

Review Article

Role of Stakeholder Management on Firm Performance: An Empirical Analysis of Commercial Banks in Nairobi City County, Kenya

Jane Ontita, Godfrey Muigai Kinyua

School of Business, Kenyatta University, Nairobi, Kenya

Email address:

jayontita@gmail.com (J. Ontita), jefkinyua@gmail.com (G. M. Kinyua)

To cite this article:Jane Ontita, Godfrey Muigai Kinyua. Role of Stakeholder Management on Firm Performance: An Empirical Analysis of Commercial Banks in Nairobi City County, Kenya. *Journal of Business and Economic Development*. Vol. 5, No. 1, 2020, pp. 26-35.

doi: 10.11648/jjbed.20200501.14

Received: July 9, 2019; **Accepted:** September 10, 2019; **Published:** February 26, 2020

Abstract: The survival and success of any business enterprise in the globalized economies is highly linked to access of valuable resources that are predominantly in the hands of stakeholders. The highly volatile business environment characterized with ever changing behavior of stakeholders makes it critical for organization to constantly pursue practices with potential for performance improvement. It has been observed that the changes in the Kenyan banking sector have resulted in an assortment of responses that has triggered fluctuations in crucial performance indicators amongst the industry players. This study therefore sought to examine the role of stakeholders' management on performance of Commercial banks in Nairobi City County. The study was anchored on Resource Based View and stakeholders' theory. Descriptive research design was utilized for this study. The target population was commercial banks in Nairobi City County. The unit of observations was employees in the head offices of commercial banks in Nairobi while the unit of analysis was commercial banks in Nairobi. Proportionate stratified random sampling method was used to select 89 management staff of Commercial Banks in Nairobi City County to form the sample. Structured questionnaires were used for purposes of data collection. Both descriptive statistics and inferential statistics were used for data analysis. Descriptive statistics included the frequencies, sample mean and sample standard deviation. The inferential statistics utilized multiple linear regression analysis. The study found out that stakeholder management affected performance of Commercial Banks in Kenya. Management of Commercial banks should formulate policies that provide guidance on execution of activities relating to stakeholder management. The study also recommends the management team should make deliberate effort to involve all stakeholders in the entire process of strategic management.

Keywords: Resources, Stakeholders, Performance

1. Introduction

The organizations operate on the need to achieve their mission and vision objectives as well as generate value for their shareholders and stakeholders including customers, employees, and community amongst others. In order to achieve its organizational mandates, the concept of organizational performance is therefore key to operations of an organization. Organizational performance refers to the firm's capacity to acquire and use scarce resources in order to achieve the organization objectives [18]. These resources include financial resources, technological resources, and

human resources amongst others. On the other hand, Inyange (2014) indicates that organizational performance relates to the analysis of productivity as measured against internal metrics such as customer satisfaction levels, employee retention levels, financial performance, and stakeholder management amongst other metrics. [2]

The organizational performance can be divided into two broad metrics that is the financial and non-financial metrics. The financial performance metrics have been the traditional means of measuring the performance of an organization. Amongst the financial performance metrics that have been utilized include profitability, return on assets, return on equity,

liquidity levels and earnings per share. The profitability is the most commonly used of the financial performance metrics and it refers to the sales less expense [18]. The profitability levels are also quick to understand as well as compare the performance between diverse companies.

The return on equity is a measure of the profitability generated through the investment levels of the shareholders' funds. The return on assets examines the profit generation levels of the organization through the use of assets at its disposal [13]. There are also diverse non-financial performance metrics that have been used by the firms to measure the organizational performance. These measures include employee productivity, customer retention levels, customer satisfaction levels, employee satisfaction levels, and new product designs amongst others [21]. The employee productivity levels measures the ability of the employees to achieve their performance targets such as sales targets. These are often measured through use of sales dashboards.

The customer retention levels examine the number of customers terminating the business relationship or those who have been inactive relative to the whole data base [18]. The organization seeks to maintain low level of customers exit. The customer satisfaction levels measures the aspects of the customers satisfaction with the organizations' products and services. This often measured through use of a Net Promoter Scores (NPS). There are diverse aspects of business enterprises that have an influence its performance. These aspects include among others strategic leadership, stakeholder management, training, and corporate communication.

The stakeholder management is critical for organizational performance of a firm since the stakeholder such as shareholders provide resources for the firm to utilize in its operational aspects. On the other hand, the employees are critical in executing the firm's mandates through operations leading to organizational performance.

2. Literature Review

2.1. Resource Based View

Resource Based View (RBV) was propounded by Edith Penrose in 1959 and later Birger Wernerfelt together with other scholars contributed significantly to its development. This view proposes that the set of tangible and intangible resources are responsible for providing the requisites insights concerning why some firms are more successful than others in the market place [3, 2]. As a managerial framework, the RBV can be used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage and thus providing a plausible explanation on bases of performance heterogeneity amongst firms in the same industry [6]. RBV focuses the attention of management on the assortment of internal resources in an effort to set apart assets, capabilities and competencies that have potential to deliver superior competitive advantages.

RBV emphasizes the importance of the availability of resources and ability of the firms to exploit such resources in

a manner that ultimately create value that is distinct in the market place [20]. Those resources that can be touched include aspects such as equipment and land etc. while those that can't be touched include human expertise. This theory was applicable to this study in the context that strategic leadership is an intangible resource in itself. The uniqueness and capabilities of the strategic leadership thus impacts on the organizational resources. The strategic resources also impacts on the organizational performance through acquisition, utilization and disposal of other types of resources dependent on the firm's requirements.

The way that a firm manages and configures its stock of assets and resources has a strong bearing its overall performance [27]. RBV underscores resources and capability attributes which serve as a basis for distinct competence and competitive advantage. Internal resources and capabilities are an imperative for generating strategic choices that supports the firm's ability to compete with other similar organizations in the market place [1]. This view of the firm presupposes that people are motivated to optimize the utilization of economic resources available to the firm and that the general economic framework informs the logical choices that a firm makes. The resource based view of the firm lays emphasis on the capabilities that underlie a firm's ability to excel in realization of its competitive priorities [5]. The view has been found to contribute to strategic management discourse due to its prominence on firm-specific resources which are perceived as key contributors of the firm's competitive advantage and exemplary performance [16].

Firm's capabilities are developed gradually and embedded as well as manifested differently across firms in a given industry. In this case, the path dependence nature of such capabilities confers them with characteristics of being valuable, rare, inimitable and non-substitutable [7, 18]. The theory allows the organizational decision makers to select the most critical strategic inputs to acquire and utilize. [2] expounded that resources that are valuable advances the firms' performance and that rareness serves as reliable basis for competitive edge in an industry especially where resources in the same category are found in only a few of the firms. Resources that are inimitable are those that would cost too much to duplicate while resources that are said to be non-substitutable have no alternative to accomplishing the same goal or end-product amongst competing firms. [3] contend that each firm has a wide range of resources that are of both tangible and intangible nature. Therefore, the theoretical propositions of RBV have been used to underpin stakeholder management and performance as independent and dependent variables respectively in this study.

2.2. Stakeholder Theory

The development of stakeholder theory is credited to the work of Edward Freeman that suggested that a company's real success lies in satisfying all its stakeholders, not just those who might profit from its stock [9]. The theory considers a stakeholder as any group or individual that is either affected by or affects the behavior, operations and performance of an

organization and realization of its strategic objectives. An organization is basically a grouping of stakeholders and the overall purpose of the organization should be effective management of their interests, needs and viewpoints. Stakeholder theory essential promotes a practical, efficient, effective and ethical way for management of organizations in a highly complex, dynamic and uncertain environment [9, 11].

All management behavior and decisions have an embedded ethical component, and therefore the ethical arguments in the case for managing for stakeholders are as important to the theory as are the practical considerations [10]. Unlike agency theory in which the managers are working and serving for the stakeholders, stakeholder theorists suggest that managers in organizations have a network of relationships to serve this include the suppliers, employees and business partners. Similarly, the stakeholder approach also considers the provision of resources as a central role of board members success. This will result in the firm's ability to build consensus among all critical stakeholders. A firm that manages for stakeholders allocates more resources to satisfying the needs and demands of its legitimate stakeholders than what is necessary to simply retain their willful participation in the productive activities of the firm [4].

The stakeholder groups have a direct voice in terms of decision making, and would influence the development of the corporation policies. Corporations may not live to the stakeholders' expectations due to competing socially beneficial resources of companies' resources [10]. However, it is difficult to fulfill the objectives of all the stakeholders, it may slow decisions based on the number and delays in operations. Stakeholder theory has been extensively used to provide a mechanism for addressing changing demands in a dynamic business environment. The purpose of an organization is to make profits for stockholders, which is can only be sustainably achieved through pursuit of legal, ethical and discretionary responsibilities. In this study the researcher used stakeholder theory to underpin stakeholder management as an independent variable.

2.3. Empirical Literature Review

Focusing on deposits taking SACCOs in Kenya, [14] examined the influence of stakeholder management functions on financial performance. Amongst the strategies that the study sought to explore on their influence on the financial performance included swing strategy, defensive strategy, hold strategy, offensive strategy, and corporate social responsibilities strategies. The study used a two stage sampling methodology to derive the number of SACCOs to be utilized and the specific number of employees in the SACCOs to be used which were 64 and 130 respectively.

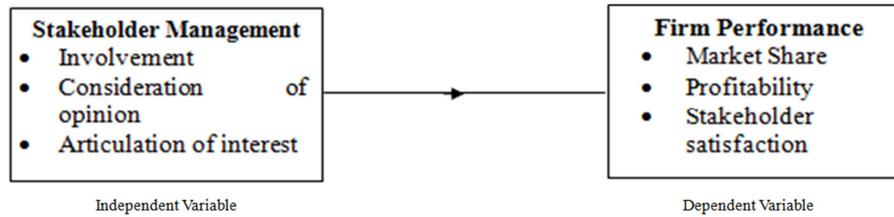
The study utilized the simple regression analysis to test the hypotheses on whether swing, defensive, hold, offensive, and corporate social responsibilities strategies had any significant influence on financial performance. The study revealed that all these strategies had a significant influence on the financial performance of SACCOs in Kenya. In explaining their

significant influence on financial performance, the study noted that these strategies worked for diverse groups of stakeholders. The offensive strategy worked for supportive stakeholders, hold strategies for marginal stakeholders, defensive strategies for non-supportive stakeholders, while swing strategy works for mixed blessing stakeholder. The study was important in enumerating the role of stakeholder management on financial performance of SACCOs. However, this study seeks to examine the performance of the organization in a holistic manner.

In Brazil, [15] undertook a study on the stakeholder management capability and organizational performance. The study focused on the cooperative societies in Brazil. Segmenting the organizational performance into the environmental and financial performance, the study conceptualized stakeholder management capability in terms of communication, strategy formulation, resources utilization, and stakeholder servicing. Using correlation analysis, the study found a positive and strong correlation coefficient of 0.614 in relation to influence of stakeholder management capability and environmental performance of Brazil cooperatives. The study also found a weak but positive correlation relationship between stakeholder management capability and financial performance of Brazilian cooperatives. This achieved a correlation coefficient of 0.425. The study is contextually different from the current study as it doesn't relate stakeholder management and organizational performance of a commercial bank in Kenya.

In a study on the stakeholder involvement in strategy implementation noted that stakeholders play a critical role in organizational performance through strategy implementation [19]. The study noted that the stakeholders' agenda may differ from those of the operations management team. In this context, the understanding on what motivates the diverse stakeholders is critical in overcoming any challenges and resistance that may be presented the stakeholders to the strategies set for implementation. [25] Study on Stakeholder orientation and financial performance in Indonesia examined the role of stakeholder management on organizational performance. The study noted that the firm's achieves superior results through the management of its relationships with its stakeholders and in some contexts all the stakeholders may not be given similar attention levels. In this context, the study noted that the policies, practices and outcomes may vary amongst the stakeholders of a given firm. The firms are often forced to make tradeoff amongst its practices towards diverse stakeholders. The study also notes that there is a bi directional relationship between the firms' performance and stakeholder management practices. In this context, the study notes that the stakeholder management has an impact on the organizational performance of the firm and vice versa.

As a result of extensive and critique of relevant body of existing theoretical and empirical literature the hypothesized relationship regarding stakeholder management and Firm performance presented in Figure 1.



Source: Literature Review (2018).

Figure 1. Conceptual Framework.

The research hypotheses for this study were as follows;

H₀: Stakeholder management has no statistically significant effect on performance of Commercial Banks in Nairobi City County, Kenya.

H_a: Stakeholder management has a statistically significant effect on performance of Commercial Banks in Nairobi City County, Kenya.

3. Research Methodology

This study utilized descriptive research design. Descriptive research design sets to measure a set of variables as they exist naturally without any manipulation of variables. Descriptive research design in this study allowed the researcher to study the elements in their natural form without making any alterations to them. The descriptive design was utilized as it helped to define, estimate, predict and examine the association of the variables under study. This enabled the researcher to come up with descriptive statistics that helped determine the relationship that exists among stakeholder management and firm performance.

A target population as described as a group of objects or individuals having common observable characteristics that is of interest to the researcher [23]. A target population is also described as the universe of individuals, events or objects having a common observable characteristic that conforms to a given specification that the researcher can use to generalize the results. Therefore, a target population is examined by units of observation and units of analysis. The unit of observations was the head offices of commercial banks in Nairobi. The unit of analysis for this study was the senior operations management staff of commercial banks in Nairobi. This is

because they were the staff with the knowledge on the change management and operations performance of commercial banks in Nairobi. According to [24], there are 800 senior operations management staff within commercial banks.

According to [17], sampling is defined as the process of selecting a subclass of people or social singularity to take part in study of the environment they are in. A lot of resources and planning is involved in data collection if all members of the population are to participate and is time demanding. The cost and logistics involved in research therefore informed the decision of the researcher to use a sample for this study. The sample size refers to a finite subset of elements or people that are selected from the target population in order to constitute a sample for the purpose of data collection. The sample size was calculated using the formula method to calculate the size of the sample [22] as follows;

$$N = \frac{NC^2}{e^2} + (N-1)e^2$$

Where;

n=sample size

N=size of target population

C=coefficient of variation (0.5)

e=error margin (0.05)

Substituting these values in the equation, estimated sample size (n) was:

$$n = 800 (0.5)^2 / (0.5^2 + (800-1) 0.05^2)$$

n=89 respondents

Therefore, a sample size of 89 respondents selected from the population was used for the study. Proportionate simple random sampling method was used to select the sample members.

Table 1. Distribution of the Sample.

Commercial Bank	Number of Employees	Percentage	Sample Size
Kenya Commercial bank (KCB)	102	12.75%	11
Cooperative Bank	96	12.00%	11
Equity Bank	85	10.63%	9
Barclays Bank of Kenya	80	10.00%	9
Standard Chartered	74	9.25%	8
Commercial Bank of Africa	54	6.75%	6
CFC Stanbic	50	6.25%	6
Diamond Trust Bank	46	5.75%	5
NIC Bank	45	5.63%	5
National Bank of Kenya	36	4.50%	4
Chase Bank	34	4.25%	4
Others	98	12.24%	11
Total	800	100%	89

Source: Central Bank of Kenya (2015).

Table 1 shows that Kenya Commercial banks had the highest number of senior operations management staff of commercial banks in Nairobi at 102 employees and then followed by cooperative banks at 96 employees. Chase bank had the least number of employees in strategic management department. The number of employees deepened on the size of bank branch.

The questionnaires were utilized for the purposes of data collection. A questionnaire consists of a number of questions that are printed or typed in a definite order on a form or set of forms. The questionnaire is very comprehensive in addressing the research objectives. Specifically, a structured questionnaire was used for data collection which provided respondents with a set of response alternatives and a set response format [26]. The structured questionnaire made administration of the questionnaire easy as respondents had an easy time answering the questions, and also eased the data analysis process using Statistical Packages for Social Sciences (SPSS). The cost efficiency and opportunity provided by the structured questionnaire for respondents to exhaustively answer questions in their own time also made it the preferred choice for data collection. The questionnaire was divided into five subsections. The first subsection was used to collect the respondents' bio data while the other four subsections were composed of the variables under study.

The pilot study of this research was undertaken in the bank branches in Kiambu County to avoid contaminating the final field of study. This was undertaken using 10 respondents who constituted 10% of the sample size. This sample size of 10% was appropriate for a pilot study as recommended by [17]. The pilot study was used for the determination of the reliability and validity of the research instruments. Validity ensures that the methods for data collection are not only ethical, and cost-effective, but also truly measure the idea or construct in question. The validity of the research instrument of was examined using the content validity. To establish the content validity of the instrument, opinions of experts in the financial sector, change management, organizational performance as well as the university supervisors were sought during the pilot study. Feedback from the experts and research supervisors was taken into consideration when modifying and revising the questionnaire with a view of enhancing its validity. The responses from the respondents in the pilot study were checked to improve on the clarity of questions, relevance of the set questions, and suitability of the language used in the questionnaire. Additionally, the pilot study helped to determine whether the length of the questionnaire was suitable, and indicate where formatting on the questionnaire was required.

The researcher used the internal consistency measure known as Cronbach's alpha (α) to examine how well the test items measured particular characteristics or variables in the model. An internal consistency test is considered appropriate for evaluating the degree to which different test items in a group produce same results after repeated trials was done [26]. The Cronbach's alpha of 0.7 ($\alpha > 0.7$) was used as the cut off for reliability.

Table 2. Reliability Test.

Study Variable	Cronbach's Alpha	Decision
Stakeholder Management	0.726	Reliable
Performance	0.824	Reliable

Source: Field Data (2018).

The results confirmed that the two research variables were reliable with the highest and least levels of alpha index at 0.825 and 0.726 for firm performance and stakeholder management respectively.

The study used the Drop-Off and Pick-Up (DOPU) self-administration method of data collection where the questionnaire was dropped to the potential respondents, left to the respondents to fill, and picked up at a later date. The DOPU method was used because it increases the response rate as respondents have sufficient time and privacy to fill in the questionnaire.

The questionnaires were edited to eliminate any questionnaire which was not completely filled or had identifying information such as a name of the respondent. The data was then coded by assigning numerical values to the responses from 1 to 5 with the aim reducing errors during data entry and simplifying the data analysis process. Descriptive statistics and inferential statistics were generated using SPSS version 20 as the data analysis software. The descriptive statistics included means, standard deviations and frequency distributions. The descriptive statistics helped to summarize, and organize data as well as reflect variability and central tendency of scores over the distribution. The inferential statistics were undertaken using regression analysis. The regression model which was used in the study is shown below:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where; Y=Organizational Performance

β_i =Coefficients of regression

X_1 =Stakeholder management

ϵ =error term

The coefficient of determination (R Square) was examined to indicate the variance in percentage which was explained by the indicators of an individual independent variable (cumulatively) on the dependent variable. The Analysis of Variance (ANOVA) was used to test whether the overall model was statistically significant. The p values in respect to individual variables generated in the regression analysis were used to determine whether the model was reliable. In this context, p-values less than 0.05 tested at 95% confidence level implied that the model was a good fit for data, hence reliable in its prediction.

The study ensured adherence with the set of ethical research standards throughout the entire research process. Respondents were advised on the purpose of the study and assured of confidentiality of their responses and identities. Informed consent was considered by giving an introduction letter detailing the right for voluntary participation. Full confidentiality was maintained especially with the handling of

the questionnaires and the identities of the respondents kept anonymous. In the context of integrity of the sources in the development of the work, this study all sources of information that had been used in its development were acknowledged. The researcher obtained the necessary authorization to conduct the study by obtaining letters from University of Nairobi and The National Commission of Science, Technology and Innovation (NACOSTI). These letters were issued to the management of commercial banks where the study was conducted. The management of commercial banks then gave authority to the researcher to conduct the data collection.

4. Research Findings and Discussion

A total of 89 questionnaires were distributed out of which 81 questionnaires were received when the questionnaires were due for collection. However, out of the returned questionnaires, 6 questionnaires were not usable for data analysis since they

were not completely filled. These questionnaires were therefore rejected. The study was left with 75 completely filled questionnaires from which data was extracted for analysis. The response rate of 84.2% for this study was acceptable since it surpassed the 80.0% response rate recommended by [26]. In the views of [17], a response rate of 50.5% is adequate for analysis and reporting; a rate of 60% is good while a response rate of 70% and over is excellent.

4.1. Descriptive Statistics

The objective of the study was to establish the influence of stakeholder management on performance Commercial Banks in Nairobi City County, Kenya. The measures used included communication levels with diverse stakeholders, stakeholders' opinion consideration, stakeholders' participation, stakeholder interests' management, and categorization of stakeholders' interests and results shown in Table 3.

Table 3. Descriptive Analysis for Stakeholder Management.

	SD	D	UN	A	SA	Total	
	%	%	%	%	%	Mean	Std. Dev.
Communication levels with diverse stakeholders	4.0	8.0	6.7	66.7	14.7	3.80	0.930
Incorporation of stakeholders' opinion in strategy formulation	2.7	5.3	10.7	61.3	20.0	3.91	0.873
Participation of stakeholders in strategy execution	6.7	5.3	8.0	73.3	6.7	3.68	0.932
Management of stakeholder interests	1.3	2.7	9.3	74.7	12.0	3.93	0.664
Categorization of stakeholders' interests	4.0	9.3	6.7	69.3	10.7	3.73	0.920
Aggregate Score						3.81	0.864

Source: Field Data (2018).

Communication levels with diverse stakeholders was perceived to influence performance of banks by a majority of the respondents who chose the "agree" prompt. In addition, 14.7% of the respondents tended to strongly agree that performance of their bank is influenced by levels of communication with diverse stakeholders. On the other hand, 8.0% of the respondents (disagreed) and 4.0% (strongly disagreed) indicating that levels of communication with diverse stakeholders do not influence performance of their bank. Some 6.7% of respondents were undecided on the influence that levels of communication with diverse stakeholders has on performance of their bank.

Almost three quarters of the respondents tended to agree that participation of stakeholders in strategy execution (73.3%) and management of stakeholder interests (74.7%) influences performance of their bank. In addition, some respondents tended to strongly agree that participation of stakeholders in strategy execution (6.7%) and management of stakeholder interests (12.0%) influences performance of their bank. On the other hand, some respondents had contrary opinions and indicated that performance of their bank is not influenced by participation of stakeholders in strategy execution (Disagree=5.3%; Strongly disagree=6.7%) and management of stakeholder interests (Disagree=5.7%; Strongly disagree=1.3%).

A majority of the respondents tended to agree (61.3%) that incorporation of stakeholders' opinion in strategy formulation

influences performance of their bank. Similarly, a majority of respondents tended to agree (69.3%) that categorization of stakeholders' interests influences performance of their bank. Further, some respondents tended to strongly agree that incorporation of stakeholders' opinion in strategy formulation (20.0%) and categorization of stakeholders' interests (10.7%) influences performance of their bank.

On the other hand, there were respondents who felt that incorporation of stakeholders' opinion in strategy formulation (Disagree=5.3%; Strongly disagree=2.7%) and categorization of stakeholders' interests (Disagree=9.3%; Strongly disagree=4.0%) had no influence on performance of their bank. There were some respondents who were undecided on whether incorporation of stakeholders' opinion in strategy formulation (10.7%) and categorization of stakeholders' interests (6.7%) had any influence on performance of their bank.

All the sample means for the stakeholder management metrics were in the interval $3.5 \leq \text{sample mean} < 4.5$ since the lowest mean was 3.68 and the highest was 3.93. Thus, respondents on average tended to agree that performance of commercial banks in Nairobi City County, Kenya was influenced by communication levels with diverse stakeholders (sample mean=3.80), stakeholders' opinion consideration (sample mean=3.91), stakeholders' participation (sample mean=3.68), stakeholder interests' management (sample mean=3.93), and categorization of

stakeholders’ interests (sample mean=3.73).

All the sample standard deviations for the stakeholder management metrics were in the interval $0.5 \leq$ sample standard deviation < 1.0 since the lowest standard deviation was 0.664 and the highest was 0.932. This implied that there was moderate consensus on the influence of communication levels with diverse stakeholders (sample standard deviation=0.930), stakeholders’ opinion consideration (sample standard deviation=0.873), stakeholders’ participation (sample standard deviation=0.932), stakeholder interests’ management (sample standard deviation=0.664), and categorization of stakeholders’ interests (sample standard deviation=0.920). On average, management of stakeholder interests was found to have greater influence on performance of commercial banks in Nairobi City County, Kenya as it had a high mean and low standard deviation (sample mean=3.93; sample standard deviation=0.664).

The aggregate mean score of 3.81 and aggregate standard deviation of 0.864 were obtained. This implied that there was stakeholders’ opinion consideration, stakeholders’ participation, and stakeholder interests’ management and categorization of stakeholders’ interests. This was due to

aggregate mean score in the range of 3.5 to 4.5 and aggregate standard deviation in the range of 0.5 to 1.0. These findings were in agreement to those by [15] who noted that stakeholder management is critical for organizational performance of a firm. [15] further revealed that shareholders provide resources for the firm to utilize in its operational aspects while the employees are critical in executing the firm’s mandates through operations leading to organizational performance. Stakeholders’ opinion consideration and stakeholders’ involvement were some of the aspects of stakeholder management established in the study.

The researcher also conducted analysis of sample measures using the data on responses to the statement relating to firm performance. In this case, firm performance was examined using five metrics that included market share, profitability, positive employee relations, customer satisfaction, and stakeholder satisfaction. The respondents rated the extent to which they agreed with statements related to these metrics on Likert scale 5=Strongly Agree (SA), 4=Agree (A), 3=Uncertain (U), 2=Disagree (D), and 1=Strongly Disagree (SD) and results shown in Table 4.

Table 4. Descriptive Analysis for Performance.

	SD	D	UN	A	SA	Total	
	%	%	%	%	%	Mean	Std. Dev.
Market Share	1.3	8.0	9.3	73.3	8.0	3.79	0.759
Profitability	9.3	12.0	1.3	70.7	6.7	3.53	0.995
Positive employee relations	2.7	13.3	8.0	66.7	9.3	3.67	0.920
Stakeholder Satisfaction	5.3	10.7	2.7	68.0	13.3	3.73	0.994
Aggregate Score						3.68	0.942

Source: Field Data (2018).

Market share was perceived to be influence by change management aspects of commercial banks in Nairobi City County, Kenya by 73.3% of the respondents who tended to agree and 8.0% of respondents who tended to strongly agree. On the other hand, 80.0% of the respondents disagreed and indicated that change management aspects of their bank do not influence market share of the banks. Similarly, 1.3% of the respondents strongly felt that change management aspects of their bank do not influence market share of the banks. However, 9.3% of the respondents were not sure whether change management aspects of their bank do not influence market share of the banks.

In the context of profitability, most of the respondents tended to agree (70.6%) that change management aspects of their bank influence profitability of the banks, which was a perception that was supported by 6.7% of respondents who strongly agreed with the statement. A negligible number of respondents (1.3%) were undecided on the influence of change management aspects of commercial banks in Nairobi City County, Kenya on profitability. However, 12.0% of the respondents indicated that change management aspects of their bank do not influence profitability of the banks (Agree), a perception that was also strongly held by 2.7% of the respondents (Strongly Disagree).

Slightly above half of the study respondents tended to

agree (58.7%) that change management aspects of their bank influence customer satisfaction. Additionally, 16.0% of the respondents tended to strongly agree with the statement. On the other hand, 14.7% of respondents disagreed and 4.0% strongly disagreed with the statement. Change management aspects were perceived to foster positive employee relations according to 66.7% of the respondents who tended to agree and 9.3% of respondents who tended to strongly agree with the statement. On the other hand, 13.3% and 2.7% of the respondents tended to disagree and strongly disagree with the statement, respectively an indication that they positive employee relations are not fostered by change management aspects their bank. A few respondents (8.0%) were not certain whether positive employee relations are influenced by change management aspects of their bank.

A majority of respondents tended to agree that change management aspects of their bank influence stakeholder satisfaction, further supported by 13.3% of respondents who strongly perceived the same to be the case. On the other hand, 10.7% and 5.3% of the respondents tended to disagree and strongly disagree with the statement, respectively indicating that they felt that change management aspects of their bank do not influence stakeholder satisfaction.

The mean scores were market share (sample mean=3.79), profitability (sample mean=3.53), positive employee relations

(sample mean=3.67), customer satisfaction (sample mean=3.68), and stakeholder satisfaction (sample mean=3.73). The mean scores for the metrics of the performance matrix were all in the interval $3.5 \leq \text{sample mean} < 4.5$ which implied that on average, respondents tended to agree that change management aspects of commercial banks in Nairobi City County, Kenya influence each metric. The standard deviations for market share (sample standard deviation=0.759), profitability (sample standard deviation=0.995), positive employee relations (sample standard deviation=0.920), and stakeholder satisfaction (sample standard deviation=0.994) were in the interval $(0.5 \leq \text{sample standard deviation} < 1.0)$. This implied that there was moderate consensus in respect to the influence of change management aspects of commercial banks in Nairobi City County, Kenya on each metric.

On average, change management aspects of commercial banks in Nairobi City County, Kenya were found to have greater influence on market share than on profitability, and stakeholder satisfaction. This is because of a higher mean and low standard deviation generated in respect to market share.

The aggregate mean score of 3.68 and aggregate standard deviation of 0.942 was obtained. This implied that there was an increase in the market share, profitability, positive employee relations, customer satisfaction and stakeholder satisfaction. This was due to aggregate mean score in the range of 3.5 to 4.5 and aggregate standard deviation in the range of 0.5 to 1.0. Focusing on deposits taking SACCOs in Kenya, [14] examined the influence of stakeholder management functions on financial performance agrees with the findings obtained in this study. As noted [14] that proper strategic change management resulted into increased profitability and stakeholder satisfaction in deposits taking SACCOs in Kenya.

4.2. Test of Hypotheses

The study used a simple linear regression to establish the influence of stakeholder management on firm performance of Commercial Banks in Kenya. Table 5 shows the summary of the regression equation.

Table 5. Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.849 ^a	0.721	0.705	0.09839

a. Predictors: (Constant), Stakeholder management.

Source: Field Data (2018).

R value shows the correlation between the predicted values and observed values of the dependent variable. An R value of 0.849 shows that there was a strong correlation between the predicted values and observed values of performance of commercial banks in Kenya. The R-Square value is called the coefficient of determination and shows the level of variation in dependent variable as explained by the independent variable.

R Square value of 0.721 implies that 72.1% of the variation in performance of commercial banks in Kenya can be explained by stakeholder management.

The study sought to establish whether the model provided a better fit for the data more than a model that does not contain predictor variables. This was done using F-test. These results are shown in Table 6.

Table 6. ANOVA^a.

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1.749	1	0.437	45.159	0.000 ^b
	Residual	0.678	73	0.010		
	Total	2.426	74			

a. Dependent Variable: Organizational Performance.

b. Predictors: (Constant), Stakeholder Management.

Source: Field data (2018).

F-test assumes that the model is not significant in its prediction and does not provide a better fit for the data more than a model that does not contain predictor variables. The results; $F(1,73)=45.159$, $p < 0.05$ indicates that the regression model has high predictive capacity and provides a better fit for the data more than a model with zero predictor variables. It

implies that performance of commercial banks in Kenya can be predicted using the level of stakeholder management. The study further sought to establish the level of influence of the predictor variable on the performance of commercial banks in Kenya and whose results are as shown in Table 7.

Table 7. Regression Coefficients.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.044	0.206		5.060	0.000
	Stakeholder Management	0.160	0.033	0.311	4.839	0.000

a. Dependent Variable: Organizational Performance.

Source: Field data (2018).

The unstandardized beta coefficients show the sensitivity of the regression model to variation of the predictor variables. The beta coefficients obtained for stakeholder management, 0.160. The significance of the model sensitivity is shown by t-statistic values and p-values. T-statistic values greater than the critical value and p-values less than the significance level (0.05) implies that there is statistically significant influence of the independent variables on the dependent variables. This was the basis for testing the research hypotheses. The output of regression analysis yielded the following predictive model for the two research variables;

$$\text{Firm Performance} = 1.044 + 0.160 \text{ Stakeholder Management}$$

The study established that one unit increase in stakeholder management would lead to an increase in the performance of commercial banks in Kenya by 0.160 units with other factors held constant. This is because of p-value less than 0.05. Similar findings were made by [14] in a study focusing on deposits taking SACCOs in Kenya. Using simple regression analysis the study found that various strategies including swing, defensive, hold, offensive, and corporate social responsibilities strategies had a significant influence on financial performance of SACCOs in Kenya. In explaining their significant influence on financial performance, the study noted that these strategies worked for diverse groups of stakeholders. The offensive strategy worked for supportive stakeholders, hold strategies for marginal stakeholders, defensive strategies for non-supportive stakeholders, while swing strategy works for mixed blessing stakeholder.

The study on Stakeholder orientation and financial performance in Indonesia also noted that the firm's achieves superior results through the management of its relationships with its stakeholders and in some contexts all the stakeholders may not be given similar attention levels [25]. In this context, the study noted that the policies, practices and outcomes may vary amongst the stakeholders of a given firm. The firms are often forced to make tradeoff amongst its practices towards diverse stakeholders. The study also noted that there is a bi directional relationship between the firms' performance and stakeholder management practices. In this context, the study notes that the stakeholder management has an impact on the organizational performance of the firm and vice versa.

5. Conclusion and Policy Implication

The researcher sought to establish the influence of stakeholder management on performance Commercial Banks in Nairobi City County, Kenya. The respondents on average tended to agree that performance of commercial banks in Nairobi City County, Kenya was influenced by communication levels with diverse stakeholders, stakeholders' opinion consideration, stakeholders' participation, stakeholder interests' management, and categorization of stakeholders' interests. On average, management of stakeholder interests was found to have greater. The study found out stakeholder

management positively influences the performance of commercial banks in Kenya. The study recommends the management team to involve bank stakeholders in strategy execution through stakeholder meetings or giving them an opportunity to give opinions on strategies the banks intends to take. It recommendation is based on a relatively low mean in the extent in which is done in Kenyan commercial banks. Relevant policies should be formulated as basis for action in order to enhance participation and involvement of stakeholders in all the critical phases of the strategic management process in Commercial Banks.

6. Suggestions for Further Research

The findings and conclusion made from this study are confined to the research variables of stakeholder management and firm performance in Commercial Banks operating in Nairobi City County. The researcher therefore suggests that it is necessary for future research work to focus on similar empirical studies in other industries and sectors in Kenya so as to validate the findings and conclusions of the current study. In addition, other factors that may not have been accounted for in the findings as depicted by the estimated value of r square may also require the attention of future researchers.

References

- [1] Barney, J. B. & Clark, D. N. (2007). *Resource-Based Theory Creating and Sustaining Competitive Advantages*. Oxford University Press, Oxford, UK.
- [2] Barney, J. & Hesterly, W. (2010). *Strategic Management and Competitive Advantage*. Upper Saddle River, New Jersey; USA.
- [3] Barney, J., Wright, M. & Ketchen, D. J. (2001). The RBV of a firm; Ten years after 1991, *Journal of Management* 27 (6): 625-641.
- [4] Bosse, D. A., Phillips, R. A., & Harrison, J. S. (2009). Stakeholders, Reciprocity and Firm Performance. *Strategic Management Journal*, 30: 447-45.
- [5] Coates, T. T. & McDermott, C. M. (2002). An Exploratory Analysis of New Competencies: A Resource Based View Perspective. *Journal of Operations Management*, 20 (5): 435-450.
- [6] Colotla, I., Shi, Y. & Gregory, M. J. (2003). Operation and Performance of International Manufacturing Networks, *International Journal of Operations and Production Management*.
- [7] Dierickx, I & Cool, K. (1989). Asset Stock Accumulation and Sustainability of Competitive Advantage. *Management Science*, 35 (12).
- [8] Fourie, B. J. (2016). The role of strategic leadership in banking profitability.
- [9] Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.

- [10] Freeman, R. E., Harrison, J. S. & Abreu, M. C. (2015). Stakeholder Theory As an Ethical Approach to Effective Management: applying the theory to multiple context. *Review of Business Management*, 17 (55), 858-86.
- [11] Freeman, R. E., Harrison, J. S., & Wicks, A. C. (2007). *Managing for stakeholders: Survival, Reputation, and Success*. New Haven, CT: Yale University Press.
- [12] Harrison, J. S., Bosse, D. A. & Phillips, R. A. (2010). Managing for Stakeholders, Stakeholders Utility Functions and Competitive Advantage. *Strategic Management Journal*, 58-74.
- [13] Inyange, M. L. (2014). Turnaround Strategies Used at The National Oil Corporation of Kenya to Improve Performance. MBA Project. University of Nairobi, Kenya.
- [14] Kinyua, M. (2016). Stakeholder Management Strategies and Financial Performance of Deposit Taking Saccos in Kenya. *Journal of Finance, Accounting and Management*, 2 (3), 74–85.
- [15] Maria, Y., Pavão, P., Rossetto, C. R., & Rossetto, C. R. (2015). Stakeholder Management Capability and Performance in Brazilian Cooperatives, 17 (55), 870–889.
- [16] Mckelvie, A. & Davidsson, P. (2009). From Resource Base to Dynamic Capabilities: an Investigation of New Firms. *British Journal of Management*, 20 (1).
- [17] Mugenda, O., & Mugenda, A. (1999). *Research Methods; Quantitative and Qualitative Approaches*. Nairobi: Acts Press.
- [18] Muli, E. (2014). Quality Improvement Practices and Business Performance Among Commercial State Corporations in the Ministry of Health, Kenya. *Journal of Business and Management*, 1 (2), 32–35.
- [19] Munene, J. (2013). Stakeholder Involvement in Strategy Implementation At Lake Victoria South Water Services Board, Kenya. Unpublished Master of Business Administration: University of Nairobi.
- [20] Mwanzia, E. (2012). Creating Competitive Advantage Through Outsourcing: A Survey of Classified Five Star Business Hotels in Nairobi. *International Journal of Social Sciences and Entrepreneurship*, 2 (3), 4–10.
- [21] Naidu, G. (2008). The impact of the implementation of change management processes on staff turnover at Telkom SA. MBA thesis, Durban University of Technology, South Africa.
- [22] Nassiuma D. K. (2000). *Survey Sampling: Theory and Methods*. Njoro, Kenya: Egerton University Press.
- [23] Orodho, A. J. (2003). *Essentials of Educational and Social Science Research Method*. Nairobi: Masola Publishers.
- [24] Otieno, V. O. (2018). An Examination of the Effect of Work Force Reduction Strategy on Financial Performance of Commercial Banks in Nakuru Central Business District, Kenya. *International Journal of Business Management and Processes (IJBMP)*, 1 (1), 29–37.
- [25] Rais, S., & Goedegebuure, R. V. (2009). Stakeholder orientation and financial performance: evidence from Indonesia, 7 (3).
- [26] Sekaran, U., & Bougie, R. (2011). *Research Methods for Business: A Skill Building Approach (5th ed.)*. Delhi: Aggarwal printing press.
- [27] Wernerfelt, B. (1984). A Resource-based View of the Firm. *Strategic Management Journal*, Vol. 5, 171-180.