

**INFLUENCE OF COST STRUCTURES ON ORGANIZATIONAL PERFORMANCE OF SEED
MAIZE COMPANIES IN KENYA**

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ABSTRACT

There are many strategic factors that affect the overall performance of seed businesses in

Africa. Organizational performance is an analysis of a company's performance as compared to set goals and objectives. Usually three key outcomes of financial, market and stakeholder value performances are analyzed. This study focused on the influence of cost structures on organizational performance of seed maize companies in Kenya. The study adopted a cross-sectional survey research design to collect data from the target population which comprised of seed maize companies in Kenya. The sampling frame of the study was the registered seed maize companies at the Seed Trade Association of Kenya which was the unit of analysis, while the respondents were the managerial employees within the seed companies and key seed experts in Kenya. Primary data was obtained by administering questionnaires to four employees within each seed company. The four employees were randomly selected from the production, marketing, finance and warehousing departments. Interviews were conducted with key seed experts who were selected through snow-balling and judgment techniques. The collected data was analyzed using SPSS software. Factor analysis was done to establish the appropriateness of the questionnaire constructs. Both descriptive and inferential statistics were used. Inferential statistics included the use of bivariate analysis and a multiple regression model was used in order to establish the effect of cost structures on organizational performance of seed maize companies. The study findings indicated that cost structures had a positive influence on organizational performance of seed maize companies. Cost structures and organizational performance had a strong positive relationship as indicated by a correlation coefficient of 0.680. The fitted regression equation showed that one positive unit change in cost structures' effectiveness leads to a change in organizational performance at the rate of 70.7%. The majority of the respondents agreed that staff costs, seed distribution & marketing costs and packaging & branding costs are relatively high in seed maize companies. Seed storage costs and cost of compliance with seed regulations were reported to be manageable in seed business. Similarly, the respondents agreed that they incur low cost in securing licenses to operate a seed business. The costs of inputs such as pesticides and fertilizers were found to be a small component of the total costs of a seed business as they are charged to the contracted seed out-growers. The study concludes that there are key cost drivers that affect organizational performance of seed maize businesses. In order for seed companies to enhance their performance and achieve competitive advantage, the study recommends that cost structures must be proactively analyzed, managed and streamlined in order to minimize the total expenses of the business. This would result in increased profit margins and overall organizational performance.

Key Words: *Cost structures, Organizational performance, Seed maize companies, Competitive advantage, Profit wedge*

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