EFFECT OF STAKEHOLDER'S INVOLVEMENT IN STRATEGY FORMULATION AND IMPLEMENTATION ON ORGANIZATIONAL PERFORMANCE, AMONG TEA WAREHOUSING COMPANIES IN MOMBASA COUNTY, KENYA

BY

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DECLARATION

I declare that this research project report is my own original work and all reference sources have been accurately reported and acknowledged and that this document has not been copied, imitated or previously, in its entirety or in part, been submitted to any other institution or university for examination. Any resemblance to any other article not referenced is purely coincidental. I am therefore personally responsible for the shortcomings of this research paper.

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

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May the Almighty God reward you accordingly.

DEDICATION

Dedicated to my wife Lavender and children; Pretty, Val, Tri, Ashley and Emmanuel.

ABSTRACT

Businesses world over are today more concerned about their future survival as the environment become more and more erratic by day. The intensity of competition, new entrants, availability of substitutes and more so the effect of globalization are some of the environmental factors that prompts dynamic business survivors to quickly modify and implement new strategies to counter the changes in the environment as they occur. This study focused on stakeholder involvement in strategy formulation and implementation, and its effect on organizational performance among tea warehousing companies in Mombasa County in Kenya. It established that tea warehousing business was a rapidly growing sector as more tea producers and traders outsourced their warehousing function to third party warehousing service providers as reflected by more than 1/3 of the companies that were less than 15 years old in tea warehousing business. The new entrants constrain the subsector, prompting players to develop survival strategies that become the lifeline of their organization. The research attempted to establish the extent of stakeholder involvement in strategy formulation and implementation, and the effect that this had on the organizational performance. Primary data collected indicate that stakeholder involvement had a strong positive correlation to performance. This is despite the fact that there was moderate stakeholder involvement in strategy formulation and implementation. Those organizations that had higher stakeholder involvement also had relatively higher performance index than those with lower involvement. The study therefore concluded that there was an above average stakeholder involvement in strategy formulation and implementation among the tea warehousing firms in Mombasa County and this impacted on organizational performance. With the ever increasing environmental change and the growing importance of entrepreneurship among the organizational staff who are knowledgeable and feel more motivated when involved in strategy formulation, the study recommends a higher staff involvement in strategic matters in the organization as this would enhance their commitment and ownership to strategy implementation culminating to improved organizational performance. In a rapidly changing business environment, strategy making process need to be so flexible as to be able to adapt to different situations as they emerge.

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ABBREVIATIONS AND ACRONYMS

AFFA	Agriculture Fisheries and Food Authority
ANOVA	Analysis of Variance
BSC	Balanced Score Card
CBA	Collective Bargaining Agreement
EATTA	East African Tea Trade Association
FAO	Food and Agriculture Organization
KEPHIS	Kenya Plant Health Inspectorate Service
KTDA	Kenya Tea Development Agency
PESTEL	Political, Economic, Social, Technological, Environmental and Legal
RBV	Resource Based View
SBU	Strategic Business Unit
SWOT	Strengths, Weaknesses, Opportunities and Threats
TBK	Tea Board of Kenya (currently Tea directorate of Kenya).
TDK	Tea Directorate of Kenya,
VIF	Variance Inflation Factor

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Businesses strive to compete in their ever changing environment through establishing various ways of survival. The concept of business strategy, whose essence is to achieve a sustainable organizational performance, is today widely practiced among organizations to outwit competitors. Aosa (2000) observed that increased environmental turbulence and competition has prompted organizations to embrace the concept of strategic management in organization in order to remain profitable. Business owners often develop detailed strategic plans for achieving success in business and to maintain a competitive edge over their rivals. Effective strategic management demands a higher involvement in the strategy formulation and implementation process by a variety of stakeholders. This will increase the degree of ownership and commitment to that strategy thereby increasing the quality of output and its success rate. The management must therefore identify the key stakeholders with vested interest in the success of the organization and involve them in the organization's strategic management process in order to enhance organizational performance.

This study is anchored on Stakeholder Theory and Resource Based View. Freeman (1984) fronted the concept of stakeholder theory in which he defined stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Friedman (2006) views an organization as a grouping of stakeholders whose interests, needs and viewpoints are managed by the same organization. The managers therefore manage the company on behalf of the stakeholders in order to ensure their rights and participation in decision making while acting as the stockholder's agent to ensure good performance of the firm.

Resource Based View (RBV) was introduced by Warnerfelt (1984). The theory explains how firms should exploit internal resources for sustainable competitive advantage. RBV is crucial in strategic management in the organization and demands that, as the management formulates strategy, they must take cognisant of both tangible and intangible resources in the organization. Stakeholder theory and RBV are therefore crucial for the study because they recognize the management's role in building consensus in the organization and exploiting the internal resources in strategic management. It is no doubt that a company's management must be in the forefront in ensuring that the company's strategy is formulated and implemented while involving key stakeholders and building on the available internal resources in order to enhance business performance.

In Kenya, Agriculture still remains one of the main economic drivers in the country, with Tea sector being the leading foreign exchange earner through its export to foreign countries. According to KTDA, annual report of 2013, Kenya exports up to 95% of its locally produced Teas in bulk through the sea-port of Mombasa. This makes Kenya the largest exporter of Black Tea in the world. Mombasa is therefore a strategic Tea Warehousing terminal point of the major land and sea routes as Tea is grown and processed in the Kenyan highlands but has to be transported to Mombasa Warehouses to await sale at the Tea auction and eventual shipment outside the country.

Despite being hyped as the highest foreign exchange earner in the country, Tea sector has had its fair share of challenges that has been witnessed not only among the Tea farmers who allege low return and exploitation by the sector players but also among Tea sector employees whose collective bargaining agreement (CBA) cannot be honoured by their various companies due to lack of sufficient funds. The companies' Management on the other hand allege high cost of operation hence low returns (Ochieng 2016).

1.1.1 Stakeholder Involvement

According to Possey, Participation in decision-making by those that are affected by it results to them having a higher degree of ownership and commitment to the achievement of its objective. Further, the quality of output will also increase as more and more people get involved in the joint process of common interest. A sense of ownership that culminates to better outcome of a strategy may therefore be built in the organization as more stakeholders are included in decision making. (https://www.everettcc.edu**)**

There are many stakeholders who depend on and/or serve the organization and are hence interested in the organization's success. These stakeholders can be broadly grouped into primary and secondary stakeholders, with the primary wielding more power and interests in the company success than the secondary stakeholders. According to Lozano (2005), primary stakeholders such as employees and customers determine the survival of the company because they understand the strengths, weaknesses, opportunities and threats that the organization faces and they can convert weaknesses and threats to strengths and opportunities due to their firsthand knowledge of the organization. Pfeffer and Salancik, (1978) adds that employees and customers provide the organization with essential resources needed for organization's success. Ansoff (1965) portends that strategic vision can only be achieved by the commitment and involvement of organizational members.

According to Floyd and Wooldridge (2000), a lack of stakeholder participation will lead to poorly developed strategies. Similar position is taken by Knights and Morgan (1991) who adds that the lack of inclusion is a sign of organizational inequality which leads to dissatisfaction among those excluded as stated by Westley (1990). Nonetheless, no consensus has been reached as to the degree to which organizational members should participate in strategy formulation, but difficulties in implementation are immensely reduced when several stakeholders are involved in the strategy formulation (Mintzberg, 1994).

1.1.2 Strategy Formulation and Development

Strategy is defined in the Cambridge Dictionary as "a detailed plan for achieving success in situations such as war, politics, business, industry, or sport, or the skill of planning for such situation" (http://dictionary.cambridge.org). Mintzberg and Quinn (1996) describe strategic management as the process by which an organization define its strategy and allocate resources to pursue it and extend to control mechanisms that guide the implementation of that strategy. Johnson, Scholes and Whittington (2008) also considers the configuration of resources and competences with the aim of fulfilling stakeholder expectations as part of the organizational strategy which provides the direction and scope of an organization over the long term in order to achieve a competitive advantage in a changing environment.

Hart and Banbury (1994) views strategy formulation in terms of Rational or Incremental process. The rational model of strategy formulation is described by Andrews (1971) as that which involves systematic environmental scanning which concerns the PESTEL factors. This is then followed by the process of assessing the strengths, weaknesses, opportunities and threats which then culminate to explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goals by the top management in the organization. The assumption of rationality has however been challenged by other scholars who proposed the incremental strategy formulation (Cyert & March, 1963). They outline the shortcomings of rationality to include; difficulties with strategy implementation; an increasing rate of environmental change; growing importance of entrepreneurship by organizational members to innovation and corporate success (Quinn, 1985; Galbraith & Kazanjian, 1986; Ansoff, 1979).

The cognitive and motivational assumption that is inherent in the rational strategy is challenged by the incremental theory where top managers have limited and less encompassing role in the strategy formulation process. It instead recognizes the significant role played by the organizational members in strategic management (Mintzberg, 1978). Westley and Mintzberg (1989) adds that effective visionary leadership is a two-way street, implying mutual obligation between the top management and the other organizational members without which the company may not realize its strategic vision due to lack of commitment and involvement of organizational members.

According to Mintzberg and Quinn (1996), strategy development in an organization can be broadly categorized in to two; managers can intentionally develop them (intended strategy) or they can emerge in organization as a pattern of activity as the organization adapts to its environment or competes with others or less deliberately. Intended strategy may arise as a deliberate intention of an individual who sets the strategic direction and others follow. It may also come about as a result of systematic analysis and planning by the manager (Lorange & Vancil, 1977), or may also be imposed on an organization by a parent company (Johnson et al. 2008). Emergent strategy on the other hand may be as a result of four explanations; Top management would set broad strategic objectives while strategy itself develops in the organization by people experimenting things out. This might be a deliberate approach by top manager who believe that the people lower down the organization are closer than them to customers and changes in the market (Westley & Mintzberg, 1989). This process is referred to as logical incrementalism; the emergent strategy may also develop out of the organization's culture; it may also develop out of political process in organization through negotiation between different stakeholders leading to emergence of strategy as a compromise of such negotiations (Johnson et al. 2008).

According to Quinn (1978), the logical incrementalism model empowers the executives to predict the broad direction of the organization through a vision. The top managers will therefore focus on identifying a broadly defined direction for the organization, allowing the details to emerge over time. Johnson et al. (2008*)* concludes that all the different strategy making processes could be taking place in the organization at the same time; where there could be formal planning processes; influence of the dominant individual; or the influence of a parent company; together with cultural and political processes at work where people will be trying things out.

1.1.3 Strategy Implementation

Upon completion of strategy formulation, the management will allocate resources for the implementation of the strategy. According to Hill and Jones (2009), a brilliantly formulated strategy does not have any value if it is not put into practice. A number of actions at different levels in the organization are needed to put the formulated strategy into practice. Kotter and Best (1996) argues that strategy implementation is the process that defines the tactic that drives the strategy of the company as it explains the who, where, when and how the strategy will be managed.

Strategy implementation is also described as the process through which strategy is translated into functional and operational targets as strategies and policies are put into action through the development of programs, budgets and procedures (Wheelen & Hunger 2011; Pearce & Robinson 2004). The main components of strategy implementation will therefore entail dissemination of strategy through business functions, setting long term goals per department and setting up supportive organization structure, leadership and culture to the achievement of the desired objectives, design of governance and ethics, establishing good control mechanisms like policies and setting ways of evaluating progress towards achievement of set goals.

To mitigate on difficulties of strategy implementation and an increasing rate of environmental change, Ansoff (1979) proposes a wider involvement in strategy making process. Quinn (1985) adds that the importance of entrepreneurial urge among organizational members to innovation and corporate success necessitates companywide involvement in strategy formulation. Galpin (1998) identifies staff motivation and education to be the differentiating factor between successful and unsuccessful strategy deployment. Employees who participated in strategy formulation fully understand its contents and the logic behind its objectives hence are more attached to its achievement because they know what's in it for them.

1.1.4 Organizational Performance

Organizational performance is the actual output obtained as measured against the intended output. Lebans and Euske (2006) describe organizational performance as the information on achievement of financial and non-financial objectives of the organization. Accordingly, Epstein (2004) considers achievement of a strong financial results; satisfied customers and employees; high levels of individual initiative; productivity and innovation; aligned performance measurement and reward systems; and strong leadership to be reflective of the high performance organization measurement.

Many organizations understand the importance of continuous and regular evaluation of performance, and they are applying various approaches to performance evaluation across their organizations (Fernandes et al., 2006). According to Behn (1991), performance measures assist managers in evaluation of progress, controlling activities, budgeting, motivation and promotion of employees, celebration of achieved milestones, learning and improvement in the organization among others. However, there is no single performance measure that is appropriate for all the measures.

1.1.5 Tea Warehousing in Mombasa County

The history of warehousing dates back to the olden days where kings and governments stored cereals during bumper harvest to be used in famine periods. The bible records in the book of Genesis chapter 14, how king Pharaoh of Egypt built storehouses to store grains. Warehousing has evolved over the years to become an important part of the supply chain. In middle ages, modern terminal warehousing was well established in such major route centres as Venice. During this period, Warehousing activity became one of the commercial activities that were operated for profit by groups of merchants who issued warehouse receipts that traded as negotiable instruments (Ackerman, 2012). Today, third party warehousing has grown to be a fully-fledged industry with specialization in different commodities. Most of the Tea warehousing companies in Mombasa are third party warehouses since they store Tea for producers and other clients.

Tea was first introduced in Kenyan highland region from India by a colonial settler G.W Caine in 1903 (Watts, 1999). Tea industry in Kenya has since grown to become the largest employer in the private sector, with more than 80,000 people working on the tea estate and about 3 million people earning their livelihood from the sector (KTDA annual report, 2013).Currently, Tea is the leading export crop in Kenya, earning the highest foreign exchange to the set current data. In the world market, Kenya is the third largest producer of black Tea after India and Sri Lanka. In 2012, Kenya exported 429 Metric Tons of Tea worth US$ 1.45 million (Barros, 2013).

Kenyan Tea trade is a highly regulated sub-sector that is controlled by multi-agency authorities such as the Agriculture Fisheries and Food Authority (AFFA); Tea Directorate of Kenya (TDK) (Crops Act, 2013); Kenya Plant Health Inspectorate Service (KEPHIS Act 2012) and the East African Tea Trade Association (EATTA). EATTA is mandated to register the Tea traders, sets the rules and policies governing the industry and monitors the activities in the tea trade industry. EATTA membership is drawn from the Tea buyers, Tea Brokers, Tea Parkers, Tea producers, Tea warehouses and Associates.

For one to be a tea warehouse member of EATTA, he must have a firm or company established in Africa, warehousing teas being sold in accordance with the EATTA General Trading Rules and EATTA Trading Regulations. The Warehouse Member must submit the Company letter of appointment in the form of Warehouse Agreement(s) with Producer Member(s) and these agreements should specify the names of individual Factory Marks. The applicant must also submit to the Board, a Warehouse Registration Certificate issued to the applicant by the Tea Board of Kenya (TBK) The licensed warehouse member then makes an undertaking not to trade in Tea within the Association or act as or usurp the function of the Brokers in any purchase or sale of Tea between members except by a written approval from the EATTA board (EATTA, 2012).

Several activities take place in Tea warehouses that add value and generate revenue to the organizations. The primary role of the warehouse is to provide storage of Tea for the producer awaiting sale at the Tea auction and subsequent collection by the buyer or further storage of purchased teas on buyer’s behalf for subsequent shipment outside the country. The Tea producer then pays for storage and handling charges up to the time the Teas are sold as agreed with the warehousing entity.

Besides storage, Tea warehouses also host a number of value added activities to Tea. Tea blend is a common activity undertaken at the warehouses whereby different grades of tea with different values are mixed together to form a homogeneous Tea grade. This is common with the traders who buy low quality, cheap Tea and blend together with high quality Tea to improve its characteristics and value. Tea packing is also done in warehouses with special packing machines for consumer size packages. (Tea Warehouses licensing Order 1989; Tea Act 1953). Foreign teas are stored in the Licensed Customs bonded and transit warehouses to await sale at the tea auction and eventual shipment outside the country. Since a large amount of Tea is destined for foreign markets, some warehouses also undertake consolidation, shipment and freight forwarding activities for the buyers.

1.2 Research Problem

As strategic management concept matures, new approaches to strategy formulation and implementation arise: from rational strategy making process to incrementalism; Top-down management style to Bottom-up management style; and above all, the ever increasing stakeholder involvement and the resource based view concepts, with the bottom line being to successfully formulate and implement the organizational strategy for improved and sustainable organizational performance. There are variety of stakeholders within and outside the organization with varied interest and power in the success of the organization. The roles of each stakeholder on strategic management vary; some play a pivotal role while others remain at the periphery. Primary stakeholders wield a lot of power and interest in the success of the organization's strategy and can influence the degree of success of a strategy in that organization hence affect organizational performance.

The growth and development of third party warehousing business has been on the upward trend especially at the coastal areas of Kenya due to its proximity to the seaport. With Mombasa being the largest tea exit point in the region, it is a strategic tea Warehousing terminal point of the major land and sea routes. These factors have contributed immensely to heightened competition in the tea warehousing subsector amid the regulators' interventionary measures being put in place. To remain competitive and achieve organizations' objectives, most companies' management today have reinvented the nature of their relationship with their multiple stakeholders to achieve a sustainable competitive advantage. They have realized that good stakeholder relationship is an important source of ideas for innovations that ultimately contribute to the success of the organization. Creative solutions to organizational problems are obtained when there is constant dialogue with stakeholders.

The study by Dandira (2011), concluded that managers will always strive to sell the strategic plan to employees who never participated in their formulation but are expected to implement them, resulting to resistance or poorly implemented strategy. Wessel (1993) identified the main obstacles to strategy implementation to include; conflicting priorities; poor functioning of the top management; top-down management style; conflicts between different functions; and lack of management development in the organisation. A study by O'Regan and Ghobadian (2002) identified the barriers to strategy implementation in the small and medium sized companies in the UK to include; implementation taking longer than anticipated followed by unanticipated problems and external factors.

Allio (2005) outlined five main reasons why strategy implementation stumbles in organizations; need to get back to real job; inability to translate ideas into action; lack of reward for sticking with the strategy; lose of track due to inability to monitor; ‘it is everyone’s responsibility and nobody’s responsibility’ notion and; when reality intrudes, plans lose relevance. According to Ayuso et al. (2006), a firm’s sustainable innovation is obtained from knowledge that is sourced from engagement with internal and external stakeholder. VanBuul, (2010) asserts that strategic management may result to poor implementation by the officers who do not understand the strategy well or are unwilling to commit fully in to the strategy they did not make.

Several studies have looked at stakeholder participation in strategy formulation; stakeholder participation in strategy implementation; the impact of strategy on organizational performance; and the relationship between strategy and business performance. While these studies have touched upon stakeholder participation in strategic management, more information is still required about the extent of stakeholder involvement in strategy work. Despite Tea industry being the leading foreign exchange earner in Kenya, little is known about the extent of stakeholder involvement in strategy formulation and implementation, more so in Tea Warehousing Companies in Mombasa, and how the strategy making process link to their organizational performance. This therefore is a researchable area which formed the basis of this study. The key questions that the research endeavoured to address were; to what extent are stakeholders involved in strategy formulation and implementation? And what effect does this have on performance of the organization?

1.3 Research Objectives

This study had three objectives:

i. To establish the extent of stakeholder involvement in strategy formulation in tea warehousing companies
ii. To establish the extent of stakeholder involvement in strategy implementation in tea warehousing companies
iii. To determine the relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance

1.4 Value of the Study

The research provide information about stakeholder involvement in strategy formulation and implementation in the organization. This study sought to understand the pitfalls that organizations experience at the strategy formulation stage and act as the watchdog for successful strategy implementation hence improved organization performance. The study may help the organizations formulate policies for strategic management process and decide on the stakeholder to be involved in strategy making process while considering the successful implementation of that strategy. This will enable the firms improve their performance through effective strategy formulation and implementation.

The research will also help universities and other learning institutions which offer strategic management courses to design appropriate curriculum tailor-made for strategy students. This will enable them to link theoretical concepts to actual practice in the field and make necessary adjustments to suit the businesses. By so doing, the academicians and researchers will get a base for further studies and also provide a point of reference to broaden their view of stakeholder involvement in strategy making process and implementation in organization at large.

From the findings and recommendations of this research, the organizations will be able to appreciate the holistic approach to strategic management process and how the strategy can be successfully formulated and implemented in the organization taking cognizant of the stakeholders' power and interest. This will definitely enhance their performance in terms of competitiveness to the benefits of their clients and society.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter consists of theoretical and empirical literatures of the research study. Theoretical literature consists of information regarding stakeholder involvement, resource based theory, strategic management and organizational performance. Empirical literature on the other hand shades light on a few past related studies. In conclusion, the chapter provides a summary of literature review which forms the foundation of this study.

2.2 Theoretical Foundation of the Study

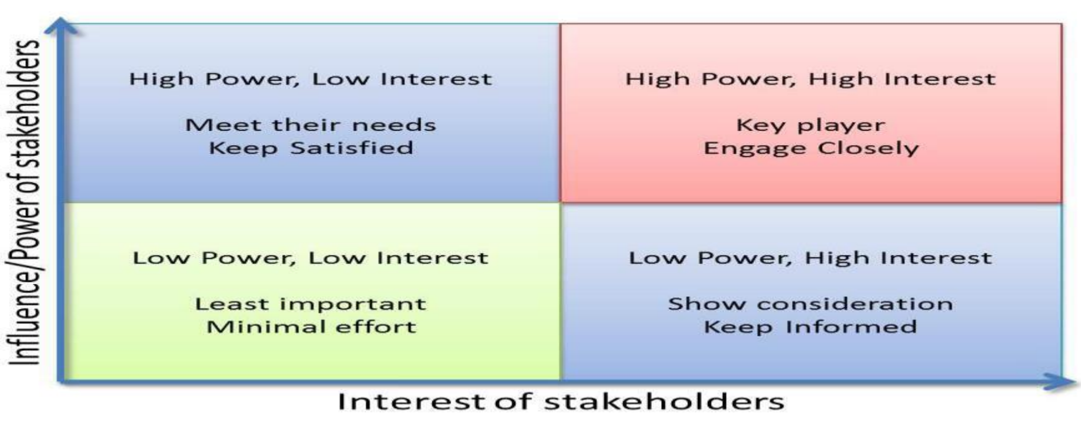
This section discusses relevant theories underpinning this study; stakeholder theory as fronted by Freeman (1984) and resource based theory as described by Wernerfelt (1984) are reviewed.

2.2.1 Stakeholder Theory

Stakeholder theory was first fronted by Freeman (1984) who described groups and individuals who are affected by, or who affect the organization’s activities as that organization’s stakeholders. Donaldson and Preston (1995) stresses the financial benefit that is obtained by the firms that embrace stakeholder theory through building stronger relationships with stakeholders. According to Rodrı´guez et al., (2002) a competitive advantage can be achieved by strengthened stakeholder relationships emanating from trust, reputation and innovation which translates to better performance of the organization.

All organizations have stakeholders with potential to exert influence on issue in the company. Such stakeholders should therefore be recognized and evaluated for their possible support or threat to the organization and its competitive goals (Mason & Mitroff, 1981). As to such, each stakeholder has varied interest and power in the organization and the management of the organization need to undertake a ‘Stakeholder mapping’ exercise to understand the different characteristics of the organization’s stakeholders; who they are, where they come from and what interest they have in the performance of the business. Stakeholder mapping will therefore be able to group and categorize the various stakeholders according to the power and interest they wield in the organization. This is done with a view to managing these stakeholders to contribute positively to the organization. Mendelow (1991) developed a two by two matrix with four quadrants where each stakeholder can be grouped in the *Mendelow Matrix* for determining their potential influence and interest in the organization.

Figure 2.1: Mendelow Stakeholder Matrix- Stakeholder Mapping



Source: *www.oxcomlearning.com/pluginfile.php/.../**Mendelow**%20**Matrix**.pdf*

Stakeholders in ‘low power/low interest’ quadrant may be characterized by lack of power and interest making them open to influence by the organization’s management. They are more likely to accept what they are told and hence need minimal effort and involvement; stakeholders in ‘low power/high interest’ quadrant are those who are interested in the company’s strategy but can do nothing because they lack the power. The management must justify the plans to these lot of stakeholders so that they don’t consider gaining more power by joining with parties in the other quadrants; those in ‘high power/low interest’ quadrant are likely to gain power and move to key players if not kept satisfied. They should be reassured of the anticipated positive outcomes of the strategy early enough; finally, the Key player stakeholders can cause devastating effect on management plans if they are not satisfied with any part of the process. They have ‘high power/high interest’ and the Management, therefore must involve them right from formulation all the way to implementation and evaluation.

2.2.2 Resource-Based View

Resource based view considers internal resources in an organization as key to superior firm performance. It was introduced in the 1980s as an approach to achieving organizational competitive advantage. The theory stresses that the organization’s competitive advantage lies right inside the organization and not at competitive environment. Wernerfelt (1984) fronted the resource based theory where he linked it to the internal resources of the organization. These resources that are grouped into tangible and non-tangible assets assist the organization to exploit the unique interplay of human, organizational and physical resources that are manipulated to produce a competitive advantage above the competitors of the firm. In this sense, stakeholder involvement can be linked to the resource based view of the firm.

Through RBV, the company is able to effectively deploy its internal resources and hence develop a distinctive competence that the competitors may not easily replicate or imitate. This will enable the firm to perform highly and obtain higher rates of return (Barney, 1991). According to Ayuso, et al. (2006) some of the internal factors that may lead to competitive advantage include culture, reputation, and long-term relationships with stakeholders. Mahoney and Pandian (1992) adds that effective management of resources in the organization leads to a sustainable competitive advantage.

2.3 Stakeholder Involvement Practices in Strategic Management

Vänttinen and Pyhältö, (2009) argues that a lot of effort is put into the formation of a strategy in many organizations but the implementation is lacking. This renders the greatest strategy in the world to be worth the paper it's written on, according to Speculand (2009) who also contend that nine out of ten strategies fail to be successfully implemented. The first stage in development of a strategic plan for the organization involves determining who should be involved at various stages of the strategic management. These may include; those who will contribute to strategy development; those who will be implementing the strategy; those who will be affected by it; and those who will monitor its implementation.

Pearce and Robin (1991) defines strategic management as a set of decisions and actions resulting from strategy formulation and implementation, and is designed to achieve a company's objective and developing other activities that have to be achieved. Such activities include formulation of the company's vision, mission and objectives, while reflecting its internal strengths and weaknesses; assessment of external environment including the PESTEL factors and selecting the best option that is suitable for the company. This culminates to resource allocation through matching activities with people, structures, technology and evaluation of the success of the strategic process as an input for future decision making.

Johnson et al. (2008) identifies three levels of strategy in an organization; corporate level; business level and; operational strategies. According to Pearce and Robin (1991), corporate level comprises the board of directors and it provides the financial and non-financial directions to the organization. Strategic Business Unit (SBU) level then translates the corporate strategy developed at the corporate level into specific objectives and strategies for a specific business function. The strategy at SBU is geared towards making the company competitive in the particular market that it operated in through effective resource deployment. The last strategy level is the Operational level which is concerned with how the individual parts of the organization will achieve the set corporate and business level strategies through effective utilization of resources, processes and people.

2.4 Influence of Strategic Management on Organisational Performance

The organizational performance is loosely described as the actual output obtained in an organization as measured against the intended output. Ofori and Atiogbe (2012) argue that the direction from which the organization members can concentrate their efforts on is provided for by strategic management. French, Kelly and Harrison (2004) assert that firms that have effectively embraced strategic planning approach, record better performance compared to those that have not. This is so because when a firm defines its purpose and goals through strategy formulation then it enhances the coordination and control of its activities leading to improved business performance. Similar sentiments are fronted by Prescott (1986) who concluded that business strategy significantly influence organizational performance, having examined the relationship between the organizations strategy and its performance. According to Gavrea, Ilieş and Stegerean (2011), the only sure way through which an organization is able to grow and progress is by making continuous performance as an objective of the organization.

There are a range of performance measures that organizations use to evaluate performance periodically. Because of its comprehensiveness, many organizations have adopted the use of Balanced Score Card (BSC) concept for evaluating performance and for strategic management topics. Kaplan and Norton (1992) introduced the BSC with four main aspects which have been used by managers to modify the strategy of the enterprise in to a coherent set of performance criteria. Johnson et al. (2008) describes BSC as forms of control measures that relies on performance targets. The BSC uses a range of performance target measures so that managers can focus on those things that are important measures for the long term success of an organization. A typical BSC has four sets of performance targets i.e., customer satisfaction; Innovation and learning; internal process and Financial targets. Customer satisfaction may be characterized by levels of repeat businesses and customer complements. Innovation and learning involves evaluating expenditure on research and technology, patents owned by the organization etc. Internal processes include issues to do with staff turnover, staff satisfaction and adequate investment in information technology among others. Finally, financial perspective measurement may be based on return on capital, profitability index and good financial performance.

2.5 Empirical Literature on Stakeholder Involvement in Strategic Management and Organizational Performance

Ayuso et al. (2011) conducted a study that sought to investigate whether engagement with different stakeholders promotes sustainable innovation in the organization. The study established that the firm's sustainable innovation orientation was dependent on the knowledge sourced from engagement with internal and external stakeholders. Schraeder and Self (2010) outlined four main potential benefits of engaging primary stakeholders such as employees, customers, and owners in developing a vision; when employees are involved in the creation and development of the company's vision then they will support future changes related to it. Furthermore, the planning process in the organization is also immensely enhanced when employees', customers and shareholders are involved; engaging stakeholders enhances recovery especially after a period of economic instability in the organization. This is because of the knowledge and interest they have on the organization that enables them to explore various solutions to the problem; when one is involved in strategy formulation then he develops loyalty to the leadership as he feels valued in the organization due to his contribution of ideas; Anyone involved in the visioning will want to put effort into its achievement and will therefore tend to support it at all costs and by all means.

A case study by Vänttinen and Pyhältö (2009) on strategy process as an innovative learning environment, sought to explain the reasons for a lack of implementation of strategy in municipal services in Finland. It established that the grass-root level did not participate in the strategy making process and were therefore not committed to the implementation of the strategy made by the strategic level management. O'Regan and Ghobadian (2002) also conducted a study in the small and medium sized organizations in UK in which they sought to identify the barriers to the implementation of a strategic plan. The study established key barriers of implementation as the length of time the implementation was taking that was much longer than anticipated, followed by unanticipated problems and external factors. In comparing the low and high performing firms, the study established that those companies that achieved high percentage of their company's initial goals and objectives as well as their financial results were focused more on the strategy implementation process more than the low performing firms.

Peters and Waterman (1982) underpinned the role of top management in strategic management in an organization that required active information gathering and problem solving. In their research of Hewlett-Packard (HP), they noted the dominant management style practiced in the company by the senior management involved spending time at the shop floor dubbed *management by walking around* (MBWA). This management style was not only limited to the shop floor but also extended to visiting employees, customers and suppliers. The direct contact with these key stakeholders enabled the management to formulate viable strategies for the organization. Similarly, a study conducted by de-Geus (1997) identified four key traits of companies that had performed highly for over 50 year. These were; analysing of the business environment and quickly adapting to the changes as they occur in the environment; establishing a vision and purpose that are linked to other organizations competencies; decentralization and involving various interested parties in decision making and; informed allocation of finances to the goal achievement. In conclusion, those companies that emphasize knowledge as opposed to finance in the organization had much better performance.

Back in Kenya, Makau (2012) undertook a study on stakeholder participation in strategy formulation and implementation in child development organizations in Kilifi County and concluded that there was very little stakeholder involvement at strategy formulation leading to inefficient implementation. Similarly, Maina and Muturi (2016) also conducted a research on the “influence of stakeholder’s involvement in strategy formulation on strategy implementation in public secondary schools in Thika sub-County, Kenya”. They established that there was inadequate involvement of the stakeholders in strategy formulation thereby negatively influencing strategy implementation.

Bett (2003) researched on the strategic planning by Tea manufacturing companies. His objective was to identify the various strategic planning practices by the Tea manufacturing companies. The study concluded that there was indeed strategic planning process in the tea manufacturing companies. Nguluu (2006) on the other hand studied the relationship between strategic management and performance of Tea manufacturing firms in Kenya. He established that the level of strategic management practice in the organisation had a direct positive contribution to the performance of the Tea industry.

Kinuu, Machuki Ongeti and Njoroge, (2015) conducted a study on the effect of strategy implementation on performance of Kenya state corporations and established that strategy implementation had a statistically significant influence on all the indicators of performance they used in the study. Mlanya (2015) studied stakeholder involvement in strategic management and performance of British-American Investments Company limited (BAICL). She concluded that stakeholder involvement in strategic management in BAICL had helped enhance the firm's performance and recommended that the management should develop mechanisms to evaluate the success of and/or challenges of stakeholder involvement in the company's strategic management process

2.6 Summary of Literature and Knowledge Gap

Most strategic planning process in an organization is often done with the assistance of a specialist or consultant together with the top management far away from the organization's premises, usually in a meeting dubbed 'strategic retreat'. Dandira (2011) pointed out that strategic planning by top management give them a sense of power and an expression of the magnitude of the difference between them and their subordinates. This syndrome makes strategic planning process to be a preserve top management alone. On the other hand, when the strategy formulation is over, then the top management brings to the company a strategic plan that has to be implemented by the entire organization. The vision, mission and key objectives are then cascaded downwards to the subordinates for implementation. Thus the paradox that while the top management monopolize strategy formulation yet they expect employees to implement it.

The literature reviewed indicate that a lot of effort and resources is put in to Strategy formulation process in an organization and may involve several people ranging from boardroom debates, strategy workshops and strategic plans. The strategy formulation process, though considered a preserve of top management, but may also involve middle managers, strategy consultants and business analysts among others. Upon formulation of the strategy, managers have the responsibility to sell the strategic issues throughout the organization. The methodology employed in communicating strategic issues also vary from strategy workshops, projects and strategic plans among others.

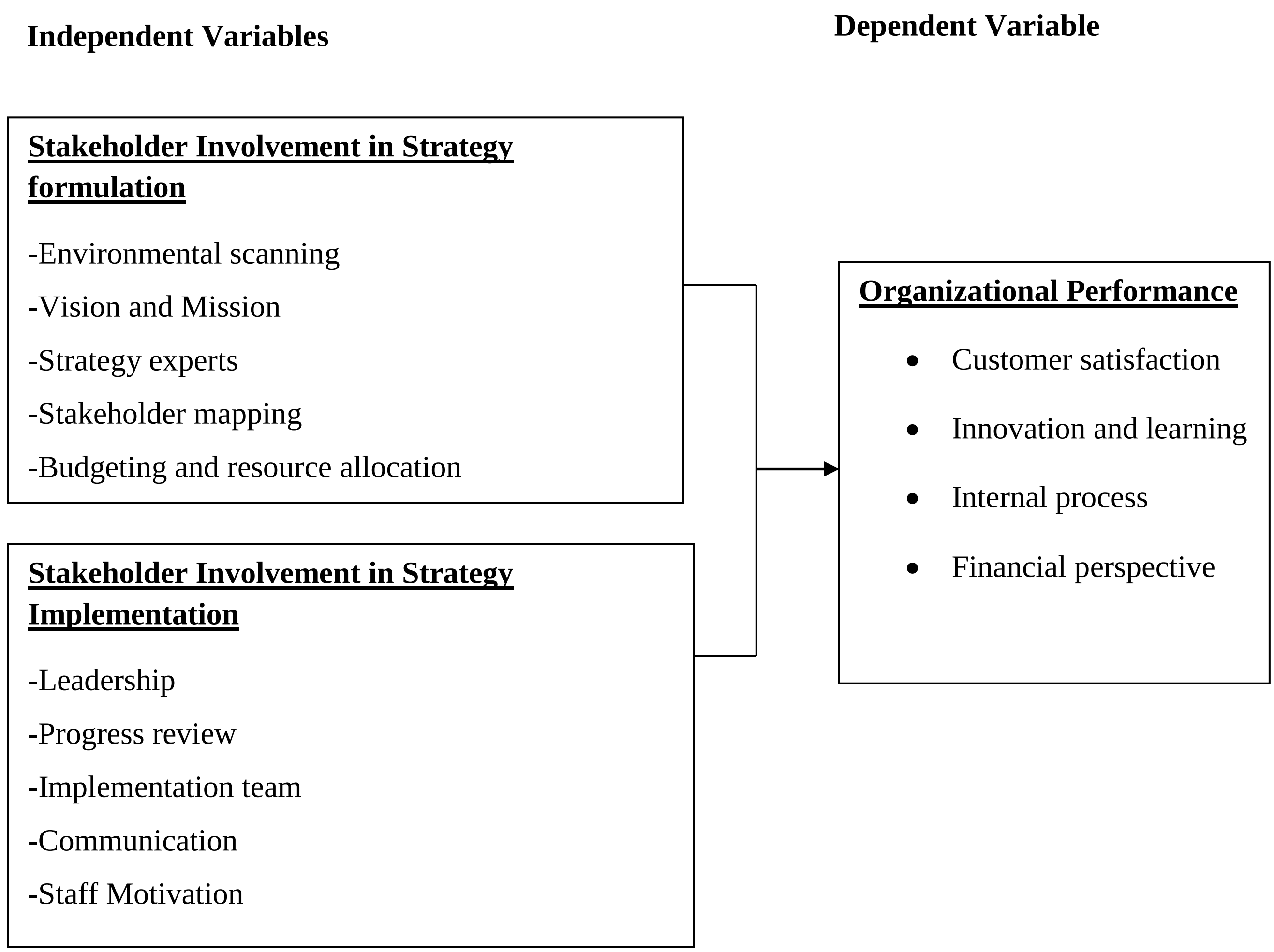
The literature also highlights the fact that stakeholder involvement and resource based view in organizational strategy making process may be a source of sustainable competitive advantage that enhance organizational performance since it influence the success of strategy implementation in an organization. With proliferation of highly entrepreneurial, innovative and knowledgeable employees across the organization, the management needs to adopt an integrative approach to strategic management in order to achieve corporate success.

The relationship between strategy and business performance has been widely studied. While other literatures have considered the impact of strategy on organizational performance, various studies identified on stakeholder involvement in strategic management has focused on the need for stakeholder involvement in the organizations and government institutions, but has not adequately addressed the extent of involvement and the effect of that involvement on performance. The studies on tea industry have also dwelled on the Tea manufacturing companies. It is therefore necessary to undertake an empirical study in a specific industry sector to establish the extent to which their stakeholders are involved in organizational strategy formulation and implementation and how it affects the performance of the organization.

2.7 Conceptual Framework

Conceptual framework is an abstract on which the general idea is inferred and used to structure a subsequent presentation. It assists to categorize and describe concepts relevant to the study and map relationships among the concepts. It depicts the effect of stakeholder involvement in strategy formulation and implementation, which are independent variables and the organizational performance which is dependent variable. Activities that take place at strategy formulation include environmental scanning, establishment of the vision and mission, budget and resource allocation, stakeholder analysis and enlisting the services of a strategy expert. At strategy implementation, factors such as leadership, progress review, communication and staff motivation feature most. Effective formulation and implementation of strategy in turn result to higher performance which can be measured using the Kaplan’s balance score card model of customer satisfaction, innovation and learning, internal process and financial perspective. This is presented in figure 2.2.

Figure 2.2: Conceptual Framework Diagram



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design, the study population and data collection process with the instrument that was used to collect the data and finally the process of data analysis with the tools that were employed in presenting the analyzed data.

3.2 Research Design

The research adopted a cross-sectional, descriptive survey. According to Cooper and Schindler (2006), a descriptive study aims at delivering the 'what' of a phenomenon while cross-sectional studies are those carried out once and represent a snapshot of a point in time. Cross-sectional survey therefore enabled collection of data across a large number of organizations at one point in time. In this case the study endeavored to collect information of what actually happens on the ground as concerns the strategy formulation and implementation and performance in tea warehousing companies. With this design, it was easy to describe the extent of stakeholder involvement in strategy formulation and implementation process in the organization and how it relates to the organizational performance.

3.3 Population of the Study

The population for the study was all the Tea Warehousing Companies operating in Mombasa. There are seventeen registered Tea warehousing companies operating in Mombasa County according to EATTA records as at February 2016 (Appendix III).

Census method was therefore appropriate due to the small number of the population and primary data was solicited from all the seventeen organizations.

3.4 Operationalization of the Variables

The independent variable being the factors upon which organizational performance is based was measured by level of stakeholder involvement in strategy formulation and strategy implementation in the organization. The dependent variable which is organization performance was measured using Kaplan and Norton’s balance score card performance measure model consisting of customer perspective; innovation and learning; internal process and financial perspective. This is depicted in table 3.1;

Table 3.1: Operationalization of the Study Variables

Variable	Sub Variable	Indicators	Sources
Stakeholder involvement in strategy formulation (Independent variable)		-Environmental scanning -Vision and Mission -Strategy experts -Stakeholder mapping	Pearce & Robin (1991) Johnson et al. (2008) Mintzberg (1990) Mendelow (1991)
Stakeholder involvement in strategy implementation (Independent variable)		-Top management leadership -Allocation of resources -Communication -Staff Motivation	Mintzberg, (1978) Wheelen & Hunger (2011) Galpin (1998) Westley & Mintzberg (1989)
Organizational Performance (Dependent variable)	Customer Perspective	-Customer satisfaction -Repeat Orders -Market share	Kaplan & Norton (1991) Johnson et al. (2008)
	Innovation and learning Perspective	-Staff Competence -Training budget -Staff satisfaction	
	Internal process Perspective	-Use of Technology -Innovative products -Quality products	
	Financial Perspective	-Financial ratios -Return on Capital -Revenue growth	

3.5 Data Collection

The study used primary data collected using a self-administered questionnaire that was delivered to the respondents through e-mail and on a ‘drop-and-pick-later’ method for those respondents who could not be reached by e-mail. This method allowed adequate time for the respondents to read through the questionnaire and answer appropriately. It further assisted to attain high response rate. The questionnaires had a set of pre-formulated questions in a predetermined sequence in a semi-structured form, targeting the middle management staff. According to Johnson et al. (2008), the middle managers at SBU have the knowledge and strategy implementation responsibility as they are considered to be involved in planning, managing and monitoring the strategy implementation in the organization.

The questionnaire contained four sections; section one consisting of general information about the organization, section two dealt with the strategy formulation process in the organization, section three focused on strategy implementation while section four gathered information on the organization's performance. The questionnaire was pre-tested among two staff members in an organization to determine its suitability for the intended purpose. This assisted in re-designing it and estimating the amount of resources required to gather all the information required to process the main study data efficiently and successfully.

3.6 Data Analysis

The completed questionnaires were checked for consistency, completeness and accuracy prior to consideration for analysis. The analysis was done using Microsoft excel and SPSS software. Data obtained was analyzed using quantitative data analysis techniques.

The study objectives 1 and 2, on the extent of stakeholder involvement in strategy formulation and implementation was analyzed using descriptive statistics which involved the use of statistical tools such as standard deviations, mean scores, percentages and frequencies where appropriate. Standard deviation was used to indicate the variations in responses on the extent of stakeholders' involvement in strategy formulation and implementation. The mean scores was used to rate the extent to which the stakeholders were involved in strategy formulation and implementation as indicated by scores put against each descriptive statement. Percentages and frequencies are also used to show the proportion of respondents who scored against the different extents of stakeholder involvement in strategy formulation and implementation, the sum of which determined the mean scores. Use of tables allowed ease of comparison in addition to the numbers in a frequency diagram.

Study objective 3 was analyzed using multiple regression analysis models. The analysis endeavored to establish the relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance. In this case, organizational performance was the dependent variable while stakeholder involvement in strategy formulation and implementation was the independent or predictor variables.

The entire analysis is used to study the effect that stakeholder involvement in strategy formulation and implementation has on the organizational performance. This is also used to supplement and compare with the facts identified in the reviewed literature.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses data analysis, presentation and interpretation in line with the objective of the study that were set. The results of all the questionnaires that were used to collect primary data and returned duly filled by the respondents are analysed. The findings are presented and analysed according to the four sections of the questionnaire starting with the general information, extent of stakeholder involvement in strategy formulation among tea warehousing companies, extent of stakeholder involvement in strategy implementation and the effect of stakeholder involvement on performance of individual companies. Brief discussions of the results obtained are also presented under each item.

4.2 Response Profile

The population targeted by the study was all the seventeen EATTA registered tea warehousing companies operating in Mombasa County (Appendix III). Seventeen questionnaires were therefore distributed to the companies targeting a middle level manager who was involved in strategy formulation and implementation. Sixteen of the questionnaires were returned duly completed representing 94% response rate. According to Mugenda and Mugenda (2003) a response rate of over 60% is considered adequate for a descriptive research. The 94% response rate obtained can therefore be used to make an inference on the entire population of study. All the sixteen questionnaires were checked for completeness and consistency and were found fit for analysis for the purpose of the study.

4.3 Profile of the Respondent's Firms

General information regarding the individual tea warehousing company participating in the research was sought. The information was geared towards giving an insight on the age, size and investment the company has done in addition to having a strategic plan. The analysis and their interpretation are thus presented systematically according to the flow of the questionnaire. The first question regarding the name of the organisation was optional and some respondents opted to leave it blank.

4.3.1 The length of time the Company has been in Tea Warehousing Business

Companies grow and mature with time during which they wither challenges and achieve successes. The researcher sought to know the period of time the company has been operating a tea warehousing business. Table 4.1 presents the results obtained from this question.

Table 4.1: Length of time the Company has been in Tea Warehousing Business

Category	Frequency	Percentage
Below 10 years	2	13%
10 to 15 years	3	19%
16 to 20 years	5	31%
more than 20	6	38%
Total	**16**	**100%**

Source: Research Data, (2016)

From table 4.1, 13% of the respondents have been in tea warehousing business for less than 10 years while 19% have been in operation for between 10 to 15 years, and another 31% has also been in operation between 16 to 20 years and the remaining 38% have been in operation for more than 20 years. From the data gathered, it can be clearly demonstrated that tea warehousing business is a fast growing sector as only 38% of the currently registered warehouses had been in operation for more than 20 years. The remaining 62% of the warehouses only joined the business less than 20 years ago. This imply that the competition gets strenuous and the various players have to strategize on how best to protect their market share and acquire more business in the market.

4.3.2 Number of Warehouses operated by each Company

On the number of warehouses that each of the listed tea warehousing companies had in different locations within Mombasa County, the data are tabulated in table 4.2

Table 4.2: Number of Warehouses owned by each Company

Category	Frequency	Percentage
less than 3	6	38%
3 to 5	6	38%
6 to 9	3	19%
more than 9	1	6%
Total	**16**	**100%**

Source: Research Data, (2016)

From table 4.2, 38% of the warehousing companies had less than three standalone warehouses, while another 38% had between three to five warehouses, 19% had between six to nine warehouses and the remaining 6% had more than 9 warehouses. This information demonstrate the extent that the tea warehousing companies are willing to go to protect their existing market share while acquiring new ones by operating more tea warehouses from different places to capture and protect their market share.

4.3.3 Number of Workers in each Company

The workers in a tea warehousing company are the key drivers of the operations and achievement of the company's objectives. The number of workers in the company can be determined by the size of the company, number of activities and the level of mechanization in the company. As to the number of workers in each company, the result obtained from the data collected is presented in table 4.3.

Table 4.3: Number of people working in the Organization

Category	**Frequency**	**Percentage**
less than 50	5	31%
50 to 100	4	25%
101 to 150	3	19%
more than 150	4	25%
Total	**16**	**100%**

Source: Research Data, (2016)

According to the data collected, 31% of the companies had less than 50 workers while 25% had between 50 to 100 workers and 19% had between 101 to 150 workers and the remaining 25% had more than 150 workers. The data shows that there is generally a high number of workforce in these organizations.

4.3.4 Average Quantity of Tea Stocks in the Company

The size of the warehousing company is determined by the quantity of tea it holds. Tea stocks for trade have got standardised package size depending on the tea grade and they are palletised in units of 20 packages and forms the basis from which the warehousing entity charge for their storage fee from the producer or client. The average tea stock holding in the companies under investigation are presented in table 4.4.

Table 4.4: Average Quantity of Tea Stocks in the Company

Category	Frequency	Percentage
less than 100,000 Packages	7	44%
100,001 to 300,000 Packages	4	25%
300,001 to 500,000 Packages	2	13%
More than 500,000 Packages	3	19%
Total	**16**	**100%**

Source: Research Data, (2016)

Table 4.4 indicate that 44% of the companies had an average tea stock of below 100,000 packages while 25% had tea stocks of between 100,001 to 300,000 packages and 13% had between 300,001 to 500,000 packages and the remaining 19% had average packages above 500,000. The tea stocks determine the floor space in square feet that the organization has.

4.3.5 Activities and Equipment in the Company

The researcher sought to establish the various activities and equipment used in the organisation. For this purpose, a list of common warehouse activities and equipment were presented to each company from which they would confirm the ones applicable in their company. The result is presented in table 4.5.

Table 4.5: Activities and Equipment in the Company

Activity / Equipment	Frequency	Percentage
Tea Storage	16	100%
Forklift Trucks	16	100%
Container Stuffing	15	94%
Manual Tea Blend	12	75%
Machine Tea Blend	8	50%
Tea Packing	7	44%
De-palletizing Machines	3	19%
Tea Milling	1	6%
Racking & Reach Truck system	1	6%

Source: Research Data, (2016)

From Table 4.5, all Companies undertake the basic activity of Tea storage and had forklift machines that assist in handling palletized teas within their respective warehouses. 94% of the companies undertake container stuffing which is done for teas that are meant for shipment. Tea Blend activity is also common in the companies with 75% doing manual tea blend while 50 % had invested in machine blends for undertaking the activity. 44% of the companies also undertake tea packing into smaller consumer units and 19% of the warehouses had also secured a de-palletizing machine which is used to mechanize the process of converting palletized teas from ordinary factory pallets into specialized export packaging requirements such as heat treated or fumigated pallets or even into slip sheets. 6% of the researched companies had invested into the Tea racking system and tea milling machines.

4.3.5 Company's Strategic Plan

The various activities undertaken in the various warehouses and the level of mechanization in individual warehouse is determined by the activities and equipment that the company has. This may also determine the number of workers operating in the warehouse. Strategic plan acts as the roadmap that guides the organisation into achieving its objectives. Asked whether the companies had a strategic plan, the response was as presented in table 4.6.

Table 4.6: Availability of Strategic Plan in the Organization

Availability of Strategic Plan	**Frequency**	**Percentage**
Yes	13	81%
No	2	13%
Don't know	1	6%

Source: Research Data, (2016)

Table 4.6 is a representation of the availability of a strategic plan in the various warehousing entities. While 81% of the respondents had an established company strategic plan, 13% had none and even 6% did not even know if there was a strategic plan in the company. The results indicate that most of the organizations have deliberate strategy planning process in the various organizations which culminates to strategic plan document.

4.3.6 Achievement of the Company's Mission and Objectives

Companies today define their purpose in a mission statement and set objectives in to achieving the mission towards the vision. The mission of an organization is important since it establishes the core values and principles of the business. The objectives on the other hand outline the deliverables that has to be done to achieve the business success. Detailed strategies are needed in order to achieve the company objectives which lead towards the mission and finally to the vision. The strategy will therefore clarify the amount of resources required in terms of manpower money and materials and other support. The objectives can be measured by the company on per item basis and the level of achievement, the sum of which can give the overall average performance of the organization. Respondents were asked to state the extent of achievement of the mission and objectives in their various companies in their own opinion. The results are presented in table 4.7.

Table 4.7: Achievement of the Company's Mission and Objectives

Category	**Frequency**	**Percentage**
Below 25%	0	0%
25 to 50%	4	25%
50 to 75%	11	69%
Above 75%	1	6%
Total	**16**	**100%**

Source: Research Data, (2016)

From table 4.7, 25% of the respondents indicated that they achieved between 25 to 50% of their mission and objectives while 69% achieved between 50% and 75% and 6% indicated that they achieved above 75%. The data indicate that most of the organizations achieved below 75% of their set mission and objectives. This should be a cause for concern.

4.4 Stakeholder Involvement in Strategy Formulation

The realization of the company's goals and objectives depends largely on the strategy that is laid out towards this course. Successful strategy formulation is one that is all inclusive and devoid of bias. Different organizations determine who to involve in strategy formulation. The research sought to establish the extent to which stakeholders were involved in strategy formulation in the organization. For this requirement, a list of 10 statements of strategy formulation that indicate interactions with stakeholders were presented to the respondents in the questionnaire. The respondents were required to indicate the extent to which they agreed or disagreed with the statements. The choices were presented on a 1 to 5 likert point rating scale which would capture the intensity of their feelings towards the statements presented in the context of their organizations. The respondents would therefore choose from; 1=Strongly Disagree, 2=Disagree, 3=Moderately Agree, 4=Agree and 5=Strongly Agree.

The result obtained and presented in table 4.7 illustrates the percentage of the selections made by the respondents towards each statement. In order to determine the spread of the responses from the likert mean, a standard deviation was calculated for each statement.

Table 4.8: Extent of Stakeholder Involvement in Strategy Formulation

Practice	Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree	Likert Mean	Std.Dev
The top management and Board of Directors determine company strategy	0%	0%	0%	25%	75%	4.75	0.45
Stakeholder analysis is carried out during strategy formulation to identify the power and interest of various stakeholders	0%	6%	56%	38%	0%	3.31	0.60
Strategy experts such as consultants, strategic planners and business analysts are involved in strategy formulation	0%	0%	38%	38%	25%	3.88	0.81
Organizational Strategy is formulated by a selected team comprising all heads of departments in the organization	0%	0%	6%	56%	38%	4.31	0.60
Top management seek views and opinion from other stakeholders during strategic planning process	0%	25%	44%	31%	0%	3.06	0.77
Organization’s culture does not allow stakeholders to participate in strategy formulation	0%	13%	44%	31%	13%	3.44	0.89
The top management provides broad sense of purpose of the vision and allows staff members to develop strategy towards the achievement of the vision.	25%	50%	25%	0%	0%	2.00	0.73
Staff at lower and middle management assist in assessing the internal environment such as Strengths, Weaknesses, Opportunities and Threats	13%	38%	50%	0%	0%	2.38	0.72
The company conducts PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis during strategy formulation	0%	0%	0%	38%	63%	4.63	0.50
The company encourages Bottom-up management style where lower management staff articulate issues to the top management	6%	44%	44%	6%	0%	2.50	0.73

Source: Research Data, (2016)

From table 4.8, 75% of the respondents strongly agreed to the statement that top management and Board of Directors were the ones who determined the company's strategy. As to whether stakeholder analysis is carried out during strategy formulation to identify the power and interest of various stakeholders, the mean score of the respondents was 3.31 with a standard deviation of 0.6. This implies that the stakeholder analysis is only carried out to a moderate extent. Involvement of strategy experts such as consultants, strategic planners and business analysts in strategy formulation had a likert mean of 3.88 with a standard deviation of 0.8. Most of the organizational strategy were formulated by a selected team comprising all heads of departments in the organization as indicated by the likert mean of 4.31. The top management sought views and opinion of other stakeholders during strategic planning process to a moderate extent with a mean score of 3.06.

Some of the organizational cultures are known to affect stakeholder involvement in strategy formulation as indicated by a mean of 3.44 agreement. In incrementalism strategy formulation process, the top management would provide a broad sense of purpose of the vision and allow staff members to develop strategy towards the achievement of the vision. The response to this statement was negative with a mean score of 2.0 with standard deviation of 0.73. This implies that most of the strategies in practice in these organisations are largely intended strategy. Staff at lower and middle management were also not quite involved in the assessment of internal environment such as SWOT, during strategy formulation garnering a mean of 2.38. The assessment of external factors such as PESTEL, however recorded a higher mean score of 4.63 with a standard deviation of 0.5 implying that the organisations would actively engage in this analysis during strategy formulation. The response as to the statement whether the company encouraged bottom-up management style scored a paltry mean of 2.5 with a standard deviation of 0.73, implying that the organisations did not encourage bottom-up communication.

4.5 Stakeholder Involvement in Strategy Implementation

Upon completion of the strategy formulation process, the strategy must be put into practice in order to realize its value. The implementation is therefore a critical process that defines who, where, when and how the various deliverables will be achieved. The entire organization must therefore be involved in the strategy implementation process.

A list of 10 statements representing the extent of stakeholder involvement in strategy implementation in an organization were presented to the respondents to state on a 5 point likert scale, the extent to which the various statements were applicable in their organizations. The ratings were based on 1 to 5 where; 1= Strongly Disagree; 2=Disagree; 3=Moderately Agree; 4=Agree and; 5=Strongly Agree. For every statement, the percentage score of each rating scale selected by the respondents is calculated to indicate the frequency of that rating scale among the respondents. The likert mean and standard deviation of the scores are also calculated to show the average score and the level of spread of other scores from that average score. The result is presented in table 4.9.

Table 4.9: Extent of Stakeholder Involvement in Strategy Implementation

Practice	Measurement scale					Likert Mean	Std. Dev.
	Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree		
There is adequate communication of the organization mission & objectives to all stakeholders	0%	6%	25%	56%	13%	3.75	0.77
Management organizes special sessions to disseminate the strategic plan in the organization.	50%	19%	13%	13%	6%	2.06	1.34
Strategic plan outlines roles to be played by stakeholders at implementation	6%	25%	44%	19%	6%	2.94	1.00
Strategic plan implementation progress is reviewed periodically by top management	0%	0%	19%	56%	25%	4.06	0.68
Strategic plan document is shared across the organization and all staff members have access to it.	6%	31%	38%	19%	6%	2.88	1.02
There is strong top management leadership in strategy implementation	0%	6%	38%	38%	19%	3.69	0.87
Long term and short term goals are set in every department for the achievement of the strategic plan	0%	25%	50%	19%	6%	3.06	0.85
Employees are enticed/motivated to implement the strategic plan	6%	31%	44%	13%	6%	2.81	0.98
The dominant management style in the company is top-down where staff are told what tasks to do by their supervisors.	0%	0%	6%	44%	50%	4.44	0.63
The company celebrates achievement of various milestones of the strategic plan through bonuses and other rewards	0%	0%	25%	44%	31%	4.06	0.77

Source: Research Data, (2016)

Company's mission and objectives provides the roadmap though which every member of the organization should work towards in order to achieve business success. From table 4.9, results regarding communication of the mission and objectives attained a mean score of 3.5 with a standard deviation of 0.89 indicating that most respondents felt that the mission and objectives were not adequately communicated in the organization. As to whether the organization's Management organized special sessions to disseminate the strategic plan in the organization, 69% of the respondents admitted that there were no such sessions in the organisation. Most of the strategic plans in the organizations rarely specified the roles of each stakeholder as indicated by a mean score of 2.75. Review of strategic plan implementation progress by the top management scored a mean of 3.94, indicating that the top management often undertakes the strategy implementation progress review.

Most respondents indicated that the strategic plan document was not widely shared across the organization and not all staff members had access to it. This is demonstrated by the mean score of 2.75 attained for that statement. Top management leadership in strategy implementation is visible as indicated by a likert mean score of 3.56. In order to achieve the organisation's strategic plan, each function in the organisation must set their individual long term and short term goals. Most of the respondents acknowledged some level of existence of such goals in the departments with a likert mean of 2.94. Staff motivation towards implementation of the strategic plan scored a likert mean of 2.69. This implies that the staffs are not adequately enticed to put more effort towards achievement of strategic plan. The most dominant management style in the organisations was top-down with a likert mean of 4.44. In this case, most directives and instructions would come from the management towards the subordinates. Hence subordinates would not have much say and influence over the strategy implementation. Achievement of various milestones of the strategic plan is however celebrated by the organizations through bonus payments and other rewards as indicated by the likert mean score of 3.88.

4.6 Organizational Performance

Many organizations understand the importance of continuous and regular evaluation of performance to check whether the company is achieving its goals and objectives. Performance review may cover a wide range of measures ranging from financial results, satisfied customers and employees; high levels of individual initiative; productivity and innovation among others.

The study collected data regarding organizational performance for each company based on Kaplan's balance score card performance model. The questions on performance were therefore grouped into four as per the four perspectives of performance measurement under the BSC model. The scores were made on a 5 point likert scale of 1 to 5 with 1 denoting minimal or nonexistence of the indicator presented in the statement in that organization, while 5 denoting a higher agreement with the performance statement presented. The results are presented in table 4.10.

Table 4.10: Organizational Performance

Practice	Measurement scale					Mean	Std. Dev.
	Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree		
Customer perspective							
Our company often exceed client's requirement in terms of quality and time	0%	0%	69%	25%	6%	3.38	0.62
The reputation of our organization is well above the industry standards	0%	50%	25%	19%	6%	2.81	0.98
Customer complaints are logged-in, investigated and reviewed	0%	19%	38%	31%	13%	3.38	0.96
The organisation has taken the necessary steps to ensure quality through implementation of relevant ISO standards	50%	13%	0%	6%	31%	2.75	1.91
Internal Process Perspective							
Adequate budget is allocated for research and development in the company	44%	31%	13%	6%	6%	2.00	1.21
The company has implemented an integrated Enterprise resource planning (ERP) system Technology	38%	13%	19%	0%	31%	2.75	1.73
The Innovation and development capacity of our organizations is clearly visible in the industry	38%	31%	0%	25%	6%	2.31	1.40
High level of mechanization in most of operations	38%	31%	0%	19%	13%	2.38	1.50
Innovation and learning Perspective							
Periodic staff appraisal programs are conducted in the company	13%	19%	31%	0%	38%	3.31	1.49
Staff with exemplary performance are rewarded	0%	69%	25%	0%	6%	2.44	0.81
Adequate budget is allocated for staff training and development	19%	50%	25%	6%	0%	2.19	0.83
Employee issues such as grievances, frustrations and distrust are often experienced in the company	0%	0%	100%	0%	0%	3.00	-

Financial Perspective							
The company often meet its financial obligations in time	0%	6%	50%	44%	0%	3.38	0.62
The company's financial performance points to a secure future through solid financial ratios	0%	0%	81%	13%	6%	3.25	0.58
The Company often exceed the set financial targets	0%	50%	31%	19%	0%	2.69	0.79
The shareholders are pleased with the company's return on capital	0%	0%	56%	38%	6%	3.50	0.63

Source: Research Data, (2016)

Under customer perspective of the BSC, the respondents were asked to state the extent to which they agreed/disagreed with statements representing customer concerns in an organization. The companies strived to exceed client's requirement in terms of quality and time, and taking interest in customer complaints by logging them and investigating their causes accordingly. These are reflected by the high average score of 3.38 with standard deviation of 0.62 and 0.96 respectively. Statement to the effect that the reputation of the organization was well above the industry standards had a likert mean of 2.81indicating that the organisations recognised the effort that is made by the industry leader for which they benchmark. Regarding whether the organisation had taken the necessary steps to ensure quality through implementation of relevant ISO standards, response had a likert mean of 2.75 with a standard deviation of 1.91. The high standard deviation imply that the mean was widely spread comprising of two extremes where those who had implemented ISO standard strongly agreed to the statement while those who had not implemented the standard strongly disagreed.

Internal processes perspective in the BSC refers to the sequence and interaction of processes that deliver customer satisfaction, product quality and process performance in the organisation hence gives it a competitive advantage over the competitors. The statement on whether adequate budget was allocated for research and development in the organisation attained a likert mean of 2.00 with a standard deviation of 1.21, implying very low level of research and development in the sector. Some organisations had implemented an integrated Enterprise Resource Planning (ERP) system to enhance internal processes as reflected by a mean score of 2.75. Innovation and development capacity among the organizations had a mean score of 2.31 with a standard deviation 1.4 indicating wide spread of the innovative investment in the industry. A high level of mechanization in an organisation is a reflective of a focused internal process in the organisation. The organisations had a mean score of 2.38 and a standard deviation of 1.5 in regards to high mechanisation in the companies.

Under innovation and learning perspective, issues to do with staff appraisal programs; rewards for exemplary performance; adequate budget for staff training and development; and staff grievances were measured and attained a mean score of 3.31, 2.44, 2.19 and 3.00 respectively. These low averages imply the low concerns for learning and growth among the organizations towards their workforce.

Financial performance of an organization has been considered to be the ultimate measure of organizations performance since time immemorial. The statements posed to the respondents under financial perspective of the BSC tested if the company often met its financial obligations in time; whether the company's financial performance pointed to a secure future through solid financial ratios; whether the company often exceeded the set financial targets; and if the shareholders were pleased with the company's return on capital. These statements garnered average scores of 3.38, 3.25, 2.69 and 3.50 respectively.

4.7 Relationship between Stakeholder Involvement and Organizational Performance

Objective 3 of the study was to determine the relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance among the tea warehousing companies in Mombasa. To analyze this, each respondent's average score was tabulated for the three sections of: stakeholder involvement in strategy formulation (independent variable - X_1); stakeholder involvement in strategy implementation (independent variable - X_2) and; organizational performance (dependent variable - Y). Since measures to organizational performance were based on Kaplan's BSC model, the measures were broken down into four sections of: customer perspective (Y_1); innovation and learning (Y_2); internal process (Y_3) and financial perspective (Y_4) as presented in table 4.11.

Table 4.11: Average responses for Stakeholder Involvement in Strategy Formulation and Implementation, and Organizational Performance

Firm	Organizational performance	Strategy Formulation	Strategy Implementation	Customer perspective	Internal Process	Innovation & learning	Financial perspective
	Y	X_1	X_2	Y_1	Y_2	Y_3	Y_4
1	4.50	3.6	4.1	5	4.75	3.75	4.5
2	3.94	3.5	3.8	4.25	4.5	3.5	3.5
3	3.69	3.6	3.1	3.5	4	3.5	3.75
4	4.13	3.8	4.1	4.25	4.25	4	4
5	3.81	3.6	3.1	4.5	3.75	3.5	3.5
6	2.38	3.4	3.2	2.25	1.75	2.5	3
7	2.31	3.4	3.1	2.25	1.75	2.5	2.75
8	2.81	3.4	3.2	3.25	2.25	2.5	3.25
9	2.94	3.1	3.8	3.25	2.25	3	3.25
10	2.19	3.3	3.7	2.25	1	2.25	3.25
11	2.00	3.1	2.9	2	1	2.25	2.75
12	2.75	3.6	2.7	4	2.25	2.25	2.5
13	2.06	3.4	2.8	2.25	1.25	2	2.75
14	2.06	3.3	3.2	2.25	1	2.25	2.75
15	1.94	3.6	3.9	2	1	2	2.75
16	2.00	2.9	3.3	2	1	2	3
Mean	**2.84**	**3.41**	**3.38**	**3.08**	**2.36**	**2.73**	**3.20**

Source: Research Data, (2016)

The data in Table 4.11 was used to come up with a regression model that determine the relationship between the variables. The regression model that was adopted for this purpose is as follows:

$Y= \beta_0 +\beta_1 X_1 +\beta_2 X_2 + \varepsilon$

Where:

Y = organizational performance

β_0 = the intercept point of the regression line and the Y axis (Y intercept)

β_1 and β_2 are the coefficients of the predictor variable

X_1 = stakeholder involvement in strategy formulation (Independent variable)

X_2 = stakeholder involvement in strategy implementation (Independent variable)

ε = error term that captures other factors that are not explained in the model

In order to statistically establish existence of a relationship between the variables in table 4.11, the data was subjected to a further analysis using SPSS software. Correlation coefficient (R) was used to check on the magnitude and direction of the relationship. The assumption made on data analysis were based on; multicollinearity test to check that the variance inflation factors (VIF) is <5 which is the acceptable range; autocorrelation test using Durbin-Watson test. The overall significance of the model and individual variable significance tests using the p-value, where P-value <0.05(5% significant level).

4.7.1 Stakeholder Involvement and Organizational Performance Model

A model to establish the effect of stakeholder involvement in strategy formulation and implementation on organizational performance using regression analysis was used. The organizational performance measures were based on the average score of customer perspective; innovation and learning; internal process and financial perspective. The model summary output of the data run on SPSS software is presented in table 4.12

Table 4.12: Model Summary Statistics for Relationship between Stakeholder Involvement and Organizational Performance

Model Summary[b]

Mode l	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.700[a]	.490	.411	.67674	1.555

a. Predictors: (Constant), Stakeholder Involvement in Strategy Formulation and Stakeholder Involvement in Strategy Implementation

b. Dependent Variable: Organisational Performance

From the Model Summary in Table 4.12, correlation coefficient (R) =0.700 and R Square = 0.490. Since these R tend towards 1, it indicates that there is a strong relationship between the independent variable (Stakeholder involvement) and the dependent variable (Organizational performance).

The adjusted R Square is 0.411 indicating that 41.1% of variation in organizational performance is accounted for by the variation in stakeholder involvement in strategy formulation and implementation. The remaining 58.9% is accounted for by other variables not included in the model and are explained for by the standard error of the estimate.

In order to test for the significance of R in organizational performance, t-Test was used where: H_0: r = 0 (Correlation between stakeholder involvement and organizational performance is not significant). At the level of significance: $\alpha = 0.05$ on a one tail test. Number of independent variables: K= 2 and number of observations: n=16, then degree of freedom (d.f.) = n-k-1 =16-2-1 =13. t 0.05,13 d.f.=1.771.

Computed t = r √ (n-2 ⁄ 1-r^2) = 0.700√ (16-2 /1-0.049) = 3.668. Since computed t (3.668) is greater than critical t (1.771), the null hypothesis is rejected, implying that the correlation between stakeholder involvement and organizational performance is significant.

In order to determine autocorrelation for organizational performance, Durbin-Watson test was used, where: $H_{0:}$ φ = 0 (No autocorrelation between stakeholder involvement and organizational performance)

Level of significance: α= 0.05 on a one tail test. Number of independent variables: K=2 and number of observations: n=16. The dU and dL values are obtained from the Durbin-Watson significance table. The decision to reject null hypothesis (H_0) is done using the criteria: If computed test statistics, d<dL, reject H_0, i.e. autocorrelation is present. If d>dU, fail to reject H_0, i.e. no autocorrelation. dL<d<dU (test is inclusive).

From the Durbin-Watson table dL,16 = 0.982 and dU,16 =1.539. From Table 4.11, d = 1.555. Since dL(0.982)<d(1.555)>dU(1.539) (d is greater than dL and dU), fail to reject the null hypothesis and conclude that there is no autocorrelation in the relationship between stakeholder involvement and the organizational performance.

Table 4.13: ANOVA for Relationship between Stakeholder Involvement in Strategy Formulation and Implementation, and Organizational Performance

ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	5.711	2	2.856	6.235	.013[b]
Residual	5.954	13	.458		
Total	11.665	15			

a. Dependent Variable: Organisational Performance

b. Predictors: (Constant), Stakeholder Involvement in Strategy Formulation, Stakeholder Involvement in Strategy Implementation

From Table 4.13 of ANOVA (Analysis of Variance), the significant value of the model was 0.013, which means that the model is statistically significant since the value is less than 0.05. An independent variable is said to be linearly related with the dependent variable if it's P –value is <0.05(5% significant level). The coefficient of determination (which is the percentage variation in the dependent variable being explained by the changes in the independent variables) shows to what extent the model can explain the variation in the dependent variable.

Table 4.14: Coefficients for the Relationship between Stakeholder Involvement in Strategy Formulation and Implementation, and Organizational Performance

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-6.301	2.657		-2.371	.034		
Stakeholder Involvement in Strategy Formulation	2.035	.770	.539	2.643	.020	.945	1.058
Stakeholder Involvement in Strategy Implementation	.652	.393	.338	1.657	.121	.945	1.058

a. Dependent Variable: Organisational Performance

The variance inflation factors (VIF) in table 4.14 is 1.058 for each of the independent variables (stakeholder involvement in strategy formulation and stakeholder involvement in strategy implementation) indicating that there is low correlation between the independent variables and therefore multicollinearity is within the acceptable range i.e. VIF<5.

In order to determine the strength of individual parameters, a t-distribution table is used, where:

H_0: $B_1 = 0$ (coefficient B_1 in the model is not significant)

On a one tailed test at 5% level of significance with a degree of freedom of (n-k-1). Where n = 16 and k = 2, d.f. = 16-2-1 = 13. From the t-distribution table: t 0.05, 13d.f=1.771

From Table 4.14, t = 2.643 (stakeholder involvement in strategy formulation) is greater than critical t =1.771. We reject the null hypothesis and conclude that the coefficient B_1(change in stakeholder involvement in strategy formulation) is significant for a change in organizational performance.

Stakeholder involvement in strategy implementation on the other hand has a t value (1.657) less that the t-distribution value (1.771) and we therefore fail to reject the null hypothesis and conclude that stakeholder involvement in strategy implementation is not significant.

The overall regression model obtained is:

$$Y = 2.035X_1+0.652X_2 - 6.301$$

Where:

Y= organisational performance

X_1 = Stakeholder involvement in strategy formulation

X_2 = Stakeholder involvement in strategy Implementation

4.8 Discussion of Findings

The study sought to investigate the theory and practicability of stakeholder involvement in strategy formulation and implementation in an organization. More specifically, it focused on the extent to which stakeholders were involved in organizational strategy formulation and implementation process among the tea warehousing companies in Mombasa County and further to establish if there was a relationship between stakeholder involvement and performance of the organization.

Findings on the extent to which stakeholders were involved in strategy formulation indicate an above average stakeholder involvement. This is because the overall mean score of stakeholder involvement in strategy formulation that was 3.41, is above the average mark of 2.5. The statements that scored highly included; top management and Board of Directors determining the company strategy having a mean of 4.75; the company conducts PESTEL analysis during strategy formulation with a mean of 4.63 and; organizational strategy is formulated by a selected team comprising all heads of departments in the organization having a mean of 4.31.

Some of the findings points towards Andrews (1971) description of a rational strategy formulation model that involves systematic environmental scanning which concerns the PESTEL factors, followed by assessment of internal strengths and weaknesses and external opportunities and threats thereby culminating to an explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve the goals by the top management in the organization. The study also established a great involvement of strategy experts such as consultants, strategic planners and business analysts in strategy formulation process with a mean of 3.88, which also indicate that the top management preferred external knowledge as opposed to internal competencies as was established by Dandira (2011) who pointed out that strategic planning by top management give them a sense of power and an expression of the magnitude of the difference between them and their subordinates.

On the other flip side, some statements indicating internal staff involvement in strategy formulation performed dismally scoring a mean of below 2.5. such statements include; Staff at lower and middle management assist in assessing the internal environment such as strengths, weaknesses, opportunities and threats that the company faces with a mean of 2.38; management provides a broad sense of purpose of the vision and allows staff members to develop strategy towards the achievement of the vision mean of 2.00 and; the company encourages bottom-up management style where lower management staff articulate issues to the top management had a mean of 2.50.These low scores may result to lack of sense of ownership that culminates to poor outcome of the strategy as articulated by Possey (www.everettcc.edu**).**

On the extent of stakeholder involvement in strategy implementation, the study established the overall mean score of involvement in implementation as 3.38 which is also above the average mean of 2.5. The statement that ranked highly was the dominant management style in the company which was top-down with a mean of 4.44, followed by periodical implementation progress review of the strategic plan by the top management and the company celebrating achievement of various milestones of the strategic plan through bonuses and other rewards which attained a mean of 4.06 each. Factors such as strong top management leadership in strategy implementation and adequate communication of the organization mission & objectives to all stakeholders scored a mean of 3.75 and 3.69 respectively.

The area of great concerned on strategy implementation was the absence of special sessions organised by management to disseminate the strategic plan in the organization which had a mean of 2.06, and employees were not enticed/motivated to implement the strategic plan that also scored a mean of 2.81. The danger of weak top management leadership and inadequate communication of strategy implementation is that the organisation members who are supposed to implement the strategy may not quite understand their roles in the implementation leading to frustration of the process. Westley and Mintzberg (1989) identified effective visionary leadership as a two-way street, implying mutual obligation between the top management and the other organizational members without which the company would not realize its strategic vision due to lack of commitment and involvement of organizational members.

Data collected on organizational performance established a high concern for financial perspective that scored a mean of 3.20, followed by customer perspective (3.08) then, innovation and learning (2.73) and finally internal process (2.36). Kaplan and Norton (1992) who introduced the balance score card performance measures envisioned a situation where the organization could concentrate on factors that would give higher short term financial returns while ignoring factors such as training and development that would give a long term competitive advantage. With the four main perspectives of BSC, the managers need to modify the strategy of the enterprise in to a coherent set of 'balanced' performance criteria. The industry should therefore focus more on uplifting their internal processes and, innovation and learning to obtain a balanced organizational performance.

The final area the study focused on was to establish an existence of a relationship between stakeholder involvement in strategy formulation and implementation and organizational performance. The data collected fitted well into a regression model and the test for multicollinearity established variance inflation factors (VIF) of 1.058 for both strategy formulation and implementation which is within the acceptable range of VIF <5. A further test on autocorrelation between the variables was done using the Durbin Watson test at significance level of 0.05 and also proved absence of autocorrelation. The overall analysis of variance (ANOVA) was 0.013 which was also within the significant p-value<0.05 (5% significance level). The relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance was thus established.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter consist of the summary of the research study. It summarizes the findings and their interpretation alongside the objectives that were set for the study, conclusions drawn from the findings and recommendations from the gaps identified in the study. The chapter further highlights the limitations of the study and provide suggestions for further studies to be carried out in this area.

5.2 Summary of the Findings

The study conducted enlisted a total of sixteen tea warehousing companies, 69% of which had been in operation for more than ten years, and currently operated multi-site warehouses. 60% of the companies had a workforce of more than 100 people with basic mechanical equipment for use in the warehouse. 81% of the respondents had an established strategic plan in the company and only 6% of them agreed to have achieved above 75% of their strategic plans.

This study had three objectives; to establish the extent of stakeholder involvement in strategy formulation; to establish the extent of stakeholder involvement in strategy implementation and; to establish the relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance.

5.2.1 Stakeholder Involvement in Strategy Formulation

From the data collected, it was clear that strategy formulation in the organization is a preserve of the board of directors and top management who enlists the services of consultants and some heads of departments during strategy formulation. The top management did not allow the staff members to develop strategies geared towards achievement of the company's vision. Little stakeholder analysis was carried out during strategy formulation and stakeholders' views were not sought by the top management even during SWOT analysis. Further, the management did not encourage bottom-up management style in the organizations. These facts seem to stem from the organizational culture that had been practiced in the organization.

The factors identified in strategy formulation process in these companies characterize the rational strategy formulation process that is mainly appropriate in static and predictable business environment.

5.2.2 Stakeholder Involvement in Strategy Implementation

Data collected on stakeholder involvement on strategy implementation indicates the dominant management style in the organizations to be top-down, where staffs were directed on what to do by their seniors. There was average top management leadership even in communicating the organization's goals and objectives. The management did not organize special sessions to disseminate the strategy and employees were not enticed to achieve the strategic plan.

Further, the strategic plan did not specify the roles of stakeholders in its implementation and it was also not readily accessible by all the staff in the organization. The companies however celebrated the achievements of the milestones of the strategic plan.

5.2.3 Organisational Performance

The organizational performance was assessed using Kaplan's balance score card model and established a higher scores on financial and customer perspective, while innovation and learning, and internal process ranked lower. The regression model fitted to establish the statistical relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance indicated the ANOVA as 0.013, which means that the model was statistically significant since the value was less than 0.05.

The R square on the other hand was 0.490 indicating that 49 % of variation in organizational performance was accounted for by the variation in stakeholder involvement in strategy formulation and implementation. This is despite the fact that Stakeholder involvement in strategy implementation had a t-value=1.657 which was less that the t-distribution value=1.771 rendering stakeholder involvement in strategy implementation to be insignificant.

5.3 Conclusions

In conclusion, the study sought to establish the extent of stakeholder involvement in strategy formulation and implementation and its effect on organizational performance among the tea warehousing firms in Mombasa County in Kenya. The results obtained from field study provides evidence of some level of stakeholder involvement in both strategy formulation and implementation through affirmation of the indicator statements presented to the respondents. The most dominant strategy formulation process established by the study was rational strategy making model where formal planning was done for a strategic plan that covered a period of time. This is affirmed by the higher scores obtained on top management and board of director's influence on the strategy formulation process with the assistance of the external experts such as strategic planners and consultants. Some of the shortcomings of rationality that are likely to affect these companies include; difficulties with strategy implementation; an increasing rate of environmental change and; growing importance of entrepreneurship by organizational members to innovation and corporate success as stated by Quinn, 1985.

On strategy implementation, the study established that the top management were quite concerned about the achievement of the objectives and organized celebrations to mark the achievements of milestones in the strategic plan. This was done despite the fact that individuals were not enticed to achieve the objectives and strategic plan document was not adequately shared across the organization for all staff members to have access to it.

Overall, the research established that there was an average stakeholder involvement in strategy formulation and implementation among the tea warehousing firms as indicated by the overall mean score of 3.41 and 3.38 respectively. The main concern established from the research was; less involvement of the formulators in implementation, and implementers in the formulation. This would affect the organizational performance which is dependent on the robustness of strategy formulation and implementation.

The study established a strong relationship between stakeholder involvement in strategy formulation and implementation, and organizational performance as evidenced by the R factor of 0.700 or 70 % relationship on the summary of the analyzed regression model. The test of significance for individual parameters established a higher significance on stakeholder involvement in strategy formulation. This was however not the case with involvement in strategy implementation as the test established a weaker significance of stakeholder involvement in implementation on performance.

The study therefore concluded that there was above average stakeholder involvement in strategy formulation and implementation among the tea warehousing firms in Mombasa County and this was likely to impact on organizational performance.

5.4 Recommendations

The study recommends that the tea warehousing companies need to empower and involve more of their primary stake holders in strategy formulation and implementation more so the employees in the organisations since they understand the organisation and the issues therein more than anyone else. The consultants who play a pivotal role at strategy formulation stage should also have a role to play at strategy implementation as this will not only give the company a professionally designed strategic plan but also ensure it is implemented.

Adequate communication and top management leadership must be seen on matters regarding strategy in the organization. This can be done by widely sharing the strategic plan in the organisation and organising special dissemination sessions to highlight the contents and expected deliverables of the strategic plan. The organisations should also strive to balance their performance measures by identifying areas of weakness or poor performance as per the balance score card and uplift them in order to have a sustainable competitive advantage that the organisation desires.

The study further recommends that the tea warehousing firms undertake regular performance evaluation programs to assess the areas of weakness and the growth opportunities that exist.

5.5 Suggestions for Further Research

This study attempted to look at the effect of stakeholder involvement in both strategy formulation and implementation on organisational performance. An in-depth study of the same could not be realised due to logistical issues. There is therefore need to undertake an in-depth study on the effect of stakeholder involvement in strategy formulation on strategy implementation; effect of stakeholder involvement in strategy formulation on organisational performance and; effect of stakeholder involvement in strategy implementation on organisational performance. This will bring out the relationships among the various variables that would enable the researcher to gain an in-depth understanding of these relationships.

There is also need to study the other factors contributing to organisational performance as the study established that only 49% is contributed by the stakeholder involvement in strategy formulation and implementation.

5.6 Limitations of the Study

The study was limited to the 17 EATTA registered tea warehousing companies operating in Mombasa County. Some tea producers undertake tea warehousing activities and since they are not registered by EATTA, then they were excluded from the study.

There are a number of stakeholders to an organisation that the study did not cover as it only focused on the primary stakeholder and more specifically the internal staff of the organisation. Other primary stakeholders that could be of interest in such a study may include customers and suppliers.

On performance measurement, the study did not cover all the measurable aspects of performance measures and only dwelled on the four perspectives of Kaplan's balance score card. It therefore did not consider the other factors that may contribute to organisational performance of a warehousing firm like logistics management and other add-on services.

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APPENDIX 1: INTRODUCTORY LETTER

UNIVERSITY OF NAIROBI
MOMBASA CAMPUS

Telephone: 020-2059161
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities
Our Ref: D61/77949/2015

Tel: 020 2059161
Mombasa, Kenya

DATE: 30TH SEPTEMBER, 2016

TO WHOM IT MAY CONCERN

The bearer of this letter, **Joseph Otieno Okoth** of Registration Number **D61/77949/2015** is a Master of Business Administration (MBA) student of the University of Nairobi, Mombasa Campus.

He is required to submit as part of his coursework assessment a research project report. We would like the student to do his project on ***Effect of Stakeholder's Involvement in Strategy Formulation and Implementation Among Tea Warehousing Companies in Mombasa County.*** We would, therefore, appreciate if you assist him by allowing him to collect data within your organization for the research.

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

Thank you.

SCHOOL OF BUSINESS

Zephaniah Ogero Nyagwoka
Administrative Assistant, School of Business-Mombasa Campus

APPENDIX II: QUESTIONNAIRE

QUESTIONNAIRE (To be filled by a staff in Management)

Dear Respondent,

I am an MBA (Strategic Management) student from the University of Nairobi conducting a research on the **"Effect of Stakeholder's Involvement in Strategy Formulation and Implementation on Performance among Tea Warehousing Companies in Mombasa County"**. The data collected will be used purely for academic purposes.

SECTION A: GENERAL INFORMATION

Instruction: Please fill in the blank spaces or Tick (√) where appropriate as applicable

1. Company Name (Optional) ……………………………………………………

2. How long has the company been in Tea Warehousing Business?

Less than 10years	{ }	10-15 years	{ }
16-20 years	{ }	More than 20 years	{ }

3. How many stand-alone warehouses does the Company have currently?

Less than 3 Warehouses	{ }	3 to 5 Warehouses	{ }
6 to 9 Warehouses	{ }	more than 9 Warehouses	{ }

4. How many people work in this organization?

Less than 50 people	{ }	50-100 people	{ }
101-150 people	{ }	More than 150 people	{ }

5. What is the average quantity of Tea stock holding in the entire Company?

Less than 100,000 packages	{ }	100,001 to 300,000 packages	{ }
300,001 to 500,000 packages	{ }	More than 500,000 packages	{ }

6. Below are some of the activities and equipment that are common in Tea Warehousing Companies, please tick (√) the ones that are found in your Organization.

Activity / Equipment	Yes	No
Tea Storage		
Manual Tea Blend		
Machine Tea Blend		
Tea Milling		
Tea Packing		
Container Stuffing and shipment		
De-palletizing Machines		
Forklift Trucks		
Racking & Reach Truck system		

6. Does the company have an official Strategic plan?

Yes { } No { } Don't know { }

7. What percentage in your opinion is the achievement of the company's mission and objectives?

Below 25% { } 25% to 50% { } 50% to 75% { } Above 75% { } Don't know { }

SECTION B: STAKEHOLDER INVOLVEMENT IN STRATEGY FORMULATION

7. Below statements describes stakeholder involvement in strategy formulation in an organization. To what extent do you agree/disagree with them in the context of your organization?

{Tick (√) the appropriate column}(1)Strongly disagree (2) Disagree (3) moderately agree (4) Agree (5) Strongly Agree

No.	Practice	1	2	3	4	5
B1	The top management and Board of Directors determine company strategy					
B2	Stakeholder analysis is carried out during strategy formulation to identify the power and interest of various stakeholders					
B3	Strategy experts such as consultants, strategic planners and business analysts are involved in strategy formulation					
B4	Organizational Strategy is formulated by a selected team comprising all heads of departments in the organization					
B5	Top management seek views and opinion from other stakeholders during strategic planning process					

B6	Organization's culture does not allow stakeholders to participate in strategy formulation					
B7	The top management provides broad sense of purpose of the vision and allows staff members to develop strategy towards the achievement of the vision.					
B8	Staff at lower and middle management assist in assessing the internal environment such as Strengths, Weaknesses, Opportunities and Threats (SWOT)					
B9	The company conducts a PESTEL (Political, Economic, Social, Technological, Environmental, and Legal) analysis during strategy formulation					
B10	The company encourages Bottom-up management style where lower management staff articulate issues to the top management					

SECTION C: STAKEHOLDER INVOLVEMENT IN STRATEGY IMPLEMENTATION

8. Below is a list of factors that ought to be in place for successful strategy implementation in an organization. Please indicate the extent to which each is practiced in your organization.

{Tick (√) the appropriate column}(1)Strongly disagree (2) Disagree (3) moderately agree (4) Agree (5) Strongly Agree

No	**Practice**	**1**	**2**	**3**	**4**	**5**
C1	There is adequate communication of the organization mission & objectives to all stakeholders					
C2	Management organizes special sessions to disseminate the strategic plan in the organization.					
C3	Strategic plan outlines roles to be played by stakeholders at implementation					
C4	Strategic plan implementation progress is reviewed periodically by top management					
C5	Strategic plan document is shared across the organization and all staff members have access to it.					
C6	There is strong top management leadership in strategy implementation					
C7	Long term and short term goals are set in every department for the					

	achievement of the strategic plan					
C8	Employees are enticed/motivated to implement the strategic plan					
C9	The dominant management style in the company is top-down where staff are told what tasks to do by their supervisors.					
C10	Strategy experts such as consultant and strategic planners assist the organization with implementation of strategic plan through progress reviews					

SECTION D: PERFORMANCE MEASURES

9. The following items relate to individual, group and organizational performance. Please indicate the extent to which you agree/disagree with each in your organization

{Tick (√) the appropriate column}(1)Strongly disagree (2) Disagree (3) Moderately Agree (4) Agree (5) Strongly Agree

No	**Practice**	**1**	**2**	**3**	**4**	**5**
Customer Perspective						
D1	Our company often exceed client's requirement in terms of quality, and time					
D2	The reputation of our organization is well above the industry standards					
D3	Customer complaints are logged-in, investigated and reviewed					
D4	The organisation has taken the necessary steps to ensure quality through implementation of relevant ISO standards					
Internal Process Perspective						
D5	Adequate budget is allocated for research and development in the company					
D6	The company has implemented an integrated Enterprise resource planning (ERP) system Technology					
D7	The Innovation and development capacity of our organizations is clearly visible in the industry					
D8	High level of mechanization in most of operations					
Innovation and Learning Perspective						
D9	Periodic staff appraisal programs are conducted in the company					

D10	Staff with exemplary performance are rewarded					
D11	Adequate budget is allocated for staff training and development					
D12	Employee issues such as grievances, frustrations and distrust are often experienced in the company					
Financial Perspective						
D13	The company often meet its financial obligations in time					
D14	The company's financial performance points to a secure future through solid financial ratios					
D15	The Company often exceed the set financial targets					
D16	The shareholders are pleased with the company's return on capital					

Thank you for your participation.

APPENDIX III: LIST OF EATTA REGISTERED TEA WAREHOUSES

EATTA-RMR-01		MEMBERSHIP LIST AS AT FEBRUARY 2016
CATEGORY		**COMPANY**
WAREHOUSES	1	Bahari (T) Company Ltd
		Bahari (T) Company Ltd Mwatate Street Transit Warehouse No. 61
		Bahari (T) Company Ltd Mashundu Street Transit Warehouse No. 82
	2	Bryson Express Ltd
		Bryson Express Ltd Unga St. Bonded Warehouse No. 475
		Bryson Express Ltd Unga St. Bonded Warehouse No. 122
	3	Cargill Kenya Ltd
		oriental Tea Expo Ltd
		Cargill Kenya Ltd MwinyiMpate Road Godown No.5
		Cargill Kenya Ltd Unga St. Road Godown No.7
		Cargill Kenya Ltd Godown No.8
		Cargill Kenya Ltd Dar-es-Salam Road Transit Warehouse No. 66
		Cargill Kenya Ltd Dar-es-Salam Road Transit warehouse No. 92
		Cargill Kenya Ltd Dar-es-Salam Road Transit warehouse No. 109
		Cargill Kenya Ltd Bonded Warehouse No.444
	4	Chai Trading Company Ltd
		Chai Trading Company Ltd Miritini Complex
		Chai Trading Company Ltd Shimanzi Complex
		Chai Trading Company Ltd Farmers Complex Changamwe
		Chai Trading Company Ltd Farmers Complex Annex
		Chai Trading Company Ltd Miritini Annex
		Chai Trading Company Ltd Miritini Annex 2
		Chai Trading Company Ltd Mengo Road Changamwe Complex
		Chai Trading Company Ltd Chai Shimanzi Zanzibar Road
		Chai Trading Company Ltd Liwatoni Warehouse
		Chai Trading Company Ltd Mengo Road Annex
	5	DL Koisagat Tea Estate Ltd
	6	James Finlay Mombasa Ltd
		James Finlay Mombasa Mashundu St. Godown No.1
		James Finlay Mombasa Mashundu St. Godown No.2
		James Finlay Mombasa Mashundu St. Godown No.3
		James Finlay Mombasa Mashundu St. Godown No.4
		James Finlay Mombasa Mashundu St. Godown No.5

		James Finlay Mombasa Chai St. Godown No. 7
		James Finlay MombasaTransit Warehouse No. 110
		James Finlay Mombasa Bondede Warehouse No. 456
	7	Kipkebe Limited
		Kipkebe Warehouse Site 001
	8	Kuehne&Nagel Limited
	9	Mitchell Cotts Freight Kenya Ltd
		Mitchell Cotts Freight Kenya Voi St. Godown No.1
		Mitchell Cotts Freight Kenya Voi St. Transit Warehouse No. 58
		Mitchell Cotts Freight Kenya Voi St. Bonded Warehouse No.63
		Mitchell Cotts Freight Kenya Zanzibar Road
		Mitchell Cotts Freight Kenya MakupaCourseway
		Mitchell Cotts Freight Kenya Unga Street - Free Warehouse No 4
		Mitchell Cotts Freight Kenya Jomvu Warehouse No 05
	10	Peerless Tea Services Ltd MwinyiMpate St. Transit Warehouse No. 106
	11	Risala Limited Mozambique Road,Shimanzi,TTW No.140.
	12	Bollore Africa Logistics Kenya
		Bollore Africa Logistics Kenya Changamwe Tea Complex Transit Warehouse No. 7
	13	SGS Kenya Ltd
	14	Siginon Freight Ltd
		Siginon Freight Ltd Shimanzi
		Siginon Freight Ltd Changamwe
	15	Tea Warehouses Ltd
		Tea Warehouses Ltd Mahindi St. Godown No.1
		Tea Warehouses Ltd Mahindi St. Godown No.2
		Tea Warehouses Ltd Mahindi St. Transit Warehouse No.105
		Tea Warehouses Ltd Mahindi St. Bonded Warehouse No.372
		Tea Warehouses Ltd Mbaraki Warf Godown
	16	Ufanisi Freighters (K) Ltd
		Ufanisi Freighters (K) Ltd Transit Warehouse No. 77
		Ufanisi Freighters (K) Ltd Bonded Warehouse No. 197
	17	United (EA) Warehouses Ltd
		United (EA) Warehouses Ltd Mashundu St. Godown No. 420
		United (EA) Warehouses Ltd Mashundu St. Transit Whse No. 72