CHALLENGES FACED IN THE INVOLVEMENT OF STAKEHOLDERS IN STRATEGY FORMULATION OF THE ELECTRICITY SECTOR IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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DEDICATION

This study is dedicated to my family for their constant encouragement and patience throughout my academic struggle thus realizing my long cherished dream.

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ABBREVIATIONS AND ACRONYMS

KENGEN: Kenya Electricity Generating Company Limited

KPLC: Kenya Power and Lighting Company

GDC: Geothermal Development Company

MOEP: Ministry of Energy and Petroleum

IPP: Independent Power Producers

KETRACO: Kenya Electricity Transmission Company

ERC: Energy Regulatory Commission

REA: Rural Electrification Authority

PPA: Power Purchase Agreement

SSA: Steam Supply Agreement

ESA: Electricity Supply Agreement

ESI: Electricity Supply Industry in Kenya

ABSTRACT

The strategic thinking phase in the evolution of strategy making is characterized by synthetic, divergent and creative thought processes interwoven with analytical, convergent and logical thought to more effectively deal with a complex, uncertain and rapidly changing external environment (Stacey, 2003). Despite the importance of stakeholder involvement in strategy formulation no study has been done on stakeholder involvement in strategy formulation in the Electricity Sector in Kenya. The aim of this study therefore was to bridge this gap by investigating the extent to which stakeholders were involved in strategy formulation and the challenges managers faced while involving the stakeholders. The study adopted descriptive research design. The population of the study was 6 Electricity Corporations and 5 IPPs in Kenya. The study sample was 26 respondents. The study collected both primary and secondary data. Primary data was collected using a questionnaire while secondary data was obtained from records of the companies. Data was analyzed by descriptive analysis. From the findings, the study concludes that stakeholders play an important role in the strategy formulation process in the electricity sector in Kenya. The challenges faced while involving stakeholders in strategy formulation in the energy sector affected the ESIs to a great extent. The poor stakeholder engagement practices, diverse stakeholders' views and expectation, impossibility of engagements with certain stakeholders such as natural environment and future generations, stakeholder identification and prioritization problems, conflicting stakeholder and organizational interests and interpretation of the stakeholder engagement process are key challenges that affect organization's strategy formulation efforts. There are numerous challenges that organizations face as they engage with their stakeholders in the strategy formulation process. The stakeholders' involvement in the strategy formulation process in the Electricity Sector in Kenya was to a limited extent; therefore, the study recommends that the management of Electricity Sector in Kenya should enhance the level of stakeholders' involvement in the strategy formulation. This should be coupled with both the ESIs and stakeholders maintaining a good and a long term relationship. Given that there are diverse challenges faced in involving stakeholders in strategy formulation, the study recommends that the ESI players should develop strategy to mitigate as well as cope with challenges faced in involving stakeholders in strategy formulation in the Kenyan energy sector. Involvement of stakeholders in strategy formulation of the electricity sector in Kenya will involves scanning, selecting, interpreting and validating information relating to the organizations in the sector. It will take some of the organization's stakeholders to articulate and agree on vision and direction. In theory, the study creates emphasis on the existence of a dynamic and complex relationship between organizations and their stakeholders and, emphasizes the management of these relationships. Therefore, stakeholder theory plays a significant role in understanding the stakeholders' influences on organizations' actions and how organizations respond to these influences.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategy formulation is the process of determining appropriate courses of action for achieving organizational objectives and thereby accomplishing organizational purpose. The process involves scanning, selecting, interpreting and validating information relating to the organization. Creating a strong strategy for an organization is not an easy task. It takes several of the organization's stakeholders to articulate and agree on vision and direction. Stakeholders are individuals and organizations who are actively involved in the organization, or whose interests may be positively or negatively affected as a result of what the organization does. Stakeholders have expectations about how the firm should behave and what the firm should provide in terms of economic, social, and psychological benefits. Firms are usually accountable to a broad range of stakeholders, both internal and external. Therefore, managers are increasingly expected to consider a growing number of stakeholders when formulating and implementing strategy.

This study was based on two theories; Stakeholder theory and Stakeholder engagement theory. Stakeholder theory recognizes the existence of a dynamic and complex relationship between organizations and their stakeholders (Gray, Owen & Adams 1996) and, emphasizes the management of these relationships (Friedman & Miles 2002). Therefore, stakeholder theory plays a significant role in understanding the stakeholders' influences on organizations' actions and how organizations respond to these influences. Stakeholder engagement theory aims at enhancing mutual understanding and alignment between organizations and their stakeholders (Gable & Shireman 2005).

The electricity sector play a major role in economic growth given its importance in the long-term development goal as articulated in the Vision 2030. Electricity has been identified as a key driver of growth in supporting productive sectors of the economy and a key input in both social and political pillars. Therefore, the government has been heavily investing in power generation expansion as well as putting in place adequate system support infrastructure including an extensive transmission and distribution network. This has been aimed at promoting equitable access to quality energy services at least cost while protecting the environment. The corporations under the electricity sub-sector are thus required to formulate and implement strategies for generation, transmission and distribution of electricity to drive the economic growth articulated in the vision 2030. Given the large number of stakeholders both internal and external, managers in these corporations are required to spend a considerable amount of time and funds involving them when formulating strategies.

1.1.1 Strategy Formulation

Strategy formulation and development is the development of long term plans for the effective management of opportunities and threats in light of the organization's strengths and weaknesses. On the other hand strategy implementation is the process that turns formulated strategies and plans into actions to accomplish objectives.

Strategy formation traditionally involves the use of analytical tools and highly structured processes (Heracleous, 1998; Wilson, 1998; Mintzberg 1994; Porter, 1980). This approach continues to assist in surfacing the wicked nature of strategic issues and testing of assumptions in strategy making, (Christensen, 1997; Mason and Mitroff, 1981), however theorists and practitioners in the past decade have identified a shift to more emergent characteristics in the strategy making process combining stakeholder considerations and strategic conversations during strategy formation with

selected stakeholders (Moss Kanter, 2002; Liedtka 1998, Heracleous, 1998; Christensen, 1997). The first acknowledgements of the approach to consider stakeholder needs in strategy formation date back to Freeman (1984).

Strategic management is primarily concerned with exploring one central issue of what produces performance heterogeneity among competitors. The strategy formulation processes in organizations have been broadly explained through two approaches namely planning and learning schools. These two schools are also known as prescriptive and descriptive schools respectively (Mintzberg et al., 1998; Mintzberg and Lampel, 1999).

The planning school approach is probably the oldest and the most widely used approach in the field of strategic management. This approach involves a systematic analysis of the external environment as well as the resources and capabilities of the organization on a regular basis, generation and evaluation of strategic alternatives and formally choosing the best possible strategy (Ansoff, 1984).

Broadly speaking the learning schools advocate adaptation, that is to say, moving faster to adapt better to changing environments, thereby minimizing the need for predictive rationality. The learning schools suggest that organizations experiment and move quickly to capture new opportunities. While learning schools present a holistic approach to strategy making, they may not provide a clear and concrete direction for the organization.

1.1.2 Stakeholders Involvement in Strategy Formulation

According to Hitt, Freeman and Harrison (2001, p.190) the use of the term stakeholder emerged in the 1960s from pioneering work at Stanford Research Institute, which argued that managers needed to understand the concerns of

shareholders, employees, lenders and suppliers, in order to develop objectives that stakeholders could support. The impetus behind stakeholder management was to try and build a framework that was responsive to the concerns of managers who were being buffeted by unprecedented levels of environmental turbulence and change.

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. Stakeholder participation is a key element to an organizations success that needs to be embraced by organizations. Every group or individual who is affected or-affects- an organization is a stakeholder and needs to be given an opportunity to participate in the affairs of the organization.

According to Kasimbu (2010) stakeholders are given the opportunity to contribute their own ideas during the 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 the project; 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.

1.1.3 Electricity Sector in Kenya

The Kenya electricity sector market is liberalized with the several players involved. There are three distinct levels in the market; generation, transmission and distribution with a regulatory body. The energy sector as a whole has been undergoing restructuring and reforms as articulated in the Sessional Paper No.4 of 2004 and the Energy Act No.12 of 2006.

The institutional arrangement in the electricity sector in Kenya comprise the Ministry of Energy and Petroleum (MOEP), Energy Regulatory Commission (ERC), Kenya Generating Company (KenGen), Kenyan Power and Lighting Company (KPLC), the Rural Electrification Authority (REA), Kenya Electricity Transmission Company (KETRACO), Geothermal Development Company (GDC) and Independent Power Producer (IPPs). KenGen which accounts for close to 80% of generation, the balance being provided by five (5) IPPs, namely Iberafrica Power (EA) Ltd, Tsavo Power Company Ltd, OrPower4 Inc, Mumias Sugar Company Ltd and Rabai Power . KPLC is responsible for transmission, distribution and retail supply of electrical energy to end users. KPLC purchases power in bulk from KenGen and the IPPs through bilateral contracts or Power Purchase Agreements (PPAs) approved by ERC. REA is mandated to develop and update the rural electrification master plan, implement the rural electrification programme and promote the use of renewable energy sources. GDC was formed in 2009 for the purpose of exploiting the hugely untapped geothermal energy potential, and KETRACO was also formed in 2009 to develop new transmission lines. Other operators in the electricity supply include James Finlay, Sotik Tea Company, Sotik Highlands Tea Estate, Oserian Development Company, Pan African Paper Mills, Unilever Tea Kenya Ltd and Tiomin, who are licensed to generate electrical energy for own use. (ERC, 2014)

The major sources of electricity in Kenya are hydro, geothermal, thermal and wind. The interconnected system in Kenya has a total installed capacity of 1,731 MW made up of 812 MW of hydro, 523 MW of fossil oil plants, 248 MW of geothermal, 5.1 MW of wind 26MW from cogeneration and 120MW capacity of temporary diesel power. The isolated mini-grids have a total capacity of 18MW. The total effective interconnected system capacity is 1,634 MW during normal hydrology. (KPLC, Annual Accounts and Statistics 2012/2013).

1.1.4 Stakeholders in Electricity Sector in Kenya

Stakeholders in the electricity sector include all the players involved in development, generation, transmission and distribution of electricity, the Government, customers, employees, regulators, financiers, investors, suppliers, the general public and various communities among others. The institutional arrangement in the electricity sector depicts that the players are key stakeholders of each other, for example a generation company will require consulting with a transmission company on their strategies for new generation to ensure that they also plan on power evacuation grid. Bilateral contracts such as Power Purchase Agreement (PPA), Steam Supply Agreement (SSA) and Electricity Supply Agreement (ESA) represent the stakeholder relations within the sector.

The government is the primary corporate stakeholder and the final arbiter of what the electricity sector corporations must do. The government determines who benefits from corporate actions. There are many important reasons to establish and maintain good working relationships with governmental authorities at different levels, and to keep them informed of the project's activities and anticipated impacts. Government support can be critical to the success of a project, and routine engagement with various regulatory and public service authorities is often required as part of doing business. On a practical level, local government authorities may have long-established relationships with project-affected communities and other local and national stakeholder groups, and as such can play a role in convening and facilitating discussions between the project and stakeholder representatives.

Donor groups are part of the stakeholders of a project. The donor's concern is that the project is successful and benefits the local community. If the project poses threat to the community and the surrounding ecosystems during its execution and after completion, then the donor will not be happy. The donors are the key financiers in a donor funded project and therefore it is very important to involve them in the strategy formulation.

Most power generation projects are in rural settings where communities have vast cultural beliefs for example some volcanic areas are believed to be religious thus hesitant to allow any development. Involvement of communities in strategy formulation is very essential to create prior understanding of the project before implementation and also to ease on land acquisition or rights to use communal land. Keeping track of consultations with stakeholders on issues related to an organization's project is highly recommended. Such consultation may be required as part of regional economic planning, environmental permitting or exploration licensing, compensation for land and assets, or the design and management of infrastructure. It is important for the organization to be aware of these consultations as they might have implications for future stakeholder relations.

1.2 Research Problem

The strategic thinking phase in the evolution of strategy making is characterized by synthetic, divergent and creative thought processes interwoven with analytical, convergent and logical thought to more effectively deal with a complex, uncertain and rapidly changing external environment (Stacey, 2003). A key issue in modern strategy making is the degree of involvement of stakeholders in the strategy formation process. In working with organizations formulating strategy, stakeholders assists management to develop strategic thinking approaches and to engage with the emergent aspects of

modern strategy making within their industry contexts. According to Van der Ven and Juriessen (2005) strategy and the business activities supporting strategy being aimed at the continuity of the firm should be considered morally justified activity by involving all stakeholders.

Electricity sector in Kenya, plays a key role in economic development, however, it has been criticized by the public for its poor services. On 28th January 2011, the Permanent Secretary, Ministry of Energy, set up a Task Force made up of various stakeholders within the Sector. The Task Force in compliance with the constitutional requirement and government policy of engaging stakeholders and members of the public in the policy formulation process informed the public and stakeholders that they are obliged to exercise their constitutional right to participate in the formulation of a new energy sector policy (GoK, 2011).

The large number of stakeholders in any electricity sector player replicates a great challenge for managers to involve them thoroughly in strategy formulation. The challenge of continual involvement is displayed due to the fact that the projects take long to implement. Therefore, the process of strategy formulation is affected by inadequate stakeholder participation, lack of continuity in representation and insufficient integration of social and environmental issues.

Isenmann (2006) argues that every organization has stakeholders who influence strategy process and consequently determine the organization's purposes that result in formal expectation in terms of its achievement. According to Andriof (2002) stakeholders within organization influence strategy and consequently influence the organization's purposes that result in formal expectations in terms of achievement. Belal (2002) revealed that the extents to which organization stakeholders are able to

influence organization's purposes vary and their different power and interests underscore these variations. Similarly Katsoulakos (2006) indicated that in State Corporations, the values and expectations of different stakeholder groups play an important role in strategy development.

Local studies done include; Macharia, (2011) who did a study on Stakeholders' involvement in the success of strategy implementation among public secondary schools in Nairobi, Kenya. He found that stakeholders play a significant role in strategy implementation in the school and it has resulted to the achievement of broader support in the implementation of the organizations strategies, has resulted in collaborative problem solving during the implementation phase and that over the period, the success of the strategies had been realized since the school incorporated the stakeholders. Musau (2011) also did a study on the extent of stakeholder involvement in strategy formulation among non-governmental organizations within Nairobi. He found out that most NGOs involve their stakeholders in strategy formulation and that a number of factors influence the extent to which the stakeholders are involved. Mwikuyu (2009) also did a study on the extent of stakeholder involvement in strategy formulation and implementation in the National Social Security Fund. He found out that stakeholders were allowed to contribute their own ideas, assess, review the ideas and had joint decision-making during all stages of the programme.

Despite the importance of stakeholder involvement in strategy formulation no study has been done on stakeholder involvement in strategy formulation in the electricity sector in Kenya. The aim of this study therefore was to bridge this gap by investigating the extent to which stakeholders were involved in strategy formulation and the challenges managers faced while involving the stakeholders. The study was

guided by the following research questions; to what extent are stakeholders involved in strategy formulation in the electricity sector in Kenya? What are the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya?

1.3 Research Objectives

The general objective of the study was to determine how the process of stakeholder involvement affected formulation of strategies in the Electricity Sector in Kenya.

The specific objectives of the study were:

i.   To establish the extent by which Electricity Sector in Kenya involve stakeholder in strategy formulation.

ii. To investigate the challenges faced in involving stakeholders in strategy formulation.

1.4 Value of the Study

The findings would be valuable in three fronts namely theory building, policy development and improving the management practice of involvement of stakeholders in the strategy formulation process. This study provides literature to future researchers on the aspect of stakeholder participation in the strategy formulation process in the energy sector. The findings of this study would be most useful in bringing all the energy stakeholders together to formulate the best strategies in the generation and distribution of energy to the consumers without compromising on the well-being of the communities living in the areas where the energy generation is taking place. This is important since it is a subject that has not been widely explored and for that reason, the findings of this study would be very important in contributing to the body of knowledge.

The findings of this study would contribute to managerial practice by adding value to the management process as it points out the stakeholder participation, ownership, accountability and decision making in the strategy formulation process and its importance to the electricity sector. This would be achieved by highlighting the challenges that managers go through while involving stakeholders and thus forming a base to find ways to deal with the challenges and mitigate the risks of inadequate involvement of stakeholders in the strategy formulation. This would assist the management to evaluate the inclusiveness of the strategy formulation process.

Lastly this study would contribute to policy development, by providing findings that may assist policy makers in the electricity sector to adopt and formulate the relevant practices that would be important in ensuring stakeholders embrace the strategy formulation with little resistance. This study points out the aspects of the strategy formulation that were not well embraced. Knowing the practices that were not well practiced is important in establishing areas that the management could train the stakeholders so as to ensure improved and smooth adoption of the strategy formulation process. The findings of this study would be important in knowing the contribution of stakeholders in the strategy formulation process and in ensuring that electricity sector knows the stakeholders to involve more and those to involve less. This would ensure that not just more but relevant stakeholders are involved in the strategy formulation process for success to be realized.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter examines the theories of stakeholder involvement and looks at the past studies on stakeholder involvement in strategy formulation. The chapter also presents literature and previous studies that have been conducted on the challenges faced in involving stakeholders on strategy formulation in the energy sector in Kenya.

2.2 Theoretical Foundation

This section discusses theories on impact of stakeholder involvement in strategy formulation. The study was based on the stakeholder theory proposed by Freeman (1984) and the stakeholder engagement theory proposed by Andriof & Waddock (2002).

2.2.1 Stakeholder Theory

Stakeholder theory asserts that organizations should consider the concerns of individuals and groups that can affect or are affected by their activities (Gibson 2000) while making decisions and achieving organizational goals. Organizations are expected to do so because they are responsible and accountable to a broad range of stakeholders for their activities, rather than just shareholders. Stakeholder theory recognizes the existence of a dynamic and complex relationship between organizations and their stakeholders (Gray, Owen & Adams 1996) and, emphasizes the management of these relationships (Friedman & Miles 2002). Therefore, stakeholder theory plays a significant role in understanding the stakeholders' influences on organizations' actions and how organizations respond to these influences.

Modern stakeholder theory is an expansion of Freeman's seminal work Strategic Management: A Stakeholder Approach (Freeman 1984). Before this, theorists were struggling to establish the duties and responsibilities that an organization has towards other groups and individuals besides shareholders, suppliers, customers and employees (Shankman 1999). Stakeholders can be defined as any group or individual who can affect or are affected by the achievement of the organization's objectives (Freeman 1984). According to this definition stakeholders have the potential to both benefit and harm organizations (Gibson 2000). Therefore stakeholders' concerns should be recognized and addressed by organizations to ensure their survival and successful goal accomplishment.

In order to recognize and address stakeholder's needs and expectations Clarkson (1995) categorizes stakeholders into primary and secondary stakeholders. The primary stakeholders are those individuals and groups whose support is essential for the survival of an organization, whereas secondary stakeholders are those individuals and groups who affect or are affected by the activities of an organization. On the basis of the above categorization, organizations can have a wide range of current and potential stakeholders such as: fund providers, employees, suppliers, investors, shareholders, regulatory authorities, Non-Government Organizations, media, labour unions, society and local community.

Organizations can have a broad range of stakeholders with different interests and it is not possible for organizations to address the issues and concerns of all their stakeholders. Therefore identification of stakeholders which can impact or are impacted by an organization's actions becomes essential. In the absence of stakeholder identification, the effectiveness of stakeholder engagement becomes

questionable or doubtful (Belal 2002). The key criteria for identifying and prioritizing stakeholders include: attributes of power, legitimacy and urgency; and the stakeholders' ability to affect or be affected by the organization's actions (Mitchell, Agle & Wood 1997).

2.2.2 Stakeholder Engagement

In recent years the focus of stakeholder theory has been entirely shifted from an approach of stakeholder management towards more of a network-based, relational and process-oriented approach of stakeholder engagement (Andriof & Waddock 2002). The main reason why organizations are moving towards stakeholder engagement is to increase trust, transparency and accountability and to provide better communication on their activities and impacts. Stakeholder engagement aims at enhancing mutual understanding and alignment between organizations and their stakeholders (Gable & Shireman 2005).

According to Andriof & Waddock (2002) stakeholder engagement can be defined as a trust-based collaboration between individuals and/or social institutions with different objectives that can only be achieved together. Advancing sustainable development is one such goal that needs the trust-based collaborative effort of both the organizations and their stakeholders to ensure its success. Moreover, while pursuing sustainable development objectives, organizations realize that they cannot act alone to develop a sustainability report (Isenmann & Kim 2006), as organizations require the cooperation of their stakeholders to identify social and environmental issues perceived by stakeholders.

Study of stakeholder engagement theory identified different levels of engagement (Katsoulakos & Katsoulakos, 2006). "Informative approaches" to stakeholder engagement include identifying and mapping the roles of key stakeholders to inform

about the project. The next level is the "instrumental approach" which is about understanding local concerns in order to foster social acceptance. This involves increasing transparency, tailor make information to different stakeholder groups and integration of roles and interests of stakeholders into the project and process. Success arises from the next level of stakeholder engagement, the "democratic approach"; true participation involves feedback loops from the interaction in the process. The first feedback loop is the integration of stakeholders' concerns, priorities, satisfaction and suggestions into the process. This could involve consulting experts and instigating extra research to the impacts of project activities. The second is improving communication and transparency as a result of interaction. The third and final feedback loop is the willingness to make adaptations to the project implementation, in other words, the design.

In the context of local energy projects, establishing an expert team in the process, in-depth analysis of expectations and perspectives and aligning these expectations within internal and external stakeholders are the final lessons learned in effective stakeholder engagement (Ashworth et al., 2011).

2.3 Concept of Strategic Management and Strategy Formulation

The past fifty years has seen a number of dramatic changes in the practice of strategy. Gluck Kaufman identifies four distinct phases, moving from modest financial planning through a forecast based planning era in the 1960s. These early phases were then followed by, the externally oriented planning approach of the 1970s and finally the more integrated strategic management approach of the 1980s. O'Shannassy (2003) drawing on the key writers on the movement towards strategic thinking, Heracleous (1998), identifies a fifth phase in the development of strategy, the strategic thinking phase.

The strategic thinking phase in the evolution of strategy making is characterised by synthetic, divergent and creative thought processes interwoven with analytical, convergent and logical thought (Heracleous, 1998), to more effectively deal with a complex, uncertain and rapidly changing external environment (Quinn, 1978).

Strategic management is the set of managerial decisions and action that determines the way for the long-range performance of the company. It includes environmental scanning, strategy formulation, strategy implementation, evaluation and control. It emphasizes the monitoring and evaluation of external opportunities and threats in light of corporation's strength and weakness. Stakeholder involvement has a general management orientation and tends primarily to look inward with its concern for properly integrating the corporations many functional activities (Freeman, 1984).

Strategic management as a field of study integrates the stakeholders with the environmental opportunities and threats. Strategic management provides the route map for the firm. It lends a framework, which can ensure that decisions concerning the future are taken in a systematic and purposeful way. Strategic management also serves as a hedge against uncertainty, a hedge against totally unexpected developments on the business horizon. It lends a frame of reference for investment decisions. It aids the concentration of resources on vital areas of best potential. It offers a methodology by which the firm could anticipate and project the future and be internally equipped to face it. It helps to develop processes, systems, mechanisms and managerial attitude that are essential for this purpose (Donald, 2004).

Strategy formulation is the development of long range plans for the effective management of environmental opportunities and threats in light of corporate strengths and weaknesses. Strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation.

Strategy formulation should be effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key stakeholders in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations (Harrison, 1999).

2.4 Stakeholder Management

The concept of stakeholder involvement is based on the belief that when stakeholders are meaningfully involved in an activity, such as, the strategic planning process, the benefits for the organization and the stakeholders tend to be greater than if they had not been involved. Hitt et al (1999: 26) and Balogun et al (1999:201) observe that organizations do not exist in a void. Internal or external stakeholders may have a share in an organization, and they will make self-interested demands on it. The power and influence of the stakeholders may determine the strategic planning process of an organization. A critical area of focus for organizations is the inclusion of stakeholder considerations (Freeman, 1984) either through direct involvement of stakeholder groups in the strategy formation process or considering critical stakeholder needs in the strategic conversations within strategic planning sessions. Strategic planning sessions and ensuing contact with key staff are designed to surface up the key strategic issues facing the firm now and into the future and to develop an effective strategy formation process.

Adesse Consulting Group (2008) proposes seven steps of managing stakeholders. They include: stakeholder identification; categorizing stakeholders by their influences and interests; considering whether the stakeholder is positive or negative; define engagement or communication scope with each stakeholder; develop plan for

managing each stakeholder; including measures of success; deliver plan; review success and refine plan. In identification of stakeholders, Dagmar (2001) proposes the stakeholders need to be visualized as a set of concentric circles; with the most inner circle including the stakeholders with the most significant influence while the external stakeholders are the stakeholders with the least significant influence. The impact or power of a stakeholder is defined as the extent to which they are able to persuade, induce, or coerce others into following certain courses of actions. It is important to categorize stakeholders because they vary enormously depending not only their role, but in how they can influence the process of change. Unless we can discern the differences we can end up needlessly deploying organizational resource in managing them, or ignore crucial influence that could potentially prevent the organization success. We therefore need a means by which we can categorize stakeholders.

Having categorized your stakeholders, you must consider each one individually to determine the level of engagement or communication which will give you a prioritized list in terms of the degree of effort and the type of communication or engagement you will need to use. Let's take for example, a key group of managers or organization owners who are positive and have high levels of interest and influence, you may decide to: Invite a sample of them to bi-annual conference to know the strategic practices of the organization; Involve them in every step of executing the strategic practice and give the regular feedbacks and always let them know what they need to do for the process to succeed.

Government officials, corporates and politicians tend to have an ambivalent attitude towards participatory approaches. On the one hand, there is growing awareness of the benefits of community participation in terms of narrowing the gap between the government, corporates, and politician stakeholders and citizens, and ensuring that

decisions and policies are appreciated and supported by the community. On the other hand, there are still fears concerning elements conceived as being unknown and uncontrollable: some politicians for example are afraid that stakeholder (particularly public) involvement may lead to unworkable proposals and a situation in which politicians are unable to make any decisions on their own without involving stakeholders. The community forms part of the secondary stakeholders who although do not engage in direct economic exchange with the business, are affected by or can affect the actions taken. Communities sometimes are affected by the decisions made by the companies or the government. It is therefore good to involve them in the strategy formulation so that they feel part of the project, otherwise there will always be resistance.

Although there are clear benefits of stakeholder consultation, stakeholders do not need to be involved in every decision-making process or in every phase of the process. Some areas are particularly suited to a participatory approach, including themes that involve a choice between fundamental values and principles and policy issues that call for a combination of public awareness, learning, a search for solutions and emotional or moral acceptance of the eventual decision. Stakeholder engagement is not often comfortable; sometimes it can raise complex issues for the organizations (Thomson & Bebbington, 2005). The key complexities that can interrupt stakeholder engagement and dialogue processes include: heterogeneous stakeholders' views and expectations; conflicting interests between the organization and its stakeholders; difficulty in stakeholder identification and prioritization; and the impossibility of engagement with certain stakeholders such as the natural environment and future generations (Thomson & Bebbington, 2005).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methodology that the researcher used to conduct this study. The research methodology has been presented in the following order: research design, population, data collection and finally the data analysis.

3.2 Research Design

Research design refers to the method used to carry out a research. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. This research problem will be studied through the use of a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

Descriptive research design was chosen because it enabled the researcher to generalise the findings to a larger population. This study therefore would be able to generalise the findings to all the stakeholders in the energy sector. The main focus of this study was quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study.

3.3 Population of the Study

Borg and Crall (2009) described target population as a universal set of study of all members of real or hypothetical set of people, events or objects to which an investigator wishes to generalize the result. Target population in statistics is the specific population about which information is desired. According to ERC (2014),

there are 6 Electricity Corporations in Kenya and 5 IPPs forming the Electricity Supply Industry in Kenya (ESI). The ESI players formed the population of the study. This was to ensure uniformity and homogeneity.

The study focused more on the section and particularly on the top, middle and lower level management staff who were directly dealing with the day to day management of the companies and were involved in the stakeholder involvement in strategy formulation. According to Kothari (2004) a sample of 100% of the target population is usually representative and generalizable when the target population is small. From each of the 6 Electricity Corporations in Kenya, the study considered at least three top operations managers and from each of the 5 IPPs, the study considered at least one top manager / director who were mandated to spearhead strategy formulation. Therefore the study consisted of 26 respondents.

3.4 Data Collection
The study collected both primary and secondary data for the purpose of assessing the extent by which managers in the electricity sector in Kenya involved stakeholders and the challenges faced while involving stakeholders in strategy formulation. Primary data was collected using a questionnaire while secondary data was obtained from records of the companies. The questionnaire designed in this study comprised of two sections. The first part was designed to determine fundamental issues including the demographic characteristics of the respondents, while the second part consisted of questions where the variables were focused.

The study collected quantitative data using a self-administered questionnaire. The researcher dropped the questionnaires physically at the respondents' place of work. The study managed to collect data from the managers of the six (6) Electricity Corporations in Kenya and five (5) IPPs forming the Electricity Supply Industry in

Kenya (ESI). In each firm, the researcher booked an appointment with the managers prior to the day of interviewing each of the firms' managers or their equivalent. The structured questions were used in an effort to conserve time and money as well as to facilitate in easier analysis as they were in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. Each questionnaire was coded and only the researcher knew which person responded. The coding technique was only used for the purpose of matching returned, completed questionnaires with those delivered to the respondents.

3.5 Data Analysis

The data was coded to enable the responses to be grouped into various categories.

Data collected was purely quantitative and it was analyzed by descriptive analysis. The descriptive statistical tools such as SPSS and MS Excel helped the researcher to describe the data and determine the extent used. The findings were presented using tables and charts. The Likert scales were used to analyze the mean score and standard deviation. This helped in determining the extent to which stakeholders were involved in strategy formulation in the energy sector.

Data analysis used SPSS and Microsoft excel, percentages, tabulations, means and other central tendencies. Tables were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons.

CHAPTER FOUR

DATA ANALYSIS AND RESULTS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The results were presented on challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya. The study sought answers to the following specific research questions: to what extent are stakeholders involved in strategy formulation in the electricity sector in Kenya? What are the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya?

The study population was the Electricity Supply Industry (ESI) players in Kenya. The study targeted 26 respondents all of which participated in the study contributing to a response rate of 100%. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (1999) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. This commendable response rate was due to extra efforts that were made via personal calls and visits to remind the respondents to fill-in and return the questionnaires. The chapter covers the demographic information and focus on the variables and the findings were based on the objectives. The findings were then presented in tables, graphs and charts as appropriate with explanations being given in prose thereafter.

4.2 Demographic Information

The study sought to ascertain the general information about the respondents involved in the study with regards to their designation, gender, age, education level and

duration of working in their respective organizations. The demographic information points at the respondents' suitability in answering on the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya.

4.2.1 The Respondent's Designation

The study sought to establish the current designation of the respondents within their organization and the findings are as shown in Table 4.1.

Table 4.1 The Respondent's Designation

	Frequency	**Percent**
Top level management	20	76.9
Middle level management	4	15.4
Low level management	2	7.7
Total	**26**	**100**

(Source: 2014)

According to the findings, majority (76.9%) of the respondents were in top level management, 15.4% were in middle level management while 7.7% of the respondents were in the low level management. This implies that strategy formulation in the electricity sector in Kenya is mainly done by persons in the top level management within the relevant organizations.

4.2.2 Gender of the Respondents

The study sought to establish the gender distribution of the respondents and the findings are as shown in figure 4.1.

Figure 4.1 Gender of the Respondents

(Source: 2014)

According to the findings, majority (69.2%) of the respondents were male while 30.8% were females. This implies that there is gender disparity in the top management of ESI organizations as the majority of the respondents were male.

4.2.3 Age Distribution of the Respondents

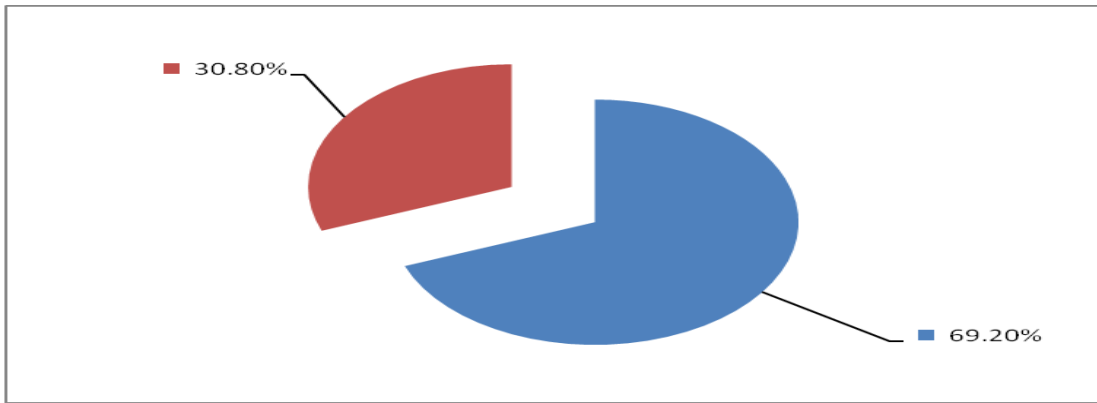The study sought to establish the age distribution of the respondents and the findings are as shown in figure 4.2.
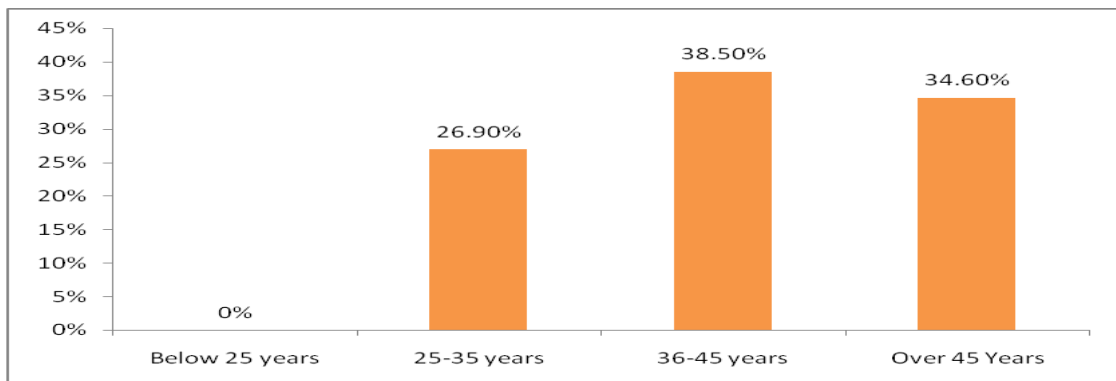
Figure 4.2 Age Distribution of the Respondents

(Source: 2014)

According to the findings, most (38.5%) of the respondents were between 36-45 years, 34.6% were over 45 years, 26.9% were between 25-35 years while none of the respondents was below 25 years. This implies that majority of the respondents were old enough to fully understand the challenges of stakeholder involvement in strategy formulation in the electricity sector in Kenya.

4.2.4 Education Level of the Respondents

The study sought to establish the highest level of education of the respondents and the findings are as shown in figure 4.3.
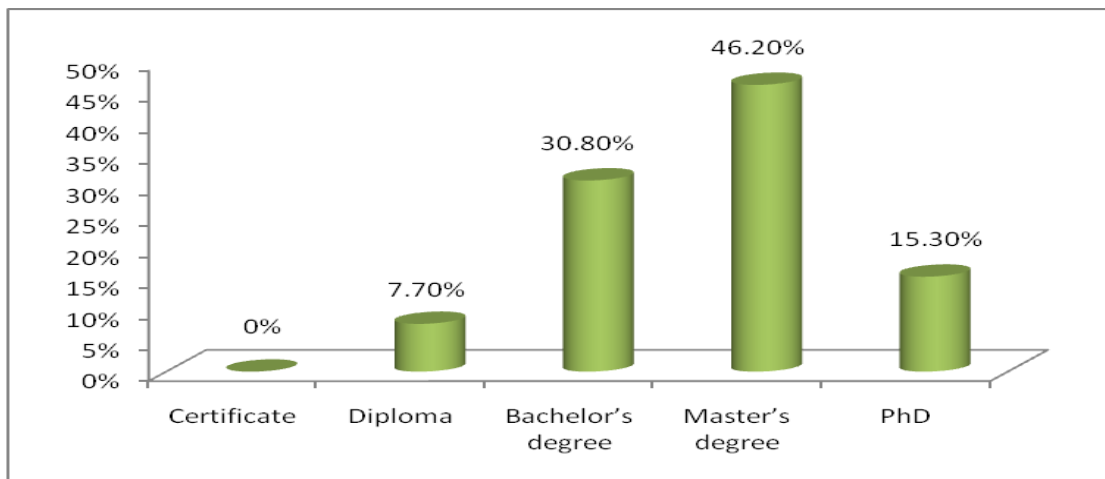
Figure 4.3 Education Level of the Respondents

(Source: 2014)

The findings established that most (46.2%) of the respondents were master's holders, 30.8% were graduates, 15.3% were PhD holders, 7.7% were diploma holders while none of the respondents was a certificate holder. This shows that majority of the respondents had a sound academic background to allow them to understand the challenges of stakeholder involvement in strategy formulation in the electricity sector in Kenya. It further shows that the respondents were learned and could therefore give valid and reliable information based on their high level of education.

4.2.5 Length Working in the Organization

The study sought to establish the length of time the respondents had worked within their organizations and the findings are as shown in figure 4.4.
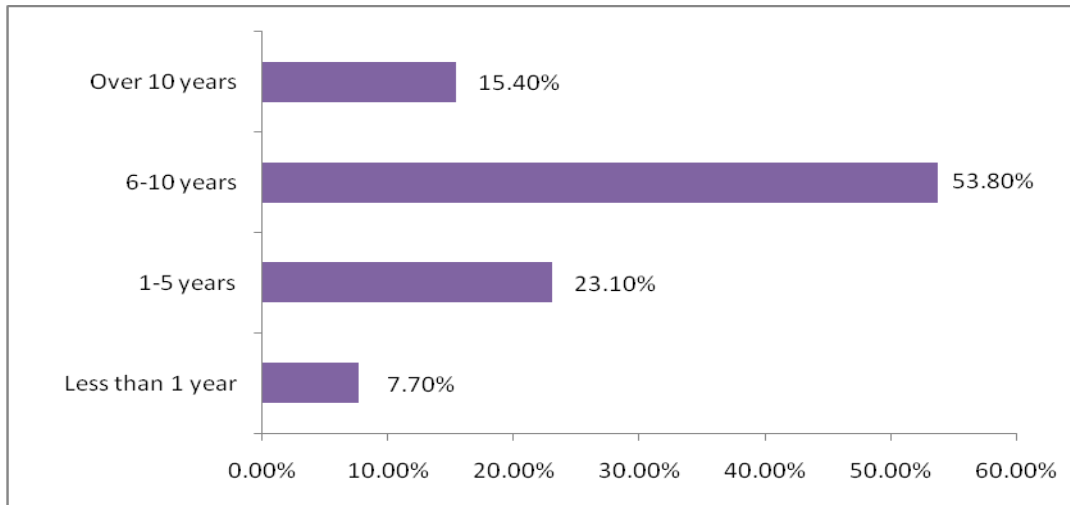
Figure 4.4 Length Working in the Organization

(Source: 2014)

The findings established that majority (53.8%) of the respondents had worked within their organization for 6-10 years, 23.1% for 1-5 years, 15.4% for over 10 years while 7.7% of the respondents had worked within their organizations for less than one year. This depicts that majority of the respondents had worked in their organizations for a long time and were therefore well conversant with the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya.

4.3 Extent of Stakeholder Involvement on Strategy Formulation of the Electricity Sector in Kenya.

The first objective of the study sought to establish the extent of stakeholder involvement on strategy formulation in the Electricity Sector in Kenya. The findings are presented in the subsequent sections.

4.3.1 Involvement of Stakeholder in Strategy Formulation in the Organization.

The study sought to establish the extent to which stakeholders are involved in strategy formulation in the respondent's organization and the findings are as shown in figure 4.5.
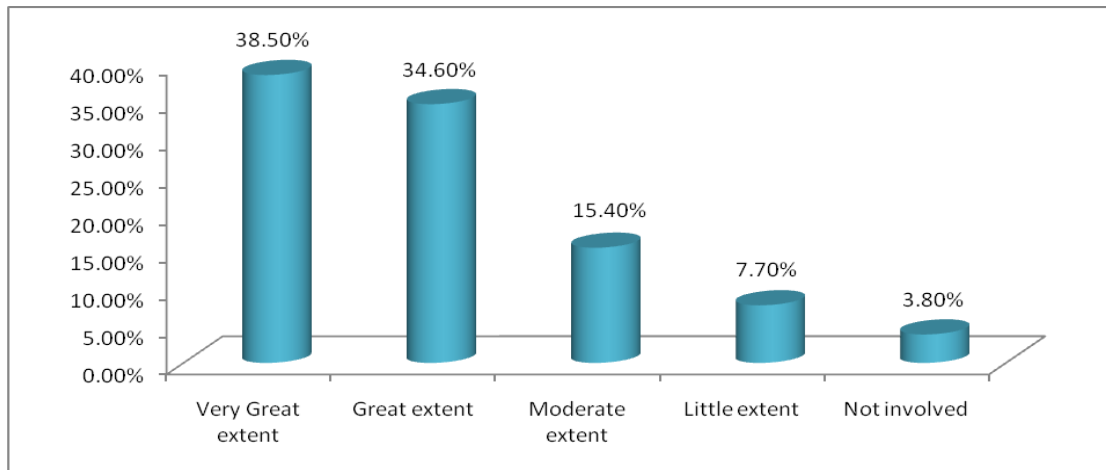
Figure 4.5 Involvement of Stakeholder in Strategy Formulation in the Organization.

(Source: 2014)

The findings showed that most (38.5%) of the respondents agreed that stakeholders involvement in strategy formulation in their organization was to a very great extent, 34.6% to a great extent, 15.4% to a moderate extent, 7.7% to a little extent while 3.8% of the respondents agreed that there was no involvement of stakeholders in strategy formulation in their organization. This implies that stakeholders in the electricity sector in Kenya are involved in the strategy formulation in the ESI organizations.

4.3.2 The Main Stakeholders Involved in Formulating Strategies

The study sought to establish the main stakeholders involved in formulating strategies in the electricity sector in Kenya. The study revealed that both the primary and the secondary stakeholders are involved in formulating strategies. They included; fund providers, employees, suppliers, investors, shareholders, regulatory authorities,

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Government and Non-Government Organizations, media, labor unions, society and local community. This implies that both the primary and secondary stakeholders are considered as the main stakeholders in formulation of strategies within the electricity sector in Kenya.

4.3.3 Stakeholder Involvement in Electricity Sector in Kenya

In order to further assess the, involvement of stakeholders in electricity sector in Kenya, the respondents were requested to indicate their level of agreement on the extent of stakeholder involvement in electricity sector in Kenya. The responses were rated on a five point Likert scale where: 1 - Strongly Disagree 2 - Disagree   3 - Neutral 4- Agree and 5- Strongly Agree. The mean and standard deviations were generated from SPSS and are as illustrated in table 4.3.

Table 4.2 Stakeholder Involvement in Electricity Sector in Kenya

	Mean	Std Dev
Community participation narrows the gap between the government, corporates, and politician stakeholders and citizens, and ensures that decisions and policies are appreciated and supported by the community	4.14	0.69007
Government support is critical to the success of a project in the energy sector	4.15	0.51411
The donors are the key financiers in a donor funded project and therefore it is very important to involve them in the strategy formulation	3.71	048795
Stakeholders assists management to develop strategic thinking approaches	4.00	0.57735
Local government plays a role in convening and	4.15	0.51401

facilitating discussions between the project and stakeholder representatives		
Stakeholders assists management to engage with the emergent aspects of modern strategy making within their industry contexts	3.71	0.48795
Routine engagement with various regulatory and public service authorities is often required as part of doing business	4.23	0.71
Local government can also partner with private companies in providing services, communicating information to the local population, or integrating local development plans with the operational needs of the project	4.01	0.01521
It is important for the organization to be aware of these consultations as they might have implications for future stakeholder relations	3.71	0.48795

(Source: 2014)

From the findings, majority of the respondents were in agreement that; routine engagement with various regulatory and public service authorities is often required as part of doing business (mean= 4.23), government support is critical to the success of a project in the energy sector (mean=4.15), local government plays a role in convening and facilitating discussions between the project and stakeholder representatives (mean=4.15), community participation narrows the gap between the government, corporates, and politician stakeholders and citizens, and ensures that decisions and policies are appreciated and supported by the community (mean=4.14), local government can also partner with private companies in providing services,

communicating information to the local population, or integrating local development plans with the operational needs of the project (mean=4.01), stakeholders assists management to develop strategic thinking approaches (mean= 4.00), stakeholders assists management to engage with the emergent aspects of modern strategy making within their industry contexts (mean=3.71), it is important for the organization to be aware of these consultations as they might have implications for future stakeholder relations (mean=3.71) and that the donors are the key financiers in a donor funded project and therefore it is very important to involve them in the strategy formulation (mean=3.71) respectively. The findings imply that the electricity sector in Kenya involved various stakeholders in its strategy formulation to a great extent for the prosperity of the sector that is a strong pillar of the Kenyan economy.

4.3.4 Areas Stakeholders are Involved in Formulating Strategies

The study sought to establish the areas stakeholders were involved in, in formulating strategies. The respondents indicated the areas stakeholders were involved in formulating strategies as; contributing their own ideas during the strategy formulation process; assessing and reviewing the ideas during strategy formulation; joint decision making with stakeholders during all stages of the project; and assessing the whole strategy formulation process. The findings imply that stakeholders were involved in different areas in relation to formulation of strategies within the electricity sector in Kenya.

4.4 The Challenges Faced in the Involvement of Stakeholders in Strategy Formulation

The study sought to establish the extent to which the challenges faced while involving stakeholders in strategy formulation in the energy sector are experienced by respondent's company and the findings are as shown in figure 4.6.
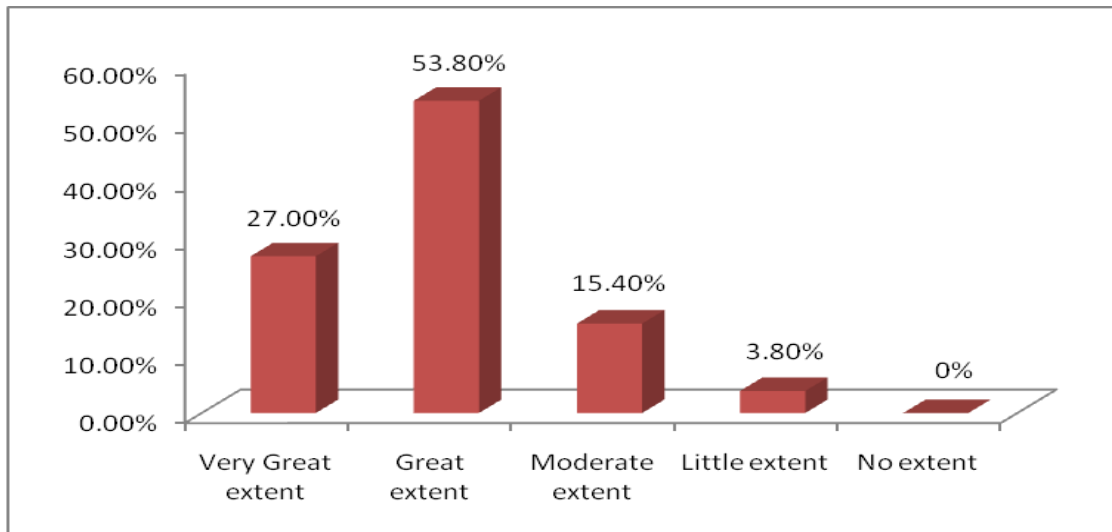
Figure 4.6 Challenges Due to Stakeholders Involvement in Strategy Formulation (Source: 2014)

The findings indicate that majority (53.8%) of the respondents are in agreement that the challenges faced while involving stakeholders in strategy formulation in the energy sector affect their organization to a great extent, 27% agreed to a very great extent, 15.4% agreed to a moderate extent, 3.8% agreed to a little extent while none of the respondents agreed to a no extent. This implies that the challenges faced while involving stakeholders in strategy formulation in the energy sector affect the ESI players in Kenya to a great extent.

In order to further assess the challenges experienced in involving stakeholders in strategy formulation in the energy sector in Kenya, the respondents were requested to indicate their level of agreement on the extent to which a number of relevant statements on the challenges experienced in involving stakeholders in strategy formulation were experienced in the respondent's company. The responses were rated on a five point Likert scale where: 1 - Strongly Disagree 2 - Disagree   3 - Neutral 4- Agree and 5- Strongly Agree. The mean and standard deviations were generated from SPSS and are as illustrated in Table 4.2.

Table 4.3 Challenges Faced in Involving Stakeholders in Strategy Formulation

	Mean	Std Dev
There are conflicting interests between the organization	3.71	0.428
There is difficulty in stakeholder identification and prioritization	4.01	0.452
Presence of impossibility of engagement with certain stakeholders such as the natural environment and future generations	4.14	0.479
Existence of heterogeneous stakeholders' views and expectations	4.29	0.484
Interpretation of stakeholder engagement is a one-sided process	3.57	0.387
The existing stakeholder engagement practices are designed not to give stakeholders control and delegated power in decisions on social and environmental issues	4.71	0.498

(Source: 2014)

From the findings majority of the respondents are in agreement that; the existing stakeholder engagement practices are designed not to give stakeholders control and delegated power in decisions on social and environmental issues (mean=4.71), existence of heterogeneous stakeholders' views and expectations (mean=4.29), presence of impossibility of engagement with certain stakeholders such as the natural environment and future generations (mean=4.14), there is difficulty in stakeholder identification and prioritization (mean=4.01), there are conflicting interests between the organization and its stakeholders (mean=3.71) and that the interpretation of stakeholder engagement is a one-sided process (mean=3.57) respectively.

This implies that stakeholder factors play an important role in a firm's strategy formulation in the energy sector in Kenya. Aspects of stakeholders such as their divergent views and expectations, identification and prioritization, their interests vis a vis organizational interests, nature of stakeholder engagement practices and interpretation of stakeholder engagement affect the strategy formulation process of an organization.

The study also sought to find out other challenges faced while involving stakeholders in strategy formulation in the energy sector in Kenya by ESI players. According to the findings, the respondents indicated that other challenges faced while involving stakeholders in strategy formulation were; varying stakeholders' attributes (power and legitimacy), poor communications with the stakeholders, inadequate/poor stakeholders' leadership and commitment levels, need for stakeholders' incentives and motivations, stakeholders' poor education levels and mistrusts among the stakeholders regarding the strategy to be adopted. This implies that there are numerous challenges that organizations face as they try to work with their stakeholders in the strategy formulation process. The challenges touch on issues of inadequate or lack of communication, leadership, commitment, education level, personal attributes and even mistrusts among the stakeholders all of which complicate an organization's strategy formulation process.

4.5 Testing the Relationship between Stakeholder Involvement and Formulation of Strategies in the Electricity Sector in Kenya

The study set to determine how the process of stakeholder involvement affected formulation of strategies in the Electricity Sector in Kenya. The study hypothesized that stakeholder involvement affected formulation of strategies in the Electricity Sector in Kenya. The study utilized Chi-square test in testing the null hypothesis used

in the study. Chi-square is a statistical test commonly used to compare observed data with data we would expect to obtain according to a specific hypothesis. The chi-square test is always testing the null hypothesis, which states that there is no significant difference between the expected and observed result. Testing of the null hypotheses in this study was based on the fact that if the calculated Chi-square (p) value is > 0.05, then we accepted the hypothesis.

Relationship between stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya

The analysis looked at the Relationship between stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya. The following illustrates the statistical relationship between them.

Ho_1. There is no statistically significant influence of stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya.

Chi-Square Tests Results

The results as indicated in this table depict a chi-squared test statistic is 2.34 with an associated p of .019. In this case, since p < 0.05, therefore we reject the null hypothesis that there is no relationship between stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya and accept the alternative hypothesis that there is a relationship. Thus, there is a statistically significant relationship between stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya.

Table 4.4 Chi-Square Tests Results

	Value	df	Asymp. Sig. (2-sided)
Chi-Square	2.340^a	3	.019
Likelihood Ratio	2.449	3	.485
Linear-by-Linear Association	.017	1	.897
N of Valid Cases	26		

(Source: 2014)

4.6 Discussion of Findings

The researcher established that, most of the respondents agreed to a great extent of stakeholders' involvement in strategy formulation in the Electricity Sector in Kenya. The findings are in line with Stacey (2003) who indicated that, a key issue in modern strategy making is the degree of involvement of stakeholders in the strategy formation process and in working with organizations formulating strategy, stakeholders assists management to develop strategic thinking approaches and to engage with the emergent aspects of modern strategy making within their industry contexts.

The researcher further established that, the main stakeholders involved in formulating strategies in the Electricity Sector in Kenya are both the primary and the secondary stakeholders who comprise of; fund providers, employees, suppliers, investors, shareholders, regulatory authorities, Government and Non-Government Organizations, media, labor unions, society and local community. The findings are similar to Clarkson (1995) who indicated that in order to recognize and address stakeholder's needs and expectations, stakeholders are categorized into primary and secondary stakeholders. The primary stakeholders are those individuals and groups whose support is essential for the survival of an organization, whereas secondary stakeholders are those individuals and groups who affect or are affected by the

activities of an organization. On the basis of the above categorization, organizations can have a wide range of current and potential stakeholders.

The researcher established that, involvement of stakeholders in Electricity Sector in Kenya as; routine engagement with various regulatory and public service authorities is often required as part of doing business (mean=4.23), government support is critical to the success of a project in the energy sector (mean=4.15) and local government plays a role in convening and facilitating discussions between the project and stakeholder representatives (mean=4.15). These findings collaborate with Belal (2002) who noted that, organizations can have a broad range of stakeholders with different interests and it is not possible for organizations to address the issues and concerns of all their stakeholders. Therefore identification of stakeholders which can impact or are impacted by an organization's actions becomes essential. In the absence of stakeholder identification, the effectiveness of stakeholder engagement becomes questionable or doubtful.

The researcher established that the areas stakeholders were involved in, in formulating strategies were; contributing their own ideas during the strategy formulation process; assessing and reviewing the ideas during strategy formulation; joint decision making with stakeholders during all stages of the project; and assessing the whole strategy formulation process. The findings are similar to Kasimbu (2010) stakeholders are given the opportunity to contribute their own ideas during the 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 the project; 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.

The study found out that the challenges faced while involving stakeholders in strategy formulation in the energy sector in Kenya affected the respondents' organization to a great extent. The findings concur with Katsoulakos (2006) who indicated that in state corporations, the values and expectations of different stakeholder groups play an important role in strategy development. The findings also collaborate with Thomson & Bebbington (2005) who also noted that stakeholder engagement is not often comfortable; sometimes it can raise complex issues for the organizations and that may greatly affect the organization's operation. On the challenges faced in involving stakeholders in strategy formulation in the energy sector in Kenya, the majority of the respondents agreed that the existing stakeholder engagement practices are designed not to give stakeholders control and delegated power in decisions on social and environmental issues (mean = 4.71), existence of heterogeneous stakeholders' views and expectations (mean = 4.29) and presence of impossibility of engagement with certain stakeholders such as the natural environment and future generations (mean=4.14). Thus, poor stakeholder engagement practices, diverse stakeholders' views and expectations and impossibility of engagements with certain stakeholders such as natural environment and future generations are key challenges that affect organization's strategy formulation efforts.

The findings are collaborated by Gray, Owen & Adams (1996) who observed that there exists a dynamic and complex relationship between organizations and their stakeholders. The findings are also collaborated by Thomson & Bebbington (2005) who noted that the key complexities that can interrupt stakeholder engagement and dialogue processes include: heterogeneous stakeholders' views and expectations; conflicting interests between the organization and its stakeholders; difficulty in

stakeholder identification and prioritization; and the impossibility of engagement with certain stakeholders such as the natural environment and future generations.

The study further revealed that other challenges faced while involving stakeholders in strategy formulation included; varying stakeholders' attributes (power and legitimacy), poor communications with the stakeholders, inadequate/poor stakeholders' leadership and commitment levels, need for stakeholders' incentives and motivations, stakeholders' poor education levels and mistrusts among the stakeholders regarding the strategy to be adopted . This implies that there are numerous challenges that organizations face as they try to engage their stakeholders in the firm's strategy formulation process.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusion and recommendations of the study in line with the objective of the study. The research sought to establish the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya.

5.2 Summary

From the findings, it was established that stakeholders are involved in strategy formulation in the electricity sector in Kenya. Routine engagement with various regulatory and public service authorities is often required as part of doing business (mean= 4.23), government support is critical to the success of a project in the energy sector (mean=4.15), local government plays a role in convening and facilitating discussions between the project and stakeholder representatives (mean=4.15), Community participation narrows the gap between the government, corporates, and politician stakeholders and citizens, and ensures that decisions and policies are appreciated and supported by the community (mean=4.14), local government can also partner with private companies in providing services, communicating information to the local population, or integrating local development plans with the operational needs of the project(mean =4.01), stakeholders assists management to develop strategic thinking approaches (mean= 4.00), stakeholders assists management to engage with the emergent aspects of modern strategy making within their industry contexts(mean=3.71), It is important for the organization to be aware of these consultations as they might have implications for future stakeholder

relations(mean=3.71) and that the donors are the key financiers in a donor funded project and therefore it is very important to involve them in the strategy formulation (mean=3.71) respectively. Therefore, the electricity sector in Kenya involved various stakeholders in its strategy formulation to a great extent for the prosperity of the sector that is a strong pillar of the Kenyan economy.

The study established that majority of the respondents were in agreement that the challenges faced while involving stakeholders in strategy formulation in the energy sector affected their organization to a great extent. This implies that the challenges faced while involving stakeholders in strategy formulation in the energy sector in Kenya were a major concern to the management of the ESI organizations'. Further it points to the critical role that the stakeholders play with respect to an organization's strategy formulation process.

The study found out that the challenges faced in involving stakeholders in strategy formulation in the energy sector in Kenya included; existing stakeholder engagement practices are designed not to give stakeholders control and delegated power in decisions on social and environmental issues (mean = 4.71), existence of heterogeneous stakeholders' views and expectations (mean = 4.29), presence of impossibility of engagement with certain stakeholders such as the natural environment and future generations (mean = 4.14), difficulty in stakeholder identification and prioritization (mean = 4.01), conflicting interests between the organization and its stakeholders (mean = 3.71 and the interpretation of stakeholder engagement is a one-sided process (mean = 3.57), respectively.

Therefore, for the strategy formulation process to become better, the ESI players need to develop strategy engagement practices that give stakeholders control and power in decision making, harmonize and integrate the divergent stakeholders' views and

expectations, align stakeholder interests to organizational interests, do proper stakeholder identification and prioritization and make the stakeholder engagement to be all rounded process. The study also found out that other challenges faced while involving stakeholders in strategy formulation included; varying stakeholders' attributes (power and legitimacy), poor communications with the stakeholders, inadequate/poor stakeholders' leadership and commitment levels, need for stakeholders' incentives and motivations, stakeholders' poor education levels and mistrusts among the stakeholders regarding the strategy to be adopted. This implies that effective and successful strategy formulation with stakeholders input requires effective stakeholder leadership and commitment, proper communication with stakeholders, factoring in the stakeholders' attributes, stakeholder training and fostering trust between the various stakeholders.

5.3 Conclusion

The study concludes that stakeholders play an important role in the strategy formulation process in the electricity sector in Kenya. This important role can be achieved through the involvement of the main stakeholders and involvement of stakeholders in different areas of strategy formulation.

The study also concludes that challenges faced while involving stakeholders in strategy formulation in the energy sector affected the ESIs to a great extent. This illustrates the significance of the challenges involving stakeholder participation in an organization's strategy formulation process.

The study also concludes that the existing stakeholder engagement practices not being designed to give stakeholders control and delegated power in decisions on social and environmental issues, existence of heterogeneous stakeholders' views and expectations, presence of impossibility of engagement with certain stakeholders such

as the natural environment and future generations, difficulty in stakeholder identification and prioritization, conflicting interests between the organization and its stakeholders and the interpretation of stakeholder engagement as a one-sided process are the major challenges associated with stakeholder involvement in strategy formulation in the energy sector in Kenya. Thus, poor stakeholder engagement practices, diverse stakeholders' views and expectation, impossibility of engagements with certain stakeholders such as natural environment and future generations, stakeholder identification and prioritization problems, conflicting stakeholder and organizational interests and interpretation of the stakeholder engagement process are key challenges that affect organization's strategy formulation efforts.

The study also concludes that varying stakeholders' attributes (power and legitimacy), poor communications with the stakeholders, inadequate/poor stakeholders' leadership and commitment levels, need for stakeholders' incentives and motivations, stakeholders' poor education levels and mistrusts among the stakeholders regarding the strategy to be adopted are other challenges of stakeholder involvement in a firm's strategy formulation. This implies that there are numerous challenges that organizations face as they engage with their stakeholders in the strategy formulation process.

5.3.1 General Significance of the Study

The study confirms that there is a statistically significant relationship between stakeholder involvement and formulation of strategies in the Electricity Sector in Kenya. Therefore, the study points on the great importance of managing the challenges related to involvement of the stakeholders in the electricity sector to guarantee the strategy formulation in the sector which is key in ensuring that all the diverse stakeholders own the strategies formulated.

5.3.2 Study Limitations

The study was limited by the busy schedule of the respondents which slowed down the data collection process and also limited the time that the researcher had to interview each of the respondents. The study was also limited by the lack of adequate cooperation by the respondents. The study was further limited by sensitivity of the information that it sought as the respondents felt that the information was sensitive and were not easily willing to reveal it to the researcher.

5.4 Recommendations

The stakeholders' involvement in the strategy formulation process in the Electricity Sector in Kenya was to a limited extent; therefore, the study recommends that the management of Electricity Sector in Kenya should enhance the level of stakeholders' involvement in the strategy formulation. This should be coupled with both the ESIs and stakeholders maintaining a good and a long term relationship.

Given that there are diverse challenges faced in involving stakeholders in strategy formulation, the study recommends that the ESI players should develop strategy to mitigate as well as cope with challenges faced in involving stakeholders in strategy formulation in the Kenyan energy sector.

5.6 Areas for Further Studies

Since this study explored the challenges faced in involving stakeholders in strategy formulation in the electricity sector in Kenya, the study recommends that similar study should be done on the health sector in Kenya, for comparison purposes and to allow for generalization of findings on the challenges faced in involving stakeholders in strategy formulation in Kenya.

5.7 Implication of the Study on Policy, Theory and Practice

Involvement of stakeholders in strategy formulation of the electricity sector in Kenya will involves scanning, selecting, interpreting and validating information relating to the organizations in the sector. It will take some of the organization's stakeholders to articulate and agree on vision and direction.

Since the stakeholders have expectations about how the firm should behave and what the firm should provide in terms of economic, social, and psychological benefits; Firms in electricity sector in Kenya are accountable to a broad range of stakeholders, both internal and external, who can make it either more difficult or easier to execute a strategy and realize its mission and vision. Therefore, managers are increasingly expected to consider a growing number of stakeholders when formulating and implementing strategy.

In theory, the study creates emphasis on the existence of a dynamic and complex relationship between organizations and their stakeholders and, emphasizes the management of these relationships. Therefore, stakeholder theory plays a significant role in understanding the stakeholders' influences on organizations' actions and how organizations respond to these influences. The theory aims at enhancing mutual understanding and alignment, between the firms in the electricity sector in Kenya and their stakeholders.

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APPENDICES

Appendix I: Questionnaire

Instructions: (*Please read the instructions given and answer the questions as appropriately as possible*). Kindly fill in each section as provided.

Section A: General Information

1. What is your designation?

…………………………………………………………………………………………

2. Gender   Male   [ ]   Female   [ ]

3. What is your age bracket?

    Below 25 years   [   ]   25-35 years   [   ]

    36-45 years   [   ]   Over 45 Years [   ]

4. What is your highest level of education?

    Master's degree   [ ]   Bachelor's degree   [ ]

    Diploma   [ ]   Certificate   [ ]

    Others   (specify)……………………………………………………

5. How many years have you worked in this company?

    Less than 1 year   [ ]   1-5 years   [ ]   6-10 years   [   ]

    Over 10 years [ ]

Section B: To establish the extent of stakeholder involvement on strategy formulation in the Electricity Sector in Kenya.

6. To what extent are stakeholders involved in strategy formulation in your organization?

   Very great extent [ ]   Great extent [ ]   Moderately [ ]

   Less Extent [ ]   Not involved   [ ]

7. Who are the main stakeholders that your company involves while formulating strategies?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

   ………………………………………………………………………………………..

8. Please indicate your level of agreement with the following statement concerning stakeholder involvement in Electricity Sector in Kenya Where 5-Strongly Agree, 4-Disagree, 3-Undecide, 2-Disagreee and 1-Strongly Disagree.

	1	2	3	4	5
Community participation narrows the gap between the government, corporates, and politician stakeholders and citizens, and ensures that decisions and policies are appreciated and supported by the community					
Government support is critical to the success of a project in the energy sector					
The donors are the key financiers in a donor funded project and therefore it is very important to involve them in the strategy formulation					

Stakeholders assists management to develop strategic thinking approaches					
Local government plays a role in convening and facilitating discussions between the project and stakeholder representatives.					
Stakeholders assists management to engage with the emergent aspects of modern strategy making within their industry contexts					
Routine engagement with various regulatory and public service authorities is often required as part of doing business					
Local government can also partner with private companies in providing services, communicating information to the local population, or integrating local development plans with the operational needs of the project					
It is important for the organization to be aware of these consultations as they might have implications for future stakeholder relations					

9. What are the major areas that you have involved stakeholders when formulating strategies?

…………………………………………………………………………

…………………………………………………………………………

…………………………………………………………………………

Section C: To investigate the challenges faced in involving stakeholders in strategy formulation in the energy sector in Kenya.

10. To what extent are challenges faced while involving stakeholders in strategy formulation in the energy sector experienced in your company?

To a very great extent [ ] To a great extent [ ] To a moderate extent [ ]

To a little extent   [ ]   To no extent   [ ]

11. To what extent do you agree with the following challenges experienced in involving stakeholders in strategy formulation as experienced in your company? Use a scale of 1-5 where 5-Strongly Agree, 4-Disagree, 3-Undecide, 2-Disagreee and 1-Strongly Disagree.

	1	2	3	4	5
There are conflicting interests between the organization and its stakeholders					
There is difficulty in stakeholder identification and prioritization					
Presence of impossibility of engagement with certain stakeholders such as the natural environment and future generations					
Existence of heterogeneous stakeholders' views and expectations					
Interpretation of stakeholder engagement is a one-sided process					
The existing stakeholder engagement practices are designed not to give stakeholders control and delegated power in decisions on social and environmental issues					

12. What other challenges do you face while involving stakeholders in strategy formulation?

…………………………………………………………………………………

…………………………………………………………………………………

Thank you for your time and participation

Appendix II: Electricity Supply Industry in Kenya

1. Kenya Power and Lighting Company

2. Kenya Electricity Generating Company

3. Geothermal Development Company

4. Kenya Electricity Transmission Company

5. Rural Electrification Authority

6. Energy Regulatory Commission

7. Independent Power Producers

(Source: ERC, 2014)