

The
Management
University
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POSTGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF MASTER OF BUSINESS ADMINISTRATION

LSO 506: VALUE CHAIN MANAGEMENT

DATE: 28TH JULY 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE is compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

TRANSFORMING THE KENYAN COFFEE VALUE CHAIN

Kenya's coffee sector has historically been recognized for producing premium-quality Arabica coffee that competes favorably in international markets. However, despite the global reputation of Kenyan coffee, many smallholder farmers continue to receive low returns due to inefficiencies and weak value capture within the local value chain. The majority of farmers sell raw coffee cherries through cooperatives, while high-value activities such as roasting, branding, packaging, and international marketing are dominated by foreign firms.

In recent years, the Kenyan government, county governments, cooperatives, and private investors have attempted to restructure the coffee value chain to improve competitiveness and farmer incomes. Reforms have focused on strengthening cooperative governance, introducing digital trading systems, improving traceability, and supporting specialty coffee branding. Some cooperatives have also invested in local roasting and direct export initiatives aimed at reducing dependence on intermediaries. At the same time, global buyers have increased pressure on suppliers to comply with strict sustainability, environmental, and quality standards. International consumers increasingly demand ethically sourced and traceable coffee products. This has forced local producers and processors to invest in certification systems, quality assurance mechanisms, and modern post-harvest handling technologies. While larger processors have adapted successfully, many SMEs and farmer cooperatives struggle to meet compliance costs and technological requirements.

The sector also faces intense competition from countries such as Ethiopia, Colombia, and Brazil, all of which continue to innovate in

production methods, branding, and market access strategies. Kenyan firms are therefore under pressure to upgrade both products and processes in order to maintain competitiveness in global markets. Some firms have diversified into specialty blends, organic coffee, and ready-to-drink products targeting premium market segments.

Value chain mapping studies have shown that significant value is captured at stages involving branding, international retailing, logistics, and specialty market distribution. Farmers, despite being the foundation of the chain, often capture the smallest proportion of final retail value. Governance structures within the chain remain largely buyer-driven, with international buyers influencing pricing, standards, and delivery schedules.

Despite these challenges, opportunities continue to emerge through digital commerce, regional market integration within East Africa, and the growth of local coffee consumption in urban centers such as Nairobi and Mombasa. Industry analysts argue that functional upgrading, benchmarking against successful global coffee brands, and stronger institutional support could significantly improve the competitiveness and inclusiveness of the Kenyan coffee value chain.

Required:

- a) Critically analyze the structure and governance of the Kenyan coffee value chain and explain how power relations influence value distribution among actors.

(10 marks)

- b) Evaluate the innovation and upgrading strategies that Kenyan coffee SMEs and cooperatives can adopt to improve competitiveness and value capture.

(10

marks)

c) Using value chain mapping concepts identify five critical success factors within the Kenyan coffee value chain.

(5 marks)

d) Using value chain mapping concepts, propose five strategic interventions for sustainable growth.

(5 marks)

QUESTION TWO

a) An electronic firm based in Kenya is in the process of implementing a value chain innovation strategy. Critically examine the relationship between value chain innovation and upgrading in developing economies. Illustrate your answer using relevant examples.

(8 marks)

b) A local based agro-processing firm is considering getting into the global value chains. Evaluate three major drivers and barriers to value chain upgrading for SMEs participating in global value chains.

(7 marks)

QUESTION THREE

a) Major Player in the manufacturing sector engages in value chain mapping for enhanced competitiveness. Explain the concept and four strategic importance of value chain mapping in modern organizations.

(8 marks)

b) A small scale flower farmer sees the need to be a player in the global value chains. Critically analyze three opportunities and challenges facing SMEs participating in global value chains under different governance structures.

**(7
marks)**

QUESTION FOUR

- a) Benchmarking is said to be neither copying nor spying. With reference to an organization/ Industry /or sector known to you. Discuss the concept, process, and strategic importance of benchmarking in value chain management.

**(8
marks)**

- b) Company XYZ is implementing a benchmarking exercise with the best in class. Evaluate three types of benchmarking and explain how benchmarking contributes to organizational competitiveness, innovation, and continuous improvement.

(7 marks)