uganda & Tanzania at USD 140-190.

**Table 3: Human Resource Motivation and Organization Performance**

| Human resource motivation | Mean | Standard Deviation |
|---|---|---|
| Company has a number of human resource Motivational packages | 1.90 | 0.726 |
| Human Resource Motivators Provided | 1.86 | 0.608 |
| Participation in decision making allowed | 3.21 | 0.951 |
| The working environment is conducive | 2.79 | 0.976 |
| The company reward workers; achievements | 1.90 | 0.617 |
| There is high employee retention | 2.17 | 0.696 |
| There is Job Satisfaction by Employees | 3.24 | 0.790 |
| There is Employee Morale | 2.74 | 0.734 |
| Human Resource affect Organization Performance | 2.45 | 1.04 |

**Source: Research Data (2020)**

The study found t out that respondents disagreed that there were a number of human resource motivational packages in place (mean of 1.90) which had low variation (standard deviation of 0.726). Findings of a study by Rabah (2011) indicated that performance triggered motivational practices had highest correlation with the quality of product. In the current study the motivators provided were very inadequate (mean of 1.86) and variation was low (standard deviation of 0.608). Thus human resource motivators which are not often provided to the employees in the factory negates Armstrong's (2006) recommendation is that Organizations should provide motivation packages to ensure workers sustainably deliver result-based performance. Participation in decision making was somewhat allowed (mean of 3.21) and the variation was low (standard deviation of 0.951). The environment was less conducive (mean of 2.79) with a low variation (standard deviation of 0.976). Conducive working environment was found to be less conducive which is in contrast to Rozman, Treven, and Cancer's (2017) conclusion that on average employees are satisfied with the working conditions, such as better light, air conditioning and bigger inscriptions in the company. The least contributor to employee motivation was rewarding of worker's achievements (mean of 1.90) with a low variation (standard deviation of 0.617) High employee retention was an inadequate motivator of human resource (mean of 2.17) and had a low variation (standard deviation of 0.696). This result is synonymous with Imbambi, Awiti and Ng'ong'a (2019) findings that Employee retention issues were being implemented moderately in the Sugar Companies in Western Kenya with the end result of creating some level of employee dissatisfaction.

Yab (2010) laments that bad or poor industrial relations means that workers are not satisfied with the way issues are being addressed by management. The level of satisfaction by employees was found to be satisfactory (mean of 3.24) but a low variation (standard deviation of 0.790). There was low employee morale (mean of 2.74) with low variation (standard deviation of 0.734). However, the findings of a study by Rabah (2011) in Western Kenya sugar manufacturing firms indicated that part of performance-triggered motivational practices had higher correlation with efficiency. The effect of human resource motivation had little effect on Organization performance (mean of 2.45) which in turn varied slightly (Standard deviation of 1.041).This contrast finding of a study on factors that influence employee performance (Nguyen, Yandi & Mahaputra, 2020) that work motivation has a relationship and affect the employee performance. Moletsane and Migiro (2019) in their study on evaluating factors affecting employee engagement and its relationship to productivity in a sugar

factory in Kwa Zulu-Natal Province, South Africa , the results indicated that the main factors affecting employees' engagement were the personal feelings of employees, their work environment, communication, the leadership style, and their commitment. There was a significant relationship between employee engagement and their productivity. The researchers further stipulated that if the Manufacturer wants improvement in productivity, there is need to be improvement in employee engagement through the enhancement of their job satisfaction, instilling sense of pride in the organization and devising a Human Resource strategy that encourages employee communication, interaction with the management and improving their workplace environments.

**Table 4: Promotion mix and organization Performance**

| Promotion mix | Mean | Standard Deviation |
|---|---|---|
| Personal selling is used | 3.67 | 1.243 |
| The company management organizes for advertisement of products | 2.29 | 0.805 |
| Sales Promotion | 2.98 | 1.047 |
| The company has the functional Public Relations | 3.17 | 1.14 |
| Promotion mix determines Organization Performance | 2.71 | 0.77 |

**Source: Research Data (2020)**

Personal selling was frequently (mean of 3.67) and its variation was slightly significant (standard deviation of 1.243). Advertising was inadequate (mean of 2.29) and had low variation (standard deviation of 0.805). However, Luseno (2005) found out that advertising element was used effectively in 1999 to increase sales at Mumias Sugar Company in Kenya. Sales promotion was still low (mean of 2.98) though with little variation (standard deviation of 1.047). Public relation is moderately functioning (mean of 3.17) and varied slightly (standard deviation of 1.14). The findings showed that the Promotion mix was insignificant in determining Organization performance (mean of 2.71). Variation in Organization performance was found to be low (standard deviation of 0.774). According to the study done by Kautish (2011) marketing managers should increase their spending on promotion, against their premise of cutting promotional expenditures and to increase profit. Abiero's (2019) study was to determine Influence of Marketing mix strategies on Performance of Sugar Companies in Kenya. The results showed that the companies were using promotional strategy to a small extent through advertising products, focusing on end-user needs inclination and action. It implies that most market promotion strategies should be undertaken through various media, to elicit attention, interest, desire or action and focusing to satisfy customer needs.

**Table 5: Organization Performance**

| Organization performance | Mean | Standard Deviation |
|---|---|---|
| The company enjoys satisfactory profits | 2.24 | 0.790 |
| The company has high output | 2.67 | 0.687 |
| The employees are effective | 3.52 | 0.671 |
| The company registers high sales volume | 3.17 | 0.881 |

**Source: Research Data (2020)**

The level of profit was found to be unsatisfactory (mean of 2.24) due to high level of cost of production, low cash flow and low diversification of products for the market. These findings showed that the sugar output was low (mean of 2.67) and a low variation (standard deviation of 0.687). The low sugar output from the milling capacity can be attributed to inefficiencies in usage of raw material, old technology and sucrose content of sugarcane supplied to the factory which is below average. Employee effectiveness was rated somewhat effective (mean of 3.52). There was a medium level of sales volume (mean of 3.17) attributed to frequent use of promotion. Its variation was low (standard deviation of 0.671) Sales volume was moderate with low variation (standard deviation of 0.881). The results of the findings on study carried out by Imbambi (2018) on Influence of Strategic capabilities on Competitive advantage of Sugar Companies in Western Kenya, showed that there was a positive relationship between Human capability, technology capability and material capability and competitive advantage. However, financial capability influenced the competitive advantage negatively. The competitive advantage included was sales/market share, profit and production costs.

**Table 6: :Analysis of Coefficient of Determination using SPPS version 23**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | R Square Change | F Change | df1 | df2 | Sig. F Change | |
| 1 | .931[a] | .867 | .852 | .264 | .867 | 60.127 | 4 | 37 | .000 | 1.264 |

a. Predictors: (Constant), Promotion mix, Factory capacity utilization, Financial utilization, Human resource motivation

b. Dependent Variable: organization performance

**Source: Research Data (2020)**

The findings show there was correlation between the internal environment and Organization performance of the company (R=0.931). The model was also fit for testing the relationship between internal environments on organization performance. Durbin-Watson was found to be 1.264 which means internal environment was significant because 1.264 was found to be between 0 and 4 for testing co linearity. Coefficient of determination (Adjusted R square) indicated that financial utilization, factory capacity utilization, human resource motivation, and promotion mix contributed to 85.2% variation in organization performance.

**Table 7 : Analysis of Variance on Financial Utilization using SPPS version 23**

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Organization performance * Financial utilization | Between Groups | .893 | 3 | .298 | 9.048 | .000 |
| | Within Groups | 1.250 | 38 | .033 | | |
| | Total | 2.143 | 41 | | | |

The results indicated that financial utilization was significant, at 5% level of significance, on organization performance because p value of 0.000 was less than 0.05 (p=0.000<0.05).

**Table 8 : Analysis of Variance on Factory Capacity Utilization using SPSS version**

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Organization performance * Factory capacity utilization | Between Groups | 5.952 | 3 | 1.984 | 7.800 | .000 |
| | Within Groups | 9.667 | 38 | .254 | | |
| | Total | 15.619 | 41 | | | |

**Source: Research Data (2020**

The results as indicated in table 8 reveals that factory capacity utilization had significant effect on organization performance. The P value of 0.000 was less than 0.05 at 5% level of significance (p=0.000<0.05

**Table 9 : Analysis of Variance on Human Resource Motivation using SPPS version 23**

| | | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| Organization performance * Human resource motivation | Between Groups | 27.642 | 2 | 13.821 | 32.156 | .000 |
| | Within Groups | 16.763 | 39 | .430 | | |
| | Total | 44.405 | 41 | | | |

**Source: Research Data (2020)**

The effect of human resource motivation on organization performance was significant. It is because at 5 % level of significance P value of 0.000 was less than 0.05 (p=0.000<0.05).

**Table 10 : Analysis of Variance on Promotion Mix using Version using SPPS version 23**

| | Sum of Squares | Df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Organization performance * Between Groups | 17.727 | 4 | 4.432 | 23.957 | .000 |
| Promotion mix Within Groups | 6.844 | 37 | .185 | | |
| Total | 24.571 | 41 | | | |

**Source: Research Data (2020**

At 5 % level of significance promotion mix had a significant effect on organization performance since P value of 0.000 was less than 0.05 (p=0.000<0.05).

**Table 11 : Analysis of Coefficients using SPSS Version using SPPS version 23**

| | Unstandardized Coefficients | | Standardized Coefficients | | | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| Model | B | Std. Error | Beta | T | Sig. | Tolerance | VIF |
| 1(Constant) | .423 | .202 | | 2.097 | .043 | | |
| Financial utilization | .247 | .117 | .277 | 2.106 | .042 | .208 | 4.800 |
| Factory capacity utilization | .418 | .183 | .489 | 2.281 | .029 | .197 | 5.071 |
| Human resource motivation | .416 | .136 | .455 | 3.053 | .004 | .378 | 2.644 |
| Promotion Mix | .718 | .109 | .810 | 6.588 | .000 | .238 | 4.193 |

a. Dependent Variable: Organization performance of the company

**Source: Research Data (2020)**

$Y=0.423+0.247X_1+0.418_2+0.416_3+0.71$

A unit change in financial utilization leads to 0.247 units increase in organization performance, other factors held constant. A unit change in factory capacity utilization leads to 0.418 units change in organization performance, other factors remaining the same. A unit change in human resource motivation leads to variation in organization performance by 0.416 units, other factors held constant and a unit change in promotion mix causes variation in organization performance by 0.718 units when other factors are not considered.

## VII. Contributions

The findings are useful for managers of sugar factories in making strategic and policy decisions in regard to cost of production, cash flows, profitability, employee motivation and budgetary allocation for sales promotion to grow market share. The sugar company would derive benefits in form of adequate and regular supply of cane materials, increased output from full utilization of milling capacity, effectiveness of performance-oriented employees, increased sales volume, expanded market share and high profits level. The Suppliers would be able to receive timely monetary payments for their supplies hence capacity for sustainable supply and improved standard of living. The findings showed that the supply of raw materials was inadequate and thus management of sugar companies is obliged to pay suppliers of raw materials in time which in turn leads to adequate and regular supplies. Wholesalers and retailers who are the clients of the sugar companies would benefit from adequate, quality, variety and available products for their business sales / margins and overall satisfaction. Findings indicated the need for Sugar Companies to diversify products in order to increase variety of output and quality sugar. Employees benefit when work environment is improved by sugar companies together with increase in motivation package. When sugar companies are performing the Government attains its economic/development goals due to revenue collection from the companies through taxation. In addition the companies generate employment opportunities for the population. For government, Sugar factories are elements of industrialization and play crucial role in food sufficiency and reduced foreign exchange outflow on sugar imports.

## VIII. Conclusion

The aim of the study was to address the performance problems of profitability, output, employee effectiveness, sales volume and market share which tend to persist in Chemelil Sugar Company. The research findings, guided by the specific objectives of the study formed the basis for conclusion and recommendations. In conclusion there existed significant effect of internal environment on Organization performance. The effect of financial utilization on organization performance was found to be low due to high level of costs of production, low cash flows and profit level not being satisfactory and limited government funding. The effect of factory

capacity utilization on organization performance was found to be moderate. It is justified by the supply of raw materials which was found be inadequate and the factory milling machinery which was also less efficient. The products were not diversified leading to medium sugar output and operations were inefficient. However, quality was rated as ‘good”. Human resource motivation was somewhat significant and found to be characterized by limited provision of motivational packages, low employee satisfaction and moderate employee morale. The effect of Promotion mix was found to be less satisfactory because it’s use was less frequent, due to inadequate budgetary resource allocation and decreased sales growth of the company.

The study recommends that the sugar companies should broaden sources of finance, rationalize costs of production and streamline cash flows in order to attain optimum financial levels, high profits and sustainable cash flows. The Government, through Sugar Directorate, Kenya, should provide funding subsidy to support cane development and for factory modernization. There should be development of sugarcane which matures early and with high sucrose content, prompt payment of out-growers and suppliers. Product lines should be diversified in order to maximize the milling capacity utilization of the factory. The Sugar Directorate as a regulator should control unnecessary competition through licensing. There is need to adopt varying motivational packages, have budget for programs on motivation, improve work environment, address job satisfaction concerns and update human resource policies in order to make employees effective. It is also recommended that there is need for adequate and sustainable budgetary allocation for promotion mix activities and intensify use of advertising. Initiate corporate social responsibility programs as part of public relation to promote the company’s image and products. It is recommended that the National Government assists sugar factories through foreign trade policy in order to promote and market Millers’ products in the regional and global markets. The government should also provide responsive regulatory and policy frameworks on production, infrastructural, and security to enable sugar factories operate under liberalized dynamic environments.

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