

**THE EXTENT OF STAKEHOLDER INVOLVEMENT IN  
STRATEGY FORMULATION AND IMPLEMENTATION  
IN THE NATIONAL SOCIAL SECURITY FUND**

**BY**

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**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN  
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE  
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**SEPTEMBER, 2009**

## DECLARATION

I declare that this project is my original work and has never been presented for the award of a degree in any other University or Institution of Higher Learning.

Signed.....

Date.....16/11/2009.....

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**D61/P/8316/2006**

This Management Research Project has been submitted for examination with my approval as the University Supervisor.

Signed.....

Date.....16/11/09.....

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## **DEDICATION**

To my wife Alice and children - David, Caroline and Peter. I exalt The LORD GOD Almighty for HE knew me before I was formed and continues to “fill my mouth with good things, so that my youth is renewed like the eagles”. For in Him I live and move and have my being.

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May GOD Bless you all.

## LIST OF ABBREVIATIONS

<b>B.O.T</b>	–	Board of Trustees
<b>C.E.O</b>	–	Chief Executive Officer
<b>H.R.M</b>	–	Human Resource Management
<b>I.L.O</b>	–	International Labour Organization
<b>MBA</b>	–	Master of Business Administration
<b>N.S.S.F</b>	–	National Social Security Fund
<b>P.R</b>	–	Public Relations
<b>R &amp; D</b>	–	Research and Development
<b>R.B.A</b>	–	Retirement Benefits Authority

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## ABSTRACT

Every organization has stakeholders who influence strategy process and consequently determine the organization's purposes that result in formal expectation in terms of its achievement. The extents to which organization stakeholders are interested in or are able to influence an organization's purposes vary and their different powers and interests underscore these various variations. In N.S.S.F's departments, the values and the expectations of different stakeholder groups play an important role in the strategy process.

It is on this premise that this study was designed to determine the extent to which multi-stakeholders are involved in strategy process and establish factors influencing the extent of the involvement of these various stakeholders. The study used interview guide which was used to get face to face responses from the respondents so as to get in-depth information from them. The study targeted departmental heads, all based at HQs. From the research findings, it was revealed that most of the departments practise strategic planning and carry out stakeholder analysis to determine the various stakeholder interests.

The study established that most of the departments involve their stakeholders in strategy formulation and implementation and that various factors influence the extent to which these multi-stakeholders are involved. The results indicated that stakeholders are allowed to contribute their own ideas, assess, review the ideas and had joint decision-making during all stages of the programme. It was also observed that a considerable proportion of respondents in some departments do not involve their main stakeholders in strategy process to considerable extent. Further, it was evident from the study that a wide range of factors come into play to influence the extents of the involvement in the processes.

The research findings showed that all factors that were presented to interviewees do influence the extent of stakeholders' involvements in strategy process. It was, however apparent that even though all factors presented to respondents influence the extent of stakeholders involvement to a greater extent, not all departments indicated this fact, implying that not all factors have same influence on the extent of stakeholder involvement in all the organization's departments. Generally, it was concluded that differences in the departments' activities and stakeholder groups' characteristics and power have much bearing on the factors that influence the extent of their involvement in the strategy process.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background

Stakeholders are individuals or groups who have a stake in or claim on the organization and are individuals who depend on an organization to fulfil their goals and whom the organization in turn depends on. They influence strategy as well as determine the firm's purposes which result in the firm's formal expectations and achievements. The extent to which such stakeholders are interested in or are able to influence the firm's purposes varies with different interests and power underscoring these variations. In public corporations like N.S.S.F, the values and expectations of these multi-stakeholders, comprising the Fund, play a crucial role in the formulation and implementation of its strategies.

It is on this premise that this study was designed so as to determine the extent to which multi-stakeholders are involved in strategy formulation and implementation and also establish factors influencing the extent of involvement of these stakeholders. The study will use primary data that will be collected by use of interview guides. The research will be a case study of senior staff based at headquarters where ten (10) managers are the target out of forty-four (44) for the whole organization spread across the nation.

### 1.1.1 Strategy Formulation and Implementation

Strategy formulation sets the impetus in the entire strategic management process in any company. Bowman (1987) defines strategy formulation as a decision making process that is primarily concerned with the development of an organization's objectives, the commitment of resources, and also dealing with any environmental constraints to achieve

the previously-mentioned objectives. Strategy formulation is the development of long-term plans for effective management of environmental opportunities as well as threats in the light of corporate strengths and weaknesses, up to and including defining the organization's mission, specifying its achievable objectives, deciding its strategies and, finally, setting policy guidelines (Hunger and Wheelen, 1995).

### **1.1.2 The Concept of Stakeholders**

All organizations in the world experience a business environment that is dynamic. Nothing is static. The increasing global competition has made it difficult for an organization to perform all business on its own. That is, both private and public, for profit and non-profit firms are all reaching outside their own pools of resources and are forming alliances with their stakeholders, that is, their customers, suppliers, employees, the shareholders, their banks or creditors, unions, rivals and the community in general.

The best well-managed companies and corporations have developed strategies to successfully and efficiently manage the diverse interests of their stakeholders (Cooperider and Whitney, 2001). That way, they have developed a competitive advantage and discovered and exploited opportunities that were previously unknown. Many of these opportunities represent the unmet needs and expectations of their stakeholders or new combinations of resources they provide to the organization (Donaldson and Preston, 1995).

Stakeholders are those individuals or groups who have a stake in or claim on the organization. They are individuals or groups of people who depend on the organization to fulfil their own goals and on whom the organization in turn depends (Johnson and

Scholes, 2002). Stakeholders define the political context of organizational strategy implementation. Stakeholder theory suggests that an organization has obligations not only to its stakeholders and customers, but also to all individuals and organizations with whom it transacts and relates with such as suppliers, employees, leaders, government, financiers, the community, the rivals, trade unions, professional associations, agents, collaborators, local and national governments and the communities where the organization operates (Taylor and Sparkes, 1977).

The idea of organizations having stakeholders who are relevant to corporate decisions is commonly accepted in the management literature. Stakeholder constructs were inherent in the early work of system theorists (March and Simon, 1958) but it was Freeman's (1984) seminal publication that brought stakeholders theory to the forefront of academic research. In fact, stakeholders' concept is one of the most attractive conceptual devices in business ethics and studies. It has its origin from theory of management but has been taken up by scholars in business ethics as a way of expressing the idea that business has obligations to a wider range of parties, beyond the stakeholders to whom corporate heads were traditionally thought to be beholden.

Freeman (1984) notes that stakeholders are simply those groups who have a stake in or claim on the organization. Johnson and Scholes (2002) define stakeholders as those individuals or groups of individuals who depend on the organization to fulfil their own goals and on whom the organization, in turn depends. In fact, stakeholders define the political context of organizational strategy formulation and implementation. By stake we mean an interest or something of value to the concerned stakeholder. Harisson and John

(1998) categorize stakeholders into those within the organization (owners, Board members, Managers and employees) and those within the operating environment (customers, suppliers, government agencies and administrators, unions, competitors, financial intermediaries, the community and activist groups), all operating within the broader environment subject to socio-cultural, global economic, and political–legal forces and the changing technologies. All these underscore the importance of identifying, understanding, building relationships with and satisfying stakeholders as well as ensuring that we take them into account in the formulation of strategy in the organization.

Bloom (2000) and Thomas (1990) both address the question: Who should be involved in strategic decision making? Bloom (2000) focuses on the issues of interest and expertise, reflecting the risk-based policy approach of the public participation, perspectives, while Thomas (1990) applies the Vroom and Yetton (1973) model of deciding the degree of group involvement desirable in decision making activities. This approach is based on matching attributes of the problem with the expertise of the potentially involved stakeholders in an effort to balance the relative needs for both quality and acceptability in a decision. This is why organizations both private or public, for profit or non-profit, have found it crucial nowadays to engage themselves in strategic management in order to achieve their corporate goals and objectives, now and in the future time. Strategic management process involves the formation of a strategic vision, setting organizational objectives, crafting a strategy, implementation, execution of the strategy and lastly, initiating appropriate remedial adjustments in the vision, the objectives strategy and execution over time.

### **1.1.3 National Social Security Fund**

The National Social Security Fund was enacted in 1965 and set the stage for the development of more comprehensive schemes. The principle objective of the Fund was to provide workers who were not covered by the Civil service pension scheme or other pension schemes approved by the Minister for Labour, with some form of financial support on retirement.

The other Government pension plan schemes include those which are provided by the Parliamentary pension Act (1983) for members of parliament having served a minimum of two terms and the civil servant pension scheme. With the increase of people who are working in the monetary sector each year and the introduction of the Retirement Benefits Authority (RBA) both the public and private sectors are now involved in setting up proper pension plans. In 1988, the Fund was converted into a parastatal under the management of the Board of Trustees (B.O.T). BOT comprises of members drawn from the government representatives, Federation of Kenya Employers (F.K.E) and the Central Organization of Trade Unions (C.O.T.U) representing workers.

The Managing Trustee is the chief executive. This composition of trustees is made to accommodate the views and aspirations of the three key social partners (stakeholders) in policy formulations and the running of N.S.S.F as an independent self-supporting entity. The membership of the Fund has been growing steadily over the years and now it has over 1.5 million active members. In Kenya today, retirement benefits arrangements are increasingly occupying an important place in negotiations for any employment contract and are used to compete for qualified employees.

The mission of the Fund is to provide basic social security and welfare support to workers. The focus of N.S.S.F or its core business is security in retirement (old age) as well as against such contingencies as death, employment injury, sickness and disability. However, the successful accomplishment of this noble mission will depend on how the extent of stakeholder involvement in strategy formulation will be executed and the proper organizational responses that are done or are in place.

The benefits (products or services) payable to claimants include the Age Benefit – payable at age 55 years to a retired member, Survivors Benefit – payable to survivors of a deceased member, Invalidity Benefit – payable to members who retire on medical grounds, Withdrawal Benefit – payable at age 50 to members who opt for early retirement or are retrenched or dismissed from employment, Emigration Benefit – payable to a member who wishes to migrate from Kenya to another country and lastly the Funeral Grant which is paid to survivors of a deceased member to defray funeral expenses.

The funding of the scheme is by way of contributions by both the employee and the employer. The current contribution level is up to a maximum of Kshs. 400 per month – half of which is from the employer and the other half comes from the employee - making a total of Kshs. 400. However, contributors are currently encouraged to contribute voluntarily even if they are in the informal sector. The benefits paid include compound interest accrued to a member's account over the working period in years except for the funeral grant. The Fund at the moment has a membership of over 1.5 million active members and a cumulative membership of over 3.0 million members who have been registered since its inception in 1966.

The Fund has a total of over 1780 employees out of whom 500 are in the Management cadre and about 1230 are in the Union (Kenya Union of Commercial Food and Allied Workers - KUCFAW). The said employees are spread all over the country where the Fund has forty-four (44) branches. In fact, future plans are underway to widen the membership coverage and the level of its benefits to meet the ever changing society's expectations for the present and future generations. Today, N.S.S.F. continues to work on enhancing its organizational performance and improving the quality of services it renders to its members and other stakeholders. In recent years, N.S.S.F. has embarked on an ambitious reform programme intended to convert it from a National Provident Fund to a Social Insurance Pension Scheme. As a converted scheme, the new N.S.S.F. will operate as a mandatory National Social Insurance Pension Scheme, serving as workers 1<sup>st</sup> pillar of Social Protection. Every one with income (except those excluded by National and International Law) should be registered as a contributing member.

The National Social Security Fund is committed to delivering efficient and effective services at all times and a friendly hand to its members. The Fund recognizes that employees are a key stakeholder group, and that they play a critical role in enhancing customer service and improving the overall performance of the Board. Indeed the determinant factor for gaining competitive edge is in improving customer service by increasing the capability of the employees. The establishment of the change management by N.S.S.F. and the factors that affect the change management process will be key to the satisfaction of the end customers. If employees are not satisfied, there is no way they can deliver services that are satisfying to the customers.

In fact, high stakeholders' satisfaction is a key to achieving the Fund's mission to provide quality service to all members through, timely registration, collection and prudent investment of contributions and timely payment of benefits to beneficiaries when they fall due. An organization's performance largely depends on the level of satisfaction of its employees and other stakeholders. In order to achieve dramatic results, investment in employees and employee motivation is critical as this is the group that implements both strategic and operational moves for the organization to be successful.

The National Social Security Fund has not been performing to the expectations of its stakeholders. For example, in the performance ratings for Ministries and Parastatals released in May 2008, it emerged position 105 out of 166 Parastatals reflecting a major drop from the previous year's rating where it emerged position 66. This study will underscore the role of stakeholders' involvement in strategy formulation in determining organizational performance. It will seek to determine stakeholder involvement practices at N.S.S.F., the extent to which the Organization has adopted the practices, the challenges it faces, if any, in formulating strategies and possible strategies that can be put in place to address them.

#### **1.1.4 Stakeholders**

These are those parties or individuals whose interests are affected by the organizations or those whose activities strongly affect the organization; they are those who possess information, resources, and expertise required for strategy formulation and its implementation and again they also control relevant implementation instruments (Friedman, 2002). Stakeholders either communicate or interact with an organization in one way or the other for its survival.



Sensitivity to stakeholders' demands by the organization's management is quite critical when formulating a realistic strategy and when overlooked can lead to conflicts. This is why all organizations in public or private, for profit and non-profit making ones face challenges in strategic planning efforts due to high demand for quality products or services, efficiency and effectiveness in their service delivery among other demands from the consuming public as well as the stakeholders.

Nutt and Backoff (2002) stakeholders' contributions to the organization's mission statements and overall strategy formulation is a critical determinant to the ultimate strategy direction. Stakeholder involvement is a critical factor for any given course of action that planning team determines for it offers vital insights into the planning, and facilitates their "buy in" and their support for the project, allows greater ownership, facilitates better and quick decisions and may also identify other issues not earlier addressed by the executive team (Bett and Tepper, 2002).

#### **1.1.5 Stakeholder Influence**

Stakeholders within an organization influence strategy and as a result influence the organizations purposes that result in formal expectations in terms of its achievements and performance and the most important fundamental issues related to whom the organization should serve as well as the determinants and the purposes of that organization. This then, will relate to the power to influence the purposes, the transparency and accountability issues, good governance, processes, supervision of the executives' decision and actions.

This is why the extent to which organizational stakeholders are interested in or are able to influence the organization's purpose varies and their different powers and interest underscore these variations (Johnson and Scholes, 2002). In the social security industry, the values and expectations of different stakeholder groups in any public or private sector play a crucial role in the development of their strategies. Furthermore, the pattern of influence on the organization's strategic decision-making results from the firms' resources like its sources of revenue. The client being a member, for instance, has direct influence on the organization because they contribute for services rendered in terms of benefits paid to them. Thus the influence of funding stakeholders may be high in the formation of organizational strategies.

In such a situation, an organization tends to measure its effectiveness in term of sponsor satisfaction. In other cases, the organization may be concerned with resource efficiency than with service delivery. In others it has no real measure of efficiency than the ability to carry out its mission and achieve its objectives within the monetary contributions it gets from its contributors and sponsors (Wheelen and Hunger (1995), Johnson and Scholes, 2002).

Cole (1994) noted that the cement of strategy and strategic management is about (a) reconciling the often stakeholders' conflicting forces present in the formulation and implementation of the strategy (b) the developing of agreed goals and objectives (c) adopting a viable internal structure and (d) meeting the demands of he external business environment. A crucial aspect of strategy formulation is the development of a viable structure of leadership and decision making to promote and sustain the implementation of

the strategy; this structure implies the application of values system (cultural) and those of the individuals; it also implies the organization of the necessary physical and human resources to achieve the goals and objectives set down in the strategic plans.

Cole (1994) stated that the external environment of an organization is not composed of markets, that is, the potential or actual customers of the goods and services but also of communities of people (plus government) who have needs and priorities which are of a non-market nature and who may have power to force change on the organization. Thus the role of strategic management is to orchestrate all these diverse stakeholder elements into an overall strategic plan for the success of the enterprise. Chandler (1962), an American business historian, defined strategy as follows:-

“[Strategy is] the determination of the basic long-term goals and objectives of an enterprise and the adoption of course of action and the allocation of scarce resources necessary for carrying out these goals.”

As the majority of business organizations strive to position themselves in a turbulent environment, their strategy formulation, efforts would be unsuccessful and fruitless, more so in their implementation stage if the pertinent stakeholders are not involved in the process. A clear understanding of the potential roles, influence, power, and their contributions, of these varied and multi-skilled stakeholders is a fundamental prerequisite for successful participatory strategy formulation process.

The result of their involvement is a variable prelude to the formulation of mission statements for effectiveness of the strategies and quite critical for the implementation's success. The criteria stakeholders use to assess and judge the organization's performance influence how the organization pursues its strategies and effectively manages its resources in the long run, while still increasing stakeholder satisfaction (Boschken, 1994).

Previous research and experience has shown that inclusion of the full range of stakeholders is not only an essential precondition for successful participatory decision making but also vital for promoting equity and social justice in organizations and within their environs. For instance, when decision or actions are taken, priorities set and implementation is taken without the involvement or consultation of the stakeholders, then the results are usually misguided strategies and in appropriate action plans which are either badly (if at all) executed and which have very negative effects on the concerned beneficiaries and the organization as a whole. In fact, such approaches fail and according to Friedman (2002) these approaches, which are bound, to fail and the failure to involve stakeholders have been widely proven to be unsuitable.

Bloom (2000) notes that it is well-known that broad-based stakeholders' involvement and commitment are crucial for successful strategy and action plan implementation, thus, good for sustainable organizational development. Government involvement comes in the form of licensing, regulating legally, and thus it can limit or even prevent entrants from operating in the industry, for instance, in the essential services like electricity, provision of water to all citizens, oil exploration and road construction and maintenance.

Therefore, such broad-based stakeholders' involvement and commitment is grounded on three important principles of stakeholder analysis, namely Inclusiveness (ensuring inclusion of the full range of the varied and different stakeholders, including the marginalized and the vulnerable groups), Relevance (includes only relevant stakeholders those who have significant stake in the process (not every one is included) and Gender sensitivity (both women and men should have equal access within the participatory decision making process in an organization).

#### **1.1.6 Levels of Stakeholders**

On the basis of the afore indicated levels, or principles, different stakeholders have and seek different levels of involvement and various groups can be defined, for example, *Listeners* those who need to be informed but do not feel the need to be actively involved in policies and projects. *Observers* while not actively involved this are watching the policy assessment process and may become active if access to information is cut off or if they are surprised by the turn of events in their own assessments. *Reviewers* actively watch the assessment process and will keep on reviewing ideas and materials.

*Advisers* contribute their own time and are willing to be actively involved. Their high level of interest and concern must be equally matched by high commitment and efforts to the organization strategy team. *Originators* are so involved in the creation of new ideas and options. This is a high level involvement and may be difficult to keep and sustain. *Decision makers* are the stakeholders who seek a level of involvement where they have a vote in or some control over the decision made (Bloom, 2000). Therefore, these levels of stakeholders' involvement in strategy formulation range from forming or agreeing

decisions to having great influence on the decisions to being heard before the decisions and to finally having knowledge about decisions.

Business literature emphasizes that the purpose of strategy is to gain competitive advantage. Thus, N.S.S.F may or may not be endeavouring to get competitive advantage but it will need to show that it deserves the support of partners, donors, the staff, the government and other stakeholders. It will need to demonstrate that the finances and the funds generated and the human energy are properly utilized and an effective parastatal must be technically manageable, workable and politically acceptable to its key stakeholders, fitting the organizations philosophy and its core values. It should be seen to be ethical, moral, legal and be seen to be furthering the organization's pursuit of the common good. It must, lastly deal with the strategic issues it was set to address (Bryson, 1995).

## **1.2 Statement of the Problem**

Although senior managers have a lead responsibility for crafting and execution of a firm's strategy, it is the duty of the directors to exercise strong oversight and ensure all the five tasks of strategy management are done in a manner that satisfies and benefits the stakeholders (in the case of investor owned enterprises) to the stakeholders (in the case of not-for-profit organizations). In watching over management's strategy-making, strategy executing actions and ensuring that executive actions are not only proper but also aligned with stakeholders' interests (Thompson et al, 2007).

The stakeholder approach argues that any good governance requires political, social and economic priorities to be based on broad consensus, and that the poorest and most vulnerable populations should be able to directly influence political decision-making. This can be achieved and be successful by actively involving all stakeholders in decisions and actions that affect their interests. Stakeholder theorists suggest that firms and organizations have obligations to their stakeholders with whom they have transactions and relations. This is why stakeholder approach argues that good governance needs political, social and economic priorities to be based on broad social consensus, and the poor and vulnerable groups should be able to direct influence in any strategy formulation and implementation.

Stakeholder involvement in strategy formulation is a key on the long – run survival of N.S.S.F. Given the turbulent environment in which organizations are operating today, they have no option, but to adopt and accept the necessary strategies to survive. It is on this premise that N.S.S.F. has to start involving stakeholders in its decision to remain afloat now and in future. Such an approach assumes that participation will enable stakeholders to identify their diverse objectives, flag problems and conflicts and contribute to their resolution (Pillay, 1990). This leads us to the main purpose of this study which will be to review to what extent N.S.S.F has involved its stakeholders in strategy formulation and implementation. N.S.S.F is a government parastatal which was enacted in 1965 and set the stage for the development of more comprehensive scheme. Its main objectives is to provide workers who are not covered by the civil service Pension scheme or other pension schemes approved by the Minister of Labour, with some form of financial support on retirement.

N.S.S.F. has not been performing to the expectations of its stakeholders. For instance, in the performance ratings for ministries and parastatals released in May 2008, it emerged in position 105 out of 166 parastatal reflecting a major drop from the previous year's rating where it had emerged in position 66. Since independence, most of parastatals have not been performing satisfactorily due to government protection. However, due to private entrants in the social security industry in the late 1990s, this sector cannot assume business-as-usual. This is why N.S.S.F has to deliberately decide how it will manage itself and adopt current strategic management skills. It is for these reasons that managers of N.S.S.F are increasingly required to adapt to new strategic theories as a way to enhance its organizational effectiveness and adapt to the rapidly dynamic world.

The concept of stakeholder participation is a meaningful, proactive and result-oriented engagement which includes: information-sharing, consultations, joint decision-making, initiation and control by stakeholders (McGee and Norton, 2001). Barbane (1994) quotes Clarke (1992) on the crucial role of stakeholder participation. Clarke (1992) addressed the importance of participation by the client and makes clear that participation implies the ability of the beneficiaries to participate in the management of the organization and the organization's participation in the contributors' struggle for fairness and justice. Kasimbu (2007) concluded that N.G.Os practise strategic planning that consequently resulted to strategy formulation process.

It is, thus, clear that no one organization is an island or operates in a vacuum. The business environment in which organizations operate keeps on changing and is not static. This is why stakeholder involvement is crucial for N.S.S.F to remain competitive. In fact,



N.S.S.F has to meet its goals and does not exclude itself from being prone to dynamic changes in stakeholders and their varied interests in different phases of its operations and activities. The concept of stakeholder involvement in strategy formulation and implementation in this organization is a necessary ingredient for successful implementation of its strategies.

Whereas a number of studies have been done on numerous management aspects at N.S.S.F, these scholars include: (Keitanny, 2005) - The decentralization of N.S.S.F Services (Akoya, 2005) - The impact of conversion of N.S.S.F from a provident Fund to Pension Scheme (Chanzu, 2005) - Job Satisfaction Survey (Njeru, 2006) - Strategic Responses to Change in the Pension Industry (Nyaga, 2007) - Job Satisfaction among employees at N.S.S.F (Manyarky, 2006) - Challenges that Middle-level Managers face in Implementing Corporate Strategies (Nyororo, 2006) - Change Management and (Musyoka, 2008) - Human Capital Management Practices; which revealed that the organization has been able to attract, recruit and retain talented workforce to a moderate extent. However, there is none that has delved deeper into multi-stakeholder involvement in strategy formulation and implementation within N.S.S.F context yet it is an important aspect for this organization.

This study was to bridge this inherent knowledge gap by laying its focus on the extent of multi-stakeholder involvement in strategy formulation and implementation and the levels of involvement of various stakeholders.

### **1.3 Research Objectives**

The objectives of this study were:

- (i) To determine the extent of stakeholder involvement in strategy formulation and implementation at N.S.S.F.
- (ii) To establish factors influencing the extent of stakeholder involvement.

### **1.4 The Significance of the Study**

The benefits of this study will go towards filling the existing gap on stakeholders' involvement in strategy formulation issues and the extent of involvement as well as to determine the success or failure of N.S.S.F's projects. It is envisaged that it will:- first, provide information to scholars who pursue further research on stakeholders' interest, power on their involvement in strategy formulation among parastatals or other organization in Kenya.

Secondly, bridge the knowledge gap on stakeholders' involvement in strategy formulation in highly politicized organizations and where necessary make recommendations (if any) for further research. Thirdly, it will provide crucial data to facilitate corporations in this country to design appropriate methodologies that will guide to carry out adequate stakeholder analysis and the adoption of more inclusive and more participatory decision making approaches. Lastly, it will be useful to the various stakeholders in their enhancement of their understanding of their roles in corporations' strategy formulation process and its subsequent implementation process.

## CHAPTER TWO: LITERATURE REVIEW

### Background

#### 2.1 The Concept of Strategy

Strategy is the managerial game plan for achieving the chosen objectives and is mirrored in the pattern of moves and approaches devised by management to produce the desired performance. It is the how a pursuing the mission and reaching target objectives. The strategic plan in the comprehensive statement about the organization's mission and future direction, short term and long term performance targets and how management intends to produce the desired results fulfil the mission, given the organizations overall situation.

Strategy formulation refers to the entire direction-setting management function of completing an organization's mission, setting specific performance objectives and forming strategy. The end product of strategy formulation is a strategic plan whereas strategy implementation includes the full range of managerial activities associated with putting the chosen strategy into place supervising its pursuit and achieving the targeted results.

The concept of crafting and executing a firm's strategy consist of five interrelated and integrated phases namely; developing strategic vision of where the company needs to head and what its future product, market, customer technology focus should be, setting objectives and using them as yard sticks for the company's performance, formulating the strategy to achieve the objectives and move the company along the strategy course the management has charted, implementing and executing the chosen strategy efficiently and

effectively and evaluating performance and initiating corrective actions on the firms long-term direction, objectives strategy or the execution in light of actual experience, changing environment, new ideas and new threats or opportunities.

## **2.2 Concept of Strategic Management**

Strategic management refers to the managerial process of forming a strategic vision, setting of objectives, crafting a strategy implementing and executing the strategy and then over a time, initiating whatever remedial adjustments in the vision, objectives, strategy and execution that are appropriate. A strategy entails managerial choices among alternatives and signals organizational commitment to specific markets, competitive approaches, and the ways of operation (Thompson and Strickland, 2003).

According to Hunger and Wheelen (1995), strategic management is that set of managerial decisions and actions that determine the long term performance of an organization. It is a technique that is used to create a favourable future and help such organization to prosper. To create this favourable future managers have to involve all the organizations, stakeholders in envisioning the most desirable future and then working together to make this vision a reality. They conclude that the key to strategy management is to understand that people interacting, communicating and working together will create this future, not just some words that are written on paper.

According to Johnson and Scholes (2002), strategic management integrates all the planning and budgeting activities into a broader context by taking into account the external business environment, the internal organizational capabilities and the organizations overall purpose and direction. In fact, it means understanding, its strategic

choices for the future by having shared decision making by all stakeholders and then turning the strategy into action. Strategic management is in congruency with the quality movement emphasis on continuous improvement. Indeed the emphasis on anticipating stakeholders' needs and expectation and their tastes is a critical component of the external business environmental analysis.

Certainly, organizations that adopt total quality management philosophy will be better prepared to meet the challenge of competing in the global economic market place (Rotarius *et al*, 2003).

According to Handy (2002) each company's experience with strategic management is unique, reflecting the organization culture, environment resources, structure, leadership type and other organizational context specific features. However, similar queries and concerns as organizations continue to develop and implement strategic management. Leaders who previously addressed these questions and concerns have developed a common basis of experience and expertise that is quite valuable for those who are just starting a strategic management process.

Strategic planning or formulation marks the transition from operational planning to selecting a direction for the whole organization. Organizations that use strategic planning model will do so because they are sensitive to volatility in the external environment. With strategic planning, the planning focus goes beyond forecasting population shifts and concentrates in understanding the ever changing stakeholders' needs, technological developments, competitive position, and the competitor initiatives. Decisions are thus

better attuned to the external dynamic world. This is why managers use strategic planning as a management function to allocate resources to programmed activities calculated to achieve set goals in a dynamic competitive environment (Allan *et al*, 1994). According to Thompson (2003), strategic formulation refers to the entire direction-setting management function of conceptualizing an organizations mission, setting specific performance objectives and forming strategy which means the end results in strategic plan.

### **2.3 Stakeholder Theory**

The famous and well known, stakeholder theory (Donaldson and Preson, 1995, Evans and Freeman, 1988; Freeman, 1984) and empirical research (Clarkson 1995) indicates that organizations do explicitly manage their relationships with different stakeholders groups. For instance, Donaldson and Preston (1995) point out that although this is descriptively true, organizations appear to manage stakeholders for both instrumental (performance based) reasons, and at the core, normative reasons. Building on the work of others, Clarkson (1995) defines primary stakeholders as those “without whose continuing participation, the organization cannot survive as a going concern” suggesting that these relationships are characterized by mutual inter-relationships and mutual interdependence. Clarkson (1995) concludes here that stakeholders are owners, employees, the customers, the suppliers and the government as well as the local communities. The “web of life” view (Capra 1945) envisions corporations as fundamentally relations, that is a system of primary stakeholder groups, a complex set of relationships between and amongst interest groups with different rights, objectives, expectations and responsibilities” (Clarkson, 1995)

The stakeholder approach to policy making, planning and management is expected to yield two positive outcomes realistic and more effective policies and plans and resultant improved strategy implementation for the organization. Such outcomes are attained because the pertinent stakeholders approach improves decision making process by making it easier to develop more realistic and effective policies, laws rules, regulations and projects by bringing together greater information and broader experiences into the existing legitimate local institutions and cultural values; and by building political support from, and reducing oppositions to policy proposals through incorporation of stakeholders concerns, fears and ensuring they are completely involved from the start to the end of the project (Clarkson, 1995).

Freeman (1984) includes in his list of stakeholders as suppliers, customers, employees stockholders and the organization's local community. This list, though typical to lists shown by stakeholder theorists, is not uncontroversial. Indeed, the stakeholder concept itself has its critics, especially who charge that the stakeholder approach is incapable of guiding necessary improvements in incorporate governance that multiple lines of accountability implied by acknowledging a multiplicity of stakeholders reduces efficiency and that indeed the very idea of stakeholders as morally significant undermines the morally significant relationships between corporations and stakeholders.

Beer and Norhia (2000) argue that management should make decisions while taking into account the interests of the various stakeholders in an organization including not only the financial claimants, but also employees, customers, local communities and the government officials. This is due to the fact that advocates of stakeholder theory will not

specify how to make the necessary trade-offs among these competing interests, they leave managers with theory that makes it impossible for them to make purposeful decision with no way to keep score, stakeholder theory makes managers unaccountable for their actions. It, therefore, seems clear such a theory can be attractive to the self interest of the managers and directors.

Nevertheless, stakeholder concept is a useful one. In particular, the process known as stakeholder analysis can provide organizations with lens through which to pay attention to the full range of interested parties. Stakeholder analysis helps management for an organization for (a) all concerned stakeholders for people involvement (b) for the recent recognition of the complex web relationships that make organizations successful and lastly (c) recognition of diversity of opinion, philosophies and interests.

An organization should know its stakeholders for it will assist the management to influence them if they are known, stakeholders will look at how the (proposed) change will affect them and again react differently for different situations as the change programme progresses and lastly building personal relationships with one's stakeholders is extremely critical for firm's success.

Stakeholder theory suggests that we should pay attention to the interest of any individuals or group who are affected by or may affect a decision or policy (Nutt and Backoff, 1992). In the field of corporate governance and corporate social responsibility a major debate is taking place about whether an organization should be managed for stakeholders, stock holders or for the customers. Those who support the stakeholders view normally base



their argument on three key assertions. Firstly, that value can best be created by trying to maximize joint outcomes. For instance, according to this thinking, programmes that satisfy both employees' needs and stockholders wants too and are doubly valuable for they address two legitimate sets of stakeholders simultaneously.

Secondly, they also take time with the pre-eminent role given to stakeholders by business thinkers. The argument is that debt holders, employees and suppliers also make contributions and take risks in creating a successful organization. Lastly, these normative arguments would matter little if stockholders had complete control in guiding the firm. However, many believe that due to certain kinds of Board of directors, structure, top managers like CEOs are mostly in control of the organization (Grundy, 1997).

For supporters of the stakeholder theory of the firm, shareholders are but one of the firm's, shareholders are but one of a number of the important stakeholders groups. Just like customers, suppliers, employees and the local community shareholders have a stake in, and are affected by, the firm's success or failure.

According to one typical formulation of the claim, in the same way that a business owes special and particular duties to its investors, it also has different duties to the various stakeholder groups. The firm and its managers have special obligations to ensure that the shareholders receives a 'fair' return on their investment; but the firm also has special obligations to other stakeholders, which go above and beyond those required by law (Simmons and Yolles, 2005).

In cases where these interests conflict, the demands and interests of some stakeholders, including shareholders, must be moderated or even sacrificed in order to fulfil basic obligations to the other stakeholders. While the board of directors is supposed to ensure that the firm respects its legal and contractual obligations to other stakeholders groups. It is also fully within its right to instruct the managers to consider the ultimate purpose of the firm to be the maximization of profits and shareholders value.

## **2.4 Stakeholders Diversity**

Stakeholders are “individuals or organizations that stand to lose from the success or failure of a system” (Nuselibeh and Easterbrook, 2000). It could be an entity with declared or conceivable interest or stake in a policy concern (Rowe *et al*, 1994). A stakeholder is anyone whose actions can affect an organization or who is affected by the organization’s actions. The range of stakeholders relevant to consider for analysis varies according to complexity of the reform agenda and the type of reform being proposed. This is why stakeholder analysis and support mapping help us to consider the impact of the change to the stakeholders and the support they are likely to give the change effort.

The crucial thing to remember is the stakeholders’ power and interest. This means examination of the stakeholders’ expectations and their power to influence the operations of the whole organization, how interested each stakeholder is in influencing the activities or the organization’s direction and lastly, whether the said stakeholders have the means to indeed influence power. According to Johnson and Scholes (2002), discussing the decision making process for organizations including large business corporations, government agencies, non – profit ones, the stakeholder concept has been broadened to include everyone with an interest (or “stake”) in what that entity does. This includes not

only vendors, employees, customers and users, but even donors and members of a local community where its operations may affect the local economy or environment.

In this context, “stakeholder” includes not only the directors or trustees on its governing board (who are stakeholders in the traditional sense of the word) but also all persons who “paid in “the figurative stake and the persons to whom it may be “paid out”. We, thus can state that stakeholders are in any form, size and capacity. They could be individuals, organizations or organized groups. In most cases stakeholders fall into one or more of the following categories: international actors for instance donors, national or political actors (for instance, legislators, governors) public sector agencies, interest groups(for example, unions, medical associations), commercial or private non-or-for profit organizations, civil societies members and users, consumers (Boutelle, 2004). They are those individuals or groups who depend on the organization to fulfil their own goals and on whom, in turn, the organization depends.

## **2.5 Stakeholders’ Support and Legitimacy**

Stakeholders’ supports and legitimacy is essential for any change programme. Because of many and varied group interact and power, achieving universal support is a challenge and politics sets in. Hill and Jones (2001) see organizational politics as tactics that strategic managers and stakeholders engage in to obtain, use and keep power to influence organizational goals, change strategy and structure for their own interests. In this political view of decision making obstacles to change are overcome and hence compromise bargaining and negotiations between managers and coalitions of managers to settle conflicts over goals by the outright use of power.

Kanter *et al* (1992) argues that the first step to implementing change is coalition building which involves those whose involvement really matters. Specifically, stakeholders must support any change programme for it to see the light of the day.

## 2.6 Challenges of Diverse Stakeholder Interests

As noted earlier, stakeholders are those groups of people or individuals who depend on the organization to fulfil their own goals and on whom, in return the same organization depends. Due to these mutual interactions each stakeholder has a stake in what the company does and vice versa.

Individuals tend to identify themselves with the aims and ideals of stakeholder groups, which may occur within departments, geographical location or in different levels of the organization hierarchy. Also, very crucial are the external stakeholders like financial institutions, the customers, suppliers, shareholders, unions and the local community members. All these seek to influence organization's strategy through this links with internal stakeholders (Johnson and Scholes, 2002).

This is why according to Friedman and Miles (2002) stakeholders can be organized into four groups. First are the *high influence high interest* ones who have a lot of interest in a certain project and also are very interested in the project. It is vital to understand the viewpoints of such a group and especially what potential objections they might raise. Such a category (if they are in favour of an organizations project) can be valuable sources of information. These are good stakeholders to meet initially and first since each interaction is relative low-risk. Secondly are the *high influence, low interest* ones with

higher power, who need to be broadly satisfied they will not pay attention to the fine print of the organization's project since they perceive the project as not affecting them.

However, they have great influence on whether the project will be a success or not. For, instance, they may have a vote during the approval process of a project. The goal of an organization's interactions with this kind of stakeholders should and must be to give them adequate and satisfying information about the proposed project so that they will not create hurdles for its formulation.

Thirdly, there is this category of *low influence, high interest* stakeholders who need to be kept adequately informed to ensure that no major issues of discontentment arise. Such a category of stakeholders can be extremely helpful in supporting the project by giving information and details on the respective issues and matters at hand. Last but not least are the *low influence and little interest* in the whole matter or project. These are not interested in what organization is doing and are not in a position to help in doing it (Boutelle, 2004).

**Figure 1: Stakeholders Power Interest Grid**

<b>Interest</b>	High	Keep Satisfied	Keep player involve
	Low	Minimal effort Monitor	Keep informed
		Low	High

**Power**

Source: Donald and Preston (1995), Stakeholder Theory of the Corporation, Academy of Management Review, Vol. 20 No. 1 pp 65-91.

Donaldson and Preston (1995) postulate that stakeholders can have either positive or negative views regarding a given project and often do not agree with one another, making it a challenge to reconcile their varied and conflicting views.

Stakeholders are often in conflict with one another. The goals of various organizational stakeholders might differ too. To guide strategic responses, then stakeholders have to be categorized as per the power and salience in a grid according to the following attributes: *Promoters* consist of all the stakeholders who attach high priority to the project and whose actions can have an impact as the project's implementation, *defenders* are those who attach a high priority to the project but whose actions can not have an impact on the implementation; *latents* are those whose actions can affect the implementation of the proposed project but who attach a low priority to the success of the project; and the *apathetics* whose actions and activities cannot affect the implementation of the venture and who attach a low priority to the success of the project (Grundy, 1997). In fact, once all the stakeholder positions on an issue are known, then management can begin to negotiate options for decision-making strategies.

## **2.7 Incorporation of Stakeholder Diversity in the Organization Mission**

The creation of value for an organization takes more than the acceptance of value maximization as the firm's objectives. In fact, as it was explained earlier in this research literature in chapter II, the organizations mission represents the management customized answer to the question "What is our business and what will it be? A mission statement broadly outlines organizations, future direction and serves as guiding concept for what the organization is to do and become (Thompson *et al*, 2003). As a statement of corporate purpose or vision, value maximization is not likely to tap into the energy and enthusiasm

of employees and top managers to create value (Beer and Norhia, 2000). Thus, seen in this light change in the long run, then market value becomes the score card that managers, directors and others use to assess success or failure of an organization.

The choice of value maximization as the corporate scorecard must be complemented by a corporate vision, strategy and tactics that unite participants in the organization in its struggle for dominance in the competitive arena. An organization can not maximize its value if it neglects the interests of its stakeholders. Enlightened value maximization utilizes much of the structures of stakeholders' theory but accepts maximization of the long run value of the firm as the criterion for making the requisite tradeoffs among its stakeholders (Andriof *et al*, 2002). Managers, Directors, Strategists and Management Scientists can benefit more from enlightened use of stakeholder theory.

Enlightened shareholders theory specifies long-term value maximization or value seeking as the organizations objectives and therefore solves the problems that arise from the multiple objectives that accompany stakeholder theory (Jorge and Sandra, 2002). Friedman and Mile (2002) observe that stakeholder mobilization phase initiates participatory decision making process and comprises the following major stages: mobilizing major stakeholders: issue profiling: and identifying key issues.

In mobilizing stakeholders a critical condition for success is local ownership and commitment which requires "inclusive" consensus built through meaningful consultations involving the full range of local participants. Successfully applied, this will result in a better understanding of the issues and their complexity on the part of the various stakeholders groups as well as shared commitment to address priority issues in a

cross sectional manner, which will in turn lead to the negotiation of agreed strategies and action plan to be implemented through broad based partnerships using local resources and implementations instruments (Begun and Heatwole, 2002).

Whilst the initial focus would be on key lead stakeholders more diversity groups of stakeholders need to be identified and engaged. Ultimately all of the relevant stakeholders should be involved, including - those who are affected by or significantly affect a priority issue, those who process information, resources and expertise needed for strategy formulation and implementation, and those who control implementation instruments. The engagement of stakeholder groups in the profiling stage not only better informs them of the issues to be addressed, but also builds their consensus on key issues - (Andreof *et al*, 2002). In an organization's mission, stakeholders need to be prioritized.

There may be a long list of people and other organizations, competitors and others that are affected by the organization's activities. Some of these may have the power either to block or advance the project. While others may be interested in what the organization is doing and lastly, others may not care at all.

## **2.8 Definition, Role and Stakeholders Analysis**

Stakeholder analysis is as the words say; it is not a science and does not actually involve excitingly challenging branches of control theory. Yet the issues it addresses have to be encountered and dealt with in every organization that intends to grow and maximize its long term goals of shareholders value maximization; and on current evidence. It would be nice thing if many managers took it far more seriously. In a nutshell, people matter and play many different roles, all crucial to an organizations success. An organization's



management needs to know the roles involved and the view points of those stakeholders playing those roles (Ian, 2003).

Stakeholder analysis looks at how groups of people might affect the outcomes of a proposal by the way they react (Mason and Mitroff 1981). To identify stakeholders, the following checklist may prove useful:- who are the sources of reaction or discontent to what is going on, who have relevant positional responsibility; who do others regard as “important” actors; who participate in activities who share or influence opinions about the issues involved; who fall demographic groups affected by the problem; who have clear roles in the situation, for instance, customers, friend, advisor” and who are in the areas adjacent to the situation?

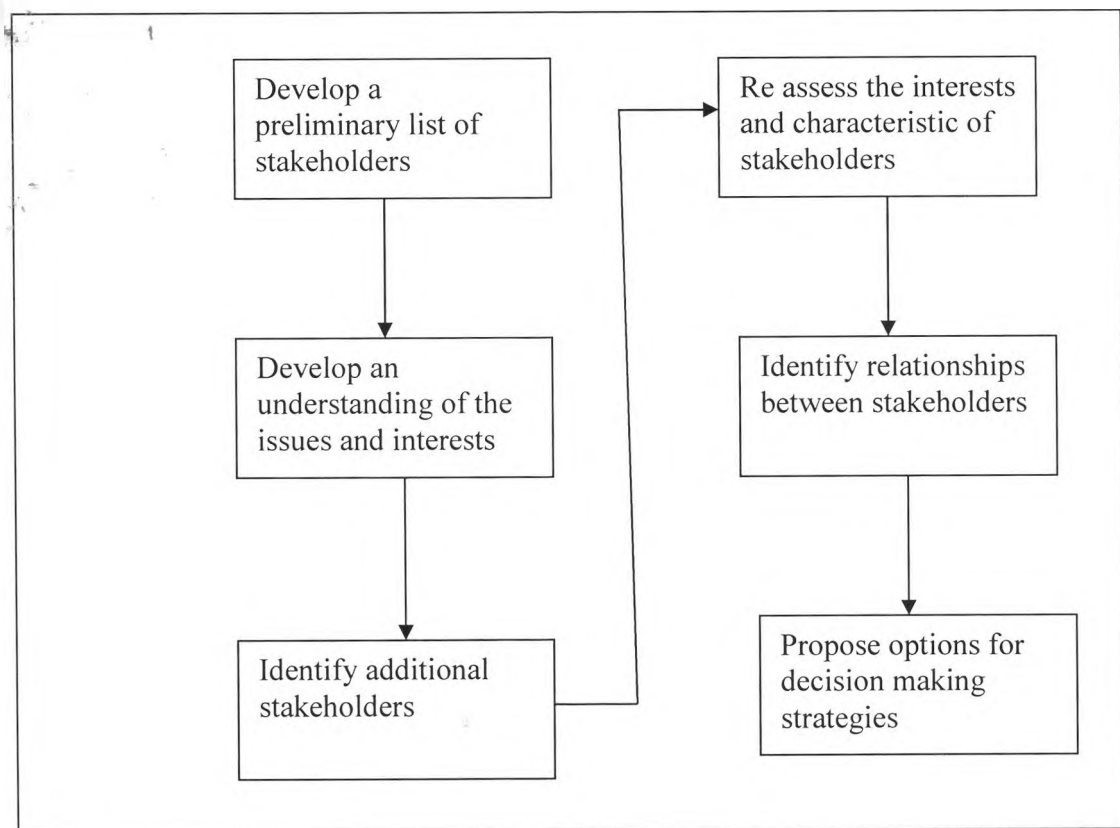
According to Mankelov (1995) stakeholder analysis is commonly considered the initial step in strategic planning activities at organizational level. Here managers allow or force their minds to lay out a future business concept considering all parties’ needs in addition to their own. Stakeholder analysis typically refers to the range of techniques or tools used to identify and understand the needs and expectation of the major interests inside and outside the organizational level. Here managers allow or force their minds to layout a future business concept considering all parties needs in addition to their own.

Stakeholders’ analysis typically refers to the range of techniques or tools used to identify and understand the needs inside and outside the organization. Understanding the attributes in the relationships and interfaces among and between strategic plan advocates and opponents is essential to assure success. Herein, lies a large portion of a plan’s risk, viability and ultimately the support that must be effectively obtained and retained. According to Rowe *et al* (1944) stakeholders analysis is based on two premises: that the

current state of the organization is as a result of the supporting and the resisting forces brought to bear on the organization by its stakeholders; and the second, that the outcome of an organization's strategy is the collective result of all the forces to bear on it by stakeholders during implementation of the strategy.

This complicated process of identifying and including these parties is summarized in Fig.2.

**Figure 2: Steps in Stakeholder Analysis**



Source: Adopted from Grimble et al, (1995) Stakeholder Approach to Resource Management, No. 52, pp. 17, London, U.K.

Initially, a preliminary list of stakeholders has to be created and an understanding developed of their issues, and interest developed. They may have multiple and overlapping, intertwined interests, so not all stakeholders will be obvious at first. To accommodate this situation, the initial group of stakeholders is asked to identify other groups that they think should be included.

After additional stakeholders have been included, their interest can be reassessed (Grimble et al, 1995). This will provide ideas of different groups interact and what role (s) they will play in decision making. Once all their positions on the issue are known, management can begin to negotiate options for decision-making strategies.

## **2.9 Stakeholder Mapping**

This is an impact or support mapping sort of grouping of the stakeholders of an organization. This is done by mapping them on (a) the impact of the change to the stakeholders and (b) the support they are likely to give to the change efforts. In fact, stakeholder mapping is a way of understanding the political contexts and prioritizing the political agenda for an organization. It determines and identifies stakeholder expectations and their power to influence; understanding political priorities in terms of interests and power of each and every stakeholder groups to impress its expectations on the organization's purpose and choices of its strategies (Andriof et al, 2002).

Stakeholder mapping identifies stakeholders' expectations and power helps to establish the company's priorities (Clarkson, 1995). It consists of making judgments on the issues how interested each stakeholder group is to impress its expectations on the organization's choice of strategies; and whether they have the means to do so. The stakeholder power

and interest issues determine their level of involvement in any decision making process in influencing the activities or the organization's direction. Thus, it is vital to determine if any stakeholder group has strong means to actually influence (power) such activities or the organizations direction. This type of stakeholder mapping helps the firms reach its business goals more effectively; to increase returns to shareholders and the stockholders.

Such mapping inventories an organization's stakeholders, categorizes them, shows their relationships and also diagrams the paths the firm can follow to attain its goals, while at the same winning the support of stakeholders as well. It is actually, an indispensable strategic planning tool (Subrahmanyam and Titman, 2001).

Blair and Fottler (1990) noted information about key stakeholders is very crucial since one needs to determine and know how they are likely to feel about and how they might react to a project. They need to know how best to engage them in a project and how best to communicate to and with them. They can summarize the understanding they have gained on the stakeholder mapping, so that they can easily determine which stakeholders are blockers or critics and also which ones amongst them are likely to be advocates and supporters of the project. The initial and the first stage or phase of this process of mapping is to identify the stakeholders. All the stakeholders should be initially considered and then possibly dropped in the later stages of this analysis. It is often difficult to force classifications into groups and determine who is considered truly inside and outside the project context (Subrahmanyam and Titman, 2001). To gain more clear and powerful understanding of the expectations or needs of the stakeholders, it is quite

useful to identify the said stakeholders by their names rather than their generic terms, such as customer, owner, and sponsor.

The other stage, the second one is to identify their interests, impact levels and relative priority. It means going back to phase one. Refine the initial or previous stage, that is, ensure the stakeholders should be listed in a table or spreadsheet with their key interest, the potential level of project impact and priority in relation to other stakeholders. As one profiles them, one has to be careful to outline multiple interests, especially those that are overt and hidden in relation to project objectives.

According to Donaldson and Preston (1995), the key issue is to keep in mind that identifying interests is done with stakeholders' perspective in mind, not ones, own. This is difficult as interests are usually hidden and may contradict openly stated aims. Each interest should be related to the appropriate project phase because interests do change as the projects moves on from the beginning to the ending phase.

For high power interested stakeholders, the management should fully engage and make the highest effort to keep them truly satisfied. While, for the high power, less interested ones, the company management has to put enough and clear communication keep them satisfied, but not to much for them to be bored. With the low power, interested stakeholders, the management has to keep them adequately informed, and talk to them to ensure that no major issues will arise or are arising about the project. This low power interested group can often be very useful with the detail of an organization's project. And lastly, the low power, less interested stakeholders, the management has to monitor them

to ensure it does not bore them with excessive communication. Stakeholder power is indicated by the status of individual or group, their claim on resources and their representation in powerful positions (Donaldson and Preston, 1995).

Many power bases exist but critical for change is that they must be perceived by others as possessing expertise and the ability preferably acquired from previous past successes. It is not useful to be seen as radical change agent as this arouses fear and uncertainty and perhaps (some resistance) and this could lead to opposition. This is why it is extremely useful for a strategic leader to be an able politician to achieve desired results. The third phase is to assess stakeholders for importance and influence. This is determining if stakeholders are in a position of strong influence to hold negative interests may be critical to the projects success is also essential in incorporating it into an organizations mission. Such a level can be arrived at by conducting a formal assessment of each individuals or stakeholders' level of importance and influence to the project.

Stakeholder importance and influence over an organization's decision making process can be summarized in Fig. 3.

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

<b>Stakeholder Position</b>	Oppose	Problematic	Antagonistic
	Support	Low Priority	Advocate
		Least	Most
		<b>Stakeholder Importance</b>	

Source: Subrahmanyam and Titman (2001).

Influence indicates a stakeholder's relative power over and within a project. It is the capacity to control and modify the stakeholder with high project and have strong ability to facilitate implementation of the projects' tasks and arouse others to take action.

Usually, such influence is derived from the individual's hierarchical economic, social or political position, though often someone with personal connections to other persons of greater influence also does qualify (Mitchell et al, 1997).

Importance indicates the degree to which the project cannot be considered successful if needs, expectations and issues are not addressed. Such a measure is often derived based upon the relation of the stakeholder need to the project's goals and purposes. The users of the projects, products or services are typically considered of high importance. This is why the combination of the two measures in the grid provides insight not only into how stakeholders interact, but also helps to identify additional assumptions and risks (Mitchell et al, 1992).

Closely, related to the importance-position mapping is the identification of stakeholders in relation to the amount of resources in their possession. From the aforesaid, the under shown grid provides the various categories of stakeholder quadrants emanating from this approach.

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

**Resource Assessment**

<b>Availability</b>	Never	Irrelevant	Antagonistic
	Always	Auxiliary Support	Core Support
		Least	Most

**Importance**

Source: Mitchell et al, "Towards a theory of stakeholder identification and Saliency" (1997) vol. 22 pp.862.

The resource assessment grid helps management to deal with diverse stakeholder group in relation to how interested each stakeholder category is to impress its expectations to an organization's choice of strategy and whether they have the means and resources to do so (the power of stakeholder groups). The amount of resources of each stakeholder can be applied to facilitate and bring about the preferred outcomes. This is why certain stakeholders may be able to apply their resources to help their preferred outcomes to happen.



The forth phase is the determination and defining stakeholder's participation. This is why efforts have to be made to understand them and the need to assess their levels of participation and information needs. A well designed project will not only clarify key stakeholder roles but also will define as much as possible who participates fully and when (Subrahmanyam and Titman 2001).

Again, not all the stakeholders should be involved in a project or its all aspects in its life cycle phase. The management should and must identify potential groupings of the stakeholders. Such similar individuals or groups may have similar project information needs and thus management can use it to reduce project development costs and their accompanying communication costs too (Freeman, 1984).

## **2.10 Stakeholder Readiness for Change**

Here, we have two kinds to discuss, namely *Intellectual readiness* – This is for the stakeholders to understand the rationale behind the change and its related “buy in” and *Emotional readiness* – Here the stakeholders should have emotional advocacy about the project. The reason being a stakeholder may be ready intellectually but their emotional preparedness may be lacking and this will lead to dragging of their full support.

Other indicators identified include, expert knowledge, negotiation, consensus building, skills, charisma, politics (the skilful) use of both power and influence over the population to obtain following; and also being a holder of strategic resources. The value of stakeholders reflect governance framework; whether strategies need to be pursued to reposition key stakeholders, who are the key blockers and facilitators of change and how this will be responded to; and the extent to which stakeholders will require to be assisted

or encouraged to maintain their levels of interests or power to facilitate successful implementation of the strategy (Clarkson, 1995).

### **2.11 Advantages of Stakeholder Involvement Process**

Policy makers and organization's management board can make use of such an analysis to identify and determine the key actors and assess their knowledge, interests, positions, alliances and their importance-related to the proposed policies. It can be a useful tool to allow them to interact more effectively with key stakeholders and thus increase support for a given policy or program. In fact, when such an analysis is done before a policy or programme is implemented, the policy makers and management is able to detect and take remedial measures to prevent potential misunderstandings and/ or conflicts about any opposition to the policy or when a thorough stakeholder analysis is undertaken plus the use of other key tools to guide the formation and implementation, then the policy/strategy or programme is more likely to succeed (Dick, 1997).

According to Andriof et al (2002), one of the main goals of stakeholder analysis is to reveal and also potentially assist in reducing the power imbalance amongst the weaker groups, which is often revealed during strategy formulation process. Depending on the attributes of the stakeholder (for instance, their level of influence versus their salience on the issue), strategies may be tailored to address their concerns. This is why stakeholder analysis is vital and useful as a management and strategic tool.

As Varvasovzky and Brugha (2000) note, best strategies for dealing with stakeholders can be identified, the current or future opportunities or threats can be detected, planned for or dealt with. This is why successful stakeholder analysis identifies the “optimal fit” of the ideal level of attention and importance to the stakeholders. Once more, stakeholder analysis facilitates administrators and advisors to assess a project’s environment. More specifically, carrying out stakeholders analysis can draw out interests of the stakeholders in relation to the problems which the project is trying and seeking to address (at the identification phase) or the purpose of the project (once it has begun); identify any conflicts on interests amongst stakeholders, that will influence management’s assessment of a project’s riskiness before any funds are committed (which is particularly crucial and important for the proposed process or projects; help to identify relations between stakeholders which can be built upon, and may facilitate “coalitions” of project sponsorship, ownership and cooperation; and help to assess the appropriate type of participation by different stakeholders, at successive stages of the projects life-cycle (Melarney, 2002).

Harmworth (2001) notes that it provides a starting point, by establishing which groups to work with and setting out an approach so this can be achieved. This way a stakeholder analysis will help project initiators to assess the socio economic environment in which they will operate.

Experience has shown that inclusion of the full range of stakeholders is not only an essential precondition for successful participatory decision-making but also for the promotion of equity and social justice in urban governance. For instance, when any

decisions are made without involving these relevant stakeholders, the result is usually misguided strategies and obvious in appropriate action plans which are badly (if at all) implemented and which have negative effects on the organization (Pearce and Robinson, 1997).

Stakeholder analysis will ensure the inclusion of all the contributions. It is well known that broad-based stakeholder involvement and commitment is crucial to successful strategy and action plan taking and its implementation. It also does facilitate the mapping of current and potential stakeholder roles and inputs and easy access to implementation instruments. This indicates how best to maximize the constructive potential of each stakeholder whilst also revealing any bottlenecks or hurdles that could obstruct the realization of their potential/ contributions.

Further more, this analysis ensures that no important stakeholder is left or missed out and provides a framework for the optimization of the roles and contribution of the said stakeholder. Where participation is generated through careful analysis of the key stakeholders, their roles and contributions, then the process becomes more effective and efficient and also the equity gains will be maximized in their governance (Kajumulo, 2000).

As for current and potential employees, any inclusive practices enhance recruitment and improve retention of diverse talent. For the client/ customer, diversity awareness improves the ability to understand and respond to diverse client/ customer needs and expectations - thus building their confidence in the organization and its products/

services. While for others, focus on diversity enables organizations to collaborate with the increasing diverse communities where they live and do work, including the small, but diverse suppliers (Rowley, 1997).

It, thus, means understanding the attributes, interrelationships, and interfaces amongst and between project advocates and opponents assists in strategically planning the project. Herein, then lies a large portion of project risk and viability, and ultimately the support that must be effectively obtained and retained. And lastly but not least, stakeholder analysis is a critical tool in clarifying the micro political economy of a policy area and can help identify interested parties that should be incorporated in the decision-making process, in addition to understanding the basis for their inclusion (Grundy, 1997).

In summary, the principal justification for dedicating resources for advocating multi-stakeholder involvement include decision will benefit from a broad and wider field of expertise and creativity; all are allowed to focus on their core competence; relationships will be based upon mutual trust and recognition; a broad and wider choice of options will automatically lead into more sustainable outcomes; the short-term costs of involvement will be outweighed by the long term benefits of fair and lasting solutions; less monitoring costs and finally predictable outcomes.

However, regardless of all these justifications, the majority of parastatals in Kenya are like “white elephants” commonly referred to as “their” in place of “our” project by even the members. Even though many of these government corporations do claim to embrace participatory methodologies and practices in strategy formulation, the extent to which

they do it and the levels at which they involve their multi-stakeholders remains, to a greater degree elusive to many (Mitullah and Ngunyi, 1990).

The retirement benefits industry in Kenya plays a major role in the protection of individuals and households to ensure access to health care and guarantee income security particularly in cases of old age, unemployment, sickness, invalidity, work injury or loss bread winner. The retirement benefits sector has played a major role in reaching the urban and rural folks (the marginalized in society to improve their living standards. In fact, N.S.S.F is serving as a 1<sup>st</sup> pillar of social security protection. Every one with income (except those excluded by National and International law) should be legible as contributing members.

The Fund recognizes that employees are a key stakeholder group and play a critical role in enhancing customer service and improving overall performance of the Board of Trustees. As a result, a lot of funds have been channelled to N.S.S.F to facilitate a meaningful transformation intended to convert it from a national provident fund to a social insurance pension scheme. It is, however, unfortunate and seems rather regrettable that the huge sums of resources channelled to the Fund to translate to great noble ideas that should also translate to beneficial action, surely achieve very little and at some time bring or cause negative impact to some stakeholders and more so the target communities that are supposed to benefit (Masilela, 1991).

In conclusion, then we can state that stakeholder involvement is a facilitating process designed to integrate the views of all stakeholders into decision making process and their involvement is perceived to be an effective tool in addressing sustainability issues that are related to strategy, and policy formulation and implementation of the related programmes and projects. We have witnessed benefits will include a higher level of ownership and enhanced transparency and accountability (Proposed NGO policy NGO council 2004).

This is why this study on the extent of to which the multi stakeholders (customers, members, employees, collaborators the government, the claimants) among parastatals in Kenya are involved in strategy formulation For example. N.S.S.F plays a crucial role in the economic development of this country. Entrepreneurs and other stakeholders have realized that this institution can effectively be used to channel savings into more productive uses; hence the attention it has drawn in recent past. In fact, it plays a pivotal role in Kenya's socio-economic development initiatives with most of its field branches operating across the country to serve its stakeholders. This is why multi-stakeholder involvement in its strategy formulation and implementation is recommended for it acts as a partial substitute for private provision of its services.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the various methodologies that were used in gathering information, procedures to be adopted in conducting the research, the techniques, analysis and the presentation of data to be collected. This chapter, therefore, focussed, on the research design, data collection, and analysis that were applied during the study.

### **3.2 Research Design**

The study was carried out through a case study. The word 'design', in this context, refers to the approach which the researcher adopted in the collection and the analysis of the data. A case study design was used in conducting this study because an in-depth investigation was necessary to fully determine the extent of stakeholder involvement in strategy formulation and implementation at N.S.S.F. Only a proportion of the whole population of N.S.S.F was studied and the findings thereof generalized and deemed to apply to the entire population was appropriate due to the cross-sectional nature of the data that was collected.

### **3.3 Data Collection Method**

The study used interview guide to collect primary data from ten (10) departmental heads in SF 2 - SF 7 in the organization which was largely descriptive in nature. The interview guide was used to collect the various sets of data about the nature of projects or changes that N.S.S.F has been undertaking, the various stakeholder factors that influence decision-making and their extent of involvement in strategy matters. The target group was each department's manager because they are considered to play a crucial role in



strategy formulation and implementation. The statements were designed to elicit meaningful answers and the extent in a Likert scale of 1-5 to determine the extent to which N.S.S.F involves its stakeholders in strategy issues. They were required to score on (1) the extent of stakeholder involvement and (2) the extent of each factor's influence on strategy formulation and implementation.

### **3.4 Data Analysis**

The content analysis technique was used to analyze the data. The findings emerging from the analysis were to be used to compile this report. Content analysis is defined as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to related trends Nachmias and Nachmias(1996).It is a methodology in the social sciences for studying the content of communication. Earl Babbie (2000) defines it as "the study of recorded human communications, such as books, websites, paintings and laws." It is most commonly used by researchers in the social sciences to analyze recorded transcripts of interviews with participants.

Harold Lasswell (2001) formulated the core questions of content analysis: "Who says what, to whom, why, to what extent and with what effect. It makes use of themes where a concept is chosen for number of occurrences'. After conceptual analysis, rational analysis is done by examining the relationships among concepts. This method uses probing. The qualitative method can be used to uncover and understand what lies behind the phenomena and make conclusions.

## **CHAPTER FOUR: FINDINGS, DISCUSSIONS AND PRESENTATION**

### **4.1 Introduction**

The study intended to achieve two main objectives; to determine the extent to which multi stakeholders are involved in strategy formulation and implementation at NSSF; and to establish factors influencing the extent to which the stakeholders are involved. This chapter presents the findings of this study with regards to the objectives and discussions of the same. To achieve these two objectives, a total of 10 departmental heads were interviewed by the use of interview guide (Appendix II).

### **4.2 N.S.S.F Profile**

The study sought to collect data from ten heads of departments at NSSF. Limiting the study within this scope, it was the intention of the study to first of all establish the historical background about NSSF which was enacted in 1965 to provide workers who were not covered by the Civil Pension Scheme or other pension schemes approved by the Minister of Labour, with some form of financial support on retirement. The NSSF structure

#### **4.2.1 N.S.S.F Structure**

The current structure of NSSF (in terms of flexibility) is described as fixed structure in that every department has functions and role clearly defined, top to bottom command line, while others felt that it did not apply since what thrives is tribalism. The structure was also described as being tall and unsuitable for effective communication flow. Thus NSSF is driven by corporate goals and objectives mainly the NSSF Act which is the core

guiding document. This was seen as a major drawback in the implementation of performance contracting since for effective implementation of any strategy an organization needs to be flexible in its management style.

As a result of the changes recently experienced in the operating environment, the institution has embarked on aggressive marketing, improved financial management, recruitment of members from the informal sector of the economy and customer focused service delivery. On the overall position of NSSF after changes in the external environment is seen as a little bit flexible and ready to face competition from pension schemes providers. Financial management has improved and the corporate image is also changing tremendously.

However it was felt that a change in the top management would go a long way in improving the operations of NSSF. Considered in this aspect were: - the age of the organization; years in operation; place of establishment HQs, Regional, or Branch level; major areas of operation (core services offered); the geographic area where the services are offered (urban and/ or rural); scope of operations (countrywide, regional, or HQs) and the major mode through which the organization offers its services (projects, programs, services and forums).

#### **4.2.2 N.S.S.F Products/ Services**

The benefits (products or services) payable to claimants include the Age Benefit – payable at age 55 years to a retired member, Survivors Benefit – payable to survivors of a deceased member, Invalidity Benefit – payable to members who retire on medical grounds, Withdrawal Benefit – payable at age 50 to members who opt for early

retirement or are retrenched or dismissed from employment, Emigration Benefit – payable to a member who wishes to migrate from Kenya to another country and lastly the Funeral Grant which is paid to survivors of a deceased member to defray funeral expenses.

#### **4.2.3 Age and Location of Departments**

The findings of the study established that the managers who participated in this study have worked there for a period ranging from five (5) years to several decades. It was established that the majority of its operations are at branch levels (field work).

From the findings, it can be revealed N.S.S.F has a wide coverage of its activities at branch level covering (44) branches in the whole country. This is because at present N.S.S.F has 44 branches across the country. The findings established that all branches do all N.S.S.F operations and depend on Headquarters for funds to run them. It thus means all the branches serve members satisfactorily and do not need to refer any member to headquarters for any services. In other words N.S.S.F services are currently decentralized for faster services to all stakeholders spread across the country.

#### **4.2.4 Scope of Operations**

Among the respondents, the study established that the majority of their departments offer their services at branch levels. This is reflective of the fact that the majority of the branches are almost in every district.

### **4.3 Organizational Strategy Formulation**

The strategy formulation process at NSSF takes the form of programmes/ project formulation. This approach follows the strategic project programme planning process in which project goals and objectives are initially identified, and then strategies on how to achieve them crafted followed by strategic actions put in place in order to implement them and achieve the stated project/ program goals and objectives. It is on this platform that this study sought to establish whether the targeted organization's departments practise strategy formulation and implementation.

The respondents were asked to show whether NSSF carries out various strategic planning activities and practices. Those considered in the study include mission/ vision formulation; the most prevalent mode/ approach used in project formulation; different stakeholders affected by the formulated programmes; whether the organization carries out stakeholders analysis to determine the interest of each stakeholder group in the project and whether each of the identified stakeholders are involved during project formulation and implementation process.

### **4.4 Strategy Process at NSSF**

It was revealed that NSSF has been engaging in strategic planning, has both mission/ vision statements, carries out stakeholder analysis and involves stakeholders in strategy formulation and implementation.

#### **4.5 Extent of Stakeholder Involvement in Strategy Process**

It was noted that at higher levels of management for instance the management and Board of Trustees members are allowed to contribute ideas during strategy process, there was joint decision making by stakeholders during some stages of the projects and some powerful and influential stakeholders have vast control over the organization's strategies. The research findings show that the organization engages in strategic planning and has a Vision/ Mission statements and carries out stakeholder analysis and finally involves each of the stakeholder group in project formulation and implementation.

This study revealed that there exists myriad stakeholder groups who are affected and/ or who affect the various organizations operations and activities and hence matter during strategy formulation and implementation. These stakeholders range from Board of Trustees' members, customers, suppliers, unions, communities and the government. The various types of stakeholders that were enlisted by the respondents were members, employees, suppliers and the local communities. It was evident from the study that each of these groups of stakeholders influences on the organizations strategies and was dependent upon the power of influence wield by a particular group which in itself depends upon other factors illustrated elsewhere in this report.

#### **4.6 Stakeholders Involvement in Strategy Process**

Strategy formulation and implementation sets the impetus in the whole strategic management process in any organization. This is why stakeholders influence strategy and consequently end up influencing the organizations purposes that result in formal expectations in terms of achievement. An understanding of the roles and contributions of

multi-stakeholders is a fundamental prerequisite for successful participatory strategy formulation process. Hence stakeholder involvement is critical for any given course of action for a planning team determines to do (Johnston et al 2002). It is on the basis of this premise that this study sought to establish the level of stakeholder involvement in the context of N.S.S.F.

Respondents were presented with statements describing the different levels of stakeholder involvement during strategy process and were required to write the statements in respect to the extent to which NSSF departments involve stakeholders in strategy formulation and implementation.

#### **4.7 Summary of Stakeholder Involvement in Strategy Process**

Stakeholders are only heard before policies and decisions are made but they may or they may not be considered; stakeholders have chance to access strategy formulation and its implementation process; stakeholders are given opportunity to contribute their ideas during formulation and implementation of strategy; stakeholders are originators of other alternative courses of action during strategy formulation and implementation; there is joint decision making with stakeholders during all stages of the project; stakeholders have control over organization's strategies; stakeholders have vast control over the organizations strategies.

From the research findings above, it can be concluded that out of the several statements describing the levels of involvement, only three of them were relevant in stakeholder involvement in strategy process. These three instances describe where the level of

multi-stakeholders is a fundamental prerequisite for successful participatory strategy formulation process. Hence stakeholder involvement is critical for any given course of action for a planning team determines to do (Johnston et al 2002). It is on the basis of this premise that this study sought to establish the level of stakeholder involvement in the context of N.S.S.F.

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From the research findings above, it can be concluded that out of the several statements describing the levels of involvement, only three of them were relevant in stakeholder involvement in strategy process. These three instances describe where the level of



involvement is high while the others indicate that most departments exclude their stakeholders' ideas during strategy formulation and implementation.

However, it can be observed that there was a high degree of variation among respondents, an indication that some departments sideline their stakeholders during strategy formulation and implementation. This implies that in some departments at N.S.S.F, stakeholders are only informed about policies and decisions that have already been made and are only heard before such policies and decisions are made, but their say may or may not be considered.

On the contrary though, the results show that some departments involve multi stakeholders to some degree in strategy formulation and implementation. The findings indicate that stakeholders are given chance to contribute ideas during strategy formulation and implementation process. While others are allowed to access and review ideas during strategy formulation and implementation; and there was joint decision making by all stakeholders during the strategy process. This was closely followed by stakeholders being given a chance to assess the whole process of strategy as well.

The results indicate that there is controlled influence on strategies and projects of the Fund implying that there are great variations in respect to the extent to which they do so. It also shows great variations for stakeholders acting as originators of alternative courses of action during strategy process and also having vast control over the organization's strategies.

It is, thus, worthy noting that research findings show that a considerable proportion of departments in the Fund do not involve stakeholders in strategy formulation and implementation to a considerable extent because of the large degree of variations as was shown by the magnitude of variations of various levels of involvement. It is, thus, quite clear that in as much as the findings are indicative of great extents of stakeholders' involvement in strategy process, this is not applicable across all the departments in the Fund. These findings reconfirm the position taken by Bloom (2000) that an organization will seek to involve stakeholders in strategy formulation depending upon the level of involvement that is sought by various stakeholders; listeners, observers, reviewers, advisors, originators and decision-makers.

It was clear from the study that among the various departments, the resultant extents of involvement in strategy process indicated that there are those who are listeners who need to be informed but do not see the need to be actively involved in the strategic process; and observers - those who are not actively involved but watch the programme/ strategy assessment process and may become more active if access to information is cut off or if they are surprised by events in the assessment. This means that certain stakeholders are only informed about policies and decisions that have been made but their say may or may not be considered. This is why there was a high degree of variation among respondents' ratings.

In the study, there were stakeholders who are reviewers - who actively watch the assessment process and review ideas and materials; advisors who contribute their own time and energy and are willing to be actively involved and their high level of interest and concern should be matched by equally high commitment and efforts by the

organization's strategy team; originators are so involved that they create options; a level of high commitment which may be difficult to sustain; and decision-makers who seek level of involvement and have a vote in or control over the decisions that are made.

This is supported by the fact that some stakeholders have controlled influence on projects of the organization; have a chance to assess the strategy formulation process; assess and review ideas during strategy process; contribute their ideas; act as originators of most alternative course of action and are in joint decision making with all stakeholders during all stages or phases of the project. It, thus, can be concluded generally that these findings by implication are reflective of the aspects of corporate governance and corporate social responsibility as fronted by Grundy (1997) where there is a major debate about whether the organization should be managed for stakeholders or customers.

This was evident in the sense that stakeholders among the respondent departments were varied and the departments involve each stakeholder group(s) in strategy formulation and implementation to different extents. It is, therefore, not easy to make a conclusive and absolute claim that the organization involve multi stakeholders in strategy formulation and implementation to a great or less extent without first making a thorough scrutiny of the nature of the services or products each of the Fund's departments offers and who among the multi stakeholders would seek involvement and to what extent.

#### **4.8 Factors Influencing Stakeholder Involvement in Strategy Process**

Revelation in table 4.4 indicates that some organizations involve stakeholders in strategy process to various extents. For instance, it was noted that different stakeholders are involved to different extents depending on the roles they play, their interests and the

extent to which they seek to be involved. McLarney (2002) observed that there is no straightforward and controversial algorithm for determining the nature and extent of obligations to various stakeholders. He however, argues that the point here is not to settle upon a canonical rank ordering of the organizations obligations to multi stakeholders, but rather to accurately situate the organization as ensnared in a range of ethnically significant relationships and to begin the complex tasks of meeting the demands of those various relations. This study sought to establish whether there are factors that influence extent to stakeholder involvement in strategy formulation and implementation among ten (10) departments of the Fund.

#### **4.9 Summary of Factors**

A summary is shown below where the main factors that influence stake holders involvement were indicated as per the summary here: The extent to which stakeholders have power, interest, position and the priority attached to success of a project, the level of importance of stakeholders group in relation to others, the amount of resources held by stakeholder group, its importance and availability and also the stakeholders' expert knowledge. It was observed that if the organization facilitates "buy in" and support for the strategy by stakeholders it was a main factor, and involvement by stakeholders was a valuable prelude to mission/vision statements for effectiveness of the strategy process and its implementation's success. All the above shown factors influence the extent of stakeholder involvement in strategy process at NSSF and its departments.

The above findings show that these factors contributed to influence the extent to which each department involves different stakeholders in strategy formulation and implementation. The respondents indicated that a factor influences the extent of involvement to a great extent. This is a phenomenon which is greatly dependent upon the type or specificity of the service/ product offered and the stakeholder types and or their interests in each of the departments.

These findings are in agreement to observations by Bett and Tepper (2002) that multi-stakeholders' involvement in strategy issues offers vital insights into planning, facilitates "buy in" and support for it, allows greater ownership, facilitates better decisions and may assist to identify issues that are not addressed by the executive team. These support Friedman's (2002) argument, which states that inclusion of the full range of stakeholders is not only an essential pre-condition for successful participatory decision-making but also vital for promoting equity and social justice in organizations as well as within their environs.

The study's findings are also reflective of Clarkson's (1995) assertion that the stakeholders approach to policy making, planning and management is expected to yield two positive outcomes realistic and more effective policies/ plans and also improved implementation of the same.

These findings are a demonstration of Clarkson's view that these outcomes are attained because the stakeholders approach improves decision making process by making it easier to develop more realistic and effective policies, laws, regulations and projects by bringing greater information and broader experiences into the decision making process;

by embedding new initiatives into existing legitimate institutions and cultural values; and by building political support from, and reducing opposition to policy proposals through incorporation of stakeholders concerns.

It is also evident from the findings that not all stakeholder groups will be involved in all the phases of a particular project. These are in agreement with Subrahmanyam and Titman (2001) assertion that well designed projects will not only clarify key stakeholder roles, but will define as much as possible who participates and when. Again, not all the stakeholders should be involved in all aspects of the project in all its phases or lifecycle. Also, observations by Mitullah and Ngunyi (1990) are confirmed by the findings that the extent of involvement will be dependent upon what particular decisions will stand to benefit from a wider field of expertise and creativity possessed by a particular stakeholder group.

# CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## Introduction

The main aim of this study was to determine the extent of multi-stakeholder involvement in strategy formulation and implementation at N.S.S.F and to establish factors influencing the extent of stakeholder involvement. Policy makers and Board of Trustees can use stakeholder analysis to identify and determine the key actors and assess their knowledge, interests, positions, alliances and their importance-related to the proposed policies and programmes. The study sought to review to what extent the organization has involved its stakeholders in strategy process. This chapter contains a summary of the results from the study, its conclusions and recommendations.

The study first looked at the respondent's departmental profiles with respect to the place of establishment and location the scope of operation, the major areas of operation (core services rendered); the geographic area where the services are rendered (HQs, regional or branches); the major mode through which the departments offer their services/ products (programmes, projects or forums) and the key stakeholders. It is these aspects that laid ground for the study to the extent to which multi-stakeholders are involved in strategy formulation and implementation and the factors influencing the extent to which they are involved. This chapter presents a summary of the records findings, conclusion limitations of the study and suggestions for further research.

## 5.1 Summary

To achieve the study objectives, it was considered vital to look at general strategy process aspects in the Fund's departments in order to form the basis of seeking information to satisfy and achieve the study objectives. The aspects that were considered include whether the departments carry out any strategic planning; the existence of vision/ mission statements; the most prevalent approach/ mode used in strategy process of the projects; the different and multi stakeholders that are affected by the formulated programmes; whether the departments carry out stakeholder analysis to determine the interests of each stakeholder group in the programmes/ projects and whether each of the identified stakeholder group(s), if any, are involved during the projects strategy formulation and its implementation process. These numerous aspects then set precedence for this study to lay focus on determining the extent to which various multi-stakeholders are involved in strategy processes and the main factors influencing the extent to which the stakeholders are involved.

In regards to the study objectives, it was established that in general, the departments involve their stakeholders (those in high positions and with power) in strategy formulation and implementation with several factors influencing the extent to which the multi-stakeholders are involved. Again it was established that a few stakeholders like members of the Board of Trustees (BOT) are given the opportunity to contribute their own ideas during the strategy process; are allowed to assess and review the ideas during the formulation and implementation stages and there was joint-decision making with influential, important and powerful stakeholders during all the stages of the project; and some stakeholders are given a chance to assess the whole strategy process.



It was, however, observed that a considerable proportion of respondents in certain departments do not involve their stakeholders (for instance, members, contributors, beneficiaries) in strategy formulation and implementation – which was to a considerable extent only. The records findings indicated that there are certain departments that there are certain departments that involve stakeholders to no extent at all, to a less extent and to a fairly great extent.

It was, thus, evident that in as much as the findings were reflective and indicative of great extents of multi-stakeholder involvements in strategy formulation and implementation was not applicable and generalized to all the Fund's departments. It was further revealed that the departments involve stakeholders in strategy process to various extents depending on the various factors that were in consideration. For instance, the findings showed that some factors that were presented to interviewees influenced the extent of stakeholders' involvement in strategy process. These range from the important insights offered into the project planning up to the amounts of resources in possession by certain stakeholders group(s); the importance of the said resources; and the availability and the expert knowledge of a certain stakeholders group, up to and including a particular phase of the project's lifecycle. These findings were found to be congruent with most authors' assertion (Bett and Tepper, 2002, Clarkson, 1995, Mitullah and Ngunyi, 1990).

## **5.2 Conclusions**

This research study has revealed and unearthed several issues regarding multi-stakeholder involvement on strategy process and the factors that influence the extent of such involvement among the Fund's departments. The overall results and findings indicate that the majority of the departments practise strategic planning and carry out

stakeholder analysis to a fairly great extent in order to determine the various stakeholders' interests which may affect their strategy formulation and implementation process. These findings show that a few departments (like the Customers Services, Estates and Investments departments) recognize the need to involve stakeholders in strategy formulation and implementation and that various factors influence the extent to which these multi-stakeholders get involved in strategy processes.

Although most of the Fund's departments showed that they involve stakeholders to a great extent, it should, however, be noted that not all of them (for instance, Human Resource Management, Computer, Records and Audit departments) have embraced this helpful concept. It is evident from the study that a wide range of factors come into play thus influencing the extent to which stakeholders are involved in this process. It was apparent that even though all the factors presented to the interviewees influence the extent of multi-stakeholders or involvement to a great extent, not all the Fund's departments showed this fact.

This means that not all the factors enumerated above have the same weight and influence on the stakeholders' involvement in all the Funds departments as was discovered. It thus, may not be realistic to generalize and make an absolute conclusion to the effects that all the factors given by the respondents have uniform and same magnitude of effects. The differences in the activities, the services/ products or operations and the various stakeholder groups' characteristics like power, influence, resources, importance - all these have much bearing on the major factors that influence the extent of their involvement.

### **5.3 Limitations of the Study**

The limitations in this study were: - It was not possible to interview all the departmental heads, the researcher was sometimes told to come later or being referred to the deputies and time was inadequate. Secondly, there was the problem of explaining the questions and this was not easy for those who feared the information may leak to wrong persons outside the organization and some were reluctant to be interviewed.

This study was limited to only ten (10) departments at HQs while the majority of the respondents are in the branches and others are not members of staff like the Board of Trustee members, thus, this study may not apply to the entire Fund; and mind you that the ten departments are all different in terms of the services/ products that they offer to the stakeholders. This means the stakeholders are varied and the numerous factors influencing their involvement in strategy formulation and implementation are quite different depending on each stakeholder's group and its characteristics.

### **5.4 Suggestion for Further Study**

Being a case study that used interview guide design, it was not possible to reach all the targeted departments because the majority of stakeholders are in the branches and districts who could not be reached, a survey research design would assist to bring out some further findings about the whole organization because such studies would be in-depth and quite detailed. This would facilitate chances of acquiring qualitative data that was not captured during the study.

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**APPENDIX I**  
**INTRODUCTORY LETTER TO RESPONDENTS**

Josephat M. Mwikuyu,  
School of Business,  
University of Nairobi,  
P.O. Box 30197-00100,  
NAIROBI.

6<sup>th</sup>-Sept-09

Dear Sir/ Madam,

**RE: RESEARCH QUESTIONNAIRE**

I am a postgraduate student studying at the University of Nairobi, School of Business. I am conducting a management research proposal in partial fulfilment of the requirement for a Master of Business Administration (MBA) degree. My topic of research is the Extent of Stakeholder involvement in Strategy Formulation and implementation in the National Social Security Fund.

You have been selected to participate in this study by providing the required data/information. Kindly provide the information by answering the questions in the attached interview guide.

This exercise is strictly for academic purposes and any information obtained from you will be treated with utmost confidentiality.

Thank you in advance.

Yours faithfully,

Josephat M. Mwikuyu  
(MBA STUDENT)

Jackson Maalu  
(SUPERVISOR)

**APPENDIX II**  
**Interview Guide**

This interview guide is designed to collect views on the extent of stakeholder involvement in strategy formulation and implementation in N.S.S.F.

**Section A**

1. What is the scope of your department's operations?  
.....  
.....
2. Does your organization engage in strategic planning? Yes / No. If yes, explain how.  
.....  
.....
3. Does it have both mission and vision statements? Yes/ No. If yes, state it.  
.....  
.....
4. Who comes up with these statements? Elaborate.  
.....  
.....
5. Explain how the vision / mission statements are formulated?  
.....  
.....
6. Indicate the individuals/ groups that affect or are affected by the organization's activities/ operations.  
.....  
.....
7. Is stakeholder analysis carried out in your organization to determine their interests/ power of each stakeholder(s) in the organization? Yes/ No if yes, state how.  
.....  
.....
8. Does your organization involve each and every stakeholder in its strategy formulation and implementation? Yes/ No if yes, state how  
.....  
.....

## Section B

For each statement below, please indicate the extent to which your organization involves stakeholders in strategy formulation and implementation.

- (i) To what extent are stakeholders informed about policies and decisions that have been made?
- (ii) To what extent are stakeholders heard before policies and decisions are made?
- (iii) To what extent do stakeholders have controlled influence on the strategies and projects of the organization?
- (iv) To what extent do stakeholders have a chance to assess the strategy formulation process?
- (v) To what extent do stakeholders review ideas during strategy formulation and implementation?
- (vi) To what extent are stakeholders allowed to contribute ideas during strategy formulation?
- (vii) To what extent are stakeholders originators of most alternative courses of action during strategy formulation process?
- (viii) To what extent is there joint decision-making with all stakeholders during all stages of the project?
- (ix) To what extent do stakeholders have control over the organization's strategies?

### Section C

The underlisted factors influence the extent of stakeholder involvement during strategy formulation and implementation; please indicate the extent to which each of the factors influences your department's stakeholder involvement in strategy formulation and implementation.

- (i) It offers important insight into project planning.
- (ii) Facilitates 'buy in' and support for the strategy.
- (iii) Allows greater ownership by stakeholders.
- (iv) Their involvement is a valuable prelude to mission formulation for effectiveness of strategies and critical to implementation process.
- (v) Vital for promoting equity and social justice in the organization.
- (vi) Legal requirements by the government e.g., R.B.A.
- (vii) The degree and position of influence held by a stakeholder individual or group.
- (viii) The degree to which stakeholder/ group is interested in a particular group.
- (ix) The extent to which a stakeholder/ group has power to determine the nature of project(s).
- (x) The nature of goals of various stakeholder/ groups.
- (xi) The priority attached by a stakeholder/ group to the success of a project.
- (xii) The nature of relationships among various stakeholder groups.
- (xiii) Potential level of project impact to the various stakeholder groups.
- (xiv) Level of importance of a stakeholder group in relation to other stakeholders.
- (xv) Amount of resources in stakeholders/ group's possession/ importance of resource and its availability.
- (xvi) Expert knowledge of a stakeholder group.
- (xvii) Negotiation and consensus building skills possessed by stakeholder/ group.
- (xviii) Strategic resources held by a stakeholder group.
- (xix) How a certain stakeholder/ group is connected politically to the Government.
- (xx) A particular phase of the project life cycle.

**Thank you for your cooperation!**

**Appendix III**  
**N.S.S.F Departments**

	<b>Department</b>	<b>Designation</b>	<b>Number of Respondents</b>
1.	Customer Services	Manager	1
2.	H.R.M	Manager	1
3.	Computer	Manager	1
4.	Finance	Manager	1
5.	Investments	Manager	1
6.	Audit	Manager	1
7.	PR/ Marketing	Manager	1
8.	Legal	Manager	1
9.	Estates	Manager	1
10.	Records Department	Manager	1
<b>TOTALS</b>			<b>10</b>

Source: N.S.S.F Personnel Department (2009)