STAKEHOLDER INVOLVEMENT IN STRATEGY FORMULATION IN KENYAN STATE CORPORATIONS

BY

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DECLARATION

This research project is my original work and has never been presented in any other University/College for the award of degree/diploma/certificate.

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This research project has been submitted for examination with my approval as the University supervisor

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Date: 15/11/2011
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DEDICATION

This project is dedicated to the most important women in my life: The late Dortea Adoyo (Nyokiri), the late Grace Jabuto (Mummy), Martha Jabuto (Madhe) and Linda Obimbo (Nyabura). These women stood with me throughout my life and education. When I was falling they reinforced me, when there was darkness they held light spike for me, in rain they provided an umbrella for me, when I was about to give up they encouraged me, they walked with me along the way, in a journey that was bumpy and hectic, recognizing that my achievement in life is their achievement.
ABSTRACT

Stakeholders within organization influence strategy and consequently influence the organization’s purposes that result in formal expectations in terms of achievement. The extents to which organization stakeholders are able to influence organization’s purposes vary and their different power and interests underscore these variations. In State Corporations, the values and expectations of different stakeholder groups play an important role in strategy development.

It is against this background that this study was designed to determine the extent to which various stakeholders are involved in strategy formulation in Kenyan state corporations and establish the factors influencing the extent of involvement of various stakeholders. The study used primary data which were collected using a semi-structured questionnaire with both open and closed ended questions. The questionnaire was administered through mail (drop and pick and e-mail). The study targeted senior and middle level managers from a sample of 50 state corporations drawn randomly.

From the research findings, it was revealed that most state corporations practice strategic planning and that they carry out stakeholder analysis to determine the various stakeholders’ interests which may affect strategy formulation process. The study established that most state corporations involve their stakeholders in strategy formulation and that a numbers of factors influence the extent to which stakeholders are involved. The results indicate that stakeholders are given opportunity to contribute their own ideas during strategy; they are allowed to assess and review the ideas during strategy formulation; there is joint decision making with stakeholders during all stages of the project; and stakeholders are given a chance to assess the whole strategy formulation process. However, it was observed that a considerable proportion of state corporations do not involve their stakeholders in strategy formulation to considerable extents.

Further, it was evident from the study that a wide range of factors come into play to influence the extent of stakeholder involvement in strategy formulation. The research findings showed that all factors that were presented to respondents influenced the extent of stakeholder involvement in strategy formulation. The factors range from the important
insights offered into strategic planning to amount of resources in a stakeholder group’s possession; importance of the resources and availability and expert knowledge of a stakeholder group. It was however evident that even though all the factors presented to respondents influenced the extent of stakeholder involvement to a great extent, not all organizations indicated this fact. This implies that not all factors have the same influence on the extent of stakeholder involvement in all organizations.

It was generally concluded that differences in the state corporations’ activities and stakeholder groups’ characteristics have much bearing on the factors that influence the extent of their involvement.

During the study, several limitations were experienced. First, it was not possible to get 100% response rate due to the busy schedule of some of the respondents who never found time to fill and mail back the questionnaire. Secondly, it was not easy to establish whether or not the targeted respondents are the ones who participated in offering data that was analyzed. This is because the questionnaires were mailed to respective and it was not possible to be present to ensure that the right respondents participated in the study. Lastly, the study was limited to state corporations and may not apply to entire Public service sector in Kenya. This is because state corporations offer unique services in which case stakeholder groups will be varied and the factors influencing their involvement in strategy formulation different depending on the stakeholder group.

The researcher suggest that since this study adopted a descriptive survey research design yet it was not possible for all targeted state corporations to participate in the research, a case study would help bring out some of the unique findings about specific state corporations because such studies are in-depth and hence very detailed. This will also increase chances of getting qualitative data which was not captured during this study.
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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

To cope with the environmental turbulence and uncertainty facing organizations, business executives must effectively manage their stakeholders. Stakeholders include those individuals, groups, and other organizations that influence it. The stakeholder approach systematically integrates executives’ concerns about organizational strategy with the organization’s interest in marketing, Human Resource Management, Public Relations, organizational politics and social responsibility. This integrative perspective assumes that an effective organizational strategy requires consensus from a plurality of key stakeholders about what it should be doing and how these things should be done.

A stakeholder approach emphasizes the importance of investing in the relationships with those who have a stake in the firm. The stability of these relationships depends on the sharing of, at least, a core of principles or values. Thus, stakeholder theory allows managers to incorporate personal values into the formulation and implementation of strategic plans. By assessing each stakeholder’s potential to threaten or to co-operate with the organization, managers may identify supportive, mixed blessing, non-supportive and marginal stakeholders. Therefore, the concept of stakeholder involvement during strategy formulation becomes vital if organizational strategic planning efforts are to bear fruits.

It is on this background that this study sought to find out the extent of stakeholder involvement in strategy formulation in Kenyan State Corporations and the factors that influence the extent of stakeholder involvement in strategy formulation in Kenyan state Corporations.

1.1.1 Stakeholder Involvement

Increasing global competition has made it impossible for one organization to perform all business on its own. Most organizations, private or public, are reaching outside their own pools of resources and creating alliances with customers, suppliers, communities, unions and even rivals. The best organizations have found ways to successfully and efficiently manage the diverse interests of these and other stakeholders. In the process, they have
developed competitive advantage and discovered and exploited opportunities that were previously unimaginable (Donaldson and Preston, 1995).

Organizations are faced with an increasing weight of evidence that they are stakeholder-accountable bodies that require the consent of a range of constituencies for effective operation and that demonstrating socially responsible governance is a way to attain this (Handy, 2002; Key and Popkin, 1998). Strong et al. (2001) categorize stakeholders on the basis of the markets in which they are located: shareholders in capital markets, customers in product or service markets and employees in labor markets. Other commentators make an ethical case for adding diffuse and non-human stakeholders such as “the community” and “the environment” to this list (Greenwood, 2002).

Stakeholder relationships have even been suggested as a source of competitive advantage (Post et al., 2002). This is because those companies with strong relations to other organizations, institutions and partners are in a better position to develop relational rents through relation specific assets, knowledge-sharing routines, complementary resource endowments and effective governance (Dyer & Singh, 1998).

Bloom (2000) notes that it is well recognized that broad-based stakeholders’ involvement and commitment is crucial to successful strategy and action plan implementation and therefore to sustainable organizational development. He notes that broad-based stakeholders’ involvement is grounded on three pillars of stakeholder analysis, namely, inclusiveness (ensure inclusion of full range of different stakeholders, including marginalized and vulnerable groups); relevance (includes only relevant stakeholders—those with significant stake in the process) and gender sensitivity (both women and men should have equal access within the participatory decision making process).

On the basis of these principles, different stakeholders will seek different levels of involvement and various categories can be defined. Listeners are those who need to be informed but do not feel a need to be actively involved in policies and projects. Observers, while not actively involved, are watching the policy assessment process and may become active if access to information is cut off or if they are surprised by events in
the assessment. Reviewers actively watch the assessment process and will review ideas and materials. Advisers contribute their own time and energy and are willing to be actively involved. Their high level of interest and concern must be matched by equally high commitment and efforts by the organization strategy team. Originators are so involved that they help create options. This is a high level of involvement and may be difficult to sustain. Decision-makers are stakeholders who seek a level of involvement where they have a vote in or some control over the decisions made (Bloom, 2000). Therefore, the levels of involvement in strategy formulation range from forming/agreeing to decisions to having an influence on decisions to being heard before decisions and having knowledge about decisions.

1.1.2 Strategy Formulation

Grant (2002) contends that success requires a strategy that provides a consistency of direction based on a clear understanding of the game being played. It involves creation of an acute awareness of how to maneuver into a position of advantage. To avoid uncertainty, which is consistent with risk management, most organizations would craft and implement effective strategies to enable them face the future with more certainty.

Strategy formulation is the development of long term plans for the effective management of environmental opportunities and threats in light of the organization’s strengths and weaknesses. To achieve an effective strategic fit with the environment, strategies should be formulated in a partnership manner that involves consultation and participation. Strategy formulation is thus a social and political process in which interest groups with often conflicting interests and bargaining powers interact. The process should involve key stakeholders who influence and share control over the organizations’ resources. The entire strategy formulation process must have the blessing and active participation of top management and senior managers should play a leading role in the exercise.

Strategy formulation sets the impetus in the entire strategic management process in any organization. According to Bowman (1987) strategy formulation is a decision making process which is primarily concerned with the development of an organization’s
objectives, the commitment of its resources, and dealing with environmental constraints so as to achieve its objectives. Effective strategy formulation is a key ingredient to successful strategic management. Such a process is crucial since different interested parties have to be involved whose contribution is an essential ingredient to success of the process (World Bank, 2000).

As organizations strive to position themselves within turbulent environments, their strategy formulation efforts would be fruitless, more so in their implementation if pertinent stakeholders are not involved in the process. Clear understanding of the potential roles and contributions of the many different stakeholders is a fundamental prerequisite for a successful participatory strategy formulation process. This is because stakeholders' possess' information, resources and expertise needed for strategy formulation and implementation and they also control relevant implementation instruments (Friedman, 2000).

1.1.3 Overview of State Corporations in Kenya

State corporations are owned by the nation, which is represented by the legislators, who in turn have empowered the executive arm to manage and control it within the framework of broad policies and control mechanisms as laid down from time to time. A state corporation has perpetual succession; in its corporate name is capable of suing and being sued and is capable of holding and alienating movable and immovable property.

There is an Inspector of State Corporations whose office is an office in the public service and whose duties are to advise the Government on all matters affecting the effective running of state corporations, to report periodically to the Minister on management practices within any state corporation; and to report to the Controller and Auditor-General and the Auditor-General (Corporations) any cases where moneys appropriated by Parliament are not being applied by state corporations for the purposes for which they were appropriated.
The Kenya government forms state corporations to meet both commercial and social goals. They exist for various reasons including; to correct market failure, to exploit social and political objectives, provide education, health, redistribute income or develop marginal areas. According to Gatamah (2005), state corporations have faced a number of challenges which include; inadequate financial resource allocations for construction, maintenance and rehabilitation of infrastructure; unfavorable contractual commitments; adverse weather conditions; lengthy procurement procedures leading to protracted court cases; fragmented institutional framework, stringent and inefficient regulatory frameworks and increasing demand for services and resources.

1.2 Statement of the Problem
Stakeholder involvement is critical for any given course of action the strategic planning team determines. It offers important insight into planning, facilitates their “buy in” and support for the strategy, allows greater ownership, facilitates better relations, facilitates better decisions and may identify issues not identified by the executive team (Bett and Tepper, 2002). Their involvement is a valuable prelude to the formulation of mission statements for effectiveness of strategies and critical to the implementation success.

The environment of a public corporation is a complex phenomenon and has not yet been conceptualized. It’s more unpredictable and less stable than that of private enterprises, mainly because of its very large socio-political contexts (Koske, 2003). Sometimes depending upon the nature of public corporation, the environment becomes turbulent, confusing the management of the organization in the process (Edwards, 1967).

Public corporations have numerous objectives, more ambiguous and less distinguishable from qualifying conditions. Moreover, they fluctuate in their supposed order of priority, not merely from government to government, nor even from year to year, but almost from day to day at the whim of public and parliamentary option. Management does not have the freedom to optimize its own performance in pursuit of a single objective, or even in pursuit of a number of and compatible one. In attempts to address these challenges, leaders of parastatal are increasingly turning to strategic management as a way to
enhance organizational effectiveness and adapt to the rapidly changing world (Kangoro, 1998). Indeed, the requirement by Kenya Government that all its agencies must undertake strategic planning as part of performance management and the need for State Corporations to be self-sustaining as envisaged in Kenya Vision 2030 further compel Kenyan State Corporations to engage in strategic planning.

As State Corporations strive to position themselves within turbulent environments, their strategy formulation efforts would be fruitless, more so in their implementation if pertinent stakeholders are not involved in the process. Clear understanding of the potential roles and contributions of the many different stakeholders is a fundamental prerequisite for a successful participatory strategy formulation process. The concept of stakeholder involvement in strategy formulation in these organizations is therefore a necessary ingredient for successful implementation and execution of programmes and projects in state corporations.

Whereas a number of studies have been done on various strategic management issues in the Public Sector by many management scholars in Kenya, (Wachira, 2004; Koske, 2003; Karanja, 2004; Kangoro, 1998; Kisingu, 2006 and Gulavic, 2005), the studies have focused on different aspects in the strategic management processes among State Corporations. However, a search of available literature did not find any study that has delved into the involvement of a full range of stakeholders' in strategy formulation among State Corporations' context.

To bridge the inherent knowledge gap, this study focuses on the involvement of stakeholders in strategy formulation among Kenyan State Corporations. The study intends to accomplish this task by asking two specific questions;

i. To what extent are stakeholders involved in strategy formulation among Kenyan State Corporations? and;

ii. What factors influence the extent of their involvement in strategy formulation?
1.3 Objectives of the Study
This study had two objectives:

i. To establish the extent to which the various stakeholders are involved in strategy formulation among Kenyan state corporations in Kenya; and

ii. To establish the factors influencing the extent of involvement of the various stakeholders in strategy formulation among state Corporations in Kenya.

1.4 Value of the Study
The findings of this study may go towards filling existing knowledge gap on stakeholders’ involvement in strategy formulation and the link between the extent of involvement and the success and failure of state corporations in Kenya. The findings of this study will be of immense importance to various parties. First and foremost, it will provide information to future scholars who might need to research on stakeholders’ involvement in strategy formulation among organizations in other sectors of the Kenyan economy.

Secondly, it will bridge the knowledge gap on stakeholders’ involvement in strategy formulation in the Kenyan Public sector and where necessary make recommendations for further research thereby contributing significantly to the body of knowledge on strategy formulation.

Thirdly, this study can also be useful to various stakeholders in enhancing their understanding of their role within the Public sectors’ strategy formulation process and implementation. This will raise stakeholder awareness and hence the demand for more inclusiveness in strategy formulation within the Kenyan public sector.
CHAPTER 2: LITERATURE REVIEW

2.1 Strategy Formulation

Effective strategy formulation is a key ingredient to successful strategic management. Such a process is crucial since different interested parties have to be involved whose contribution is an essential ingredient to the success of the process (World Bank, 2000).

Strategy formulation involves several key activities of establishing a framework for the exercise and reaching a consensus on the objective, purpose and results so that it is appropriate. The entire strategy formulation process must have the blessing and active participation of top management. Senior managers should play a leading role in the exercise. However; strategies should be implemented in a partnership manner that involves consultation and participation of key stakeholders (Rowe, 1994).

Participation is a major concern of the strategy formulation exercise. Top management should devise a staff action plan, which ensures a proper two-way flow of information that gives relevant advice on issues of concern. Various functional groups with often conflicting interests and bargaining power have the opportunity to interact by freely expressing their realities and priorities (Strickland and Thompson, 1996).

A key concern in strategy formulation is to stay focused on the mission and vision of the organization to ensure that these are relevant to the existing external environmental situation. The selection of the approach to setting objectives is the independent choice of top management team possibly influenced by corporate staff or professional advisers.

As organizations strive to position themselves within turbulent environments, their strategy formulation efforts would be fruitless, more so in their implementation if pertinent stakeholders are not involved in the process. Clear understanding of the potential roles and contributions of the many different stakeholders is a fundamental prerequisite for a successful participatory strategy formulation process. This is because stakeholders’ posses’ information, resources and expertise needed for strategy formulation and implementation and they also control relevant implementation instruments (Friedman, 2000).
2.2 The Stakeholder Theory

The origin of the stakeholder concept lies in the business science literature (Freeman, 1984), and may be traced back even as far as Adam Smith and his "The Theory of Moral Sentiments". Today stakeholder theory is found in disciplines as diverse as economics, ethics, marketing and systems science; and has entered mainstream political debate via references to "the stakeholder society" and "the Third Way" (Newell and Scarbrough, 2002). It aligns with multiple constituency models of organizations (Ahmed, 1999) and political theorists view this broader organizational accountability as a form of democratic representation (Middlewood and Cardno, 2001).

Typical definitions of stakeholder from the public and nonprofit sector literatures include the following variants: 'All parties who will be affected by or will affect [the organization's] strategy' (Nutt and Backoff, 1992 p.439). 'Any person, group or organization that can place a claim on the organization's attention, resources, or output, or is affected by that output' (Bryson, 1995p.27). 'People or small groups with the power to respond to, negotiate with, and change the strategic future of the organization' (Eden and Ackermann, 1998p.117). 'Those individuals or groups who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends' (Johnson and Scholes, 2002p.206).

Stakeholder approach to policy making, planning and management is expected to yield two positive results: realistic and more effective policies and plans and improved implementation. These outcomes are achieved because the stakeholder approach improves decision-making processes by making it easier to develop more realistic and effective policies, laws, regulations and projects by bringing greater information and broader experiences into the decision making process; by embedding new initiatives into existing legitimate local institutions and cultural values; and by building political support from, and reducing opposition to, policy proposals, through incorporation of stakeholder concerns (Clarkson,1995).
Beer and Norhia (2000) argue that managers should make decisions so as to take account of the interest of stakeholders in an organization including not only financial claimants but also employees, customers, communities and government officials. Wolfe and Putler (2002) contend that the stakeholder approach facilitates our understanding of increasingly unpredictable environments, thereby enhancing our ability to actually manage within these environments.

In the field of corporate governance and corporate social responsibility, a major debate is ongoing about whether the organization should be managed for the stakeholders, stockholders or customers. Those who support the stakeholder view usually base their arguments on three key assertions. First is that value can best be created by trying to maximize joint outcomes. Secondly, they also take issue with the preeminent role given to stockholders by many business thinkers. The argument is that the debt holders, employees, and suppliers also make contributions and take risks in creating a successful firm. Lastly, these normative arguments would matter little if stockholders had complete control in guiding the firm.

Attention to stakeholders is important throughout the strategic management process because 'success' for public organizations - and certainly survival - depends on satisfying key stakeholders according to their definition of what is valuable (Bryson, 1995; Moore, 1995). As Rainey (1997, p. 38) argues, 'Public agencies are born of and live by satisfying interests that are sufficiently influential to maintain the agencies' political legitimacy and the resources that come with it'. If key stakeholders are not satisfied, at least minimally, according to their criteria for satisfaction, the normal expectation should be that something will change - for example, budgets will be cut, elected or appointed officials will lose their job, new initiatives will be undermined, and so on.

While research in marketing has traditionally emphasized the role of end-customers, especially final consumers, firms often realize that additional stakeholders are of critical importance for their behavior and performance (Greenley and Foxall, 1998; Padanyi and Gainer, 2004). In fact, the number of influential stakeholders firms face is constantly on
the rise, involving groups that gained importance only in recent decades, such as environmentalists, venture capitalists and social responsibility groups (Berman et al., 1999; Bhattacharya et al., 2009; Polonsky et al., 2002; Kenyon and Vakola, 2003).

In summary, Freeman's original work was manifestly strategic in focus, concerned with helping business organizations to operate more successfully in the turbulent environment of the 1980s (Freeman, 1984). Subsequently, three main variants of stakeholder theory evolved in the management literature (Donaldson and Preston, 1995). Instrumental stakeholder theory is the closest to Freeman's original conception, with its emphasis on how best to improve business performance in terms of traditional metrics such as profitability. Normative stakeholder theory is concerned with questions of business ethics, i.e. how managers should attend to the interests of their organizational stakeholders. Descriptive stakeholder theory relates to how organizations actually behave toward their stakeholders (Donaldson and Preston, 1995).

2.3 Stakeholder Involvement in Strategy Formulation

The idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management, suggests that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. The central task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm. A stakeholder approach emphasizes active management of the business environment, relationships and the promotion of shared interests (Edward and McVea, 2000).

A stakeholder approach suggests that we redraw our picture of the firm. For good or ill, there are myriad groups who have a stake in the success of the firm. Many traditional views of strategy have ignored some stakeholders, marginalized others and consistently traded-off the interests of others against favored stakeholder groups. Such an approach may well be appropriate in relatively stable environments (Edward and McVea, 2000). However, in a world of turbulence and accelerating change the limitations of traditional approaches to strategic management become increasingly apparent.
The interests of key stakeholders must be integrated into the very purpose of the firm, and stakeholder relationships must be managed in a coherent and strategic fashion.

According to Edward and McVea, (2000) stakeholder involvement is intended to provide a single strategic framework, flexible enough to deal with environmental shifts without requiring managers to regularly adopt new strategic paradigms. The intention is to break the confusing circle of “environmental shift, development of new strategic framework and the adoption of new strategic practices. Indeed, stakeholder approach is a strategic management process rather than a strategic planning process. Strategic planning focuses on trying to predict the future environment and then independently developing plans for the firm to exploit its position. In contrast, strategic management actively plots a new direction for the firm and considers how the firm can affect the environment as well as how the environment may affect the firm.

The central concern of stakeholder involvement is the survival of the firm, seen in Freeman's words as “the achievement of an organization's objectives” (Freeman, 1984). To survive in a turbulent environment management must direct a course for the firm, not merely optimize current output. To successfully change course, management must have the support of those who can affect the firm and understand how the firm will affect others (as in the long run they may make a reactive response). Therefore, understanding stakeholder relationships is, at least, a matter of achieving the organization’s objectives which is in turn a matter of survival.

Edward and McVea (2000) assert that stakeholder involvement encourages management to develop strategies by looking out from the firm and identifying, and investing in, all the relationships that will ensure long-term success. From this perspective it becomes clear that there is a critical role for values and ‘values-based-management’ within business strategy. Diverse collections of stakeholders can only cooperate over the long run if, despite their differences, they share a set of core values. Thus, for a stakeholder approach to be successful it must incorporate values as a key element of the strategic management process (Edward McVea, 2000)
Finally stakeholder management calls for an integrated approach to strategic decision making. Rather than set strategy stakeholder by stakeholder, managers must find ways to satisfy multiple stakeholders simultaneously. Successful strategies integrate the perspectives of all stakeholders rather than offsetting one against another. This approach does not naively suggest that, by delving into the details, management can turn all constraints and trade-offs into a series of win-win situations. All stakeholders will not benefit all the time. Obviously, even with a detailed understanding of concrete stakeholder relationships, most strategies will distribute both benefits and harms between different groups of stakeholders. Win-win situations are not guaranteed.

2.4 Stakeholder Diversity

Stakeholders include a variety of groups such as customers, employees, communities, political groups, investors/shareholders, governments, suppliers and trade associations (Berman et al., 1999; Donaldson and Preston, 1995; Hill and Jones, 1992). It has often been stated that the attitudes, expectations and work styles of consecutive generations can differ considerably and that each has a defining moment which is seen to determine, influence and illustrate its identity, voice and direction (Twenge, 2006). This constitutes stakeholder diversity.

Diversity is a broad term that refers to a wide range of differences in gender, age, race, disability or condition, sexual orientation, religion or nationality. Simmons, Clemons & Bennett (2003p.82), define diversity as the condition of being different or having differences within, among and between people; the essence of diversity is recognizing and responding to the needs of different cultural and occupational groups within the workforce so that they will stay with an employer.

Stakeholder diversity aims to demonstrate the need for greater recognition by multinational company of the impact of culture, language and communications on business performance and hence, the value adding potential for company’s in recruiting and investing in the development of professional and management staff with

To be successful, an organization needs to understand that diversity is not a problem to be solved, but is an asset to be developed. The organization must build a culture that successfully motivates and generates the highest productivity of all stakeholders, across lines including race, gender, sexual orientation, nationality, religion, age, political affiliation, and disability. It must provide an environment in which differences are not merely tolerated, but valued as promoting creativity, innovation and maximization of individual potential.

2.5 Meaning, Role and Process of Stakeholder Analysis

According to Mankelow (1995), stakeholder analysis is often considered the first step in strategic planning activities at an organizational level. Here managers allow or force their minds to lay out a future business concept considering all parties' needs in addition to their own. Stakeholder analysis typically refers to the range of techniques or tools used to identify and understand the needs and expectations of major interests inside and outside the organization.

Stakeholder analysis identifies the stakeholders and maps out their relative power, influence and interests- in a certain domain or in regard to a specific initiative, identifies the role and action arena of each stakeholder and indicates the relative priority to be given to meeting the interests of the stakeholders, thus assessing the importance of each stakeholder to the success of the project (Morgan and Taschereau, 1996; Brugha and Varvasovszky, 2000). The process of stakeholder analysis is as summarized below (fig.1)
The application of stakeholder analysis has been varied. For example, stakeholder analysis has been used to identify the effects associated with the entry of a large format retailer into a new market (Arnold and Luthra, 2000). Whysall (2000) addressed ethical issues in retailing and the importance of taking a stakeholder perspective. Loan-Clarke et al. (2000) used a stakeholder approach as applied to competence-based management development in small and medium-sized enterprises, while Agle et al. (1999) examined developing a stakeholder analysis relationship among the stakeholder attributes of power, legitimacy, urgency and salience.
2.6 Stakeholder Mapping

Stakeholder mapping is a way of understanding the political contexts and prioritizing the political agenda for an organization. It identifies stakeholder expectation and power and helps in understanding political priorities in terms of the interest and power of each stakeholder groups to impress its expectation on organization’s purpose and choice of strategies (Andriof et al., 2002). According to Clarkson (1995) stakeholder mapping identifies stakeholders’ expectations and power and helps in establishing political priorities.

The first phase of stakeholder mapping is to identify stakeholders. All stakeholders should be initially considered and possibly dropped in later stages of analysis. It is often difficult to force classifications into groups and determine who is considered truly inside and outside the project context (Subrahmanyam and Titman, 2001). To gain a more powerful understanding of needs and expectations; it is usually helpful to identify these stakeholders by name rather than generic terms such as customer, owner and sponsor.

The second phase is to identify stakeholders’ interests, impact level, and relative priority. According to Donaldson and Preston (1995), the key is to keep in mind that identifying interests is done with stakeholders’ perspectives in mind, not one’s own. This is difficult as interests are usually hidden and may contradict openly stated aims. Each interest should be related to the appropriate project phase because interests change as the project moves from beginning to ending phase. This can be summarized in the figure 1 below:
Figure 2: Stakeholder Power versus Interest Grid.

<table>
<thead>
<tr>
<th>Stakeholder power</th>
<th>Power/Interest</th>
<th>LOW</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>HIGH</td>
<td></td>
<td></td>
<td>Context setters (Keep informed)</td>
</tr>
<tr>
<td>LOW</td>
<td>Crowd (Minimal effort)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Subjects (Keep satisfied)</td>
<td></td>
<td>Key Players (Maximum effort)</td>
</tr>
</tbody>
</table>

Stakeholder Interest

Source: Bryson, Cunningham, and Lokkesmoe “What to do when stakeholders matter” (2002) Vol.6, pp. 27

Four categories of stakeholders result: Players, who have both an interest and significant power; subjects, who have an interest, but little power; context setters who have power, but little direct interest; and the crowd, which consists of stakeholders with little interest or power.

Power versus interest grids typically help determine which players’ interests and power bases must be taken into account in order to address the problem or issue at hand. They also help highlight coalitions to be encouraged or discouraged, what behavior should be fostered, and whose “buy in” should be sought, or who should be “co-opted.” Finally, they provide some information on how to convince stakeholders to change their views.

The third phase is to assess stakeholders for importance and influence. Determining whether stakeholders is in a position of strong influence hold negative interests may be critical to project success is also essential in incorporating into an organization’s mission. This level of understanding can be best reached at by conducting a formal assessment of each stakeholder’s level of importance and influence to the project (Subrahmanyam and
Titman, 2001). Stakeholder importance and influence over an organization’s decision making process can be summarized in the figure 2 below:

**Figure 3: Stakeholder Importance-Stakeholder Position Grid**

<table>
<thead>
<tr>
<th>Opposing</th>
<th>Problematic</th>
<th>Antagonistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support</td>
<td>Low priority</td>
<td>Advocate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stakeholder importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Least</td>
</tr>
<tr>
<td>Most</td>
</tr>
</tbody>
</table>


Influence indicates a stakeholder’s relative power over and within a project. A stakeholder with high influence would control key decisions within an organization and have strong ability to facilitate implementation of project tasks and cause others to action. Usually; such influence is derived from the individual’s hierarchical, economic, social or political position, though often someone with personal connections to other persons of influence also qualifies (Mitchell et al., 1997). Importance indicates the degree to which the project cannot be considered successful if needs, expectations, and issues are not addressed. This measure is often derived based on the relation of the stakeholder need to project’s goals and purposes.
The users of the project’s service or product typically are considered of high importance. The combination of the two measures provides the insight not only into how stakeholders interact, but also help identify additional assumptions and risks (Mitchell et al., 1997). Closely related to the importance-position mapping is the identification of stakeholders in relation to the amount of resources in their possession. From such, the following grid (fig.3) provides the various categories of the stakeholder quadrants emanating from such an approach.

**Figure 4: Stakeholder Resource Availability-Importance Grid**

<table>
<thead>
<tr>
<th>Resource Availability</th>
<th>Never</th>
<th>Irrelevant</th>
<th>Antagonistic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Always</strong></td>
<td></td>
<td>Auxiliary Support</td>
<td>Core support</td>
</tr>
<tr>
<td>Least</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Most</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The resource assessment grid indicates to the management how it has to deal with the diverse stakeholder categories in relation to how interested each stakeholder group is to impress its expectations to organization’s choice of strategies; and whether they have the means to do so. The amount of resources of each stakeholder can be applied to bring about his her preferred outcome. Certain stakeholders may be able to apply resources to help their preferred outcomes occur.
The fourth phase is to define stakeholder participation. Now an effort has been made to understand the stakeholders, there is need to assess their level of participation and information needs. A well designed project will not only clarify the key stakeholder roles, but will define as much as possible who participates and when (Subrahmanyan and Titman, 2001). Not all stakeholders need to be involved in all aspects of the project in all life cycle phases. The management has to identify potential grouping of stakeholders. Similar individuals may have similar project information needs. Management has to use this information to reduce project development costs and accompanying communication costs (Freeman, 1984).

The value of stakeholder mapping is to assess whether levels of interest and power of stakeholders reflect governance framework; who are the key blockers and facilitators of change and how this will be responded to; and the extent to which stakeholders will need to be assisted or encouraged to maintain their level of interest or power to ensure successful implementation of strategies (Clarkson, 1995)
3.1 Introduction
This chapter focused on the methods used for data collection and analysis. It highlights the research design, population of the study, sample design, data collection and data analysis.

3.2 Research Design
The study was carried out through a descriptive survey design. Surveys are popular as they allow the collection of a large amount of data from a sizable population in a highly economical way. The survey strategy is perceived as authoritative by people in general and is both comparatively easy to explain and to understand. According to Frankfort-Nachmias and Nachmias (1996), survey method is one of the most important methods of data collection in social sciences and as such it is used extensively to collect information on numerous subjects.

According to Mugenda and Mugenda (1999) the survey research is probably the best method available to social scientists and other educators who are interested in collecting original data for the purpose of describing a population which is too large to observe directly. In addition, a part from just describing data, surveys can be used for explaining or exploring the existing status of two or more variables at a given point in time. Surveys are also excellent vehicles for measurement of characteristics of large population.

3.3 Population of Study
The population of study constituted all state corporations in Kenya. As at June 2011, there were 127 State corporations in Kenya (http://www.communication.go.ke/parastatals.asp). Consideration of all state corporations in the country was done in order to ensure that the findings reflect the strategy formulation practices in all state corporations in Kenya.
3.4 Sample Design

A sample of 50 state corporations was randomly selected from all the state corporations in Kenya. According to Kuul (1984), sampling is the process by which a relatively small number of individuals, object, and event is selected and analyzed in order to find out something about relative population from the selected. The sampled state corporations engage in different activities across the country. According to Mugenda and Mugenda (2003), once the sample data has been analyzed, it can be generalized to represent the whole population.

3.5 Data Collection

A structured questionnaire was used to collect the various sets of data about the nature of activities that the corporations are undertaking, the different stakeholders that matter in decision making, and the extent to which the various stakeholders are involved in strategy formulation. The questionnaire is the most widely used method of data collection in social sciences. It's popular because the researcher has control over the types of data recorded at the time of data gathering. The researcher also has the advantage of determining the data types and how data should be organized. The questionnaire method also helps the researcher to verify and or update information or data from official or archival records. Since the questionnaire is standardized, it will allow easy comparison.

The respondents in these study were senior managers and middle level managers because they were considered to be the ones involved in the development, planning, managing and monitoring the implementation of the various strategies through which the organizations deliver services to the public. The respondents were presented with descriptive statements about stakeholder involvement in strategy formulation in a Likert-scale and were required to score in the Likert scale the extent to which their organization involved stakeholders in strategy formulation. This is because Likert-scale is an important tool for rating responses from respondents on various identified variables (Frankfort-Nachmias and Nachmias, 1996)
The questionnaire was administered through mail “drop and pick” which is a variation of mail survey and through electronic mail (e-mail) for those respondents whose e-mails were obtained.

3.6 Data Analysis

Due to the nature of data that was collected, which was largely quantitative, the study made use of descriptive statistical tools of analysis (standard deviations, mean scores, percentages and frequencies) to analyze the data. Mean scores were appropriate to rate the extent to which stakeholders are involved in strategy formulation as indicated by scores put against each descriptive statement. Standard deviation was used to indicate the variations in responses on both the extent of and the factors that influence stakeholders’ involvement. According to Mugenda and Mugenda (2003), standard deviation is an important statistical measure of dispersion that can be used to measure response variations and therefore can be used for rating of respondents.

Percentages and frequencies showed the proportion of respondents who scored against the different extents of stakeholder involvement in strategy formulation, the sum of which determined the mean scores. The findings of the study were presented in a tabular form for ease of interpretation and reporting. Tables enable the reader to compare or see the trend of the distribution more vividly than simply looking at numbers in a frequency diagram.
CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter presents the findings of the study data. It begins with description of study data and its findings, interprets the study findings and finally provides a discussion of the study results. To achieve the objectives of the study, a total of 50 respondent organizations were randomly sampled and all of them served with questionnaires. Out of these, only 30 responded by filling and returning the questionnaires. This represents a 60% response rate which the study considered adequate for analysis.

4.2 Profile of Respondent Organizations
The study sought to collect data from 50 Kenyan state corporations. It was the intention of the study to first of all establish the respondent organizations profiles. Considered as aspects of organizational profile included the age of the organization (years in operation), scope of operation (countrywide, regionally, or internationally), and areas of operation (commercial or non-commercial).

4.2.1 Age of State Corporations
The findings of the study established that organizations which participated in the study have been in operation for a period ranging 5 years to several decades. The findings revealed that over 70% of the respondent state corporations have been in existence for more than 2 decades with only a few of them (5%) having been in existence for less than a decade. The rest of the state corporations (25%) have been in existence for less than 2 decades. This reflect the fact that most state corporations were established prior to and immediately after Kenya achieved independence in 1963.

4.2.2 Scope of operations of the State Corporations
Among the respondent organizations, the study established that majority of the organizations, (77%) operate countrywide. This is reflective of the fact that most state corporations exist to serve needs of general Kenyan population. The findings of the study with respect to this are presented in table 1 below:
Table 1: Scope of operations of state Corporations

<table>
<thead>
<tr>
<th>Scope</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countrywide</td>
<td>23</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>Regionally</td>
<td>6</td>
<td>20%</td>
<td>97%</td>
</tr>
<tr>
<td>Internationally</td>
<td>1</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data

The findings in table 1 above however indicate that a considerable number of State corporations (20%) operate in Kenya and neighboring countries within East Africa while only a few, 3% operate internationally. This explains that whereas most state corporations were mandated to operate within Kenya, some of them have expanded to operate beyond the Kenyan borders to accommodate changing demands of Kenyans and the rest of the world.

4.2.3 Areas of Operation of State Corporations

The study findings established that state Corporations engage in various activities all of which are geared towards enhancing the socio-economic development of the people of Kenya. Of the 30 state corporations that participated in the study, 57% of them were found to offer non-commercial services while 43% of them engaged in commercial services. It is worth noting that since the formation of State Corporations, they have grown to venture into profit making activities so as to sustain themselves in accordance with Kenya Vision 2030. The findings of the study with respect to this are presented in table 2 below:
Table 2: Areas of Operation of State Corporations

<table>
<thead>
<tr>
<th>Area</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Commercial</td>
<td>17</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td>Commercial</td>
<td>13</td>
<td>43%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Research Data

4.3 Organization Strategy Formulation

Strategy formulation process in state Corporations follows an approach whereby goals and objectives are identified; and strategies to achieve them crafted followed by strategic actions to be put in place in order to implement these strategies to achieve the goals/objectives. It is against this background that this study sought to establish whether the targeted state Corporations practice strategic planning.

The respondents were asked to indicate whether the state Corporations carry out various strategic planning activities and (or) practices. The practices considered in the study included formulation of mission and vision statements; the most prevalent approach/mode used in strategy formulation; the different stakeholders that are affected by or affect the formulated strategies; whether the organizations carry out stakeholder analysis to determine the interest of each of the stakeholder group(s) and whether each of the identified stakeholder group(s) if any is involved during strategy formulation process. The findings of the study are presented in table 3 below:
Table 3: Organization Strategy Formulation

<table>
<thead>
<tr>
<th>Aspect of Strategy formulation</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization engage in strategic planning</td>
<td>Yes=30</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No=0</td>
<td>100%</td>
</tr>
<tr>
<td>Organization have mission statement</td>
<td>Yes=30</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No=0</td>
<td>100%</td>
</tr>
<tr>
<td>Organization have vision statement</td>
<td>Yes=30</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>No=0</td>
<td>100%</td>
</tr>
<tr>
<td>Organization carry out stakeholder analysis</td>
<td>Yes=25</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td>No=5</td>
<td>17%</td>
</tr>
<tr>
<td>Organization involve each stakeholder group during strategy formulation</td>
<td>Yes=23</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>No=7</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Research Data

The research findings in table 3 above show that 100% of the organizations engage in strategic planning and have mission and vision statements, 83% carry out stakeholder analysis, while 77% involve each of the stakeholder group(s) during strategy formulation.

The study also established that there are many stakeholder groups who are affected by or affect parastatal operations. The stakeholders range from international organizations like International Monetary Fund, World Bank etc then Central Government to Local stakeholder groups. Of the various types of stakeholders that were listed by respondents, most of them (68%) is Central Government, 19% are partners and advisors (International Monetary Fund, Africa Development Bank, Local Commercial banks,); 11% are
clients/users of the services (citizens) and 2% constitute the internal stakeholders (employees and directors)

It was also evident from the study that each of these stakeholder groups influence on the organization’s strategy formulation was dependent upon the power of influence wield by a particular stakeholder group, which is itself dependent upon other factors exposed in the subsequent sections of this report.

4.4 Stakeholder Involvement in Strategy Formulation

Stakeholders within organizations influence strategy and consequently end-up influencing the organizations purposes that result in formal expectations in terms of achievement. Clear understanding of the potential roles and contributions of the many different stakeholders is a fundamental pre-requisite for successful strategy formulation process. It is on this background that this study sought to establish the level of stakeholder involvement in strategy formulation in the context of Kenyan state corporations.

Respondents were presented with statements describing the different levels of stakeholder involvement during strategy formulation and were required to rate the statements with respect to the extent to which the state corporations involve stakeholders in strategy formulation. This extent is measured using the mean scores and standard deviation. A mean score of 3.0 and above will indicate stakeholders are involved to a large extent while a standard deviation of 1.0 and above would indicate that there was a high variation among the responses. Table 4 below shows the summary of the research findings.
## Table 4: Stakeholder Involvement in Strategy Formulation

<table>
<thead>
<tr>
<th>Level/stage of Involvement</th>
<th>Mean score</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders are only informed of the policies and decisions that have been made</td>
<td>2.0</td>
<td>1.49</td>
</tr>
<tr>
<td>Stakeholders are only heard before policies and decisions are made but their say may not be considered</td>
<td>2.2</td>
<td>1.29</td>
</tr>
<tr>
<td>Stakeholders have a controlled influence on the strategies and projects of the organization</td>
<td>3.5</td>
<td>1.21</td>
</tr>
<tr>
<td>Stakeholders have a chance to assess the strategy formulation process</td>
<td>3.9</td>
<td>1.01</td>
</tr>
<tr>
<td>Stakeholders assess and review the ideas during strategy formulation</td>
<td>3.8</td>
<td>1.39</td>
</tr>
<tr>
<td>Stakeholders are given a chance to contribute their own ideas during strategy formulation process</td>
<td>4.5</td>
<td>0.90</td>
</tr>
<tr>
<td>Stakeholders act as originators of most alternative courses of action during strategy formulation process</td>
<td>3.6</td>
<td>1.32</td>
</tr>
<tr>
<td>There is joint decision making with stakeholders during all stages of strategy formulation</td>
<td>3.7</td>
<td>1.35</td>
</tr>
<tr>
<td>Stakeholders have a vast control over the organization's control</td>
<td>3.9</td>
<td>1.51</td>
</tr>
</tbody>
</table>

**Source: Research Data**

It is observed that, out of the 9 statements describing the levels of stakeholder involvement, only 2 of them had mean rankings of below 3.0. These two statements describe instances where the level of involvement is low and their low rankings (mean score of 2.0 and 2.2 respectively) indicate that most State Corporations do not sideline their stakeholders during strategy formulation. However, there was a higher degree of variation among respondents (1.49 and 1.29 respectively), an indication that some
organizations sideline their stakeholders during strategy formulation. This implies that in some State Corporations, stakeholders are only informed about policies and decisions that have been made and that they are only heard before policies and decisions are made but their say may or may not be considered.

On the other hand, the results indicate that state corporations involve their various stakeholders during strategy formulation. The findings show that stakeholders are given the opportunity to contribute their own ideas during strategy formulation process with a mean ranking of 4.5 and a standard deviation of 0.90; they are allowed to assess and review the ideas during strategy formulation; and there is joint decision making with stakeholders during all stages of strategy formulation both with a mean ranking of 3.8, 3.7 and standard deviations of 1.39 and 1.35 respectively. These are closely followed by stakeholders being given a chance to assess the whole strategy formulation process, with a mean ranking of 3.8 and standard deviation of 1.39. The results also indicate that even though stakeholder’s controlled influence on the strategies of the organization had a mean ranking of 3.5 its standard deviation of 1.21 shows great variation with respect to extent to which they do so. The same applies to stakeholders acting as originators of most alternative courses of action during strategy formulation process and having a vast control over the organizations strategies, both with a mean ranking of 3.6 and 3.9 respectively and standard deviations of 1.32 and 1.51 respectively.

However, it is worth noting that the research findings in table 4 above show that a considerable proportion of respondent organizations do not involve their stakeholders in strategy formulation to significant extents because of the large degrees of variation as indicated by the magnitude of standard deviations of the various levels of involvement. It is therefore evident that in as much as the findings indicate great extents of stakeholder involvement during strategy formulation, this is not necessarily the case in all the state corporations.
4.5 Factors Influencing the Extent of Stakeholder Involvement in Strategy Formulation

Previous sections of the findings indicate that Corporations involve stakeholders in strategy formulation to various extents. It was also noted that different stakeholders get involved to different extents depending on the role they play, their interests and extent to which they seek to be involved. This study sought to establish whether there could be factors that influence the extent of stakeholder involvement in strategy formulation among state corporations. A summary of study findings are presented in table 5 below:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mean score</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>It offers important insight in to strategic planning</td>
<td>4.0</td>
<td>0.97</td>
</tr>
<tr>
<td>Expert knowledge of stakeholder group</td>
<td>3.9</td>
<td>0.98</td>
</tr>
<tr>
<td>Negotiation and consensus building skills possessed by stake holder group</td>
<td>4.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Strategic resources held by a stakeholder group</td>
<td>3.9</td>
<td>0.96</td>
</tr>
<tr>
<td>Amount of resources in a stakeholder group’s possession, importance of the resources andavailability</td>
<td>4.2</td>
<td>0.88</td>
</tr>
<tr>
<td>Level of importance of stakeholder group in relation to other stakeholders</td>
<td>4.3</td>
<td>1.30</td>
</tr>
<tr>
<td>The nature of relationships among various stakeholder group</td>
<td>3.5</td>
<td>1.45</td>
</tr>
<tr>
<td>Potential level of project impact to various stakeholder group</td>
<td>3.6</td>
<td>1.15</td>
</tr>
<tr>
<td>The authority attached by stakeholder group to the success of a project</td>
<td>3.7</td>
<td>1.30</td>
</tr>
<tr>
<td>Factor</td>
<td>Mean score</td>
<td>Standard deviation</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------</td>
<td>------------</td>
<td>--------------------</td>
</tr>
<tr>
<td>It facilitates “buy-in” and the support for the strategy</td>
<td>3.3</td>
<td>1.22</td>
</tr>
<tr>
<td>It allows greater ownership of the strategy</td>
<td>3.4</td>
<td>1.20</td>
</tr>
<tr>
<td>The nature of goals of various stakeholder groups</td>
<td>3.7</td>
<td>1.21</td>
</tr>
<tr>
<td>Facilitates between decision and may identify issues not addressed by the executive team</td>
<td>3.6</td>
<td>1.29</td>
</tr>
<tr>
<td>The degree to which stakeholder is integrated in a particular project</td>
<td>3.8</td>
<td>0.90</td>
</tr>
<tr>
<td>The degree and position of influence held by a stake holder group</td>
<td>3.5</td>
<td>1.33</td>
</tr>
<tr>
<td>Legal requirement</td>
<td>3.4</td>
<td>1.25</td>
</tr>
<tr>
<td>Vital for promoting equity and social justices organization and within their organization</td>
<td>3.7</td>
<td>1.24</td>
</tr>
<tr>
<td>The extent to which a stakeholder group has power to determine the nature of strategies</td>
<td>3.6</td>
<td>1.31</td>
</tr>
</tbody>
</table>

**Source: Research Data**

The factors influencing the extent of stakeholder involvement are measured using the mean score and standard deviation. A mean score of 3.0 and above will mean that a factor influences the extent of involvement to a great extent. A standard deviation of 1 and above will indicate high variability among respondents with respect to particular factor.

The findings in table 5 above indicate that according to the respondents, all factors contribute to influence the extent to which state corporations involve different stakeholders in strategy formulation. It is also evident from high levels of variations as indicated by the standard deviations that not all factors have the same magnitude of influence on the extent of stakeholder involvement in strategy formulation in state corporations.
However, it was evident that state corporations considered the following factors more important in determining the extent of stakeholder involvement in strategy formulation. These factors included: It offers important insight in to strategic planning, expert knowledge of stakeholder group, strategic resources held by a stakeholder group, amount of resources in a stakeholder group’s possession, importance of the resources and availability and the degree to which stakeholder is integrated in a particular project. These factors had very high means scores and low standard deviations of 4.0, 3.9, 3.9, 4.2, 3.8 and 0.97, 0.98, 0.96, 0.88, 0.90 respectively.

4.6 Discussion of Results
The research findings on extent of stakeholder involvement in strategy formulation reaffirm the position taken by Bloom (2000) that organizations will seek to involve stakeholders in strategy formulation depending upon the level of involvement sought by the various stakeholders. On the basis of the basis of these, there are stakeholders who are Listeners- those who need to be informed but do not feel a need to be actively involved in policies and projects; Observers-those who while not actively involved, are watching the policy assessment process and may become active if access to information is cut off or if they are surprised by events in the assessment; Reviewers-those who actively watch the assessment process and will review ideas and materials; Advisers-those who contribute their own time and energy and are willing to be actively involved. Their high level of interest and concern must be matched by equally high commitment and efforts by the organization strategy team; Originators-those who are so involved that they help create options. This is a high level of involvement and may be difficult to sustain and the decision-makers-those who seek a level of involvement where they have a vote in or some control over the decisions made. These groups of stakeholders are represented by the mean rankings of 3.9; 3.8; 4.5; 3.6; 3.7 and 3.9 respectively.

The findings on extent of stakeholder involvement further assert Friedman’s (2002) argument which is based on experience that inclusion of the full range of stakeholders is not only an essential pre-condition for successful participatory decision making but also vital for promoting equity and social justice in organizations within their environments. The findings also corroborate that not all stakeholder groups will be involved in all
phases of planning process. This is in agreement with Subrahmanyam and Titman’s(2001) assertion that a well designed project will define as much as possible who participates and when.

Further, the findings on factors that influence the extent of stakeholder involvement in strategy formulation are congruent to observations by Bett and Tepper (2002) that stakeholder involvement in strategy formulation offers important insight into planning facilitates their “buy-in” and support for the strategy, allows greater ownership, facilitates better decisions and may identify issues not addressed by the executive team.

The study findings are also reflective of Clarkson’s (1995) assertion that the stakeholder approach to policy making, planning and management is expected to yield two outcomes: realistic and more effective policies and plans and improved implementation. The findings are a demonstration of Clarkson’s view that these outcomes are achieved because the stakeholder approach improves decision making process by making it easier to develop more realistic and effective policies, laws, regulations and projects by bringing greater information and broader experiences into decision making process by embedding new initiatives into existing legitimate local institutions and cultural values; and by building political support from, and reducing opposition to policy proposals through incorporation of stakeholder concerns.

In general, it is also evident from the findings that not all stakeholder groups will be involved in all stages of strategy formulation. This is in agreement with Subrahmanyan and Titman’s(2001) assertion that designed strategy will not only clarify key stakeholders roles, but will define as much as possible who participates and when. Not all stakeholders need to be involved in all stages of strategic planning. Also; observations by Mitulla and Ngunyi (1990) are confirmed by the findings that the extent of involvement will be dependent upon what particular decisions will stand to benefit from a wider field of expertise and creativity possessed by particular stakeholder group.
CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents a summary of the research findings, the conclusions, limitations of the study and suggestions for further research.

5.2 Summary of findings
The objectives of the study were to determine the extent to which various stakeholders are involved in strategy formulation in state corporations in Kenya and to establish the factors influencing the extent to which stakeholders are involved.

The research findings on objective one which aimed at establishing the extent of stakeholder involvement in strategy formulation revealed that most state corporations practice strategic planning and that they carry out stakeholder analysis to determine the various stakeholders' interests which may affect strategy formulation process. The study established that most state corporations involve their stakeholders in strategy formulation. The results indicate that stakeholders are given opportunity to contribute their own ideas during strategy; they are allowed to assess and review the ideas during strategy formulation; there is joint decision making with stakeholders during all stages of the project; and stakeholders are given a chance to assess the whole strategy formulation process.

Further, the research findings showed that there are proportions of respondent organizations that involve stakeholders to no extent at all and to a fairly great extent. It was therefore evident that in as much as the findings were indicative of great extents of stakeholder involvement in strategy formulation, this is not applicable to all organizations.

The findings on research objective two which aimed at establishing the factors that influence the extent to which stakeholders are involved in strategy formulation showed that a wide range of factors come into play to influence the extent of stakeholder involvement in strategy formulation. The research findings showed that all factors that
were presented to respondents influenced the extent of stakeholder involvement in strategy formulation. The factors range from the important insights offered into strategic planning to amount of resources in a stakeholder group’s possession; importance of the resources and availability and expert knowledge of a stakeholder group. It was however evident that even though all the factors presented to respondents influenced the extent of stakeholder involvement to a great extent, not all organizations indicated this fact. This implies that not all factors have the same influence on the extent of stakeholder involvement in all organizations. The findings were found to be congruent with most authors’ assertion (Bett and Tepper, 2002; Clarkson, 1995).

With respect to study objectives, it was established that in general, organizations involve their stakeholders in strategy formulation and that a number of factors influence the extent to which the stakeholders are involved in strategy formulation. It was established that stakeholders are given the opportunity to contribute their own ideas during strategy formulation process; they are allowed to assess and review the ideas during strategy formulation; there is joint decision making with stakeholders during all stages of strategy formulation; and stakeholders are given a chance to assess the whole strategy formulation process. It was however, observed that a considerable proportion of respondent organizations do not involve their stakeholders in strategy formulation to considerable extents.

5.3 Conclusion
The findings of this research have unearthed a number of issues regarding the extent of stakeholder involvement in strategy formulation and the factors that influence their involvement in Kenyan state corporations. The overall results show that most corporations practice strategic planning and they carry out stakeholder analysis to determine various stakeholders’ interests which may affect their strategy formulation process. The findings indicate that a number of state corporations recognize the need to involve stakeholders in strategy formulation and that different factors influence the extent to which various stakeholders get involved in strategy formulation. Although most state corporations indicated that they involve stakeholders to a great extent, it should be noted that not all state corporations have embraced this concept.
It is evident from the study that a wide range of factors come into play to influence the extent of stakeholder involvement in strategy formulation. It is also apparent that even though all the factors presented to respondent organizations influence the extent of stakeholder involvement in strategy formulation to a great extent, not all organizations indicated this fact. This implies that not all factors will have the same influence on the extent of stakeholder involvement in organizations. It may not be therefore realistic to make an absolute conclusion to the effect that the factors have the same magnitude of effect. Differences in state corporations' activities and stakeholder group characteristics have much bearing on the factors that influence the extent of their involvement.

5.4 Limitations of the Study
The findings of this study should be interpreted with the following limitations in mind. First, it was not possible to get 100% response rate due to the busy schedule of some of the respondents who never found time to fill and mail back the questionnaire.

Secondly, there is limitation of authenticity of the data received. It was not easy to establish whether or not the targeted respondents are the ones who participated in offering data that was analyzed. This is because the questionnaires were mailed to respective and it was not possible to be present to ensure that the right respondents participated in the study.

Thirdly, the study was limited to state corporations and may not apply to entire Public service sector in Kenya. This is because state corporations offer unique services in which case stakeholder groups will be varied and the factors influencing their involvement in strategy formulation different depending on the stakeholder group.

5.5 Suggestions for further Research
In connection with further research, the researcher suggest that since this study adopted a descriptive survey research design yet it was not possible for all targeted state corporations to participate in the research, a case study would help bring out some of the unique findings about specific state corporations because such studies are in-depth and hence very detailed. This will also increase chances of getting qualitative data which was not captured during this study.
REFERENCES


APPENDICES

Appendix 1: Questionnaire

PART A: ORGANIZATION PROFILE

1. Name of the state corporation

2. Year of establishment

3. Major areas of operation/nature of services offered
   a) Commercial
   b) Non commercial
   c) Any other specify

4. Geographic areas in which the corporation affects its services
   a) Urban areas Specify where ...........
   b) Rural areas Specify where ............
   c) Both urban and rural areas

5. Scope of the organization’s operation (Tick)
   a) Countrywide
   b) Regional (within EA)
   c) International (beyond EA)
PAERT B: ORGANIZATION STRATEGY FORMULATION

1. Does your organization engage in strategic planning?
   Yes
   No

2. Does your organization have vision and mission statements?
   a) Vision statement
   b) Mission statement

3. How are the organization’s strategies formulated?
   a) Through a formal process
   b) Through informal process
   c) Through both formal and informal processes

4. Please list below different stakeholders that affect or are affected by your organizations activities.
   i. ............................................................
   ii. ............................................................
   iii. ............................................................
   iv. ............................................................
   v. ............................................................
   vi. ............................................................

5. Does your organization carry out a stakeholder analysis to determine the interests of each of the above groups of stakeholders in the organizations activities?
   Yes
   No
6. Rank the above stakeholders in terms of the amount of power to influence your organization strategy
   i. ..............................................................
   ii. ..............................................................
   iii. ..............................................................
   iv ..............................................................
   v ..............................................................
   vi ..............................................................

7. Does your organization involve each of the stakeholders group during strategy formulation?
   Yes
   No

8. The following are the stages/levels of stakeholder involvement during your organization’s strategy formulation. In a scale of 1-5 indicate (by ticking as appropriate) the extent to which your organization involves stakeholders in strategy formulation. Use the key below:

<table>
<thead>
<tr>
<th>Level/stage of Involvement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders are only informed of the policies and decisions that have been made</td>
<td></td>
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<tr>
<td>Stakeholders are only heard before policies and decisions are made but their say may not be considered</td>
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<tr>
<td>Stakeholders have a controlled influence on the strategies and projects of the organization</td>
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<tr>
<td>Stakeholders have a chance to assess the strategy formulation</td>
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</tbody>
</table>

45
9. The following are the factors that influence the extent of stakeholder’s involvement during your organizations strategy formulation. In a scale of 1-5 indicate by (ticking as appropriate) the extent to which each of the factors influences the extent to which your organization involves stakeholders in strategy formulation.

**Use the key below:**

1-Not at all  
2- To a less extent  
3-To a fairly extent  
4-To a great extent  
5-To a very great extent
<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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<tbody>
<tr>
<td>It offers important insight into strategic planning</td>
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<tr>
<td>Expert knowledge of stakeholder group</td>
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<tr>
<td>Negotiation and consensus building skills possessed by stakeholder group</td>
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<tr>
<td>Strategic resources held by a stakeholder group</td>
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<tr>
<td>Amount of resources in a stakeholder group’s possession, importance of the resources and availability</td>
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<tr>
<td>Level of importance of stakeholder group in relation to other stakeholders</td>
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<tr>
<td>The nature of relationships among various stakeholder group</td>
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<tr>
<td>Potential level of project impact to various stakeholder group</td>
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<tr>
<td>The authority attached by stakeholder group to the success of a project</td>
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<tr>
<td>It facilitates “buy-in” and the support for the strategy</td>
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<td>It allows greater ownership of the strategy</td>
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<td>The nature of goals of various stakeholder groups</td>
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<td>Facilitates between decision and may identify issues not addressed by the executive team</td>
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<td>The degree to which stakeholder is integrated in a particular project</td>
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<tr>
<td>The degree and position of influence held by a stakeholder group</td>
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<td>Legal requirement</td>
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<tr>
<td>Vital for promoting equity and social justices organization and within their organization</td>
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<tr>
<td>The extent to which a stakeholder group has power to determine the nature of strategies</td>
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</tbody>
</table>

Thank you for your co-operation!
Appendix 2: List of State Corporations in Kenya

1. Agricultural Development Corporation
2. Agricultural Finance Corporation
3. Agro-Chemical & Food Company Ltd
4. Athi Water Services Board
5. Bomas of Kenya Ltd
6. Capital Markets Authority
7. Catchment Area Advisory Committee
8. Catering Tourism and Training Development Levy Trustees
9. Central Water Services Board
10. Chemelil Sugar Company Limited
11. Coast Development Authority
12. Coast Water Services Board
13. Coffee Board Of Kenya
14. Coffee Research Foundation
15. Commission for Higher Education
16. Communication Commission of Kenya
17. Consolidated Bank of Kenya
18. Cooperative College of Kenya
19. Council for Legal Education
20. Deposit Protection Fund Board
22. Egerton University
23. Ewaso Ng'iro South Development Authority
24. Export Processing Zone Authority
25. Export Promotion Council
26. Gilgil Telecommunications Industries
27. Higher Education Loans Board
28. Horticultural Crops Development Authority
29. Horticulture Crops Development Authority
30. Industrial and Commercial Development Corporation
31. Industrial Development Bank
32. Investment Promotion Centre
33. Jomo Kenyatta University of Agriculture and Technology
34. KASNEB
35. Kenya Agricultural Research Institute
36. Kenya Airports Authority
37. Kenya Anti-Corruption Commission
38. Kenya Broadcasting Corporation
39. Kenya Bureau of Standards
40. Kenya Bureau of Standards (KEBS)
41. Kenya Civil Aviation Authority
42. Kenya College of Communication & Technology
43. Kenya College of Communications Technology
44. Kenya Dairy Board
45. Kenya Electricity Generating Company
46. Kenya Ferry Services Limited
47. Kenya Forestry Research Institute
48. Kenya Industrial Estates
49. Kenya Industrial Property Institute
50. Kenya Industrial Research & Development Institute
51. Kenya Institute Of Administration
52. Kenya Institute of Public Policy Research and Analysis
53. Kenya Literature Bureau
54. Kenya Marine & Fisheries Research Institute
55. Kenya Maritime Authority
56. Kenya Meat Commission
57. Kenya National Assurance Company
58. Kenya National Examination Council
59. Kenya National Library Service
60. Kenya National Shipping Line
61. Kenya National Trading Corporation Limited
62. Kenya Ordinance Factories Corporation
63. Kenya Pipeline Company Ltd
64. Kenya Plant Health Inspectorate Services
65. Kenya Ports Authority
66. Kenya Post Office Savings Bank
67. Kenya Railways Corporation
68. Kenya Re-insurance Corporation
69. Kenya Revenue Authority
70. Kenya Roads Board
71. Kenya Safari Lodges & Hotels
72. Kenya Seed Company Ltd
73. Kenya Sisal Board
74. Kenya Sugar Board
75. Kenya Sugar Research Foundation
76. Kenya Tourist Board
77. Kenya Tourist Development Corporation
78. Kenya Utali College
79. Kenya Water Institute
80. Kenya Wildlife Service
81. Kenya Wine Agencies Limited
82. Kenyatta International Conference Centre
83. Kenyatta University
84. Kerio Valley Development Authority
85. Lake Basin Development Authority
86. Lake Victoria South Water Service Board
87. Lake Victoria South Water Service Board
88. Local Authority Provident Fund
89. Maseno university
90. Moi University
91. National Aids Control Council
92. National Bank of Kenya
93. National Cereals and Produce Board
94. National Council for Law Reporting
95. National Environmental Management Authority
96. National Hospital Insurance Fund
97. National Housing Corporation
98. National Irrigation Board
100. National Oil Corporation of Kenya Ltd
101. National Social Security Fund (NSSF)
102. National Water Conservation and Pipeline Corporation
103. National Co-ordinating Agency for Population and Development
104. New K.C.C
105. NGO's Co-ordination Bureau
106. Numerical Machining Complex
107. Numerical Machining Complex
108. Nyayo Tea Zones Development Corporation
109. Nzoia Sugar Company
110. Pest Control Products Board
111. Postal Corporation of Kenya
112. Pyrethrum Board of Kenya
113. Retirement Benefits Authority
114. Rift Valley Water Services Board
115. School Equipment Production Unit
116. South Nyanza Sugar Company
117. Sports Stadia Management Board
118. Tana and Athi Rivers Development Authority
119. Tea Board Of Kenya
120. Tea Research Foundation Of Kenya
121. Teachers Service Commission
122. Telkom (k) Ltd
123. University of Nairobi
124. University of Nairobi Enterprises & Services Ltd
125. Water Resources Management Authority
126. Water Services Regulatory Board
127. Western University College of Science and Technology