

**STAKEHOLDERS INVOLVEMENT IN STRATEGY DEVELOPMENT IN  
STATE CORPORATIONS WITHIN THE COASTAL REGION OF  
KENYA**

**DORCAS AWINO OKECH**

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## DECLARATION

This research project is my original work and has not been submitted to any other university for award of a degree.

Signature.....Date.....

**DORCAS A. OKECH**

**D61/80414/2012**

This research project has been submitted for examination with my authority as the university supervisor

Signature.....Date.....

**DR. JACKSON MAALU, PHD**

**Department of Business Administration**

**School of Business,**

**University of Nairobi**

## **DEDICATION**

This project is dedicated to the memory of my mother, Grace A. Okech. She was all one could wish for in a mum, and she showed me the path to education and development.

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This project has been possible with the support of many people yet there are certain indispensable persons who have helped in its birth process.

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## **ABSTRACT**

State corporations in Kenya exist to meet the objectives of various stakeholders with diverse interests in the environment they operate in. They play an important role as partners in development by working to improve the lives of the Kenyan citizens. The role these organizations play is critical as they provide vital services not met by the central government. The central concern of stakeholder involvement is the survival of the firm hence managers need to understand who the stakeholders are, what their issues are, and what motivates them. It encourages integrated approach to decision making and management to develop strategies that ensure long-term success of the organization. The overall aim of this study was to assess stakeholder involvement in strategy development among the State Corporations in the Coastal region in Kenya. The specific objectives were to determine the extent of stakeholder involvement in the strategy development process and to establish factors influencing the stakeholders' involvement in the strategy development process of State Corporations in the Coastal region. Literature review was gathered from various sources with more emphasis on more current literature from renowned authors in stakeholder management and strategy development. The research used a descriptive survey design which aimed at assessing extent of stakeholder involvement in strategy development. The data collection tool used was a questionnaire with closed and open-ended questions guided by the contents of the literature review and aimed at achieving the set objectives. The study population was the thirteen State Corporations based in the Coastal region of Kenya. The study revealed that the State Corporations involve their stakeholders in the strategy development process. The study also established that the firms consider various factors in deciding the level of stakeholder involvement in the strategy development process. The study concluded that the State Corporations involve their key stakeholders in the strategy development process and consider numerous factors in deciding to what extent they should involve their stakeholders. The study recommends that the management of the State Corporations consider involving more stakeholders in future and that the government consider privatisation in order to make firms more efficient.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Organizations exist in an open system where they are closely linked to both internal and external environment which affect and are affected by external conditions largely beyond their control (Pearce & Robinson, 2011). The linkage or fit if accurately applied has powerful implications for the design of a successful strategy by maximizing on a firm's strength and opportunities and minimizing on its weakness and threats. According to Callaghan (1994), organizations are part of a system involving the acquisition of resources from the external environment, their conversion into products or services and are demanded back to the environment again. Stakeholder engagement practice is increasingly becoming part of mainstream business practice. It is being used as a means to gain wider support, ownership, and common agreement. The organization's decisions are made by taking into consideration the power and interest of stakeholders whose actions may influence the organization negatively or positively (Freeman, 1999).

According to Freeman (1999), the stakeholder theory considers an organization as a social construction made of an interaction of various stakeholders. The organization operates as an open system where it is influenced by both internal and external environment. Organizations are rejoined to build on strengths, overcome weaknesses, identify weaknesses, and block threats (Nutt & Backoff, 1992). Stakeholder approach to strategic management is concerned with identifying individuals and groups who have an interest in the organization or organization strategy programme. An activity or venture is likely to succeed if it takes into consideration the environment in which it operates and endeavours to meet the needs of the stakeholders affected by it.

Like all organizations, state corporations exist to meet the objectives of various stakeholders with diverse interests in the environment they operate in. They play an important role as partners in development by working to improve the lives of the Kenyan citizens. The role these organizations play is critical as they provide vital services not met by the central

government. It is in this context that the study investigated the extent the state corporations involve their stakeholders in strategy development within the coastal region.

### **1.1.1 Stakeholder Involvement**

Strategic management is a set of decisions and actions resulting in formulation and implementation of strategy designed to achieve objectives of an organization (Pearce and Robinson, 1997; 2011). Bartol (1993) perceives strategic management as a process through which managers formulate and implement strategies geared toward optimizing strategic goal achievement, given available environmental and internal conditions. Pearce and Robinson (2011) definition reveals the following factors: determining the mission, develop a company profile, appraisal of the internal and external environment, setting of objectives, developing and choice of strategy, implementing and monitoring of the strategy. The strategic decisions and actions require top management support, substantial allocation of resources; future oriented, considers both internal and external environment considerations, and usually has multi-functional and multi-business consequences (Pearce and Robinson 2011). According to Bartol (1993) the strategic management process begins with strategy formulation, the part of strategic management process that includes identifying the organization's mission and goals, conducting analysis, and developing specific strategies. The process weighs important environmental elements by considering both internal and external characteristics of the organization to develop specific strategies. According to Lynch (2009), the field of strategic management deals with the intended and emergent initiatives by organizations on behalf of owners, involving utilization of resources, to enhance their performance.

A stakeholder according to Freeman (1984) is any group or individual who can affect or is affected by, the actions of the organization. Johnson et al (2005) define stakeholders as those individuals or groups who depend on the organization to fulfill their own goals and vice versa. According to Bryson (1995), this individual or group lays a claim to the resources of the organization attention and resources. These groups, according to Wheelen and Hunger (2008), may include owners, trade unions, competitors, employees, customers, suppliers, stockholders, government and other groups who may help or hurt the organization. Rowley (2009) notes that the survival of the organization depends on how well it satisfies its stakeholders.

According to Pearce and Robinson (2011) the business environment is dynamic and unpredictable; stakeholders' preferences shift inexplicably and are often inconsistent. The stakeholder concept provides a new way of thinking about strategic management according to Freeman (1984), the shareholders are no longer interested in return on investment but control as well and the customers have many choices and other stakeholders interests have shifted. Freeman further says that the emergence of new groups, events, and issues which cannot be readily understood within the frameworks of the framework of the existing model or theory has made it necessary for the stakeholder management.

Involvement of the stakeholders in each stage of the strategic management process is important. Analysis of the situation, according to Johnson and Scholes (2002) looks at the strategic position of the organization in terms of its external environment, internal resources and competencies, and expectations and influence of the stakeholders. The next part in the process is strategy implementation which if not executed effectively will fail even if strategies are brilliantly formulated. According to Johnson, Scholes and Whittington (2005) stakeholders have influence to determine the strategy of the organization. They go on further to say that the key to understanding the management of a not-for profit organization is thus learning who pays for the delivered services. An organization is likely to be concerned with satisfying the needs and desires of the funding sponsors than those receiving the service (Johnson et al, 2005).

### **1.1.2 Strategy Development**

Strategy development is widely perceived as a core organizational process (McLaughlin, 1995; Harrison and Pelletier, 2000). By referring to it, we imply the rational decision making process carried out by a group of managers (strategists) in order to match the organization's resources to the opportunities arising from the competitive environment. This involves the identification of the basic goals of an enterprise, the consideration of alternative courses of action, and the allocation of resources necessary for carrying out these goals. Experiences reported by an increasing number of companies show that their long-term survival and competitive success is determined not so much by their financial muscles and

size, but by the manner in which they consciously attempt to learn, create, codify, and utilize knowledge (Argyris, 1996).

The quality of a formulated strategy depends on the quality of the knowledge used (Feurer & Chaharbaghi, 1995). For this reason, strategists have been challenged to evolve from planners and strategy creators, to strategy finders, knowledge generators and catalysts of change (Mintzberg, 1994). During a strategy formulation process, strategists often propose a set of alternative courses of action and consider their expected impacts in order to reach a decision. Empirical evidence shows that term strategy development is interplay between social processes and knowledge processes (Schwarz, 2003).

Groups-within-groups of managers with similar views can emerge at any instance of the decision making process. In such settings, knowledge is clustered around specific ideas, solutions or views, resulting in knowledge exchange and reconstruction. However, the overall process is often obstructed due to issues such as the vague knowledge about the preference degree of one alternative over another or the difficulty of expressing preferences with exact numerical values. Furthermore, decision making is often impeded by the use of different terminology and means of expression of the individuals' positions, mostly due to the decision makers' diverse professional backgrounds. In order to provide contemporary business organizations with the necessary means to develop successful, knowledge-based strategic plans, we argue that a combination of diverse disciplines is required to attain an appropriate synthesis (and convergence) of the strategists' highly specialized state-of-the-art knowledge.

### **1.1.3 Determinants of Strategy Development**

For more than a decade the stakeholder approach to understanding the firm in its environment has been a powerful heuristic device, intended to broaden management's vision of its roles and responsibilities beyond the profit maximization function to include interests and claims of non-stockholding groups (Wood et al, 1997). Stakeholder management theory is the study of how a firm or organization interacts with those groups it affects. This theory tries to shed light into how a corporation handles all groups affected, or affecting the organization. Donaldson and Preston (1995) argued that stakeholder theory explicitly or

implicitly contains theory of three different types-descriptive/empirical, instrumental, and normative.

Descriptive/empirical formulations of the theory are intended to describe and/or explain how firms or their managers actually behave. Instrumental theory purports to describe what will happen if managers or firms behave in certain ways. Normative theory on the other hand is concerned with the moral propriety of the behaviour of firms and/or their managers. However it is argued that if these three approaches are combined without acknowledgement it would result to confusion. Stakeholder theorists differ considerably on whether to take a broad or narrow view of a firm's stakeholder universe. Those in support of a narrow view of stakeholders attempt to define relevant groups in terms of their direct relevance to the firm's core economic interests. For example, several scholars define stakeholders in terms of their necessity for the firm's survival (Freeman, 1999; Ndsi, 1995).

The broad view of stakeholders, in contrast, is based on the empirical reality that companies can indeed be vitally affected by, or they can vitally affect, almost anyone. Thus managers are obligated to have an exhaustive list of all stakeholders in order to participate in a fair balancing of various claims and interests within the firm's social system. The central concern of stakeholder involvement is the survival of the organization (Freeman, 1999). Stakeholder involvement at different stages may take the form of sharing information, consulting, empowering, or deliberating on decisions.

The central concern of stakeholder involvement is the survival of the firm thus managers need to understand who are the stakeholders, what their issues are, and what motivates them. It encourages integrated approach to decision making and management to develop strategies that ensure long-term success of the organization (Freeman, 1999). Not all stakeholders' interests can be taken into account. It depends on the power and interest a stakeholder wields to block or facilitate the process (Johnson & Scholes, 2008). The purpose of the organization according to Lynch (2009) is ultimately to advance the interests of its owners usually the shareholders. Stakeholders are likely to have conflicting interests thus an organization's mission and objectives need to be developed bearing in mind two sets of

interests; those who carry them out and those who have a stake in the outcome. Therefore the purpose of the organization will be shaped by the values of the organization and the power of the stakeholders.

According to Johnson and Scholes (1997), it is helpful to analyze and understand different stakeholders to consider the extent to which they are likely to show an active interest in the strategic development of the organization. The idea of stakeholder management suggests that managers formulate and implement processes which satisfy all and only those groups that have a stake in the business or organization (Freeman, 1984). The central task in this process is to manage and integrate the relationships and interests of the stakeholders in a way that ensures the long-term success of the organization. A stakeholder approach emphasizes active management of the organization environment, relationships, and promotion of shared interests. Many traditional views of strategic management have ignored some stakeholders, marginalized others and consistently trade-off the interests of others against favoured stakeholders (Johnson, et al., 2008).

According to Wheelen and Hunger (2008), the key to understanding the management of an organization that is not-for-profit in particular, is thus learning who pays for delivered services. If the end user pays a small proportion or none at all, the strategic managers are likely to be more concerned with satisfying the needs of the funding stakeholders. Rowley (2009) argues that the survival of an organization depends on how well it satisfies its stakeholders. Value is created when an organization meets the needs of the important stakeholder. Therefore successful involvement fosters strategic development of partnerships resulting in collaborative problem solving thus broader support for decisions (Freeman, 1984). Stakeholder involvement encourages management to develop strategies that ensure long-term success of the firm and calls for an integrated approach to strategic decision making.

According to Ansoff (2004), strategic management encompasses the process of determining organization mission and goals; managing strategy formulation; strategy implementation, and strategy control. This view is supported by Lynch (2009), Johnson and Scholes (2002), who perceive strategic management process as a linkage of three components namely:

strategy analysis, strategy development, and strategy implementation and that these three components may be sequential or interlinked depending on the environment the organization operates in. Stakeholder involvement in strategic management process plays an important role in supporting strategy, allows greater ownership, facilitates better decisions and may identify issues not addressed by the executive team (Clarkson, 1995).

The definitions though varied bring out distinct processes composed of three major phases: formulation, implementation, and evaluation. At the formulation stage, strategic analysis is done taking into consideration the aspirations of the stakeholders and how they affect the future development of the organization (Johnson & Scholes, 1997). The question here is which stakeholder should the organization serve? According to Johnson and Scholes (1997), the views that prevail will depend on the stakeholder that wields the greatest power. This forms the political context within which strategic developments take place. Stakeholders have conflicting expectations hence the managers need to know which stakeholder has the greatest influence. Wheelen and Hunger (2008), argue that, the sources of revenue of an organization dictate its strategy decision making the sponsors influence the organizations strategic direction while marginally influenced by others. However Waterman (1994) contends that today's most successful firms do not automatically make shareholders their first priority. Instead employees and customers receive considerable attention otherwise the organization output will decline. According to Freeman (1984), when inadequate attention is given to strategy formulation, the strategic management system becomes disconnected from the operational structure of the organization. Strategy implementation is an enigma in many firms; only one out of ten companies do an effective job in formulating strategy and equally on implementing it (Judson, 1991). Once strategies have been formulated, they must be translated into action plans; otherwise there will be many beautiful plans 'gathering dust' on office shelves.

The implementation of strategy is influenced by a number of factors including availability of resources and the required manpower. According to Atreya (2007), internal leadership is needed to drive strategic implementation towards the right direction by allocating resources, gaining commitment and changing the transactional process. The transactional process can

be done through various approaches including ignoring some stakeholders at some levels (Freeman, 1984). The key to successful implementation is to communicate strategy to all stakeholders involved for support and commitment. Strategic control according to Pearce and Robinson (1997) is concerned with tracking a strategy as it is being implemented, detecting and making changes as necessary. For ongoing or long-term activities, regular review periods are necessary to check whether the process is meeting the purpose as agreed.

This can happen through team meetings where stakeholders are empowered, informed and consulted. An organization, according to Yabs (2010), can use varied methods both qualitative and quantitative to evaluate the performance of their operations. Some organizations evaluate their performance according to their social responsibility while others rate them according to their best management practices, net profit, return on investment and others. Constant monitoring of the interactions between the organization and stakeholders is critical, particularly in those cases where the manager is uncertain about a stakeholder and also where stakeholder support is crucial (Freeman, 1984).

#### **1.1.4 State Corporations in the Coastal region**

In Kenya, Section 2 of the revised State Corporations Act (2012) defines a state corporation as a body that is: defined that way by statute; a body corporate established by an Act of Parliament; a bank or other financial institution or other company whose shares or a majority of whose shares are owned by government or by another state corporation, and; a subsidiary of a state corporation. According to Njiru (2007), the Kenyan government forms these 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.

State corporations were first established in Kenya by the colonial government on the understanding that they would be the most appropriate mechanism for providing services that were not provided by the private sector. In addition, it was felt that public enterprises were better placed to curb the exploitation of consumers. Infrastructural services, such as ports, railways, airlines, post and telecommunications fell into this category. Crop marketing



boards were also established by settler farmers with a view to marketing their produce. The majority of them resembled co-operatives to a large extent because they had grower representation on the boards of directors (Mwaura, 2007).

The Coastal region in Kenya comprises of six counties namely; Taita/Taveta, Kwale, Mombasa, Kilifi, Tana River and Lamu. The region which was formerly the Coast province is mainly inhabited by the mijikendas, swahili and Taita ethnic groups. It covers the geographic area from the Indian Ocean to the Taita hills and borders Tanzania on the south and Somalia on the north. Most state corporations in this region were set up to address crop marketing issues especially the main cash crops of coconut and cashew nuts (Gov. 2013).

Others like the Kenya Ports Authority and Kenya Maritime Authority were established to handle shipping and maritime issues at the port of Mombasa. The region also boasts of a rich culture and tourists attractions. This has a lot of significance to the Kenyan economy as it is the heart of the tourism industry. Most tourist resorts and hotels are found along the coastal region. This also prompted the government to set up state corporations such as the Kenya Tourism Board and the Kenya Tourist and Development Corporation to manage this sector effectively (Gov. 2013).

The Kenya Ferry Services is also based in the coastal region with its major service being managing the Likoni Ferry channel. This is an important link between the south coast and other parts of the coastal region. The Kenya Marine and Fisheries Research Institute (KMFRI) is headquartered in Mombasa in the Coastal region. In the water sector we have the Coast Water Services Board while in the education sector we have Pwani University based in Kilifi and the Technical University of Mombasa. The Kenya Coconut Development Authority (KCDA) was set up to handle coconut marketing and processing within the region as it is a major cash crop. The Coast Development Authority deals with broader issues of development in the entire region (Gov. 2013).

In Kenya, Government Owned Entities (GOEs) have been established and play a number of roles in diverse ways. The experience has been in some cases successful and in others not

so. In the recent past Kenya has set itself an ambitious, but achievable development agenda, reflected in Vision 2030. This is further articulated in its Second Medium Term Plan, 2013 – 2017, which is the key implementation instrument. Faced with a challenging and fluid regional as well as global context, it is clear that it cannot be business as usual, if we are going to quickly and effectively address our development challenges. It will require significant transformation in the way we identify and apply, *inter alia*, our people, natural, financial and organizational resources. One of the key policy instruments that governments world over have applied in supporting national development have been GOEs, in Kenya referred to variously as parastatals, state corporations or semi-autonomous government agencies in some cases. These too, will need to be transformed for them to fully play their significant role in the national development process.

The Kenyan government acknowledges that over the years there has been poor performance in the public sector, especially in the management of public resources which has hindered the realization of sustainable economic growth. This led to the development of Kenya Vision 2030 as the country's development blueprint covering the period 2008 to 2030. In an effort to achieve the objectives and targets of Vision 2030 and to manage performance challenges in public service, the Kenyan government has been implementing numerous strategies in all Ministries/Departments and state corporations with an aim of improving service delivery to Kenyans (Gov. 2013).

## **1.2 The Research Problem**

Organizations of all types and nature have found it necessary to engage in strategic management in order to deliver on their goals efficiently and effectively. This is because organizations exist to meet the objectives of the stakeholders who operate in the organization's environment. According to Pearce and Robinson (2011), using strategic management approach, leads to improvement in the management processes. Planning is blended with increased emphasis on environmental forecasting and external considerations in formulating and implementing plans. Success of the organization is attributed when everybody is brought on board in strategy development.

State corporations in Kenya are deeply implicated in most fiscal problems because of their inefficiency, losses, budgetary burdens, and provision of poor products and services. Occasionally, they achieve some non-commercial objectives, which are used to justify their poor economic performance. In spite of the pressure on the Kenyan government to privatize them in order to improve their productivity, the change of government and the better provision of public services have given rise to the possibility of improving the performance of state corporations without privatizing all their services. Rather than divesting its entire stake in state corporations, the government has sought to privatize some selected services and give priority to local investors rather than foreign ones. To do so, it has enacted the Privatization Act of 2005 which, among other targets, seeks to involve the private sector in order to improve the infrastructure and the delivery of public services.

Locally, various studies have been carried out focusing on stakeholder involvement in organizations but on different aspects, contexts and methodology. Owuor (2011) looked at stakeholders' involvement in strategy formulation in the Kenyan State Corporations. 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. Osano (2013) did a study on the extent of stakeholder involvement in the strategic management process in health-based non-governmental organizations in Nairobi County, Kenya. The findings revealed that health-based non-governmental organizations in Nairobi engage stakeholders to a great extent before any decisions or policies are made but they do not involve them in assessment of the strategic management process. The study also revealed that there were various factors that influence the extent of stakeholder involvement.

However the studies' findings cannot apply to all across the board due to contextual and conceptual foci. Consequently a knowledge gap exists because the studies did not look at stakeholder involvement in strategy development within the context of State Corporations in

the Coastal Region. This study therefore aimed to answer the following research questions: To what extent do the state corporations in the coastal region involve their stakeholders in the strategy development process? What factors influence stakeholder involvement in the strategy development process of State Corporations in the Coastal region?

### **1.3 Research Objectives**

The objectives of the study were:

1. To determine the extent of stakeholder involvement in the strategy development process of State Corporations in the Coastal region.
2. To establish factors influencing the stakeholders involvement in the strategy development process of State Corporations in the Coastal region.

### **1.4 Value of the Study**

The findings of the study may contribute to theory by giving insight and evidence-based knowledge regarding stakeholder involvement in the strategic development process in state corporations using the selected sample. The study will serve as a stimulus for scholars to carry out further research as there are gaps which have been identified for further research.

To the government the data gathered from the study may be useful in assessing the impact of the efforts to strengthen stakeholder involvement and donor support. The information will identify critical issues within state corporations as well as serve as a benchmark for the corporations. The government will use the information gathered to regulate the state corporations so as to enhance sustainability and aid in developing sound strategies. With Kenya now having formulated a long-term strategy of Vision 2030, there will be need for the government to have in place institutions that can churn out appropriate strategies.

The information gathered from the study may give insight to the state corporations to develop approaches to strengthen and create programs according to stakeholders needs. Also important are the factors that influence the extent of stakeholder involvement. The information will generate greater awareness among state corporations on the importance of having a proper and practical strategic management framework as a vehicle to organizational effectiveness.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter focuses on review of theoretical, conceptual, and empirical literature along the study's conceptualization. First, the chapter presents literature on theoretical underpinnings of the study followed by conceptual and empirical literature on the strategic management and stakeholder involvement in strategic management as well as factors influencing such involvement.

### **2.2 Theoretical Foundation of the Study**

The precise origins of stakeholder are difficult to track down according to Freeman (1984); the actual word was used in 1963 by the Stanford research institute (SRI) which was used to generalize the notion of stockholder as the only group to whom the management need be responsive. Thus the concept was originally defined as "those groups without whose support the organization would cease to exist" (Freeman, 1984). A number of theories have been advanced which attempt to demystify the concept of stakeholders and stakeholder involvement. In this study we look at the Open system theory, Organization development theory and Stakeholder theory.

#### **2.2.1 Open System Theory**

Traditional theories viewed organizations as closed systems that were autonomous and isolated from the outside world. However overtime more holistic and humanistic ideologies have emerged which have embraced an open system view of organization (Taschner, 2009). Open systems theory refers simply to the concept that organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival.

Virtually all modern theories of organization utilize the open systems perspective. As a result, open systems theories come in many flavours. For example, contingency theorists argue that organizations are organized in ways that best fit the environment in which they are embedded. Institutional theorists see organizations as a means by which the societal

values and beliefs are embedded in organizational structure and expressed in organizational change. Resource dependency theorists see the organization as adapting to the environment as dictated by its resource providers. Although there is a great variety in the perspectives provided by open systems theories, they share the perspective that an organization's survival is dependent upon its relationship with the environment.

### **2.2.2 Organization Development Theory**

Organization development according to Scholes (2006) is a body of knowledge and practice that enhances organizational performance and individual development, viewing the organization as a complex system of systems that exists within a larger system, each of which has its own attributes and degrees of alignment. Battelle (2007) defines organization development as a systematic learning and development strategy intended to change the basic beliefs, attitude and structure of the current organization to better absorb changes in the business environment. Organization development theorists and practitioners define it in various ways. Its multiplicity of definitions reflects the complexity of the discipline and according to Scholes (2006) is responsible for its lack of understanding. He however warns that the primary purpose of organization development is to develop the organization not to train or develop the various stakeholders involved.

### **2.2.3 Stakeholder Theory**

Stakeholder theory is a conceptual framework of business ethics and organizational management which addresses moral and ethical values in the management of an organization. A number of stakeholder theories have developed overtime to explain, or to identify what the nature of the firm- stakeholder interaction should be. Each offers insights into the motivations that potentially could influence management in their decision to interact with stakeholders in the decision to report information about the firm's activities.

A number of researchers recognize that both managerial and normative motivations contribute to decision-making and have suggested approaches to stakeholder theory that may assist in the analysis of the firm-stakeholder interaction. Trevino and Weaver (1999) have argued that stakeholder theory would be better characterized as a 'Stakeholder Research Tradition rather than as one theory. While Jones and Wicks (1999) proposed the

‘Convergent Stakeholder Theory’ which was intended to offer an approach to the unification of the two branches of stakeholder theory in which the various stakeholder theories were to be seen as a ‘class of theories’. As with Freeman (1999) they recognized that neither of the convergent forms of stakeholder theory is complete without the other.

Freeman (1999) had argued against the notion of convergent stakeholder theory, he argued that, ‘the stakeholder theory’ can be unpacked into a number of stakeholder theories, each of which has a ‘normative core,’ inextricably linked to the way that corporations should be governed and the way that managers should act. So, attempts to more fully define, or more carefully define a stakeholder theory are misguided. In a later paper, Freeman (1999) reinforced this view, arguing that what we need is not more theory that converges but more narratives that are divergent that show us different but useful ways to understand organizations in stakeholder terms.

The precise origins of stakeholder are difficult to track down according to Freeman (1984); the actual word was used in 1963 by the Stanford research institute (SRI) which was used to generalize the notion of stockholder as the only group to whom the management need be responsive. Thus the concept was originally defined as “those groups without whose support the organization would cease to exist” (Freeman, 1984). The stakeholder theory according to Thompson (1993) takes into account of the various needs of the interested stakeholders and the organization will on occasion “trade off” one against the other, establishing a hierarchy of relative importance. He further say that the interests of the stakeholders are not always consistence thus their influence will vary from decision to decision.

The organization is envisioned as the centre of a network of stakeholders, a complex system of services, information, influence and other resources (Freeman, 1999). Value is created when it meets the needs of the stakeholder since successful stakeholder involvement fosters strategic development of partnerships resulting in collaborative problem solving thus broader support for decisions. However, the goals of the stakeholder may be in conflict with each other threatening the organization. Building on the work of others, Clarkson (1995), defines primary stakeholders as those “without whose continuing participation, the

corporation cannot survive as a going concern”. The stakeholders according to him include owners, employees, customers and suppliers as well as government and communities.

According to Freeman (1984; 1999), the stakeholder theory considers an organization as a social construction made of an interaction of various stakeholders. The organization operates as an open system where it is influenced by both internal and external environment. Organizations are rejoin to build on strengths, overcome weaknesses, identify weaknesses, and block threats (Nutt & Backoff, 1992). Stakeholder approach to strategic management is concerned with identifying individuals and groups who have an interest in the organization or organization strategy programme. An activity or venture is likely to succeed if it takes into consideration the environment in which it operates and endeavours to meet the needs of the stakeholders affected by it.

### **2.3 Empirical Literature on Stakeholder Involvement**

Various studies have been carried out focusing on stakeholder involvement in organizations but on different aspects, contexts and methodology. Mwikuyu (2009) did a study on the extent of stakeholder involvement in strategy formulation and implementation in the national social security fund. The study used an interview guide to get responses from the respondents so as to get in-depth information from them. The study targeted departmental heads, all based at the headquarters in Nairobi Kenya. From the research findings, it was revealed that most of the departments practice strategic planning and carry out stakeholder analysis to determine the various stakeholder interests. The study established that most of the departments involve their stakeholders in strategy formulation and implementation and that various factors influence the extent to which these multi-stakeholders are involved. This study is relevant as it looked at stakeholder involvement in strategy formulation.

Another study by Atieno (2013) looked at stakeholder involvement in the management of strategic change at Finlays Tea Company limited Kenya. The study used primary data which was collected using an interview guide. Secondary data was collected from company`s strategic plan and published reports which was analyzed through content analysis. The study revealed that management and stakeholders hold divergent views. The management holds the perception that stakeholders are comprehensively involved while stakeholders perceive



the change process as devoid of a comprehensive and inclusive stakeholder's involvement. The study concluded that there is still a low level of stakeholder involvement in the management of strategic change at Finlays Tea Company Limited.

Owuor (2011) looked at the stakeholder involvement in strategy formulation in Kenyan state corporations. The study used primary data which was collected using a semi-structured questionnaire with both open and closed ended questions. 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. This is relevant to this study in that it looked at stakeholder involvement in state corporations in Kenya. This study addresses the same concept but will focus only on the state corporations in the coastal region.

Osano (2013) did a study on the extent of stakeholder involvement in the strategic management process in health-based non-governmental organizations in Nairobi County, Kenya. The findings revealed that health-based non-governmental organizations in Nairobi engage stakeholders to a great extent before any decisions or policies are made but they do not involve them in assessment of the strategic management process. The study also revealed that there were various factors that influence the extent of stakeholder involvement.

Although most studies looked at stakeholder involvement in organisations' strategic management process, there still exists a knowledge gap in this area. Little research has been done on stakeholder involvement in strategy development among state corporations. State corporations in Kenya are important economic vehicles whose importance cannot be underestimated. They play an important role in driving the Kenyan economy through provision of various essential services and products. This study therefore aimed to determine the extent to which state corporations in the coastal region in Kenya involve the stakeholders in the strategy development process. This study also aimed to establish the factors that influence stakeholder involvement in strategy development among the state corporations in the coastal region in Kenya.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focuses on the methods of data collection and analysis. It highlights the research design, study population, data collection and data analysis.

### **3.2 Research Design**

This study was carried out through a descriptive survey design. Surveys allow the collection of a large amount of data from the entire population within a shorter period. It enables a researcher to get a snapshot of the situation all at once. This research involved a census survey of the state corporations in the Coastal region in Kenya. According to Emory (1995), a survey is feasible when the population is small and variable hence the researcher will be able to cover all the elements of the population. Therefore the survey is considered to be more efficient and economical.

### **3.3 Population of Study**

The population of this study consisted of all state corporations in the Coastal region which are 13 (see appendix 2) as listed by the Office of Public Communications (2014). These are the state corporations whose headquarters are in the coastal region. According to Mugenda and Mugenda (2003), population is a complete set of individuals or objects with common observable characteristics. Consideration of all state corporations in the Coastal region was done in order to ensure that the findings reflect stakeholder involvement in the strategic development process.

### **3.4 Data Collection**

Primary data was collected through a structured questionnaire which was organized in three parts. Part A focused on the organization demographics; part B on the extent of stakeholders' involvement in the organization's strategic development process, and part C on the factors influencing stakeholder involvement. The questionnaire is the most widely used method of data collection in social sciences. It is popular because the researcher has control over the types of data at the time of data gathering. The respondents in this study

were the staff in charge of strategic management and planning of activities. They were presented with descriptive statements about stakeholder involvement in the strategic management process in a likert scale and were required to rate them accordingly. This is because likert scale is an important tool for rating responses from respondents on various identified variables (Kothari, 2004). The questionnaires were administered through mail and “drop and pick” targeting the staff responsible for planning and policy in the organization. Out of the targeted 13 State Corporations, 11 (85%) responded to the questionnaire. This was considered adequate for the objectives of this study.

### **3.5 Data Analysis**

The nature of data to be collected was largely quantitative therefore the study used descriptive statistical tools of analysis (percentages, factor analysis and frequencies). According to Mugenda (2003), percentages and frequencies show the proportion of respondents who score against the different extents of stakeholder involvement in strategic management process. Factor analysis was used to reduce the data collected on the factors influencing stakeholder involvement to a manageable level. Percentages and frequencies show the proportion of respondents who score against the different extents of stakeholder involvement in strategic management. The findings of the study were presented in tabular form for further interpretation and reporting. Tables enable the reader to compare the trend of the distribution more vividly than simply looking at the numbers.

## CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION

### 4.1 Introduction

In this chapter, the analyzed data is presented together with the relevant interpretations. Findings have been presented in three parts: General information on respondents and firms, information relating to the stakeholder involvement and factors influencing the stakeholder involvement.

### 4.2 General Information

#### 4.2.1 Gender of Respondents

**Table 4.1: Gender of Respondents**

	<b>Frequency</b>	<b>Percentage (%)</b>
Male	7	64
Female	4	36
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research data

From Table 4.1 it is evident that 7 (64%) out of the 11 respondents that participated in the study were male while 4 (36%) were female. This implies that majority of those surveyed were male.

#### 4.2.2 Age of respondents

**Table 4.2: Age of respondents**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
20 -30 years	2	18
31 - 40 years	3	27
41 - 50 years	4	36
Over 50 years	2	18
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research data

Table 4.2 shows that 2 (18%) of the respondents were aged between 20 and 30 years, 3 (27%) aged 31 to 40 years, 4 (36%) 41 to 50 years. 2 out of the 11 respondents (18%) were aged over 50 years. The results indicate that the age of the respondents was well distributed.

#### 4.2.3 Years of Continuous Service

**Table 4.3: Years of Continuous Service**

<b>Range</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Below 5 years	0	0
5 -10 years	3	28
11 - 20 years	4	36
21 -25 years	2	18
More than 25 years	2	18
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research data

Table 4.3 shows that 3 (28%) of the respondents have worked for 5 to 10 years, 4 (36%) between 11 and 20 years, while 2 (18%) for 21 to 25 as well as for more than 25 years. This implies that all the respondents have been in continuous service for more than 5 years hence more experienced and knowledgeable in matters of the company.

### 4.3 Stakeholder Involvement in Strategy Development

The study also investigated the extent of stakeholder involvement in the strategy development process by the State Corporations in the Coastal region. The data was analyzed using mean scores and standard deviations. A mean score of less than 1.5 implies that the firm rated the statement as no extent. A mean score of 1.5 to 2.5 implies little extent, 2.5 to 3.5 moderate extent and 3.5 to 4.5 implies large extent. A mean score of more than 4.5 implies a very large extent. Standard deviation of less than 1 means that there were no significant variations in the responses while greater than 1 implies that there were significant variations in the responses.

#### 4.3.1 Application of Strategy Development

The respondents were first required to rate the extent to which their organisation engages in the strategy development process and whether the process was formal or informal. The findings of the mean scores and standard deviation are shown in table 4 below.

**Table 4.4: Application of Strategy Development**

<b>Statement</b>	<b>Mean</b>	<b>Stdev</b>
The organization engages in strategic planning	4.3	0.8
The organization pursues its vision and mission statement	4.2	0.9
The organization's strategies are formulated through a formal process	4.5	0.5
The organization's strategies are formulated through an informal process	1.8	0.9
The organization's strategies are formulated through both formal and informal processes	2.2	1.2
<b>Overall</b>	<b>3.4</b>	<b>0.8</b>

Source: Research data

The results from Table 4.4 show that the State Corporations rated the first three statements as large extent while the last two were rated as little extent. This implies that the State Corporations engage in strategic planning (4.2) and pursue their vision and mission statement (4.2). The findings also indicate that the organisations' strategies are formulated through a formal process (4.5). The overall standard deviation of 0.8 indicates that there were no significant variations in the responses.

#### **4.3.2 Extent of Stakeholder involvement in each Level**

The respondents were then required to rate the extent of stakeholder involvement in each level of the strategy development process. The key stakeholders assessed include employees, lenders, suppliers, shareholders, local communities, media, customers, strategic partners, trade unions and donors. The study investigated involvement in the stages of strategy development which included setting the vision, setting the mission, setting of objectives, resource mobilisation and development of strategy.

Other stages assessed were implementation of the strategy, review of strategy, control and evaluation, development of policies, rules and regulations and setting of targets. The data was analysed using mean scores and standard deviation for each category of stakeholders. A mean score of less than 1.5 implies that the firm involves the stakeholder to no extent, a mean score of 1.5 to 2.5 implies little extent, 2.5 to 3.5 moderate extent and 3.5 to 4.5

implies large extent. A mean score of more than 4.5 implies a very large extent. Standard deviation of less than 1 means that there were no significant variations in the responses while greater than 1 implies that there were significant variations in the responses. The findings on are presented on tables 5 to 13 below.

**Table 4.5: Employee Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	3.7	0.8
b) Setting of mission	3.5	0.7
c) Setting of objectives	4.1	0.6
d) Resource mobilization	2.8	1.2
e) Development of strategy	4.0	1.1
f) Implementation of strategy	4.5	0.5
g) Review of strategy	3.5	1.0
h) Control and evaluation	3.3	1.0
i) Development of policies, rules & regulations	3.6	0.9
j) Setting of targets	3.6	0.8
<b>Overall</b>	<b>3.6</b>	<b>0.9</b>

Source: Research data

Table 4.5 indicates that as far as employees are concerned the state corporations involve them to a large extent in setting of vision (3.7), setting of mission (3.5), setting of objectives (4.1), development of strategy (4.0), review of strategy (3.5), development of policies, rules and regulations (3.6) and setting of targets (3.6). The firms involve employees in resource mobilization (2.8) and control and evaluation (3.3) to a moderate extent.

However, the firms involve employees to very large extent in the implementation of strategy (4.5). The overall mean score of 3.6 indicates that employees are involved to a large extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.9).

**Table 4.6: Lenders Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	2.2	0.6
b) Setting of mission	2.4	0.8
c) Setting of objectives	2.3	0.7
d) Resource mobilization	2.1	0.9
e) Development of strategy	2.0	1.0
f) Implementation of strategy	2.4	0.5
g) Review of strategy	2.3	0.9
h) Control and evaluation	2.1	0.9
i) Development of policies, rules & regulations	2.3	1.0
j) Setting of targets	1.9	0.6
<b>Overall</b>	<b>2.2</b>	<b>0.8</b>

Source: Research data

Table 4.6 indicates that the state corporations involve lenders to a little extent in setting of vision (2.2), setting of mission (2.4), setting of objectives (2.3), resource mobilization (2.1), development of strategy (2.0), implementation of strategy (2.4), review of strategy (2.3), control and evaluation (2.1), development of policies, rules and regulations (2.3) and setting of targets (1.9). The overall mean score of 2.2 indicates that lenders are involved to a little extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

**Table 4.7: Suppliers Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	1.8	0.8
b) Setting of mission	2.3	1.1
c) Setting of objectives	1.9	0.9
d) Resource mobilization	1.9	1.0
e) Development of strategy	1.8	0.8
f) Implementation of strategy	2.4	0.9
g) Review of strategy	1.9	1.0
h) Control and evaluation	1.9	0.8
i) Development of policies, rules & regulations	2.1	0.9
j) Setting of targets	1.7	0.8
<b>Overall</b>	<b>2.0</b>	<b>0.9</b>

Source: Research data



Table 4.7 shows that the state corporations involve suppliers to a little extent in setting of vision (1.8), setting of mission (2.3), setting of objectives (1.9), resource mobilization (1.9), development of strategy (1.8), implementation of strategy (2.4), review of strategy (1.9), control and evaluation (1.9), development of policies, rules and regulations (2.1) and setting of targets (1.7). The overall mean score of 2.0 indicates that suppliers are involved to a little extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.9).

**Table 4.8: Shareholders Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	4.5	0.5
b) Setting of mission	4.6	0.5
c) Setting of objectives	4.3	0.5
d) Resource mobilization	4.6	0.5
e) Development of strategy	4.8	0.4
f) Implementation of strategy	4.6	0.7
g) Review of strategy	4.4	0.8
h) Control and evaluation	4.3	0.8
i) Development of policies, rules & regulations	4.4	0.5
j) Setting of targets	4.1	0.8
<b>Overall</b>	<b>4.5</b>	<b>0.6</b>

Source: Research data

Table 4.8 indicates that the state corporations involve shareholders to a very large extent in setting of vision (4.5), setting of mission (4.6), resource mobilization (4.6), development of strategy (4.8) and implementation of strategy (4.6). The firms however involve shareholders to a large extent in the setting of objectives (4.3), review of strategy (4.4), control and evaluation (4.3), development of policies, rules and regulations (4.4) and setting of targets (4.1). The overall mean score of 4.5 indicates that shareholders are involved to a very large extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.6).

**Table 4.9: Local Communities Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	2.9	0.8
b) Setting of mission	3.4	1.0
c) Setting of objectives	2.5	0.5
d) Resource mobilization	3.3	0.6
e) Development of strategy	3.2	0.9
f) Implementation of strategy	2.6	0.7
g) Review of strategy	2.5	0.4
h) Control and evaluation	2.2	0.6
i) Development of policies, rules & regulations	2.3	0.8
j) Setting of targets	1.5	0.9
<b>Overall</b>	<b>2.6</b>	<b>0.8</b>

Source: Research data

Table 4.9 indicates that the state corporations involve local communities to a moderate extent in setting of vision (2.9), setting of mission (3.4), setting of objectives (2.5), resource mobilization (3.3), development of strategy (3.2), implementation of strategy (2.6) and review of strategy (2.5). However, the local communities are involved to a little extent in control and evaluation (2.2), development of policies, rules and regulations (2.3) and setting of targets (1.5). The overall mean score of 2.6 indicates that local communities are involved to a moderate extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

**Table 4.10: Media Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	1.1	0.4
b) Setting of mission	1.2	0.7
c) Setting of objectives	1.3	0.9
d) Resource mobilization	1.4	0.5
e) Development of strategy	1.1	0.6
f) Implementation of strategy	1.4	0.5
g) Review of strategy	1.2	0.6
h) Control and evaluation	1.1	0.7
i) Development of policies, rules & regulations	1.3	0.4
j) Setting of targets	1.4	0.9
<b>Overall</b>	<b>1.3</b>	<b>0.6</b>

Source: Research data

Table 4.10 shows that the state corporations involve the media to no extent in setting of vision (1.1), setting of mission (1.2), setting of objectives (1.3), resource mobilization (1.4), development of strategy (1.1), implementation of strategy (1.4), review of strategy (1.2), control and evaluation (1.1), development of policies, rules and regulations (1.3) and setting of targets (1.4). The overall mean score of 1.3 indicates that the media is not involved in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.6).

**Table 4.11: Customers Involvement**

<b>Stages</b>	<b>Mean</b>	<b>Stdev</b>
a) Setting of vision	1.5	0.7
b) Setting of mission	1.9	1.1
c) Setting of objectives	2.2	0.8
d) Resource mobilization	2.3	0.8
e) Development of strategy	1.6	1.2
f) Implementation of strategy	1.7	0.9
g) Review of strategy	1.8	0.6
h) Control and evaluation	2.1	1.3
i) Development of policies, rules & regulations	1.6	0.5
j) Setting of targets	1.7	0.9
<b>Overall</b>	<b>1.8</b>	<b>0.9</b>

Source: Research data

Table 4.11 indicates that the state corporations involve customers to a little extent in setting of vision (1.5), setting of mission (1.9), setting of objectives (2.2), resource mobilization (2.3), development of strategy (1.6) and implementation of strategy (1.7). This also applies to the other stages of review of strategy (1.8), control and evaluation (2.1), development of policies, rules and regulations (1.6) and setting of targets (1.7). The overall mean score of 1.8 indicates that customers are involved to a little extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.9).

**Table 4.12: Strategic Partners Involvement**

Stages	Mean	Stdev
a) Setting of vision	2.5	0.6
b) Setting of mission	2.6	0.9
c) Setting of objectives	3.3	0.7
d) Resource mobilization	3.4	0.8
e) Development of strategy	3.2	0.5
f) Implementation of strategy	2.6	0.9
g) Review of strategy	3.3	1.0
h) Control and evaluation	1.9	0.8
i) Development of policies, rules & regulations	2.0	0.6
j) Setting of targets	2.4	0.9
<b>Overall</b>	<b>2.7</b>	<b>0.8</b>

Source: Research data

Table 4.12 shows that the state corporations involve strategic partners to a moderate extent in setting of vision (2.5), setting of mission (2.6), setting of objectives (3.3), resource mobilization (3.4), development of strategy (3.2), implementation of strategy (2.6) and review of strategy (3.3). However, the strategic partners are involved to a little extent in control and evaluation (1.9), development of policies, rules and regulations (2.0) and setting of targets (2.4). The overall mean score of 2.7 indicates that strategic partners are involved to a moderate extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

**Table 4.13: Trade Unions Involvement**

Stages	Mean	Stdev
a) Setting of vision	1.8	0.6
b) Setting of mission	1.9	1.1
c) Setting of objectives	2.3	0.5
d) Resource mobilization	1.7	0.8
e) Development of strategy	2.0	0.9
f) Implementation of strategy	1.6	0.7
g) Review of strategy	2.1	0.8
h) Control and evaluation	2.2	1.2
i) Development of policies, rules & regulations	1.9	0.6
j) Setting of targets	1.8	0.9
<b>Overall</b>	<b>1.9</b>	<b>0.8</b>

Source: Research data

Table 4.13 indicates that the state corporations involve trade unions to a little extent in setting of vision (1.8), setting of mission (1.9), setting of objectives (2.3), resource mobilization (1.7), development of strategy (2.0) and implementation of strategy (1.6). This also applies to the other stages of review of strategy (2.1), control and evaluation (2.2), development of policies, rules and regulations (1.9) and setting of targets (1.8). The overall mean score of 1.9 indicates that trade unions are involved to a little extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

**Table 4.14: Donors Involvement**

Stages	Mean	Stdev
a) Setting of vision	3.1	0.7
b) Setting of mission	2.7	0.6
c) Setting of objectives	3.3	0.5
d) Resource mobilization	4.0	0.9
e) Development of strategy	3.8	0.8
f) Implementation of strategy	2.5	0.7
g) Review of strategy	2.8	0.9
h) Control and evaluation	3.2	1.0
i) Development of policies, rules & regulations	3.2	0.7
j) Setting of targets	3.1	0.8
<b>Overall</b>	<b>3.2</b>	<b>0.8</b>

Source: Research data

Table 4.14 shows that the state corporations involve donors to a moderate extent in setting of vision (3.1), setting of mission (2.7), setting of objectives (3.3), control and evaluation (3.2), development of policies, rules and regulations (3.2), implementation of strategy (2.5), review of strategy (2.8) and setting of targets (3.1). However, the donors are involved to a large extent in resource mobilization (4.0) and development of strategy (3.8). The overall mean score of 3.2 indicates that donors are involved to a moderate extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

**Table 4.15: Summary of Stakeholder Involvement**

<b>Stakeholder</b>	<b>Mean</b>	<b>Stdev</b>
Employees	3.6	0.9
Lenders	2.2	0.8
Suppliers	2.0	0.9
Shareholders	4.5	0.6
Local communities	2.6	0.8
Media	1.3	0.6
Customers	1.8	0.9
Strategic partners	2.7	0.8
Trade unions	1.9	0.8
Donors	3.2	0.8
<b>Overall</b>	<b>2.5</b>	<b>0.8</b>

Source: Research data

Table 4.15 is a summary of the extent of stakeholder involvement at each level of the strategy development process. The table indicates that the state corporations involve employees to a large extent (3.6) at each level of the strategy development process. Lenders (2.2), suppliers (2.0), customers (1.8), and trade unions (1.9) are involved to a little extent while the media (1.3) to no extent. Shareholders (4.5) are involved in the process to a very large extent while donors (3.2) are involved to a moderate extent. The overall mean score of 2.5 indicates that the stakeholders are involved to a moderate extent in the strategy development process. There were no significant variations in the responses as the overall standard deviation was less than 1 (0.8).

### 4.3.3 Stakeholder Analysis

**Table 4.16: Extent of Stakeholder Analysis**

	<b>Frequency</b>	<b>Percentage (%)</b>
Very large extent	4	36
Large extent	4	36
Moderate extent	3	28
Little extent	0	0
No extent	0	0
<b>Total</b>	<b>11</b>	<b>100</b>

Source: Research data

Table 4.16 indicates that 4 (36%) of the firms surveyed carry out stakeholder analysis to a very large extent as well as to a large extent while 3 (28%) of the firms undertake stakeholder analysis to a moderate extent. This implies that all the State Corporations surveyed undertake stakeholder analysis.

#### 4.4 Factors Influencing Stakeholder Involvement

The study further investigated the factors influencing stakeholder involvement in the strategy development process. Data on the extent to which the factors influenced stakeholder involvement was analyzed using mean scores and standard deviations. A mean score of less than 1.5 implies that the firm rated the factor as no extent. A mean score of 1.5 to 2.5 implies little extent, 2.5 to 3.5 moderate and 3.5 to 4.5 implies large extent while a mean score of more than 4.5 implies a very large extent. Standard deviation of less than 1 means that there were no significant variations in responses while greater than 1 implies that there were significant variations in the responses.

**Table 4.17: Factors influencing Stakeholder Involvement**

<b>Statement</b>	<b>Mean</b>	<b>Stdev</b>
Funds to facilitate participation	4.5	1.1
Period given for participatory activities	4.2	0.9
Time Funds are released	3.9	1.1
Policy and planning guidelines released	3.6	0.7
Top management presence at planning meetings/commitment	4.6	0.9
Flexibility and freedom to approach participatory activities (means of engagements)	4.1	0.8
Regular source of income/ employment	3.8	0.6
Previous experience in participation	4.4	0.5
Cultural values and beliefs	3.5	0.9
Transparency, openness and reliability of the process	3.7	0.8
Interaction and feedback system	3.5	0.5
Acceptance and consideration of participants views and inputs	3.6	1.2
<b>Overall</b>	<b>4.0</b>	<b>0.8</b>

Source: Research data

The results from Table 4.17 show that the State Corporations rated all the factors to a large extent as the mean scores range between 3.5 and 4.5. This means that the firms consider all these factors to be very important in deciding whether to involve stakeholders in the strategy development process. The overall standard deviation of 0.8 indicates that there were no significant variations in the responses.

#### **4.5 Discussion of Findings**

The first objective of the study was to determine the extent of stakeholder involvement in the strategy development process of State Corporations in the Coastal region. Results on the application of strategy development show that the State Corporations engage in strategic planning (4.2) and pursue their vision and mission statement (4.2) to a large extent. The findings also indicate that the organisations' strategies are formulated through a formal process (4.5) to a large extent. However, the firms do not agree that the strategy development is informal or both formal and informal. The overall standard deviation of 0.8 indicates that there were no significant variations in the responses.

Findings on the extent of stakeholder involvement at each level of the strategy development process revealed that the organisations involve employees (3.6) and shareholders (4.5) to a large extent. The results also indicate that the State Corporations involve Local communities (2.6), Strategic partners (2.7) and Donors (3.2) to a moderate extent. The results further showed that the corporations involve Lenders (2.2), Suppliers (2.0), Customers (1.8) and Trade Unions (1.9) to a little extent while Media (1.3) to no extent.

Results on the extent of undertaking a stakeholder analysis indicates that 4 (36%) of the firms surveyed carry out stakeholder analysis to a very large extent and another 4 (36%) to a large extent while 3 (28%) of the firms undertake stakeholder analysis to a moderate extent. This implies that all the State Corporations surveyed undertake stakeholder analysis and therefore regard it as an important process.

The second objective of the study was to establish factors influencing the stakeholders' involvement in the strategy development process of State Corporations in the Coastal



region. The findings reveal that the State Corporations rated all the factors to a large extent as the mean scores range between 3.5 and 4.5. These factors include funds to facilitate participation (4.5), period given for participatory activities (4.2), time funds are released (3.9), policy and planning guidelines released (3.6), top management presence at planning meetings/commitment (4.6), and flexibility and freedom to approach participatory activities (4.1). Others include regular source of income/employment (3.8), previous experience in participation (4.4), cultural values and beliefs (3.5), transparency openness and reliability of the process (3.7), Interaction and feedback system (3.5) and acceptance and consideration of participants' views and inputs (3.6). The overall standard deviation of 0.8 indicates that there were no significant variations in the responses.

The findings of this study are in line with Mwikuyu (2009) who did a study on the extent of stakeholder involvement in strategy formulation and implementation in the national social security fund. The study established that most of the departments involve their stakeholders in strategy formulation and implementation and that various factors influence the extent to which these multi-stakeholders are involved. However there was low involvement of some stakeholders found in this study.

Atieno (2013) who looked at stakeholder involvement in the management of strategic change at Finlays Tea Company limited Kenya concluded that there is still a low level of stakeholder involvement in the management of strategic change at Finlays Tea Company Limited. This is also evident in this study especially the involvement of lenders, suppliers, customers, trade unions and the media.

Owuor (2011) looked at the stakeholder involvement in strategy formulation in Kenyan state corporations and 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. This is also in line with the findings of this study as it was revealed that the state corporations do consider the various stakeholder interests in the strategy development process.

Osano (2013) who did a study on the extent of stakeholder involvement in the strategic management process in health-based non-governmental organizations in Nairobi County Kenya found out that health-based non-governmental organizations in Nairobi engage stakeholders to a great extent but do not involve them in assessment of the strategic management process. The study also revealed that there were various factors that influence the extent of stakeholder involvement. These findings are also in line with the findings of this study.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

Organizations of all types and nature including State Corporations have found it necessary to engage in strategic management in order to deliver on their goals efficiently and effectively. This is because organizations exist to meet the objectives of the stakeholders who operate in the organization's environment. State Corporations play an important role as partners in development by working to improve the lives of the Kenyan citizens. The role these organizations play is critical as they provide vital services not met by the central government.

The objectives of this study were to determine the extent of stakeholder involvement in the strategy development process and to establish factors influencing the stakeholders' involvement in the strategy development process of State Corporations in the Coastal region of Kenya. This chapter gives a summary of the discussions, conclusions and recommendations drawn after analyzing data.

### **5.2 Summary**

The first objective of the study was to determine the extent of stakeholder involvement in the strategy development process of State Corporations in the Coastal region. Results on the application of strategy development show that the State Corporations engage in strategic planning and pursue their vision and mission statement to a large extent. The findings also indicate that the organisations' strategies are formulated through a formal process. However, the firms do not agree that the strategy development is informal or both formal and informal.

Findings on the extent of stakeholder involvement at each level of the strategy development process revealed that the organisations involve employees to a large extent and shareholders to a very large extent. The results also indicate that the State Corporations involve Local communities, Strategic partners and Donors to a moderate extent. The results further

showed that the corporations involve Lenders, Suppliers, Customers and Trade Unions to a little extent while Media to no extent.

Results on the extent of undertaking a stakeholder analysis indicates that 36% of the firms surveyed carry out stakeholder analysis to a very large extent and another 36% to a large extent while 28% of the firms undertake stakeholder analysis to a moderate extent. This implies that all the State Corporations surveyed undertake stakeholder analysis and therefore regard it as an important process.

The second objective of the study was to establish factors influencing the stakeholders' involvement in the strategy development process of State Corporations in the Coastal region. The findings revealed that the State Corporations rated all the factors to a large extent. These factors include funds to facilitate participation, period given for participatory activities, time funds are released, policy and planning guidelines released, top management presence at planning meetings/commitment, and flexibility and freedom to approach participatory activities. Others include regular source of income/employment, previous experience in participation, cultural values and beliefs, transparency openness and reliability of the process, Interaction and feedback system and acceptance and consideration of participants' views and inputs.

### **5.3 Conclusions**

Based on the findings above, it can be concluded that majority of the State Corporations surveyed engage in strategic planning, pursue their vision and mission statement and have a formal strategy development process in place. It can also be concluded that the Corporations involve their employees and shareholders in the strategy development process to a large extent. However the State Corporations involve lenders, local communities, strategic partners and Donors to a moderate extent. As for suppliers, media, customers and trade unions the involvement is very minimal.

Most of the State Corporations in the Coastal region also consider numerous factors in deciding to what extent they should involve their stakeholders. Key factors include funds to

facilitate participation, period given for participatory activities, time funds are released, policy and planning guidelines released, top management presence at planning meetings/commitment and flexibility and freedom to approach participatory activities.

#### **5.4 Recommendations**

The study revealed that there were some gaps in a number of dimensions in the stakeholder involvement in strategy development among the State Corporations in the Coastal region. Although most of the firms involve their stakeholders in the process, only a few stakeholders seem to be given a lot of importance. Specifically, employees and shareholders are involved in each level of the strategy development process. The study shows that the firms do consider a number of factors before involving the stakeholders. These factors seem to be hindrances rather than facilitators of the process hence the reason for not involving a large number of the stakeholders effectively.

This study therefore recommends that the management of the State Corporations should consider involving more stakeholders in the strategy development process. This is necessary as wider views and opinions can be obtained from a variety of interested parties. Since State Corporations serve the wider society, wider consultations are crucial in formulating strategies which will be in tandem with the stakeholder interests. It is the duty of these Corporations to generate value to all stakeholders so as to remain competitive and relevant.

The study also recommends that the government of Kenya which is a key stakeholder (shareholder) consider privatizing these corporations to make them more efficient and more competitive in the economy. This will improve the quality of their services and even make them more accountable for their actions rather than hiding under the cloud of government bureaucratic procedures. The privatization process should also be consultative.

#### **5.5 Suggestions for further research**

The study was conducted on State Corporations in the Coastal region of Kenya only. The findings can be verified by conducting the same study on State Corporations based in other

regions or the entire Country as well. This will help to identify if other regions involve stakeholders in strategy development as well as establishing whether similar or different factors influence their decision to involve stakeholders. The study findings are according to the firms' management point of view. The scope of the study may also be extended to cover other strategic aspects of the State Corporations.

## **5.6 Limitations of the study**

The study was limited to the perspective of the State Corporations found in the Coastal region of Kenya and not the entire Country. Most of the State Corporations are based outside the Coastal region. Out of the targeted 13 State Corporations 11 filled and returned the questionnaires. The response rate was therefore 85% with a none-response rate of 15%. Some respondents did not also fill in some of the key data that was essential in coming up with the findings and conclusions.

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## APPENDICES

### Appendix 1: Letter to Respondents



#### UNIVERSITY OF NAIROBI MOMBASA CAMPUS

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Telephone: 020-2059161  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsities

P.O. Box 99560, 80107  
Mombasa, Kenya

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DATE: 30<sup>TH</sup> SEPTEMBER 2014

#### **TO WHOM IT MAY CONCERN**

The bearer of this letter, **Dorcias A. Okech** of Registration Number **D61/80414/2012** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on ***Stakeholders Involvement in Strategy Development in State Corporations Within the Coastal Region of Kenya***. We would, therefore, appreciate if you assist her by allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.



**Zephaniah Ogero Nyagwoka**

*Administrative Assistant, School of Business-Mombasa Campus*

## Appendix 2: Questionnaire

### Part A: Respondent's and Organizational Profile

1. Name of organization: \_\_\_\_\_

2. Year of establishment: \_\_\_\_\_

3. Nature of services/products offered: \_\_\_\_\_

4. Geographical location: \_\_\_\_\_

5. Gender of respondent:

Female ( )

Male ( )

6. Age of the respondent:

20 – 30 years ( )

31 – 40 years ( )

41 – 50 years ( )

Over 50 Years ( )

7. How many years have you worked for the organization?

Below 5 years ( )

5 – 10 years ( )

11- 20 years ( )

21 – 25 years ( )

More than 25 years ( )

**Part B: Stakeholder Involvement in Strategy Development**

8. Please indicate to what extent the following applies to your organization. Kindly tick as appropriate.

Statement	1	2	3	4	5
	No extent	Little extent	Moderate extent	Large extent	Very large extent
The organization engages in strategic planning					
The organization pursues its vision and mission statement					
The organization's strategies are formulated through a formal process					
The organization's strategies are formulated through an informal process					
The organization's strategies are formulated through both formal and informal processes					

9. To what extent would you involve the stakeholders in each level of strategy development?

	Stakeholder	1	2	3	4	5
		No extent	Little extent	Moderate extent	Large extent	Very large extent
1.	<b>Employees</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules &					

	regulations					
	j) Setting of targets					
<b>2.</b>	<b>Lenders</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>3.</b>	<b>Suppliers</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>4.</b>	<b>Shareholders</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					

	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>5.</b>	<b>Local communities</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>6.</b>	<b>Media</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules &					

	regulations					
	j) Setting of targets					
<b>7.</b>	<b>Customers</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>8.</b>	<b>Strategic partners</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>9.</b>	<b>Trade Unions</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					

	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					
<b>10.</b>	<b>Donors</b>					
	a) Setting of vision					
	b) Setting of mission					
	c) Setting of objectives					
	d) Resource mobilization					
	e) Development of strategy					
	f) Implementation of strategy					
	g) Review of strategy					
	h) Control and evaluation					
	i) Development of policies, rules & regulations					
	j) Setting of targets					



**10.** To what extent does your organization carry out a stakeholder analysis to determine the interest of each of the above groups of stakeholders in the organization activities?

- Very large extent [ ]  
 Large extent [ ]  
 Moderate extent [ ]  
 Little extent [ ]  
 No extent [ ]

**Part C: Factors influencing stakeholder involvement in strategy development**

13. How in your opinion do the following factors influence stakeholder participation in strategy development? *Indicate by ticking as appropriate the extent to which each factor influences your organization.*

Issue	1	2	3	4	5
	Not at all influential	Slightly influential	Somewhat influential	Very Influential	Extremely influential
Funds to facilitate participation					
Period given for participatory activities					
Time Funds are released					
Policy and planning guidelines released					
Top management presence at planning meetings/commitment					
Flexibility and freedom to approach participatory activities (means of engagements)					
Regular source of income/employment					
Previous experience in participation					
Cultural values and beliefs					
Transparency, openness and reliability of the process					
Interaction and feedback system					
Acceptance and consideration of participants views and inputs					

**Thank you for your kind co-operation**

### **Appendix 3: List of State Corporations in the Coastal Region of Kenya**

1. Coast Development Authority
2. Coast Water Services Board
3. Kenya Coconut Development Authority (KCDA)
4. Kenya Ferry Services Limited
5. Kenya Marine and Fisheries Research Institute (KMFRI)
6. Kenya Maritime Authority
7. Kenya Pipeline Company
8. Kenya Ports Authority
9. Kenya Safari Lodge and Hotels
10. Kenya Tourist Development Corporation
11. Pwani University
12. Tana and Athi Rivers Development Authority
13. Technical University of Mombasa

*Source:* (Office of Public Communications, 2014).