# STAKEHOLDER INVOLVEMENT IN STRATEGIC MANAGEMENT AND PERFORMANCE OF BRITISH-AMERICAN INVESTMENTS COMPANY LIMITED (BAICL)


**BY**

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## DECLARATION

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

Sign………………………… Date…………………………..

Lydia Milenja Mlanya

D61/72583/2014

**Supervisor's Declaration**

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

Sign………………………… Date…………………………..

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# DEDICATION

To my dearest husband, Evans Odhiambo Ogutu, your confidence brings out the best in me.

My lovely kids, Tracy Masitsa and Taivas Kwe, your zeal keeps me strong to achieve more and more in life.

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## ACRONYMNS

| | |
|---|---|
| BAICL | British American Investments Company Limited |
| CBK | Central Bank of Kenya |
| ICT | Information and Communications Technology |
| KRA | Kenya Revenue Authority |
| MIPs | Medical Insurance Providers |
| MNCs | Multinational Corporations |
| NSE | Nairobi Securities Exchange |
| RBT | Resource-Based Theory |
| ROA | Return on Assets |
| SMEs | Small and Medium Enterprises |
| SMPs | Strategic Management Practices |

## ABSTRACT

Today's business operating environment is increasingly volatile and to compete successfully, organizations continually need to improve their performance. When stakeholders are meaningfully involved in organizational activities the benefits for the organization and the stakeholders tend to be greater than if they had not been involved. The study sought to establish the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL) using descriptive research design. The study targeted five interviewees from each of the three branches of BAICL in Nairobi all of whom participated in the study. The study used both primary and secondary data. Secondary data was obtained from the published annual reports of BAICL spanning five years (2010-2014) while the primary data was obtained through an interview guide. In analysing the quantitative data, the study used descriptive statistics with the findings presented in the form of tables, graphs and charts. Qualitative data was analyzed using content analysis through developing a thematic framework from the key issues, concepts and themes emanating from the open ended questions. The study established that BAICL had embraced the concept of strategic management with stakeholder involvement on various matters of significance to the firm's operations such as financing, investment, expansion, restructuring, strategic alliances and company management. The study established that stakeholder involvement in the firm's strategic management process led to clarity in organization direction, coherence in organizational decision making, increased ability to effectively deal with market turbulence, better coordination of organizational activities, effective communication, increased operational efficiency and employees' productivity, better operational cost management, creation of innovative products and services, enhanced product and service quality, increased output, better resource utilization and increased ability to handle the ever increasing competition in the market place. The study concluded that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance as contributions and suggestions given by the stakeholders informed crucial decision making of the firm in critical areas such as financing, investment, expansion, restructuring, strategic alliances and company management. The study recommended that the management of BAICL should develop mechanisms to evaluate the success of and/or challenges of stakeholder involvement in the company's strategic management process so as to ensure that the stakeholders of the company are at all times meaningfully engaged in the firm's strategy planning and decision making. The study further recommended that the Government of Kenya and key industry players should not only come up with a mechanism/legislation that will streamline the insurance industry's operating environment, but also put up mechanisms for having such policies fully implemented.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Today's business environment is rapidly changing due to factors such as globalization, changing customer and investor demands, ever-increasing product-market competition and changing legal and economic policies within the different economies. To compete successfully, organizations need to continually improve their performance by reducing cost, innovating products and processes, improving quality, productivity and speed to market through strategic management (David, 2005). For organizations to maintain comparative advantage and ensure long-term success in this highly competitive business environment, they must constantly adapt themselves to this dynamic atmosphere by adopting appropriate strategies that will keep them relevant and profitable (Ansoff and McDonnnel, 1990).

In Kenya, strategic management as a concept is gaining prominence in both public and private organizations. Aosa (2000) observed that increased environmental turbulence and competition have prompted most organizations to embrace the concept of strategic management with the aim of becoming profitable. Strategic management as a process involves specifying an organization's objectives, developing policies and plans to achieve these objectives and allocating resources so as to implement the plans. Strategic management can depend upon the size of an organization and the proclivity to change its business environment. Therefore, a global transnational organization may employ a more structured strategic management model, due to its size, scope of operations, and need to encompass stakeholder views and requirement.

The area of stakeholder involvement in strategic management is a new practice in the Kenyan Insurance sector which lacks model to be imitated by the local firms since the sector is still in the development stages. The foreign firms are better versed in strategic firm and the locally owned firms lacks adequate skills and financial resources to implement a comprehensive strategic management framework (Central Bank of Kenya, 2014). Thereby, stakeholder involvement in strategic management process is a new arena in the Insurance sector with a view to enhancing performance.

### 1.1.1 Concept of Strategic Management

Chandler (2002) defines strategic management as the determination of basic long term goals of an organization and the determination of courses of actions and the allocation of resources necessary to carry out these goals. Strategic management thus helps an organization in utilization of its resources so as to give value to customers and in so doing achieve its objectives. According to David (2005), strategic management is the process and approach of specifying an organization's objectives, developing policies and plans to achieve and attain these objectives, and allocating resources so as to implement the policies and plans. Thereby, strategic management can be seen as a combination of strategy formulation, implementation and evaluation.

According to Pearce and Robinson (1988), strategic management provides long term direction for the firm and helps the firm cope with change and enables it to focus resources and efforts in the market. Haberberg and Rieple (2008) purport that effective strategic management demands a very hard-headed kind of analysis, which looks at actions rather than words and results rather than intentions or opinions. They noted that the significance of strategic management is seen in a firm's ability to sustain performance and achieve performance goals over time. According to David (2005) strategic management has been defined as the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organization to achieve its objectives. He further noted that private firms can exercise strategic choice, even in the face of external constraints adding that the way and manner they handle strategic issues can affect the overall growth and development of the organization.

It goes without saying that an organization's strategic framework must also address fundamental issues such as resource base, infrastructure constrains, appropriate level of technology and raw materials input. Strategic management has been widely embraced by organizations all over the world in pursuit of achieving efficiency and effectiveness that ultimately leads to sustainable competitive advantage over competitors.

### 1.1.2 Stakeholder Involvement in Strategic Management

Stakeholders are the persons who have an interest (stake) in the organization. They are the persons or organizations that influence the decisions of the organization and whose interest the company strives to meet. They include shareholders, employees, customers, Government, suppliers, financiers, trade unions, trade associations and competitors (Kasimbu, 2010). According to Kasimbu (2010) stakeholders are given the opportunity to contribute their own ideas during the strategy formulation process. They are also allowed to assess and review the ideas during strategy formulation and there is joint decision making with stakeholders during all stages of a project. It was, however, observed that a considerable proportion of organizations do not involve their stakeholders in strategy formulation, implementation and evaluation.

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). However, there needs to be a balance in stakeholder involvement to ensure they are in line with the organizations' objectives to enhance performance.

### 1.1.3 Organization Performance

Leban and Euske (2006) defined organizational performance as a set of financial and non-financial indicators which offer information on the degree of achievement of objectives and results. Organization performance can also be defined as an organization's ability to exploit its environment for accessing and using the limited resources. Performance management involves goal setting, performance appraisal and reward systems that align member work behavior with business strategy, employee involvement, and workplace technology (Cummings & Worley, 2009).

Performance management is an integrated process of defining, assessing and reinforcing employee work behaviors and outcomes. Organizations with a well-developed performance management process often outperform those without this element of organization design. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (Ayatse, 2005). The measure of performance can be divided into two distinct types; the financial function mostly announced at the end of every financial year in terms of profitability and the non-financial function mainly measured by the company staff welfare, the company participation in corporate social responsibilities, customer satisfaction, efficiency in production and ability of the company to honor its statutory obligations in time (Marangu, 2012).

The measurement of performance is the cornerstone of business practice because it assists in evaluation of the achievement of fundamental business goals and sets the scope and direction of possible improvement actions. Measurement of performance is relative depending on the industry a business is in. There is no one acceptable parameter for measuring performance and therefore organizations must identify their own parameters by which to measure their performance (Pearce and Robinson, 2005). Performance assessment can be both qualitative and quantitative which involves an analysis of financial and operational performance in the firm (David, 2009). For effective performance measurement, a balanced presentation of both financial and non-financial measures is required since no single measure can provide a clear performance target or focus attention on critical areas of the business (Miller, 1988).Performance measures are the tools that assist in evaluation of strategic management.

### 1.1.4 Insurance Industry in Kenya

There were 48 insurance companies operating in Kenya as at the end of 2014. 25 companies wrote non-life insurance business, 12 wrote life insurance business while 11 were composite (both life and non-life). There were 187 licensed insurance brokers, 29 Medical Insurance Providers (MIPs) and 4,628 insurance agents by 2014. Other licensed players included 134 investigators, 105 motor assessors, 22 loss adjusters and 27 insurance surveyors. The Kenyan Insurance Industry recorded gross written premium of Ksh 130.65 billion in 2013 compared to Ksh 108.54 billion in 2012, representing an increase of 20.40%. Gross earned premium increased by 16.36% to stand at Kshs. 107.18 billion in 2013 compared to Kshs. 92.11 billion in 2012. Profit before tax increased to Ksh 18.18 billion from Ksh 14.637 billion in 2012. The overall insurance penetration increased to 3.44% in 2013 compared to 3.16% in 2012 (Association of Kenya Insurers, 2014). Industry earnings from investments and other income increased by 17.1% from Kshs. 36.49 billion in 2012 to Ksh. 42.72 billion in 2013. The combined industry profit before taxation increased by 24.3% from Ksh. 14.63 billion in 2012 to Ksh. 18.18 billion in 2013. The overall underwriting profit for non-life insurance was Ksh. 3.42 billion compared to Ksh. 2.78 billion in 2012 (Association of Kenya Insurers, 2014).

The key drivers of the overall growth witnessed in the insurance industry over the period were marketing (21%), staff quality service strategy (14%), dedicated management

(14%), development of new products (11%), intensive market research (7%), customer service (7%), claims management (7%) and automation of office and business processes (7%) (Insurance Regulatory Authority, 2014). The most significant growth driving sectors to the insurance industry are financial intermediation, warehousing, building and construction, industry and manufacturing as well as Health (for medical insurance). The least significant sectors to insurance include hotels and restaurants, agriculture and forestry plus wholesale and retail business. Going forward in 2013, capitalization levels, insurance claims, commissions and management costs, inflation and interest rates are likely to moderately impact on business performance. Also likely to impact business, despite measures being put in place by Central Bank of Kenya (CBK), is the depreciation of the Kenyan currency against major currencies owing to developments in the first quarter of the year. Finally, profitability is expected to increase though at small rates and the insurance rates are likely to decrease but at small rates as well (Central Bank of Kenya, 2014).

### 1.1.5 British American Investments Company Limited (BAICL)

British-American Investments Company Limited (BAICL) is a diversified financial services group, listed on the Nairobi Securities Exchange (NSE), which offers a wide range of financial products and services in Insurance, Asset management, Banking and Property. The Group has a long heritage in providing financial services since 1920 when it was incorporated in the Bahamas. The Kenya operation was established in 1965 and has close to 50 years of service in the market. The company has grown tremendously from a small home based service insurance company to the leading diversified financial service provider in the region with an asset base of over Kshs. 55 billion as at June 30, 2014. The human resource has also grown from 29 employees and 50 agents in 1980 to about 548 employees and 1,946 financial advisors as at 2014 (BAICL, 2015).

Owing to organic growth and the incorporation of other subsidiary companies within the company, British-American Investments Company (Kenya) Ltd was incorporated as a holding company in 1995. As part of a bigger plan to diversify its financial services offering in the Kenyan market, British American Asset Management Company was incorporated as an asset management arm of the group in 2004. The company offers investment funds structured as Unit Trusts and discretionary Portfolio Management to both institutions and private clients (BAICL, 2015). In 2013, BAICL entered into a strategic partnership with the Acorn Group, a leading real estate firm as part of its wider strategy to venture into the property market. BAICL (Rwanda) was incorporated and licensed in 2013 by the National Bank of Rwanda. In 2014, BAICL issued its first Corporate Bond through the NSE which raised Kshs. 6 billion to fund future strategic initiatives including real estate opportunities, private equity, local and regional expansion and Information and Communications Technology (ICT) development (BAICL, 2015).

## 1.2 Research Problem

Strategic management is a challenging issue in many companies, with illustrated problem of up to 10 to 30% of the intended strategies being implemented thus greatly affecting firm performance with most of the objectives of the strategy fading off before the implementation is effected (Mwangi, 2012). Stakeholders' expectations remain the drivers of organizations' performance though their involvement in strategic management is still a challenge. In many countries, companies, in part as a response to the weakened performance due to competition, firms have sought for increases in the scale of their operations through strategic management (Adhiambo, 2013). Strategic management contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty (Schwenk and Shrader, 2003). Insurance firms in Kenya currently lack capacity and the financial resources to implement comprehensive strategic management. Therefore, they need to adopt strategic management that will entail application of innovative ideas to create unique brands and creating customer-friendly products/services that will bring about competitive advantages in terms of brand preference and customer confidence (Association of Kenya Insurers, 2014).

At the global level, Liu (2011) explored the relationship between strategic orientation and organizational performance in Born Global; a business organization seeking resources and selling products for gaining competitive advantage from multinational markets. The study determined that there was positive correlation between strategic orientation and organizational performance. Fowdar *et al*. (2011) examined the relationship between market orientation, service quality and business performance in a survey of stock brokers in Mauritius. Some form of relationship was established in this study, however, further research into the relationship was recommended. Caeldries and Van Dierdonck (1988) examined the relationship between a firm's strategy and its performance. They noted that strategy enables a firm to strengthen its competitive position, and facilitates integration and coordination of members' behavior while Imoisili (1978), studying indigenous and multinational companies in Nigeria, concluded that the more effective companies are found among organizations which maintain consistency between environmental perception and management practices.

Locally, Wangari (2007) carried out a study on the influence of competitive strategies on the performance of hair salons in Nairobi. The study concluded that variables of differentiation strategy in the industry indicate existence of a relationship between strategy and performance. Nderu (2013) studied the influence of survival strategies on the organizational performance of Kenya Airways. She found that various aspects of strategic management (namely; innovativeness, managerial skills, human resource practices and working capital management practices) positively influenced the performance of Kenya Airways. Nyariki (2013) did a study on strategic management practices as a competitive tool in enhancing the performance of small and medium enterprises (SMEs) in Kenya. She found that strategic management has a positive relationship with competitive advantage of the organizations and that SMEs adopted various strategies in order to achieve competitive advantage. Manyasi (2012) studied the effect of strategic alignment as a source of performance at Kenya Revenue Authority (KRA) and found that KRA has developed strategies that are designed to enhance performance through the four perspectives of the Balanced Score Card. She concluded that the level of strategic alignment and organizational performance are closely related. Bassi et al., (2007) indicated that there is a negative relationship between strategic management and firm performance.

Among the various studies on strategic management and performance, none focused on the insurance industry in Kenya. Further, organizations undertake varied strategic management practices with varied levels on involvement of stakeholders in the process to enhance performance, ensure adaptation to the environment and guarantee its survival as different managers implement /determine strategic management models undertaken to spearhead objectives of an organization.  The insurance sector is highly competitive with new local and international entrants as well as firms that have been placed under receivership due to poor performance. The industry has faced numerous changes in the last five years (2010-2014) with an increase in its stakeholders. Informed by this knowledge gap, this study sought to establish the relationship between involvement of stakeholders in strategic management and performance of BAICL. What is the relationship between stakeholders' involvement in strategic management and performance of BAICL?

## 1.3 Research Objective

The objective was to establish the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

## 1.4 Value of the study

The study will be crucial to the management of insurance firms in Kenya as it will provide answers to the significance of stakeholder involvement in strategic management on their performance. The study informs them on various aspects of strategic management and how those aspects influence their businesses' performance. The government can also use the findings of this research in policy formulation and development of a strategic management framework in the insurance sector in Kenya. Policy-makers would use the knowledge and data to adjust or strengthen stakeholder involvement in strategic business policy formulation.

Finally, the study adds to the existing literature, and is a valuable tool for students, academicians, institutions, corporate managers and individuals who want to learn more about the relationship between stakeholder involvement in strategic management and performance of insurance firms in Kenya. From the inferred conclusions, the study has enumerated further areas for future research on the topic.

## 1.5 Summary

Stakeholder involvement in strategic management is a tool being explored to enhance performance of BAICL in a dynamic insurance environment. Various researchers have explored the impact of strategic management in performance of an organization but the objective of this study is to determine the effect of stakeholder involvement in performance of an organization using BAICL as the organization of study.

The study is useful to academicians, practitioners and the Government as it provides insights into the relationship between stakeholder involvement in strategic management and performance. It will also provide a framework for the Insurance Industry.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

The chapter presents the theoretical foundation and empirical review in line with the study objectives. The chapter further gives the summary of the empirical review and the research gap of the study.

## 2.2 Theoretical Foundation of the Study

This study was based on the resource-based theory, contingency theory and stakeholders' theory.

### 2.2.1 The Resource-Based Theory

Resource-Based Theory (RBT) stems from the principle that the source of firms' competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is, rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin *et al*., 2007).

Thus, according to the resource-based theory, managing strategically involves developing and exploiting a firm's unique resources and capabilities and continually maintaining and strengthening those resources. The theory asserts that it is advantageous for a firm to pursue a strategy that is not currently being implemented by any other competing firm. Such strategic resources must either be rare, hard to imitate or not easily substitutable. The theory predicts that possession of strategic resources provides an organization with an opportunity to develop competencies over its rivals hence resulting in good performance. It further predicts that strategic resources and capabilities enable organizations to enjoy excellent performance.

### 2.2.2 The Contingency Theory

The contingency theory draws on the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. Thompson (1967), in his classic organization action model portrayed the basic problem of an organization as achieving originality in an uncertain world. Organizations are created to pursue some desired outcomes, yet they are faced with technologies and environment of varying levels of uncertainty which limits their ability to plan and execute actions to achieve the desired ends. Thompson viewed organizations as open systems fundamentally dependent on an environment over which they have only limited control.

Thompson conceives environment in terms of several key dimensions; one being organizational domain, second being task environment which is the most interdependent and the third is being power and dependence relation implied by the nature of its domain and task environment. The organization domain is defined by the claims that the organization makes in terms of its range of products, the customers it serves and what services it renders. Organizational strategies have to take account of the particular needs of both the organization and its people (Miller, 1988). This theory predicts that successful organizations consider the external environment in its strategic plans. It therefore argues that how managers react to the external environment will not only facilitate strategic management but also ensure good performance.

### 2.2.3 Stakeholder Theory

The stakeholder theory by Freeman (1994) is a theory of organizational management and business ethics that addresses morals and values in managing an organization. A Stakeholder Approach identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In the traditional view of a company, the shareholder view, only the owners or shareholders (stockholders) of the company are important, and the company has a binding fiduciary duty to put their needs first, to increase value for them.

Stakeholder theory instead argues that there are other parties involved including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders – their status being derived from their capacity to affect the firm and its stakeholders. The nature of what is a stakeholder is highly contested (Miles, 2012). The stakeholder view of strategy integrates both a resource-based view and a market-based view, and adds a socio-political level. One common version of stakeholder theory seeks to define the specific stakeholders of a company and then examine the conditions under which managers treat these parties as stakeholders; the descriptive theory of stakeholder (David, 2005).

The stakeholder theory dictates that to enhance performance, an organization must consider the expectations of its influential stakeholders and strive to meet those expectations. Though in trying to meet stakeholders' expectations the organization will take time to make decisions and incur huge costs; stakeholders remain the main drivers of an organization. The theory therefore predicts that an organization that not only considers its stakeholders needs in their strategic management process but also meets their expectations is likely to enhance its performance. However, a balance needs to be made to ensure that stakeholders' expectations are in line with the organizations vision, mission and objectives.

## 2.3 Strategic Management in Organizations

There are eight dimensions of strategic management that can be assessed to indicate corporate performance; leadership, culture and values, strategic thinking and practice, alignment, performance measurement, performance management, process improvement and sustainability of strategic management. Effective strategic management starts with leadership. Leaders question assumptions, look at problems in a new way and create a vision for the future. Leaders play a visible role as they work around staff and alongside staff to encourage teamwork in realization of the vision they articulated (Rolm, 2008).

Strategic management enables organizations to perceive issues related to its performance in a competitive advantage dimension. Therefore, with business environment being complex, dynamic and competitive, organizations need to use strategic management practices in order to position themselves strategically (Porter, 2004).

Strategic management contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty (Schwenk and Shrader, 2003). While some studies find positive relationship between strategic management and performance within large firms (Bracker et al.,2008, Lyles et al., 2003, Schwenk and Shrader, 2003), others indicate no consistent association between strategic management with organizational performance (Greenley, 2006). Porter (2004) states that organizational performance is determined by the ability of the firm to find its unique position and strategic management is the tool to enable the firm acquire that strategic position. Organizational performance is about creating value for the primary beneficiaries of the organization. Most organizations view performance in terms of effectiveness in achieving their vision, mission and goals (Guralnik and David, 2004), others however view their performance in terms of efficiency in deploying resources, thus performance of an organization may be sub optimized (Missroon, 2000). Successful strategic management implementation leads to action, builds a shared vision that is value based, it's an inclusive participatory process in which board and staffs take on a shared ownership, accepts accountability for actions and is externally focused and sensitive to the environment. (Euro found, 2009).

## 2.4 Measures of Performance in an Organization

Organizational Performance can be defined as the total economic results of the activities undertaken by the organization. Today managers worldwide are expected to increase the productivity and performance of their organizations in times of great uncertainty and with shrinking resources (Mabey & Ramirez, 2005). Delaney & Huselid (1996) identified two distinct performance yardsticks; those relating to financial performance and the strategic performance. Those related to strategic performance are the outcomes that results from a company strengthening its market standing, competitive vitality and future business prospects.

Some authors have however indicated that firm performance can be measured in dividends, growth, sales, profit, productivity, capital, stock price, return on assets, cash flows, return on equity, return on capital, earning per share and return on investment. Financial measures of performance adopted by most resources tend to focus on financial related measures like profitability. Profitability is measured in qualitative measures such as return on sales, growth in revenues, return on investment, market share, cashflow/ investment, market share gain, new product activities relative to competitors, product quality relative to competitors, direct cost relative to competitors, process research and development, product research and development, variation in return on investment, percentage point change in return on investment and percentage change in cash flow/investment (Ainuddin *et al*., 2007).

BAICL uses performance contracting and performance appraisal systems as operational tools. They set clear and achievable goals and objectives and employees are motivated to achieve their respective targets. The performance management system clearly outlines how the work gets done and measured and also creates the environment in which employees feel valued for their achievements. Using performance contracting, the executives, managers and supervisors undertake to manage change initiatives in the firm. Various career paths have been developed and put in place it guide on the progression of employees within the firm. The firm has also ensured that all employees are conversant with their career paths and human resources policies (BAICL, 2015).

## 2.5 Studies on Stakeholder Involvement in Strategic Management and Performance

Eun Jin Hwang (2005) studied strategic management and financial performance in South Korean apparel retail stores. Perceived market turbulence positively affected stores' market-orientation strategies and functional specialization. Market orientation strategy positively affected stores' functional specialization and centralization of decision making. Intelligence generation positively affected satisfaction with store performance relative to other Korean retail stores and relative to key competitors, and response implementation positively affected satisfaction with store performance relative to other Korean retail stores. Some positive relationships were found between perceived environmental uncertainty and top management's willingness to adapt to a changing market. A major conclusion was that Korean apparel stores' top managers did not view environmental conditions as important influences on their stores' performance, although their perceptions of environmental uncertainty affected their stores' strategic management in such terms as response design, intelligence generation, and intelligence dissemination.

Petsmaster (2010) focused on the relationship between strategic management practices (SMPs) and the financial performance of multinational corporations (MNCs) in emerging markets. The study adopted a quantitative research approach where relevant MNC data was collected using a specially designed online questionnaire. Furthermore the study used the descriptive approach, which critically reviews the secondary data from relevant available literature. The study found that for MNCs with comprehensively adopted and implemented the SMPs framework their financial performance continues to improve year on year, depicting a positive relationship between SMPs and overall financial performance of MNCs with business interests in emerging markets.

Situma (2014) investigated on the effects of  strategic management practices on firm performance of parastatals in Kenya. A cross sectional survey and quantitative research designs were adopted for the study. Data analysis and interpretation will be based on descriptive statistics such as measures of location (mean) and measures of dispersion (standard error mean) as well as inferential statistics mainly multi-linear regressions, Pearson correlation, factor analysis and Analysis of Variance (ANOVA). The researchers established that parastatals which utilized strategic management practices such as strategic planning practices, strategic corporate governance practices, strategic competitive practices and strategic total quality management practices resulted in improved firm performance.

Mwangi (2013) researched on strategic management practices and performance of large pharmaceutical firms in Kenya. This study was conducted as a cross-sectional survey and the researcher used questionnaires as primary data tools. The study found out that large firms of pharmaceutical industry in Kenya have adopted strategic management practices with most strategic initiatives. It was also clear that the activities implemented by the firms impact performance across the various functional areas within firms in this industry. These functional areas include internal business process coordination, customer service, marketing, distribution, human resource management and finance. They also impact learning and development within the firms.

Makaa (2013) focused on strategic management at Group 4 Security Services (K) Limited. It was observed from the findings that G4S (K) Ltd has had tremendous growth financially in terms of profits, revenue and market share as a result of strategic management programs adopted by the company over the years. The company has adopted fundamental change practices in its change management programs including but not limited to restructuring, training, establishing effective communication systems and employee welfare to ensure that they curb employee turnover and retain the best.

Wanjiru (2014) studied change management practices and performance of Kenya Revenue Authority. This study used a case study which is qualitative in nature. The respondents were managers from Kenya Revenue Authority. The study revealed that change management affects organizational performance in KRA. There have been four major strategic changes in KRA that is technological advancement, structural changes, strategic change and people. All these changes increased efficiency and improved performance in KRA. The study recommends that, KRA should do more on managing resistance to change especially among the staff. They should prepare the people who will be affected by the various changes.

Nguluu (2006) studied the relationship between strategic management and performance of tea-manufacturing firms in Kenya. The major finding of the study was that the level of practice (state) of strategic management had a direct positive contribution to the performance of the organizations studied. Those organizations that did not practice strategic management performed relatively poorly compared to those that practiced. Emerging strategic management knowledge was therefore making a major contribution to the economic development of the nation.

Most studies dwelt on strategic management and Performance in various industries without focusing on stakeholder involvement in strategic management and performance hence creating this knowledge gap. Further, the studies were not conclusive in establishing a relationship between strategic management and performance in the organizations' studies thereby calling for more studies in the subject area to establish a relationship between strategic management and performance of organizations. Finally, strategic management being a fairly new phenomenon more research was required to build knowledge in stakeholder involvement in strategic management and how it impacted on performance of organizations.

## 2.6 Summary

This research study is guided by the stakeholder theory that predicts that to enhance performance; an organization must consider the expectations of its influential stakeholders and strive to meet those expectations. Stakeholders remain the main drivers of an organization; though a balance needs to be made to ensure that stakeholders' expectations are in line with the organizations vision, mission and objectives. To further enhance performance, resources must be allocated adequately to enhance implementation of ideas/decisions from stakeholders in strategic management process. This notwithstanding, the insurance environment is dynamic and uncertain calling for contingency measures in strategic management practices.

Studies dwelt on strategic management and Performance in different industries without focusing on stakeholder involvement as a tool of strategic management and performance. Strategic management is also a young field that requires studies to conclusively establish a relationship between strategic management and performance in organizations' thereby calling for more studies in the subject area to establish a relationship between strategic management and performance of organizations. Finally, strategic management being an equally new phenomenon more research is required to build knowledge in stakeholder involvement in strategic management and how it impacts on performance of organizations.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This section presents the research design, data collection and data analysis.

## 3.2 Research Design

Research design is an overlay strategy a researcher selects to integrate the different components of the study in a coherent and logical way, thereby, ensuring that the research problem is addressed effectively (Kothari, 2004). It gives the practical outline of the research hence guiding data collection and analysis methods. This research adopted a descriptive research design through a case study. Case studies are used to study a phenomenon and investigate processes or causes of events in present time without manipulating the relevant variables (Mernam, 1988).

This research was a case study as it studied one organization (BAICL) at a specific point in time (2010-2014). It used case study to create in-depth understanding of the relationship between stakeholder involvement in strategic management and performance of BAICL. The design was also suitable since it helped to describe the state of affairs as it existed without manipulation of variables which was the aim of the study (Kothari, 2004). The primary purpose of the study was to establish the relationship between stakeholder involvement in strategic management and performance of BAICL.

### 3.3 Data Collection

For the purpose of this study, the researcher used both primary and secondary data. Secondary data was obtained from published annual reports spanning five years (2010-2014) for BAICL. Performance was measured using non-financial measures such as the market share, efficiency and customer base and financial measures using return on assets for a five year period (2010-2014). Secondary data was used because it was factual and could be verified from the published reports. The study also collected primary data to collaborate with the secondary data. Primary data allowed in depth information to be collected as the respondents gave details. The study used interview technique to collect primary data using an interview guide.

Interview guide as a data collection instrument was practical and applicable to the research problem and was also cost effective (Denscombe, 2008). It contained open ended questions developed to obtain information from the respondents based on the study objective. The interview guide had three main parts. Section A gathered general business information of BAICL as well as the demographic information of the respondents. Section B contained questions on performance of BAICL while section C contained questions to establish the relationship between stakeholder involvement in strategic management and performance of BAICL. Five respondents from each of the three branches of BAICL in Nairobi were interviewed to inform the relationship between stakeholder involvement in strategic management and performance of BAICL.

The researcher administered the interview guide by booking appointments with the respondents for their best time to be interviewed and where the appointment did not materialize another appointment was arranged. This allowed respondents time to be interviewed as their busy schedule limited their being interviewed on the spot. This therefore helped in increasing the response rate. The researcher therefore obtained detailed information on the study in order to establish patterns, trends and relationships from the information with a comparison of all variables for easy inference on the relationship between stakeholder involvement in strategic management and performance of BAICL.

### 3.4 Data Analysis

The study involved collection of qualitative data. Content analysis was used to analyze qualitative data from the open ended questions in the interview guide. Mugenda and Mugenda (2008) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The analysis of the qualitative data was done by developing a thematic framework from the key issues, concepts and themes emanating from the open ended questions. The information generated was then interpreted and explained in prose. The analysis of data collected also involved comparison with the theoretical approaches and documentations cited in the literature review.

Content analysis is a research technique used to make replicable and valid inferences by interpreting the coding textual material. It is purely descriptive, readily understood, inexpensive and unobtrusive. It is very useful for analyzing historical material, especially for documenting trends over time. Hence, most of the materials written on the subject matter proved useful in deciphering meaning out of them for purposes of making findings. Qualitative data was analyzed in a systematic way in order to come up with some useful conclusions and recommendations.

### 3.5 Summary

This research adopted a descriptive research design. It was a case study as it studied one organization (BAICL) at a specific point in time (2010-2014). Case study was used to create in-depth understanding of the relationship between stakeholder involvement in strategic management and performance of BAICL and also helped to describe the state of affairs as existed without manipulation of variables. The researcher used Secondary data obtained from published annual reports spanning five years (2010-2014) for BAICL. Secondary data was used because it was factual and could be verified. The study also collected primary data through an interview guide to allow in depth information to be collected.

Content analysis was used to analyze qualitative data from the open ended questions in the interview guide. The information generated was then interpreted and explained in prose. The analysis of data collected also involved comparison with the theoretical approaches and documentations cited in the literature review.

# CHAPTER FOUR

# DATA ANALYSIS,FINDINGS AND DISCUSSION

## 4.1 Introduction

This chapter presents data analysis, findings and discussion of the study as set out in the research methodology. The results were presented on the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL). The chapter covers the demographic information, findings on performance of BAICL and findings on relationship between stakeholder involvement in strategic management and performance of BAICL based on the study objectives.

## 4.2 Demographic Information

The study targeted five interviewees from each of the three branches of BAICL in Nairobi; all of whom responded to the interviews contributing to a response rate of 100%. This response rate was sufficient and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good while a response rate of 70% and over is excellent. This commendable response rate was due to extra efforts that were made through appointments sought with the interviewees.

The study sought to ascertain the information on the interviewees involved in the study with regards to the age, duration of working in the insurance industry, position held in the organization and the highest academic qualification. The bio data points at the interviewees' suitability in answering the questions and also gave the basic understanding of persons interviewed.

### 4.2.1 Distribution of Interviewees by Age

In order to understand the interviewees' age distribution, the interviewees were asked to indicate the age category in which they fell. The findings are as shown in Table 4.1.

**Table 4.1 Age of the Interviewees**

| | Frequency | Percentage |
|---|---|---|
| Below 30 years | 0 | 0.0 |
| 30 – 39 years | 3 | 20.0 |
| 40 – 49 years | 7 | 46.7 |
| 50 & above years | 5 | 33.3 |
| **Total** | **15** | **100** |

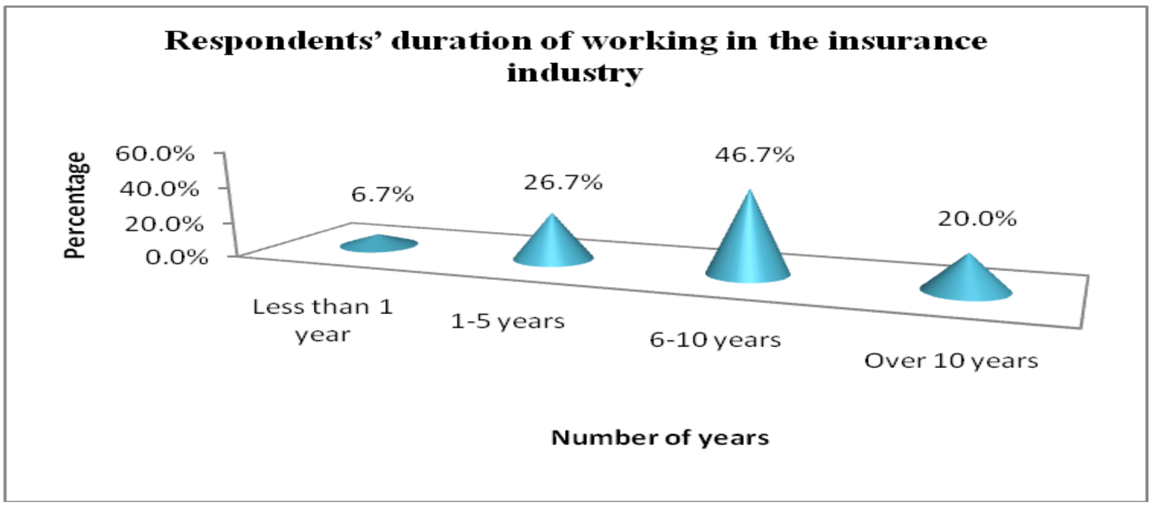
**Source: Interviews, 2015**

From the study findings, 46.7% of the interviewees were aged between 40 – 49 years, 33.3% were aged 50 and above years, 20% were aged between 30 – 39 years while none of the interviewees was aged below 30 years. The findings indicate that majority of the interviewees were aged 40 and above years. This implied that majority of the study interviewees were old enough to understand the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

### 4.2.2 Interviewees' Duration of Working in the Insurance Industry

The study sought to establish the length of time the interviewees had worked in the insurance industry. The findings are as presented in Figure 4.1.

**Figure 4.1 Interviewees' Duration of Working in the Insurance Industry**



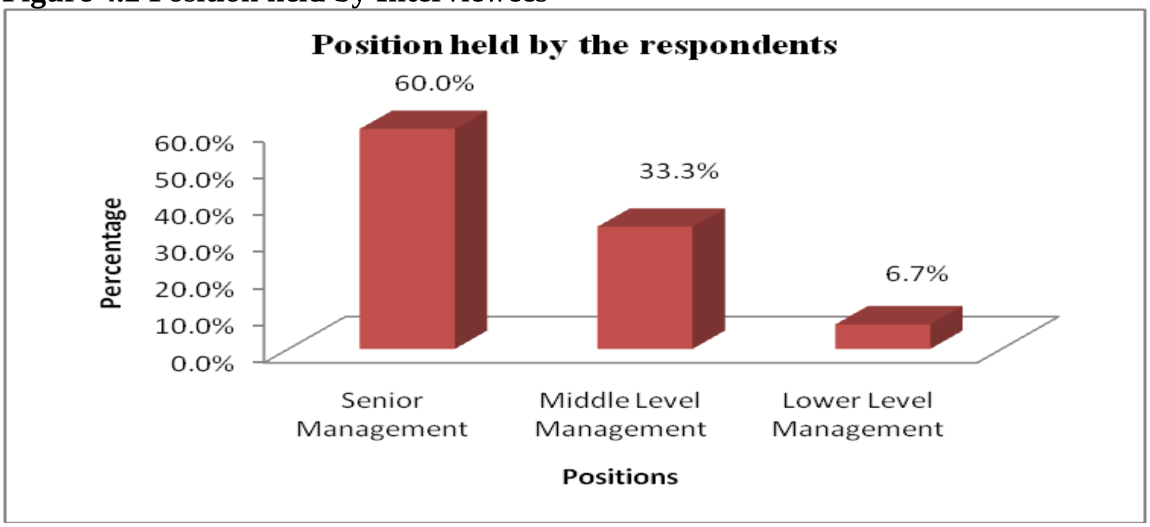

**Source: Interviews, 2015**

From the study findings, most (46.7%) of the interviewees indicated that they had worked in the insurance industry for 6-10 years, 26.7% had worked for 1-5 years, 20% had worked for over 10 years while 6.7% of the interviewees indicated that they had worked in the insurance industry for less than 1 year. The findings imply that most of the interviewees had worked for a long duration in the insurance industry and hence were rich in information on the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

### 4.2.3 Position Held by Interviewees

The study sought to establish the positions that the interviewees held in BAICL and the findings are as illustrated in Figure 4.2.

**Figure 4.2 Position held by Interviewees**



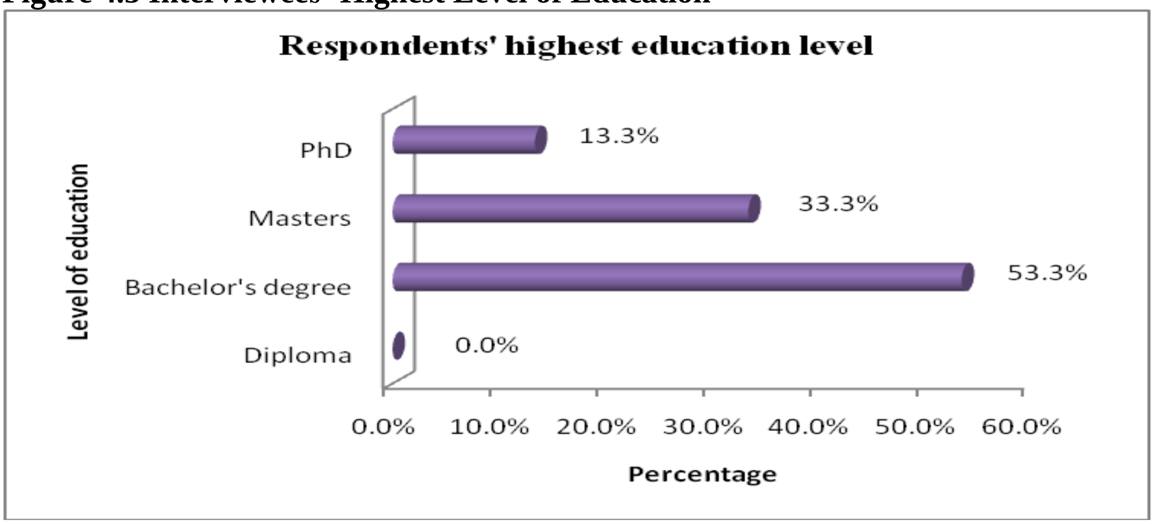

**Source: Interviews, 2015**

From the study findings, majority (60%) of the interviewees held senior management positions in BAICL, 33.3% held middle level management positions while 6.7% of the respondents held lower level management positions in BAICL. This implied that majority of the interviewees held crucial positions in the organization and participated in key decision making in the organization. This showed that they were in a position to provide information with regard to the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

### 4.2.4 Interviewees' Highest Level of Education

The interviewees were requested to indicate their highest level of education. Figure 4.3 illustrates the study findings.

**Figure 4.3 Interviewees' Highest Level of Education**




**Source: Interviews**, **2015**

According to the study findings, majority (53.3%) of the interviewees had bachelor's degree as their highest education level, 33.3% had masters, 13.3% had PHD while none of the interviewees indicated that he or she had a Diploma as his/her highest education level. This showed that all of the interviewees had attained university education and thus had a sound academic background to understand and appreciate the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

### 4.3 Relationship between Strategic Management and Performance of BAICL

This section of the study sought to establish the relationship between strategic management and performance of BAICL. According to findings, the interviewees were in agreement that BAICL had embraced the concept of strategic management and applied it in its operation. The interviewees indicated that the firm applied the concept of strategic management in areas and activities such as formulation of organizational long term goals and objectives, resource planning and allocation, meeting customers' needs, understanding and response to market turbulence and enhancing organizational output. This showed that the concept of strategic management was integral in BAICL.

The study sought to find out whether there was involvement of stakeholders in the formulation of the firm's mission and vision statements and if so who were the main stakeholders. According to the findings, the interviewees concurred that there was involvement of stakeholders in the formulation of BAICL's mission and vision statements. The main stakeholders of the firm as indicated by the interviewees were the shareholders, the board of management/directors, employees, company's financial and legal consultants/experts, the government and core customers. This implied that the key stakeholders of BAICL took part in the formulation of the mission and vision statements of the company.

#### 4.3.1 Involvement of Stakeholders in the Firm's Strategic Management

The study sought to find out the ways in which stakeholders were involved in strategic management in the firm. According to the findings, the interviewees indicated that the stakeholders were involved in the firm's strategic management through being invited to participate in annual or extra ordinary general meetings of the company where critical decision makings were made on various matters of significance to the firm's operations such as financing, investment, expansion, restructuring, strategic alliances and company management. This implied that stakeholders of BAICL took part in the firm's strategic management activities implying that they made important contributions in the firm's strategic management.

The study sought to establish how stakeholder involvement in strategic management had helped to enhance performance of BAICL. According to the findings, the interviewees indicated that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance as contributions and suggestions given by the stakeholders informed crucial decision making of the firm in critical areas such as financing, investment, expansion, restructuring, strategic alliances and company management. Thus, through their participation in meetings where these decisions were made, the stakeholders played a crucial role in influencing the firm's performance through the effect of the decisions made on the performance of the firm. This implied that stakeholder involvement in strategic management had significant effect on the firm's performance through the outcome of the decisions made by the stakeholders in the company's meetings.

### 4.3.2 Benefits accruing to the Firm from Stakeholder Involvement in Strategic Management

The study sought to establish the benefits that accrued to BAICL from stakeholder involvement in the firm's strategic management process, leading to enhanced organizational performance. According to the findings, the interviewees indicated that some of the benefits that accrued to BAICL from stakeholder involvement in the firm's strategic management process included clarity in organization direction, coherence in organizational decision making, increased ability to effectively deal with market turbulence, better coordination of organizational activities, effective communication, increased operational efficiency and employees' productivity, better operational cost management and increased ability to handle the ever increasing competition in the market place.

Other benefits included creation of innovative products and services, enhanced product and service quality, increased output and better resource utilization. This implied that stakeholder involvement in the firm's strategic management occasioned numerous benefits to the firm and that led to its enhanced organizational performance.

### 4.3.3 Ways to ensure Effective Stakeholder Involvement in Strategy Implementation

The study sought to establish the ways that the firm could use to ensure effective stakeholder involvement in strategy implementation. From the study findings, the interviewees indicated that the firm could use various ways to ensure effective stakeholder involvement in strategy implementation which include ensuring timely, accurate and effective communication with the stakeholders on issues affecting the firm, organizing forums and meetings where the stakeholders can contribute to strategy formulation and deriving of ways for strategy implementation, setting of clear and achievable organizational goals and objectives, allocating adequate funds necessary to support strategy implementation and providing timely feedback to stakeholders on the outcomes of strategy implementation. This implied that the firm could use various ways in order to ensure effective stakeholder involvement in strategy implementation.

The study sought to determine whether the respondent's organization prepared formal standards of performance. From the study findings, the interviewees indicated that indeed their organization prepared formal standards of performance. This implied that BAICL was keen on monitoring its organizational performance. Thus, strategy evaluation, as a component of strategic management, was crucial in aiding the organization undertake performance control.

The study sought to find out whether the respondents' firm organizational goals indicated measurable targets such as volume, market share, growth rate, profitability. According to the findings, the interviewees agreed that their organization's goals were translated into measurable targets in areas such as volume/output, market share, growth rate and profitability during strategy formulation. The interviewees explained that their organization was keen to express its organizational objectives into specific performance targets so as to provide the workforce with benchmarks against which their performance would be measured. This showed that there was congruence of organizational objectives with the organization's performance targets.

The study sought to determine whether there was free flow of information within the industry regarding market activities by other firms. According to the findings, the interviewees indicated that there was no free flow of information within the industry regarding market activities by other firms. As such the interviewees indicated that it was very difficult for their organization to monitor the activities of their competitors and thus making it difficult for their organization to counter and respond to the competition in the industry effectively.

### 4.3.4 Performance of BAICL

This sub-section of the study sought to establish the performance of BAICL over the last five years (2010-2014) through indicators such as return on assets, market share, employee retention rates and customer satisfaction. The findings are as discussed in the subsequent sub-sections.

### 4.3.5 Rating of BAICL's Performance over the last 5 year Period

The study sought to find out the performance of BAICL over the last five years running from 2010 to 2014. The findings are as illustrated in table 4.2.

**Table 4.2 Return on Assets (ROA)**

| Year | ROA values |
|---|---|
| 2010 | 0.353 |
| 2011 | 0.361 |
| 2012 | 0.395 |
| 2013 | 0.417 |
| 2014 | 0.423 |

**Source: BAICL, Statements of Accounts**

The findings as shown in Table 4.2 indicate the trend of return on assets values over the 5 year period between 2010 and 2014. The lowest value for ROA was 0.353 in year 2010 while the highest ROA value was 0.423 in year 2014. This represented a positive change in the ROA values of 0.07 over the 5 year period. The steady rise in ROA values over the 5 year period indicates that the financial performance of BAICL had been on the increase over the last 5 years. This depicted that there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization.

### 4.3.6 Rating of BAICL's Composite Market Share over the last 5 year Period

The study sought to establish the composite market share of BAICL over the last five years running from 2010 to 2014. The findings are as illustrated in table 4.3.

**Table 4.3 BAICL's Composite Market Share**

| Year | Composite market share (%) |
|---|---|
| 2010 | 6.7 |
| 2011 | 7.8 |
| 2012 | 9.3 |
| 2013 | 12.4 |
| 2014 | 15.2 |

**Source: Interviews, 2015**

The findings as shown in Table 4.3 indicate the composite market share of BAICL in percentage over the 5 year period between 2010 and 2014. The lowest composite market share was 6.7% in year 2010 while the highest composite market share value was 15.2% in year 2014. This represented a positive growth in the composite market share values of 8.5% over the 5 year period. The steady rise in composite market share values over the 5 year period indicates that the growth of BAICL's market share had been on the increase over the last 5 years. This depicted that there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization in terms of its market share.

### 4.3.7 Rating of Customer Satisfaction

The study requested the interviewees to indicate how they would rate customer satisfaction with their firm. The findings are as shown in Figure 4.4.

**Figure 4.4 Rating of Customer Satisfaction**

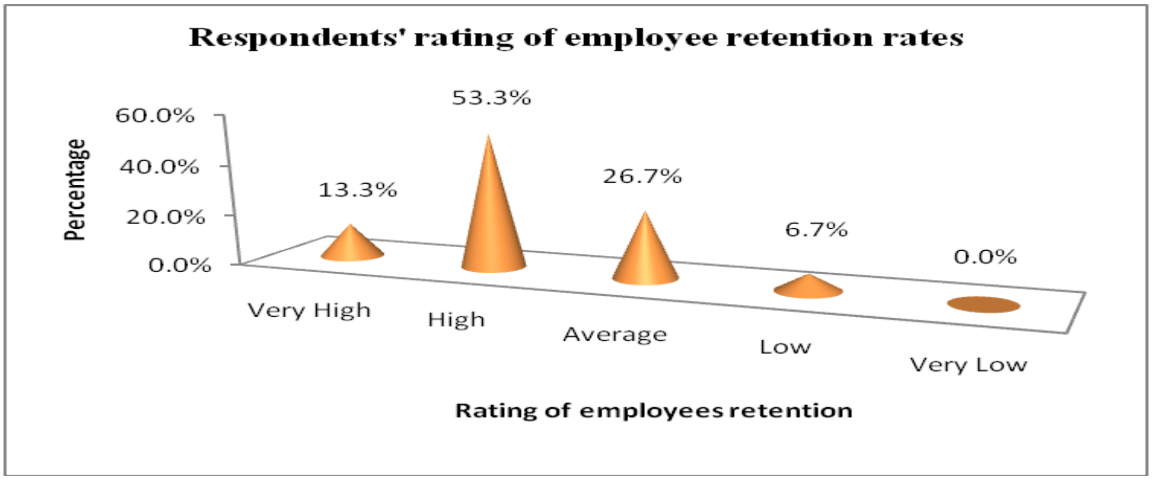

**Source: Interviews,2015**

According to the findings, majority (60%) of the interviewees indicated that they rated customer satisfaction with the firm as good, 26.7% rated customer satisfaction with the firm as excellent, 13.3% rated customer satisfaction with the firm as fair while none of the interviewees rated customer satisfaction with the firm as poor or very poor. This implied that majority of the interviewees shared similar sentiments that the customers were satisfied with the firm's level of services. Thus, there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization in terms of meeting the customers' needs.

### 4.3.8 Rating of Employee Retention Rates

The study requested the interviewees to indicate how they would rate employee retention rates in the firm. The findings are as illustrated in Figure 4.5.

**Figure 4.5 Rating of Employee Retention Rates**




**Source: Interviews,2015**

According to the findings, majority (53.3%) of the interviewees indicated that the firm had high employee retention rates, 26.7% indicated that the firm had average employee retention rates, 13.3% indicated that the firm had very high employee retention rates, 6.7% indicated that the firm had low employee retention rates while none of the interviewees indicated that the firm had very low employee retention rates. This implied that majority of the interviewees were in agreement that the firm had good employee retention rates indicating that possibly the employees were happy to work for the organization. Thus, there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization in terms of employees' retention.

### 4.3.9 Measurement of Organizational Performance

The study sought to establish whether the interviewees' organization systematically measured its actual performance versus its goals. The interviewees indicated that their organization continually evaluated its performance by comparing its actual performance with its earlier set goals in order to identify performance gaps for corrective actions to be initiated. Through this performance evaluation mechanism, the interviewees' firm was able to identify missed opportunities and hit targets which further informed subsequent decision making in formulation of new organizational goals and in adjustments to the existing organizational goals.

The study inquired on whether the strategic management practices of the firm, based on opportunities and threats identified, were prioritized at all levels of management in the firm on daily basis. According to the study findings, the interviewees indicated that strategic management practices were of critical importance to the firm and as such all the strategic decisions made were given priority at all levels of management in the firm as far as putting them into action was concerned. This implied that the organization's management took seriously strategic management practice.

The study sought to establish whether the respondents' firm provided adequate resources for implementation of strategic initiatives based on its strategic plan. From the study findings, the interviewees indicated that the firm set aside adequate resources to facilitate effective implementation of strategic initiatives based on its strategic plan. The interviewees explained that the firm in its budget made provisions for funds required to ensure effective implementation of identified strategic initiatives. This implied that the management of BAICL was keen to ensure the successful implementation of firm's identified strategic initiatives by providing adequate resources needed for this cause. This also showed the significance of strategic management to the performance of the company.

### 4.3.10 Relationship between Stakeholder Involvement in Strategic Management and Performance of BAICL

The study sought to determine the relationship between stakeholder involvement in strategic management and performance of BAICL. From the study findings, the interviewees concurred that stakeholder involvement in strategic management had a positive effect on the performance of BAICL.

The interviewees indicated that the stakeholders provided invaluable contributions that informed the firm’s strategic management activities through their positive criticism to the management’s ideas and decisions, invaluable suggestions on strategic initiatives that enhance the firm’s performance, provision of resources required for successful strategy implementation and helpful analysis of existing market threats and opportunities. Thus, stakeholder involvement in strategic management was crucial to the performance of BAICL

## 4.4 Discussion

This sub-section discusses the findings of the study in comparison to theory and other researchers.

### 4.4.1 Comparison with Theory

The study findings showed that the lowest value for ROA was 0.353 in year 2010 while the highest ROA value was 0.423 in year 2014. This represented a positive change in the ROA values of 0.07 over the 5 year period. The study findings also revealed that the lowest composite market share was 6.7% in year 2010 while the highest composite market share value was 15.2% in year 2014. This represented a positive growth in the composite market share values of 8.5% over the 5 year period. The findings also showed that 60% of the respondents indicated that they rated customer satisfaction with the firm as good while 53.3% of the respondents indicated that the firm had high employee retention rates.

The steady rise in ROA and composite market share values coupled with the high customer satisfaction and employee retention ratings over the 5 year period indicated that the financial performance of BAICL had been on the increase over the last 5 years. This depicted that there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization. The findings were in agreement with resource-based theory which predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin *et al*., 2007).

The findings were also in agreement with the stakeholder theory that predicted that to enhance performance; an organization must consider the expectations of its influential stakeholders and strive to meet those expectations. It asserts 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).

### 4.4.2 Comparison with other Researchers

The steady rise in ROA and composite market share values coupled with the high customer satisfaction and employee retention ratings over the 5 year period indicated that the financial performance of BAICL had been on the increase over the last 5 years. This depicted that there could be possible positive influence of stakeholder involvement in strategic management on the performance of the organization. The findings were in agreement with Aosa (2000) who observed that increased environmental turbulence and competition have prompted most organizations to embrace the concept of strategic management with the aim of becoming profitable. On their part, Pearce and Robinson (2005) noted that the measurement of performance is the cornerstone of business practice because it assists in evaluation of the achievement of fundamental business goals and sets the scope and direction of possible improvement actions.

The study established that all of the interviewees were in agreement that BAICL had embraced the concept of strategic management and applied it in its operation. The interviewees indicated that the firm applied the concept of strategic management in areas and activities such as formulation of organizational long term goals and objectives, resource planning and allocation, meeting customers' needs, understanding and response to market turbulence and enhancing organizational output. This showed that the concept of strategic management was integral in BAICL. The findings were in line with David (2005) who argued that today's business environment is rapidly changing due to factors such as globalization, changing customer and investor demands, ever-increasing product-market competition and changing legal and economic policies within the different economies. The findings agreed that to compete successfully, organizations need to continually improve their performance by reducing cost, innovating products and processes, improving quality, productivity and speed to market through strategic management. The findings also agreed with Ansoff and McDonnnel (1990) who asserted that for organizations to maintain comparative advantage and ensure long-term success in this highly competitive business environment, they must constantly adapt themselves to this dynamic atmosphere by adopting appropriate strategies that will keep them relevant and profitable.

The study established that there was involvement of stakeholders in the formulation of BAICL's mission and vision statements. The main stakeholders of the firm as indicated by the interviewees were shareholders, board of management/directors, employees, company's financial and legal consultants/experts, the government and core customers. This implied that the key stakeholders of BAICL took part in the formulation of the mission and vision statements of the company. The findings were consistent with Kasimbu (2010) who noted that stakeholders are the persons who have an interest (stake) in the organization. They are the persons or organizations that influence the decisions of the organization and whose interest the company strives to meet. They include shareholders, employees, customers, Government, suppliers, financiers, trade unions, trade associations and competitors.

The interviewees indicated that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance as contributions and suggestions given by the stakeholders informed crucial decision making of the firm in critical areas such as financing, investment, expansion, restructuring, strategic alliances and company management. Thus, through their participation in meetings where these decisions were made, the stakeholders played a crucial role in influencing the firm's performance through the effect of the decisions made on the performance of the firm. This implied that stakeholder involvement in strategic management had significant effect on the firm's performance through the outcome of the decisions made by the stakeholders in the company's meetings. The findings agreed with Kasimbu (2010) who observed that stakeholders are given the opportunity to contribute their own ideas during the strategy formulation process. They are also allowed to assess and review the ideas during strategy formulation and there is joint decision making with stakeholders during all stages of a project. The findings were also consistent with Hitt *et al*. (1999) who opined that 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.

The study findings also revealed that the interviewees indicated that some of the benefits that accrued to BAICL from stakeholder involvement in the firm’s strategic management process included clarity in organization direction, coherence in organizational decision making, increased ability to effectively deal with market turbulence, better coordination of organizational activities, effective communication, increased operational efficiency and employees’ productivity, better operational cost management, creation of innovative products and services, enhanced product and service quality, increased output, better resource utilization and increased ability to handle the ever increasing competition in the market place. This implied that stakeholder involvement in the firm’s strategic management occasioned numerous benefits to the firm and that led to its enhanced organizational performance. The findings were in agreement with David (2005) who observed that strategic management has been widely embraced by organizations all over the world in pursuit of achieving efficiency and effectiveness that ultimately leads to competitive advantage over competitors as well as enabling the firms solve the problem of the mismatch between the output of the enterprise and the demand in the market place. On his part, Liu (2011) argued that objectives are vital to an organization's success because they provide direction, aid in evaluation, create organizational synergy, reveal priorities, allow coordination and better communication and are essential for the successful management of organizations. The findings also agreed with Wheelan and Hunger (2008) who argued that today’s business operating environment is rapidly changing and this change is attributable to various factors such as globalization, changing customer and investor demands, ever-increasing product-market competition and changing legal and economic policies within the different economies and to compete successfully in this environment, organizations continually need to improve their performance by reducing cost, innovating products and processes and improving quality, productivity and speed to market.

The study findings also indicated that the interviewees indicated that the firm could use various ways to ensure effective stakeholder involvement in strategy implementation which include ensuring timely, accurate and effective communication with the stakeholders on issues affecting the firm, organizing forums and meetings where the stakeholders can contribute to strategy formulation and deriving of ways for strategy implementation, setting of clear and achievable organizational goals and objectives, allocating adequate funds necessary to support strategy implementation and providing timely feedback to the stakeholders on the outcomes of strategy implementation. This implied that the firm could use various ways in order to ensure effective stakeholder involvement in strategy implementation. The findings were in agreement with Schwenk and Shrader (2003) who argued that Strategic management contribute to performance by generating relevant information, creating a better understanding of the environment and reducing uncertainty. The findings also agreed with Euro found (2009) that asserts that successful strategic management implementation leads to action, builds a shared vision that is value based, it's an inclusive participatory process in which board and staffs take on a shared ownership, accepts accountability for actions and is externally focused and sensitive to the environment.

The study findings showed that the interviewees agreed that their organization's goals were translated into measurable targets in areas such as volume/output, market share, growth rate and profitability during strategy formulation. The interviewees explained that their organization was keen to express its organizational objectives into specific performance targets so as to provide the workforce with benchmarks against which their performance would be measured. This showed that there was congruence of organizational objectives with the organization's performance targets. The findings concurred with David (2009) and Miller (1988) both of whom noted that measurement of performance is the cornerstone of business practice because it assists in evaluation of the achievement of fundamental business goals and sets the scope and direction of possible improvement actions. Performance assessment can be both qualitative and quantitative which involves an analysis of financial and operational performance in the firm. For effective performance measurement, a balanced presentation of both financial and non-financial measures is required since no single measure can provide a clear performance target or focus attention on critical areas of the business.

The study findings also indicated that the firm set aside adequate resources to facilitate effective implementation of strategic initiatives based on its strategic plan. The interviewees explained that the firm in its budget made provisions for funds required to ensure effective implementation of identified strategic initiatives. This implied that the management of BAICL was keen to ensure the successful implementation of firm's identified strategic initiatives by providing adequate resources needed for this cause. This also showed the significance of strategic management to the performance of the company. The findings agreed with Aosa (2000) who noted that strategic management as a process involves specifying an organization's objectives, developing policies and plans to achieve these objectives and allocating resources so as to implement the plans. On his part, Chandler (2002) added that Strategic management thus helps an organization in utilization of its resources so as to give value to customers and in so doing achieve its objectives.

The study interviewees indicated that strategic management practices were of critical importance to the firm and as such all the strategic decisions made were given priority at all levels of management in the firm as far as putting them into action was concerned. Further, the study established that stakeholder involvement in strategic management had a positive effect on the performance of BAICL. The interviewees indicated that the stakeholders provided invaluable contributions that informed the firm’s strategic management activities through their positive criticism to the management’s ideas and decisions, invaluable suggestions on strategic initiatives that enhance the firm’s performance, provision of resources required for successful strategy implementation and helpful analysis of existing market threats and opportunities. This implied that the organization’s management took seriously strategic management practice and that stakeholder involvement in strategic management was crucial to the performance of BAICL. The findings were in line with Porter (2004) who argued that strategic management enables organizations to perceive issues related to its performance in a competitive advantage dimension. Therefore, with business environment being complex, dynamic and competitive, organizations need to use strategic management practices in order to position themselves strategically. The findings also concurred with Makaa (2013) who focused on strategic management at Group 4 Security Services (K) Limited and observed that G4S (K) Ltd has had tremendous growth financially in terms of profits, revenue and market share as a result of strategic management programs adopted by the company over the years.

## 4.5 Summary

The study found that BAICL embraced strategic management practices with significant involvement of major stakeholders who included; management, board of directors, shareholders, the government and core customers. It also established a positive relationship between strategic management and performance between 2010 and 2014.It further determined that stakeholder involvement in the strategic management process further enhanced the performance of BAICL.

The demographic information of interviewees revealed that BAICL was keen on employee retention and invested in employee welfare. The performance of BAICL was on an increasing trend from 2010 to 2014 and the same trend was observed on employee retention, customer satisfaction and return on assets. The findings were in line with the resource based and stakeholder theories of strategic management. Further, the findings agreed with most researchers who argued that strategic management enhances performance of organizations. Thus, there was established a positive relationship between stakeholder involvement in strategic management and performance of BAICL.

# 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 relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL).

## 5.2 Summary of Findings

The study found that BAICL had embraced the concept of strategic management and applied it in its operation. The interviewees indicated that the firm applied the concept of strategic management in areas and activities such as formulation of organizational long term goals and objectives, resource planning and allocation, meeting customers' needs, understanding and response to market turbulence and enhancing organizational output. This showed that the concept of strategic management was integral in BAICL.

The study findings revealed that there was involvement of stakeholders in the formulation of BAICL's mission and vision statements. The main stakeholders of the firm as indicated by interviewees were shareholders, the board of management/directors, employees, company's financial and legal consultants/experts, the government and core customers. This implied that the key stakeholders of BAICL took part in the formulation of the mission and vision statements of the company.

The study also established that the stakeholders were involved in the firm's strategic management through being invited to participate in annual or extra ordinary general meetings of the company where critical decision makings were made on various matters of significance to the firm's operations such as financing, investment, expansion, restructuring, strategic alliances and company management. This implied that the stakeholders of BAICL took part in the firm's strategic management activities implying that they made important contributions in the firm's strategic management.

According to the study findings, the interviewees indicated that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance as contributions and suggestions given by the stakeholders informed crucial decision making of the firm in critical areas such as financing, investment, expansion, restructuring, strategic alliances and company management. This implied that stakeholder involvement in strategic management had significant effect on the firm's performance through the outcome of the decisions made by the stakeholders in the company's meetings.

The study findings revealed that some of the benefits that accrued to BAICL from stakeholder involvement in the firm's strategic management process included clarity in organization direction, coherence in organizational decision making, increased ability to effectively deal with market turbulence, better coordination of organizational activities, effective communication, increased operational efficiency and employees' productivity, better operational cost management and increased ability to handle the ever increasing competition in the market place. Other benefits included creation of innovative products and services, enhanced product and service quality, increased output and better resource utilization. This implied that stakeholder involvement in the firm's strategic management occasioned numerous benefits to the firm and that led to its enhanced organizational performance.

From the study findings, the interviewees indicated that the firm could use various ways to ensure effective stakeholder involvement in strategy implementation which include ensuring timely, accurate and effective communication with the stakeholders on issues affecting the firm, organizing forums and meetings where the stakeholders can contribute to strategy formulation and deriving of ways for strategy implementation, setting of clear and achievable organizational goals and objectives, allocating adequate funds necessary to support strategy implementation and providing timely feedback to the stakeholders on the outcomes of strategy implementation. This implied that the firm could use various ways in order to ensure effective stakeholder involvement in strategy implementation.

## 5.3 Conclusion

The study concluded that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance as contributions and suggestions given by the stakeholders informed crucial decision making of the firm in critical areas such as financing, investment, expansion, restructuring, strategic alliances and company management. The study concluded that stakeholder involvement in strategic management occasioned various benefits to BAICL including clarity in organization direction, coherence in organizational decision making, increased ability to effectively deal with market turbulence, better coordination of organizational activities, effective communication, increased operational efficiency and employees' productivity, better operational cost management, creation of innovative products and services, enhanced product and service quality, increased output, better resource utilization and increased ability to handle the ever increasing competition in the market place.

The study also concluded that stakeholder involvement in strategic management had a positive effect on the performance of BAICL as the stakeholders provided invaluable contributions that informed the firm's strategic management activities through their positive criticism of the management's ideas and decisions, invaluable suggestions on strategic initiatives that enhance the firm's performance, provision of resources required for successful strategy implementation and helpful analysis of existing market threats and opportunities.

## 5.4 Recommendations

Given that BAICL like any other insurance organization operates in a competitive environment and hence strategic management process is critical for its survival, the study recommends that the Government of Kenya and key industry players should not only come up with a mechanism/legislation that will streamline the insurance industry's operating environment, but also put up mechanisms for having such policies fully implemented.

The study recommends that the management of BAICL should continually engage the company's stakeholders in crucial company decisions such as those relating to financing, investment, expansion, restructuring, strategic alliances and company management, to ensure that they are part and parcel of the decisions and that their input is factored in those decisions.

The study also recommends that the management of BAICL should develop mechanisms to evaluate the success of and/or challenges of stakeholder involvement in the company's strategic management process so as to ensure that the stakeholders of the company are at all times meaningfully engaged in the firm's strategy planning and decision making.

## 5.5 Limitations of the Study

The study was limited by the busy schedule of the interviewees which affected the pace of data collection. However, the researcher made courtesy calls to the respondents to book appointments with them when they were not fully occupied with office work.

Further, the information being sought in the study was considered confidential and some interviewees were not willing to participate in the study. To gain interviewees confidence, the researcher obtained permission from the company management and assured the interviewees confidentiality of the information being sought.

## 5.6 Suggestions for Further Research

Since this study explored the relationship between stakeholder involvement in strategic management and performance of British American Investments Company Limited (BAICL) in the insurance industry of Kenya, the study recommends that similar studies should be done on other industries in Kenya for comparison purposes. This will also allow for generalization of findings on the relationship between stakeholder involvement in strategic management and organizational performance in Kenya.

The researcher also suggests that a study should be done on the challenges that hinder stakeholder involvement in strategic management among firms in Kenya. This will assist in enhancing stakeholder involvement in strategic management process among firms.

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# APPENDIX

## Appendix I: Interview Guide

### Section A: Demographic Information

1. What is your age?
2. How long have you worked in the insurance industry?
3. Which position do you hold in the organization?
4. What is your highest level of education?

### Section B: Performance of BAICL

5. How would you rate the performance of your firm over the last five years (2010-2014)?
6. How would you rate the composite market share of your firm?
7. How would you rate the customer satisfaction of your firm? [Use a scale of 1-5 where; 1-Very poor, 2-Poor, 3-Fair, 4-Good and 5-Excellent].
8. How would you rate the employee retention rates? [Use a scale of 1-5 where;
9. 1-Very low, 2-Low, 3-Moderate, 4-High and 5-Very high]

**Section C: Relationship between Stakeholder Involvement in Strategic Management and Performance of BAICL**

1. Has your firm been actively employing strategic management?
2. Was there involvement of stakeholders in the formulation of mission statement and vision statement? Which are the main stakeholders?
3. In which ways are stakeholders involved in strategic management in the firm?
4. How has the stakeholder involvement in strategic management enhanced performance of BAICL?
5. What are some of the benefits accruing to your organization that you can attribute to involvement of stakeholders in strategic management process that lead to enhanced organizational performance?
6. In which ways can the firm ensure effective stakeholder involvement in strategy implementation leading to superior organizational performance?
7. Does your organization prepare formal standards of performance?
8. Does the organizational goals list quantify measurable targets such as volume, market share, growth rate, profitability?
9. Is there is fairly free flow of information within the industry regarding market activities by other firms?

10. Does the organization systematically measure actual performance versus goals?

11. Are the strategic management practices based on opportunities and threats identified prioritized at all levels of management on daily basis?

12. Does the firm provide adequate resources for implementation of strategic initiatives based on its strategic plan?

13. What is the relationship between stakeholder involvement in strategic management and performance of BAICL?

**Thank You**