

**EFFECT OF STAFF INVOLVEMENT IN STRATEGIC MANAGEMENT PROCESSES
ON PERFORMANCE OF MICROFINANCE INSTITUTIONS IN KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

SEPTEMBER 2016

DECLARATION

DECLARATION BY THE CANDIDATE

This project is my original work and has not been presented for a degree in any other university or institution. No part of this project may be reproduced without the prior permission of the author and / or University Of Nairobi.

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ACKNOWLEDGEMENT

I first wish to thank the Almighty God for granting me the opportunity to carry out this project.

I also thank my family and friends who helped me to do this project.

My special appreciation goes to my University Supervisor Dr. Regina Kitiabi who gave me focus and direction on how to go about the research.

Thank you all.

DEDICATION

This research is dedicated to my family and friends for their love, support and inspiration to excel in my further studies.

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List of abbreviations

ROA	Return on Asset
MFI	Microfinance Institution
NGO	Non-Governmental Organizations
SACCOs	Savings and Credit Cooperatives
CEO	Chief executive Officer
AMF	Association of Micro Finance Institutions
SMT	Senior Management Team
MLT	Middle Level Management Team
LMT	Line Management Team
ST	Supervisory team
OFc	Officers
SS	Support Staff
Dip	Diploma
Deg	Bachelor's Degree
Mast	Master's Degree
NN	None
NG	Negative
PV	Positive
VS	Very Small
Sl	Small
Sg	Significant
VSg	Very Significant
EH	Extremely High

Abstract

The key purpose of this study was to establish the effect of staff involvement in strategic management processes on performance of microfinance institutions in Kenya. The main objectives were to; assess the extent to which staff are involved in process of strategic management, barriers facing staff involvement in strategic management processes, and establish the effect of staff involvement in strategic management against MFI performance. Primary data collected through self-administered questionnaires while secondary data was collected from the institution's financial statements. For the first objective; the findings were that the area of strategic planning where staff feel they are most involved is that of communicating performance targets to staff. The overall rating of staff involvement in strategic planning is average. The overall rating for staff involvement in strategy implementation is significant. The overall rating for staff involvement in strategy evaluation is also significant. For the second objective; Barriers to staff engagement is that were rated as very significant were; Lack of workforce diversity and Lack of or Poor quality of downward communication. For the last objective, the study established that while the highest sample proportion felt that staff involvement in strategic planning has positive effect on MFI profitability, a comparison of actual performance against level of staff involvement reveals that growth in the portfolio yield was highest in organizations that least involves their staff in planning. Like the case of strategic planning, the highest sample proportion felt that staff involvement in strategic implementation has positive effect on MFI profitability. On the other hand, Growth in net assets, loan portfolio and portfolio yield all tend to consistently decline with increase in level of staff involvement in strategic implementation. In conclusion, The MFIs significantly involve their staff in strategy implementation and evaluation but minimal in strategic planning. Although staff feel that staff involvement in strategic planning has positive effect on MFI profitability; the truth is, for an organization to increase its portfolio yield, it's should minimize staff involvement in strategic planning. The key recommendation of this study is that for performance of MFIs to improve they need to involve their staff in strategic implementation and evaluation and not in planning.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The employee engagement theory by Gonzalez-Molina (2002) is the theory that informs this study. It says that employee engagement is intertwined expressively and widely with vital business results in organizations. The theory further supposes that employee engagement and organizational performance have a constructive correlation whose effects are; employee preservation, customer devotion/loyalty, efficiency, productivity, and security. That is, a company's revenue growth will surpass the industry average as more and more employees are engaged. The importance of this theory to this study is that it points out that it in deed, involving staff in decision making results to improved firms' performance. It further notes that engaged staff have three characteristics which help to increase organizational performance. That is; (1) employee campaigns for the organization to colleagues, and refers prospective staff and clients; (2) Increased Staff loyalty to the organization in spite of opportunities to for greener pastures; (3) employee works over time with increased determination, effort and inventiveness so as to ensure business goals are achieved. In light of this proposition, this study seeks to establish whether or not in deed it is true that engaging employees in strategic management processes affects the performance microfinance institutions in Kenya.

Johnson and Scholes (1993) defines strategy as the breadth of direction and action that an organization takes in order to create the best link between its available resources and assets and its dynamic environment, in particular, the stakeholders, markets, customers and other business benefactors, with an aim to maximizing the stakeholders interest in that organization. Stutz (2009) further defines it as the process of putting together the three key components of strategy, that is; formulation (planning), implementation and evaluation by laying down a firm's goals and objectives, creating its policies and plans to attain these objectives, and allocation of resources for policy implementation.

Singh et al (2013) notes that staff involvement in all phases of strategic management processes is essential and effectual. Emphasizing that it is only the manpower which makes all the distinction between lead, trailers and failures, he argues that this is so because every person, top to bottom, has equal access to information and technology, thus pointing out that if an organization has to lead, it must involve people in discussions & decision making. In any strategic decision making, staff/employees should be engaged in the strategy, therefore making them see what it means to them at a personal level as well as their role in driving the change (Johnson & Scholes, 2002).

A microfinance institution is defined as an organization/enterprise that provides financial facilities and services to low-income earners that are occasionally from financial systems (Hermes et al. 2011). The current operational set-up in Kenya's microfinance industry is not just turbulent, but a highly competitive market. The progressive growth in Kenyan microfinance sector witnessed today has resulted to many institutions competing for the same market. This study therefore is aimed at determining the relationship between staff involvement in strategic management processes and its impact on performance of MFIs in Kenya.

1.1.1 Concept of strategic management

Strategic management is combination of knowledge and skills which aid in improving an organization's success because as it involves comprehensive planning of an enterprise's variables which aid in the achievement of its goals and objectives. Favaro and Kasturi (2012) defines strategic management as a representation of organization's management that is based on the scanning of the environmental changes, review and evaluation of the company's internal strengths, as well as making adjustments in order to make it fit in the environment, achieve its mission and objectives, and to assure its going concern. This study will focus on the three stages of strategic management processes as defined by Henderson Et al (2000), that is strategic planning, implementation and evaluation.

1.1.2 Microfinance Institutions in Kenya

Microfinance Institutions (MFIs) in Kenya has three categories; namely the informal, the formal subsidized and the formal non-subsidized. The informal category comprises of grass root organizations that are membership based and most of whom involve money savings transactions. The formal subsidiary organizations are the registered organizations whose transactions are not regulated. These are comprised of microfinance institutions registered as non-governmental organizations, companies limited by guarantees and limited liability companies. In Kenya under this category, there are 56 Microfinance NGOs, 4 registered as companies limited by shares, 4 companies limited by guarantees, and 71 financial services institutions. The formal non-subsidized institutions are those that are formally registered and regulated. These include Microfinance Banks, commercial banks downscaling and SACCOs. This study will focus on 30 Microfinance Institutions listed by the Associations of Microfinance Institutions.

1.2 The Research Problem

Numerous studies in Kenya and elsewhere have been conducted on strategic management as well as on microfinance institutions. Kamau (2007) assessed relationship between competitive strategies and performance of microfinance institutions in Kenya but did not determine the effect of staff involvement. Beatrice (2013) as well did a study on factors affecting loan delinquency in microfinance institutions in Kenya, and found out that MFIs and self-help groups' specific factors and external factors significantly affect their loan delinquency performance. It however did not determine if the staff involvement or lack of it had any effect on loan delinquency performance. Other gaps have been presented in tabular form in Appendix II.

Further, many authors have made significant propositions on the need for staff involvement in strategic management processes. Strauss (2006) for instance states that for efficient working and cross functional integration between departments to be attained, management have to engage their employees at a substantial/ extensive level. Hales

(2000) further argues to curb current management issues; there is a need to engage employees more in making decisions in regards to their work. Armstrong (2006) giving employees the opportunity to have a say in the running of the firms has great impact to the progress of organizational performance. However, from the reviewed literature and empirical studies, none has been done to establish if their assertion is true that staff involvement has positive effect on the performance of an organization, leave alone Microfinance Institutions in Kenya. This gap therefore forms that basis for this study. The study aims at assessing the staff involvement in strategic management processes and its impact on performance of Microfinance institutions.

1.3 Research objectives

The core purpose of this study is to assess the level of staff involvement in strategic management processes and its impact on performance of MFIs. The research objectives are:

- i. Assess the extent to which staffs are involved in process of strategic management.
- ii. Barriers facing staff involvement in strategic management processes.
- iii. Establish the effect of staff involvement in strategic management against MFI performance.

1.4 Value of the study

The findings of this study will be of importance to the management of MFIs in Kenya. It will inform their decisions of whether or not or the extent to which staff should be involved in strategic management processes.

Academicians will also benefit from this research. The research will add knowledge in the academic field. First, it will fill in the knowledge gap on the level of staff involvement in strategic management processes and its effect on performance of Microfinance institutions. Further, it will point out the areas of studies that any other academician or researcher can pursue.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The theoretical foundation of this study is represented in this chapter. It reviews the theoretical literature and critically assesses staff involvement in strategic management processes and its effect on performance of Microfinance institutions.

2.2 Theoretical framework

This study has several theories that inform it. They include the profit-maximizing and competition based theory which assumes that long term profit maximization and development of sustainable competitive advantage over its competitors in the external environment are an organization's major objectives. (Raduan, 2008). However, this theory is silent on how employees can contribute to profit maximization. The resource based theory assumes that a firm's unique resources and capabilities is the greatest source of its competitive advantage as compared with its positioning in the external environment or just assessing environmental opportunities and threats in the running of the business (Bamford, 2008). The gap in this theory is that it assumes having unique resources and firms' capabilities are enough for firms' success. However, it depends on how well the firm utilizes those unique resources.

The survival-based theory states that for organizations to survive; they need to constantly adapt to its competitive external environment. The gap in this theory is that it focuses on firm's adaptation to competitive environment and not on how staff involvement can contribute to its ability to adapt to changes in the external environment. The contingency theory states that firms should engage in a single best management approach but rather work out their own unique and exceptional managerial strategies that will ensure good adaptability with the particular conditions or situations they are facing. The gap in this theory is that it focuses on unique managerial strategies and omits the role of staff involvement in development of such managerial strategies.

The agency theory dictates that management and shareholders of an organization must have a cordial, mutual and excellent relationship between themselves so as to ensure successful business outcomes (Raduan, 2008). This theory only focuses on the relationship between management and shareholders and leaves out the strategic management and role of staff in ensuring successful strategic implementation. Human resource-based theory emphasizes that an organization greatest asset is people, thus human input is a requirement in strategy development and planning process for business success to be achieved. Organization should set up strategic plans for ensuring employee satisfaction and retention is achieved through the human resource departments. The gap in this theory is that while it point out the importance of staff, it does not point out how involving them in strategic management processes affects firms' performance.

2.2.1 Employee engagement theory

The theory that informs this discussion is the theory Employee Engagement and Organizational Performance by Gonzalez-Molina (2002) which says that employee engagement is intertwined with the key desired business results. The theory further supposes that an association of employee engagement and organizational performance has several desirable effects such as: employee maintenance, efficiency, success, customer allegiance, fidelity and security. That is, the more engaged staff are, the more likely their organization will succeed and surpass the industry average in its revenue growth. The importance of this theory to this study is that it points out that it in deed, involving staff in decision making results to improved firms' performance.

The second importance of this theory is that it notes how engaging staff affect the performance of a firm. For instance, Gonzalez-Molina (2002) first highlights that engaged staff have three characteristics which help to increase organizational performance. That is; (1) employee campaigns for the organization to colleagues, and refers prospective staff and clients; (2) Increased Staff loyalty to the organization in spite of opportunities to for greener pastures; (3) employee works over time with increased effort and inventiveness to contribute to the achievement of desired output.

The second important of this theory is that Gonzalez-Molina (2002) further points out how failing to involve staff adversely affects the performance of a firm by arguing that less engaged staff are likely to be spinning (wasting their skills and effort on meaningless tasks), relaxing (uncommitted to their tasks, not frustrated enough to make a break) and splitting (not able to forge ahead or impatient for positive change in the organization), all these cause uncertainties and difficultness in measuring the organization's performance and customer satisfaction.

Blessing White (2006) makes further developments on this theory by highlighting key employee engagement strategies. First, it requires employee engagement to start on day one. This is so because effective recruitment and orientation programs should be the first organizational structures that should be laid down an employee's day one at work. The new employee should be oriented through the organization's vision, mission, values, policies and procedures and job-specific orientation (Blessing White, 2006)

Blessing White (2006) also notes that engagement should be top to bottom structured: This is so because it requires a committed leadership that will set and establish clear vision, mission and values for the organization. Except the leaders have faith in it, identify with it, trickle it down to managers and employees, and improve their governance, employee engagement will always be a "corporate fad" or "another HR thing". Employee engagement needs leaders that are devoted and action-oriented that is "Leading by example.

Blessing White (2006) further points out that this theory requires organizations to fully equip employees with all the requirements to carry out their duties: That is, management should provide with necessary resources such as information, material and financial in order for them to efficiently and effectively carry out their duties

Another requirement is that organizations should train their staff appropriately. They should provide a platform for employees to keep abreast with existing and emerging knowledge and technology through organizing appropriate trainings and workshops. The

more employees have the right knowledge and skills about their job; the more confident they become thereby increasing their ability to work under minimum or no supervision from their managers hence builds their commitment.

Blessing White (2006) also points out the strong feedback system as a staff engagement strategy. That is, firms should come up with performance management systems with specified Key Performance Indicators that will hold managers and employees accountable in all their levels of engagement. Conducting spontaneous, regular and continuous survey of employee engagement helps in upraising the engagement level as well as come up with factors that cause employee engagement. Using the survey results, the firm can categorize the factors from most to least depending on how they influence employee engagement in the organization, and then concentrate or focus on those that are significant. Finally, firms need to build a unique corporate culture. That is; endorse solid working cultures whereby company goals and values are connected in all departments or sections. Building a culture of mutual respect by publishing their achievements all through will help companies maintain employee engagement and instill the new employees with this communicable spirit of work culture Blessing White (2006).

2.3 Empirical studies

Hartungi (2007) found that, dedicated staff, a good incentive system crowned with trained staff has a positive effect on MFI performance. Hamed (2007) further discloses that financial performance is also affected by staff costs. Hartarska (2005) shows that for managers to perform well; an adequate reward system is crucial. Copestake (2007) outlines that in addition to careful staff recruitment, there is need as well to train staff to reach the poor.

Other studies have only focused on role of leadership on MFI performance. Chan (2010) did a study that revealed that MFI success is determined by the experience and expertise levels of its leaders, while Seibel and Torres (1999) further notes that commitment of leaders is

important on MFI performance. Hartarska (2005) notes that MFIs' financial and social performance is positively related to good management and leadership experience, while Hudon (2009) reveal that upper management have very significant role of improving MFI financial self-sufficiency. Other studies on the role of staff in MFI performance have only focused on the governance. For instance, Kyereboah- Coleman and Osei (2008) study found that where board members work independently; it exerts a positive influence on MFI social and financial performance. Hartarska and Mersland (2009) further indicate that there is curvilinear relationship between the size of the board and the performance on an MFI. That is; board size increases MFI efficiency, then decreases afterwards. Mersland and Strøm (2009) brought the aspect of local verses international directors and notes that local directors have a better influence on financial performance, contrary to Mersland et al. (2011) who notes that international leadership improves social performance.

Guy & Beaman (2005) denotes that effective and clear communication, teamwork and building trust are the main ways of bringing positive change in an organization. Porras and Hoffer (2005) indicated others ways such as; partnership, cooperation, mutual respect and ability to clarify. In addition, Other factors listed by them include; accountability, leadership, problem solving skills, shared/mutual vision, , building others through personal developments and strategic management. Price & Chahal, (2005), Saks (2006) describes employee involvement as, a sequence of activities or actions whose members communication input is clear, continuous and consistent. In both notions, communication seems to be vital tool in employee involvement as it creates trust, a good information flow, and effective problem solving.

Assefa (2013) the relationship between competition and the performance of microfinance Institutions. They assessed two variables that is; increase in competition in MFIs and loan repayment, efficiency and financial performance. This study based its data from 362 MFIs in 73 countries for the period 1995-2009. This study noted that during that period, there was increased competition in microfinance institutions and that this competition

had negatively affected several measures of MFI performance.

Kiawa and Kilui (2015) study looked at credit risk management procedures adopted on financial performance of microfinance institutions in Kenya. Their study aimed to determine the extent to which risk identification, risks monitoring procedures, and risk analysis and assessment procedures are applied in credit risk management by microfinance institutions in Kenya and their overall effect on the financial performance of the MFIs. The population of the study was 54 Microfinance Institutions in Nairobi County. Data was collected using questionnaires distributed to credit managers and officers. The study found that organization considered risk identification, risks monitoring, risk assessment, risk analysis as a process in credit risk management.

Fabrizio (2009) studied the impact of microfinance institutions on development in Asian and African countries. He used average savings and client loan balances as its representations for growth and development. His findings revealed that there exists proof of a substantial positive or constructive impact of microfinance institutions on development. He therefore noted that one of the strongest ways to increase development in current years is by use of Microcredit. According to this study, MFIs have been credited for especially enhancing amounts of credit given to the poor. His study further established that although African development is usually slow compared to Asia, no statistical evidence exists for differences in the marginal impact of microfinance institutions with regards to geographical positioning.

Terry (2013) explored the linkages between Employee Involvement, Strategic Management & Human Resources. By use of a large sample of different organizations, he examined vital issues such as employer ideology, labor management, employee involvement in strategic management, and organizational performance .The study was based on questionnaire responses from 1,466 private and public sector Canadian organizations. The study established substantial variation among employers in Canada

with veneration to the presence of human resource management practices and employee involvement pro-grams.

Beatrice (2012) evaluated what factors affect loan delinquency in microfinance institutions in Kenya. She collected primary data through self-developed structured questionnaires and given to MFIs loan officers for feedback, the target population being 49 MFIs that are registered by Association of Microfinance Institutions of Kenya (AMFIK). Data was analyzed using Multiple regression analysis. It established that MFIs and self-help groups' specific factors and external factors significantly affect loan delinquency performance among MFIs in Kenya.

Wairimu and Theuri (2014) studied on w affluences the level of staff involvement in the strategic planning process in public institutions, the case of department of immigration in Kenya, targeting senior, middle-level management and junior staff. Their sample size was 80 and the sampling technique was stratified, job groups being the strata. Primary data was collected using self-administered questionnaires. The study established that lower levels staff are usually unaware of the organization's strategic planning processes or their roles in the planning, and that this non-involvement, especially subordinate staff members led to some staff members being unaccountable of the strategic planning process.

Gabriela (2013) looks at staff performance evaluation as a component of strategic management, and therefore did a study for the same in tourism establishments. He argues that human resource management has three important features. That is, it is action-oriented, individual-oriented as well as future-oriented, and that these reflect the fact that vision of a staff is greatly changed or affected as a result of changes in the economic, social, psychological and ethnic context. His study revealed that organizational performance is a reflection of organizational culture; this is so because employee efficiency in his/her job is determined by his/her level of satisfaction.

Studies on the extent to which staff are involved in each process of strategic management are scarce. Hartungi (2007), found that dedicated staff, a good incentive system crowned with proper training contribute to MFI performance. Hamed (2007) further reveals that staff costs can also influence financial performance. Hartarska (2005) denotes that for managers to perform well an adequate compensation package is crucial. Copestake (2007) outlines that in addition to careful staff recruitment, there is need as well to train staff to reach the poor.

2.4 Barriers facing staff involvement in strategic management processes

2.4.1 Barriers to strategic planning

Many studies done have focused on why strategies fail. For instance, Al-Ghamdi (1998) focused on challenges facing strategy implementation, where he indicated that there are several problems associated strategy implementation. He argued that one of many barriers to strategy implementation is failure by management to foresee the required training needs for employees in order to equip them with the required knowledge and skills for job execution. . Snow and Hrebiniak (1980) points that failure in execution is plans is brought about by the time it takes to actually execute, that is, the longer the time the more the chances of failure. Lack of periodical review of plans, deviance from the actual or set objectives and lack of confidence about success are the key implementation problems cited by Hansen, Boyd et al, (1998). Failure to understand people's cultures and sub-culture during strategy formulation can be an obstacle to effective strategic planning Cascella, V. (2002).

2.4.2 Barriers to strategy Implementation

Lack of accountability is a major challenge to strategy implementation. Effective review of plans on a regular basis leads to successful implementation of the plans.. Setting up proper monitoring system leads to effective implementation. Plans should be reviewed regularly and corrective measures undertaken so that the result of the plans can become relevant to the stakeholders and satisfy their interests in the business.

Reviewing plans leads to accountability and responsibility which are very necessary for business success. Successful implementation of plans requires that those responsible for scrutinizing and examining the plan be accountable so that they could be rewarded or penalized as required. Lack of such accountability therefore is a barrier in effective strategic implementation, Marx (1991)

Inadequate instructions to employees are as well stated to adversely affect strategy implementation. Failure by management to foresee the required training needs for employees in order to equip them with the required knowledge and skills execution or the implementation of strategy. There are often gaps whereby planners failed to link employee's performance with a suitable reward system throughout the implementation phase. Another barrier is the disparity between projected/projected time for implementation which is usually set at the formulation stage and the actual time required to complete the task, Al-Ghamdi, (1998).

Another barrier to strategic planning is making assumptions while planning, such as prediction of future development and focus on formalization. This inhibits innovativeness and creativity and .Focus on hard data has also been described as barriers for strategic planning. A great number of planning models also do not codo not take care of unforeseen illogical behavior of employees, groups and organizations Rothschild et al. (2004).

2.4.3 Overcoming challenges to strategy implementation

Marx (1991) emphasized the participation of employees in planning process is the key to successful strategy implementation. There is need to give your employees a platform or a chance to take part in planning process and ensure that their suggestion are considered and take in to account all those stake holders which will be effected by the change process. The advantage of employees taking part in planning process is that they will be very much clear and aware about their rolls and goals of organization. For accountability

purposes, Marx (1991) argued that where there exists defined tasks; all employees must be accountable for not achieving them as per outlined or stipulated standards.

There should be a full mechanism for accountability so that employees may be evaluated, they may be penalized or rewarded as per needed.

2.5 Gaps noted in the literature

Studies on the extent to which staff are involved in each process of strategic management are scarce. Appendix II gives a tabular presentation of gaps noted

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodology that was followed in the process of conducting the study. The chapter begins by setting out the research design that was used to enable the researcher achieve the objectives of the study. The target population, tools and techniques for data collection, data analysis and presentation are discussed

3.2 Research design

Research problem was studied through the use of a descriptive research design. It will also be cross sectional in that where data was collected using questionnaires from various MFIs whereby respondents was asked to state their experience and their level of involvement in strategic management processes at that particular time. It will also be longitudinal in that the research will analyze the MFI average growth from year 2009 to year 2012. The target population was on 30 MFIs listed in the AMF association. This was a census survey in that it will target all the 30 MFIs. Nevertheless, the selection of respondents was purposive in that five questionnaires was issued to each organization whereby one will go to the a senior management team, middle level management, and three to the officers and support staff, and then get the average of their feedback.

3.3 Target Population

The populations of this study consisted of 30 MFIs operating in Kenya with headquarters in Nairobi and its environs.

3.4 Sample Design

The sampling for this study was based on list of membership of MFIs available from the Association of Micro Finance Institutions. A sample was drawn using simple random sampling procedure. A sample of 30 was used for this study. Cooper and Schindle (1998)

concur that a sample of size 30 and above is considered representative of a population for the purpose of data analysis and generalization.

3.5 Data collection

The study collected primary data using a questionnaire with both open ended and close ended questions. The appropriateness of closed ended question is that they conserved time and they were easy to fill as well as easy to analyze as they are in an immediate usable form. Secondary data on MFI performance was acquired from their audited financial statement as presented to AMF association.

3.6 Data analysis

Data collected will be analysed using descriptive statistics and cross tabulation of variables. Tools like frequencies, percentages, mean and standard deviation are descriptive in nature while cross tabulation provides the relationship between two variables (The Survey System,1982)

Objective one and two of the study will be analysed by means and percentages from data provided by respondents through questionnaires. For objective three i.e. to compare the level of staff involvement in strategic management processes; key performance indicators such as ROA, Total Asset, Loan Portfolio, Portfolio yield and active borrowers will be used. Comparison of these results will be done between the MFIs with highest to lowest levels of staff engagement.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

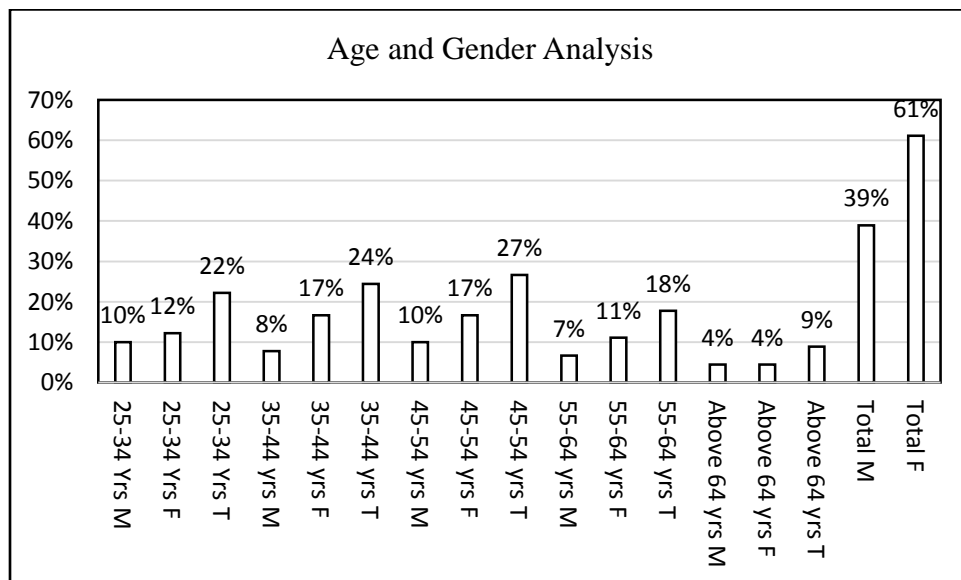
This chapter gives the data analysis of the findings. The discussions of the findings are also stipulated in each finding of the study.

4.2 Respondents' Demographic Information

4.2.1 Age group and Gender

Respondents were asked to indicate their age group as well as gender, and the table below shows the comparison of the two;

Figure 4-1: Respondents' age and gender analysis



Source: Research data, 2016

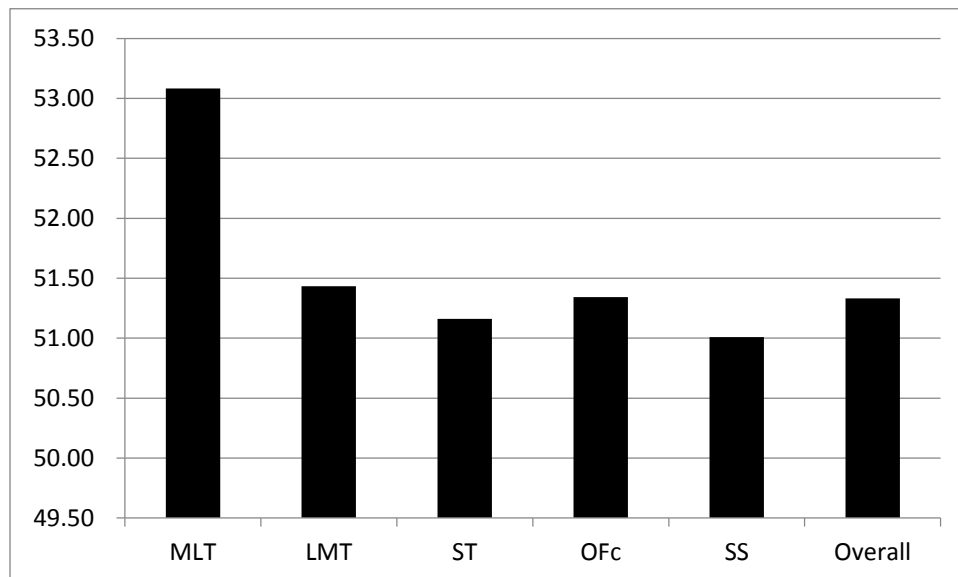
The key finding from the above cross tabulation chart is that, 61% of the respondents were female while only 39% were male. This therefore means that microfinance sector in Kenya is mainly dominated by females. Another finding is that in terms of age group, the majority of the staff are those whose age lie between 45-54 years (27%), followed by 35-

44 years (24%), 25-34 years (22%), 55-64 years (18%) and least are those whose age is above 64 years (9%). This finding therefore points out that age distribution in the microfinance institutions in Kenya takes a bell shape curve. The third finding is that there are two categories of staff that form the highest population in this sector, and these are the female employees whose age groups are 35-44 years and 45-54 years, where each forms a proportion of 17%

4.2.2 Analysis of Academic qualification and position

The table below gives an analysis of cross tabulation of staff designation against their academic qualification in Kenya Micro Finance Sector. Designation is analyzed in terms of Senior Management Team (SMT), Middle Level Management Team (MLT), Line Management Team (LMT), Supervisory team (ST), Officers (Ofc) and Support Staff (SS). Academic Qualification is analyzed in terms of Diploma (Dip) Bachelor’s Degree (Deg), Masters Level (Mast) and above master’s degree (Higher).

Figure 4-2: Analysis of Academic qualification and position



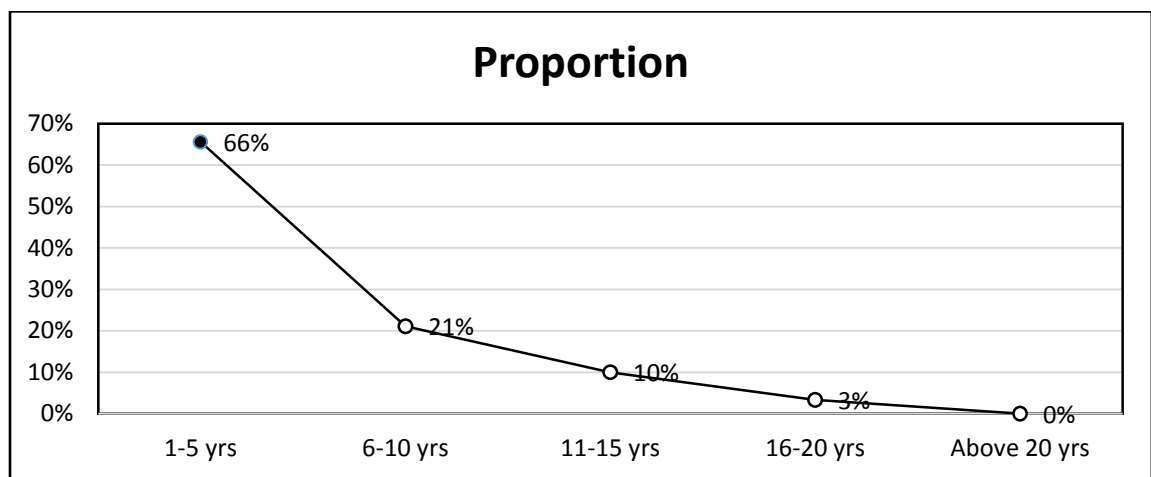
Source: Research data, 2016

As per the above chart, most respondents were diploma holders (69%) followed by Degree Holders (12%), Master’s degree holders (11%) while only 8% had qualifications higher than Masters Degrees. With regards to designations, majority of the respondents were officers (49%) followed by support staff (19%), Supervisory Team (12%), Line Management team (10%), Middle Level management (7%) and least the Senior Management team (3%). Another key finding is that the highest qualification of senior management team is diploma level. This means that career growth in Kenya Microfinance sector does not put into account ones academic achievement.

4.2.3 Analysis of years of service

The line graph below gives an analysis of the respondents in terms of their years of service to the institution they are currently serving

Figure 4-3: Analysis of years of service



Source: Research data, 2016

The key finding is there is decrease in the proportion of respondents with increase in years of service to the current institution where the highest is on whose years of services fall between 1-5 years (66%), followed by those under 6-10 years (21%), 11-15 years (10%) and 16-20 years (3%), while none of respondents served the institution for more than 20 years. This is therefore an indicator of high turnover in the sector, meaning that very few staff stays with one MFI for more than five years.

4.3 Level of Staff involvement in strategic Management

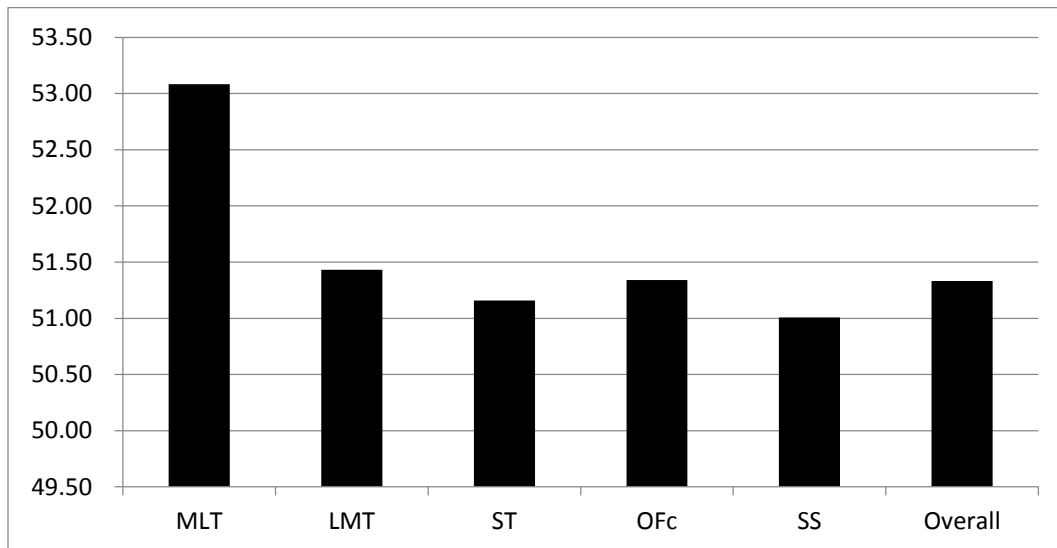
4.3.1 Strategic planning

The objective of this section was to determine the extent to which Microfinance institutions make their staff understand their mission and vision and involves them in setting company's goals and objectives, assessing both the internal and external environment and formulating the strategy. This section further evaluates the extent to which organizations seek staff input on strategy formulation and whether that individual staff are able to identify their input in the strategy formulated.

To achieve the above, respondents were provided with the listing of the above indicators and requested to rate the extent to which they were involved. Respondents were guided that 0% to 20% = Not at all to Very minimal 51% to 60% = Average, 21% to 40% = Very insignificant 61% to 80% = Significant, 41% to 50% = Insignificant and Above 80% = Very significantly.

The graph below gives the summary of the findings

Figure 4-4: Level of Staff involvement in strategic planning



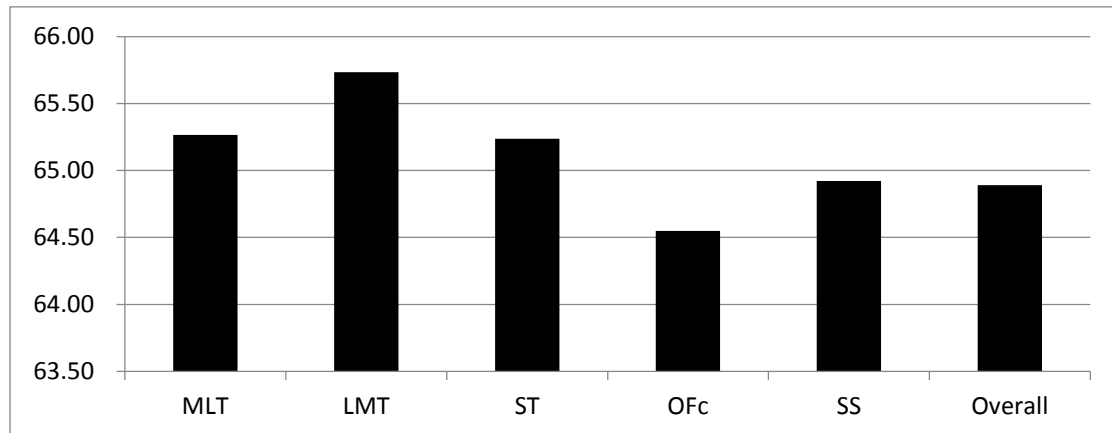
Source; Research data, 2016

The key highlight from this analysis is that the area of strategic planning where staff feel they are most involved is that of communicating performance targets to staff. Out of all the eight areas, this is the one with the highest rating in each job group. On the other hand, other than the middle level managers who feel they are least involved in providing their input in strategic formulation (24%), all other groups of staff indicate that they are least involved in information on external environment. With regards to efforts in making staff understand mission and vision, the highest rating is by Middle level managers (73%) while the least rating is by supervisor staff. None of the job groups rated above 30% their being involved in setting the company's goals and objectives, meaning that in general, there is Very insignificant involvement of staff in this area. The same applies to getting information on external environment where the highest rating was 26% only as well as incorporating staff recommendation in strategy (the max rating of 33%). The overall rating of staff involvement in strategic planning varied between 51% and 53%, meaning that there staff involvement is just an average.

4.3.2 Level of Staff involvement in strategy implementation

Respondents were provided with the listing of the key area of strategy implementation and requested to rate the extent to which they were involved. Respondents were guided that 0% to 20% = Not at all to Very minimal 51% to 60% = Average, 21% to 40% = Very insignificant 61% to 80% = Significant, 41% to 50% = Insignificant and Above 80% = Very significantly.

Figure 4-5: Level of Staff involvement in strategy implementation



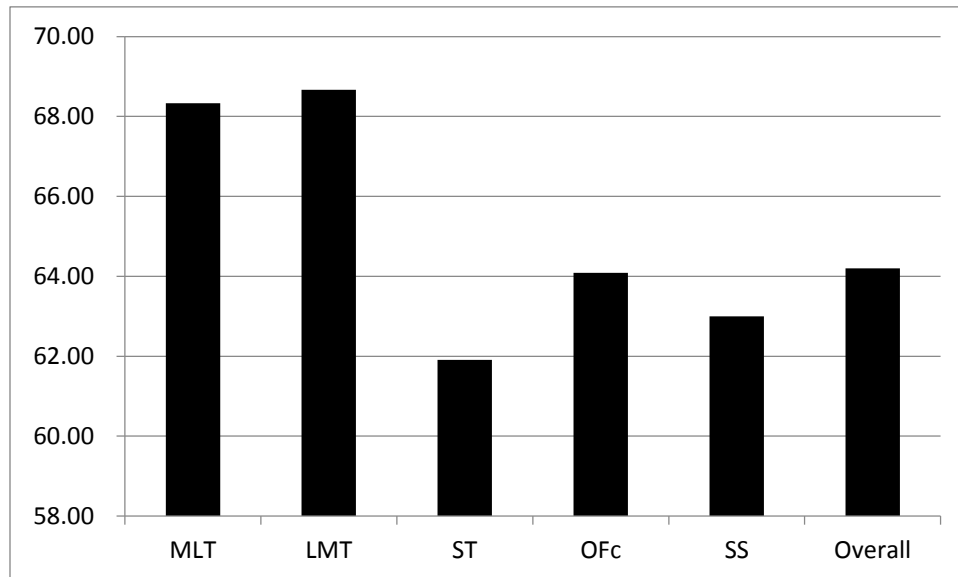
Source; Research data, 2016

Generally, the overall rating for the staff involvement in strategy implementation is 65%, meaning that MFIs significantly involve their staff in strategic implementation. Accountable Partnership (working together, harnessing strengths and mitigating weaknesses) was rated highest across all the job groups except by supervisors whose highest rating was on development of performance based culture. Hiring right human resources in terms of quantities was lowest rated by all groups meaning that MFIs fail to provide right quantities of staff for strategy implementation.

4.3.3 Level of Staff involvement in strategy evaluation

Respondents were provided with the listing of the key area of strategy evaluation and requested to rate the extent to which they were involved. Respondents were guided that 0% to 20% = Not at all to Very minimal 51% to 60% = Average, 21% to 40% = Very insignificant 61% to 80% = Significant, 41% to 50% = Insignificant and Above 80% = Very significantly.

Figure 4-6: Level of Staff involvement in strategy evaluation



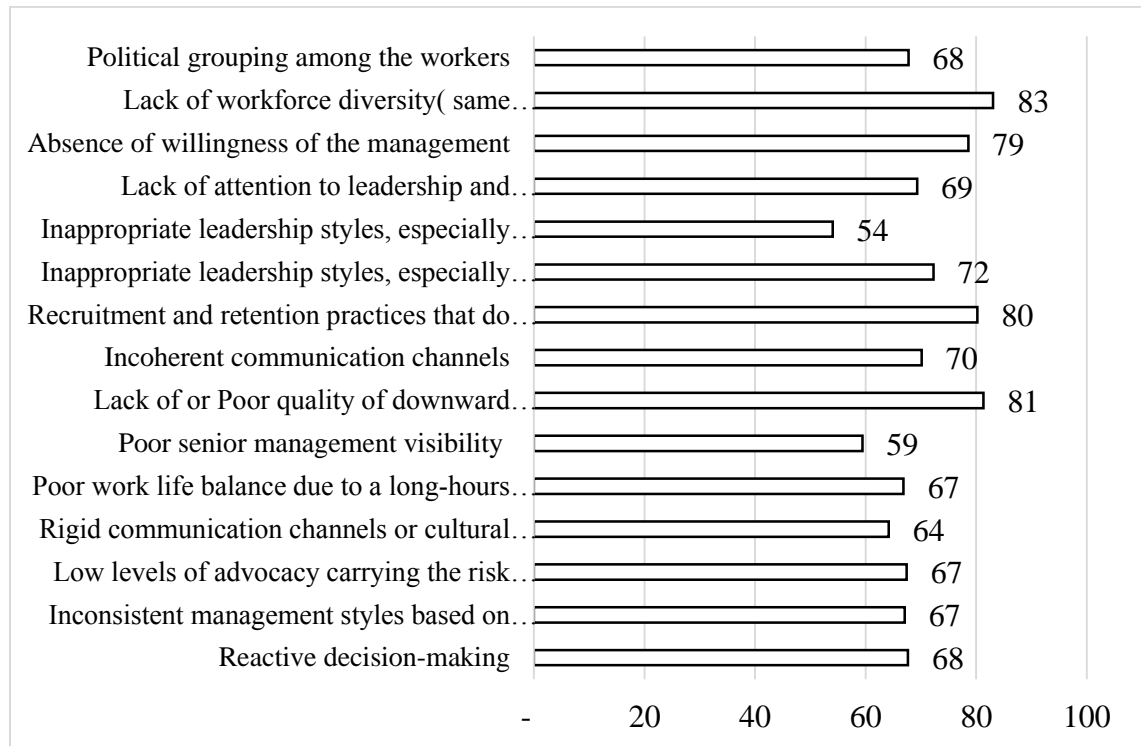
Source; Research data, 2016

The overall rating for staff involvement in strategy evaluation is 66%, which is significant. In determining evaluation criteria, Middle Level Management staffs are most involved as compared to the other groups of staff. They are also most involved in evaluation of strategic performance (71%) as well as being communicated to the evaluation results (79%), and as such, they are the ones who most feel ownership of outcome of strategy evaluation results. Worth noting also is that in overall, supervisors and subordinate staff are least involved in evaluation of strategy.

4.4 Challenges facing staff involvement in strategic management

From 0% to 100%, respondents were asked to rate the extent to which they feel the key barriers listed to them described their organizations where 0% to 20% = Not at all to Very minimal, 51% to 60% = Average, 21% to 40% = Very insignificant 61% to 80% = Significant, 41% to 50% = Insignificant, and Above 80% = Very significantly. The graph below gives an analysis of their responses.

Figure 4-7: Challenges facing staff involvement in strategic management



Source; Research data, 2016

Barriers to staff engagement that were rated as very significant were; Lack of workforce diversity (83%) and Lack of or Poor quality of downward communication (81%). Those that were rated as significant were; Recruitment and retention practices that do not meet the needs of teams (80%), Absence of willingness of the management (79%), Inappropriate leadership styles, especially during organizational change (72%),

Incoherent communication channels (70%), Lack of attention to leadership and management development (69%), Political grouping among the workers (68%), Reactive decision-making (68%), Inconsistent management styles based on attitudes of individual managers(67%), Low levels of advocacy carrying the risk of creating employee resentment(67%), and Poor work life balance due to a long-hours culture (67%).

4.5 Staff opinions on the effect of Involving staff on performance

Respondents were presented with a list of MFI performance indicators and asked to rate the extent to which they felt that performance was affected by staff being involved in strategic planning, implementation and evaluation.

4.5.1 Staff involvement on strategic planning

Table 4-1: Effect of Staff involvement on strategic planning

Performance Indicators	Sample proportion rating the effect of staff involvement on performance							
	Direction of Effect			Magnitude of the effect				
	NN (%)	NG (%)	PV (%)	VS (%)	SI (%)	Sg (%)	VSg (%)	EH (%)
Profitability	12	10	78	0	0	52	48	0
Number of active borrowers	23	6	71	16	59	26	0	0
Staff productivity	16	0	84	0	0	36	64	0
Organizational growth	12	11	77	0	0	22	78	0
New loans and savings products	68	0	32	22	64	13	0	0
Loan repayment	63	0	37	76	18	7	0	0

Source; Research data, 2016

The highest sample proportion (78%) felt that staff involvement in strategic planning has positive effect on MFI profitability, out of which (52%) indicated the effect as significant while 48% rated the effect as very significant. Equally, the highest sample proportion (71%) felt that staff involvement in strategic planning has positive effect on MFI growth in the number of borrowers, nevertheless, majority of these (59%) felt that the effect is very small. Majority of the respondent (84%) indicated that staff involvement in strategic planning has a positive effect on staff productivity, and 64% further rated this effect as very significant. Equally, majority of the respondent (77%) indicated that staff

involvement in strategic planning has a positive effect on organizational growth, and 78% further rated this effect as very significant. Majority of the respondent indicated that staff involvement in strategic planning has no effect on new loans and savings products (68%) as well as loan repayment (63%).

4.5.2 Staff involvement on strategic implementation

Table 4-2: Opinion on effect staff involvement on strategy implementation on performance

Performance Indicators	Sample proportion rating the effect of staff involvement on performance							
	Direction of Effect			Magnitude of the effect				
	NN (%)	NG (%)	PV (%)	VS (%)	Sl (%)	Sg (%)	VSg (%)	E H (%)
Profitability	16	7	78	0	0	27	69	4
Number of active borrowers	79	6	16	1	78	12	9	0
Staff productivity	28	0	72	0	0	21	72	7
Organizational growth	19	1	80	0	0	6	57	38
New loans and savings products	73	9	18	0	71	24	4	0
Loan repayment	84	4	11	44	43	12	0	0

Source; Research data, 2016

The highest sample proportion (78%) felt that staff involvement in strategic implementation has positive effect on MFI profitability, out of which (69%) indicated the effect as very significant. However, the highest sample proportion (79%) felt that staff involvement in strategic implementation has no effect on MFI growth in the number of borrowers. Majority of the respondent (72%) indicated that staff involvement in strategic implementation has a positive effect on staff productivity, and 72% further rated this effect as very significant. Equally, majority of the respondent (80%) indicated that staff

involvement in strategic implementation has a positive effect on organizational growth, and 57% further rated this effect as very significant. Majority of the respondent indicated that staff involvement in strategic implementation has no effect on new loans and savings products (73%) as well as loan repayment (84%).

4.5.3 Effect of staff involvement on strategic evaluation on performance

Table 4-3: Effect of staff involvement on strategic evaluation on performance

Performance Indicators	Sample proportion (%) rating the effect of staff involvement on performance							
	Direction of Effect			Magnitude of the effect				
	NN	NG	PV	VS	Sl	Sg	VSg	EH
Profitability	18	3	79	0	6	23	67	4
Number of active borrowers	6	15	80	1	77	13	9	0
Staff productivity	8	16	76	0	0	23	64	12
Organizational growth	9	15	76	0	0	6	51	43
New loans and savings products	58	24	16	0	59	31	9	1
Loan repayment	69	11	20	38	47	14	1	0

Source; Research data, 2016

The highest sample proportion (79%) felt that staff involvement in strategic evaluation has positive effect on MFI profitability, out of which (67%) indicated the effect as very significant. Equally, the highest sample proportion (80%) felt that staff involvement in strategic evaluation has positive effect on MFI growth in the number of borrowers. Nevertheless, majority of these (59%) felt that the effect is small. Majority of the respondent (76%) indicated that staff involvement in strategic evaluation has a positive effect on staff productivity, and 64% further rated this effect as very significant. Equally, majority of the respondent (76%) indicated that staff involvement in strategic evaluation has a positive effect on organizational growth, and 51% further rated this effect as very

significant. Majority of the respondent indicated that staff involvement in strategic evaluation has no effect on new loans and savings products (58%) as well as loan repayment (69%).

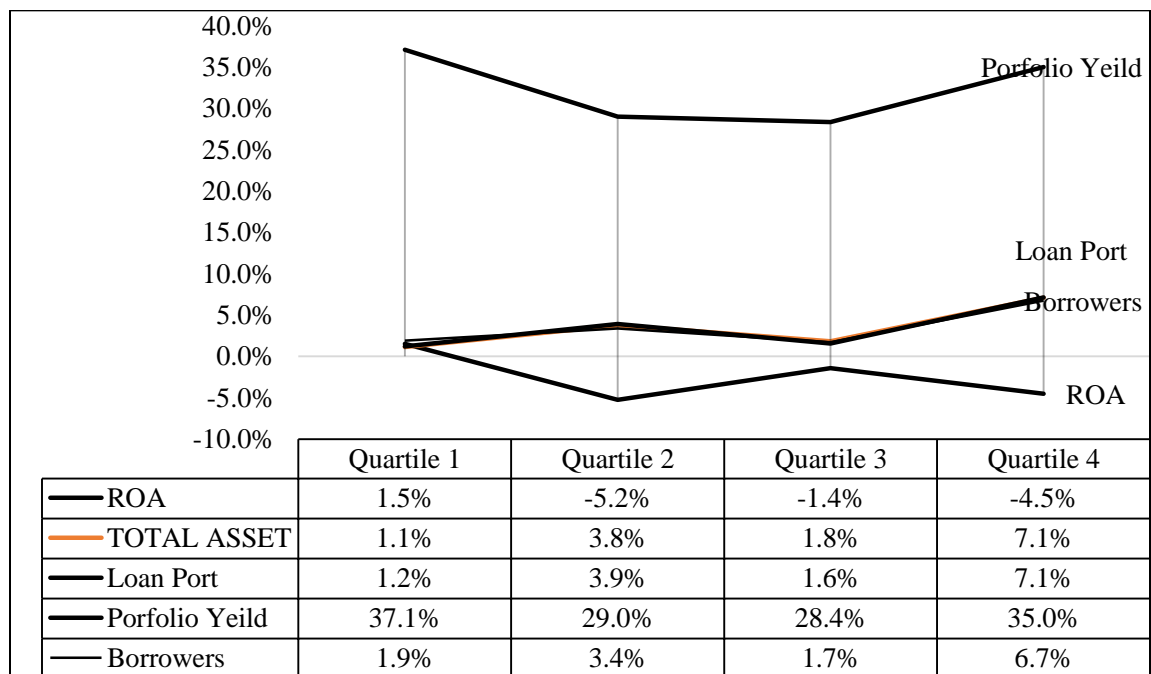
4.6 Staff involvement against performance as per financial statement

All the thirty MFIs were grouped into 4 categories according to staff involvement ratings using quartile approach. Financial performance analysis was then compared between quarters. The outcome of the analysis is as follows;

4.6.1 Relationship between Staff involvement in strategic planning and financial performance

The table bellows the comparison of firms’ performance per each category;

Figure 4-8: Relationship between Staff involvement in strategic planning and financial performance

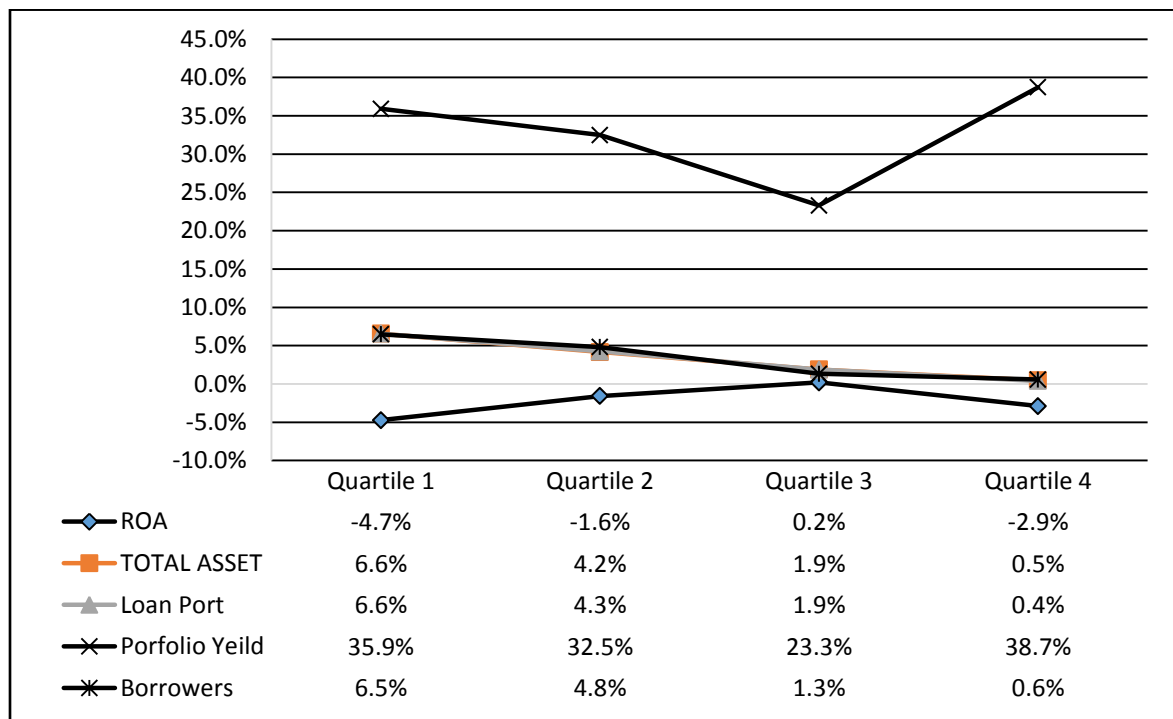


Source; Research data

Growth in the portfolio yield was highest in organizations that least involve their staff in planning, where it stood at 37%, and those that very highly involve their staff (35%). This means that for the organization to increase its portfolio yield, it should either involve its staff at a bare minimum level or at as wide scale as possible. Growth in loan portfolio, borrowers, ROA as well as total assets manifest a zigzag pattern meaning that there is not any significant relationship between the extent of staff involvement in strategic planning and firms financial performance.

4.6.2 Relationship between Staff involvement in strategy implementation and financial performance

Figure 4-9: Staff involvement in strategy implementation against financial performance



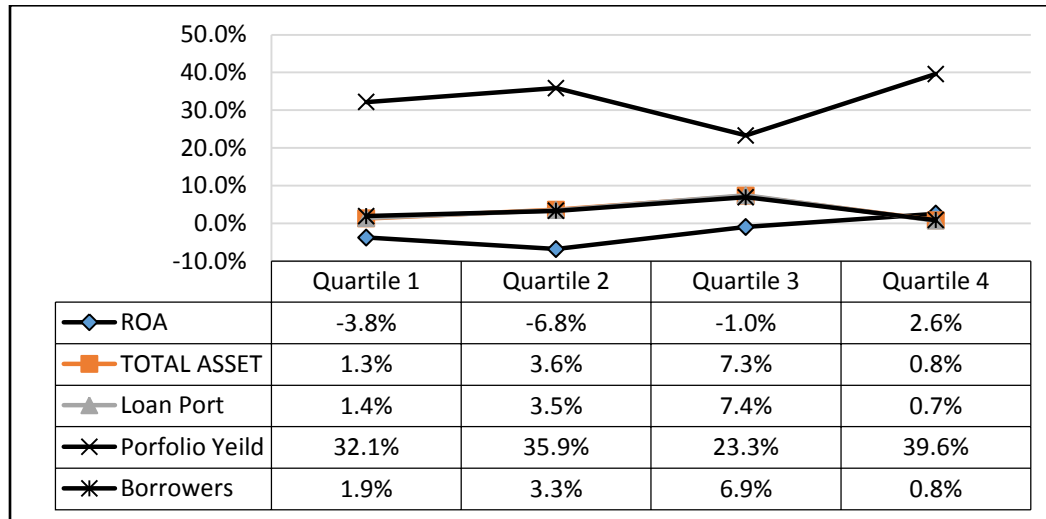
Source; Research data, 2016

Growth in net assets, loan portfolio and portfolio yield all tend to consistently decline with increase in level of staff involvement in strategic implementation. This means that staff involvement in strategic implementation has no positive effect on the net assets, loan

portfolio and portfolio yield. Nevertheless, ROA has steadily increased with increase in level of staff involvement in strategy implementation. This means that for an organization to increase its growth in its ROA, it must involve its staff significantly in strategy implementation.

Relationship between Staff involvement in strategy evaluation and financial performance

Figure 4-10: Relationship between Staff involvement in strategy evaluation and financial performance



Source Research data, 2016

Portfolio yield seems to be inconsistent with level of staff involvement in strategy evaluation. However, growth in net assets, loan portfolio and borrower all tend to increase with level of staff involvement but then decline when the involvement is very high. This means that there is need to involve staff in strategy evaluation but not to a very high level. As for ROA, it has steadily increased with increase in level of staff involvement in strategy evaluation. This means that for an organization to increase its growth in its ROA, it must involve its staff significantly in strategy evaluation.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to determine the effect of staff involvement in strategic management processes on performance of microfinance institutions in Kenya.

5.2 Summary of the findings

The first objective was to assess the extent to which staffs are involved in process of strategic management. The key highlight from this study was that the area of strategic planning where staff feel they are most involved is that of communicating performance targets to staff. The overall rating of staff involvement in strategic planning varied between 51% and 53%, meaning that there staff involvement is just an average. Generally, the overall rating for the staff involvement in strategy implementation is 65%, meaning that MFIs significantly involve their staff in strategic implementation. The overall rating for staff involvement in strategy evaluation 66%, which is significant.

The second objective was to establish key barriers facing staff involvement in strategic management processes. Barriers to staff engagement that were rated as very significant were; Lack of workforce diversity (83%) and Lack of or Poor quality of downward communication (81%). Those that were rated as significant were; Recruitment and retention practices that do not meet the needs of teams (80%), Absence of willingness of the management (79%), Inappropriate leadership styles, especially during organizational change (72%), Incoherent communication channels (70%), Lack of attention to leadership and management development (69%), Political grouping among the workers (68%), Reactive decision-making (68%), Inconsistent management styles based on attitudes of individual managers(67%), Low levels of advocacy carrying the risk of creating employee resentment (67%), and Poor work life balance due to a long-hours culture (67%).

The last objective of this study was to establish the effect of staff involvement in strategic management against MFI performance. The highest sample proportion (78%) felt that staff involvement in strategic planning has positive effect on MFI profitability. On analyzing the perceived level of involvement against MFI performance as per their financial statement, what comes out is that Growth in the portfolio yield was highest in organizations that least involve their staff in planning, where it stood at 37%, and those that very highly involve their staff (35%). Growth in loan portfolio, borrowers, ROA as well as total assets manifest a zigzag pattern meaning that there is not any significant relationship between the extent of staff involvement in strategic planning and firms financial performance.

Like the case of strategic planning, the highest sample proportion (78%) felt that staff involvement in strategic implementation has positive effect on MFI profitability. On the other hand, Growth in net assets, loan portfolio and portfolio yield all tend to consistently decline with increase in level of staff involvement in strategic implementation. This means that staff involvement in strategic implementation has no positive effect on the net assets, loan portfolio and portfolio yield. Nevertheless, ROA has steadily increased with increase in level of staff involvement in strategy implementation. This means that for an organization to increase its growth in its ROA, it must involve its staff significantly in strategy implementation.

The highest sample proportion (79%) felt that staff involvement in strategic evaluation has positive effect on MFI profitability, out of which (67%) indicated the effect as very significant. On the other hand, as per the financial statement, Portfolio yield seems to be inconsistent with level of staff involvement in strategy evaluation while growth in net assets, loan portfolio and borrower all tend to increase with level of staff involvement but then decline when the involvement is very high. . As for ROA, it has steadily increased with increase in level of staff involvement in strategy implementation. This means that for an organization to increase its growth in its ROA, it must involve its staff significantly in strategy evaluation.

5.3 Conclusion

The MFI significantly involve their staff in strategy implementation as well as evaluation but not very much involved in strategic planning. In strategic planning, the only area where staff feel they are most involved is that of communicating performance targets to staff. Barriers that are perceived to be very significant to MFI are Lack of workforce diversity, as well as d Lack of or Poor quality of downward communication.

There is a conflict of what staff in MFIs feels as the impact of staff involvement in strategic management against the reality on the ground. For instance, the highest sample proportion felt that staff involvement in strategic planning has positive effect on MFI profitability while on the other hand as per financial statements; growth in the portfolio yield was highest in organizations that least involves their staff in planning. This therefore concludes that although staffs feel that staff involvement in strategic planning has positive effect on MFI profitability, the truth is, for an organization to increase its portfolio yield; it should minimize staff involvement in strategic planning.

The highest sample proportion feel that staff involvement in strategic implementation has positive effect on MFI profitability, and this is indeed proved so by the actual performance because ROA has steadily increased with increase in level of staff involvement in strategy implementation. This means that for an organization to increase it the growth in it ROA, it must involve its staff significantly in strategy implementation. Nevertheless, growth in net assets, loan portfolio and portfolio yield all tend to consistently decline with increase in level of staff involvement in strategic implementation.

ROA increases with increase in staff involvement in strategic evaluation. This is as per the analysis of financial statements as well as the respondents' feeling. On the other hand, staff involvement in strategic evaluation has no consistent positive effect on portfolio yield, net assets, loan portfolio and borrower all tend to increase with level of staff involvement but then decline when the involvement is very high.

5.4 Recommendations

Management of MFIs should pay attention to barriers that are perceived to be very significant, these being Lack of workforce diversity, as well as d Lack of or Poor quality of downward communication.

Staff involvement at strategic planning should be at bare minimum. This is because growth in the portfolio yield was highest in organizations that least involve their staff in planning. Given that staff feel that being involved in strategic planning will result to better performance, MFIs should have a communication strategy to inform staff that in deed less involvement strategic planning will lead to better results.

Staff involvement at strategy implementation and evaluation should be maximized by organization that desire to increase their ROA. This is because the organization that had high level of staff involvement had highest growth in ROA.

5.5 Recommendations for further studies

This study has revealed that MFI is a female dominated sector. There is need for further study to explain this phenomenon and its impact of MFI performance.

The study has further revealed that MFIs are dominated by diploma holders. This raises a need to further studies to establish why this is so and it possible effect on performance

It also reveals high staff turnover in MFI sector in that the key finding was the decrease in the proportion of respondents with increase in years of service to the current institution where the highest is on years of service that fall between 1-5 years. A study is needed to establish the driving forces behind this.

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Appendices

7.1 Appendix I: Self-administered questionnaire

Dear Respondent,

My name is Winfred Mwikali Mutune, a student pursuing a Master of Business Administration degree at University of Nairobi. I am currently conducting a research on the staff involvement in strategic management processes and its impact on performance of microfinance institutions. I would be very grateful if you could spare sometime to provide the information in the attached questionnaire. Your responses will be treated with strict and at-most confidentiality and good faith, and in no instance will your name be mentioned anywhere inside or outside this report. Putting your name in this questionnaire is purely optional and will only be used when the researcher will be in need of making a follow call. Be assured that the filling of this questionnaire is purely voluntarily and the respondent has an option of not responding to any of the questions. Your cooperation shall be highly appreciated. My email is: winniemwikali@yahoo.com. Thank you in advance and God bless you.

With kind regards

Winfred Mwikali Mutune

Section I: Demographic Information

Your Name (Optional): _____

Name of your Organization: _____

1. Please tick (✓) demographic information that describes you
- a) Gender: Male Female
 - b) Age group (Years): 25 – 34 35 – 44 45 – 54 years 55 – 64 y Above 64
 - c) Highest qualification achieved: Diploma Degree Masters Above Master
 - d) Your level of your designation:
Senior Management Middle Level Management Line Manager
Supervisory Officer Support staff
 - e) Years of service in your Current organization:
1 – 5 years 6 – 10 years 11 – 15 years
16 – 20 years 21 years and above

Section II: Level of Staff involvement in strategic Management

2. From 0% to 100%, rate the extent to which employees are involved in the following areas of strategic management, using the rating guide below

0% to 20% = Not at all to Very minimal	51% to 60% = Average
21% to 40% = Very insignificant	61% to 80% = Significant
41% to 50% = Insignificant	Above 80% = Very significantly

- a) Making employees understand its mission and vision []
- b) Setting company's goals and objectives []
- c) Communicating performance targets to staff []
- d) Getting information on organization's external environment []
- e) Getting information on organization's internal environment []
- f) Seeking staff input on strategy formulation []
- g) Incorporating staff recommendation in strategy formulation []

- h) Ensuring staff identify their input in the developed strategies []
- i) Providing feedback to staff on how their input was treated []
3. From 0% to 100%, rate the extent to which you feel that your organization involves its staff in the following areas of strategic implementation.
- 0% to 20% = Not at all to Very minimal 51% to 60% = Average
- 21% to 40% = Very insignificant 61% to 80% = Significant
- 41% to 50% = Insignificant Above 80% = Very significantly
- a) Redesigning the organization's structure []
- b) Development of performance based culture []
- c) Accountable Partnership; (working together, harnessing strengths and mitigating weaknesses) []
- d) Having systems for continuous learning and application of lessons learnt []
- e) Flexibility of organization structure []
- f) Distribution of resources []
- g) Developing people led decision making processes []
- h) Hiring right human resources in terms of quantities []
- i) Hiring right human resources in terms of competence []
- j) Training of staff with right skills []
4. From 0% to 100%, rate the extent to which you feel that;
- a) Staff are involved in determining evaluation criteria []
- b) Staff are involved in evaluation of strategic performance []
- c) Strategy performance evaluation results is timely communicated to staff []
- d) Strategy performance evaluation is clearly communicated to staff []
- e) Staff is held accountable for performance of the strategy []
- f) Organization's reward system is strategic performance driven []
- g) Evaluation Focuses on Goal, Objectives and Results []
- h) Staff own the outcome of strategy evaluation results []
- i) Evaluation takes into consideration the resource availability []

5. From 0% to 100%, rate the extent to you feel the following barriers to staff engagement describe your organization;

0% to 20% = Not at all to Very minimal 51% to 60% = Average

21% to 40% = Very insignificant

61% to 80% = Significant

41% to 50% = Insignificant

Above 80% = Very significantly

- a) Reactive decision-making []
- b) Inconsistent management styles based on attitudes of individual managers []
- c) Low levels of advocacy carrying the risk of creating employee resentment []
- d) Rigid communication channels or cultural norms []
- e) Poor work life balance due to a long-hours culture []
- f) Poor senior management visibility []
- g) Lack of or Poor quality of downward communication []
- h) Incoherent communication channels []
- i) Recruitment and retention practices that do not meet the needs of teams[]
- j) Inappropriate leadership styles, especially during organizational change []
- k) Inappropriate leadership styles, especially during time of low performance[]
- l) Lack of attention to leadership and management development []
- m) Absence of willingness of the management []
- n) Lack of workforce diversity(same community, education, skill etc)[]
- o) Political grouping among the workers []

Section III: Effect of Involving staff on performance

Effect of Involving staff in strategy Planning

6. Strategic planning is a combination of strategic objectives and performance targets, environmental scanning and strategy formulation
- a) Do you think that involving staff in strategic planning has in any way affected the performance of your organization Yes [] No []

- b) If yes, in the following list of performance indicators, please indicate whether the effect is positive or negative?

Performance	No Effect	Positive	Negative
i. Profitability	[]	[]	[]
ii. Number of active borrowers	[]	[]	[]
iii. Staff productivity	[]	[]	[]
iv. Organizational growth	[]	[]	[]
v. New loans and savings products[]	[]	[]	[]
vi. Loan repayment	[]	[]	[]

- c) Again if Yes, to what extent is this effect on following performance indicators. Rate from 1 to 5 where;

	1=Very Small	2=Small	3=Significant	4=Very Significant	5=Extremely High Effect
i. Profitability	[1]	[2]	[3]	[4]	[5]
ii. Number of active borrowers	[1]	[2]	[3]	[4]	[5]
iii. Staff productivity	[1]	[2]	[3]	[4]	[5]
iv. Organizational growth	[1]	[2]	[3]	[4]	[5]
v. New loans and savings products[1]	[1]	[2]	[3]	[4]	[5]
vi. Loan repayment	[1]	[2]	[3]	[4]	[5]

Effect of Involving staff in strategy Implementation

7. Putting Plan into action

- a) Do you think that involving staff in strategy implementation has in any way affected the performance of your organization Yes [] No []

- b) If yes, in the following list of performance indicators, please indicate whether the effect is positive or negative?

Performance	No Effect	Positive	Negative
i. Profitability	[]	[]	[]
ii. Number of active borrowers	[]	[]	[]
iii. Staff productivity	[]	[]	[]

4=Very Significant 5=Extremely High Effect

- vii. Profitability [1] [2] [3] [4] [5]
- viii. Number of active borrowers[1] [2] [3] [4] [5]
- ix. Staff productivity [1] [2] [3] [4] [5]
- x. Organizational growth[1] [2] [3] [4] [5]
- xi. New loans and savings products[1] [2] [3] [4] [5]
- xii. Loan repayment [1] [2] [3] [4] [5]

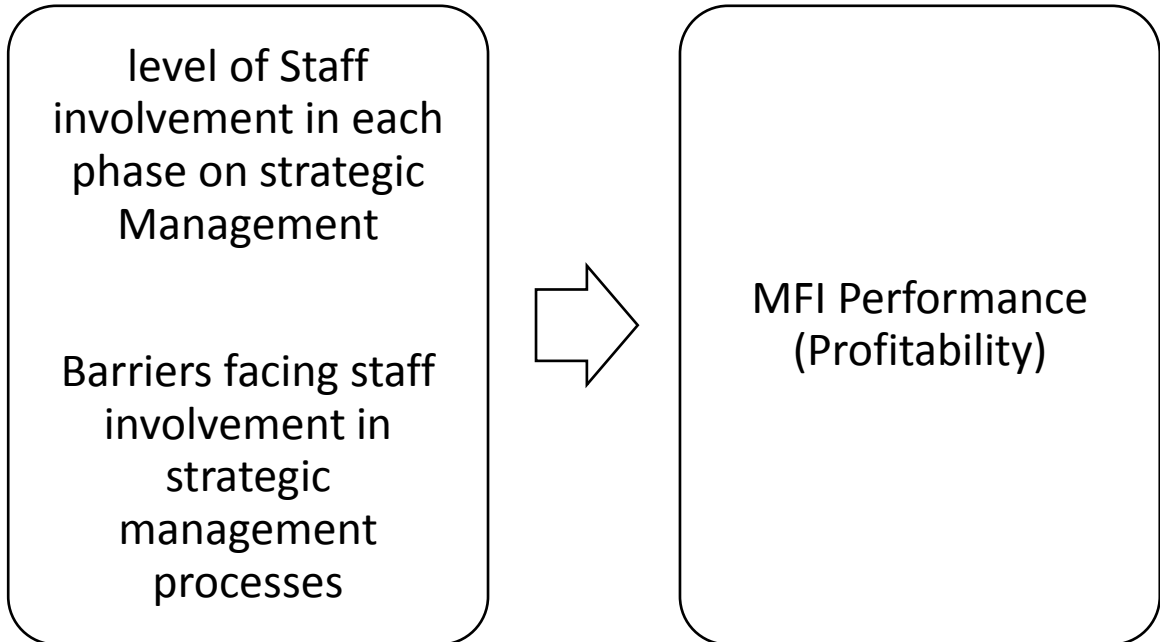
I am thankful for your responses. God bless

7.2 Appendix II: Gaps noted in the literature

Author	Research Details	Gap
Assefa (2013)	Established relationship between competition and the performance of microfinance institutions. They assessed the association between increased competition among MFIs on the one hand and outreach, loan repayment, efficiency and financial performance on the other. Their study was based on data from 362 MFIs in 73 countries for the period 1995-2009. Their study noted that there was increased competition in microfinance during the decade and that competition among MFIs is negatively associated with various measures of performance.	The focus was on the relationship between competition and the performance of microfinance institutions and not on the effect of staff involvement on MFI performance
Kiawa and Kilui (2015)	Their study sought to determine the extent to which risk identification, risks monitoring procedures, and risk analysis and assessment procedures are applied in credit risk management by microfinance institutions in Kenya and their overall effect on the financial performance of the MFIs.	They focused on credit risk management by microfinance institutions on not on staff and overall MFI performance
Fabrizio (2009)	Studied the impact of microfinance institutions on development in African and Asian countries. He used average savings and loan balances per client as proxies for development. He found that there is empirical evidence for significant positive impact of microfinance institutions on development.	The focus was on the effect of MFI on country's development. However, they never evaluated the how MFI performance can be affected by involving staff in strategic management processes
Terry (2013)	Explored the linkages between Employee Involvement, Strategic Management & Human Resources. He examined key issues such as employer ideology, employee involvement, strategic management, labour-management climate and organizational performance using a large sample of	Looked at private and public sector Canadian organizations but was never particular in MFIs. Also, the study

Author	Research Details	Gap
	diverse organizations. The study established substantial variation among Canadian employers with respect to the presence of human resource management practices and employee involvement pro-grams.	was done in Canada and not in Kenya
Beatrice (2012)	Evaluated factors affecting loan delinquency in microfinance institutions in Kenya. The study used primary data collected through self-developed structured questionnaires established that microfinance institutions and self-help groups' specific factors and external factors significantly affect loan delinquency performance among microfinance institutions in Kenya.	Did not determine the role of staff as a factor that may affect the delinquency and not on strategic management and staff involvement
Wairimu and Theuri (2014)	Studied on the factors that influence the level of staff involvement in the strategic planning process in public institutions, the case of department of immigration in Kenya, targeting senior, middle-level management and junior staff.	Focused on factors that influence of staff involvement in the strategic planning, and not the effect of staff involvement on MFI's performance
David (2013)	Evaluated the relationship between competitive strategies and performance of microfinance institutions. This survey used questionnaire that was distributed to senior managers and operation managers of MFI institutions.	The focus was on the role of strategy on performance but not on the effect of involving staff in strategy on performance
Gabriela (2013)	Looks at staff performance evaluation as a component of strategic management, and therefore did a study for the same in tourism establishments. His study revealed that organizational culture is a significant predictor of organizational performance, due to the fact that a satisfied employee will be efficient at his/her job.	The study focused on staff evaluation and not staff involvement in strategic management processes

7.3 Appendix III: Conceptual Framework



7.4 Appendix IV: List of Retail Microfinance Institutions In Kenya

1. AAR Credit Services
2. BIMAS
3. ECLOF Kenya
4. Century MicroFinance Bank
5. Faulu Kenya DTM
6. Greenland Fedha
7. Jitegemea Credit Scheme
8. Jubilant Kenya
9. JuhudiKilimo
10. Kenya Entrepreneurship Empowerment Foundation (KEEF)
11. Kenya Women Finance Trust Limited (KWFT)
12. Letshego Kenya (Formerly Micro Africa Ltd)
13. Milango Financial Services
14. Musoni Kenya Ltd
15. Opportunity Kenya
16. Pamoja Women Development Programme (PAWDEP)
17. Platinum Credit
18. Rafiki DTM
19. Real People
20. Remu DTM Limited
21. Rupia Ltd
22. SISDO
23. SMEP DTM
24. Spring Board Capital
25. SUMAC DTM Limited
26. Taifa Option Microfinance Limited
27. U&I Microfinance
28. UWEZO DTM
29. VisionFund Kenya (Formerly KADET)
30. Yehu