



**ROLE OF OFFENSIVE AND HOLD STAKEHOLDER MANAGEMENT STRATEGIES ON OPERATIONAL PERFORMANCE OF SMALLHOLDER TEA SECTOR IN KENYA**

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**ABSTRACT**

*The study sought to evaluate the role of offensive and hold stakeholder management strategies on operational performance of smallholder tea sector in Kenya. It was established that exclusive use of either offensive or hold strategy had a positive and significant relationship with performance of smallholder tea sector in Kenya. It was also established that stakeholder management strategies collectively had no significant influence on the performance of smallholder tea sector in Kenya. However, the study results established that stakeholder engagement had a strong moderating effect on the relationship between offensive and hold stakeholder management strategies and performance of smallholder tea sector in Kenya. Offensive and hold stakeholder management strategies enhanced performance of smallholder tea sector in Kenya in terms of reduction of costs, new product varieties, sales volume and quality of tea. Contribution of the current study would include the addition to knowledge of strategic management. The exploration of the linkage between stakeholder management strategies and performance of smallholder tea sector in Kenya particularly in developing countries which provide not only significant contribution to the strategic management literature but also enables managers to employ the right stakeholder management strategies for their firms to compete in the fast changing environment. Another major contribution is underlying assumption of Stakeholder Theory as used in this study was that stakeholder management strategies of offensive, hold and stakeholder engagement strategies influence performance of smallholder tea sector when used exclusively and for firms to achieve performance they must choose either of these stakeholder management strategies. The study recommended that policy managers of these firms pay careful consideration to aligning their stakeholder management strategies and in consideration with the stakeholder engagement as one of the environmental variables so as to enhance performance in this ever changing global business world.*

**Key Words:** *Offensive Strategies, Hold, Stakeholder Engagement*

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## INTRODUCTION

Kenya's overall economic and social development is highly dependent on the growth and development of the agriculture sector (Kimathi & Muriuki, 2014). The tea (*Camelia sinensis*) history in Kenya can be traced back to 1903 when Caine, a European settler introduced the first seedlings from India. The cultivation of tea for commercial purposes in Kenya commenced in 1924. The early settlers and colonial government restricted tea growing to large scale farmers' and multinational companies. In 1963, the government passed various land reform bills that had far reaching implications on agriculture in the country and since then tea growing is wide-spread in Kenya and it is a major economic activity of many smallholder farmers (Kagira, Kimani, & Githi, 2012).

Tea is the second most popular non-alcoholic beverage in the world after water and has been gaining further popularity as an important health drink in view of its purported medicinal value (Nasir & Shamsuddoha, 2011). Tea is grown commercially in more than 35 countries but production remains concentrated in a few with the top seven producers accounting for 90 per cent of tea production. The leading world tea producers in order of ranking are China, India, Kenya, Sri-Lanka, Vietnam, and Turkey. Tea cultivation is confined only to certain specific regions of the world due to specific requirements of climate and soil (Basu, Bera, & Rajan, 2012).

The tea industry is the leading foreign exchange earner accounting for 20% of the total agricultural export earnings in Kenya. Over 95per cent of the tea produced in Kenya is exported while the rest is consumed locally. The sector constitutes 60% of the total tea production, the balance coming from the large tea estates. The multinationals depend on the small-scale farmers for up to 50 per cent of their production. The increase in production by smallholder farmers is mainly due to expansion in acreage rather than better agronomic and processing skills (Keraro, Mokamba, Cheluget, Kithitu, & Mbogo, 2012). The smallholder tea

sector contributes immensely towards employment and improves the quality of life of rural families (Simbua & Loconto, 2010).

### Statement of the Problem

Tea sector in Kenya is organized with diverse stakeholders playing different roles that complement each other to enhance performance of the sector (Kagira et al., 2012). The sector is run by stakeholders and structured into regulatory, research, producers, traders and value addition operations (EPZA, 2005). According to Blair, Payne, Rotarius, Whitehead and Whyte (2011), stakeholders exert an influence on firm performance. Effective stakeholder management strategy creates positive relationships with stakeholders through the appropriate management of their expectations and agreed objectives (Ackermann & Eden, 2011). Changwony (2012) opines that effective stakeholder management strategies in the tea sector can enhance performance of smallholder tea sector in Kenya. Šmakalova, 2012 states that organizations that address their stakeholders' interests will perform better than firms that do not address these groups' interests.

However, smallholder tea sector in Kenya lack effective stakeholder engagement strategies thereby hindering the performance of the sector (TRF, 2011). The stakeholders, without their engagement, knowledge, skills, talent, loyalty, and the organization could not achieve its objectives (Ventsislava & Sanela, 2017). Smallholder tea sector stakeholder's engagement is ineffective thus affecting implementation of stakeholders management strategies meant to enhance performance of the sector in Kenya (Changwony, 2012). For example, lack of proper coordination and consultation between various stakeholders due to poor stakeholder engagement led to a loss of about 40% of tea leaf to large plantations and private producers. TRF (2011) established that the performance of the smallholder tea sector in terms of varieties of tea was greatly affected since 45 varieties developed were not adopted by the

farmers due to lack of information from KTDA. Ironically, returns to the smallholder tea farmers have historically remained lower than the plantations and other big producers (CPDA, 2008). This implies that in spite of the legal, policy and institutional reforms so far undertaken in the tea sector in Kenya, the smallholder tea farmers are still unable to effectively compete with plantations and private producers (KTDA, 2014). The tea sector contributes 4 per cent of GDP with the smallholder tea growers accounting for 60 percent of all the tea produced in Kenya (Mwaura & Muku, 2007). The government of Kenya lists the tea sector as one of the pillars of realizing the Vision 2030 and therefore the inability of the smallholder tea sector to perform will affect overall economic growth of the country (Ministry of Agriculture Livestock and Fisheries, 2015). This presented a gap for research to establish the role of offensive and hold stakeholder management strategies on performance of smallholder tea sector in Kenya.

### **Objectives of the Study**

The purpose of the study was to establish the role of offensive and hold stakeholder management strategies on operational performance of smallholder tea sector in Kenya. The specific Objectives were:-

- To evaluate the role of offensive strategy on operational performance of smallholder tea sector in Kenya.
- To interrogate the role of hold strategy on operational performance of smallholder tea sector in Kenya.
- To assess the moderating role of stakeholder engagement on stakeholder management strategies and operational performance of smallholder tea sector in Kenya.

## **LITERATURE REVIEW**

### **Theoretical Review**

#### **Stakeholder Theory**

Researchers have attributed the fame of stakeholder theory and literature in management domain to the book, "Strategic Management: Stakeholder Management Approach" by Edward

Freeman in 1984 (Yang, 2010; Freeman & Mc Vea, 2001). Stakeholder theory basically states that an organisation should take into account the views of a wider range of interested parties known as stakeholders (Minyu, 2012). Stakeholder theory has evolved out of the need to consider all stakeholders and is fundamentally about managing stakeholder relationships and their divergent interests (Preble, 2005). Stakeholder management is fulfilled by the managers to ensure the survival of the firm and to safeguard the long term stakes of each group (Locality, 2011). According to Freeman (2010), stakeholders are "those groups who are vital to the survival and success of the corporation".

The role of stakeholder theory is seen to extend past the formulation of strategy to the establishment of performance goals (Phillips, Freeman, & Wicks, 2003). Maintaining close relationships and possible alliances with key stakeholders, a company can expect long-term cooperation that will lead to mutual benefits and therefore expect better performance of such a company in the future (Noland & Phillips, 2010). Firms that have good relationships with their stakeholders, on the basis of mutual trust and cooperation, will have a competitive advantage over firms that do not (Lukviarman, 2010). Meeting all stakeholders need and satisfaction is an important project success factor (PMI, 2013). According to Ackermann and Eden (2011), the interested parties deserve to be recognised as having a stake in the business because their performance will be impacted on by the operations of the organisation.

According to Fassin (2008), stakeholders' can be categorised into three: primary stakeholders are directly affected by the work of the organization and are usually project beneficiaries. Customers often fall into this category. Secondary Stakeholders are indirectly affected by the work of the organization and include teams supporting the project and/or those impacted by its outcome. Key Stakeholders have a strong influence over the work of the organization and have a vested interest in its

success. This group includes executives. Each category of stakeholders has varying and competing interests, objectives, and agendas. Identify and rank their influence and interest to keep projects moving and avoid getting pulled in every direction.

Johnson and Scholes (2012) Stakeholder strategy matrix model can help to inform managers on strategy to use on different stakeholder groups. In other words, a stakeholders' position in the two-dimensional matrix allows the firm to determine the most appropriate strategies for managing firm-stakeholder relationships. This is arrived at after stakeholder analysis is done to determine the relative cooperative potential and relative threatening potential of different stakeholders. The organization can also change its behaviour to address stakeholder concern and try to reinforce this stakeholder's belief as postulated by Galbreath (2006) and Smakalova (2012).

Stakeholder engagement influences a variety of outcomes through consultation, communication, negotiation, compromise, and relationship building (Amaeshi & Crane, 2009). A robust stakeholder engagement model is vital for companies to be able to understand and respond to legitimate stakeholder concerns (IIRC, 2014). Furthermore, the type of stakeholders engages, and resources control strategy adopted impact organization's corporate strategy (Ventsislava & Sanela, 2017).

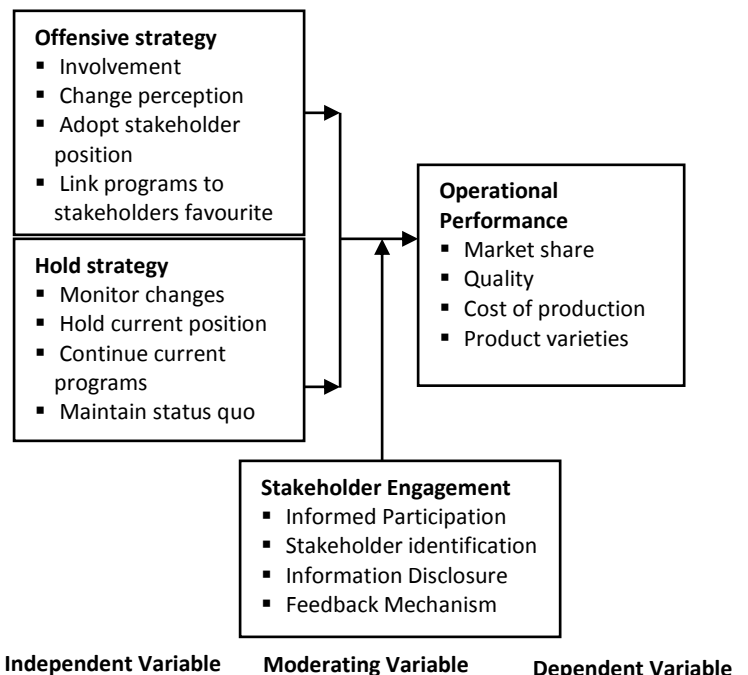
### Value Chain Analysis Model

The term value chain was originally introduced in Michael Porter's book "Competitive Advantage - Creating and Sustaining Superior Performance" (Haberberg & Rieple, 2008). Value chain shows how value is added to a product as it moves through each stage of production from raw materials to its purchase by the final consumer. Value chain analysis enables the firm to identify and concentrate on its core competences and outsource those functions and resources where it has no distinctive competence. Organization operations have to be configured so that its outputs are produced efficiently and effectively. As

tea is moved through the various stages to reach the ultimate consumer, value is created by various stakeholders in the value chain while they derive certain benefits from the product (Changwony, 2012).

An industry in any sector of operation is made of many players whose number is determined by the attractiveness of the industry in a sustainable growth and profitability (Ikundo, 2007). Firm activities does not occur in a vacuum but requires an infusion of enthusiasm and commitment powered by the full range of stakeholders that can develop a positive or negative trajectory. Stakeholders along the chain should have an economic role to play and must include an adequate profit margin to ensure an acceptable return on their business activities (Haberberg & Rieple, 2008). The tea value chain, comprises those stakeholders involved in farming, delivery, converting the tea into a bulk packaged product available for blending and sale to consumers among others. At each stage along the chain, value is added to the product with associated costs (Wheelen & Hunger, 2008).

### Conceptual Framework



**Figure 1: Conceptual Framework**

Source: Author (2018)

## **Offensive Strategy**

Offensive strategy leverage on stakeholder's support and advocate for stakeholders involment (Galbreath, 2009; Savage & Blair, 2009). Stakeholder involvement enhance the performance of the firm (Minyu, 2012; Fontain et al., 2010). Involvement can be operationlized by using participative management techniques, by decentralizing authority or by engaging in other tactics to increase decision making participation of stakeholders (Freeman, 2010). By involving supportive stakeholders in relevant issues, an organization can capitalize on these stakeholders' cooperative potential (Savage & Blair, 2009).

Offensive strategy includes trying to change stakeholder objectives or perceptions, to adopt the stakeholder position or to link the program to others that the stakeholder views more favourably (Fontain et al., 2010). Therefore, offensive strategy link programs to stakeholders favourite. Offensive strategy increase the market share performance of the firm (Šmakalova, 2012; Heriyati et al., 2010) and improve own position by taking away market share of the competitors (Spark, 2016).

## **Hold Strategy**

Hold strategy focuses on marginal stakeholders as firm decisions and most issues do not affect them (Šmakalova, 2012; Blair, Payne et al., 2011). The firm should monitor this group of stakeholder by proactively maintaining the status quo, while keeping the use of financial resources and management to a minimum (Šmakalova, 2012; Yannopoulous, 2011). If left unmonitored, the organization performance is affected (Savage & Blair, 2009); the firm minimize its costs (Minyu, 2012; Karakaya & Yannopoulous, 2011). Hold strategy makes a significant contribution to a firm performance (Hanna & Rowley, 2011).

The company should hold its current position and continue current strategic program (Fontain et al., 2010). The company should also monitor this group of stakeholder for changes in their position. The underlying philosophy for managing these

marginal relationships is keeping the use of financial resources and management to a minimum by proactively maintaining the status quo, (Blair et al, 2011).

## **Stakeholder Engagement**

Stakeholder engagement is key in the implementation of value creation resulting in positive economic results (Smith et al., 2011; Baden, 2010; Gould, 2012; Freeman et al., 2010). It's beneficial for increased trust and loyalty (Kumar, 2010). Positively engaged stakeholders are important for organizational success (Vanquez, Plaza, Burgos, & Liston, 2010; Malbon, 2013); and brings the relationship on a more equal level (Coombs & Holladay, 2014).

## **Operational Performance**

Performance is the dependent variable in this study. The term performance expresses a programme of change and improvement (Wouter, Geert, & Halligan, 2015). Performance in this context refers to the productive organization, that is, an organization that has the capacity to perform and converts this capacity into results-outputs and outcomes (Obiyo & Lenee, 2011; Rouf, 2011). Performance measurement refers to the process of measuring the action's efficiency and effectiveness (Ebrahim, Abdullah, & Faudziah, 2014). Performance measurement and analysis is crucial for steering the organization to realize its strategic and operational goals (Popova & Sharpanskykh, 2010; Valenti et al., 2011). The company's performance can be viewed from the financial statement reported by the company (Herly & Sisnuhadi, 2011).

Poor performance of smallholder tea sector is attributed to high cost of production (Onduru, De Jager, Hiller, & Bosch, 2012). Smallholder tea sector is losing its market share to private factories and plantations due to tea hawking (Africa Investor, 2010). Poor quality tea produced by smallholder growers affects performance of smallholder tea sector as their products are neglected by output markets (Mwaura & Muku,

2007). The quality of tea determines the prices of tea in the market, with higher quality teas commanding higher prices than lower quality teas (Kathata, 2011). The lack of varieties has greatly affected the performance of the smallholder tea sector (TRF, 2011). In real terms, prices of tea have gone down by about 35% in the past 25 years (Mulder, 2009).

### **Empirical Review**

#### **Offensive Strategy**

Offensive strategy should be adopted when a group is supportive as observed by Šmakalova (2012). Stakeholders with a high cooperative potential and low threatening potential were classified as offensive by Freeman and Mcvea (2001). He suggested that the firm should adopt offensive strategies to bring about the cooperative potential and therefore the stakeholder's positive orientation is exploited. Galbreath (2006) focused on this stakeholder's supportive potential (Supportive stakeholders) and suggested that by involving these stakeholders in corporate activities their support could be leveraged.

Supportive stakeholders have great interest in the work of the organization and the power to help the firm to succeed. It's critical to fully engage supportive stakeholders and make sure they're satisfied. Pay attention to their input and implement their ideas when possible. Keep them in the loop when someone else's ideas are chosen and let them know why (Fassin, 2008). Supportive stakeholders of a firm include groups such as managers, employees, suppliers, and customers. Resource providing stakeholders are generally supportive as they have some common interest and firms should involve these stakeholders to maximize their cooperative potential. Firms, for instance, view their employees as precious assets and show efforts to recruit and maintain employees with competitive salaries and other schemes. Employees do not pose a great deal of direct threat to the firm, although union activist can pose a challenge (Freeman, 2010).

#### **Hold Strategy**

Hold strategy should be adopted when a stakeholder group is marginal; such a stakeholder group has relatively low cooperative potential and relatively low threat to the organization (Šmakalova, 2012). These type stakeholders are the least affected by the work of the organization and should take up little time and attention. Don't ruffle their feathers and they'll stay out of your way (Fassin, 2008). Savage and Blair (2009), asserts that an organization can address issues in a marginal relationship on an ad hoc basis, and their general thrust is to maintain the status quo and continuously monitor the situation. In essence, marginal stakeholder relationships are unstable; they can move into the other three types of relationships if the particular issue is of enough importance to the organization (Karakaya & Yannopoulous, 2011).

Marginal stakeholders of a firm include groups such as consumer interest groups and small shareholders. Literature has scantily reviewed this strategy probably because it involves doing little than just holding the position or program. However, as the adage in politics goes silence is also a weapon. Your opponent may not know what you are planning by just monitoring the situation. Again the opponent poses little threat and is not interested in collaboration (Šmakalova, 2012). Organizations need to assign specific responsibility for monitoring this relationship in order to avert disaster for the organization. However, an organization may be required to engage in on-going public relations activities and to be sensitive to issues that could make these groups an actual threat. The firm use of hold strategy to monitor such stakeholders minimizes its costs (Minyu, 2012).

#### **METHODOLOGY**

The study was anchored on positivist philosophy since it is directly associated with the idea of objectivism. Positivists believe that reality is stable and can be observed and described from an objective viewpoint without interfering with the

phenomena being studied (Nachmias & Nachmias, 2008). The study population comprised of all the smallholder tea factories in Kenya (AFA Tea Directorate, 2017). The unit of analysis was the tea factory. Stakeholder relationship management issues are handled by managers of an organization (Friedman & Miles, 2006). The target population included the directors, production managers, field officers and the factory unit managers. The unit of observation comprised of 708 (directors, production managers, field officers and the factory unit managers) in the smallholder tea sector in the different tea regions in Kenya. The tea regions include Region 1: Aberdare Ranges; Region 2: Aberdare Ranges; Region 3: Mt Kenya; Region 4: Mt Kenya & Nyambene Hills; Region 5: Kericho Highlands; Region 6: Kisii Highlands; Region 7: Nandi Hills & Western Highlands (KTDA, 2018).

## RESULTS

### Correlation Analysis for Variable Offensive Strategy and Firm Performance

The study sought to establish the relationship between offensive strategy and performance of smallholder tea sector. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 1 showed a correlation ( $r(203) = 0.229$ ;  $p < 0.05$ ) between the offensive strategy and performance of smallholder tea sector. This implies that the offensive strategy is positively correlated to the performance of smallholder tea sector. In addition, the correlation

between these two variables was significant, that is  $p < 0.5$  implying a linear relationship between the offensive strategy and the performance of smallholder tea sector. This showed that offensive strategy played a significant role on performance of smallholder tea sector.

These findings agreed with earlier studies that confirm that offensive strategy is key in the implementation of value creation resulting in positive economic results (Smith et al., 2011; Baden, 2010; Gould, 2012; Freeman et al., 2010). It's beneficial for increased trust and loyalty (Kumar, 2010). Positively engaged stakeholders are important for organizational success (Vanquez, Plaza, Burgos, & Liston, 2010; Malbon, 2013); and brings the relationship on a more equal level (Coombs & Holladay, 2014).

Offensive strategy promotes the development of collaboration and shared goals rather than simply placating stakeholders and developing buffers to protect against the uncertainty of the complex external environment (Gould, 2012). Successful organizational leadership develops stakeholder networks and links with the range of external stakeholders (Maak, 2011). There is need to emphasize the importance of interacting with secondary stakeholders when accessing information to the organization (Ayuso et al., 2011). In unpredictable business environment, organizations often look for stakeholder support, yet simultaneously have to prepare for opposition (McDonald & Cokley, 2013).

**Table 1: Pearson Correlation between Offensive Strategy and Firm Performance**

Independent Variable		Performance	Offensive Strategy
Offensive Strategy	Pearson Correlation	.229	1
	Sig. (P-value)	.000	
	N	203	

\*. Correlation is only significant at the 0.05 level (2-tailed)



### Correlation Analysis for Variable Hold Strategy and Firm Performance

The study sought to examine the relationship between hold strategy and performance of smallholder tea sector. A Pearson Correlation was performed and the result of the Pearson correlation test as presented in Table 2 showed a correlation ( $r(203) = 0.301$ ;  $p < 0.05$ ) between the hold strategy and performance of smallholder tea sector. This implied that the hold strategy is positively correlated to the performance of smallholder tea sector. In addition, the correlation between these two variables was significant, that is  $p < 0.05$  implying a linear relationship between the hold strategy and the performance of smallholder tea sector. This shows that hold strategy played a significant role on performance of smallholder tea sector.

These results were consistent with previous studies investigating the influence of hold strategy on firm performance. Hanna and Rowley (2010) assert the hold strategy makes a significant contribution to a firm performance. Firstly, it clearly differentiates the place-branding process from product, service, and corporate branding processes, thereby offering a robust basis for the theoretical development of place branding. Secondly, it proposes a model of firm that integrates stakeholders into the firm process; this stance is firmly grounded in stakeholder and collaboration theory. Finally, as a holistic model, informed by earlier work in disciplines such as branding, marketing communication, regeneration, and tourism, it offers an opportunity to benchmark practice and integrate knowledge bases in place firm performance.

**Table 2: Pearson Correlation between Hold Strategy and Firm Performance**

Independent Variable		Performance	Hold Strategy
Hold Strategy	Pearson Correlation	.301	1
	Sig. (P-value)	.000	
	N	203	

\*. Correlation is only significant at the 0.05 level (2-tailed)

### Correlation Analysis for Variable Stakeholder Engagement and Firm Performance

Further, the study sought to investigate the relationship between stakeholder engagement and performance of smallholder tea sector. A Pearson Correlation was performed and the result of the Pearson correlation test as presented correlation ( $r(203) = 0.311$ ;  $p < 0.05$ ) between the stakeholder engagement and performance of smallholder tea sector. This implied that the stakeholder engagement was positively correlated to the performance of smallholder tea sector. In addition, the correlation between these two variables was significant, that was  $p < 0.05$  implying a linear relationship between the stakeholder engagement and the performance of smallholder tea sector.

engagement played a significant role on performance of smallholder tea sector. This group, the study argued that lack of proper engagement strategy was at the bottom of the Supply Chain, relegated and neglected with no say in decision making and therefore little share in profits. The study undertook stakeholder mapping to determine every player in the tea industry in Kenya. Further analysis of the stakeholders was done to single out those with the greatest impact on the growth and sustainability of small-scale tea farming. The study advocates for stakeholder's engagement including civil society as the presence of these organizations facilitate exposing malpractices thereby enhancing transparency as well as empowering stakeholders.

The study findings were in line with previous studies by CPDA (2008) showed that stakeholder

## Regression Analysis

Regression analysis is a form of predictive modelling technique which investigates the relationship between a dependent and independent variable(s). This technique is used for forecasting, time series modelling and finding the causal effect relationship between the variables (Porzio, 2013). With this analysis, one is able to understand how the typical values of the dependent variable change when one of the independent variable is varied, while the other variables are held constant/fixed. This study applied a multiple regression model to identify the role of offensive strategy, hold strategy, stakeholder engagement and their impact on performance of smallholder tea sector.

The second model depicted that there is a significant positive relationship between hold strategy and performance of smallholder tea sector ( $\beta = 0.306$  and  $p\text{-value} < 0.05$ ). Thus, it was implied that a unit change in stakeholder engagement index increases performance of smallholder tea sector index by 0.306 units. A closer scrutiny of the hold strategy beta coefficient depicts that stakeholder engagement strengthens the positive relationship ( $\beta = 0.306$  and  $p\text{-value} < 0.05$ ) between hold strategy and performance of smallholder tea sector.

The third model depicted significant relationship between moderated hold strategy and performance of smallholder tea sector ( $\beta = 0.309$ ,  $p\text{-value} = 0.045$ ) and the relationship between hold strategy and performance of smallholder tea sector strengthened from ( $\beta = 0.306$ ,  $p\text{-value} < 0.001$ ) to ( $\beta = 0.310$ ,  $p\text{-value} < 0.001$ ). Moreover, there was change in R square in model three after introduction of product term. It can then be concluded that stakeholder engagement had a significant moderating effect. The study findings are in line with the literature review that stakeholder engagement is key in the implementation of value creation resulting in positive economic results (Smith et al., 2011).

Stakeholder engagement strategy promotes the development of collaboration and shared goals rather than simply placating stakeholders and developing buffers to protect against the uncertainty of the complex external environment (Gould, 2012). Successful organizational leadership develops stakeholder networks and links with the range of external stakeholders (Maak, 2011). There is need to emphasize the importance of interacting with secondary stakeholders when accessing information to the organization (Ayuso et al., 2011).

## SUMMARY

The overriding purpose of the study was to determine the role of offensive and hold stakeholder management strategies on operation performance of smallholder tea sector in Kenya. The study established that the selected stakeholder management strategies played varying significant roles on the performance of smallholder tea sector in Kenya. The study results showed that offensive and hold strategies individually had significant positive influence on performance of smallholder tea sector in Kenya. However, offensive and hold strategies combined had insignificant relationship with performance of smallholder tea sector in Kenya.

The study established that the application of stakeholder management strategies depend on the category of stakeholder relationship at a given time. A particular stakeholder can therefore only be classified to a particular category of stakeholder relationship and only one strategy can be applied to that category. The study established that offensive and hold stakeholder engagement moderated the relationship between stakeholder management strategies and operational performance of smallholder tea sector in Kenya.

On the role of offensive strategy on operational performance of Smallholder Tea Sector in Kenya, the study findings rejected the null hypothesis and established that performance of smallholder tea sector in Kenya was significantly influenced by offensive strategy positively. Therefore, a unit

increase in use of offensive strategy index led to an increase in operational performance of smallholder tea sector in Kenya. This confirms that there is a positive linear relationship between offensive strategy and operational performance of smallholder tea sector in Kenya. The study established that offensive strategy provides better sales turnover, return on investment, product diversification, logistics efficiency, timely delivery, reduces operation costs and promotes service quality and therefore enhance on performance.

On the role of holds on operational performance of Smallholder Tea Sector in Kenya, the study findings rejected the null hypothesis and established that performance of smallholder tea sector in Kenya was significantly influenced by hold strategy positively. Therefore, a unit increase in use of hold strategy index led to an increase in operational performance of smallholder tea sector in Kenya. This confirmed that there is a positive linear relationship between hold strategy and operational performance of smallholder tea sector in Kenya. The study asserts the need to maintain the status quo and continuously monitor the situation and thereby minimising the costs of operations. Hold strategy therefore lead to cost reduction but the firm is required to be sensitive to issues that could make stakeholders an actual threat.

## **CONCLUSION**

The study findings of the study concluded that offensive strategy contributed significantly to the variability of performance of smallholder tea sector. The findings confirmed that offensive strategy is vital for firm performance. The stakeholder involvement in planning and decision making enhance product varieties and communication and thus keeps them informed and motivated. The study established that hold strategy play a significant role on the performance of smallholder tea sector in Kenya. The study established that tea factories maintain status quo but monitor the stakeholder changes in regard to their positions. These approaches reduce the cost

of production to enhance tea factories reputation and performance.

Offensive and hold stakeholder management strategies collectively play insignificant role on performance of smallholder tea sector in Kenya. Subsequently, the study had a basis to conclude that, individually, stakeholder management strategies played a positive role on performance of smallholder tea sector in Kenya. Stakeholder engagement had a moderating effect on the relationship between stakeholder management strategies and operational performance of smallholder tea sector in Kenya. The study established that stakeholder engagement enhances the relationship between stakeholder management strategies and operational performance of smallholder tea sector in Kenya. This was achieved through the process of engagement and listing the legitimate concerns of stakeholders. The tea factories incorporate feedback on the engagement process and seek participation of its stakeholders in decision making.

## **RECOMMENDATIONS**

The study recommended that that there is need for the firms to adopt offensive strategy by way of involving supportive stakeholders in decision making. Such stakeholder groups have relatively high cooperative potential and relatively low threat to the tea factories. The involvement strategy can be operationalized by using participative management techniques, by decentralizing authority. Hold strategy should be adopted where a stakeholder group is marginal; such a stakeholder group has relatively low cooperative potential and relatively low threat to the organization. This can be achieved by maintaining the status quo and continuation of current strategic programs on the underlying philosophy for managing these relationships to proactively use financial resources and management to a minimum.

### Proposed Areas for Further Research

In this study, the research focused on the role of offensive and hold stakeholder management strategies on the performance of smallholder tea sector in Kenya. A replica of this study can be carried out with a further scope to include agriculture and manufacturing sector and see whether the findings hold true. Future studies should apply different research instruments like interview guide, focus group discussions to involve respondents in discussions in order to generate detailed information which will help in bringing out better stakeholder management strategies to

enhance performance of firms in Kenya. Conceptual model of this study can also be extended by considering other aspects of external environmental factors since the current study limited itself to stakeholder engagement as the moderating variable. The finding of this study on the moderating effect of stakeholder engagement on the relationship between stakeholder management strategies and performance of tea sector showed significant moderating effect. Future research may replicate this variable in similar study to find out whether the finding is different from the current results.

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