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**Operational Efficiency and Organizational Performance of Alcoholic
Beverage Distribution Firms in Machakos County, Kenya**

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Abstract

Purpose: In Kenya's regulated alcoholic beverage distribution industry, companies in Machakos county face small profit margins due to licensing fees, transport inefficiency and the county level devolved compliance costs. The study therefore sought to assess the correlation between operational efficiency and organizational performance of alcoholic beverage distribution firms in Machakos County, Kenya.

Methodology: The study used a mixed-methods approach. The target was 20 companies and due to the close proximity of Machakos county from Nairobi, Machakos creates a unique commercial and distribution channel dynamics. A total of 200 respondents (managers and staff) were targeted, yielding 186 valid responses, which is a 93% response rate. The data were gathered through the structured questionnaires and semi-structured interview and analyzed through descriptive statistics, Pearson correlation, multiple regression and thematic analysis.

Findings: The results showed that respondents perceived operational efficiency was at a high level with the overall mean score of 4.39 (SD = 0.67). There was a significant and positive

correlation between operational efficiency and organizational performance ($r = .811$, $p < .05$). Multiple regression analysis also found that operational efficiency was a statistically significant predictor of organizational performance ($\beta = .334$, $p < .001$). Qualitative evidence showed that the use of efficient workflows, resources, process optimization and minimization of operational delays led to better service reliability, customer satisfaction and profitability.

Unique Contribution to Theory, Practice, and Policy: Based on the study outcome, alcoholic beverage distribution firms should be encouraged to invest in inventory management, route optimization and waste reduction processes to sustain organizational performance in county level markets.

Keywords: *Operational Efficiency, Organizational Performance, Process Optimization, Resource Utilization, Alcoholic Beverages Distribution, Machakos County, Kenya*

JEL Classification Codes: *L66, L81, M11, D24, M21*

INTRODUCTION

Background of the Study

Operational efficiency refers to maximizing output in relation to inputs while minimizing wastage, errors and unnecessary costs (Bakić, 2026). In today's competitive world, firms face increased demands to enhance their product quality and process efficiency. This is particularly critical for alcoholic beverage distribution companies where inventory management, warehousing, order processing, transportation and last mile delivery coordination directly determine organizational performance (Cohen, 2026). Porter (1985) posits that competitive advantage stems from chain of value chain activities. Inefficient inbound or outbound logistics, increases costs and undermines service effectiveness. The Balanced Scorecard perspective also highlights the link between the internal processes and the organization's performance. Kaplan and Norton (1992) say that performance of the organization cannot only be judged by financial results – it also should take into account customer performance, internal operational processes and organizational learning and growth.

The dynamic capabilities' approach adds to the explanation of the importance of operational capabilities. According to Teece (2007) organization capability is embedded in the processes, procedures, organizational structures and managerial routines, which allow the firms to reconfigure the resources in the environment changes. Distribution companies are the parties between the producers and the downstream customers, they need to manage stock availability, order processing, transportation schedules, sales and customer relations. When these activities are disrupted or become inefficient, it leads to delivery delays, losses, excessive operating costs, stock issues, and less customer satisfaction. Recent work shows the applicability of operational efficiency in the Kenyan setting. For instance, Kulei and Kimencu (2024) studied operational efficiency and organizational performance in the Kenya Airports Authority, and Orwa et al. (2025) looked at operational efficiency and financial performance of manufacturing and allied firms on the Nairobi Securities Exchange.

In the alcoholic beverage industry, researches have focused on distribution and logistics in well doing economies. Recent studies conducted on the alcoholic beverage manufacturing firms in Kenya, have explored distribution management, transportation efficiency, warehousing and logistics as key elements that affect the competitive outcomes of the firms. However, little empirical research has examined the link between operational efficiency and organizations' performance among alcoholic beverages distribution companies in Machakos County creating a critical gap (Osano et al., 2026). The study is therefore delimited to alcoholic beverage distribution firms in Machakos County with a particular interest on operational efficiency and organizational performance of the firms. Operational efficiency is measured based on resource utilization, wastage reduction, productivity, service delivery, work flow efficiency and profitability and organizational performance is measured based on sales revenue, market share, customer retention, profitability and overall organizational performance. Machakos county presents a unique commercial environment for this study by virtue of its proximity to Nairobi, creates specific distribution channels and supply chain dependency. Its geographically dispersed markets increase last mile delivery costs and firms must navigate county level regulatory compliance, licensing fees and transport restrictions inherent in the regulated alcoholic beverage sector.

Theoretical Framework

The study was grounded in the following theories:

Balanced Scorecard Theory

The Balanced Scorecard model designed by Kaplan and Norton (1992), which is considered to be the leading source of information for the study, is used to guide the study. The framework was designed to be a way to measure organizational performance beyond financial indicators, which includes financial performance, customer outcomes, internal business processes and learning and growth.

The internal-process dimension is highly related to operating efficiency. Having efficient internal processes can help to minimize errors, eliminate unnecessary activities, improve productivity and increase the reliability of providing services. The processes involved in a distribution organization can consist of inventory management, order processing, transportation, warehousing, dispatch and customer service procedures (Lucy, 2015). The theory thus underpinned the understanding of how the changes of operational processes can ultimately impact on the financial and customer-related performance. Increased efficiencies within the company can help decrease waste, and enhance the company's ability to fulfill customer needs.

The theory would be suitable for the present study, as the organizational performance is measured by both financial and non-financial measures (Osano et al., 2026). Profitability and Sales Revenue are financial outcomes and Customer and Market Outcomes are outcomes in the eyes of the customer and in the market. The internal-process dimension that is linking these activities is operational efficiency.

Dynamic Capabilities Theory

Dynamic Capabilities Theory is another theory that has been used to inform the study. According to the concept of Teece (2007) dynamic capabilities are organizational processes and routines that enable the development, deployment and reconfiguration of resources to maintain performance in dynamic environments. The theory is applicable as operational efficiency is dynamic. The distribution firms have to be continuously adjusting their processes according to the changes in the demand of their customers, operating costs, competition, technology, conditions of regulations as well as supply chain.

An efficient distribution company is not one that is just a low-cost company at present, from this point of view. It is also one that can pinpoint operational issues and re-engineer processes, redeploy resources and enhance organizational procedures. It is therefore essential that organizations have the ability to improve and optimize their processes.

Both theoretical perspectives complement each other and provide an integrated lens for this study. The Balanced Scorecard explains the linkage where internal process Metrics such as resource utilization, wastage reduction and timely delivery lead to financial and customer outcomes including sales revenue, profitability and customer retention. Dynamic capability theory, on the other hand explains how firms continuously adapt, reconfigure and recombine these internal processes in a changing regulatory and market environment such as evolving county level licensing in Machakos county, fluctuating demand and transport disruptions thus, BSC shows "WHAT

“efficient process drive performance while DCT explains how distribution firms sustain that efficiency over time through continuous leaning and adaptation (Osano et al., 2026).

Problem Statement

Distribution companies have a chain of interconnected operations that need to be well coordinated to provide reliable distribution service and favorable financial return. Resource utilization can be increased and delays can occur due to inefficiencies in the inventory, order processing, transportation, warehousing, dispatch and customer service. Companies in the alcoholic beverage distribution industry with these operational issues are highly affected (Cohen, 2026). Products need to be on hand when they are needed, orders need to be filled correctly, they need to be delivered when they are expected and the delivery process needs to be completed and the customer relations maintained. This could then lead to inefficiencies that lead to losses, delays, loss of productivity, increased operating costs and poor customer service. The challenge is especially critical in the county level markets where the infrastructure, market characteristics, customer location and operational requirements can differ across geographical areas. Companies need to therefore reach a fitting equilibrium between the use of resources and responsiveness of services.

While some studies have found a link between supply chain practices and organizations performance in Kenya, the evidence from previous studies has been limited to manufacturing, logistics organizations, public institutions or other sectors (Lucy, 2015). This results in a context gap in relation to operational efficiency and organizational performance in the alcoholic beverage distribution industry. In the alcoholic beverage distribution sector in Machakos County, this gap manifests in the specific industry realities. Firms operate on small profit margins due to high county licensing fees, tax compliance costs and regulatory levies, while at the same time facing transport challenges caused by poor last-mile connectivity, limited warehousing and order fulfillment delays. These inefficiencies frequently result in stockouts, product breakages, expiries and lost sales, directly diminishing sales revenue, market share and customer retention (Delker, 2024). Despite these pressing operational inefficiencies, previous empirical studies in Kenya have focused on manufacturing firms, KTDA factories, logistics organizations and public institutions, with little specific evidence on how operational efficiency dimensions of resource utilization, wastage reduction and workflow efficiency influence organizational performance in regulated alcoholic beverage distribution companies in a county-level market like Machakos (Coupa, 2024). This empirical knowledge gap remained unaddressed which this study sought to examine.

Objectives of the Study

General Objective

The general objective of the study was to determine the effect of operational efficiency and the organizational performance of alcoholic beverage distribution firms in Machakos County, Kenya.

Specific objectives

The specific objectives of the study were to;

- Assess the effect of waste reduction on organizational performance of alcoholic beverage distribution firms in Machakos County.
- Examine the effect of waste reduction on organizational performance of alcoholic beverage distribution firms in Machakos County.

- Determine the effect of waste reduction on organizational performance of alcoholic beverage distribution firms in Machakos County.

Significance of the Study

Managers of alcoholic beverage distribution companies can learn from the results because an aspect of a company's operations, such as operational efficiency, is controllable. Knowledge of how these operations relate to their organization's operations can help managers identify what process improvement, resource utilization, staff productivity and service delivery is more important.

The study is also significant for the industry since it offers insights on the operations of alcoholic beverage distribution businesses in a county market. Besides managers and the Alcoholic beverage industry, the study is relevant for researchers in the field of operational efficiency and organizational performance in distribution channels in emerging markets. It also presents evidence from a sector and geographical area that has not been explored as much as the manufacturing and supply chain of large corporations.

Literature Review

Operational Efficiency

Operational efficiency is when an organization is able to achieve the desired outcomes from the resources that it has with little wastage and unnecessary spending. It includes the performance of organizational processes, resources allocation, employee productivity, process coordination in workflow and service delivery.

Operational efficiency is not 'just about cutting costs.' A firm can cut out on costs and still be doing a poor job at the same time or be not pleasing to customers. An effective operational management, on the contrary, aims to enhance the ratio between consumption and production.

The value-chain perspective of Porter (1985) is helpful for understanding this linkage as value and cost is created by a series of interdependent activities. The productivity of outbound logistics, operations, service and supporting activities may affect the cost position and competitiveness of a company.

For distribution companies, therefore, operational efficiency is a key priority. Their performance is more than just the products they sell, it is how quickly, accurately, reliably and cost effectively the products get to their customers.

Operational Efficiency and organizational Performance

Operational capabilities are linked to business outcomes and firm-level organizational performance is the degree in which they are manifested. Organizational performance in the present study is measured in terms of customer retention, profitability, sales revenue and organizational performance in general (Coupa, 2024). The ability to operate efficiently can impact these outcomes in a number of interrelated ways.

First of all, optimal use of resources minimizes losses, unnecessary movements, processing errors and inefficient use of resources. Second, better process productivity helps companies do more with less, by working more efficiently, training their employees more effectively, standardizing processes, and redesigning processes. Thirdly, efficient processes help to reduce order processing,

stock management and dispatch delays, enhancing order fulfillment accuracy and the customer experience. Fourthly, regular and punctual service improves customer satisfaction and customer retention. Last but not least, better use of resources, productivity, working processes and service delivery can all enhance profitability and facilitate business development. The Kenyan evidence presented recently further supports the connection between supply chain integration, process reviews, transportation management and supplier visibility on improving organizational and operational outcomes (Coupa, 2024).

Empirical Review

Research in Kenya suggests there is evidence that internal processes and practices in the supply-chain are significant factors in the organizational outcomes. In Omondi and Wachiuri's study of manufacturing firms in Nairobi, they found that the study investigated supply-chain integration as a tool to solve operational inefficiencies and performance problems.

Likewise, KTDA factory research studies revealed a statistically significant positive correlation between process review and organizational performance, which indicates that process control and collaboration with suppliers is crucial for organizational performance.

Mose et al. (2024) studied manufacturing companies in Kenya and their performance with respect to supplier visibility and they have concluded that information visibility in supply-chain networks is very important.

It has also been found that transportation management is an important enabler of firm performance in the supply-chain in Kenya. Muiruri et al. (2025) studied transportation management of large manufacturing companies and highlighted the connection between the supply-chain drivers and the performance of the organizations. But evidence from other contexts in Africa also shows that operational ability is important. A recent study of agro-processing firms in Uganda focused on operational efficiency, which is captured by some of the key operational parameters: capacity utilization and cycle time, which the time is taken to process the product.

Theoretically, Teece (2007) has provided additional support for operational processes as organizational capabilities that can be created and reconfigured over time.

None of these studies, however, focuses in particular on the practices, and the extent to which they contribute to the operational efficiency, adopted by alcoholic beverage distribution companies in Machakos County. The present study, then, contributes to the existing evidence in that it investigates a different context of distributing services.

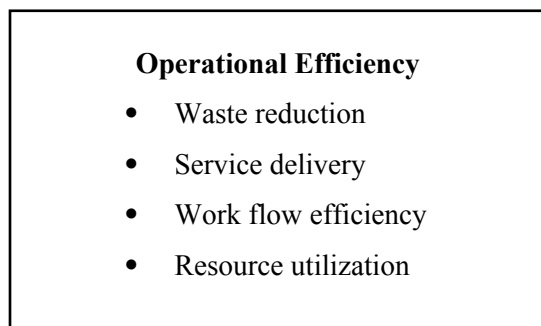
While Kulei and Kimencu (2024) focused on Kenya Airports Authority and Okwa et al. (2025) on large manufacturing firms listed on NSE, and other studies Githu and Kanda (2015), focused on KTDA factories, their findings cannot be generalized to alcoholic beverage distribution firms. These previous contexts involve manufacturing or public institutions with different regulatory and logistical structures. Alcoholic beverage distribution in Machakos County operates under unique county-level licensing, tiny profit margins due to regulatory fees, transport inefficiencies and stockout risks, making this study context distinct and necessary.

Conceptual Framework

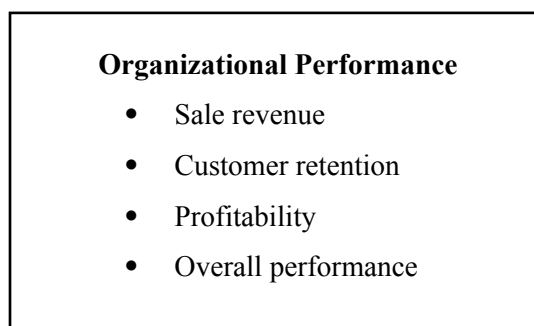
This study conceptualized competitive pricing as the independent variable and organizational performance as the dependent variable. Competitive pricing is operationalized through three

dimensions: waste reduction, service delivery and work flow efficiency. (Cohen, 2026) argues that conceptual relationship presumes that when firms set prices that respond effectively to customers' purchasing power and to rival pricing in the market, they are likely to attract price-sensitive customers, stimulate higher sales volume, and expand market share. This in turn is expected to influence organizational performance marked by sales revenue, customer retention and profitability.

Independent variables



Dependent Variable



The framework presumes that the more efficient the operational processes are, the better the organizational outcomes. Specifically, reduced waste and optimal resource utilization lower operational costs, while improved service delivery and workflow efficiency enhance reliability and reduce stockout risks in alcoholic beverage distribution. This in turn is expected to translate into improved organizational performance of distribution firms in Machakos County (Delker, 2024).

Methodology

Research Design

The research design used was a mixed methods research design. The quantitative part allowed the study to be able to measure it statistically in relation to the organizational performance, while the qualitative part gave the context in which the operational practices were carried out and their perceived effects.

Study Area and Population

The study was designed to be carried out with the licensed alcohol sellers in Machakos County Kenya. 150 licensed alcoholic beverage distribution companies (LBDCs) in the county formed the target population. Twenty companies were chosen for the study.

Sample and Sampling Procedure

200 respondents were selected from the selected firms and the study was conducted on them. The respondents were those who were engaged in management, sales, finance, logistics and other operational activities. A total of 186 usable responses were received, with 93% of the respondents responding. The quantitative analysis presented in this article is based on the sample and response figures.

Data Collection

The quantitative data were gathered by using the structured questionnaires. All the questionnaire items were measured on a five-point Likert scale, which showed respondents' perceptions about operational efficiency and organizational performance. Qualitative data relating to operational processes, workflow efficiency, use of resources, service delivery and organizational outcomes were gathered through semi-structured interviews.

Reliability and Validity

Cronbach's alpha was used to test the internal consistency. The internal consistency of the operational-efficiency construct was .902, which is above the .70 threshold for acceptable internal consistency. The research instrument was also validated using the validity procedures as outlined in the research methodology.

Data Analysis

Data collected were analyzed using descriptive and inferential statistics. The responses about operational efficiency and organizational performance were summarized using means and standard deviations.

Pearson's correlation coefficient was employed to analyze the relationship between operational efficiency and organizational performance in terms of its strength and direction. The contribution of the operational efficiency was examined in the larger cost-leadership model using multiple regression analysis. Thematic analysis was used for the qualitative data from the interviews.

The level of statistical significance was 5%.

Response Rate

A total of 200 questionnaires were sent out, 186 were completed and returned giving a response rate of 93%. The return rate yielded an adequate sample size to perform the statistical analyses performed.

Table 1: Descriptive Results for Operational Efficiency

Operational efficiency indicator	Mean	SD
Operational efficiency reduces waste	4.44	0.62
Efficient processes improve productivity	4.39	0.67
Operational efficiency improves service delivery	4.31	0.75
Efficient workflows reduce delays	4.36	0.69
Operational efficiency improves profitability	4.47	0.61
Aggregate	4.39	0.67

Source: 2026

The results suggest a very high degree of consensus on the role operational efficiency plays in organizational outcomes. The mean of the aggregates was 4.39 with a standard deviation of 0.67. The highest rated statement was operational efficiency improves profitability ($M = 4.47$, $SD = 0.61$) which was followed by statement operational efficiency reduces wastage ($M = 4.44$, $SD = 0.62$). The mean for efficient processes enhancing productivity was 4.39 and the mean for efficient workflows that decrease delays was 4.36. The lowest mean (4.31) was recorded on the statement on improved service delivery. However, the mean for all five indicators were above 4.00 showing a high level of agreement by respondents.

Table 2: Organizational Performance

Organizational performance indicator	Mean	SD
Sales revenue has increased	4.20	0.74
Market share has improved	4.18	0.81
Customer retention has increased	4.22	0.76
Profitability has improved	4.30	0.68
Overall organizational performance has improved	4.34	0.64
Aggregate	4.25	0.73

Source: 2026

The overall mean for organizational performance was 4.25 (SD = 0.73). The highest mean was in overall organizational performance (4.34) followed by profitability (4.30). The lowest mean was found for market-share improvement (4.18). The findings show that the organizations in this study tended to have positive outcomes in terms of their organizational performance.

Correlation Analysis

A positive correlation was found between operational efficiency, and organizational performance using Pearson correlation analysis, and the conclusion was that there is a strong positive relationship. $r = .811$, $p < .05$. The analysis suggests that there is a positive relationship between the more operational efficient the company is, the more organizational efficiency it reported.

Regression Analysis

A more comprehensive regression model was used that included the predictors of low distribution cost, competitive pricing, technology adoption, and operational efficiency, along with organizational performance. The following standardized coefficient was obtained for operational efficiency: $\beta = .334$, $p < .001$. The coefficient was positive and statistically significant which means that operational efficiency contributed to organizational performance in a statistically significant manner in the regression model. The overall model (all four cost-leadership dimensions) had an R^2 of .799, or explained 79.9% of the variance in organizational performance. The R^2 value is not necessarily about operational efficiency alone, but rather for the full multivariate model.

Qualitative Findings

The qualitative results gave further insight to the quantitative results. Efficient workflows, effective utilization of resources, process optimization, timely service delivery, and fewer delays in the process were cited as key factors for organizational performance. Interviews revealed that streamlined processes helped companies utilize their resources more efficiently and enhance the reliability of services. Operational efficiency was also correlated to customer satisfaction and profitability among the participants. These conclusions and the qualitative observation to go along with them were helpful in supplementing the statistical evidence; they captured the specific mechanisms of operation through which efficiency can be transformed into organizational results.

Discussion

The study found that there was a positive relationship between the efficiency of operation and the performance of the organizations of the alcoholic beverage distribution companies in Machakos County. The $r = .811$ shows that there is a strong positive relationship between the two constructs.

Importance of the finding is that the efficiency of operations is measured not only by the cost savings but also by other aspects. The descriptive findings reveal that among the five outcomes, respondents identified as being associated with efficiency are: reduced wastage, improved productivity, better service delivery, fewer delays, and improved profitability, which are interrelated. The highest description rating was obtained for the statement 'Operational efficiency leads to profitability' ($M = 4.47$). This implies that the respondents could see that they were able to link with efficient processes and financial results. By improving the use of resources and minimizing operational losses, companies could be able to enhance their financial standing without just through sales growth.

The second highest concern was for reduction of wastage ($M = 4.44$). This is in line with Porter's (1985) value-chain view where he argued that competitive advantage can be seen as an efficient performance and coordination of value creating activities. A firm's distribution operations can be more efficient to lower the amount of unnecessary resources used and its cost position. The respondents agreed highly that good processes lead to good productivity ($M = 4.39$). Productivity improvements can happen when organizations standardize activities, remove unnecessary steps, increase the competency of staff and increase the coordination of activities. The delay in workflows is another illustration of the need for process coordination. The mean response for efficient workflows was 4.36, suggesting that the respondents considered efficient workflows to be related to less delays in the process.

The finding is in line with the balanced scorecard perspective. Internal business processes are one of the dimensions used by Kaplan and Norton (1992) that organizations can utilize to enhance their performance. Based on current results, it appears that improvements of internal operations can be linked to customer and financial results for alcohol beverage distributors. The results of the regression confirm. The other dimensions of the larger strategic model were used to yield an operational efficiency of $\beta = .334$ ($p < .001$). This suggests that operational efficiency was still statistically significantly correlated with organizational performance in the multivariate model.

Generally, the findings corroborate the Kenyan evidence in the last few years which has pointed to the impact of internal processes and supply-chain capacity on organizational performance. In Kenyan organizations, there have been significant findings on the relationship of process reviews, integration of the supply chain, supplier visibility, transportation management and efficiency with organizational or operational outcomes.

Results are also in line with the Dynamic Capabilities Theory. Teece (2007) contends that organizational competencies lie in the processes, procedures, structures and routines that facilitate the organizations' ability to adapt to their changing surroundings. In the context of the present study, the capabilities which lead to better workflows, optimal resource allocation, minimization of operational losses and service delivery can be considered as part of the firm's operational capabilities.

The findings are also added to the literature on distribution of alcoholic beverages in Kenya. Previous studies have focused on the logistics, distribution channels and practices in the broader alcohol sector, such as outsourced logistics and green distribution management. The present results complement this discussion by considering the efficiency of distribution industry firms as opposed to manufacturing firms.

Conclusion and Recommendations

Conclusion

The study looked at the relationship between Operational Efficiency and Organizational Performance of Alcoholic Beverage Distribution Companies in Machakos County, Kenya. The findings showed the operational efficiency and organizational performance had a good positive correlation ($r = .811$, $p < .05$). In addition, the larger the number of workers, the more efficient the operation, with a positive regression coefficient ($\beta = .334$, $p < .001$) for the number of workers in the overall multivariate model.

The respondents were more agreeable with the operational efficiencies reducing wastage, increasing productivity, improving service delivery, decreasing workflow delays and improving profitability. The overall mean of the operational-efficiency is 4.39, which shows a good recognition of the significance of efficient operational processes. The qualitative results also showed that good working processes, using the available resources and optimizing the processes are seen as affecting service reliability, customer satisfaction and profitability. The study therefore concludes that the ability to be operational efficiently is one of the capabilities of an organization linked to good performance of alcoholic beverages firms in

Recommendations

Based on the findings, several recommendations are made.

Standardize processes Distribution companies should develop and periodically review standard procedures for important work processes such as inventory management, order entry, dispatch, delivery and customer service. Performance monitoring Managers need to set up measurable operational indicators that include delivery times, wastage, order accuracy, inventory losses, productivity of employees and customer-service indicators. Utilization of resource such as employees, vehicles, inventory, warehouse etc. should be continually assessed. Resource utilization should be related to measurable outcomes. Employee development managers should focus on training that will help employees to perform operational activities efficiently. The training should emphasize process compliance, inventory management, customer service, technology usage and problem solving.

Limitations of the Study

There are a number of limitations to the study.

First, the cross-sectional design leads to the data being organizational conditions at a given point in time. As a result, statistical associations found should not be taken as proof of long-term causal relationships.

Second, the quantitative indicators were based heavily on those that were perceived. Reliability analysis showed that there was good internal consistency, but there is a possibility that some self-reported measures may depend on what a respondent believes.

Thirdly, the study was conducted on the alcoholic beverage distribution companies in the Machakos County. The results may not necessarily be applicable to all distribution companies in Kenya due to variation in the infrastructure services, market features, regulatory framework and company structures.

Longitudinal data, objective organizational-performance data, and comparative analyses between counties and between distribution sectors should therefore be considered for future research.

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