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Stakeholder engagement methods applied within the wine industry in Kenya

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**STAKEHOLDER ENGAGEMENT METHODS APPLIED WITHIN THE WINE
INDUSTRY IN KENYA**

VICTORIA MULU-MUNYWOKI

MBA/88003/2015



**DISSERTATION SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION AT
STRATHMORE UNIVERSITY**

MAY 2019

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DECLARATION

I declare that this project is my original work and has not been previously submitted for the assessment of a master's degree in this or any other university. To the best of my knowledge and belief, this dissertation contains no material previously written or published by another person except where due reference is made in the dissertation itself.

Victoria Mulu-Munywoki

May 2019



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DEDICATION

I dedicate this study to my family, without whose prayers, reassurance and encouragement this Master's degree would not be complete. May God bless Francis my husband, who has been the most dedicated support over the years and my loving daughters Nia and Laika who have patiently and firmly encouraged me not to give up on my dreams. They are my *raison d'être*! Much appreciation for the support from my resolute mother and siblings – Stella, George, Catherine, Kyalo and Paul, I could not have asked for better blessings. Thank you, almighty God, for these abundant and marvellous benedictions of family.



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Finally, I would like to thank Dr. Lucy Gikonyo, a catalyst who has patiently and persistently provided pivotal academic and coaching support towards completion of this study. Dr Gikonyo's encouragement has been immeasurable and I owe the success of completion of this study to her.

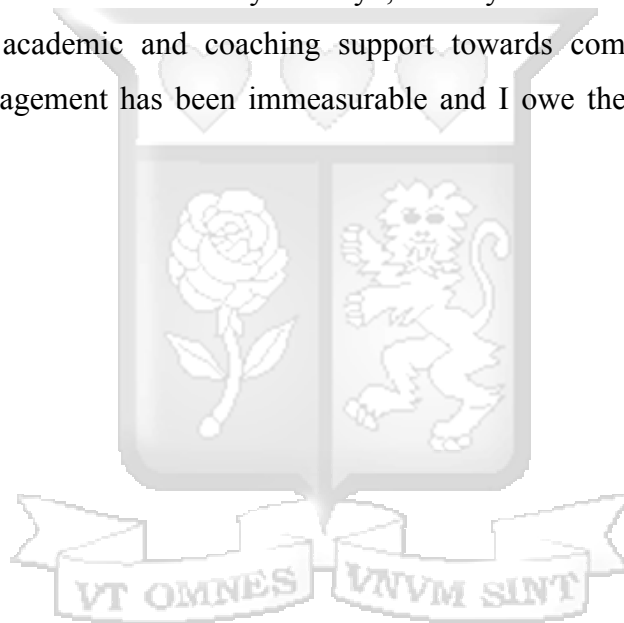


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LIST OF ABBREVIATIONS

EABL	East African Breweries Limited
FAO	Food and Agriculture Organization
ICTSD	International Centre for Trade and Sustainable Development
KIPPRA	Kenya Institute for Public Policy Research and Analysis
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
KWAL	Kenya Wines Agencies Limited
NACADA	National Agency for the Campaign against Drug Abuse
R&D	Research and Development
SMEs	Small and Medium Enterprises
UK	United Kingdom
USA	United States of America



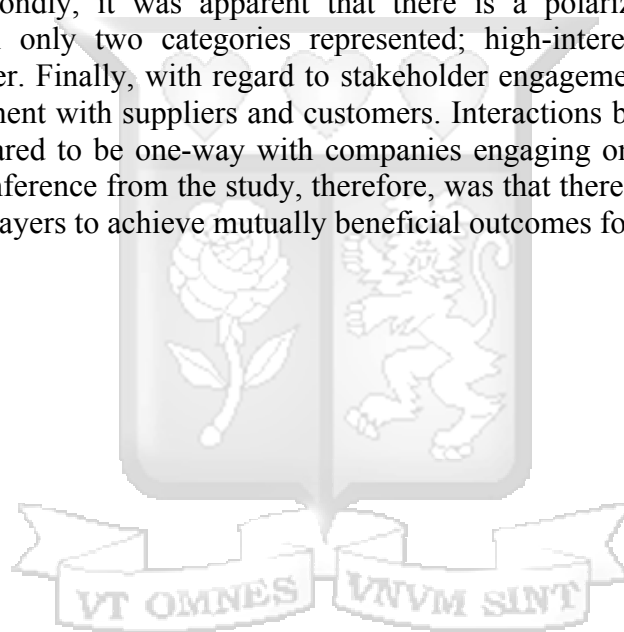
DEFINITION OF KEY TERMS

Term	Meaning
Wine	Alcoholic beverage made from fermented grape (Lockshin & Cohen, 2011).
Legal environment	Refers to legal rules, principles and policies that any business has to comply with which are derived from multiple sources and enforced by bodies with fragmented and overlapping jurisdictions (Barber, 2012).
Stakeholder involvement	Refer to management seeking input from the different shareholders, employees, consumers, Government, suppliers, financiers, trade unions, local communities, trade associations and competitors on how to run the organization (Armstrong, 2007).
Stakeholder	Any group or individual who can affect or is affected by the achievement of the organization's objectives. (Fontaine, Haarman and Schmid, 2006)
Stakeholder Management	Refers to the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders (Kasimbu, 2010)
Mututho law	The Alcoholic Drinks Control Act 2010, regulates the specific areas where bars should operate and the specific time when bars should operate.



ABSTRACT

The wine industry in Kenya has been growing rapidly as a result of economic growth, technology advancement, high per capita wine consumption, improved quality, and globalization of markets. However, such rapid growth and development comes with increased scrutiny and regulation from internal and external stakeholders. The stakeholders in the wine industry in Kenya are continually evolving given the ever-changing consumer buying behaviour, economic, political, legal, technological and environment factors influencing the industry. The researcher, therefore, sought to assess the nature of stakeholder involvement in the industry. The study was based on the following specific objectives: To identify key stakeholders in within the within the wine industry in Kenya; to classify key stakeholders within the wine industry in Kenya; and finally, to determine stakeholder engagement methods applied within the wine industry in Kenya. The study employed descriptive statistics to elucidate on the state of the industry with regard to the aforementioned objectives. Findings indicated a discrepancy between literature-identified and respondent-stated stakeholders in the industry. Secondly, it was apparent that there is a polarization in classification of stakeholders with only two categories represented; high-interest, high-power, and low-interest, low-power. Finally, with regard to stakeholder engagement, companies appeared to prioritise engagement with suppliers and customers. Interactions between the companies and government appeared to be one-way with companies engaging on an information-provision basis. The main inference from the study, therefore, was that there is a need for collaboration among industry players to achieve mutually beneficial outcomes for all stakeholders.



CHAPTER ONE

INTRODUCTION

1.1 Background of study

Wine making emerged in Europe with the expansion of the Roman Empire throughout the Mediterranean, when many major wine-producing regions that still exist today were established. The global wine industry has been experiencing a period of a substantial growth and change since the mid-1980s. There has been a change in the strategic priority which wine producing countries are placing on exporting as a method for wine industry growth due to stagnation in local wine consumption (Barber, Taylor & Strick, 2009). Global wine consumption has been static since 1996 with output of 22 to 23 billion litres per year. By total volume, France and Italy are the largest consumers of wine, though the US and the UK markets have had strong recent growth (Jenster & Jenster, 2013).

Wine has been the beverage market's most lucrative product with its sales accounting for 78.9% of the world's beverage market value generating total revenues of \$213.8 billion in 2015 (Lockshin & Corsi, 2016). Europe has been the world's largest wine market and accounts for 73.4% of the global market's revenue. The US generates a further 14.3% of the global markets value (Business Wire, 2015). The global wines market is dominated by a number of large players such as Constellation Brands, E. & J. Gallo, The Wine Group, Fosters and Pernod Ricard transcending continents and specializing in wines (Lockshin & Corsi, 2016).

According to Gitau, Mukulu and Kihoro (2014), the wine industry in Kenya has been experiencing a period of substantial growth and change in the last decade. This growth has brought about new challenges such as increased entry barriers; increased regulation and taxation, rivalry between competitors in the market, increase in cheaper product substitutes, and increased buyer's power among others. In the midst of these challenges, successful wine importers, distributors and retailers are perceived to be those that have been able to apply appropriate stakeholder management strategies in their businesses (Miller, 2016).

The stakeholders in the wine Industry can be categorized as either internal or external. Internal stakeholders are involved in the running and management of the company and include the employees, shareholders and board members (Davidsson, Steffens &

Fitzsimmons, 2009). External stakeholders are those that are impacted by the company's products and services as well as those that regulate company operations. These include customers, government arms and agencies, suppliers, community partners among others.

Successful overall stakeholder engagement involves applying specific stakeholder engagement methods that match the identified and categorized stakeholders (Jeffrey, 2009). As an end goal, this study seeks to highlight the stakeholder engagement methods applied in the wine industry in Kenya so as to assess their suitability in light of the various identified stakeholders and their placement vis-à-vis their ascribed power and interest in the wine industry in Kenya.

1.1.1 Stakeholder identification

According to Fontaine, Haarman and Schmid (2006), a stakeholder can be defined as any group or individual who can affect or is affected by the achievement of the organization's objectives. Leventon, Fleskens, Claringbould, Schwilch, and Hessel (2016) posit that stakeholder identification involves deciphering who the main entities involved in an organization are and the various roles and interests that they bring to the table. Freeman (2010) highlights that the process of stakeholder identifications entails pinpointing entities that may be impacted or that have an impact on an organization. Both definitions put forward highlight that organizations operate through interaction with other entities. It is therefore necessary for managers within organizations to pinpoint the nature of interactions and the specific entities involved so as to ensure mutual benefit through the involved associations. In this study, stakeholder identification is based on Jell's (2004) observations on the major stakeholders within the wine industry. These are identified as customers, financiers, competitors, consumer federations, government agencies, employees, shareholders and suppliers.

1.1.2 Stakeholder classification

Nicholls-Nixen (2005) highlight that the second step after identification of stakeholders involves grouping them by interest and influence on an organization – this process is surmised as stakeholder classification. In a different definition, Wagner Mainardes, Alves, and Raposo (2012) define the term as setting out criteria for prioritizing stakeholders' respective relevance. It may therefore be inferred, as surmised from the two definitions, that the purpose of stakeholder classification, from a managerial point of view, is to determine the

manner by which to engage with the various stakeholders of an organization. Mendelow (1991) provides a grid by which to classify stakeholder based on their power and influence on an organization; it is this approach to classification that is utilized in stakeholder classification in this study.

1.1.3 Stakeholder engagement methods

Jeffrey (2009), states that stakeholder engagement is the process used by an organization to involve relevant stakeholders for a purpose to achieve accepted outcomes. According to Greenwood (2007) the construct refers to the practices that organisations undertakes to involve stakeholders in a positive manner in organisational activities and endeavours. A common factor in these definitions is the incorporation of stakeholder views in the process of working towards the company's objectives. Attending to the interests of stakeholders streamlines operations as the organization works towards achieving its objectives. According to Jeffrey (2009) there are two predominant forms of engagement employed by a company – push and pull engagement in communication. The push approach involves one-way engagement where the organization broadcasts information e.g. through emails and podcasts. The other extreme involves pull engagement and it involves provision of information with the stakeholders choosing whether or not to engage with the provided material. Engagement methods considered in this study are assessed through a five-point Likert scale assessing stakeholder engagement across the two opposite engagement ends.

1.1.1 Wine industry in Kenya

In Kenya, the Alcoholic Drinks Control Act voted in by the Kenyan government in August 2010 has significantly changed the rules in the industry and place more challenges in the way of importers, manufacturers and retailers. For example, it prohibits the sale of alcoholic drinks in supermarkets and chain stores in an effort to reduce access to them by the public. It also restricts the sale of alcohol under the general licence to between 5pm and 11pm (Alcoholic Drinks Control Act, 2010). Such restrictions are not imposed in most other nations around the world. The increasingly hostile tax regimen is raising the cost of production and eroding purchasing power and this will continue to have a short-to-medium-term effect (Euromonitor, 2015). This is an example of a pull approach to stakeholder engagement, where the stakeholders only receive information from the government.

The role of regulators on growth of wine industry as researched by Swinbank, (2009) on International Centre for Trade and Sustainable Development (ICTSD) Programme in Europe and Mary-Lyn (2009) in South Africa confirms a strong relation between legal environment and growth of wine industry. The Kenyan wine industry is undergoing rigorous legal environment restructuring with the institutionalization of the Alcoholic Drinks Control Act 2010, popularly known as Mututho law. The current study will be key in establishing whether the legal environment has any bearing on the growth of the Kenyan wine industry, just as in South Africa and the European Market.

The changing legal framework around which the industry currently operates serves to highlight the need to collaboration within the industry. To achieve synergy and alignment of interests, it will be necessary for companies competing in the space to identify, classify and engage stakeholder accordingly. The main purpose of this study is therefore to determine the stakeholder engagement models applied in the Kenyan wine industry in light of the changing environment within which the organizations operate.

1.2 Problem Definition

According to Barber et al. (2009) the global wine industry is experiencing growth owing to increased exportation of the product to traditionally unexplored markets. Regionally, the integration of the East African Community provides the prospect of new markets that can be exploited by existing wine importers and distributors. Gitau et al., in assessing trends of wine consumption in the Kenya context assert that the trend is also evident although it presents in way of increased local importation of the product. The trend in growth is expected to persist thereby offering lucrative business opportunities for local wine importers and distributors.

The growth in the industry is however challenged by changes in the legal framework. Recent restrictions imposed on the industry have curtailed sale of alcoholic beverages. Examples of these restrictions are present in the limiting of sale of alcoholic beverages to between 5:00 PM and 11:00 PM for outlets with a general license (Alcoholic Drinks Control Act, 2010). The law further restricts the selling of alcoholic beverages in supermarkets and chain stores. The trend of a shifting legal framework is particularly disconcerting given findings by Swinbank, (2009) in a study in South Africa with findings pointing to a strong relation between legal environment and growth of wine industry.

The current state of the wine industry is marked by individual efforts in lobbying for favourable business environments, particularly so given that there are no registered organizations that are currently involved in lobbying for favourable regulations in the industry (Mwangulu, 2014). This therefore points for a need for collaboration and alignment of interests among local companies. To achieve collaboration, it will be necessary to ensure effective engagements and subsequently, engagements will require accurate identification and classification of stakeholders.

The accurate identification and categorization of stakeholders vis-à-vis their power and interest will serve to determine the appropriate engagement methods suited to the various stakeholders. An accurate matching of classification and engagement methods will serve to ensure that the various interests of the stakeholders are adequately and effectively addressed. This study serves to determine and describe the current state of the industry with regard to the identification and classification of stakeholders as well as engagement methods among stakeholders as assessed from a distributors viewpoint.

1.3 Objectives

1.3.1 General Objective

The general objective of this study is to assess stakeholder engagement methods within applied the wine industry in Kenya.

1.3.2 Specific Objectives

The study will be based on the following specific objectives:

- i. To identify key stakeholders within the wine industry in Kenya.
- ii. To classify the key stakeholders within the wine industry in Kenya.
- iii. To establish stakeholder engagement methods applied within the wine industry in Kenya.

1.3.3 Research Questions

The study will seek to answer the following research questions:

- i. Who are the key stakeholders within the wine industry in Kenya?

- ii. Which categories do key stakeholders within the wine industry in Kenya fall?
- iii. What are the engagement methods applied between companies and stakeholders within the wine industry in Kenya?

1.4 Scope of the Study

This study centred on wine importers, distributors and retailers in Nairobi County. The study sought to establish the stakeholder engagement methods applied by companies in the wine industry. The study gathered information from the management of wine importers, distributors and retailers. The data collection was for a period of one month and the findings are generalized from that period.

1.5 Significance of the study

The understanding of stakeholder engagement within the wine industry in Kenya will help policy makers, governments and other stakeholders to design targeted policies and programs that will actively stimulate the growth, viability and sustainability of the wine industry in the country. The study findings are intended to inform policy makers on areas of collaboration and intervention particularly within the legal environment, towards supporting scalability of wine industry through stakeholder cooperation, while ensuring its competitiveness in global markets.

The study findings will benefit the management and staff of wine importing companies, distributors and retailers. It will offer useful insights on appropriate stakeholder engagement methods to ensure they increase in profitability and competitiveness. Local wine industry players need to adapt to the changing needs of the current wine market set up and the evolving stakeholder needs.

This research will contribute to the literature on stakeholder engagement methods of the wine industry especially in developing countries like Kenya. It is hoped that the findings will be valuable to the academicians, who may find useful research gaps that may stimulate interest for further research. Recommendations will be made on possible areas of further studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents the theoretical and empirical review based on the study objectives, and the research questions. The chapter starts with stakeholder theory on which the study is anchored. The chapter then addresses an empirical review of the specific objectives, which culminates in the presentation of the research gaps that makes the study necessary.

2.2 Theoretical foundation

This section highlights the theories upon which the study is based. The purpose therefore is to show the lens through which the research assesses the constructs under investigation. The main theory discussed in this study is the stakeholder theory and its implications in an organizational setting.

2.2.1 Stakeholder theory

The perception of the organization in light of all stakeholders was an idea first put forth by Freeman (2010) , a professor at the University of Virginia, in his book, “Strategic Management: A Stakeholder Approach,” as the stakeholder theory. The theory suggests that shareholders are merely one of many stakeholders in a company. The stakeholder ecosystem involves anyone invested and involved in, or affected by, the company: employees, environmentalists near the company’s plants, vendors, governmental agencies, and more. Freeman’s theory suggests that a company’s real success lies in satisfying all its stakeholders, not just those who might profit from its stock (Ioannou and Serafeim, 2014).

This idea is furthered by Freeman (2006), who states that the organization itself is a grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. He explains that they can be internal or external and they can be at senior or junior levels. Davidson et, al, (2009) further state that stakeholders can be classified or differentiated based on their relationships with the organization. The main groups of stakeholders in any organizations are customers, employees, local communities, suppliers and distributors and shareholders. Other groups and individuals considered to be stakeholders are the media, competitors, and stakeholder representatives such as trade unions or trade

associations, financiers, competitors, government, regulators and policymakers. The idea that stakeholders need to be managed or engaged is understood widely and implemented at tactical and strategic levels in organizations today. Stakeholders have become a valid consideration for project managers running small tactical projects and for CEOs planning their business strategy (Davidson et, al, 2009).

The stakeholder theory is therefore pivotal to the ongoing study as it allows for the differentiation of participants in the industry in light of the various roles that they play. An accurate engagement protocol applied to the industry would thus serve to ensure that the needs of the various identified and categorized stakeholders are sufficiently met by wine importers, distributors and retailers; this would then allow for effective running of businesses in the bid to make the most of the growth opportunities presenting in the wine industry in Kenya.

2.2.1.1 Stakeholder theory and organizations

The stakeholder theory by Freeman (2010) suggest that managers in organizations have a network of relationships to serve which include the suppliers, government agencies, employees and business partners. The theory argues that when the relevant stakeholders are not incorporated in the decision-making, the management faces huge challenges since the stakeholders do not own the ideas fronted to them by the management. This is because their interests are not incorporated in the decision that affects them (Lee, 2008).

Wine customers and consumers expect not only excellence in wine flavour and presentation, plus good value for money, but also excellence in the wine industry's association with the natural environment. Sustaining success provides the framework for members of the wine industry including grape-growers, winemakers, packagers and distributors to continue their commitment to sustainable development (Brinckmann et al., 2011). Stakeholders influence the decisions of the organization and whose interest the company strives to meet.

According to Mersland (2009), employees and board diversity allows members to bring different expertise, experience and perspectives to the organization and to aid strategic decisions. Proponents of stakeholder theory suggest that including stakeholder representatives on boards is a formal mechanism in place that acknowledges the importance of their relationship with the organization. According to Elbanna and Younies (2008) involving stakeholders in strategic decision-making results is a process characterized by rationality,

political behaviour and intuition. Rationality occurs when decision makers gather rich information and act upon the information they have in making strategic decisions. Political behaviour occurs because decision makers have different power and conflict of interests. Boards with different stakeholder representation are likely to face political behaviour since every member is representing different interests and different people. However, these conflicts are minimized when efforts are made to ensure shared vision, approach and goal congruence among members. Intuition assumes that most decisions are made based on different perspectives of decision makers at that particular time. In this case, strategic decisions are made based on deep and intimate knowledge of the situation faced by decision makers. Since different stakeholders have different expertise and experiences, when they are involved in decision-making, their intuition becomes a necessary contributor of decisions made (Elbanna and Younies, 2008).

According to Lapenu and Pierret (2005) the current globalization and increasing competition, strategic decisions are becoming more important and the involvement of stakeholders in making these decisions is also very important. The stakeholder diverse board is necessary in order to bring different perspectives, experiences and expertise when involved in the process of making strategic decisions, decreasing (increasing) the political power and increasing the level of intuition of the process, which, in turn, have influence on organizational performance. According to Snoeren (2015) firm's stakeholders are a team that work together and pool their knowledge, social capital, and resources to create value, and that are all affected by growth. The study further argues that the extent to which firms strategically orient themselves towards their stakeholders both constrains and enables value creation, as firms are better able to leverage stakeholder resources, but run the risk of focusing too much on current stakeholders so that they fail to see outside opportunities, thus, firms with medium levels of stakeholder orientation are able to create more value from growth than firms with low or high levels of stakeholder orientation.

Parmar *et al.*, (2010) using stakeholder theory argues that a successful firm is a team of internal and external stakeholders that cooperate in order to create value and that these stakeholders possess knowledge, social capital, and resources that can help firms create value and competitive edge. On their part, Flammer and Kacperczyk (2014) concur that the degree to which management strategically orients itself towards its stakeholders enhances

stakeholder reciprocity so that they are more likely to put effort in value creation and share knowledge, social capital, and resources relevant to firm growth (Bosse *et al.*, 2009).

Phillips *et al.* (2010) and Werder (2011) established that managers should navigate potential issues with information asymmetry and incentive misalignment between stakeholders and get their stakeholders to pool their information, social capital, and resources in order to create value, instead of using them for (potentially opportunistic) value capture. Strategically orienting the firm towards stakeholders is one way to leverage better the knowledge, social capital, and resources that stakeholders possess. Stakeholder orientation is the degree to which management focuses its attention on identifying stakeholder interests, knowledge and resources, and integrates them in their decision-making processes (Flammer and Kacperczyk, 2014). For example, in order to identify and integrate stakeholder interests in the decision processes, firms can add employees to the board of directors, as often happen in Germany. Another example can be found in cisco, which built a consumer advocacy department charged with the task of looking after consumer interests.

Stakeholder orientation has been associated with a myriad of positive outcomes, such as better access to finance, better financial performance, and higher rate of innovation (Ioannou and Serafeim, 2014). When stakeholders feel that their interests are integrated into decision processes, they are more likely to reciprocate and put effort into value creation by sharing their information and resources, and less likely to put effort into value capture (Bosse *et al.*, 2009). Furthermore, they would be more likely to share information that allows firms sense opportunities with higher value-creating potential (Bosse *et al.*, 2009).

The foregoing discussion on the stakeholder theory serves to highlight the role of managers in identifying the various dynamics involved in the interactions between organizations and the stakeholders involved in an industry. In this study, wine importers, distributors and retailers engage with a wide range of stakeholders – e.g. government, competitors and customers among others – and the interests of the various stakeholders may at times be at odds. It is therefore necessary that managers within the various organizations assign the appropriate engagement methods to each of the stakeholders so as to ensure efficient running of business processes. The stakeholder theory as applied in organizations is of pivotal importance to his end.

2.3 Empirical review

The purpose of this section is to provide a discussion on extant literature put forward by other authors investigation the study topic. The section is therefore divided into three main sections in line with the study objectives. The first section focuses on the identification of stakeholders, the second on classification of stakeholders and the third on engagement methods practiced in the industry.

2.3.1 Stakeholder identification

Stakeholder identification is an integral part of stakeholder management: the systematic identification, analysis, planning and implementation of actions designed to engage with stakeholders. It is comprised of the processes required to identify the people, groups, and organizations that can impact or be impacted by the project (Kasimbu, 2010). According to Kotler (2013), there is an important need to identify stakeholders so to identify their role and requirements in the organization. The rationale is that costs and requirements associated with poor identification of and consequent catering for stakeholders can be many times what they would have cost earlier on. Thus, it is a crucial foundational step towards identifying their project expectations early and managing those expectations, so they align with the organization's deliverables (Lindelof and Loefsten, 2005).

Bryson (2007) proposes a five-step approach to identifying stakeholders. In this approach, first a list of shareholders is created using an iterative brainstorming technique (Bryson, 1995). This first group should recommend changes in operations in the organization and recommend additional participants for a similar operation in the near future. This subsequent meeting would be repeated, and together, these would constitute the second and third step. After the third step, which would comprise of a 'full' number of participants, all participants would be briefed on suggestions from previous brainstorming meetings – the fourth step. Finally, the full group of potential stakeholders would identify those who have actual stakes in the organization. This process would maximize transparency, and credibility because of its inclusivity. He however states that this plan may be stopped at any step after the first should the required information be achieved already. A similar approach was used by Varvasovszky and Brugha (2000) to come up with a list of 30 stakeholders in the alcohol industry in Hungary.

In a more activity-centric approach to identifying stakeholders, Wang et al (2015), proposes soft systems methodology (SSM) as a method for identifying stakeholders. SSM has been successful in a number of fields, ranging from ecology to military logistics (Wilson, 2015). Wang's version involves a modified version of SSM, involving five steps: identification of overall organizational objectives, searching for 'core' stakeholders, building basic conceptual designs, a continuous decomposition of activities and the creation of a final list of stakeholders based on the decomposed activities.

Numerous other methods of identifying stakeholders exist, involving checklists, reviews of literature, interviews and so on. Typical types of stakeholders include: individuals and groups performing the work; individuals and groups affected by the work; owners, shareholders and customers; statutory and regulatory bodies. Each stakeholder will then be classified according to potential impact. This is usually shown in a matrix that estimates interest and influence on a simple scale such as low/medium/high. Those with an ability to directly affect the outputs or benefits are sometimes referred to as key stakeholders (Nicholls-Nixen, 2005).

The traditional method of identification of shareholders, utilized by most of the available literature, relies on the spoke-and-wheel construct, where a distinct transactional relationship exists between the stakeholders and the firm (Jones, 2010; Wood, 2018).

Crane et al (2011) however seeks to introduce a more inclusive approach to stakeholder identification. He disputes the classification of stakeholders solely in traditional identity groups such as stockholders, suppliers and competitors, with secondary groups being generalized as 'community', which is evident in the aforementioned methods of identification. He recognizes that an individual may fall in more than one category. For example, to a wine company, a male employee may also be a client. Thus, a social identity, such as "man", is also needful to fully capture his role. Parmar thus proposes a two-component method of stakeholder identification that incorporates both the traditional identity and social identity to fully identify each stakeholder.

2.3.2 Stakeholder classification

After completing the stakeholder identification, the next step is assessing and classifying them according to their interest and influence on the organization. This is done by evaluating their levels of power, how much influence they have, their interest levels, and their desire to be involved with the organization. Once this is done, the stakeholders classified. Some of the

most popular classification models are as follows: Power and interest, Power and influence, Influence and impact, Power, urgency, and legitimacy (Nicholls-Nixen, 2005).

According to McKelvie et, al., (2006) classification of power and interest will group the stakeholders according to their power and level of interest in the organization or its outcome. They are given the following attributes: high power or low power, high interest or low interest. With regard to power and influence, stakeholders are grouped according to their power and level of influence on the project or its outcome. In this type of classification, stakeholders are given the following attributes: high power or low power, high interest or low interest. Stakeholder segmentation is based on the influence and impact that each has on the organization's projects or their outcome. They give stakeholders the following attributes: high influence or low influence, high impact or low impact (Kasimbu, 2010).

The power, urgency, and legitimacy model is also known as the Saliency Model. Unlike other classification models, this model uses three parameters to classify stakeholders. Here, stakeholders are classified as per their power, urgency, and legitimacy. The authors give the following attributes to stakeholders: core, dominant, dangerous, dependent, latent, discretionary, and demanding (Kasimbu, 2010).

Once stakeholders have been identified and classified, the management develops strategy to focus on the powerful and influential stakeholders. This will help win their active support and save energy by focusing less on the low power and low-influential stakeholders. This stakeholder analysis is used to develop a communication management plan. Appropriate strategies and actions are then defined to engage with stakeholders in different parts of the matrix. Communications with stakeholders who have high levels of interest and influence will be managed differently from those with stakeholders of low interest and influence. Similarly, communications with stakeholders who are inherently positive about the work will be different from those with stakeholders who are negative (Kotler, 2013).

The power/interest model is the most well-known and used for stakeholder management tool. In this model, the chart consists of vertical and horizontal lines. The horizontal line shows interest and the vertical line represents power (Ioannou and Serafeim, 2014). The authors divide in elaborating on the power/interest model highlight that stakeholders are divided into four categories: high power – high interest, high power – low interest, low power – high interest, and low power – low interest. The strategies to manage these stakeholders are as

follows: Stakeholders with high power and high interest should be managed with the utmost care; Stakeholders with high power and low interest should be kept satisfied; Stakeholders with low power and high interest should be kept informed; Stakeholders with low power and low interest require less effort than the rest. Jeffery (2009) also indicates that a general engagement approach involves monitoring stakeholders. This model is useful to the study because once the stakeholders in the wine industry have been identified based on their power and interest in the organization, appropriate management techniques listed will need to be implemented.

2.3.3 Stakeholder engagement methods

Once the stakeholders of an organization are identified, managers should seek appropriate ways to engage them. Jeffrey (2009), states that stakeholder engagement is the process used by an organization to involve relevant stakeholders for a purpose to achieve accepted outcomes. Today, the term is emerging as a means of describing a broader, more inclusive, and continuous process between a company and those potentially impacted that encompasses a range of activities and approaches. There are different methods the management of an organization can elect in engaging their stakeholders. These are pull communication, push communication, consultation, participation and partnerships (Jeffrey 2009).

Pull communications is a one-way engagement approach where information is made available, and stakeholders choose whether to engage with it e.g. web pages, or construction hoardings. Push communications is also a one-way engagement approach where the organization may broadcast information to all stakeholders or target particular stakeholder groups using various channels like email, letter, webcasts, podcasts, videos, leaflets. Consultation refers to a limited two-way engagement where the organization asks questions and stakeholders answer. They are Involved but are not responsible and not necessarily able to influence outside of consultation boundaries. Participation is a two-way engagement within limits of responsibility, which enables the stakeholders to be part of the team, engaged in delivering tasks or with responsibility for a particular area/activity. Finally, partnership refers to a two-way engagement joint learning, decision making, and actions Shared accountability and responsibility (Jeffrey 2009).

Managers should keep looking at each stakeholder and their requirements because you never know when a low power stakeholder will become one who is high power and influential.

Likewise, a powerful stakeholder may become less powerful in a later stage. The purpose of a stakeholder management strategy is to increase the support and minimize the negative impacts of the stakeholders. A successful stakeholder management strategy, if planned carefully and followed accordingly, can ensure a successful organization.

A strong stakeholder management strategy support for the organization is critical in several areas. First, broad support helps keep the stakeholders together rather than having a disjointed team. In a very real sense, every project is battling the other projects in the organization for priority on resources. If your project loses priority because of poor stakeholder support and unmet expectations, you'll find your team members being reassigned to higher priority projects (IFC, 2007).

Second, most organizations involve implementing changes, whether it's following new procedures, new products and practices. Those changes have to happen in operating/user departments and they always cause pain and take time. If there is little or no stakeholder support in the organization, the implementation of those changes will delay, at best, or will be ignored, at worst. The impact on the management's ability to deliver on objectives scope is enormous if those changes are not implemented (IFC, 2007).

Third, engaging stakeholders in the project and the project management process yields significant benefits. As an example, stakeholders who are involved in your risk management process are more likely to support and participate in risk responses. Engaging stakeholders also helps gain support with operational areas (IFC, 2007).

According to Jell (2014), there are many stakeholders involved in the wine industry. However, the key stakeholders are the shareholders, employees, the wine consumers, Third party partners, government and law enforcement agencies and industry groups. The primary goal of the shareholders and owners of the wine companies is to maximize profit by creating policies and strategies to increase direct to consumer sales. Shareholders are satisfied when they see returns on their investment and their companies grow. To do so, they will need to find management and employees that will ensure that their goals are achieved (Lee, 2008).

The purpose of the management is to create market by bringing in new customers and to retain those customers so as to maximize repeat sales. They can attract new customers through marketing, promotions, partnerships with third party companies, social networking, among other methods. The management are satisfied when they are adequately compensated,

offered appropriate incentives to work and their efforts are appreciated by the owners (Jell, 2014).

Customers or wine drinkers are the end user stakeholders. Customers can purchase directly from the wine companies or through retailers and distributor. Customers are diverse with different characteristics and abilities. They can have a large or small budget to spend on wine, drink wine regularly or infrequently, be local or tourists. Their goal is to find the best value for their money on products that match their taste and that is within their price range. Customers are satisfied by providing best deals (Jell, 2014).

Third Party Partners stakeholders are individuals or organizations that assist the organization in achieving their goals one way or another. These are suppliers, financiers, distributors among others. These stakeholders thrive on mutual beneficial relationships with the wine companies. They partner together in order to bring more value to each other (Lee, 2008).

Government and law enforcement agencies regulate the legal and compliance aspects of the wine companies. The wine industry is governed by complicated, localized, and rapidly changing regulations. These stakeholders ensure that the current laws are being followed by all wine companies. Law enforcement problems can be avoided by initiatives that remain within the scope of existing legal constraints (Lee, 2008).

The public interest theory by Miller (2016) holds that regulation is supplied in response to the demand of the public for the correction of inefficient or inequitable market practices. Regulation is assumed initially to benefit society as a whole rather than particular vested interests. Therefore, the roles of industry regulators play a critical role in enhancing or limiting growth of any industry including the wine industry. Through taxation, the government can promote or limit the growth of the wine industry in the interest of the public as advocated for by the public interest theory (Mueller et al., 2009). Institutions and regulators play a prime role in enhancing wineries' interest towards sustainability through funding the adoption of specific practices and education programs (Swinbank, 2009). According to Lyn (2009) legislation shapes the liquor industry by controlling the manufacture, supply, and distribution of wine. Licensing of the wine product as well as that of premises authorized to sell wine influence the accessibility of wine. Furthermore, a country regulates imports and exports by imposing duties and taxes, which influences prices and therefore to some degree influences the volume of wine sold. More far reaching

interventions by government can ban alcohol in its entirety as demonstrated in the world of Islam and by the Prohibition in the USA between 1920 and 1933. Legislation also determines the alcohol content of wines in every country, which ultimately has an impact on consumer behaviour.

In Kenya, government policies have affected pricing strategies in the alcoholic beverages industry. A good example is the fact that alcoholic beverages producers cannot control the price for which their alcoholic beverages are sold at retail outlets. The Alcoholic Drinks Control Act 2010, popularly known as “Mututho Law” further regulates the specific areas where bars should operate and the specific time when bars should operate. Taxation and uncertainty in the retention of the current taxation level affects the future profitability of this industry. Manufacturers, wholesalers of alcoholic beverages have taken control of setting of alcoholic beverages prices paid by the consumer at the same time as maintaining their standard margins, for example, standard industry mark-up is 25 per cent, and 12 per cent at the wholesale, and 33.3 per cent at the retail. In addition, Government also has had an influence on the pricing of alcoholic beverages through monetary policy. This leads to uncertainty in value of the shilling in relation to other currencies in terms of the export market (Mwangulu, 2014).

The integration of the East African Community through government intervention particularly joining of the economic block by Rwanda and the emerging market in the Southern Sudan gives these industry potential opportunities to be tapped. The alcoholic beverages industry has set a target to be the world’s most influential and profitable industry by the Year 2025, if it is supported by government in terms of providing a positive investment climate and facilitating infrastructure. Political decisions and pronouncements by key government officials on matters of business environment affect business positively or negatively (Jenster and Jenster, 2013).

The role of regulators on growth of wine industry as researched by Swinbank, (2009) on International Centre for Trade and Sustainable Development (ICTSD) Programme in Europe and Mary-Lyn (2009) in South Africa confirms a strong relation between legal environment and growth of wine industry. The Kenyan wine industry is undergoing rigorous legal environment restructuring with the institutionalization of the Alcoholic Drinks Control Act 2010, popularly known as Mututho law.

2.4 Gaps in Research

As evidenced by the foregoing discussion, it is apparent that extensive work has been done on the subject of identification and classification of stakeholders, and on their engagement within organizations (e.g. Kasimbu, 2010; Kotler, 2013; Lindelof & Loeffsten, 2005; Crane et al, 2011). However, far less research has been done about the same in the wine industry. This deficit is significantly larger in the context of sub-Saharan Africa. Vast economic and regulatory differences exist between the region and western countries, where a large part of available literature is focused. This brings into question the applicability of existent work to sub-Saharan Africa, especially with stakeholders in particular as the subject of interest. There is thus a significant need for further research on stakeholders within the wine industry in Kenya.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study sought to determine the engagement methods applied in organizations within the wine industry in Kenya. The chapter presents the research methodology selected and is divided into seven main sections – research design, population and sampling, sampling methodology, data collection methods, data analysis, research quality and ethical considerations.

3.2 Research Design

Research design involves the planning, organization, collection and analysis of data so as to provide answers to the research questions. It is therefore informed by the type of research problem, the purpose of the study, the objectives and the research questions (Creswell, 2009).

Research methods can be classified into two major categories – qualitative and quantitative methods. According to Mugenda and Mugenda (2003) qualitative methods do not produce discrete numerical data while quantitative methods tests theories and hypothesis by examining the relationship between variables through measurement. This study therefore applied a descriptive survey design centred on quantitative data. The quantitative method was used to quantify data and to measure the incidence of various views and opinions of respondents. Structured techniques were used, and the statistical data collected was in the form of calculations and tabulations.

According to Creswell (2009), quantitative research methods may use descriptive or causal designs. The descriptive design is characterized by use of clearly defined information through prior formulation of research questions or hypotheses. This study therefore was descriptive in nature as it was intended to determine stakeholder engagement methods applied within the Kenyan wine industry.

The descriptive design is considered appropriate for this study because it enables the researcher to evaluate the state of the subject of the study, as opposed to the causal approach that seeks to determine correlations. Also, according to Creswell (2009), the data collection methods employed in the descriptive research design allow for gathering in-depth,

quantitative information. A descriptive study thus provides useful information about the beliefs, attitudes, behaviours and habits of members of a target audience, company or other organization.

3.3 Population and Sampling

This section highlights the target population to which the research findings are generalizable. Additionally, the section stipulates the manner through which the research sample was arrived at, thereby providing justification of the generalizability of findings to the population.

3.3.1 Population

The target population was wine importers, distributors and retailers. According to Ministry of Trade and industrialization database (2017) there are 144 companies in the Kenyan wine industry categorized as importers, distributors and retailers. A closer scrutiny of the population reveals that a majority of the listed companies perform the three functions of importing, distributing and retailing wine. Therefore, the study target population was 144 companies.

3.3.2 Sampling methodology

From the target population of 144 wine importers and distributors, the research employed the use of a sample size calculation formula to arrive at the adequate number of respondents. The calculation was done on the basis of a 0.1 margin of error as a pilot study conducted indicated that many of the companies were inaccessible for response either due to closure or unwillingness to provide information. Hardy (2009) justifies the margin of error as sufficient for social studies.

The sample size calculation formula is presented below:

$$z^2 * p(1 - p) / (1 + ((z^2 * p(1 - p)) / e^2 N))$$

Where

N = size of population

p = population reliability (or frequency estimated for a sample of size n), where p is 0.5 which is taken for all population

e = margin of error considered as 10% for this study

z = value for the selected alpha level (at 0.1 level of significance), Z is 1.64 as justified by Hardy (2009) as suitable for social science studies in the event that the researcher accepts a higher margin of error.

therefore: $(1.64^2 * (0.5 * (1-0.5)) / 0.1^2) = 67.24$

$(1.64^2 * (0.5 * (1-0.5)) / 0.05^2 * 144) = 1.467$

Finally

$67.24 / 1.467 = 45.83$

Sample size is therefore 46 respondents

The researcher therefore considered 46 companies as the sample size for the study. A random sampling approach was applied to the study in that a random number generator was used to assign values to each of the 144 companies and then responses were sought from the first 47 companies after ranking. The random sampling approach was applied to mitigate against bias in reaching respondents (Kothari, 2004). Each company was required to provide one response from a finance manager or C-suite member where applicable.

3.4 Data Collection Methods

The primary data collection tool for this study was the questionnaire. According to Hennings (2004), a self-administered questionnaire is one of the most appropriate tools used to elicit self-report on opinion, attitudes, beliefs, and values. The questionnaire was designed to give a brief introduction of respondents and was divided into sections representing the various variables under study, which are quality management strategies and performance measures. Each section of the chosen study included closed structured and open-ended questions that are in line with the selection of the quantitative research methods (Creswell, 2009). Data was collected through the use of online questionnaires and was distributed to C-suite members or owners of the targeted companies.

The data collection procedure involved administering questionnaires to the respondents. The researcher clarified to the respondents in writing on the questionnaires concerning the overall purpose of the study. This was done with a view to enhance the understanding of the

respondents on the content of the study so as to extract relevant information for the study. The questionnaires were distributed to the selected respondents, who were given a time frame within which they were required to respond. Questionnaires were administered by trained research assistants.

3.5 Data Analysis and Presentation

According to Creswell (2009,) data analysis consists of the examining, categorizing, tabulating or otherwise recombining the evidence to address the initial propositions of the study. Data was coded by assigning of a numerical or alphanumeric value to represent the responses. A majority of the questions in the questionnaire were close ended and were coded upon the completion of the survey. Data capturing involved the initial summation of data using frequency distribution that helped to establish the out of range, missing and extreme values for each variable. SPSS was the primary software used for analysis. The study used primary data consisting of quantitative data. The study used descriptive statistics i.e. measures of central tendency and dispersion (Creswell, 2009) to present findings of the study. Tables and figures were used as appropriate to present the data findings while explanations were presented in prose.

3.6 Research Quality

3.6.1 Validity

Validity indicates the degree to which an instrument measure what it is supposed to measure; the accuracy, soundness and effectiveness with which an instrument measures what it is intended to measure (Kothari, 2004) or the degree to which results obtained from the analysis of the data actually represent the phenomena under study (Mugenda and Mugenda, 2008). The research instrument was availed to the lecturers from Strathmore University and peers who established the questionnaire's content and construct validity to ensure that the questions asked were adequately representative of the objectives being studied.

3.6.2 Reliability

Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Nsubuga, 2006). The researcher carried out a pilot study among three respondents working in three wine dealing companies. The reliability of the instrument was

estimated using Cronbach’s Alpha Coefficient, which is a measure of internal coefficient. A reliability of at least 0.70 at $\alpha=0.05$ significance deemed acceptable. No adjustments were necessary for the study. Table 4.3 provides a summary of reliability ratings for the various final scales used in the study. As indicated, scale assessing rankings had a reliability of 0.51 which was lower than the stipulated 0.70 score. This low score was attributed to the overlapping rankings as respondents indicated similar rankings for various stakeholders thereby resulting in a lower reliability score.

Table 3.2 Reliability scores

Scale	Score
Ranking	0.51
Stakeholder interaction	0.83
Stakeholder power	0.82
Stakeholder interest	0.88
Stakeholder engagement	0.8

3.8 Ethical Issues in Research

The researcher observed a number of universal ethical principles in research, including justice, respect for participants, beneficence and non-maleficence (Rivera *et al.*, 2011). In this regard, all participants gave their consent after the researcher has explained the purpose of the study, their role and the fact that their participation was to be voluntary. The participants were also informed about their right to withdraw consent of participation at any time without a penalty. In addition, participants were assured that all information they provide will be kept private and confidential. This study guarded against the potential possibility of infringing on the privacy and security of the research participants. Anonymity was observed by ensuring that the respondents do not write their names on the questionnaire. Ethical clearance was received from the Strathmore University Ethics committee and the statutory NACOSTI approval applied for.

CHAPTER FOUR

ANALYSIS AND PRESENTATION OF FINDINGS

This chapter contains an analysis of the data collected to address the objectives of the study. The chapter also provides an elucidation of the findings in accordance with the objectives of the study. This chapter is delineated into three main sections – response rate, company profiles, and findings on objectives.

4.1 Response rate

The targeted number of respondents was 47 of the 144 registered companies (30% of the total as stipulated by Kothari (2004)). Out of the 47, 36 respondents provided feedback. The response rate was therefore 77%.

4.2 Company profiles

This section provides a summary of the characteristics of respondent companies that participated in the study. The purpose of this section is therefore to provide context for the inferences put forward in the subsequent section addressing the research objectives.

4.2.1 Age of companies

In assessing the number of years for which the companies had been in operation, it emerged that most were young companies with less than five years in the market (17 companies). This finding therefore indicates that most companies in the space were unlikely to have adjusted their management methods to fit the challenges and opportunities that present in the industry. It was thus likely that the evolving needs and preferences of stakeholders in the industry would not have been adequately addressed. Additionally, the level of engagement with the various stakeholders would mainly involve a low level of interaction as most of the companies had not had enough time to gain a foothold in the industry. Of the 36 companies, 10 had been in operation for more than 15 years therefore indicating that they should be more adapted to the industry than their younger counterparts.

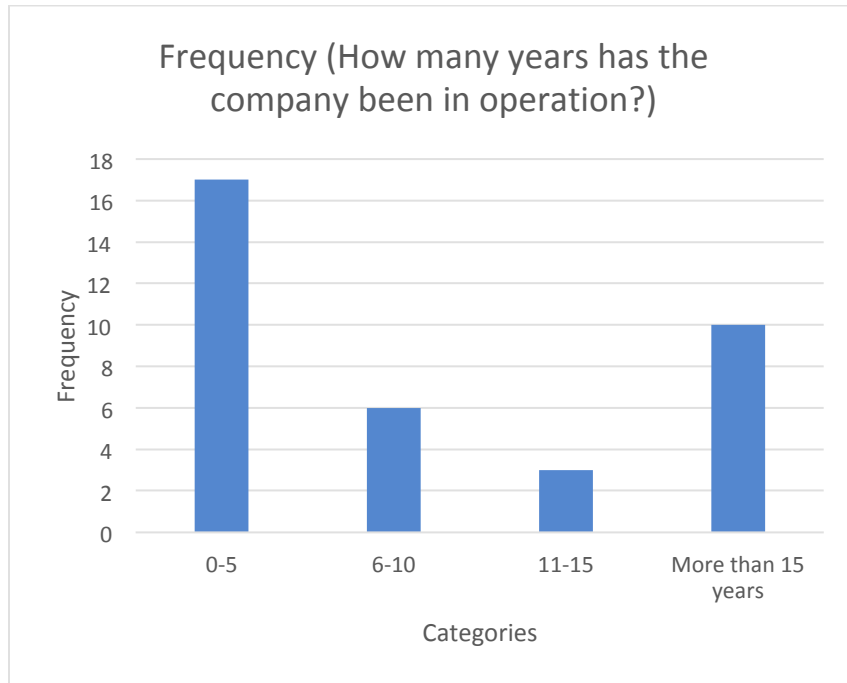


Figure 4.1 Frequency – Years in operation

4.2.2 Number of employees

The largest company had a total of 2247 employees whereas the smallest had 2 employees. This finding therefore highlighted the dispersion within the industry and as with the age of companies, it was anticipated that a wide variability in management practices would be observed among the companies. This is because of the vast range in size of companies within the industry. Table 4.1 provides a summary of findings pertaining to number of employees and reported revenue. The standard deviation of 415 highlights the disparity in number of employees within the organizations.

Table 4.1 Number of employees and average annual revenue

Statistic	Minimum	Maximum	Median	Mean	Standard deviation (n-1)
How many employees work in your company?	2	2247	22	150	415

4.2.3 Average annual revenue

Given the general young age of the companies and the wide difference in number of employees, it was expected that there would be a wide spread in the average annual revenue as smaller younger companies indicated high revenue while their counterpart larger and better-established peers posted high returns. The mean revenue was KES 888,121,429. However, the minimum reported annual revenue was KES 4,000,000 therefore highlighting the spread in reported earnings by the various companies. Table 4.2 provides a summary of findings on the question assessing revenue collected by the companies. The disparity between the companies is further highlighted by the spread in revenue of over 1 billion Kenya shillings as indicated by the standard deviation on average revenue for the various companies.

Table 4.2 Average annual revenue

Statistic	Minimum	Maximum	Median	Mean	Standard deviation (n-1)
What is your companies' average annual revenue? (give an approximate figure KES)	4000000	10000000000	66000000	888121429	1980414053

4.3 Findings on objectives of the study

This study sought to address three main objectives - to identify stakeholders within the wine industry in Kenya; to classify key stakeholders within the wine industry in Kenya; and to determine stakeholder engagement methods applied within the wine industry in Kenya. Findings pertaining to these three objectives are presented below.

4.3.1 Objective 1: To identify key stakeholders within the wine industry in Kenya

To address this objective, respondents were required to select all stakeholders that they considered pivotal to the industry. Overlapping answers were therefore anticipated in the section. Responses in the mode category highlighted customers as key, as indicated in table 4.3, with 58.33% of respondents citing them as pivotal stakeholders. The second most commonly cited stakeholder group was employees, after which suppliers emerged as the third

most commonly identified stakeholder group. Only two respondents indicated an overlap in observations in that multiple stakeholders were ranked as pivotal in the industry. The general inference therefore, as surmised from responses from the section was that customers were, by a large margin, the most important stakeholders identified within the wine industry.

Table 4.3 Stakeholders in the wine industry

Variable\ Statistic	Categories	Frequency Per Category	Rel. frequency per category (%)
Who do you consider as key stakeholders in your organization? (Tick all as appropriate)	Customers	21	58.33
	Employees	6	16.67
	Employees, Suppliers, Customers, Consumer Federations, Government Agencies	1	2.78
	Government Agencies	1	2.78
	Shareholders	2	5.56
	Suppliers	4	11.11
	Suppliers, Competitors, Consumer Federations, Government Agencies	1	2.78

Additionally, respondents were required to indicate a rating, by importance, of the stakeholders within the wine industry. Table 4.4 provides a summary of the ranking of the various stakeholders. Assessed on the basis of the mean, it was evident that customers were the most highly ranked stakeholders whereas consumer federations were the lowest ranked. Surprisingly, government agencies were ranked second last by order of importance. Shareholders were ranked third last although responses pertaining to these group presented the highest standard deviation. This therefore indicated that there has high variability in perception of importance of stakeholders. This finding was anticipated given the difference in the organizations in that, whereas some were large with stakeholder involvement, some were single-person ventures and hence no stakeholders were involved in such companies' management.

Table 4.4 Ranking of stakeholders in the wine industry

	Mean	Standard deviation
Customers	7.29	1.86
Suppliers	6.56	1.24
Employees	6.51	1.98
Financiers	5.64	1.87
Shareholders	5.56	2.07
Government Agencies	5.4	1.87
Competitors	5.2	1.21
Consumer Federations	4.56	1.8

Finally, in addressing this objective, respondents were required to indicate their level of interaction with the various stakeholders table 4.5 provides a summary of findings on interaction. Employees were ranked first (on the basis of mean) with regard to interaction. This therefore indicated that the respondents (mainly being managers and owners of companies) interacted more with the employees in running their businesses. This finding was anticipated given findings from section 4.2.1 which highlighted the young age of most firms; being young firms, company managers would mainly be involved with growing their businesses with the help of their employees. The lowest ranked stakeholders by interaction were competitors.

Table 4.5 Interaction with stakeholders

	Mean	Standard deviation
Employees	4.11	0.99
Customers	4.00	1.03
Suppliers	3.64	0.98
Shareholders	3.22	1.06
Financiers	2.82	1.15
Government Agencies	2.80	1.28
Consumer Federations	2.26	1.00
Competitors	2.19	0.84

Objective 2: To classify key stakeholders within the wine industry in Kenya

Respondents were required to provide ratings on their level of agreement with statements assessing power and interest of the various stakeholders. From these ratings, the stakeholders were grouped according to the Mendelow (1991) and encapsulated in Mendelow's Power-Interest grid. In achieving the categorizations, the average rating on power and interest for all of the stakeholders was computed after which stakeholders were grouped based on what side of the overall mean they fell.

The four categories involved were – high-power and high-interest, high-power and low-interest, low-power and high-interest, low-power and low-interest. Table 4.6 provides a summary of the mean for each stakeholder and the classification based on the model. Figure 4.2 then categorizes the stakeholders based on the information derived from table 4.6 thereby grouping the stakeholders in a matrix.

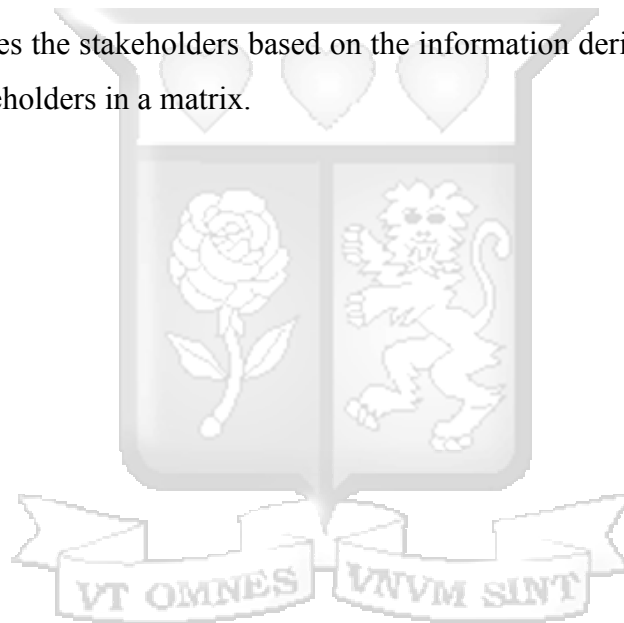


Table 4.6 Mean ratings per stakeholder

	POWER	INTEREST	HPII	HPLI	LPHI	LPLI
EMPLOYEES	3.666667	3.861111	TRUE	FALSE	FALSE	FALSE
SHAREHOLDERS	3.444444	3.861111	TRUE	FALSE	FALSE	FALSE
SUPPLIERS	3.416667	3.638889	TRUE	FALSE	FALSE	FALSE
CUSTOMERS	3.972222	3.777778	TRUE	FALSE	FALSE	FALSE
FINANCIERS	2.970588	3.058824	FALSE	FALSE	FALSE	TRUE
COMPETITORS	2.352941	2.8	FALSE	FALSE	FALSE	TRUE
CONSUMER FEDERATIONS	2.314286	2.342857	FALSE	FALSE	FALSE	TRUE
GOVERNMENT AGENCIES	3.083333	2.771429	FALSE	FALSE	FALSE	TRUE
MEAN	3.152644	3.264				
<p>KEY HPII – HIGH POWER HIGH INTEREST; HPLI – HIGH POWER LOW INTEREST; LPHI – LOW POWER HIGH INTEREST; LPLI – LOW POWER LOW INTEREST.</p>						

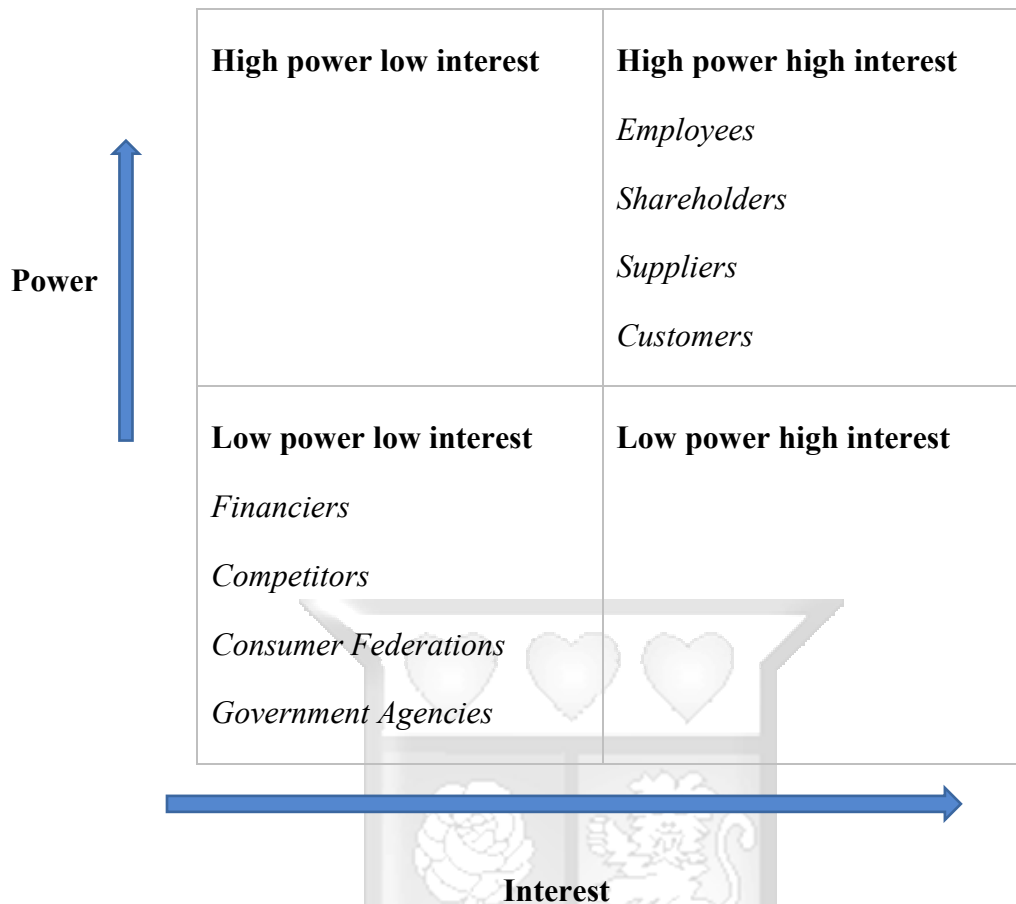


Figure 4.2 Classification of stakeholders

The industry-wide evaluation indicated extremities in the classification of stakeholders in that only two compartments of the matrix were populated as high-power and high-interest and low-power and low-interest. Those of the high-power and high-interest category included employees, shareholders, suppliers and consumers, whereas those in the low-power and low-interest one included financiers, competitors, consumer federations and government agencies. This finding therefore indicated a polarized bifurcation in perception of stakeholders in that a dual approach was exercised in categorizing the respondents. The ranking of Financiers, Competitors, Consumer Federations and Government Agencies as low-power and low-interest stakeholders further highlights the lack of synergy within the industry as the mentioned stakeholders play a pivotal role in the industry.

Objective 3: To establish stakeholder engagement methods applied within the wine industry in Kenya.

A descriptive approach was employed in determining stakeholder engagement in the industry. Table 4.7 provides a summary of the answers in this section. Findings indicate that suppliers were the most frequently engaged stakeholders with respondents engaging them to minor consultations and encouraging participation. The rating was however associated with the highest standard deviation thereby indicating that relatively most variability was observed in answers pertaining to this question. The prioritization of suppliers in engagement therefore points to the pivotal role they played in ensuring efficient operations among businesses. Conversely, the placement of competitors as the lowest ranked stakeholder points to a lack of synergy within the industry, therefore it may be inferred that joint lobbying among distributors may be a difficult endeavour.

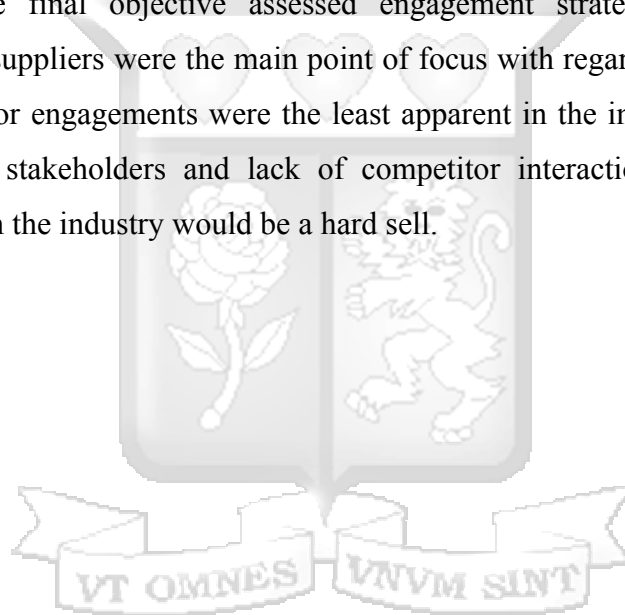
Table 4.7 Stakeholder engagement

	Mean	standard deviation
Suppliers	3.74	1.50
Shareholders	3.36	1.47
Employees	3.36	1.16
Financiers	3.00	1.44
Customers	2.92	1.44
Government Agencies	2.00	1.21
Consumer Federations	1.94	1.14
Competitors	1.94	0.90

In summation, respondents were required to provide their general opinion of the industry through an open-ended question. Five respondents indicated that disunity in the industry was apparent and that there was need for collaboration. It was also put forward, by four respondents, that the government presented the biggest hurdle in the industry due to harsh regulatory laws and corruption. This contradicts the general observation presented in figure 4.2 indicating that government presents as a low power and low interest stakeholder. As a recourse, respondents indicated the need for increased collaboration among industry players so as to provide a mutually beneficial approach to business.

4.4 Summary on findings

Customers were identified as the most ubiquitously identified stakeholders with employees coming in a distant second. Consumer federations and government was ranked least important which was in keeping with findings from the subsequent objective addressing classification of stakeholders as government and consumer federations were considered low-power and low interest stakeholders. With regard to the classification of stakeholders, a polarization of perception was evident, as only two categories emerged; low-power, low-interest and high-power, high-interest. Financiers competitors, consumer federations and government agencies were considered low-power, low-interest stakeholders whereas employees, shareholders, suppliers and customers were considered high-power, high-interest stakeholders. The final objective assessed engagement strategies within the industry highlighting that suppliers were the main point of focus with regard to company engagement whereas competitor engagements were the least apparent in the industry. Given the polarity of perception of stakeholders and lack of competitor interactions, it was apparent that lobbying efforts in the industry would be a hard sell.



CHAPTER FIVE

DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to highlight the findings of the study in light of literature, provide recommendations based on the findings, indicate limitations observed, and suggest areas meriting further study; the chapter is thus delineated into sections addressing the mentioned topics relating to the objectives of the study.

5.2 Discussion

This section provides a succinct discussion of each of the research findings per objective, in light of extant literature put forward by other authors and overarching theories considered for the study.

5.2.1 Identification of key stakeholders within the wine industry in Kenya

Findings from this study indicate the following stakeholders (by relative frequency of mention) – customers, employees, government, suppliers and shareholders. Customer federations, financiers, shareholders and competitors were mentioned once as pivotal stakeholders in the industry. The general inference therefore was that there was a disparity in interactions within the industry, as the literature-identified stakeholders were generally not recognised by the respondents.

Freeman (2006) in expounding on the stakeholder theory states that the organization is a grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. Each organization operating in an industry should therefore strive to identify stakeholders and their needs so as to adequately address the interests of all entities thereby achieving maximum benefit for all. Kasimbu (2010) highlights that stakeholder identification involves the processes required to identify the people, groups, and organizations that can impact or be impacted by the project (Kasimbu, 2010). Findings from this study highlight that, whereas some of the stakeholders of the wine industry are well acknowledged, others remain side-lined with their importance within the industry overlooked. An example of this is the few instances whereby government has been identified as a stakeholder in the industry (two instances). This finding in light of the pivotal role that the entity plays in the industry

(e.g. through Mututho Laws) underscores a lack of appreciation of factors that shape the course of the industry.

Multiple authors propose different approaches to stakeholder identification; Bryson (1995) highlights an iterative brainstorming technique whereas Wang et al (2015), propose soft systems methodology (SSM) as a method for identifying stakeholders. Regardless of the approach, it is noteworthy that companies in the wine industry in Kenya should identify a fitting approach to identify major stakeholders in the industry so as to ensure adequate strategizing approaches, in a bid to improve the industry.

5.2.2 Classification of key stakeholders within the wine industry in Kenya

Findings on the type and classification of stakeholders in the industry indicated a stark difference in that, stakeholders either fell into high-power and high-interest, or low-power and low-interest categories. Furthermore, despite indications of the high impact of government in the industry, most respondents indicated that these stakeholders were generally less influential than others, as government appeared in the low-power-low-interest category. Parmar *et al.*, (2010) using stakeholder theory argues that a successful firm is a team of internal and external stakeholders that cooperate in order to create value and that these stakeholders possess knowledge, social capital, and resources that can help firms create value and competitive edge. The polarized classification of stakeholders points to possible neglect of some of the stakeholders (e.g. government and customer lobby groups) which according to Parmar et al., (2010) may result in detrimental consequences for the industry as creative value would be lost and creation of a competitive edge stifled.

This finding on these objective, as afore-discussed, are particularly surprising given the recent “Mututho” laws that significantly changed the balance in the industry with regard to pricing, distribution, consumption and importation of alcoholic beverages, yet the government, as indicated by responses, was classified as a low-power, low-interest stakeholder. The implication of the polarized placement of stakeholders regarding power and interest therefore is that most entities in the space were lacking in understanding of the role of the various stakeholders and thus were unlikely to sufficiently adjust their practices to enhance collaboration and efficiency in the industry.

According to Kasimbu (2010), high-power and high-interest stakeholders can be considered to be core, dominant, dangerous, dependent, latent, discretionary, and demanding. The

findings therefore indicate that employees, shareholders, suppliers and customers were the main entities shaping the industry from the managers' point of view. Financiers were however, contrary to Lee's (2008) findings, observed to be of marginal impact in the industry. The implication therefore is that most of the organizations were self-funded and did not rely heavily on external resources for their operations. Jell (2014) highlights government as a pivotal stakeholder in the operation of companies. Findings from this study however indicate that the entity was found to be of little bearing to the operations of the industry pointing to a possible low-level of government interference in the sector. As mentioned, this finding was considered surprising given that the wine industry is governed by complicated, localized, and rapidly changing regulations (Lee, 2008).

5.2.3 To establish stakeholder engagement methods applied within the wine industry in Kenya.

Findings from this study indicate that the most apparent interaction with stakeholders is that between the companies and suppliers. This therefore points to a central role played by suppliers in the industry. As was expected given findings from objective one and two, interaction with government, customer federation groups and competitors was minimal hence the potential for lobbying and partnerships within the industry was generally low.

Jeffrey (2009), states that stakeholder engagement is the process used by an organization to involve relevant stakeholders with a purpose to achieve accepted outcomes. In the context of the growing wine industry in Kenya, the accepted outcome of stakeholder engagement would therefore involve mutual benefit as assessed from multiple vantage points. The current situation in the industry is however marked by minimal interactions between stakeholders and therefore it is inferred that growth may be stifled if industry players do not seek out ways through which to engage for added ingenuity and optimization within the industry.

Baker (2012) observes that the level of support offered to organizations allows for the prevention of negative impacts to stakeholders – impacts that may take different forms depending on the parties in question. Given that engagement among stakeholders was generally low, it was generally inferred that the negative performance of the industry as indicated by wide disparities in revenue can be attributed to a lack of support among stakeholders.

5.3 Conclusion

The research set out to address three main objectives - to identify key stakeholders within the wine industry in Kenya; to classify key stakeholders within the wine industry in Kenya; to establish the stakeholder engagement methods applied within the wine industry in Kenya.

Findings on the first objective of the study reveal that the stakeholders of the industry, as put forward by Jell (2014) were not well identified within the industry. The most frequently identified stakeholders were customers, employees, and suppliers. This finding therefore indicates that the industry is characterized by a lack of appreciation of the role played by other stakeholders within the industry and therefore, opportunities for collaboration for mutual benefit are low.

In assessing the second objective of the study, it was apparent that the industry is polarized with stakeholders falling in the two extreme categories – high power and high influence, and low power and low influence. None of the stakeholders was placed in the low power high interest, or high power and low interest categories. The stacking of stakeholders therefore indicates a lack of understanding of the role that each play in the broader picture and thus a misfit between the needs of the industry and the functioning of the various stakeholders. For instance, government appeared as a low-power, low-interest stakeholder despite the fact that changes in regulation with the ‘Mututho’ rules had resulted in significant financial impact on producers and distributors of alcohol. The implication therefore is that, there is a misunderstanding of the power and interest of the various stakeholders within the industry and thus this may be the root of the current lack of collaborative efforts.

The final objective of the study sought to determine the engagement methods among stakeholders within the wine industry in Kenya. The most prominent engagements, as observed by the company representatives, was that between companies and suppliers. As follows the case with ranking and categorization of stakeholders, there was evidence of neglect of some stakeholders e.g. customer federations and government. It was therefore apparent, as was indicated by findings from the preceding objectives, that the industry was generally disjointed and there is a need for advocacy for closer collaboration.

5.4 Recommendations

The main recommendation put forward in the study is the need for increased collaboration through self-initiated efforts to reach out to stakeholders in the industry. In particular, more inclusivity-oriented conversations should be initiated to set up representative bodies that are not, as currently appears to be, ornamental. The role of the government is currently perceived as hindering with respect to the progress of companies set up in the field as there is evidence of monopolization within the industry – the spread of revenue reported by the various firms is highly differentiated. It is therefore necessary for other stakeholders in the industry, with the exception of government, to form representative bodies that would challenge the position of current laws and regulations, in a bid to create fertile ground for flourishing within the industry given the reported growth in demand of the product.

Secondly, it is apparent that the implementation of regulations put in place to stipulate distribution and pricing was done without adequate consultation with the parties. It is therefore recommended that future legislative efforts be inclusive so as to ensure the creation of efficacious laws that promote responsible growth and curb against monopolization of the industry.

5.5 Limitations of the study

This study had both methodological and researcher limitations. With regard to methodological limitations, the researcher, seeking to determine the general trends in the industry, applied descriptive statistics in making inferences. There is therefore need for more in-depth analysis within the industry so as to objectively identify drivers of growth and collaboration. Additionally, the self-reported findings provide room for personal bias as it was not possible to verify such aspects as the financial performance of the various firms. Finally, with regard to researcher limitations, access of data presented as a major challenge; most of the firms were unwilling to provide information despite multiple efforts to follow-up with possible respondents.

5.6 Areas for further research

The most apparent gap emanating from this study is the lack of cadence between categorization of stakeholders and the roles that they play both as indicated by literature and responses by stakeholders. In particular, government, financiers and competitors appear as

low-power low-interest stakeholders, yet their role – and more so the role of government – is theorized as being of pivotal importance to the industry. This mismatch therefore merits further assessment, also because it relates to the management methods applied to the system in that a lack of understanding of the role of stakeholders results in ineffective provision of engagement methods.

Finally, it is necessary to conduct further investigations into the various factors that affect each of the stakeholders. Such a study would serve to provide more avenues for collaboration, as it would highlight synergized methods to business – methods that would provide generative grounds for collaborative efforts.



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APPENDICES

APPENDIX I: LIST OF WINE IMPORTERS, DISTRIBUTORS AND RETAILERS

Source: Ministry of Trade and industrialization database (2017)

1	All Drinks Ltd	49	UDV (K) Ltd	97	Oasis Wines & Spirits
2	Baraka Israel	50	Under the Influence EA	98	One Touch Wines & Spirits
3	Brown Biashara Ltd	51	UVA Wines	99	Polepole Trading Company
4	California Wines by Rose	52	Verum Kenya Ltd	100	Rock and Rolla Wines & Spirits
5	Cama Trading Ltd	53	VIVA International	101	Rocks Wines & Spirits
6	Casks & Barrels	54	Wine & More	102	Roshan Holdings Limited
7	New Westlands Ltd	55	Wine Routes	103	Safari Wines Agencies
8	Crown Beverages Ltd	56	Wines of the World	104	Sagma Investments Ltd
9	DE VRIES Africa LTD	57	Alice Wines & Spirits	105	Saki Wines and Spirits
10	Decanter Limited	58	Antovic General Merchants	106	Santa Q Wines & Spirits
11	DION Wines & Spirits	59	Avenue Wines & Spirits Agencies	107	Shabab Enterprise Ltd
12	Distell Winemasters Ltd	60	Barrel Wines & Spirits	108	Shade Villa Wines & Spirits
13	Under the Influence EA Ltd	61	Baseline Wines	109	Spear Supermarket Limited
14	Fairview Hotel	62	Bia Tosha Distributors Ltd	110	Stage Mattresses Ltd
15	First Drinks Kenya Ltd	63	Blue Sky Wines	111	Sweetberries Wines & Spirits
16	Galina Wines	64	SOLOVINO enterprises Ltd	112	Temuwa Company Ltd
17	JOMFRA Investments	65	Ellies & Region Wines	113	Tiger General Supplies
18	Jos Hansen & Soehne Ltd	66	Enjoy Distributors	114	Total Wines and Spirits
19	Karen Provision Stores	67	Eve's Wines & Spirits	115	Turtle Wines & Spirits
20	Kenruss Limited	68	Fystar Wines & Spirits Ltd	116	Twins Wines & Spirits
21	Kenya Nut Agency	69	Gee Tee Sons Ltd	117	Vintage Cigars & Wines
22	Kenya Nut Company Ltd	70	Gilanis Supermarket	118	Vintage Liquor & Wine Ltd
23	Kenya Wines Agency Ltd	71	Giwa Solutions Ltd	119	Agric Produce Importers K Ltd

24	Liquid Africa	72	Gokam Enterprises	120	Balmoral Ltd
25	Magnum Ventures	73	Goodwill Wines & Spirits	121	Blue Sky Wines & Spirits
26	MAKKIN	74	Haven Agencies Limited	122	Branded Beverages
27	Maxam Ltd	75	Haven Express	123	Burudika Holdings Ltd
28	Mega Wines & Spirits	76	Iddi Wines & Spirits	124	C & C Polaken Ltd
29	Mia International Wines & Spirits	77	Interior Syndicate	125	Casks And Barrels
30	MOHANS	78	International Beverages Co. Ltd	126	Chareth General Agencies
31	Monte Bello Wines Ltd	79	Jey Fine Wines Co. Ltd	127	Chemi Chemi Wines & Spirits Ltd
32	Museum Hill Wines Ltd	80	Joystine Wines & Spirits	128	D.O Stores
33	Mwalimu Wine Agencies	81	Juja Wines & Spirits Ltd	129	Diri Enterprises
34	Nairobi Vintners (K) Ltd	82	Jukoma Enterprises Ltd	130	Domaine Kenya Limited
35	New Italcory Ltd	83	Jumbo Wines Agencies	131	Echerenet Co Ltd
36	New Westlands Stores	84	Kamahuha Distributors	132	Famaco Limited
37	Out of Sicily (Enoteca Agency)	85	Kaon Wines & Spirits	133	Jambo Italia Ltd
38	Pernod Ricard (K) Ltd	86	Kioru Wines & Spirits	134	Jitahidi Traders
39	Roads Into Africa Co Ltd	87	Liquor City Ltd	135	Jorechar Enterprises
40	Safari Wines Agencies	88	Magenda Stores	136	Jos Hansen & Soehen East Africa Ltd.
41	San Giorgio Ltd	89	Mbukah Investment	137	Jurassic Stores Ltd
42	Secret Vineyards by BSG	90	Miami Stockist Wines & Spirits	138	Kamogo Wines & Spirits
43	Shada CS Ltd	91	Mt. Kenya Java Wines & Spirits	139	Kapari Ltd
44	Slater & Whittaker	92	Muranga Tobacco Distributors	140	Kioko Enterprises Wines & Spirits
45	GALINA WINES	93	Namelok Distributors Ltd	141	Kisii Wines Agencies
46	Spanwell Limited	94	Ngurose Wines & Spirits	142	Malkar Agency
47	The Wine Company	95	Njoro Wines & Spirits	143	Mia Wines & Spirit International Ltd
48	The Wine Shop	96	Nyeri Tetu Beverages	144	Mig Trading Company Ltd

APPENDIX II: LETTER OF INTRODUCTION

Victoria Mulu-Munywoki
Strathmore Business School
Email: victoria.munywoki@gmail.com
Mobile: 0700 254 074

Dear Sir/Madam,

**RE: RESEARCH STUDY ON STAKEHOLDER ENGAGEMENT METHODS
APPLIED WITHIN THE WINE INDUSTRY IN KENYA**

I am an MBA student at Strathmore Business School conducting the above-mentioned research from importers and distributors of wine in Kenya.

Your feedback is important. It will help the beneficiaries of this research focus their contribution to scaling the wine industry in Kenya. The study findings will directly benefit the management and staff of wine importing companies, distributors and retailers. It will offer useful insights on appropriate stakeholder engagement methods to ensure they increase in profitability and competitiveness.

In this study you will be required to complete a survey online, which will take 10 minutes and may be administered by phone if you so wish. Your participation in this research is voluntary and your responses will be treated with utmost confidentiality.

By completing and submitting this survey, you are indicating your consent to participate in this study. Do not hesitate to contact me if you need any assistance or clarification the same.

Kindly complete and submit the questionnaire by Monday, 11th April 2018.

Sincerely,
Victoria

APPENDIX III: RESEARCH QUESTIONNAIRE

PART A: COMPANY AND RESPONDENTS INFORMATION

This section seeks to provide some context to the data from respondents so as to enable classification of this data into groups for analysis. Kindly complete this section.

1. How many years has the company been in operation?

- | | |
|-------|--------------------|
| 0-5 | 6-10 |
| 11-15 | More than 15 years |

2. What role does the company play in the wine industry? (Tick all if appropriate)

- | | |
|-----------|--------------|
| Importing | Distributing |
| Retailing | Manufacture |

3. What category of business organization does your company fall under?

- | | |
|---------------------------|-------------|
| Sole proprietorship | Partnership |
| Limited Liability Company | Other _____ |

4. What is your role in this organization?

- | | | |
|---------|------------|----------------|
| Finance | Operations | Administration |
|---------|------------|----------------|

5. What is your management level in this organization?

- | | |
|------------------------------|-------------------------|
| Operational management Level | Middle management level |
| Senior management level | Other _____ |

6. How long have you worked with this organization?

- | | |
|-------|--------------------|
| 0-5 | 6-10 |
| 11-15 | More than 15 years |

7. What is your companies' average annual revenue? (*give an approximate figure*)

PART C: CLASSIFICATION OF STAKEHOLDERS

11. Stakeholder power refers to the level of influence a stakeholder has over the activities and operations of the organization (Mc Kelvie et, al., 2006). Based on this, what is the level of power that each of these stakeholders yield?

(Key: 1-Very low, 2-Low, 3-Moderate, 4- High, 5-very high)

Stakeholders	1	2	3	4	5
Employees					
Shareholders					
Suppliers					
Customers					
Financiers					
Competitors					
Consumer Federations					
Government Agencies					

12. Stakeholder interest refers to the level of which stakeholders can affect or be affected by the actions, objectives and policies of the organization (McKelvie et, al., 2006). With this definition in mind, what is the level of interest that each of the stakeholders has with the organization?

(Key: 1-Very low, 2-Low, 3-Moderate, 4- High, 5-very high)

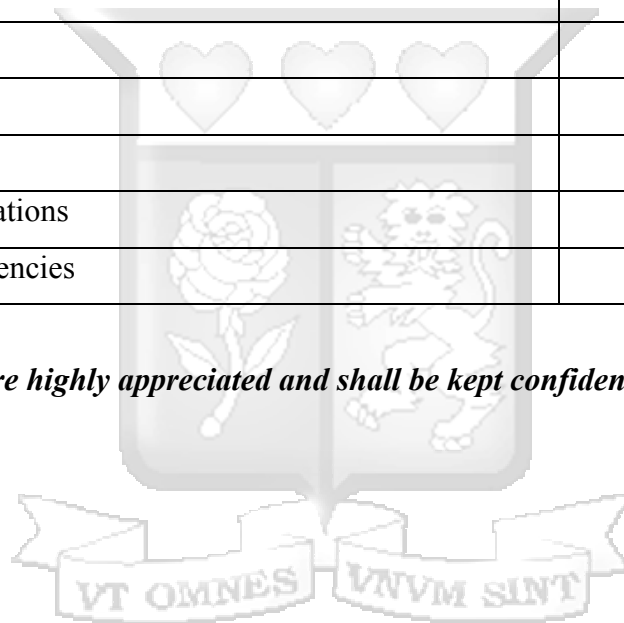
Stakeholders	1	2	3	4	5
Employees					
Shareholders					
Suppliers					
Customers					
Financiers					
Competitors					
Consumer Federations					
Government Agencies					

PART D: STAKEHOLDER ENGAGEMENT

13. How do you engage/communicate with each of your organizational stakeholders? (Tick all appropriate) (Key: 1-Provide general information, 2-Provide targeted information, 3-Minor consultations, 4- Encourage their participation, 5-Engage in partnerships)

Stakeholders	1	2	3	4	5
Employees					
Shareholders					
Suppliers					
Customers					
Financiers					
Competitors					
Consumer Federations					
Government Agencies					

Your responses are highly appreciated and shall be kept confidential.



APPENDIX IV: ETHICAL CLEARANCE



14th June 2019
Mrs. Mulu-Munywoki, Victoria
victoria.munywoki@gmail.com

Dear Mrs. Munywoki,

REF: SU-IERC0433/19 (AMENDMENT) PROPOSAL “Stakeholder Engagement Methods Applied within the Wine Industry in Kenya

I make reference to your application for the approval of a proposed amendment submitted on June 12, 2019

We acknowledge receipt of the following submitted documents for amendment;

- a) Amendment cover letter date June 12, 2019
- b) Study Proposal version 3 date June 12, 2018
- c) Participant Information and Consent form version 3
- d) Study Materials- In-depth interview guide, Study Questionnaires
- e) Study budget
- f) CV for all Investigators

The committee noted the following amendment:

1. The title stated did not align with the research design used by the Principal Investigator and had to incorporate methods of engagement rather than focus on the strategy.

The Committee concluded that the suggested amendments are justified and will not result in increased risk to the participants. The proposed changes have therefore been granted **approval** for implementation.

You may continue with your study.

You are required to submit any further changes to this version of the protocol to SU-IERC for review and approval prior to implementing any additional changes.

Thank You

Sincerely,

for: Prof. Florence Oloo
Secretary
Strathmore University Institutional Ethics Review Committee



APPENDIX V: FACILITATION OF RESEARCH LETTER



Strathmore
UNIVERSITY
BUSINESS SCHOOL

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P.O. Box 59857 00200, Nairobi Kenya,
Call: +254 700 41448/7, Twitter: @500Kenya
Email: info@bs.ac.ke or visit www.bs.strathmore.edu

14th June 2019

To Whom It May Concern,

Dear Sir/ Madam,

RE: FACILITATION OF RESEARCH – VICTORIA MULU-MUNYWOKI

This is to introduce Victoria Mulu-Munywoki who is a Master of Business Administration student at Strathmore Business School, admission number MBA/88003/15. As part of our MBA Program, Victoria is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MBA course. To this effect, she would like to request for appropriate data from your organisation.

Victoria is undertaking a research paper on “**Stakeholder Engagement Methods Applied within the Wine Industry in Kenya**”. The information obtained from your organization shall be treated confidentially and shall be used for academic purposes only.

Our MBA seeks to establish links with industry, and one of these ways is by directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Caroline Tiara,
Manager – MBA Programs.

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