

**A SURVEY OF STRATEGIC PLANNING PRACTICES WITHIN
THE LARGE INFORMATION, COMMUNICATION AND
TECHNOLOGY (ICT) FIRMS IN KENYA**

BY

KOYONZO ANNE LINDA

UNIVERSITY OF NAIROBI
LIBRARY

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DECLARATION

This management Research project is my original work and has not been presented for a degree award in any other university.

Signed..........

Date:..13/09/2009.....

ANNE LINDA KOYONZO
D61/70102/2007

This management research project has been submitted with my approval as a university supervisor.

Signed..........

Date: ..10/11/2009.....

DR. ZACK AWINO, PHD.

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ABSTRACT

The purpose of strategic planning is to enable a company gain as efficient as possible a sustainable edge over its competitors (Ohmae1983). It is all about competitive advantage. Strategic planning thus implies an attempt to alter a company's strength relative to that of its competitors, in the most efficient and effective way. Strategic planning focuses on the direction of the organization and actions necessary to improve its performance. It is the process by which firms derive a strategy to enable them to anticipate and respond to changing dynamic environment in which they operate. (Mintzberg & Peters 1994) have explicitly argued that the need for organizations to face discontinuities is as great as ever and that high quality performance and responsiveness are absolutely essential. In view of Policy changes that the government of Kenya has introduced within the ICT sector, including the development of ICT strategy (2006-2010), E-government strategy, ICT strategy for business process outsourcing, completion of the construction of fibre optic cable network, launch of digital migration plan and the publishing of media bill 2008. This has increased the level of competition and a need for re-evaluation of strategies by the current players. ICT firms are therefore faced with a highly fluid environment and the study aimed to document strategic plans that ICT firms have adopted to position themselves in the market. Primary data was collected using open and closed ended questionnaires, and 11 questionnaires were sent out to various organizations within each sub-population. 9 questionnaires were correctly filled and returned which translated into 82% response rate. The analysis revealed that most large ICT firms in Kenya have adopted a formalized strategic planning approach covering 1-3 years and the process is lead by marketing, quality assurance, human resource and chief officers in the organizations. The companies' financial strength, human resource and competitor strength play a pivotal role in determining over 80% of ICT organizations' strategic plans. More research needs to be carried out on implementation of strategic plans, long term planning and its effectiveness in such a dynamic industry.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

All organizations lend themselves to an external environment. The environment is highly dynamic and continually presents opportunities and challenges. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities promptly. This requires adoption of strategic planning practices that constantly match capabilities of environmental requirements (Pearce 1997). One of the challenges presented by a dynamic environment is increased competition. Competition is indeed a very complex phenomenon that is manifested not only in other industry players, but also in form of customers, suppliers, potential entrants and substitute products.

Strategic planning is not a new management tool and its origins can be traced to the early 1950s and 1960s. Under conditions of extreme competitive turbulence, the rediscovery of strategic planning become inevitable. In a stable environment, firms can exploit their historical strengths to succeed but in a competitive environment, firms are compelled to rediscover new strategies (Higgins 1994). (Fayol 1916) documented and formalized a manner in which firms should deal with the future. But it is in the 1950s and 60s after firms experienced some phenomenal growth that long-range planning was given some serious consideration. The key to strategic planning was to identify and plug the gaps between the demands assumed through projections using existing trends and organizations' perceived current abilities. Strategic planning is a culmination of the shortfalls experienced in long-range planning. It can be defined as the process of developing and maintaining consistency between an organization's objectives and resources and its changing opportunities. Strategic planning aims to define and document an approach to doing business that leads to satisfactory profits and growth.

1.1.2 Strategic planning practices

Ansoff (1965) introduced strategic management concept and was responsible for establishing strategic planning as a management activity in its own right. His book the "corporate strategy" concentrated entirely on strategy. And until the publication of corporate strategy, companies had little guidance on how to plan for or make decisions about the future. (Leontiades & Tezel 1990) stated that traditional methods of planning were based on extended budgeting systems which used the annual budget, projecting it a few years into the future. By its nature, this system paid little or no attention to strategic issues. With the advent of greater competition, higher interest in acquisitions, mergers, diversifications and greater turbulence in business environment, other strategic issues could no longer be ignored. (Ansoff 1965) felt that in developing strategy, it was essential to systematically anticipate future environmental challenges to an organization and draw up appropriate plans for responding to these challenges.

As has been pointed by (Ansoff & Macdonell 1990), strategic planning is a multifaceted, complex and time consuming process much more than long range planning. According to them, it is a logical, analytical process for choosing the firm's future position against the environment and it was created by firms which sought to avert saturation of growth and technological obsolescence. They fall amongst a group of scholars who believe that strategic planning when properly installed and accepted by management can produce superior improvements in performance. (Johnson & Scholes 1993), describe strategic planning as concerning the full scope of an organization's activities. It concerns the process of matching these activities to their environment, which involves assessment of an organization's resource capability, resource implications, and operational decisions. It equally incorporates values and beliefs of those who have power in an organization and long-term direction the organization will take. Arnoldo & Nicholas (1991) viewed strategic planning as a means of establishing the organizational purpose in terms of its long-term objectives, action programs and resource allocation.

Strategic planning is viewed as a way of explicitly shaping the long-term goals and objectives of the organization, defining the major action programs needed to achieve those objectives and deploying the necessary resources. Arnoldo (1991) further defined strategic planning as a disciplined well-defined organizational effort aimed at complete specification of a firms' strategy and the assignment of responsibilities for its execution. He identified three perspectives as essential dimensions of any formal planning process namely; Corporate, business and functional. The corporate strategy deals with decisions that by their nature should be addressed with the fullest scope encompassing overall firm. Business strategy aims at obtaining superior financial performance by seeking a competitive position that allows the business to have a sustainable advantage over a firm's competitors. And functional strategies consolidate the functional requirements demanded by corporate and business strategies

Ansoff (1984) pointed out that within a company's activities there should be an element of core capability, whose aim is to establish a link between its past and future corporate activities. Its main tenet being a clear idea of what business or product a company was responsible for, growth opportunities within the sector, advantages that the organization possesses that will enable it to compete effectively and an examination of how opportunities fit core capabilities of the organization. (Mintzberg 1994) disliked the idea of strategy being built from planning which is supported by analytical techniques. He criticized the reliance on planning stating that it suffered from three fallacies; that events can be predicted, that strategic thinking can be separated from operational management and that hard data, analysis and techniques can produce novel strategies. They believe that the challenge is to use planning well and wisely, to listen to the market, to encourage the emergence of good ideas, to allow employees to contribute and make good decisions and to help an organisation flourish.

1.1.3 The ICT industry in Kenya

Information and communication technology (ICT) is an umbrella term that includes any communication device or application encompassing equipment and software used to create, store, transmit, interpret and manipulate information in its various formats (*Wikipedia*). The information and communication technology (ICT) industry has an important implication for the growth of Kenyan economy. The Kenyan ICT sector has registered substantial growth, thanks to competition introduced in most market segments by the industry regulator, communication commission of Kenya. Currently ICT is not only a host of new industries and services but also an enabler that is central to business just like roads, ports and electricity. Innovative use of ICT therefore offers enormous potential benefits for communities and local economies.

Information communication technology (ICT) is both an enabler and an industry by itself. As an enabler, ICT help create efficiency, speed and effectiveness to business processes. As an industry it includes a range of both software and hardware products and services that design, build and operate these products (Waema 2006). In 1997, the government of Kenya issued a telecommunication policy statement that set out the government's vision on telecommunications development to the year 2015. The challenge in 1997 was to transform the monopoly policy structure to one designed to manage a liberalized telecommunications' market and later the ICT industry in general. The policy was followed by enactment of the Kenya communication Act in 1999.

The act created three entities to spearhead the development of the communications sector that included communication commission of Kenya which became the industry regulator. With the onset of the policy plans in 2003-2007, and the development of the ICT strategy (2006-2010) the sector has seen a number of developments. Amongst them are liberalization of telecommunication services, launch of E-government strategy, liberalization of international gateway, launch of the national ICT policy, ICT strategy for business process outsourcing, completions of the construction of fibre optic cable network, lowered and or abolished taxes on ICT equipment and services; launch of digital migration plan and the publishing of Kenya communication amendment bill.

The Kenyan ICT sector has as a result registered substantial growth, thanks to liberalization regulations introduced in most market segments by the industry regulator, Communication Commission of Kenya (CCK). It is therefore important to understand the strategic planning practices adopted by various players within this industry in line with the new environmental challenges and opportunities presented.

Ndemo (2006), states that the ICT sector in Kenya is amongst the fastest growing industry attracting new talent and resources from both corporate, individual and the government. It is a burgeoning sector that has the capacity of propelling the economy to greater heights. Economic indicators testify to its potential and the government has also appreciated the strategic rational value of ICT. Growth of ICT in Kenya will therefore be seen as a foundation of economic and social revolution to all industries which are likely to take up the advantage of opportunities and efficiencies that come with it. Furthermore many businesses are currently supported by ICT. Therefore we are witnessing fundamental transformation in the way local firms use technology. This will compel these firms to adopt models where ICT becomes an integral and inseparable from the business which may make them accrue competitive advantage. Change in ICT has changed many business strategies because information technology has altered traditional strategic management practices (Waema 2007).

1.2 Statement of the Problem

In today's highly competitive business environment, budget oriented planning or forecast based planning methods are insufficient for any large corporation to survive and prosper. The firm must engage in strategic planning that clearly defines objectives and assess both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress and make adjustments as necessary to stay on track (Hahn & Powers, 1999; Schrader et al., 1984). Feurer and Charahargaghi (1997) noted that strategic planning aims at maximizing the performance of an organization by improving its position in relation to other organizations operating in the same competitive environment.

The findings will help to capture how ICT firms are reacting to turbulent challenges in the environment and how they are able to gain competitive advantage. The study will further aid decision makers in government, ICT industry and financial institutions understand management challenges inherent in this sector. Finally to the scholars of strategic management, this study will add value to work already done in this field.

1.5 Scope of the Study

This study focused on analytical aspects of strategic planning. To this end, it focused on how large ICT organizations formulate their company strategies and a determination of the presence of strategic plans.

1.6 Structure of the Study

Chapter one constitutes an overview of the study and provides the introduction, background to the study, conceptual theories and importance of the study. Chapter two contains a review of important literature that has been written by various scholars who are an authority in strategic planning and management field. It has also included research work done by various scholars in Kenya. Chapter three outlines the research methodology used, data collection-techniques, population of the study and instruments used. Chapter four has highlighted data analysis, findings and discussion of the results. Chapter five is the final section and it gives the summary and conclusion of the findings.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the literature related to the purpose of the study. The chapter is organized according to the specific objectives in order to ensure relevance to the research problem. The review was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area. The literature review is based on authoritative, recent and original sources such as journals, books, thesis and dissertations.

2.1.2 Strategic planning

Various scholars have defined strategic planning from several points of view. (Schunders & Tuggle 1979) view it as an organization wide planning which covers all major functions and is inclusive of goals as well as means which is long range in nature but effectively integrated into the management system utilized by senior management. (Hofer 1975) Suggests that strategic planning is concerned with the development of a viable match between an organization's capabilities and the risks present in its environment. (Chaffee, 1985) viewed it as a deliberate, rational, linear process where ends are specified first followed by means. (Ansoff 1990, 1984),view strategic planning as a relation between market and product choices. In his view, strategy is the common thread in an organization's activities and the market. (Porter 1996) defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing objectives, involving a set of activities that neatly fit together, consistently reinforce each other and ensure optimizations of effort. Pearce (1991) defined strategy as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. He states that a strategy is a company's 'game plan' which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. Although the plan does not precisely detail all future deployments, it provides a framework for managerial decisions.

Strategic planning reflects a company's awareness of how, when and where it should compete against whom and for what purposes. This definition is important in the environment and what game plans organizations put into place to compete in highly competitive market. Mintzberg (1999) states that strategic planning is the process of decisions in a company that determines and reveals its objectives, purposes or goals, produce the principal policies and plans for achieving those goals and defines the range of business that the company is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contributions it intends to make to its shareholders, employers, customers and communities. Mintzberg (1994) has famously coined the term "crafting strategy" whereby strategy is created as deliberately, delicately and dangerously as a potter melting a pot. (Mintzberg 1989) argued that strategy is more likely to emerge through a kind of organizational osmosis, than be produced by a group of strategists sitting around a table believing they can predict the future. The scholar postulates that a fascination with elaborate processes creates bureaucracy which strangles innovation. Equally he states that hard data is the lifeblood of the traditional strategists as a source of information for soft data which at times he says can be no better or at times is worse than soft information. And he further adds that managers relied more on soft information rather than exhaustive written reports.

Mintzberg (1989) refutes the notion of managers creating strategic plans from ivory towers. He states that effective strategists are not people who abstract themselves from the daily detail but quite the opposite, that they are the ones who immerse themselves in it while being able to abstract the strategic messages from it. In Harvard Business Review Jan-Feb 1995, Peters states that strategic planning has long since fallen from its pedestal. He further notes that strategic planning is not strategic thinking. According to him strategic planning as practiced is actually strategic programming, this being the articulation and elaboration of strategies or visions that already exist. Peters (1995) view of strategic planning is when a manager is able to capture information from all sources both soft insights from his personal experiences and the experiences of others throughout the organisation and the hard data from market research and then be able to synthesize that information into a vision of the direction that the business should pursue.

Mintzberg (1994), states that there should be a clear demarcation of roles and responsibilities between planning and strategic thinking. According to him planning has always been about analysis, breaking down a goal or set of intentions into steps, formalizing those steps so that they can be implemented almost automatically. The scholar states that strategic thinking is about synthesis. It involves intuition and creativity. The outcome of strategic thinking is an integrated perspective of the enterprise, a not too precisely articulated vision of direction. Such strategies often cannot be developed on schedule and immaculately conceived. They must be free to appear at any time and at any place in the organization. Planning skills can be taught and learned and having such skills can make a difference for individuals and their organizations (Porter 1990). Formal planning processes can reinforce and enhance planning skills in organizations but poorly defined processes can be detrimental to effective planning.

2.2 The Nature of Strategic Planning

Pearce (1991) viewed strategic management as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. He indicated that there are nine components that are critical in the formulation of an organization's strategy. These included the formulation of the company's mission which is enumerated in broad statements, its purpose, philosophy and goals. Then according to him, there is a need for an organization to develop a company profile that reflects its internal conditions and capabilities. An assessment of the company's external environment, including both the competitive and general contextual factors is key to effective implementation of the organizations strategy. Furthermore he states that an organization would then proceed to analyze its options by matching its resources with the external environment. This will help to identify the most desirable options by matching each option with the company's mission. (Pearce 1991), states that it's imperative to select a set of long-term objectives and grand strategies that will achieve the most desirable goals. In developing annual objectives and short-tem strategies it's important to ensure that they are compatible with the selected set of long-term objectives and grand strategies.

Porter (1990) infers that given the pivotal role of competitive advantage in superior performance, the centerpiece of a firm's strategic plan should be its generic strategy. The generic strategy specifies the fundamental approach to competitive advantage a firm is pursuing and provides the context for the actions to be taken in each functional area. Porter states that many strategic plans in practice are lists of action steps without a clear articulation of what competitive advantage the firm has or seeks to achieve and how. He says that plans built on projections of future prices and costs are almost likely to be wrong. (Porter 1990) looks at scenario building as a planning tool to be incorporated into strategic planning to emphasize the effects of macro-economic and macro-political factors.

Scenario building has concentrated on creating alternative views of the national, economic and political environment, including rate of economic growth, inflation, protectionism, regulation, energy prices and interest rates. But again Porter states that due to the ambiguity encountered in macro scenarios, being too general to be sufficient for developing strategy in any particular industry, they have not become integrated into strategic planning in a widespread way. Instead industry scenarios have been pursued in strategic planning as they take into account the uncertainty of making strategic choices. They allow a firm to move away from dangerous, single-point forecasts of the future in instances when the future cannot be predicted. Scenarios can help encourage managers to make their implicit assumptions about the future explicitly and to think beyond the confines of existing conventional wisdom. Therefore a firm can then make well-informed choices about how to take the competitive uncertainties' it faces into account.

Therefore (Porter 1991) states that the use of explicit industry scenarios brings the uncertainty in planning out into the open and bases strategy on a conscious and complete understanding of the likely significance of uncertainty of competition. He further says that strategic plans are based on single-point estimates about the future. But industry scenarios are a systematic tool for examining the impact of uncertainty on competitor by explicitly identifying the key uncertainties. Thus scenarios aim to stretch thinking about the future and widen the range of alternatives considered. They provide a mechanism for improving the chances that views of the future are consistent.

Industry scenarios also illuminate the consequences of mistaken forecast about the future and the key information to be acquired in the forecasting efforts. Arnold (1996) viewed strategic planning process as a disciplined and well defined organizational effort aimed at complete specification of a firm's strategy and the assignment of responsibility for execution. He states that a formal planning process should recognize different roles to be played by various managers of a firm in the formulation and execution of their firm's strategies. According to (Arnold 1996) there are three key fundamental perspectives of strategy. A corporate strategy which deals with decisions and their nature should be addressed within the fullest scope encompassing the overall firm.

It involves addressing corporate environment through a scan, which leads to the recognition of opportunities for and threats to the firm. The scan analyzes the impacts that external pressures have on a firm's business. Central to strategic decisions at this level is the mission of the firm, segmentation of its businesses, the integration of these businesses through horizontal and vertical strategies and the definition of corporate philosophy. Together this should help an organization to assess its strengths and weaknesses. Corporate environmental scan and internal scrutiny are contained in corporate tasks for development of strategic thrusts and corporate performance objectives, allocation of the firm's resources to satisfy corporate, business and functional requirements, design of managerial infrastructure, which encompasses the organizational structure and the administrative systems of the firm.

Business strategy aims at obtaining superior financial performance by seeking a competitive positioning that allows the business to have a sustainable advantage over its competitors. Business managers are supposed to formulate and implement strategic actions congruent with the general corporate directions. Financial strategies will therefore consolidate the functional requirements demanded by the corporate and business strategies to constitute the depositories of the ultimate capabilities needed to develop the unique competencies of the firm.

2.3 Levels of Strategic Planning Process

Strategic planning is a process that involves the review of market conditions, customer need; competitive strengths and weaknesses, socio-political, legal and economic conditions; technological developments; and the availability of resources that lead to identification of opportunities or threats facing the organization (Pearce & Robinson 2002). It plays a key role in achieving balance between the short term and the long term. This definition is further reinforced by (Grant 1998) who states that strategic planning involves decision making about long term goals and strategies, and therefore has a strong external orientation.

There are various approaches that have been adopted in implementing strategic planning. Hill (2001) disapproved of the earlier long tower approach to strategic planning which according to him tended to create a vacuum and ended up alienating operating managers. Instead he advocated for a need of incorporating managers in strategic formulation whom he perceived to be closer to facts. Hill further notes that the role of corporate-level planners should be that of facilitators, who help operating managers to do the planning both by setting the broad strategic goals of the organization and by providing operating managers with the resources required. It is not enough to involve lower level managers in the strategic planning process. He states that there is need to perceive that the decision making process is just. For the process to be just it must be involving, engaging, and expetive and clarify expectations. Engagement means involving individuals in the decision-making process by asking them for their input. In Strategic planning process (Hill 2001) notes that it is imperative to involve managers who will be executing the strategic plans in their formulation.

This will enhance clarity of expectations required before, during and after strategic decisions are made and managers will have a solid understanding of what is expected of them and what the "rules of the game" are. (Quinn 1998) depicts strategy formation as a managed literature learning process in which the chief strategist gradually works out a strategy in his or her mind and orchestrates the organization's acceptance. He uses the analogy of a potter in explaining strategic planning process.

(Quinn 1998) views strategy process as a craft with traditional skill, dedication, perfection through the mastery to detail. Therefore strategic planning process takes on a feeling of involvement, a feeling of intimacy and harmony with the materials at hand, which is developed through long experience and commitment. Formulation and implementation then emerges into a fluid process of learning through which creative strategies evolve.

Howe (1986) viewed strategic planning process in six distinct but inter-related steps. The first state comprised of stating the mission and objective identification of the organization. This would answer the question of the nature the business, in terms of its basic purpose. The next stage would involve analysis of current and likely future external environment, its market opportunities and threats. The third process of the strategic planning process involves the organization analyzing its own internal capabilities, its unique strengths and weaknesses. This analysis will enable the business to identify the key factors upon which its success in exploiting markets and surviving against its competitors depends. The fourth stage in the strategic planning process would be to identify and consider as wide a range of strategic options open to an organization as possible. This may include expansion, consolidation of existing activities, innovation, diversification, divestment and restructuring. The fifth stage is when the organization has adopted a particular strategy. This is when the business seeks to match the goals it has set to the results of the external and internal audit. And the final stage according to (Stewart 1986) it involves a process of putting the chosen strategy into effect and monitoring its implementation in order to ensure the achievement of business goals.

2.4 The Approaches in Strategic Planning

Strategic planning can be classified in various theories including the analytical and behavioral approaches. These are based on dominant variables within strategic development. The analytical approach emphasizes the importance of analysis in strategic planning.

It focuses on techniques like portfolio planning, forecasting, competitor analysis and environment scanning. It is seen as a formal, deliberate, disciplined and rational process (Ansoff & Sullivan 1993). Meanwhile behavioral approach which is favored by scholars such as (Mintzberg & Peters 1994) states that strategy is influenced by the power relationships and behavioral factors in a firm. The emphasis is on multiple goals of an organization as well as the political aspects of strategic planning and the importance of bargaining and negotiation. (Mintzberg 1975) states that not all intended strategies are realized and not all realized strategies are intended. Realized strategy is often emergent in nature and it is based on responses to emerging opportunities and threat. Deliberate strategy is as a result of the actions of people, working ignorance of the strategy or of how they contribute to its implementation. It is as a result of the actions of people throughout the organization rather than the intentions of a few. It modifies the outcomes of earlier strategic intent without “knowing deliberate actions”.

Logical incrementalism supported by (Gerry 1999) view strategy as the deliberate development of strategy by learning through doing. This is because given the complexity of organization and the environments in which they operate, managers cannot consider all possible strategic options in terms of all possible futures and evaluate these against present objectives. Especially in an organizational context in which there are conflicting views, values and power bases. Gerry concluded that the management process could best be described as logical incrementalism since managers have a view of where they want the organization to be in years to come and try to move towards this position in an evolutionary way. A command view strategy as supported by (Quinn 1998) states that strategy develops through the direction of an individual or group. Strategy is seen as the product of an autocratic leader who brooks no argument and sees other managers as there to implement his or her orders.

2.5 The Importance of Strategic Planning

Correct strategic decisions are important for the long term survival of an organization. (Stewart 1986), states “that it is more important for the management of an organization to be efficient in terms of its strategy than in respect of its operating activities”.

The contingency theory which is applicable in strategic decision making process suggests that given certain environmental conditions for the business an optimal strategy exists for the achievement of business goals. (Pearce 1991) says that using strategic management approaches, managers at all levels participate in planning and implementation which promotes positive behavioral consequences which enables the firm to achieve its financial goals. Strategy formulation activities enhance a firm's ability to prevent problems. Managers who encourage subordinates in planning are aided in their monitoring and forecasting responsibilities. Strategic management process results in better decisions because of group interaction which generates a greater variety of strategies and because forecast based on the specialized perspectives of group members improve the screening process. Pearce further states that involvement of employees in strategy formulation improves their understanding of the productivity reward relationship in every strategic plan and thus heightens their motivation. Gaps and overlaps in activities among individuals and groups are reduced as participation in strategy formulation clarifies differences in roles. Finally resistant to change is reduced since there is great awareness of the parameters that limit available options.

2.6 Strategic Planning Practices in Kenya

There are various studies that have been done in the field of strategic management in Kenya even though its application is fairly recent. This can be traced to the 1970s when local multinational corporations put in practice corporate strategic plans covering several years ahead. These strategic management practices in Kenya were closely tied to the long-term plans of firms and the way they mobilized resources for their development (Yabs 2007). (Aosa 1992) carried out a study on strategic formulation and implementation within large, private manufacturing companies in Kenya and found out that there were variations in the degree of strategic management practices between multinationals and indigenous companies. The large multinationals were found to be more formal in applying strategic management influenced by their parent companies and had access to management resources, established organizational structures and professional managerial approaches.

Mbayah (2001) researched on strategic management aspects in commercial internet service providers. She established that internet service providers applied formal strategic planning which help them to adopt and implement those strategies. (Mwaura 2001) looked at strategic planning within television companies in Kenya, In her study, she was able to establish that some form of strategic management practices are undertaken but most focused on short term plans. She was also able to establish that strategic planning is still in its formative stage within this industry. (Busolo 2003) studied corporate strategic planning among motor vehicle franchise holders in Nairobi and found that they all engaged in corporate strategic planning and that top management had active interest in planning and overseeing implementation of planned activities.

Kahindi (2006) studied the strategic planning practices and challenges involved in strategic planning in microfinance institutions in Kenya. The study concluded that high performing institutions practice formal strategic planning. And these organizations are agile and flexible in terms of their structure. The study further concluded that if organizations have to be successful, it is important that they embrace fully formal strategic planning practices. Musei (2006) carried out a survey of the relationship between strategic planning and performance in the textile manufacturing firms in Kenya. The study concluded that there is evidence that a strong relationship exists between strategic planning and company performance in this industry. Nyamwange (2001) who researched on operations strategies applied for the competitiveness of Kenyan large manufacturing firms concluded that the success of strategy is not just good strategies and statements of intent but how well these are implemented and managed. And to make the strategies to benefit firms is through provision of feedback and continuous monitoring systems. This research study on strategic planning practices within the Large ICT industry aims to increase the body of knowledge on strategic planning practices in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This was a descriptive survey intended to establish the presence of strategic planning practices in large ICT firms in Kenya. Mugenda and Mugenda (1999) noted that a survey research attempts to collect data from members of a population in order to determine the current status of that population with respect to one or more variables. The survey design was appropriate for the study because it collected data from a broad category of units which was important in this study.

3.2 Population of the Study

The population of the study comprised of all large ICT firms in Kenya. Based on CCK report 2006, 75% of all large ICT firms are based in Nairobi. Therefore the study limited itself within Nairobi.

3.3 The Sample

The sample was culled from a list of 65 organisations as published by Communication Commission of Kenya 2006 report. A two step sampling technique was used. First, eleven stratas were determined, the strata comprised of fixed line operators, mobile phone network operators (GSM), local loop operators (CDMA), public data network operators, Internet backbone gateway services, public internet access services, fixed satellite operators, value added services, radio stations, TV stations, computer hardware and software firms. The researcher chose stratified random sampling first to increase a samples statistical efficiency, second to provide adequate data for analyzing the various subpopulations and third to enable research methods and procedures to be used in different strata as argued by Cooper and Emory (1995).

3.4 Data Collection

Primary data was collected using semi-structured questionnaire that has both open-ended and closed questions. According to Kibera and Waruigi (1998), a questionnaire is used when a researcher requires information on feelings, attitudes and motivations. The questionnaire was administered through emails and where this was not possible, a “drop and pick” later approach was used. One responded was interviewed in each company. This was a senior manager preferably in the administration, planning, marketing and operations.

3.5 Data Analysis

A five point Likert type scale was used to determine the practices that are least or most used in strategic planning within the large ICT firms in Kenya. The Likert scale involves a series of statements relate to attitudes and behaviors. The respondent will be required to indicate the degree of agreement or disagreement with each statement and responses will be given a numerical score that consistently reflects the direction of a firm’s responses. The respondents’ total score will be computed by summing up scores for all the statements. Data will be analysed by use of descriptive statistics more so tables, percentages, proportions, frequencies and means.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents the results of the analysis of the data collected during the study survey. The questionnaires were divided into categories for the management staff and members. A total of 9 completed and useable questionnaires were obtained from the members for the survey. This represents an 82% response rate. The chapter is divided into three sections: Section 4.2 gives a summary of the respondents' data while section 4.3 gives the analysis of the strategic planning components as adopted by various firms.

4.2 General Information

The general information considered in this study for the members included the position of the respondent, number of employees, number of branches in the country, areas of operation, core businesses of the organization and number of years the business has been in operation.

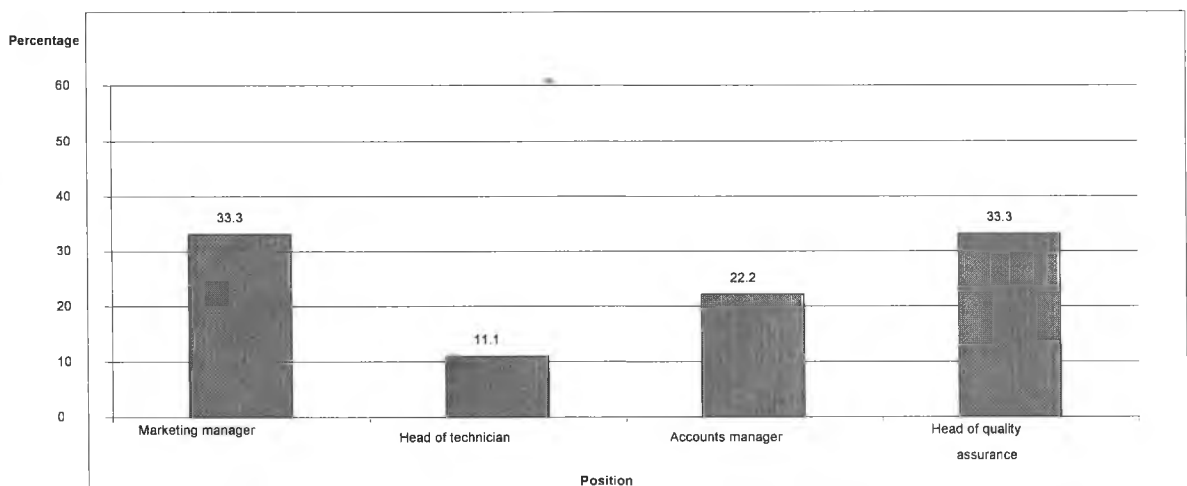


Figure 4.1: Position of respondents in the organization

The respondents were to indicate their positions in the organization. From the findings 33.3% of the respondents were marketing managers and head of quality assurance respectively, 22.2% were accounts managers and the remaining 11.1% were head technicians.

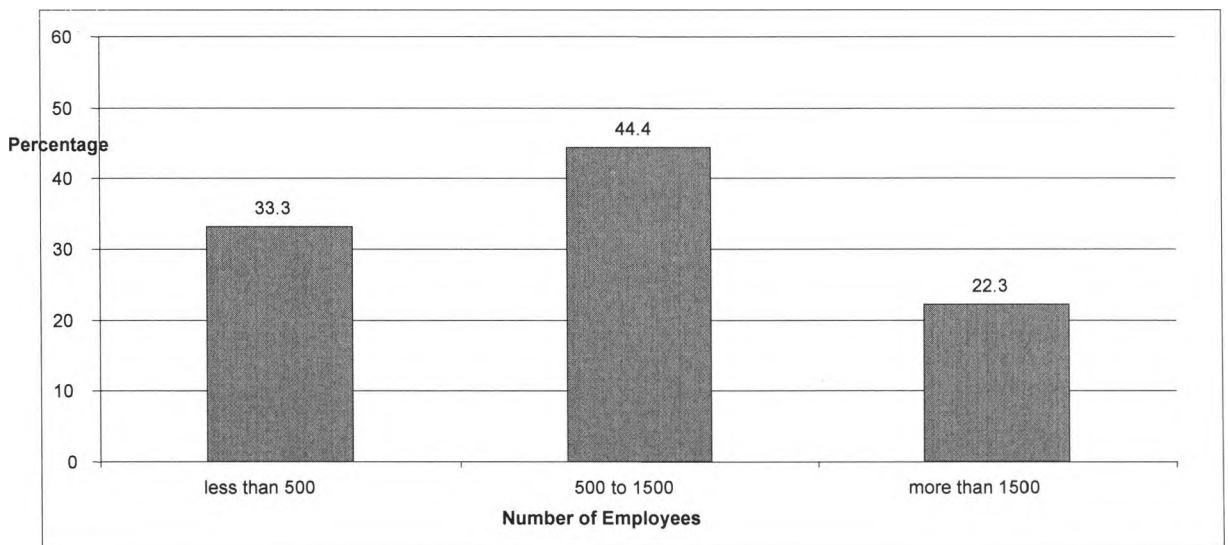


Figure 4.2: Number of Employees

The respondents were to indicate the number of employees in their respective organizations. Majority of the organizations 44.4% had a work force of between 500 to 1500 employees, for the management 62% of the respondents were male while 38% were female. This shows that majority of the management respondents were male.

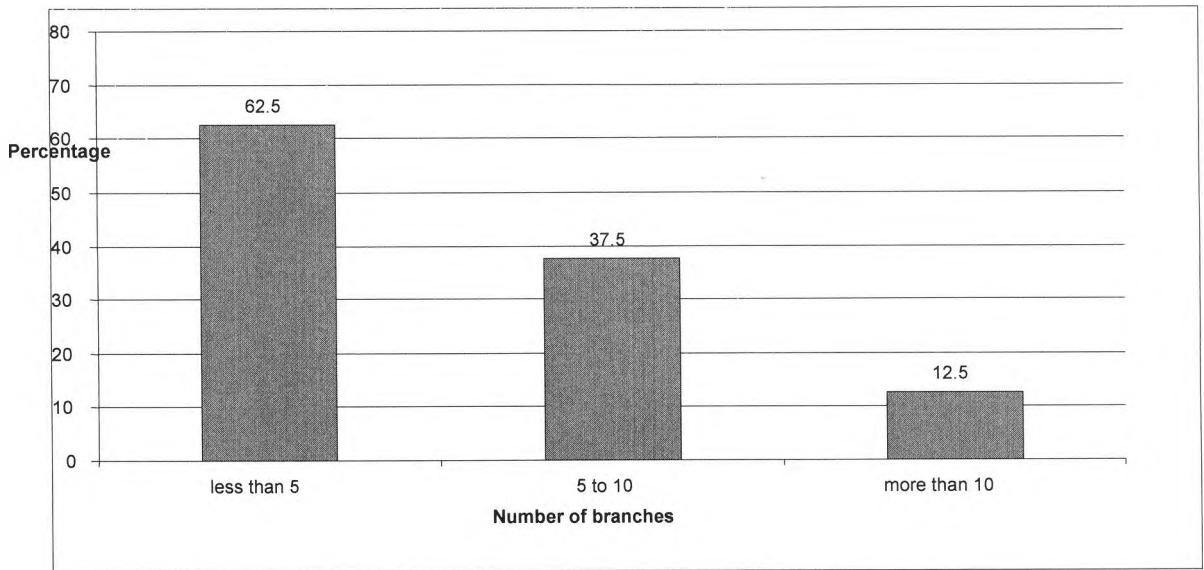


Figure 4.3: Number of Branches

The respondents were to indicate the number of branches their organization has in the country. From the findings 62.5% of the respondents' organizations had branches less than five, 37.5% had 5 to 10 branches and the rest 12.5% had more than 10 branches.

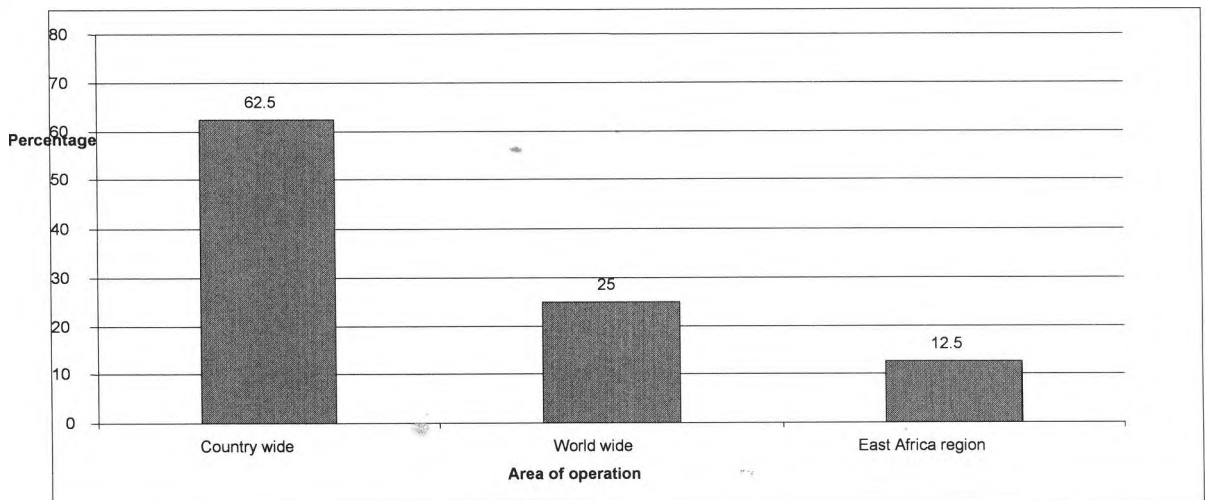


Figure 4.4: Areas of Operation

The respondents were to indicate the areas of operation for branches in their organization.

As indicated above, organizations operations varies from country wide to worldwide with 62.5% of the organizations operating country wide, 12.5% operating within east Africa and 25% operating worldwide.

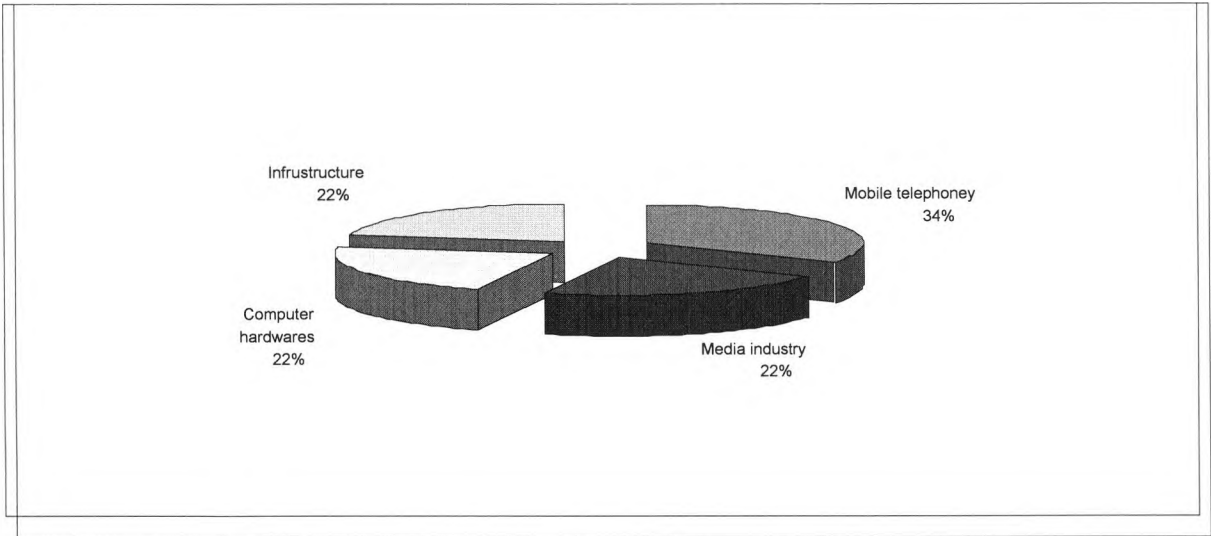


Figure 4.5: Core Businesses of the Organization

As can be observed, the organizations core business were classified into four categories, that is, infrastructure making 22%, mobile telephony making 34%, media constituting 22% and computer hard ware accounting for 22% of all the organizations in the study.

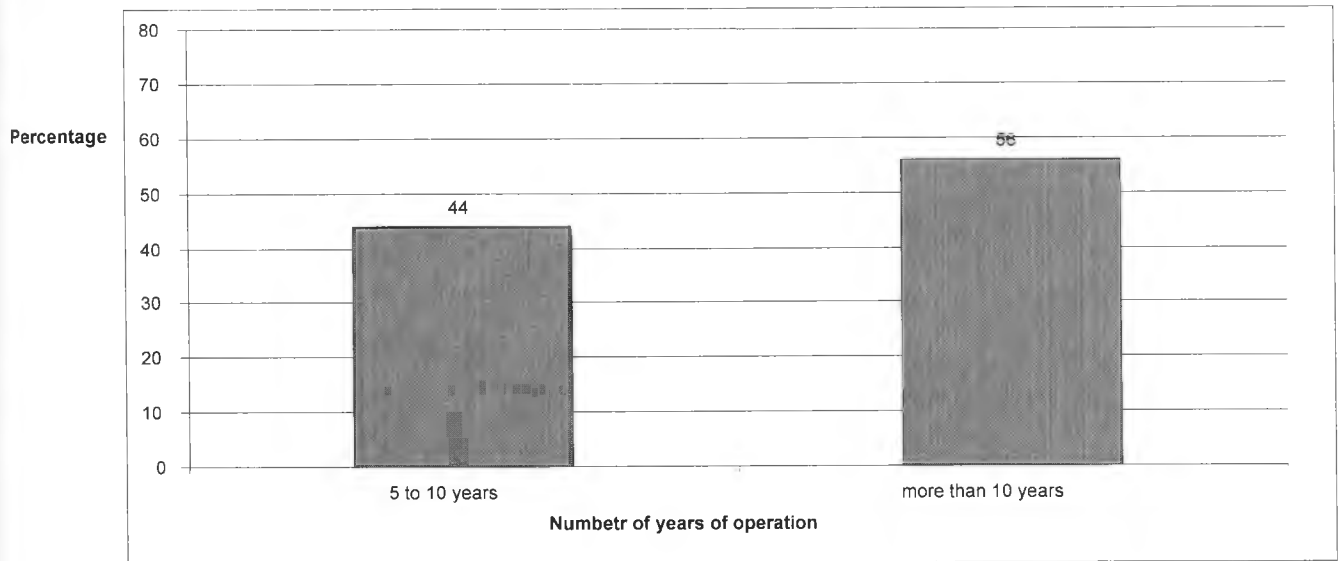


Figure 4.6: Number of Years of Operation

The results presented in figure shows that the numbers of years of operations amongst the organizations vary from a period of 5 years to more than 10 years. 44% of the respondent’s organizations have been in operation for 5 to 10 years, 56% had been in operation for more than 10 years, thus majority of the organizations have been in operation for more than 10 years.

4.3: Strategic Planning

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Strategic planning is the formal consideration of an organization's future course. All strategic planning deals with at least one of three key questions, that is, what do we do, for whom do we do it and how do we excel.

	Frequency	Percent	Cumulative Percent
Yes	9	100.0	100.0
No	0	0	
Total	9	100	

Table 4.1: Existence of Mission Statement

The findings show that 100% of organizations do have a mission statement. The mission statements of the organizations were; develop Africa's ICT to provide 1st class infrastructure services and to encourage knowledge transfer by promoting research and development in Africa (Kenya Data Networks), to be the leading innovative media house in Africa (Radio Africa), to enrich life through communication (Huawei technologies), together we can do more (Orange Telkom Kenya), to be the best company in Africa (Safaricom) and to be the premium solution provider in Africa (UUNET). At the same time the organizations had their mission statements well written down with only Computech Limited who are currently rewriting their mission statement.

4.3.2 Setting of the firms objectives

The respondents asked to state whether they are involved in setting of their firm's objectives. The finding shows that 100% of the respondents were involved in setting of their firm's objectives. The process of setting the objectives varies from firm to firm. Some of the ways the objectives are set includes; within the departments which must harmonize with those of the company (Kenya data networks), setting by the board of Directors in consultation with Senior management (Computech Limited), based on past performance, objectives for every financial year are set and targets are set for the sales department (radio Africa), done by the different departments by the different Heads (Essar Telecom Kenya), done annually when the need for the change is approved and is reviewed annually (Safaricom) and departmental level then cascaded upward through strategic planning department ,(UUNET).

4.3.3 Levels of setting the firms objectives

Levels of setting objectives also varied from firm to firm, that is, Kenya data network sets objective within the departments which are then harmonized with those of the company, Computech and UUNET sets objectives at departmental levels, Radio Africa sets objectives at Corporate level and departmental level, Essar Telecom Kenya sets objectives at head of Departmental level and Safaricom set at the Chief Officer levels, for approval by the CEO and board of directors.

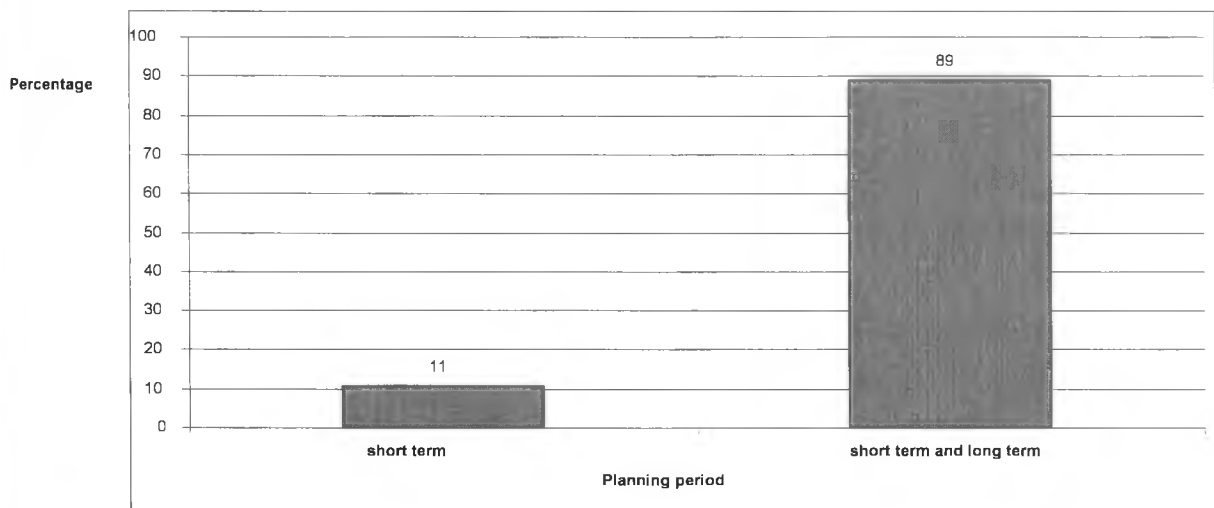


Figure 4.7: Planning methods

Planning period varies from short term to long term periods depending on the objectives of the plans. As indicated above, majority of the firm's 89% uses both short term and long term planning periods with only 11% of the firms carrying out their plans on short term basis. The plans covers 3 to 5 years and above were classified as long term plans while those covering 0 to 1 year period were classified as short term.

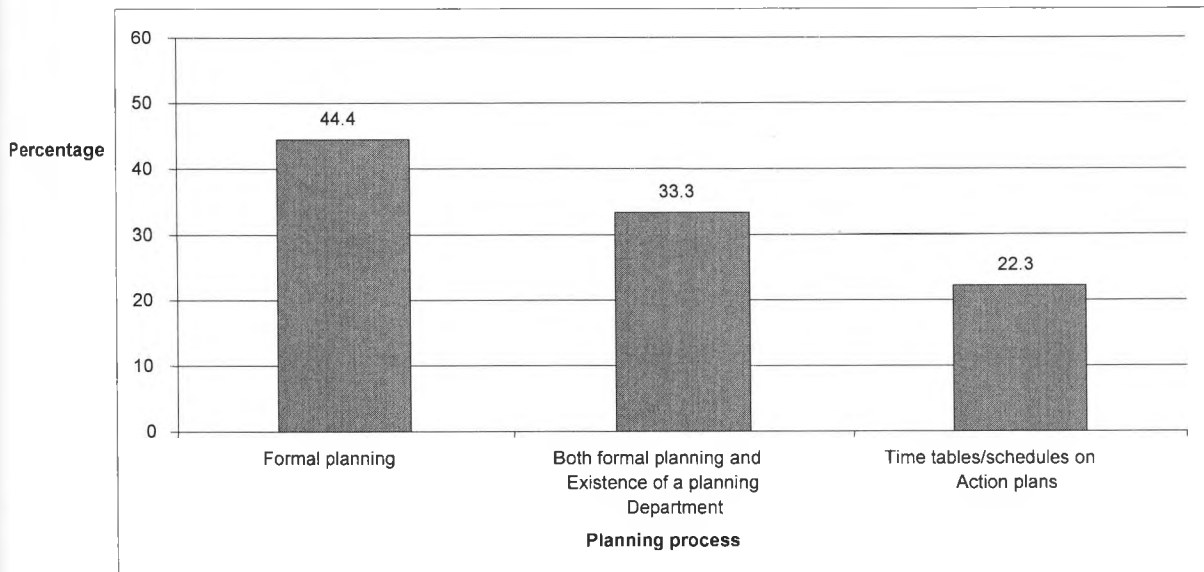


Figure 4.8: Features of Planning Process

The respondents were asked to indicate features characterizing their planning process. The findings indicate that 44.4 of the respondents firms used formal planning process, 33.3% used both formal planning and existence of a planning department and the remaining 22.3% used time table/schedule on action plans. This shows that formal, planning is the most popular planning process amongst the firms.

4.3.6 Existence of strategic plans

The respondents unanimously agreed that their firms had developed strategic plans. The strategic plans includes; plans are based on the goals that we set out to achieve (Kenya data network), to expand in East and Southern Africa within the next 3 years (CompuTech), to accelerate the growth of a newspaper, to diversify in the Media by launching Classic TV and Kiss TV and to become a one stop shop for brands who want to be on the consumers' faces (radio Africa).

Safaricom Ltd on the other hand has categorized its strategic plans into; acquisition strategy (to acquire Packet, Stream Ltd. Onecom ltd), merger strategy (have merged with JTL in a strategic partnership to drive data through fiber), Outsourcing strategy (mostly for our retail selling of our products and services, public relations, and certain engineering functions hence giving the top management time to concentrate on the core objectives of the firm). It was also noted that majority of the firms have changed their strategic plans over the last 3 to 5 years to be in line with the market needs.

4.3.7 Development of strategic plans

The respondents were asked to state who are responsible for the development of their firm's strategic plans. The finding shows that, firms strategic plans are developed by Senior Managers, CEO and a few Directors, the Board of Directors in consultation with Senior Management, top management and board members and marketing department.

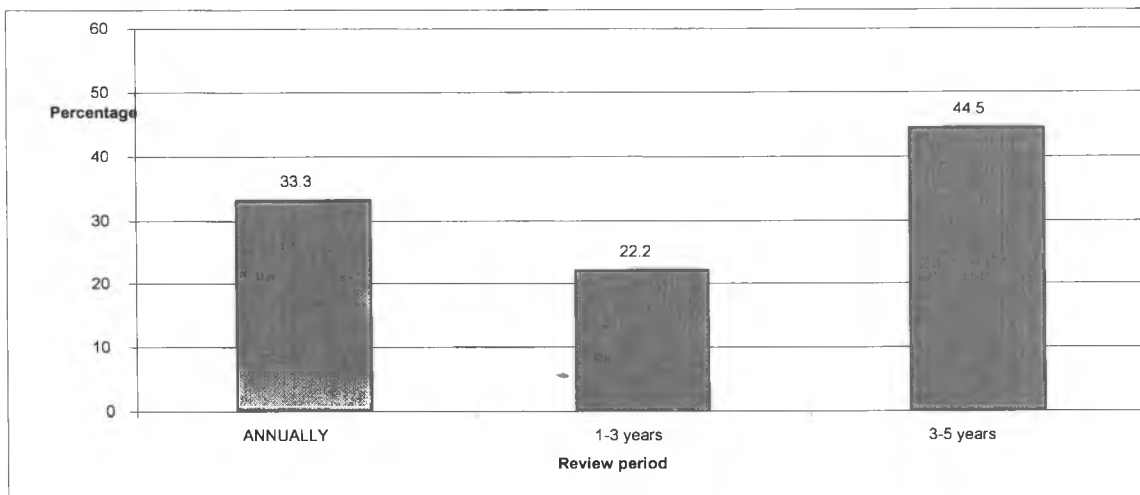


Figure 4.9: Frequency of Review of the Strategic Plan

Strategic planning should be conducted in time to identify the organizational goals to be achieved at least over the coming fiscal year, resources needed to achieve those goals, and funds needed to obtain the resources. The findings in table show that majority (44.5%) of the firms review their strategic plans after a period of 3 to 5 years, followed by 33.3% of the firms carrying out review annually and the remaining 22.2% within a period of 1 to 3 years. The period of review is a bit longer and may not factor in budget planning for fiscal year.

4.3.9 Use of external information in strategic making

The respondents were asked to state whether their firms gather external information to assist in strategy making. The respondents unanimously agreed that their firms gather external information for strategy making. This information is normally obtained from the following sources; HP, Cisco, Microsoft sources, local marketing firms that specialize on collecting data on IT such as IDC, White papers, equipment suppliers and Research, Research department and the research agencies, Surveys, reports, media reaction, market surveys and customers surveys. The responsibility of gathering information lies with the Managing director / CEO, Senior Managers and marketing department.

4.4: Competitor analysis

4.4.1: Competitors in the market

The respondent's identify competitors as all other firms who are operation in the same market, that is, competitors for Computech Limited were (Other Partners for HP, MS and Cisco as well as IBM, SUN and NettApps), Kenya data networks competitors were Other telecoms, Radio Africa competitors were all media house, Safaricom had the three main telecommunications firms(Zain, Telkom and Econet wireless) as competitors while UUNET competitors were orange, Kenya data networks, access Kenya and I-way Africa.

4.4.2: Competitors as source of information

The respondents were to indicate whether they gather information from their competitors. The findings show all the respondents firms do gather information from their competitors. The information is gathered through; Word of mouth from industry players and clients, research and research agencies, publications from CCK, Media and market research,

Parameters	Mean	Std. Deviation
Number of your competitors	2.7778	1.30171
Possible new entrants in the industry	2.7778	1.56347
Financial strength of competitors	2.2222	.83333
Company strength	1.8889	1.53659
Marketing practices	2.4444	1.23603
Human resources	2.0000	.86603

Table 4.2 Extent to which the above Parameters are important to the Firms

The respondents were asked to state the extent to which various mentioned parameters are important to their firms. From the findings, company strength, human resources, financial strength of competitors and Marketing practices determines 70 to over 80% of the firms' strategies. On the other hand number of your competitors and possible new entrants in the industry determines 60% of the firms' strategies. In general the most important parameters influencing the firms' strategies were; company strength, human resources, financial strength of competitors and Marketing practices.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this section we discuss the main findings, draw conclusions and make recommendations.

5.2 Summary

The objective of the study was to establish strategic planning practices within large ICT firms. Overall, 62.5% of the firms in the study had their operation spread country wide. The core businesses of the firms were classified into four categories, that is, infrastructure making, mobile telephony, media and computer hard ware. Majority of the respondents firms had a well written down mission statement except Computech limited who are currently rewriting their mission statement. The process of setting a firm's objectives is all inclusive, that is all the respondents were involved.

The study indentified the following methods of setting objectives; within the departments which must harmonize with those of the company, set by the board of Directors in consultation with senior management, based on past performance, objectives for every financial year are set, and targets are equally set for the sales department. Heads of departments are responsible for the overall strategic planning within their dockets and these are reviewed on an annual basis. This is aligned to the corporate strategy for the overall organization. Meanwhile companies affiliated to multinationals like Huawei Kenya are less involved in strategic planning at the local level; instead they implement what has been approved by their parent company.

5.3 Conclusion

Pearce Robinson (1991) indicated that there are nine components that are critical in the formulation of an organization's strategy. These included the formulation of the company's mission statement which is enumerated in broad statements, its purpose, philosophy and goals. The research findings indicate that 100% of the companies have a mission statement well documented and objectives for the organizations clearly spelt out. From the study the researcher can conclude that most middle level managers are involved in the planning process and therefore an inclusive approach is adopted at the planning stage. An assessment of a company's external environment, including both the competitive and general contextual factor is key to effective implementation of the organizations strategy. According to this assessment, the researcher can conclusively state that most of the large ICT organizations in Kenya have implemented strategic planning practices and adopted formalized strategic planning methods covering 1-3 years.

Most organizations interviewed lacked reliable long-term databases that could be used in strategic planning process. When asked how the data for the plan is collected, one respondent answered that "in the first place there is no clear method of data collection" which creates a lack of consistent data collection methodology. Equally there are no synchronized systems put in place between the finance, planning and marketing departments. Rather strategic planning is viewed more as a marketing tool and quality assurance departments whereas finance managers gave very little input.

5.4 Recommendations

There is a need to enhance technical capacity within organizations on strategic planning and an appreciation of its impact on an organizations' overall competitiveness in the market. There should be a clear differentiation between long-term and short –terms plans and what they aim to achieve in any given period of time. Equally the large ICT firms need to increase their awareness of their operating environments by having effective monitoring and evaluation mechanisms of their plans. More research needs to be carried out on how these firms can incorporate scenario building as a planning tool and effectiveness of strategic planning within the ICT industry.

5.5 Limitations

A major limitation of the study was that not all firms sent to questionnaires were able to respond but this would not have altered the outcome of the study in any significant manner. Most respondents still prefer a face to face interview, despite the researcher calling to explain the essence of the interview and sending questionnaires by email. Therefore more time and resources was spent in making appointments and interviewing the respondents using questionnaires already sent electronically.

5.6 Implications to Policy Planning and Practice

The importance of effective planning and management within large ICT firms will increase overtime as more studies are undertaken and findings made public. And with the erosion of governments direct control in Orange and Safaricom networks and increased competition, planning forces organizations into making systematic analysis of their organizations and their operating environments. This study therefore helps organizations to identify what makes them distinctive and asses what they have in common with other organizations.

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ANNEX 1: LIST OF LARGE ICT FIRMS IN KENYA

LARGE ICT FIRMS WITH OVER 300 EMPLOYEES IN KENYA

1	FIXED LINE OPERATORS	<ul style="list-style-type: none"> • Telkom Kenya (Includes CDMA license) • VTEL (includes a GSM, CDMA, PDNO and Backbone) • Bell Western
2.	MOBILE PHONE NETWORK OPERATORS (GSM)	<ul style="list-style-type: none"> • Safaricom • Celtel • Econet wireless (YU) • Zain • Orange (Telkom K)
3	LOCAL LOOP OPERATORS (CDMA)	<ul style="list-style-type: none"> • Flashcom • Popotewireless • Adtel • Rapid communication <p><i>(19 licensed operators, only 8 are active)</i></p>
4	PUBLIC DATA NETWORK OPERATORS (PDNO)	<ul style="list-style-type: none"> • Telkom Kenya • Kenya Data Networks • Uunet • Pegrume • Huawei • Simbanet <p><i>(16 registered operators)</i></p>
5	INTERNET BACKBONE & GATEWAY SERVICES	<ul style="list-style-type: none"> • Telkom Kenya • KDN

		<ul style="list-style-type: none"> • Jamii Telkom • One-Communication • Uunet • Huawei • Comtec Integrations • Sopianet Technologies
6	PUBLIC INTERNET ACCESS SERVICES	<ul style="list-style-type: none"> • Africa Online • Wananchi Online • Swift Global • Access Kenya • Uunet • Jambonet (Telkom) • IWAY AFRICA • Mitsuminet <p><i>(17 active operators)</i></p>
7	FIXED SATELLITE OPERATORS	<ul style="list-style-type: none"> • Telkom Kenya • Afsat Kenya • Simbanet • Comcarrier Satellite services • Iway Africa
8	Value Added Services (Premium)	<ul style="list-style-type: none"> • Cellulant Services • Mobile planet • Sasanet • 3mice interactive services • Funework • True African • Call handling interactive

		<i>(26 licensed operators)</i>
9	RADIO STATIONS	<ul style="list-style-type: none"> • KBC • BBC Swahili • KISS 100 • Capital FM • Nation FM • Citizen <p><i>(46 licensed stations, of these 29 in Nairobi)</i></p>
10	TV STATIONS	<ul style="list-style-type: none"> • KBC • KTN • NATION TV • STV • CITIZEN • FAMILY TV
11	COMPUTER HARDWARE & SOFTWARE	<ul style="list-style-type: none"> • HP EAST AFRICA • LENOVO (IBM) EAST AFRICA • FIRST COMPUTERS • COMPUTECH • COPY CAT • TOSHIBA EA

SOURCE: Communication Commission of Kenya 2006

ANNEX 11: QUESTIONNAIRE SAMPLE

SECTION 1: BACKGROUND INFORMATION

1. Name of the organization.....
2. Position of the respondent.....
3. Number of Employees.....
4. Number of branches in the country.....
5. Areas of operation.....
6. What are your Core business.....
.....
7. Number of years the business has been in operation.....
8. Does the Firm have a mission

Y	N
---	---

 statement?
9. If yes, please state it.....
10. Is the mission statement written down?

Y	N
---	---
11. Do you set objectives for your

Y	N
---	---

 firm?
12. How is it done?.....
13. If no, why?.....

14. If yes what are they?.....

15. At what levels are the objectives set?.....

16. What types of plans do you have?

- a) Short-term
- b) long-term
- c) Long-term & short-term
- d) other

17. What time periods do the plans cover?

- a. 0-1 years
- b. 1-3 years
- c. 3-5 years
- d. 5 years and above
- e. Other, state

18. Indicate which of the following features are characteristics of your planning process;

- a) Formal planning
- b) Informal planning
- c) Timetables/ schedules on action plans
- d) Existence of a planning department

19. Has your company developed any strategic

Y	N
---	---

 plans?

- a) If yes, what are they?.....
- b) Have these changed over the last 3-5 years?.....
- c) Who develops these strategies?.....
- d) How often are they reviewed?.....

20. Does your organization gather external information to assist in strategy making?

Y	N
---	---

a) What are the sources?.....

b) Who is in charge?.....

21. Who are your competitors?.....

22. Do you gather information about your

Y	N
---	---

 competitors?

23. If yes, how do you gather competitor information?.....

Please tick on the numbers below in relation to importance that you attach on these parameters:

	1	2	3	4	5
i) Number of your competitors					
ii) Possible new entrants in the industry					
iii) Financial strength of competitors					
iv) Company Strength					
v) Marketing practices					
vi) Human resources					
vii) Others:					

KEY

- 1) Highest Priority Determines over 80% of your strategy
- 2) Determines 70% of your strategy
- 3) Determines 60% of your strategy
- 4) Determines 50% of your strategy
- 5) Determines 40% of your strategy

ANNEX 111: RECOMMENDATION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

MBA PROGRAM - LOWER KABETE CAMPUS

Telephone 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 15/09/2009

TO WHOM IT MAY CONCERN

The bearer of this letter ANNE LINDA WOTONZO

Registration No: 561/70102/2007

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
DR. W.N. IRAHOB
CO-ORDINATOR, MBA PROGRAM