INTERNAL STAKEHOLDERS INVOLVEMENT IN STRATEGIC DECISION MAKING AT KENYA COMMERCIAL BANK LTD

MATHENGE WAITHIRA ANNE

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS; UNIVERSITY OF NAIROBI

NOVEMBER, 2010
DECLARATION

This is my original work and has not been presented for a degree in any other university.

MATHENGE WAITHIRA ANNE
D61/74735/06

Signature ................................ Date 15th 11 2010

This project has been submitted for examination with my approval as University supervisor.

JACKSON MAALU
Department of Business Administration
University of Nairobi

Signature ................................ Date 15th 11 2010
ACKNOWLEDGEMENTS

First and foremost I am grateful to the almighty God who has been my source of strength and inspiration throughout my life.

I am greatly indebted to many lecturers who guided me through the educational program both at the undergraduate and Master’s Levels, thus developing in me a keen interest in the Strategic Management field.

My special thanks to my supervisor Jackson Maalu for his patience, continuous guidance and constructive criticism in all his Strategic Management classes and this project, his invaluable advice made this study possible. Thank you for being my supervisor accommodating me in your tight schedule.

My deepest gratitude goes to my guardian, my beloved grandmother Anne Waithera Gatiba and my aunty Irene Nyokabi Gichora and Uncle Michael Gichora for their continued love, support and believing in me.

Finally I thank my employer for the opportunity to be part of Kenya Commercial Bank family where I derive finance resources.
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ABSTRACT

Strategic decision making has been viewed as an important aspect among all internal stakeholders in an organization. Managers are required to make strategic decisions that have an impact on their organization's performance. In order for any organization to make more strides in successful implementation of its strategies in the face of intense competition in the business environment, it should initiate a deliberate step of incorporating the views of stakeholders in its strategic planning process. Such a move will help in the effective implementation of its strategies because the internal stakeholders who will in most cases facilitate implementation will resist less the strategies.

On the basis of this concern, this research sort to investigate the level of internal stakeholders’ involvement in strategic decision making at KCB. In trying to achieve the objectives of the research, the study adopted a case study approach where an in depth personal interviews with the top and middle level managers in the organisation was conducted. According to the findings, KCB has endeavoured to incorporate the views of all its internal stakeholders which have led to successful implementation of most of its strategic plans. This involvement of the internal stakeholders has also enabled the bank to increase its market share by developing products and services that meet the needs of various cadres of customers.

The study also made a number of recommendations which KCB should adopt to remain competitive in the market and increase its success in strategy development and implementation. This recommendation included the bank embracing decision support systems (DSS), that is, an information system that uses decision rules, decision models, a comprehensive database, and the decision maker's own insights in an interactive computer-based process to assist in making
specific decisions to hasten their decision making process. This would assist the decision makers to derive an in-time, efficient solution. In addition, it was recommended that the entire Stakeholder involvement process must undergo continuous evaluation, and the results of the evaluation must constantly inform the process, revising it as needed (formative evaluation).
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Each time managers are faced with a strategic decision they decide how to decide. Specifically, they make choices about who has necessary information and, therefore, who needs to participate in the decision. Such responses to strategic issues are believed to be affected by the way in which decision makers interpret issues. However, organizations develop habitual responses to issues and may be predisposed because of their attention to rules and routines, or because of past performance, to respond to strategic issues in certain ways regardless of how issues are interpreted.

In large organizations, the CEO has to delegate and depend on other senior managers for information, consultation, and decision analysis. Especially, responding to complex and often changing environments and managing diverse yet interdependent units inside corporations drive organizations toward team management at the most senior level (Ancona and Nadler, 1989). Consequently, the senior managers influence strategic decision making significantly.

This Chapter is going to give a brief background to the concept of internal stakeholders’ involvement in strategic decision making. It also presents the research problem, objectives and justification for the study.
1.1.1. Strategic Decision Making

By definition, decision making is the process through which managers identify organizational problems and attempt to resolve them (Bartol and Martin, 1994). (Crook, Ketchen and Snow, 2003) stated that strategic decision making are those that determine the overall direction of an enterprise and its ultimate viability in light of the predictable, the unpredictable, and the unknowable changes that may occur in its most important surrounding environments. Strategic decision making ultimately shape the true goals of the enterprise (Mintzberg and Quian, 1991).

(Pearce and Robinson, 1997) underlined the characteristics of strategic decision making as corporate level decisions (greater risk, cost, profit potential; greater need for flexibility, and longer time horizons), functional level decisions (implement the overall strategy formulated at the corporate and business levels), action oriented operational issues; short range and low risk. Modest cost; dependent on available resources, and business level decision (bridge decisions at the corporate and functional levels; which is less risky, costly, and potential profitable than corporate level decisions, but more risky, costly, and potentially profitable then functional level decisions).

In a volatile world, we must have more sensors, processing information faster and leading to faster (and by definition more informal) action taking. (Peters, 1988, p. 109) Prescriptions for modern organizations call for organizational flexibility and high levels of participation in making decisions. (Pfeffer, 1994) argued for achieving competitive advantage through people-people who participate in decisions and with whom
organizations share information. (Barney, 1995) echoed the same message when he suggested that "socially complex resources" such as the existence of teamwork and cooperation across organizational boundaries are a source of competitive advantage.

(Wheatley, 1992) maintained that participation in decision making is an important way to respond to the ambiguous and unpredictable nature of most organizational environments. (Stacey, 1992) called for self-organizing networks with many participants for managing the "unknowable" parts of organizational life. (Weick, 1995) stressed the importance of participation when he encouraged the use of meetings as sense-making mechanisms. A common thread through all of these prescriptions is that organizations that face complex and uncertain environments are more likely to be successful when multiple approaches to decision making are pursued, when multiple sets of expertise are applied, and when multiple sensors and information processors are part of the decision-making response to strategic issues.

In spite of the increasing importance of participation for improving decision making in complex environments, many organizations still, as Wheatley said (1992, p. 73), "avoid participation and worry only about its risks."

1.1.2. Stakeholder and Stakeholder Involvement

Stakeholder is any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output (Bryson, 1995). The stakeholder theory embeds two distinct approaches: the organization focusing on its stakeholders in order to propose suitable managerial techniques, and the manner a
stakeholder approaches the organization claiming his/her rights. Whilst one side of the coin seems to be related to how an organization behaves when dealing with its stakeholders, the other side seems to be related to how a stakeholder holds the organization accountable to himself/herself.

Stakeholders are also based in terms of their location which includes internal and external stakeholders. The internal stakeholders are those groups which belong inside the organization such as managers and employees. External stakeholders are groups which are outside the organization and have effects on the survival of the organizations (Harrison, 2007). These groups consist of customers, suppliers, government agencies, local communities and unions.

Stakeholder involvement is defined as ‘the early and ongoing process of building and maintaining relationships based on mutual trust and respect through dialogue with diverse audiences about complex issues’ (Shaw, Ackermann and Eden, 2003) Successful stakeholder involvement: fosters strategic development of partnerships, results in collaborative problem solving (sharing of power), ultimately results in broader support for decisions.

1.1.3. Banking Industry in Kenya

The banking industry in Kenya is regulated by the Central Bank of Kenya (CBK) Act 491 and the banking Act cap 488. The Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (Government of Kenya, 1989).
It compromises of 46 financial institutions. The competition for survival and growth within the industry is extremely intense and this poses a major challenge owing to the recession of economies in the world, a decline in the inflow of investments and unpredictable environments.

According to the Pricewaterhouse Cooper’s research (2006-2010) on the Banking Industry, the Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus.

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region. Automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.
1.1.4. Kenya Commercial Bank

Kenya Commercial Bank commenced operations in 1896 when its predecessor, the National Bank of India opened a branch in the Coastal Town of Mombasa. In 1958 Grindlay Bank of Britain merged with National Bank of India to form The National and Grindlay Bank. In 1970, the government of Kenya acquired 60% shareholding in National and Grindlay bank and renamed it the Kenya Commercial bank. In 1976, the government acquired 100% shares, effectively taking full control of the largest commercial bank in Kenya. A wholly owned subsidiary, Savings & Loan (K) was acquired in 1972 to provide mortgage finance.

The government progressively started reducing its shareholding in KCB to 80% in 1988, 70% in 1990, 60% in 1996 and 35% in 1998. In June 2004 it offloaded a further 9% holding by renouncing its rights in a Rights Issue. The government however continues to remain a single major stakeholder controlling 26.2% stake in the Bank. In 2008, the Government again renounced its Rights in a 1 for 9 Rights Issue thus further reducing its shareholding to 23.6%. The completion of the current Rights issue has seen a drop in government holding to 17.7% as it did not take its allocation (Kenya Commercial Bank Annual report, 2009).

With investments in four out of the five countries in the East African Community and in Southern Sudan, the bank is effectively positioned as a true regional bank. The plan to invest in Burundi in 2010 will bring to conclusion this regional expansion. In terms of returns, the South Sudan subsidiary stands above the rest mainly because of first mover
advantages the bank enjoys in that market. Returns and market share in the other subsidiaries- KCB Tanzania, Uganda and Rwanda remain low but the increased visibility & expanded network should help improve it.

1.2 Statement of the Problem

In today’s rapidly changing and competitive markets, most institutions and organizations are looking at the potential value to be derived from stakeholders. This focus has taken on even greater urgency as institutions such as banks seek to meet the needs of the customers (reaching low income group, wider network, tailor made products, zero opening balance and turning to transaction accounts), shareholders (increasing ownerships through share splits, right issues, and regional expansion), and employees (employee share ownership). This has helped find practical solutions, help partnership work and increased confidence in stakeholders’ ability to share information. It also conveys an image of “cutting edge” approach to management and functions hence confidence to stakeholders (Elbanna, 2006).

Banks have been at the forefront in involving various stakeholders in the decision making process. The competitive environment in which they operate and level of interaction in which various agents have a stake demand that these are considered adequately in the decision making process. Indeed, early research has focused mainly on top managers Freeman (1999).
Studies that have been done on stakeholders influence include; Musau (2007), Luseno (2007), Nyaga (2006), Kisinguh (2006), Kimani (2006). Musau (2007) studied the extent to which various stakeholders are involved in strategy formulation among Non-Governmental organizations within Nairobi and to establish the factors influencing the extent to which the stakeholders are involved. The study found out that NGOs involve their various stakeholders to various degrees in strategy formulation, that is, listeners, observers, reviewers, advisors, originators and decision makers. Luseno (2007), objective was on factors influencing communication among stakeholders in the integration process of East African Commission.

Nyaga (2006) carried out a study in the agricultural industry. The objective of the study was to examine the stakeholder management practice in the agricultural technologies to small scale farmers. Kisinguh (2006) carried out a study on stakeholders’ involvement in the strategic change in public organizations, the case of PSC (Public Service Commission. Kimani (2006) carried out a study on Stakeholders management during the KCB Rights issue of 2004. Extensive theoretical and empirical work has been undertaken in studying Stakeholders in general which involve both Internal and external Stakeholders. However, no study has been done on internal stakeholders.

From the foregoing, and having the above studies in mind, a study is needed to address factors affecting internal stakeholder involvement in strategic decision making of a Kenyan Bank. KCB provides such a platform as it enjoys the widest branch network in
the East African region and thus experiences various internal stakeholder involvement in ultimate strategic decisions made in the environment in which it operates.

1.3 Objectives of the Study

This study was guided by the following research objectives formulated to aid in gathering the information regarding the research topic.

(i) To establish the level of involvement of Internal stakeholder on a bank’s strategic decision making.

(ii) To identify factors affecting internal stakeholder involvement in strategic decision making in KCB.

1.4 Significance of the Study

The information generated by this study would be important for the banking industry in determining stakeholder involvement in strategic decision making. In addition to philosophical issues of the appropriate relationship between workers and their employers, the literature on stakeholder involvement could help managers dealing with the fundamental challenges facing managers in today’s dynamic and competitive environment: maintaining high levels of effectiveness, productivity, innovativeness, and worker motivation in an increasingly dynamic, competitive environment.

It also assisted bank managers and other employees who want to make a contribution in the decision making of some of the strategic decisions. In addition, it would guide senior
management of banks on how to address factors that determines internal stakeholder involvement in strategic decision making.

Educators too in the banking field would find the information obtained from this study beneficial to their curriculum in imparting knowledge to students and researchers who would be researching on the industry and how it could greatly benefit the country.
CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter reviewed literature relevant in the context of the research that is, Internal stakeholder involvement in strategic decision making.

2.1 Strategic Decision Making

Allen and Coates (2009) stated that strategic decisions are non-routine and involve both the art of leadership and the science of management. Routine decisions of how to efficiently manage resources according to established procedures and clearly understood objectives is the technical work of management.

Elbanna (2006) noted that strategic decision making involves two perspectives; content and process. Content perspective deals with issues of strategy content such as growth strategy and diversification while process deals with the process by which strategic decisions are made. Process perspective concentrates on the way in which decision makers influence the organization's strategic position through the strategic decision making process (SDMP) that they use.

Mori and Munisi (2009) stated that strategic decision makers are often members of board of directors of organizations. This is because one of the roles of the board is formulating strategies for the organizations. From the governance perspective, in order for the board to make strategic decisions, its composition in terms of size and diversity should be taken
into consideration. Good composition will allow the members to bring their expertise and
different perspectives to the organization and to aid strategic decisions.

Tatum et al. (2003) stated that managers make day-to-day decisions, or resolve immediate problems. They also elaborated that managers have different decision styles due to the amount of information, number of alternatives, and attempt to integrate and coordinate multiple sources of input. Vroom (2003) in his study quoted Nutt (2002) on a study of 400 decisions that had been made by manager in medium to large organizations in the USA, Canada and Europe. Surprisingly, half of the decisions failed; either never implemented or subsequently unravelled during the two-year observation period. Nutt (2002, in Vroom, 2003) stated that effective decision making is not merely a matter of decision quality but also of ensuring that the decision will have the necessary support and commitment for its effective implementation.

2.1.1. Decision making Models

Decision making style of managers can be classified based on their approach toward the problem that they tried to be solved. Barton and Martin (1994) stated that various models of decision style being adopted1) Rational Model, 2) Bounded-Rationality Model, 3) Incremental Model, 4) Mixed-Scanning Model, 5) Polis Model, 6) Garbage Can Model, 7) Bargaining Model, and 8) Participative Model.

First, the Rational Decision Making model, this approach, also known as “the rational-comprehensive” model, borrows from economic theory and has the goal of maximizing
efficiency by picking the best alternative based on specific criteria, (Barton and Martin, 1994). It is often described as a six-step process: 1. Define goals 2. Identify alternatives 3. Calculate the consequences 4. Decide the most favorable using a calculated ratio of benefits to costs 5. Monitor implementation 6. Begin again. The rational decision making process depends on clear statements of goals accepted by those seeking to address problematic conditions. The rational decision making process works well on technical issues when goals are precisely defined and there is general agreement on measures for analysis and selection criteria.

According to Barton and Martin (1994) the Behavioral Model (Bounded Rationality), this theory holds that: 1. Humans are intellectually ill-equipped to make cognitively rational decisions because they can only process a few bits of data at a time. 2. Comprehensive analysis is impossible due to limitations on the availability of information, time, and expertise. 3. Individuals cannot imagine every possible solution to a problem, and therefore not all possible alternatives are considered or analyzed. This model often has an implicit choice variant where, although multiple alternatives are presented, there is a clear favorite that will likely be selected so decision criteria are skewed to support the choice.

The incremental mode, which is the third model, has the following characteristics: 1. only a few options and means are considered 2. Decisions are the product of negotiated settlements 3. Changes are made gradually over time 4. Decisions tend to be made reactively 5. Political considerations are important in determining outcomes. In the model, relatively small or incremental policy changes tend to be the norm because of the
need for consensus among the interested parties and negotiation efforts are directed to what can be achieved. (Barton and Martin, 1994)

The Mixed Scanning Model is a hybrid, or compromise, paradigm derived from rational and incremental decision making theories, Barton and Martin (1994). Its use is in seeking policy solutions to short-term, but urgent, needs of the immediate present. It is, in effect, a concept that can be described as “splitting the difference” between the models.

Polis model has the following characteristics: 1. State goals ambiguously and keep some secret. 2. Be prepared to shift and redefine goals as the political situation dictates. 3. Keep undesirable alternatives off the agenda by not mentioning them. 4. Make your preferred alternative appear to be the only feasible one. 5. Focus on one part of the causal chain and ignore politically difficult ones. 6. Use rhetorical devices to blend alternatives to prevent strong opposition. 7. Selectively project consequences that make your decision look the best. 8. Choose the action that hurts powerful constituents the least, but portray your decision as creating the maximum social good (Provan, 1989).

The Garbage Can Model is based on the theory of organizational anarchy, posits the notion that organizations have inconsistent and ill-defined preferences, and operate on the basis of trial and error; that stakeholders only partially understand the processes; and that decision-makers often act whimsically and impulsively. Within this framework, it was theorized that organizations produce many solutions for which there are no immediate problems, and are these dumped in a holding can—the garbage can. Problems needing
solutions will arise in the future and a search through the garbage might yield a solution (Provan, 1989).

Bargaining model reflects a decision making process both between individuals within an organization and between organizations through their representatives. This perspective requires an understanding of the principles of negotiation. The essence of decision making of groups involves tradeoffs between constituents that may have competing interests and agendas. In seeking to identify common interests and mutual benefit for the involved parties, some concessions may be made, but the resulting decision should produce a condition that is acceptable to either side. Here the anchoring and adjustment bias inhibits substantial movement from the status quo so it is unlikely to have drastic change in policy or strategy embraced by the group (Provan, 1989).

The participative decision making model is an expansion of the bargaining approach and attempts to include all those directly affected by the decision. It is the most democratic form of decision making where there is an opportunity to provide input and influence. We commonly see this approach as one that calls for “consultation and stakeholder analysis” and that places emphasis on meeting with “constituents and clientele” to discern the key issues for consideration before decisions are reached. While these efforts may be largely symbolic, such stakeholder groups can wield significant power and present obstacles if not appropriately included in the decision process (Provan, 1989). Each of the above models has opportunities and challenges and thus no single approach offers a best solution to all the problems of making decisions.
2.1.2. Decision making Process

Decision makers and managers need to allow themselves to be in the process of decision making. This decision making process will give the opportunity to decision makers and managers to come up with the alternatives, evaluate each alternatives, and select the best alternative or solution to the problem.

Decision making process comprise of the steps the decision maker has to arrive at his choice. The process a manager uses to make decisions has a significant impact on the quality of those decisions (Certo, 2003). Moreover, Provan (1989) stated that people who participate in the strategic decision making process are at a high level of in their organization, are competent, and are reasonably intelligent and articulate. Strategic decision making process can be an is influenced by those major groups in the organization that are most powerful and that a rational consideration of external environmental factors may have little direct impact on how strategies are actually formulated and implemented (Provan, 1989).

Certo (2003) stated that type of decision is a function of administrative level, and the style is a function of organizational culture. Administrative level is classified as institutional or executive or upper level, organizational or managerial or middle level, and technical or lower level. Meanwhile organizational culture is known as paternalistic, bureaucratic, and synergistic.
Meanwhile, Nutt (2002) indicated in his study on the decision making models. He discussed 6 models of decision making of which bureaucratic model, normative decision theory, behavioral decision theory, group decision making, equilibrium-conflict resolution, and open system decision making. Nutt (2002) also discussed on the limits and ways to selection the appropriate model for decision making for organization. As such organization performed unique functions; the levels identified were technological or primary level, managerial level, and institutional level. Thus, factors which characterize the decision making environment will stipulate the appropriate model that can be optimally used (Nutt, 2002)

2.2 Theories in Stakeholder management

The stakeholder theory posits that an organization is a social construction made of interaction of various stakeholders. The organization is envisioned as the centre of a network of stakeholders, a complex system of exchanging services, information, influence and other resources (Freeman 1999; Mersland and Strøm 2009). The theory further argues that an organization’s value is created when it meets the needs of the firm’s important stakeholders in a win-win fashion (Harrison, Bosse et al. 2007). In efforts to improve the theory, some studies proposed three stakeholder theory types normative, instrumental and descriptive/empirical. These types are briefly discussed below.

Normative stakeholder theory prescribes how organizations ought to treat their stakeholders (Freeman, 1999). One of the central points in this realm is that organizations
should attend to the interests of all their stakeholders - not just their shareholders. A common theme among the scholars of this theory is that firms should treat stakeholders as "ends" Jawahar and MClaughlin (2001). Normative theory is discussed with strong pillars of moral principles and ethics and thus organizations should view their stakeholders as having intrinsic value.

Instrumental stakeholder theory posits that certain outcomes will be obtained by the organization if certain behaviours are adopted. According to this theory, if the behaviour of the managers is in-line and accepted by the stakeholders then the organization will have certain outcomes. Freeman (1999) puts this as “if managers want to maximize shareholders’ wealth, they should pay attention to their key 5 stakeholders”. In this theory, stakeholders are treated as both means and ends. The general proposition for this theory is that managers of organizations are employed based on mutual trust and cooperation between them and the stakeholders.

Descriptive stakeholder theory explains how organizations manage and or interact with stakeholders (Freeman, 1999). This theory purports to describe the actual behaviour. According to Jawahar and MClaughlin (2001), the descriptive stakeholder theory of an organization posits that the nature of its stakeholders, their values, their relative influence on decisions and the nature of the situation are all relevant information for predicting the organizational behaviour and performance.
However, all these three approaches to stakeholder theory are nested within each other with descriptive being supported by instrumental and normative being the central core of the rest (Donaldson 1995; Kaler 2003). They are all important and furthermore this distinction is rooted from the old philosophy of science in which descriptive theory explain what the world really is (reality), normative prescribes how the world should be and instrumental links means and ends (Freeman 1999).

2.3 Stakeholder Identification

Stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives. In other words, it is the person or an organization that can be positively or negatively impacted by, or cause an impact on the actions of an organization (Freeman, 1999)

These stakeholders are further distinguished in terms of the immediacy of their effect and their location. In terms of effect, there are two categories which are primary and secondary stakeholders. Primary stakeholders are those who are directly affected either positively or negatively by organization's actions. They are those groups whose continuing participation is necessary for the survival of the organization. Donaldson, (2000) and Jawahar and MClaughlin (2001) identify primary stakeholders as shareholders, investors, employees, customers and suppliers. Secondary stakeholders on the other hand, are those individuals, groups or organizations which can indirectly affect or be affected by the organization's actions.
Harrison and St. John (1998) categorize stakeholders into those within the organization (owners/board of directors, managers, and employees) and within the operating environment (customers, suppliers, government agencies and administrators, unions, competitors, financial intermediaries, local communities, and activist groups), all operating within the broader environment subject to sociocultural, global economic, and global political/legal forces and technological change. They emphasize the importance of identifying, understanding, building relationships with, and satisfying its key stakeholders, and taking these stakeholders into account in the formulation of organizational strategy.

Another distinction is in terms of their location which includes internal and external stakeholders. The internal stakeholders are those groups which belong inside the organization such as managers and employees. External stakeholders are groups which are outside the organization and have effects on the survival of the organizations (Harrison 2007). These groups consist of customers, suppliers, government agencies, local communities and unions.

2.4 Levels of Internal Stakeholder Involvement

Stakeholder involvement is an integral part of a stepwise process of decision making. At different phases, involvement may take the form of sharing information, consulting, dialoguing, or deliberating on decisions; it should be seen always as a meaningful part of formulating and implementing good policy (Lapenu and Pierret, 2005). Specific involvement initiatives may be seen as part of an ongoing relationship among the
different societal partners who are concerned by issues. Stakeholder involvement techniques should not be viewed as convenient tools for "public relations", image-building, or winning acceptance for a decision taken behind closed doors.

Involvement in strategic decision making has been one of the important governance and strategy roles of boards (Judge and Zeithaml, 1992). Board’s involvement here refers to the overall level of participation of board members in the process of making non routine, organizational wide resource allocation decisions that affect the long term performance of an organization (Judge and Zeitham, 1992). For the Micro Finance Organizations, the main strategic decisions made are those concern the vision and mission in terms of the target clients and financial services to be offered, geographic outreach, growth strategy in terms of new product development, choice of directors, lending policies and interest rates to be charged (Lapenu and Pierret, 2005). With the current competition these organization face, strategic decisions are becoming of more important and the involvement of boards in making these decisions is also very important (Lapenu and Pierret 2005).

Involving relevant stakeholders throughout the strategic planning process is very important to broaden the support for policy and activities, to avoid conflicts and to generate as much support as possible for the implementation of the plan over time. The importance of participatory processes is generally well understood, but traditional administrative and political processes are reluctant to open up policy development and
decision-making to a wider, but more unfamiliar (and perhaps less manageable) public (Lapenu and Pierret 2005).

Levels of Public Involvement involve the following key areas: a) Information gathering: involving a systematic analysis of existing social, cultural and economic conditions about directly affected groups of stakeholders. b) Information dissemination: referring to the provision of information about a project to all interested parties (stakeholders). Stakeholders cannot genuinely be consulted or participate if they are not fully informed about the objectives of a project. c) Consultation: where decision-makers listen to the views of other stakeholders in order to improve project design prior to implementation, or to make necessary changes during implementation. Consultation should involve government, affected parties, donor agencies, mass awareness organizations and NGOs (Local and/or international). d) Participation: is an extension of consultation where directly affected groups become joint partners in the design and implementation of projects. They participate in “making” the decisions (Lapenu and Pierret 2005).

Successful stakeholder involvement: – fosters strategic development of partnerships, results in collaborative problem solving (sharing of power), ultimately results in broader support for decisions. He further states that emphasis is on internal stakeholders and their involvement as it: (a) Helps make sure that everyone’s on the same page (b) Internal stakeholders communicate informally with friends and neighbors – give them accurate, credible, up-to-date information (c) Use an integrated team of engineers, scientists, and stakeholder involvement/public affairs specialists to address complex issues—success
depends on a coordinated effort, and (d) Integrate stakeholder involvement and risk communication processes into technical planning and resourcing (Lapenu and Pierret 2005).

(Lapenu and Pierret 2005) contends that the advantages of an effective early stakeholder’s dialogue will be mutual understanding of project goals and interests, early identification and dissolve of possible issues preventing costly incidents and juridical and regulatory conflicts leading to time and cost overruns. The establishment of shared agreement within the initiation will minimize surprises and provide a higher level of acceptance from the project team, client and stakeholders (Lapenu and Pierret 2005). Also participation of stakeholders makes the initiative more credible and attractive for investing and financing.

2.5 Factors Affecting Internal Stakeholder Involvement in Strategic Decision Making

Your efforts to promote stakeholder participation should be encompassed within a written plan. Consider including stakeholders among your active planning partners and designate a contact for stakeholders who are not actively involved in your planning process. Stakeholders will have their expectations met if you are clear about their roles and how you will use their input. Whether their involvement is as decision makers or advisory, only, the involvement of stakeholders in local planning and implementation processes must be meaningful. Often, successful stakeholder involvement is mentored - a more knowledgeable, experienced stakeholder or advocate directly guides a less experienced
stakeholder through the bureaucratic aspects of meetings so that his or her input is heard as soon as possible.

Consider mentoring any stakeholders who participate in your planning council or workgroups. The standard for meaningful participation will be met when well-informed stakeholders become knowledgeable observers, critics of your efforts and, eventually, positive agents of change. Stakeholder criticism of your efforts is an opportunity to draw diverse opinions and interests into your planning process.

Stakeholders can understand and affect your planning only if it is visible to them. Carry out your planning activities in the public arena. Allow interested stakeholders access to your administrative and financial activities and decision making in a structured and in a manner so that both the information needs of stakeholders and the work plan milestones of your planning partners can be met. Transparency of planning and administrative operations on a day-to-day basis promotes open communication when challenging planning events present themselves.

The authors note that strategic decision makings and managers cannot be separated. Moreover with the organization's concern on the firm performance, strategic decision makings are considered crucial to managers that manage the organization. They have to make sound decisions in order to ensure the organization that they work with will manage the turbulences of business. Moreover due to the demands of globalization, managers have to make several strategic decision makings in their managerial functions.
It is obvious that stakeholders do bring in expertise. Expertise is their major resource and one of the main reasons for involving them in participatory procedures. They often represent a certain aspect of expertise in persona. At least, they are regularly accompanied by interest bound expertise (stakeholder-experts). As regards their expertise, there are certain quality assessment criteria for scientific expertise that can also be applied to stakeholder expertise.

2.6 Chapter Summary

This chapter reviewed literature on the factors explaining internal stakeholder involvement in strategic decision making, and the status of internal stakeholder on a bank's strategic decision making. In Chapter Three, the researcher outlined the research methodology. This included research design, methods of data collection and data analysis. The chapter also addressed the format in which the results would be presented.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter discussed the research methodology used as the basis of this study. The chapter also discussed data collection methods as well as data analysis and data presentation methods employed in the study.

3.2. Research Design

The research design for the project was primarily a case study. Cooper and Schindler (2007) state that case studies place more emphasis on a full contextual analysis of few events or conditions and their interrelations. An emphasis on detail provides valuable insight (provides perceived causal inferences) for problem solving, evaluation and strategy. This detail is secured from multiple sources of information. It allows evidence to be verified and avoids missing data. Case studies have a significant scientific role. It is known that important scientific propositions have the form of universals, and a universal can be falsified by a single counter instance.

3.3. Data Collection Method

The primary data collection instrument was an interview guide. Interviewing is a technique that is primarily used to gain an understanding of the underlying reasons and motivations for people’s attitudes, preferences or behaviour. The interview guide as the name suggests offered a guide on the key questions used to create discussion with the
respondents. It also provided guide for the interviewer on key issues to be noted and how to be courteous during the interview.

The interviews was conducted to Senior Managers who were in decision making committees, they included Divisional Director Strategy, Research and Innovation, Divisional Director, Human Resources, Divisional Director, Information Technology, Divisional Director Risk and Managing Directors of the subsidiaries which included Sudan, Rwanda, Uganda and Tanzania. Other members of staff were interviewed in order as informers to the researcher. Other tools like accessible company information on the websites, printed company policies and procedures that were obtained to give more information about the topic being studied was also be used.

3.4. Data Analysis

The study used content analysis technique to analyse the data. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantified and analyzed the presence, meanings and relationships of such words and concepts, then made inferences about the messages within the texts. Content analysis is a technique for making inferences by systemically and objectively identifying specified characteristics of messages and using the same approach to relate to trends (Nachmias and Nachmias, 1996)
4.1 Introduction

The research objective was to establish the level of involvement of the internal stakeholders in Kenya Commercial banks strategic decision making and also determine the factors that influence their involvement in the banks’ decision making process. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

4.2 Respondents Profile

The respondents comprised top and middle level management staff of KCB that the respondent had reason to believe that they are engaged in the strategy formulation and implementation at the bank. In total, the researcher interviewed eight respondents out of the ten that were intended to be interviewed in the research design. Two of the targeted respondents were not available during the interview period with one of them having gone on leave while the other one was away outside the country during the interview period. As a result the response rate realized was around 80%. The respondents comprised of the divisional directors in strategy, research and innovation, human resources, Information Technology, Risk and managers in the business development division.

This group of the respondents was found to have the necessary knowledge on the strategy decision making in the organisation and thus help the researcher in the realisation of research objective. All of the respondents interviewed had university degrees with six of
them having a further second degree. In addition all of the respondents, representing 100%, had worked in the organisation for over three years.

4.3 Stakeholders Involvement in strategic decision making

This part of the interview guide aimed at establishing the different categories of internal stakeholders at KCB and establish their level of involvement in strategic decision making within the organisation. The respondents did identify a number of categories of the existing stakeholders within the organisation and were able to specifically identify them as the customers, employees, government, technical assistance providers, creditors and owners. On being asked whether it was important to have in decision making the different categories of internal stakeholders, the respondents were in the affirmative that a board composed of different stakeholder groups was good for a firm. They observed that diverse board is necessary in order to bring different perspectives, experiences and expertise in the process of making strategic decisions, decrease (increase) the political power and increase level of intuition of the process which in turn have influence on organizational performance.

4.3.1 Customers

All the respondents acknowledged the critical role that the customers play in the sustainability and growth of the organisation. As a matter of fact, five of the respondents, representing 62% of the respondents, pointed out that for the organisation to continue its growth path, it should afford a more prominent role to the customers in the strategy formulation and decision making. As for KCB, the respondents noted that they can be
categorized into two main categories namely: retail and corporate. The retail customer is the one that basically holds personal account and the level of in the transaction is limited in a period. On the other hand, the respondents explained that corporate customers are those institutional or large volume customers whose general volume of transaction is high compared with the retail investors.

The respondents acknowledge the position that the bank has currently a wide branch network covering most of the East African countries namely Uganda, Tanzania, Rwanda, Southern Sudan and the host country Kenya. With this network, the bank recognises the importance of understanding the requirement of this customer base that differs culturally and social. The respondents noted that with the opening up of southern Sudan, the bank has currently increased its market base in that country to 32% and there is room for much more growth. One of the respondent observed that for the bank to develop appropriate strategy for this important stakeholder, it needs first of all to identify the problems that faces the stakeholder when dealing with the client. Towards this end, the respondents observed that the banks policy to the customers has led to a low market share in some countries such as Tanzania, non distinctive business model, unclear market segmentation, poor service standards, aging customer profile, low product range and unclear pricing model.

With such challenges, the bank has recognised that to overcome the challenges, the solution should come from the same stakeholders, the customers. As a result, the respondents pointed out that KCB has different representative for clients in the strategy
development organ. As they noted, the aim for this move is to enable the bank come out with policies that will match the clients’ needs and objectives. With this move, there was a unanimous position that the bank in the last two years has tended to embark on market oriented view and not only product view as it was in the past. Currently, the respondents pointed out that the bank has two representatives (one each to represent the retail and corporate clients). The business development manager, who was one of the respondent, did appreciate the input that this customers have given to the strategy development and decision making in the bank that has enabled the bank come out with such products as S & L Developers club and Bankika account that takes the youth.

It was appreciated out by the respondents that the current level of competition for the customers in the country and region in general is very stiff. Hence, it is important that a bank borrows the expertise to understand client’s knowledge & experience of various products and services. Having a marketing approach means that clients’ needs are put first and therefore their involvement on boards and Strategic Decision Making Process (SDMP) is very important. The respondents unanimously agreed that the main role here is to bring information of what is best for clients in terms of products needed, ways of delivery and means of attracting and retaining clients. This information is very useful for KCB since it enables them to design products and services which meet clients’ needs. This is agreed as one of the important ways in which the organizations can effectively compete with other banks in the market and to improve its performance.
4.2.2 Employees

The respondents said that employees one role or another in the strategic decision making process in the bank. They enumerated some of these roles to include, formulation of strategic objective and execution of specific activities in order to realize the said plans. They argued that after the strategic policies have been developed, employees were the ones directly involved in implementing strategies though with the help of line managers e.g. if a new system was introduced, employees are the ones to implement the same and hence this group constitute a critical group in facilitating the realisation of the strategic decision.

For KCB to be able to have a deep outreach and good financial performance, it needs committed employees who are convinced of the realisation of the same objectives. The respondents observed that Middle level managers and other employees, such as credit officers are heavily involved in and identified with the organization. They are often in contact with clients both in offices and in clients’ sites, so they can bring a lot of relevant information on board, concerning the need of innovating and improving new products and services that meet the existing market demand. In addition, employees have a direct access to detailed information concerning organizational activities and how the same could further be improved to meet the demands in the market and also identify any loopholes existing in the current system. The respondents further observed that by having or incorporating junior and middle level employees involved in the day-to-day operational activities, it will give the same the opportunity to participate in the long term
growth of the organization and a feel of ownership which in turn will motivate them and improve their performance and organizational performance.

In the case of KCB strategic decision making body, the respondents noted the employees are represented by four of their own. However, it was noted that the four are majorly senior managers but at the same time the respondents argued that before such deliberation in the meeting, they would have sought the opinions of their respective junior staff through an internal communication channel existing in the bank.

### 4.2.3 Government

The Kenyan Government currently has 17.3% stake in KCB. As such it is a minority shareholder but in comparison with other individual shareholders, they wield extremely high influence in the organisation strategic direction. However, the respondents observed that with an history of the past involvement of the government in the management of the day-to-day operation of the company having resulted to mismanagement and high portfolio of bad debts, there has been a deliberate attempt by the bank to scale down the government influence and restricting their role on the policy level where they are represented at the board by a representative from treasury to represent the interests of the government in the company. Their role here is in terms of implementation of policy and regulations set by the bank. Two of the respondents pointed out that having government representation on the bank’s boards poses the risk of having a process that is characterized by political behaviour. However, this risk can be minimized if efforts are
made to ensure shared vision, approach and goal congruence among members of the board.

While appreciating the role that the government plays in facilitating a conducive business environment, the respondents were unanimous that over time, the bank has been operating with little influence from the government and their influence has been restricted to the facilitation role and lobbying for favourable condition on matters affecting the bank such as eliminating restriction barriers imposed by the Tanzanian government when the bank was planning to operate in the country. In addition, the respondents observed that the government has been playing a critical role in elimination of working licenses permit for Kenyan staff in these countries. As can be evidenced from the above, the government basically comes in the implementation phase of the banks strategic decision and not at the very development level.

4.2.4 Technical assistance providers

The respondents pointed out that among others KCB group is a technologically based organisation and it relies upon a wide array of technology platforms in order to offer its services and products to customers. They pointed out that the bank has had to change more recently its system to the T24 that was found to be able to cope with the increased customer base and spread of the organisational products. In addition, the respondents appreciated the input from such organisation as Microsave, IFC and multinational banks such as PTA and ADB. These specialised institution and organisation have been found to be an invaluable source of technical information and funds to facilitate the operations of the bank.
Further, the researcher found out from the respondents that the technical assistance providers are good at giving funds, measuring progress, and spreading good practice through providing technical assistance to the bank. Their role in SDMP is important because they contribute to the ability of the bank to achieve the organizational dual objectives. These stakeholders also bring international expertise and different culture aspects which has been found to be fruitful to KCB. Their representation would bring intuition to the process and because they are mostly foreigners, banks which have them on board are likely to make good strategic decisions.

In the case of KCB group, it was found out that the role that these technical assistance providers play in the strategic decision making process is usually relegated to the one off consultation meetings and not really involved at the detailed formulation of the banks strategies like the customers or employees above. The respondents pointed out that the bank would not wish be driven by foreign policies which might not be workable in its operating environment. Hence there was a consensus among the respondents that the Technical assistance providers are normally brought in by the bank on part time basis and where a need arises for their input.

4.2.5 Creditors

The organizations creditors vary in form and magnitude. The major creditors for KCB group are other financial institutions that have lend money to the bank on a short call like the over night lending creditors and also other long term lenders that finance long term
operation of the bank. These categories of creditors have a major interest in the bank's operation such that they will be interested to see that the bank is able to repay its loan. In addition, the other category of creditors identified by the respondents consisted of the suppliers of goods and services to the organisation. With this group of creditors, the respondents pointed out that their interest is majorly short term and as such they are not represented in the decision making process of the bank. The respondents observed that the major creditors to the bank by virtue of their interest in the loan portfolio advanced to the bank, will normally be represented in majority of the strategic decision making process of the bank. In addition, it was noted that some of these loans come with bond covenants that require the bank to incorporate them in the board.

The respondents were also in agreement that for the bank to achieve its objectives, the relationship between creditors and the bank was needed to be healthy. The creditors were appreciated to play an important role in the organisation and to safeguard their interest, the bank has deliberately incorporated them in decision that are found to be affecting them such as raising or lowering the interest rate of borrowing. It is documented that creditor representation on boards has two implications for organizations; through loans to organizations and the aggregation and exercise of proxy voting rights. Their representation on boards also provides a strong channel of information in both directions. For example, if banks have access to private information that is used to reduce agency costs, organizations with close bank relationships (creditors on boards) may benefit from better access to finance. These relationships should lead to both higher social and financial performance of organizations. However, some respondents also observed that
creditors on boards may cause a potential conflict of interest that may manifest itself in organizational financing decisions, such as influencing management to undertake higher risky projects in case that the bank is financing the project. These projects might not bring the expected returns which may hamper organizational performance. These arguments imply that creditors on boards are able to influence the SDMP. They may make the process to be rational since they have crucial information, and they can make the process to be characterized by political behaviour because of different interests.

4.2.6 Owners

Owners who are shareholders and or investors of KCB have important roles in SDMP. These owners are in different forms. KCB boards are mostly represented by owners who are divided into classic and mixed types depending on the interests of the owners. Classic shareholders are highly profit motivated and their involvement on boards and decision process is basically on the side of making decisions which are profit oriented.

On the other hand, mixed shareholders (or social responsible investors) would like to have some levels of profit and social impact. For them, the board should have a variety of stakeholders and decisions made should meet the organization’s dual objectives. The most important role of shareholders is to monitor the management and make decisions which will lead the organization to be sustainable.
4.3 Strategic Decision Making in KCB

The KCB board is made up of eleven directors out of whom nine are independent non-executive directors, including the chairman. The Directors are provided with full, appropriate and timely information so that they can maintain full and effective control over the strategic financial, operational and compliance issues. The day-to-day running of the organization is delegated to the CEO but the board is responsible for establishing and maintaining the company's system of Internal controls so that the objectives of profitable growth and shareholders' value are realized.

The board, together with top management, is responsible to the shareholders and other stakeholders for setting the strategic direction of the group through defining objectives and key policies, which are then cascaded throughout the organization. Until 10 years ago, KCB authorities implemented projects without any consideration of the people affected and the consequence of this the increased rejection of these strategies because of the non involvement. For this reason, increasing value is being placed at present on involving stakeholders in KCB. The respondents agreed that the requirement now is that, whenever possible, projects must place more weight on participation (a form of involvement) and that this should be connected with stakeholders having influence and sharing control over decisions that are made. It is actually quite accurate to say that participation has become the new paradigm.

In KCB, Strategic decision making members are often members of board of directors. This is because one of the roles of the board is formulating strategies for the organization.
From the governance perspective, in order for the board to make strategic decisions, it’s composition in terms of size and diversity should be taken into consideration. Good composition will allow the members to bring their expertise and different perspectives to the organization and to aid strategic decisions.

The board also makes recommendations to the shareholders on board succession planning. The Board of Directors meet bi-monthly or as required in order to monitor the implementation of the Company’s planned strategy and review it in conjunction with its financial performance. To ensure efficiency and effectiveness of the planned strategy and implementation, the board has come up with a number of principal committees which meet regularly under well defined and materially delegated terms of reference set by the board. These committees include the Risk management committee, Audit committee, Human resource and procurement committee, KCB foundation committee among others.

### 4.3.1 Strategic planning and Decision making process at KCB

The bank has taken a deliberate move to ensure that all of its strategies developed have been implemented to success within the time frame stipulated. As a result, in order for the process to be realized, the main theme all through the process is collaboration. The cooperative effort between the Board and staff guides the strategic process, with the Strategic Research and Innovation Division taking full responsibility of the process. There are a number of steps that the bank follows during its planning and decision making process.
According to the respondents, the banks' guideline on strategy formulation and guideline manual, the organisation first scans for internal and external components that affect the organisation and this will include identifying and assessing opportunities and threats in the external environment as well as assessing the strengths and weaknesses as a business (KCB SWOT). The external component of the environmental scan will include a review of the target market and the broader environment in which KCB operates, in order to identify the opportunities and threats facing KCB in the 5 Countries as well as determine other industries outside the financial sector that may affect KCB. The bank also considers forces and trends in the broader community, including the political, economic, and social and technology landscape.

After the first step of scanning the environment, the bank identifies specific “strategic issues” and the questions that it needs to address. These issues are set up in priorities in terms of timelines and importance, as well as concretize the vision and goals. This part of the process focuses on identifying the strategic issues from the environmental scan. Executive Committee (EXCOM) together with the Board will explore and identify why each issue raised is strategic, including the benefits of addressing the issues and negative consequences of not addressing the issues. The end game is to prioritize them in terms of importance, timing and feasibility. The expected outcome is a set of strategic issues that will be addressed as part of the strategic planning process.

In addition, the respondents noted that the bank carry out a mission analysis workshop in order to align all stakeholders as well as solicit their input. By reviewing the KCB values, community vision and community mission it ensures that there is consensus on why the
bank exists and what it sought to achieve. During this phase all stakeholders agree upon
the key strategies to reach the goals and address key issues identified through the
environmental scan. The major emphasis is normally on the broad strategies, including
current and new initiatives and innovations. The process reviews KCB’s present position
in the market place (as well as internal processes and technologies) and determine where
its vision and goals to be, and importantly identify the strategies to get us to those goals.

In these workshops and in consideration of the many inputs that is brought in by the
diverse stakeholders, evaluation and zeroing is made in will consider such values as
appropriateness, acceptability, cost benefit and the timing of the strategy.

Upon agreement of the strategies an action plan that addresses goals and specifies
objective and work plans on an annual basis is developed at this stage. Once the long
term elements of the strategic plan have been developed, this phase of the process
develops a specific work plan to begin implementation. Annual objectives for the first
and second year of the strategic plan must be developed. Annual action plans are needed,
and annual program objectives which are time-based and measurable will be developed
and documented. This phase will still require Board and GMC input. Lastly procedures
for monitoring and for modifying strategies based on the changes in the external
environment or within KCB. Measurement of goals and objectives and use of the
strategies must be monitored regularly. The development of scenario planning models
that may counter for changes in the financial sector, GDP, interest rates, cost of funds etc.
or changes in technology or indeed competitor SWOT and other areas of importance.
4.4 Challenges related to stakeholder involvement in the Strategic change

Stakeholder involvement in strategic decision making of any organisation is an important step towards the realisation of the organization objective. However, in an effort to incorporate the views of these different categories of stakeholders, the respondents identified a number of challenges that the organisation faces. The respondents identified the following as factors affecting internal stakeholder involvement;

4.4.1 Lack of clarity of the stakeholder

Once an agreement has been reached on the goals of the project or strategy in consultation with the stakeholders, the role and the purposes for which Stakeholder Involvement processes will be used during the entire strategy formulation process has not been defined well at KCB. The respondents pointed out that if the same trend is not rectified, the bank might have problems in future in sources the input of the stakeholders.

The respondents were unanimous that the stakeholders have been demanding to be provided information periodically on the progress of the implementation of the strategy developed but this was noted not to be the case. In addition, the stakeholders have been demanding to be given feedback before a project is planned and scheduled, so that their ideas can be (but not necessarily) taken into consideration during project planning. In addition, whenever the various stakeholders affected have different interests, consensus must be reached on the project to be developed and at the same time constant feedback to all the stakeholders affected will need to be made.
4.4.2 Understanding stakeholders’ characteristics

With the many different kinds of stakeholders that the bank incorporates in its strategy development, there arises the problem of aligning the strategies to the interest, characteristics, and circumstances of the varying stakeholders. The respondents pointed out that different kinds of stakeholders demand different type of attention and this need has led a challenge to the bank. In trying to mitigate against this challenge, the respondents observed that KCB uses various methods such as brainstorming with the stakeholder group, semi-structured interviews; mining existing data from reports and newspapers so as to reduce the divide between the two groups. At KCB, the bank has come up with a process whereby after conducting initial, qualitative interviews, it is recommendable to conduct a quantitative, standardized survey for estimation of frequency and distribution of stakeholder characteristics among all stakeholders. The representative survey produces a realistic picture of the opinion of the stakeholder group.

In addition, it was noted that the willingness of the stakeholders to participate in the stakeholder process must be clarified. Towards this objective, it was observed that KCB considers first the costs and benefits that a bank will derive from stakeholder involvement; the stakeholder’s capabilities and abilities to participate in the decision making process and the social pressure to participate in stakeholder involvement.
4.4.3 Lack of a clear interaction point with the stakeholders

The patterns and contexts of interaction between stakeholders and the organisation has to be recognized. The respondents pointed out at several measures has been initiated in the bank that spells out the points of interaction with the stakeholders on conflict and cooperation, authority relationships, ethnic, religious and cultural divisions. They further pointed out that the bank will always endeavour to respect the rights and responsibility of the stakeholders.

4.4.4 Teamwork

The spirit of teamwork was cited as lacking, yet team work, pooling of talents and expertise would allow multifaceted problems to be dealt with. The respondents are aware of the immense benefits to be derived from working as a team. Such befits were cited out as fostering support for discussion, broadening the knowledge of team members, improved communication and better motivation.

4.5 Discussion of Findings

In order for the bank to make more strides in successful implementation of its strategies in the face of intense competition in the banking sector, it has initiated a deliberate step of incorporating the views of stakeholders in its strategic planning process. Effective stakeholder participation is an integral part to good corporate governance. The respondents unanimously stated that bank regulators and supervisors act as facilitators in the processes of risk management. This step by the bank is in tandem with the participative decision making model which is an expansion of the bargaining approach.
and attempts to include all those directly affected by the decision. This participative model is considered to be the democratic form of decision making where there is an opportunity to provide input and influence. In addition, the normative stakeholder theory by Freeman prescribes how organizations ought to treat their stakeholders and postulates that organizations should attend to the interests of all their stakeholders - not just their shareholders. A common theme among the scholars of this theory is that firms should treat stakeholders as "ends" Jawahar and MCloughlin (2001). This stakeholder approach as advanced above is actually a reflection of what the findings of this research found out as regards KCB’s strategy decision making process.
5.1 Introduction

In this section we discuss the main findings, draw conclusions and make recommendations.

5.2 Summary

Kenya Commercial bank Ltd as one of the pioneer banking institutions in the country has made great efforts in its bid to continue being a market leader in the country through innovation of new products and services. In order for the bank to make more strides in successful implementation of its strategies in the face of intense competition in the banking sector, it has initiated a deliberate step of incorporating the views of stakeholders in its strategic planning process.

Effective stakeholder participation is an integral part to good corporate governance. The respondents unanimously stated that bank regulators and supervisors act as facilitators in the processes of risk management. As such they enhance and monitor the statutory framework in which risk management is undertaken by creating a sound enabling environment. The board of directors on the other hand have the responsibility for the way in which a bank business is conducted. The board sets the strategic direction, appoints management, and establishes operational policies. Executive management of a bank has
to be fit and proper, that is, not only to subscribe to standards of ethical behaviour, but also that they have the competence and experience to run the bank. Since management are responsible for implementing the board’s policies on day to day basis, it is vital that managers have intimate knowledge of financial risks being managed.

The study results indicated that internal stakeholders’ involvement in strategic decision making in KCB has resulted in improved employee engagement, efficacy and commitment. The registered ease of implementing of strategic plan in the bank has been due to the involvement of this group of stakeholders in decision making process and from the realisation of the fact that they will eventually be the ones to operationalize the strategies. In addition it was found out that the input of these internal stakeholders has been very positive and therefore justifying the invaluable input.

It was apparent that all internal stakeholders were involved in strategic decision making, that is, the board of directors is responsible for approval of the bank’s strategic plans that span over a period of 5 years and the subsequent year’s budget and the General Management Committee is responsible for developing the strategic plan and setting out the main activities. However, the research also identified a number of challenges that the bank faces in incorporating the views of the stakeholders in their strategic planning process. These challenges includes a lack of clarity on the goal and purpose of the stakeholders, different interest of the many stakeholders and also a lack of a clear point of interaction between the stakeholders and the management of the bank during the implementation phase.
5.3 Conclusion

The study identified two key improvements needed to be incorporated in the current KCB internal stakeholder’s involvement in decision making. The improvements were; carrying out environmental analysis on the basis of Michael Porter five forces which explain the environmental factors that affect managers’ strategic decision making and implementation of decision support systems (DSS) to assist the decision makers to derive an in-time, efficient solution. The study in addition concluded that KCB embraces an all-inclusive internal stakeholders’ involvement in decision making. This conclusion is supported with the respondents’ views on the roles played by each internal stakeholder in the process and the peoples pillar entrenched in the bank’s strategic plan.

The study concluded that KCB internal stakeholders’ involvement in decision making is in line with the ideal internal stakeholders’ involvement in decision making process however there exist room for improvement in the KCB process so as to factor in the weakness identified in the study. The study also concluded that involving stakeholders on boards and strategic decision making is one means of having close relationship. Strategic decision making process is the central part of the organizational survival and performance. Having trusted stakeholders will improve the decision process which is characterized by one or a combination of rationality, political behaviour and intuition. Also trusted relationship with stakeholders will open doors for more strategic decision outcomes such as new products which matches demand, new ways of providing services and so on because all this information will easily be obtained. To be able to involve key stakeholders on boards, the interviewees suggested that the bank should first identify
their key or primary stakeholders.

It should was also noted that not all stakeholders to the industry are important to an individual organization. Some stakeholders may be key to one organization but not key to another depending on their ownership nature and type. After identification, the organization needs to know and create values with them by probing for interests. Also it should be noted that there are some stakeholders whom by, their representation on boards can be a curse. This depends on the agenda that they pursue and their influence. This can also lead to misrepresentation and also create problems in strategic decision making. In such cases the bank needs to be as careful as possible when selecting their board members based on stakeholdership.

5.4 Recommendations

A firm’s competitive advantage can be obtained through a number of ways but perhaps the most influential of them all is gaining competitive advantage through innovations of new products and processes. It is therefore recommended that the bank engage the stakeholders more on product development. Ina addition, the bank should understand on internal factors by clearly focusing primarily on an objective, rational consideration of internal strengths and weaknesses. The respondents were of the opinion that the bank embraces decision support systems (DSS), that is, an information system that uses decision rules, decision models, a comprehensive database, and the decision maker’s own insights in an interactive computer-based process to assist in making specific decisions to hasten their decision making process. This would assists the decision makers to derive an in-time, efficient solution.
Every meeting of the Stakeholders results in a plan of goals and actions that are accepted and borne by all. The entire Stakeholder involvement process must undergo continuous evaluation, and the results of the evaluation must constantly inform the process, revising it as needed (formative evaluation). Evaluation of the process should be conducted in such a way that after every meeting and otherwise, at regular intervals, stakeholders are asked about their satisfaction with the Stakeholder Involvement process with regard to form, course of the process, development, results, and more. For a formative evaluation, the results must impact the process. For example, if some participants are dissatisfied with the form of the process, it should be corrected as quickly as possible. The following points should be explored with the stakeholders in an interview using a semi-structured interview protocol.

5.5 Recommendation for Further Research

Future research should endeavour to overcome some of the limitations of this study. The researcher relied on a few respondents to address an organization-level question; future research might seek the views of multiple organization members to reduce the potential for common method variance. Further research work is recommended on the internal stakeholders' involvement in decision making at other commercial banks and the results to be compared. In addition a research should be carried out on the level of the efficacy in decision making by having many stakeholders in the process.
5.6 Limitation of the study

This study depended on interviews and discussions with six management staff and two employees of the organization. It would have been of value to obtain the views of those other stakeholders involved in the decision making process in the bank.
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APPENDICES

APPENDIX I: COVER LETTER

ANN MATHENGE
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI
P.O BOX 30197, NAIROBI
SEPTEMBER 2010

Dear Respondent,

I am a postgraduate student at the University of Nairobi, School of Business. I am carrying out research on “Internal Stakeholder Involvement on Strategic Decision Making at Kenya Commercial Bank”. This is in partial fulfilment of the requirement for the degree of Masters in Business Administration (Strategic Management) Degree program at the University of Nairobi.

This study uses Kenya Commercial Bank as the case study from which you have been selected as one of the lucky respondents. The success of this research substantially depends on your help and co-operation.

I hereby request you to respond to interview guide as honestly as possible and the best of your knowledge. The information provided will exclusively be treated with utmost confidence; neither your name nor any other details shall appear in my report.

Thank you in advance,

Yours sincerely,

Anne. W. Mathenge
(Student)

Jackson Maalu
(Supervisor)
APPENDIX II: INTERVIEW GUIDE

Goal of the interview process

- Establish the level of involvement of the internal stakeholders in Kenya Commercial banks strategic decision making and also determine the factors that influence their involvement in the banks’ decision making process.

Interview Questions

The following sections provide sample questions that were used in evaluating stakeholder involvement in decision making at KCB.

Respondent Background Review

- What is the highest level of education you have received?
- How long have you worked in this organization?
- What do/did you like best about the position/s you have held?
- What do/did you like least?

b) Stakeholder Involvement

- Does the bank involve internal stakeholders in strategic decision making?
- If yes, how many internal stakeholders do you incorporate in the process?
- Views on the importance of internal stakeholders involvement in strategic decision making
- Explain ideal strategic decision making process
- Explain ideal internal stakeholders involvement in strategic planning
- Explain ideal internal stakeholders involvement in strategic decision making
- Narration of Internal Stakeholders involvement practice in KCB
- The strength and weakness of the current KCB internal stakeholders involvement in decision making
• Explain factors that affect Internal Stakeholders Involvement in Strategic decision making

• What challenges does the organisation face in incorporating internal stakeholders in strategic decision making

• Any other information on the subject matter

• Thank the interviewee

• Note interview ending time
APPENDIX III: LIST OF DOCUMENTS TO BE OBTAINED

1) KCB’s Strategic planning policy, procedure and process
2) KCB’s Internal Communication Policies
3) KCB’s HR Policy on Staff Involvement in decision making
4) KCB’s Confidentiality Policies
5) KCB’s Internal Stakeholders sample communications.