

Stakeholder Involvement and Performance of Sugar Parastatals in Western Kenya

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Abstract

Stakeholder involvement is a major boost to performance in many organizations all over the world. Many companies have embraced Strategic Planning as a factor to counter the unexpected turbulent business operating environment. Performance improvement provides an opportunity for organizations to contribute to the organizations' profits via improving the production processes, rather than merely seeking the reduction or omission of costs. The Kenyan sugar industry has always been guided by a Strategic Plan which envisages converting the sugar industry into a world class producer of sugar and the co-products. However, the results have always been contrary to expectations. The purpose of this study was to investigate the effect of Stakeholder Involvement on Performance of Sugar Manufacturing Parastatals in Western Kenya. This research adopted Descriptive Survey method and Correlation Research design, since this provided an accurate and valid representation of variables that pertain to or are relevant to the study. The study targeted four Government owned sugar companies in Western Kenya. The respondents were mainly Management staff of sugar companies from Section Heads and above. Non-Probability Sampling design was employed in the study because the researcher used Purposive Sampling method due to the sample selection based on the knowledge of the group. The researcher used questionnaires and interviews as research instruments. Data collected was analyzed by use of Descriptive and Inferential Statistics, a Simple Regression Analysis was used to model a relationship between Strategic Planning Practices and firm Performance in the Sugar Manufacturing Parastatals in Western Kenya. Pearson's Coefficient of Correlation was used to analyze relationships among variables. The study found out that there is a higher positive and significant correlation between stakeholder involvement and firm performance ($r=0.420$) followed by strategy formulation ($r=0.311$) and environmental scanning ($r=0.270$). It was also found out that macro environment have a positive and significant moderating effect between strategic planning practices and firm performance. The study concluded that stakeholder involvement leads to a higher contribution to firm performance. The study thus recommended that the management of Sugar Manufacturing Parastatals in Western Kenya should invest much of its resources in involving their stakeholders in major decision making processes. Some of these strategies entail; Carrying out stakeholder profiling in the organization; Regular and deliberate programme to update stakeholders on company activities; analyzing and implementing stakeholders feedback in the organization; Giving key stakeholders special attention when they visit our company.

Keywords: Stakeholder Involvement, Parastatals Performance, Strategic Planning, Sugar Industry

1. Introduction

1.1 Statement of the research problem

Many organizations today are focusing on becoming more competitive by launching strategies that give them an edge over others. Sugar companies are equally facing the same challenge in their choice of strategy given the crisis the subsector is currently experiencing. Organizations that engage in Strategic Planning usually have a superior Performance. Arasa (2008) researched on Strategic

Planning, Employee Participation and Firm Performance in the insurance sector. His findings provided evidence that there is a strong link between Strategic Planning and Firm Performance.

The Sugar industry has had several management and structural changes over years in a bid to enhance performance and increase productivity. These companies have strategic plans that are expected to result in enhanced performance. The Kenyan Sugar Industry Strategic Plan aims at making the industry more efficient, diversified and globally competitive to contribute to the overall objective outlined in the Agricultural Sector Development Strategy (2009-2020) and the Kenya Vision 2030. This can only be achieved if the industry improves

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its productivity. However the result has always been problems previously experienced carried forward or evolving into more complex situations without a proper strategy of how to surmount them. Anzemo (2010) in some instances even productivity has ended up going down despite heavy injection of funds by the principle shareholders. The effect of planning in public organizations has been widely debated but never tested conclusively (Boyne, 2003). Several studies have been carried out in Kenya pertaining to various facets of Strategic Planning. Brown and Pope and Brown (2010) however for stakeholders in the sugar industry, despite most Parastatals having developed a very comprehensive and business oriented strategic plan, the industry continues to perform dismally in many fronts. Could it be that strategies were formulated poorly or without stakeholder involvement? Or could it be that the sugar industry environment was not well scanned? This study therefore sought to establish the effect of strategic planning practices on the performance of sugar Sugar Manufacturing Parastatals in Western Kenya.

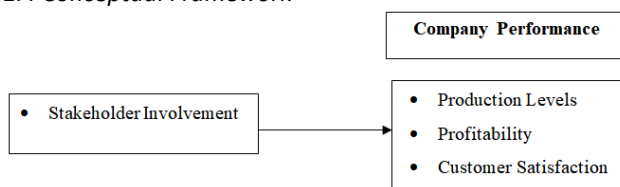
1.2 Research Objectives

To examine the influence of Stakeholder Involvement on Performance of sugar Parastatals in Western Kenya.

1.3 Research Hypothesis

HO, there is no significant relationship between Stakeholder Involvement and Performance of Sugar Manufacturing Parastatals in Western Kenya.

1.4 Conceptual Framework



Source: Researcher self-own conceptualization (2017)

Figure 1.1: Interaction of Strategic Planning Practices, Macro Environment and Company Performance.

2. Literature review

2.1 Stakeholder Theory

The idea that business has duties towards society and more specifically towards identified constituents (the stakeholders) is widely acknowledged. Stakeholder theory was originally detailed by Freeman (2004). The theory identifies and models the stakeholders of a corporation and then recommends methods by which management can give due regard to the interests of those groups (Freeman, 2004). Kakabadse, Rozuel & Davis (2005) found corporate social responsibility (CSR) and the notion of

stakeholder approach as pivotal concepts when examining the role of business in society. The role of stakeholder theory in business is further supported by Lantos (2001) and Moir (2001) who claim that business people are simply using the resources of the principle they ultimately serve and therefore do more of a disservice that good to society. Carroll (1991) expresses that there is a natural fit between the idea of corporate social responsibility and an organizational stakeholders.

According to stakeholder theory, success of the organization depends primarily on how well are well managed relationships with many key groups and other important community organizations within which it operates (Robins, 2008). Other stakeholder theory the work of a manager is to support all these groups, carefully align their differing interests that should create the organization to be a place where shareholders' interests can be collectively maximize gradually (Freeman & Youngs, 2009). Critics have found stakeholder's theory as a failure, because of one, it does not help the management to identify who what groups are or are not stakeholders (Heugens & Van Oosterhout, 2002). Secondly, the theory does not specify how a manager should compare the competing interests of different stakeholder groups (Nesvadbora, 2010). However, this study finds relevance in stakeholder theory in its focus to describe and explain the characteristics and behaviours of Parastatals. The theory is instrumental to this study in identifying connections that exist between the corporate social responsibilities towards stakeholders groups and the achievement of corporate goals.

2.2 Stakeholder Involvement

The complex and dynamic nature of environmental problems requires flexible and transparent decision-making that embraces a diversity of knowledge and values. For this reason, stakeholder participation in decision-making has been increasingly sought and embedded into national and international policy (Atkin and Skitmore, 2008). The term 'stakeholder' can be traced to as early as 1708 to mean "a person entrusted with the stakes of bettors" (Bryson, 2008). Freeman defines a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Although the roots of this concept are in business literature, the definitions have evolved due to its use in public administration and natural resource management. Now, the use of the term 'stakeholder' emphasizes the 'stake' or interests of the parties in a process" (Hermans, 2008).

A stakeholder can be defined as "any group of people organized, who share a common interest or stake in a particular issue or system" (Grimble and Wellard, 2007). Integrating stakeholders is a way of accommodating conflict points and claims. A classical criticism of a broad definition is that "virtually anyone and anything can 'affect or be affected' by the decisions and actions of a

business enterprise" such that "expansive views of relevant 'stakeholders' tend easily to become so broad as to be meaningless" (Orts and Strudler, 2012). However, when inclusivity is a goal, then a willingness to take an expansive view of stakeholders is required. As definitions of stakeholders specifically differ in how inclusive they are.

Bryson (2012) asserts that in public management, the term must be used in a more inclusive way to enact more democratic principles. In community development practice, stakeholders have been described as 'victims' or 'gainers' in relation to a project to reflect who might benefit or be at risk. Other terms that have developed common usage are 'participant', 'involved party', 'recipient' and 'responsible party'. Recent decades have witnessed a growing application of different forms of stakeholder identification and analysis in research fields such as public policy, international development, agriculture and environmental sciences. Particularly with disciplinary research, stakeholder involvement is necessary for knowledge integration and innovation co-creation. A stakeholder analysis is a way of identifying who is a stakeholder related to a specific issue or problem situation, and serves at making their interests, objectives, power dynamics and relationships explicit. Christopher (2011), working on marine resource management, emphasises that stakeholder analysis needs to address a set of questions: who are the stakeholders to include in the analysis; what are the stakeholders' interests and beliefs; who controls critical resources; with whom do stakeholders form coalitions; and what strategies and venues do stakeholders use to achieve their objectives. The first step of a stakeholder analysis is identification. However, stakeholder analysis must be done iteratively, in particular because the joint problem definition and the identification of stakeholders are circularly linked. This means the joint problem definition is influenced by the stakeholders contributing to it, and the way how the problematic situation is defined again influences which stakeholders are affected or can be affected by it. The emphasis on iterative stakeholder analysis described by scholars from policy (Varvasovszky and Brugha, 2007) environmental sciences (Reed, 2009) and development (Zimmermann and Maennling, 2007).

2.3 Firm Performance

The concept of organizational performance emanates from the concepts of efficiency and effectiveness. A business organization must produce the right products and services and it must produce them using the fewest possible inputs if it is to have a strong organizational performance (Cheng, 2011). Organizational performance can be measured by analyzing a company's performance as compared to its corporate goals and objectives based on three primary outcomes; financial performance, market performance and shareholder value performance.

Organizational performance has been the most important issue for every organization be it profit or non-profit one. It has been very important for managers to

know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers (Barney, 2007). According to Daft (2008), organizational performance is the organization's ability to attain its goals by using resources in an efficient and effective manner. Quite similar to Daft (2008), Richardo (2012) defined organizational performance as the ability of the organization to achieve its goals and objectives. The term performance has been sometimes confused with productivity.

According to Ricardo (2012), there is a difference between performance and productivity. Productivity is a ratio depicting the volume of work completed in a given amount of time. Performance is a broader indicator that could include productivity as well as quality, consistency and other factors. In result oriented evaluation, productivity measures are typically considered. The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives. Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates non-financial measures including among others market share, product quality, and company image. Given this scenario, this study opts to use multiple items in order to assess the performance of the organization to be studied. These items relate to profitability, payment of farmers (efficiency in service delivery), and production levels.

3. Research design and methodology

3.1 Research Design

This researcher adopted a descriptive survey method and correlation research design, since they provided an accurate and valid representation of variables that pertain to or are relevant to the study.

3.1 Population of study

The population of interest of study comprised all state owned and public owned sugar companies within Western Kenya. Thus the study focused on Mumias, Nzoia, Chemilil, Sony, and Muhoroni. The remaining 11 sugar companies though private are Family owned hence the level of disclosure of information may not be reliable for research purposes. For purposes of this study the target population mainly comprises of Managers at the level of Section Head and above in the selected sugar Parastatals. This is informed by the fact that usually in sugar companies; they are the drivers of strategic plans.

3.2 Sampling design

This study adopted Non-probability (purposive sampling) procedure. In purposive sampling, the researcher picked the sample based on premise that Strategic Planning was monitored within the department and the level of corporation in the research was guaranteed. Sample size of 10% from all the five sugar companies in Western Kenya was selected to participate in the study.

Table 3.1: Sampling Frame

S/No.	Company	Target Group	Target Population	Percentage from Target Population	Sample Size
1.	Mumias Sugar Company	Managers (Section head and above)	48	30%	14
2.	Nzoia Sugar Company	Managers (Section head and above)	51	30%	16
3.	Chemilil Sugar Company	Managers (Section head and above)	44	30%	13
4.	Sony Sugar Company	Managers (Section head and above)	50	30%	15
5.	Muhoroni Sugar Company	Managers (Section head and above)	47	30%	14
Total			240	30%	72

Source: HR departments of Mumias, Nzoia, Chemilil, Sony, and Muhoroni Sugar Companies (2017)

3.3 Data collection tools

The researcher used structured questionnaires as an instrument of data collection in this study. Questionnaires provide quick, inexpensive, and efficient means of assessing information about a population.

3.4 Data Collection Procedures

Questionnaires were delivered to the participants in the entire study. For this study, the questionnaires were administered personally to the respondents on the basis of drop and collect. Interview schedule was also used on Chief Executive Officers.

3.5 Pilot study

Before the final form of the survey questionnaire is constructed and administered for the research, a pilot study was conducted to determine if the tool will yield the information that is needed.

3.5.1 Validity

For validation of the instrument, the researcher consulted supervisors and data collection experts in the field of

strategic management practices, who rendered an intelligent judgment about the adequacy of the instrument and then the instrument was amended according to the experts' comments and recommendations before being administered. Construct validity was achieved by reading the theoretical and empirical literature in order to capture the relevant issues to be addressed in the phenomenon under study. Content validity was achieved by ensuring that the information contained in the instruments, capture the necessary or relevant areas of the study. Its composition can be piloted through a survey with a different group other than the target population.

3.5.2 Reliability

The reliability of the questionnaire was ascertained by use of a test-retest method where at least ten questionnaires will be administered to ten respondents from one sugar factory. These respondents were not targeted in the final study. The responses were noted as T1. After two weeks, the same questionnaires were issued to the same ten respondents and the result was noted as T2. Since the data had a Cronbach's Alpha of 0.759 as shown in Table 3.1, it was considered reliable because it is above the Cronbach's Alpha of 0.7 accepted in social research

Table 3.1: Reliability Test

Cronbach's Alpha	N of Items
.759	42

Source: Pilot Data (2017)

3.6 Data analysis and presentation

The data was edited and cleaned to ensure that all questionnaires are completed and the responses are legible, accurate and consistent to facilitate coding and tabulation as advocated by. Simple regression analysis was used to model a relationship between stakeholder involvement and firm performance in the sugar industry. This relationship was in the form of the simple linear regression model;

$$FP = \alpha + B_1X_1 + e$$

Where: FP = Firm Performance; α = Regression Coefficient; X_1 = Stakeholder Involvement and e = Error term

3.7 Ethical Consideration

Before commencement of the data collection a letter of authority to conduct this study was sought from the School of graduate Studies at MMUST. Permission was also sought from the National Council for Science and Technology as required by law on research undertaken in

Kenya. Consent was obtained from the CEOs of the sugar companies where the data will be collected from. The researcher explained the purpose and the significance of the study to the respondents. Guarantee of anonymity and confidentiality was assured to the respondents.

4. Results and discussions

4.1 Response Rate

Table 4.1: Response rate of respondents

Response	f	%
Collected	65	90.28

Table 4.2: Stakeholder Involvement

	1	2	3	4	5	Total
There is stakeholder profiling in our organization	12(18.5%)	36(55.4%)	9(13.8%)	8(12.3%)	0%	65
Regular and deliberate programme to update stakeholders on company activities	9(13.8%)	22(33.8%)	13(20%)	12(18.5%)	9(13.8%)	65
Stakeholders feedback is analyzed and implemented in our organization	13(20%)	37(56.9%)	8(12.3%)	6(9.2%)	1(1.5%)	65
Special attention is given to key stakeholders when they visit our company	8(12.3%)	25(38.5%)	23(35.4%)	8(12.3%)	1(1.5%)	65
Stakeholders contributes positively to current company performance	8(12.3%)	24(36.9%)	20(30.8%)	12(18.5%)	1(1.5%)	65
Stakeholders involvement have improved our performance	10(15.4%)	25(38.5%)	17(26.2%)	11(16.9%)	2(3.1%)	65

Source: Field data (2017)

Table 4.2 results depict that there is involvement of stakeholders in the sugar parastatals in Western Kenya in strategic planning. This is shown by the high number of respondents who agreed that the parastatals involve their key stakeholders in the following ways: There is stakeholder profiling in our organization (Strongly agree, 12(18.5%) and agree, 36(55.4%); Regular and deliberate programme to update stakeholders on company activities (Strongly agree, 9(13.8%) and agree, 22(33.8%); Stakeholders feedback is analyzed and implemented in our organization (Strongly agree, 13(20%) and agree, 37(56.9%); Special attention is given to key stakeholders when they visit our company (Strongly agree, 8(12.3%) and agree 25(38.5%); Stakeholders contributes positively to current company performance (Strongly agree, 8(12.3%) and agree, 24(36.9%); and Stakeholders involvement have improved our performance (Strongly agree, 10(15.4%) and agree, 25(38.5%). Past researchers and scholars agrees that stakeholders involvement in strategic planning process leads to company's superior performance which is in concomitant with the study findings (Atkin & Skitmore, 2008; Bryson, 2008; Hermans, 2008; Christopher, 2011; Grimble & Wellard, 2007; Orts & Strudle, 2012).

4.3 Inferential data Analysis

Study correlation results in Table 4.3 reveal that there is a relatively high positive and significant relationship between stakeholder involvement and firm performance

Not Collected	07	9.72
Total	72	100

Source: Field data (2017)

A total of 72 questionnaires were given out to the respondents out of which 65 questionnaires were successfully returned. This represents a response rate of 90.28% that is considered adequate to be used for data analysis. Bebbie (2004) asserted that return rates of 50% are acceptable, 60% is good and 70% is very good to analyze and publish research findings.

4.2 Descriptive statistical analysis

4.2.1 Stakeholder Involvement

at 0.01 level of significance ($\alpha=0.000$, $p\text{-value}=0.01$, $r=0.420$). This means that strategic planning element of stakeholder involvement is positively and significantly correlated with firm performance thus in agreement with past research conducted by Atkin & Skitmore, 2008; Bryson, 2008; Hermans, 2008; Christopher, 2011; Grimble & Wellard, 2007; and Orts & Strudle, 2012.

Table 4.3: Strategic Planning Practices and Firm Performance correlation results

		Stakeholder Involvement	Firm Performance
Stakeholder Involvement	Pearson Correlation	1	.405**
	Sig. (2-tailed)		.001
	N	65	65
Firm Performance	Pearson Correlation	.405**	1
	Sig. (2-tailed)	.001	
	N	65	65

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field data (2017)

Summary of multiple regression model results in Table 4.4 show that there is a positive relationship between stakeholders involvement and firm performance ($R=0.405$). It also reveal that stakeholder involvement accounts for 16.4% of the firm performance and the rest 83.6% of the firm performance is as a result of other factors a part from stakeholder involvement ($R^2=0.164$).

ANOVA results reveal that the simple linear regression model is feasible in measuring the relationship between stakeholder relationship and firm performance. This is shown by a significant F-statistical test ($F=12.363$; $\alpha=0.001$; $p\text{-value}=0.05$).

Table 4.4: Stakeholder Involvement and Firm Performance regression results

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.405 ^a	.164	.151	.52770		
a. Predictors: (Constant), Stakeholder involvement						
ANOVA ^a						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	3.443	1	3.443	12.363	.001 ^b
	Residual	17.544	63	.278		
	Total	20.987	64			
a. Dependent Variable: Firm Performance						
b. Predictors: (Constant), Stakeholder involvement						
Coefficients ^a						
Model	Unstandardized Coefficients		Standardized Coefficient	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	2.302	.197		11.711	.000
	Stakeholder involvement	.258	.073	.405	3.516	.001
a. Dependent Variable: Firm Performance						
Source: Field data (2017)						

Source: Field data (2017)

Table 4.4 coefficient results depict that stakeholders' involvement contributes significantly to firm performance, that is, an increase in firm performance by .258 units. From the results, the overall multiple regression model can be written as;

$$Y (\text{firm performance}) = 2.302 + 0.258SI$$

Where: SI=Stakeholder involvement. 0.258 represents β_1 .

Since $\beta_1 \neq 0$, the study rejects the research null hypothesis and concludes that there is a significant relationship between stakeholder involvement on firm performance. The study results are in agreement with past research findings that found out that stakeholder involvement have a positive relationship with firm performance (Atkin & Skitmore, 2008; Bryson, 2008; Hermans, 2008; Christopher, 2011; Grimble & Wellard, 2007; Orts & Strudle, 2012).

5. Summary, conclusions and recommendations

5.1 Summary of the Findings

The study found out that there is involvement of stakeholders in the sugar parastatals in Western Kenya in strategic planning. This is shown by the high number of respondents who agreed that the parastatals involve their key stakeholders in the following ways: There is stakeholder profiling in our organization; Regular and

deliberate programme to update stakeholders on company activities; Stakeholders feedback is analyzed and implemented in our organization; Special attention is given to key stakeholders when they visit our company; Stakeholders contributes positively to current company performance. The study correlation results found out that there is a high positive and significant relationship between stakeholder involvement and firm performance at 0.05 level of significance. The study findings on regression analysis found out that stakeholder involvement is a significant measure of firm performance hence its use leads to a slight increase in firm performance by 0.228 units. The study thus rejected the third research hypothesis and concluded that stakeholder involvement has a significant positive relationship on firm performance.

5.2 Conclusion

The study concludes that there is involvement of stakeholders in the sugar parastatals in Western Kenya in strategic planning. It was also concluded that there is a high positive and significant relationship between stakeholder involvement and firm performance hence it contributes significantly to firm performance.

5.3 Recommendations

Since there is a high correlation between stakeholder involvement and firm performance, the study recommends that the management of Sugar Manufacturing Parastatals in Western Kenya should invest much of its resources in involving their stakeholders in major decision making process. Some of these strategies entail; There is stakeholder profiling in our organization; Regular and deliberate programme to update stakeholders on company activities; Stakeholders feedback is analyzed and implemented in our organization; Special attention is given to key stakeholders when they visit our company; Stakeholders contributes positively to current company performance.

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