STRATEGY PRACTICES WITHIN COMMERCIAL INTERNET SERVICES PROVIDERS (ISPs) IN KENYA

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By

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DECLARATION

This project is my original work and has not been submitted for a degree in any other University.

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This management research project has been submitted for examination with my approval as the University Supervisor.

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Dedicated to my loving husband Julius Mbayah, my children Ivy and Michelle, for their love, support and all they have sacrificed

AND

To my parents Francis Njoroge and Grace Wangui, my brothers and sisters, and my in-laws, for their everlasting love, constant effort and encouragement.

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ABSTRACT

This study was conducted with the objective of finding out the state of strategy practices within commercial Internet Service Providers (ISPs) in Kenya with a focus on those ISPs registered and operating in Nairobi.

Developments in strategic management theory and practice have tended to reflect business circumstances in the developed world's context. Though some studies have been done in Africa, none has been done to establish and document strategic management theory and practice within the Internet Service Providers. This study has been conducted to establish and document strategic management practices within the Internet Service Providers in Kenya. The study had one main objective:

> To establish and document strategy practices within commercial Internet Service Providers registered and operating in Nairobi, Kenya.

To achieve this, primary data was collected through personal interviews with senior managers in the within the ISP Industry. Data was analyzed using simple descriptive statistics such as the averages percentages, mean, proportions and frequency distribution. Comparison with a few of the studies done in Kenya in the field of strategic management theory and practice was also done. Similarities and differences existed between these studies and this could be explained by the sectoral as well as the environmental differences.

Findings from this study revealed that Internet Service Providers practiced some form of strategic management in that they had written mission statements, they set organizational plans and objectives and were involved to some varying degrees on various form on competitor analysis, industry analysis, and environmental scanning. Two older firms with over 5 years since establishment followed formal strategic management procedures and had their strategies written down and communicated to he staff in written form. Majority of the others - 85% of the firms were applying strategic management practices but this was not in a very formal manner in all aspects.

Compelled by the increased competition and the need to provide their customers with value added services, Internet Service Providers have employed strategic management in various ways. According to Porter (1980), business strategy is all about competition and specifically trying to give organizations competitive advantages over their competitors. Without competition, there would be no need for strategy. It is the employment of various aspects of strategic management that has enabled the successful firms develop a competitive edge over their competitors. Those firms that have strategies have grown as shown by company C1 in this study. Those that are developing and using various strategies are also growing and the general trend is the adoption of various aspects of strategic management practices within the Internet Service Providers. This is not to say however that strategic management is the only factor contributing to the growth of the firms, it is one of the many factors but it does play a significant part in giving a company direction in relation to its future scope.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Firms of various types have been in existence for a long time. They have been created to serve the needs of the societies in which they exist and therefore their key concern has been and still is their continued existence and survival over time. In a stable environment, successful performance of a firm is possible through the exploitation of a firm's historical strengths. Organizations are under no pressure to change the product, or even market scope. Top managers are primarily concerned with decisions relating to maintaining the firm's position vis a vis the competition.

However, the environment in Kenya and globally is today not stable. There is a lot of environmental turbulence. Reliance on historical strengths may become strategic limitations to the firm. Historical strengths become weaknesses and big challenges to change. Every organization has to justify its continuous existence in the society and this brings in the mis-match between the firm's historical strengths and it's future opportunities.

Looking at the commercial Internet Service Providers (ISPs) in Kenya, this situation is quite applicable. Until three years back, most of the commercial Internet Service Providers operated in a fairly stable environment. They were few and the demand for their services was very high. They thus concentrated on their strengths of having large numbers of internet account holders to service. The public was not educated on the use of the internet and once a customer got an account with a certain commercial Internet Service Provider, he remained with them no matter how bad the service, and no matter the cost. This saw some commercial Internet Service Providers make huge profits in the initial stages and their costs grow in proportion. All that customers wanted was internet connectivity, which all the commercial Internet Service Providers gave, at relatively the same price. It did not matter which ISP one signed up with. Managers within different ISPs then concentrated on maintaining these accounts and getting more people to sign on their services. (Source: Respondents)

The environment in Kenya has since changed and every organization has to justify it's continuous existence in the society (Source: Respondents). Information obtained from the Internet Service Providers Association indicates that there are a total of 40 registered Internet Service Providers in Kenya, and 18 of these are actually offering commercial internet services. In the year 2000, the number of players has more than doubled. With so many players now offering the same services, better prices and with added benefits, top management within the commercial Internet Service Providers have to continuously think of their organization's survival.

The top management decisions must now focus on the future of the firm amidst competition and environmental turbulence. These decisions involve the interplay of both internal and external environmental factors. Firms in Kenya and globally, have to constantly adjust to their environment to avoid a mis-match between their historical strengths and their future opportunities (Pearce and Robinson, 1997). An understanding of the driving forces behind these environmental influences is now necessary in order to significantly assess their potential impact on the organization. In this regard, managers aim at making the organization responsive to any environmental changes (Benton and Lloyd 1992). The firm's success is dependent on its ability to recognize and respond positively to internal and external environmental challenges. This can be achieved through the use of strategic management.

Strategic management is a managerial approach whose basic concern is the future of the firm and how the firm anticipates it. It considers the future events against every business decision. The implications of such decisions are considered prior to strategy implementation (Hussey, 1991). Writers in this field have documented the benefits of strategic management to organizations. These include David (1991) and Robinson (1997). Strategic management provides guidance while enhancing the dynamism of the firm. This is vital in periods of turbulent environmental changes as we see today. It enables firms to respond appropriately to environmental challenges. The firm's are able to anticipate change and at times even initiate change. Strategic management gives the firms a competitive advantage. Strategy development focuses on how to define a firm's mission and objectives. This gives clear direction to the firm. There is also focus on competitor analysis techniques which enable managers develop both an deep understanding of their industry, and methods of scanning the environment in order to improve their competitive edge. Strategic management offers a rational approach to making strategic choices. This is primarily through the provision of data after analysis in order that reasonable and informed risks can be taken where necessary (Jauch and Glueck 1984). Strategic management provides guidance while enhancing dynamism and coordination in the firm. By using strategic management, firms are able to recognize and respond to new developments and opportunities appropriately (Ansoff, 1984; Ansoff and Sullivan, 1993). Informed estimates of the impact of these complex and dynamic external environmental considerations, through proper analysis, ensure an organization's success into the future (Pearce and Robinson, 1997; Johnson and Scholes, 1999). By using strategic management, firms can get entrepreneurial creation of new strategies for their business in line with the challenges the environment poses and internal capabilities are developed accordingly. This guides the organization's transformation to a new posture. It creates a match between the organization and the environment and the organization can not only survive but also thrive. From an internal perspective, change management is of great significance. Strategic management provides a basis for identifying the need for change to all managers, making them view changes as an opportunity rather than a threat (Ansoff, 1984).

ISP's like any other organization consume resources from the environment and release them to the same environment (Porter, 1985; Ansoff & McDonnel, 1990; David, 1997; Pearce & Robinson, 1997, Johnson & Scholes, 1999). They depend on the environment and for them to survive, and they have to constantly adjust to it. The environment in which they operate is turbulent and continuously changing and there is therefore need to adapt in-order to survive. One way of adapting is through developing and implementing effective strategies. The use of strategic management enables firms define their strategies which provide a central purpose and direction to its activities, to the people who work in the firm and often to the outside world. Strategic management enables firms to adapt under conditions of externally pressure because of the changing environment. Firms can and often do create their environment besides reacting to it. Strategic management helps firms develop competitive strategies. In developing strategy, firms carry out an analysis of their industry and competitors and gauge how they can out perform their competitors. Finally, strategic management also helps firms focus their efforts and resources on their key success factors and cultivate a culture of being proactive. By employing strategic management, firms can get various benefits. They would be able to respond to the turbulent environment in an appropriate manner, to ensure not only their continued survival but also profitability and in the long run provide the shareholders value, which is the ultimate goal of the firm.

1.2 RESEARCH PROBLEM

The Development of the Internet Service Providers service Industry in Kenya (ISP's) came about in the early 1990s, with the registration of the first ISP by the Ministry of Transport and Communication in 1995. Thereafter, the firms have steadily increased to the current level where we have to date a total of 40 registered ISPs according to information obtained from the Communications Commission of Kenya, the office currently charged with the responsibility of registering ISPs. Of the number registered, 18 are currently operating commercially in Nairobi, others outside Nairobi and the rest are non-operational. With the increase in number of organizations giving the same services, competition has come in and it is now important for the firms to adopt strategies that will ensure their continued existence amidst intensified competition. The level of environmental turbulence has been on the increase and the traditional sources of competitive advantages have been reduced to competitive requirements.

Little is known about strategic management within the Internet Service Providers (ISP's) in Kenya. Several studies have been done in the field of strategic management as below mentioned but these touched on other sectors of the Kenyan economy. There is no study done in Kenya in relation to Strategy practices within the Internet Service Providers (ISPs). This study therefore seeks to establish the strategy practices within the ISP Industry in Kenya and document the same. The study wishes to analyze;

a) Strategy practices within the commercial Internet Service Providers operating in Nairobi, Kenya.

1.3 OBJECTIVE OF THE STUDY

The Study has one main objective;

To establish and document the strategy practices within the commercial Internet Service Providers (ISPs) registered and operating in Nairobi, Kenya.

1.4 SCOPE OF THE STUDY

The study will cover strategy practices within commercial Internet Service Providers registered and operating in Nairobi, Kenya. According to the Communications Commission of Kenya, the number of commercial ISPs operation in Nairobi is 18. This is the number the interviewer targets. The model of strategic management process to be used in the study will cover the following aspects;

1. Mission Statements.
2. Objectives and objectives setting.
3. Planning - Purpose, horizons, mix of plans developed, participation and formality in planning.
4. Environmental Scanning.
5. Strategies and Strategy Development.
6. Industry Analysis.
7. Competitor Analysis.

8. Role of the Chief Executive Officer.
9. Role of the Board of Directors.

1.5 IMPORTANCE OF THE STUDY

The Study is intended to benefit the Internet Service Providers (ISP's) who will understand their respective companies more. It will give them an insight into the strategy practices within their respective organizations.

Current emphasis on Strategic Management is on the market driven approaches (Thompson 1990). There is much concern with customers and competitors. Strategy practices should help firms maintain a competitive edge in the market. The study will help the ISP's to better understand their competition and strategies put in place in response to challenges in the environment - the biggest challenge being to understand their customers.

To the scholars of strategic management, the research will add value to the work done in this field in Kenya.

To the community at large, the study will give a better understanding of Internet Service Providers in Kenya.

1.6 STRUCTURE OF THE DISSERTATION

The final dissertation will have five chapters as outlined below:

Chapter one

This introductory chapter will give an overview of the study in form of a background, statement of the problem, the objectives and importance of the study, and it will also give some operational definitions.

Chapter Two

This chapter will review the literature on strategic management, giving a historical perspective of strategic management and the internet from a global perspective. It will then look at the strategic management approaches used by Internet Service Providers in Kenya with a focus on strategy formulation. It will end by giving a summary of the factors influencing strategy formulation within Internet Service Providers in Kenya.

Chapter Three

This chapter will outline the research framework, give information on data specification, data collection, the population of the study and finally give the data analysis and presentation method.

Chapter Four

This chapter will cover data analysis, research findings, and discussion of the results.

Chapter Five

This chapter will present a summary of the research findings, the conclusions of the study, and its contribution. It will also look into the limitations of the study and suggest areas for further Research.

CHAPTER 2

2. 0 LITERATURE REVIEW

2.1 STRATETIC MANAGEMENT

According to Thompson and Strickland (1987:4),

> "Strategic management is the process whereby managers establish an organization's long-term direction, set specific performance objectives, develop strategies to achieve these objectives in the light of all the relevant internal and external circumstances, and undertake to execute chosen action plans."

Senior managers are called upon to establish the long-term direction of the firm in the form of providing a vision for the firm and coming up with a mission. They have to define why the organization exists in terms of what it is established to do and the scope of the business in the long term. Employees have to be given achievable targets in order for them to meet their performance objectives. The internal and external circumstances bring in the need for a rigorous environmental analysis.

David (1991) defined strategic management as a managerial discipline that is concerned with cross-functional decisions. Strategic management integrates the functional departments (e.g. finance, marketing) in order to achieve organizational success. This is related to Jauch and Glueck (1984:5) view that:

"Strategic management is the stem of decisions and actions which lead to the development of an effective strategy or strategies to help achieve corporate objectives"

This latter definition shows that strategic decisions should lead to achievement of corporate objectives. Gluck et al (1980) provide an empirical perspective which views strategic management as constituting a tight link between formal strategic planning and execution of set plans. This approach asserts that corporations practicing strategic management have superior performance and display unique planning characteristics, which include a cross-functional planning framework, a creative and flexible placing process and a supportive corporate value system.

Strategic management is a success when the organization examines all the dimensions of the strategic problem and proactively takes action towards achieving sustainable competitive advantage. This can be done through strategy formulation and implementation whereby everyone within the firm knows the organization's mission, vision and understand what business they are in, where all understand the strengths, weaknesses, objectives and their individual roles in making it happen (Betts 1977). Igor Ansoff (1990) came up with a strategic success hypothesis that states that a firm's performance is optimum when the following conditions are met:

a) Aggressiveness of the firm's strategic behavior matches the turbulence level of the environment.

b) Responsiveness of the firm's capability matches the aggressiveness of the strategy.

c) The components of the firm's capability must be supportive of each other.

His conclusion was that it was necessary to have match between strategy and the environment within which it is implemented. This would involve considering factors such as the firm's internal culture, functional capabilities and the social, political, behavioral and psychological factors at play, prior to strategy implementation (Ansoff, 1990).

2.1.1 The Concept of Strategy

The core concept of strategic management is strategy. Strategy is fundamental in the planning process since strategic decisions influence the way organizations respond to their environment. Schendel and Hofer (1979) define strategy in terms of its function in the organization. They assert that:

> "The Purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment".

According to Juach and Glueck (1984), strategy is:

> " a unified comprehensive and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization".

Pearce and Robinson (1991) define strategy as:

> "Large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organizational objectives".

This is putting more emphasis on strategy as it relates the competitive environment of the firm. Most of the definitions cited above look at one aspect of strategy and there is need to look at a more comprehensive definition of strategy. This is what Hax and Majluf (1991) have done. According the them, strategy:

a) Selects the businesses the organization is to be in or is in.

b) Determines and reveals the organizational purpose in terms of long-term objectives, action programs, and resource allocation priorities.

c) Attempts to achieve a long-term sustainable advantage in each of its businesses, by responding properly to the opportunities and threats in the firm's environment, and the strength and weaknesses of the organization.

d) Is a coherent, unifying and integrative pattern of decisions.

e) Engages all the hierarchical levels of the firm (corporate, business, functional).

f) Defines the nature of the economic contributions it intends to make to its stakeholders.

The above definition combines all the different dimensions of strategy as identified by various authors cited. It views strategy as incorporating the organization's future and its adaptation to a turbulent environment.

2.1.2 Levels of Strategy

The levels of strategy can be looked at from different perspectives in a company: corporate, business and functional strategy (Ansoff, 1984, Juach and Glueck, 1984, Newman et al., 1989; Pearce and Robinson, 1991; Hax and Majluf, 1991). Each strategy level has a different focus.

Corporate strategy concerns itself with defining the overall mission of the firm. This can be within the same industry or even in diverse industries. It therefore gives the widest scope of the firm's activities and deals with how a company's resources will be allocated across the various businesses (Newman et al. 1989; Hax and Majluf, 1991 Pearce and Robinson, 1991). The business level strategy gives attention to how each of the firm's businesses will compete. Concern is on sustaining a competitive edge for each business unit. Emphasis at this level is put on integrating the firm's functional activities in order to attain the desired competitive competence (Hax and Majluf, 1991; Pearce and Robinson, 1991). The functional strategy addressed the efficient utilization of the allocated resources. It involves managers addressing co-ordination of activities within their functional business areas. These activities are important for purposes of effectively supporting the business unit strategy (Hax and Majluf, 1991). All these levels of strategy need to be properly co-ordinated as they have a bearing on each other's performance.

2.1.3 Functions of Strategy

a) Strategy helps to provide the basic long-term direction for the firm (Newman et al., 1989). It enables a firm set up a clear direction and the managers are able to focus on the future while still ensuring the current functions are undertaken.

b) Strategy helps companies cope with change (Pearce and Robinson, 1991). Given that the organization is part of the external environment, it is important that it is able to constantly cope with the changes to ensure a strategic fit. Failure to do this results in a mis-match, which is not healthy for the environment.

c) Strategy helps companies develop competitive advantage in the market (Porter 1980) and this enables it stay ahead of competition.

d) Strategy enables companies to focus their resources and efforts (Pearce and Robinson, 1991), through proper resource allocation. This enhances the effectiveness of the organization.

The biggest limitation with strategy lies in its orientation. It deals with focusing into the future which may prove difficult due tot the turbulent nature of the environment. An organization's ability to forecast into the future is dependent on the level of turbulence in its environment (Ansoff and Sullivan, 1993).

2.1.4 Strategy Formulation

Approaches to strategic management can be classified into two groups: analytical and behavioral . These approaches are based on their view of dominant variables in strategy development. The analytical approach emphasizes the importance of analysis in strategy development. The focus is on the various strategy formulation techniques such as portfolio planning, forecasting, competitor analysis, strengths, weaknesses, opportunities and threats (Hussey, 1990). The rational-analytical view to strategy formulation provides one of the processes organizations can use to formulate their strategies. With this process, strategy is seen as a formal, deliberate, disciplined and rational process (Lorange 1980; Porter 1980; Ansoff, 1984; Hax and Majluf, 1984). Using this process, managers make strategic decisions after carrying out a rational analysis.

The behavioral approach lays its emphasis on the behavior of people in the organizations. This has gained prominence over the years (Hussey, 1990). It focuses on the behavioral and political aspects of strategic management. Writers who have drawn attention to the importance of the behavioral aspects of strategy include Kotter (1982), Peters and Waterman (1982), Minzberg (1987) and Hussey (1990). This process states that strategy is influenced by the power relationships and behavioral factors in a firm (Kotter 1982; Minzberg 1987). Emphasis is on multiple goals of the organization, the political aspects of strategic decisions, and the importance of bargaining and negotiation and the role of coalitions in the strategy making process.

None of the above two processes would explain the strategy process in isolation. They are both necessary in order to maximize on the benefits of strategy making. Both should be combined in the strategic management process (Hax and Majluf, 1991). The research conducted here is going to adopt this view of strategy formulation. The study will therefore give partial insight given that it downplays the behavioral processes

2.1.5 Historical development of strategic management

Strategic Management has its origin in the United States of America in the 1950s. Drucker (1954) addressed the issue of strategy and strategy formulation. His primary concern was identifying the firm's business. Other writers on strategy included Ansoff (1965), Chandler (1962) and (Andrews 1971). Studies in the early 1970s revealed that corporate planning was practiced in the United States and abroad (Taylor and Irving, 1971). With the advent of the oil crisis in 1973, the environment began to change. Technological developments and foreign competition increased. Traditional markets became saturated and there was a decline in growth in many firms. These posed serious challenges and criticism to strategic planning (Porter 1980). Criticism was directed at the implementation phase of strategic planning. It was necessary to have a match between the strategy and the environment within which the firm operated. Critics proposed that strategic planning should;

a) Be focused, flexible and adaptable.

b) Address implementation issues.

c) Be instrumental in developing competitive advantage.

d) Enhance strategic thinking.

e) Incorporate both analytical and behavioral features.

The above aspects are still the overriding concerns of strategic management today.

2.1.6 The Strategic Management Process

This outlines the way in which objectives are determined and strategic decisions made and implemented in the organization (Jauch and Glueck, 1984). The underlying thread is that organizations should continuously monitor the internal and external environment and adapt accordingly. In order to do this, crucial aspects of strategic management process need to be looked at. These are:

a) Organizations Mission.

b) Organization's objectives.

c) Planning - Purpose, horizons, mix of plans developed, participation and formality in planning.

d) Environmental scanning.

e) Industry analysis.

f) Competitor analysis.

g) Internal Analysis.

h) Strategy selection.

i) Strategy implementation.

j) Strategy evaluation.

This is the strategic management process model that will be used in investigating the strategy practices within commercial Internet service providers in Kenya. The study will however limit itself to aspects related to strategy development but not implementation.

2.2 STRATEGIC MANAGEMENT IN KENYA.

Strategic management in Kenya can be looked at from the various studies done in the field and also from the business environment and potential impact on the Internet Service Providers. Several empirical studies have been carried out in Kenya to document corporate planning practices. Aosa (1992) carried out a study on the strategy practices among large manufacturing companies in Kenya and established that foreign companies differed significantly from Kenyan companies. The former were found to be more formal in applying strategic management and this was attributed to the influence of their parent companies, access to managerial resources, formal organizational structures and professional managerial approaches. Karemu (1993) looked at strategic management aspects in the large-scale retail sector. She established that supermarkets practice minimal budgetary forms of strategic management. Planning characteristics included reliance on intuition and individual ability to pursue long-term goals, prevalence of budgets and large informal planning activities. She also established both variations and similarities between the companies with respect to their strategy practices. These variations were based on ownership, size and strategic orientation. Companies were dissimilar in this aspects. Shimba (1993) looked at the Kenyan financial sector and established both variations and similarities between the companies with respect to strategy practices. The variations were based on size, ownership and strategic orientation. Njuguna (1996) looked at strategic management within the oil industry and established that strategic management practices in the Kenyan oil companies were generally in line with strategic management theory, which stated that organizations should develop written mission statements, formal specific corporate objectives and should conduct both internal and external analysis.

2.2.1 Internet Service Providers in Kenya.

The Internet industry began in Kenya in 1995 with the registration of African Regional Center for Computing (ARCC). Since then, the industry has been growing steadily. Since January this year, the number of players in the industry has doubled. In January 2000, there were only 22 licensed players in the industry but as at August, there are now 40 registered ISPs according to information obtained from the Internet Service Providers Association of Kenya and the Computer Association of Kenya. These two associations define an Internet Service Provider as a company giving access to the Internet. The Internet Service Providers Association estimate that the number of Internet users is currently between 50,000 – 70,000 and this is expected to reach the 100,000 persons before the end of the year 2000. With the projected increase in numbers and in an economy that is becoming increasingly market oriented, the key success factors are changing. Success is now dependent on value added on basic services provided, customer satisfaction competitive strength, and cost reduction.

Firms have therefore to adjust themselves to the new environment that gives great challenges in terms of demands on the firms and competition. This situation suggests the need for strategic management to ensure survival and also to ensure that firm's stays a step ahead of the competition. In-order to sustain their performance and continue to survive, firms will need to have mission statements, set organizational objectives, plan. They will also need to scan the environment for any threats and opportunities, undertake an internal analysis for the strengths and weaknesses and address these in light of the opportunities and strengths presented by the external environment. After this has been done, firms should then select the strategy to adopt, implement and continuously evaluate as the environment in which they operate in demand.

CHAPTER 3
RESEARCH METHODOLOGY

3. 1 INTRODUCTION

This chapter outlines the steps undertaken in executing the study. Inclusive are the specific methods and procedures used in the collection, measurement and analysis of the necessary data. It begins by restating the study's objective.

3.2 OBJECTIVE OF THE STUDY

The Study had one main objective:

To establish and document the strategy practices within the commercial Internet Service Providers (ISPs) registered and operating in Nairobi, Kenya.

The practices investigated were derived from the model of the strategic management process presented earlier on. These are the following:

a) Mission statements.
b) Objectives and objective setting.
c) Planning- purpose, horizons, mix of plans developed, participation and formality in planning.
d) Environmental scanning.
e) Strategies and strategy development.
f) Industry analysis.
g) Competitor analysis.

h) Role of the Chief Executive Officer.

i) Role of the Board of Directors.

3.3 SCOPE OF THE STUDY

The focus of the study was on the registered and operational commercial Internet Service Providers based in Nairobi, which was established to be eighteen (18). These were: AfricanOnline, Alphanet Communications, Kenyaweb, Gateway Online Communications, Global Telecomms, Insight Technologies, Interconnect Limited, Mistuminet, Nairobi Net, Skyweb Technologies, Swift Global, Texada Limited, Todays Online, Wananchi Online, Flexible bandwidth Services Limited, Bidii, Net 2000, and Africa Regional Center for Computing.

The study took a rational-analytical approach to strategy development, which viewed strategy formulation as a deliberate and rational process. Such an approach has been adapted in studies documenting corporate planning practices in Africa. These include Woodburn (1984), Adegbite (1986) and Fubara (1986). The same approach was also used in Kenya by Aosa (1992), Karemu (1993), Shimba (1993) and Njuguna (1996).

In terms of the dimension, the study was cross-sectional in nature. It would not have been possible to carry out a longitudinal study which would have observed possible changes over a long period of time due to time constraints. A census of the population was done.

3.4 RESEARCH DESIGN

This was the plan used to undertake the study, the important issue being the specific methods chosen, based on the study's objective and the type of data to be collected. Information needed for the study required the collection of both quantitative and qualitative primary data. Quantitative data was necessary to facility comparison. Qualitative data was important because of the small size of the population which brought in the need to get as much deep and rich data to augment the quantitative data. This also brought in flexibility in the data collection process.

Emory (1985) and Boyd et al (1990) have cited surveys and observations as the two major techniques of primary data collection. Due to the study's data requirements, a survey format was found most appropriate as the practices investigated could not be observed.

3.4.1 Type of Survey

After the survey format was selected, there was need to be more specific about the survey mode. Survey data collection modes include personal interview, telephone, mail and even computer-assisted interviews (Sekaran, 1992). Each of these modes have their advantages and disadvantages. Using personal interviews, one is able to obtain detailed information from the respondents. One can also gather supplementary information by probing with additional questions. Give then the size of the population, the researcher felt this was the most effective, given that there was need to have long interviews with respondent managers in order to obtain qualitative information as well as supplementary information. Mail surveys were eliminated because they are poor at handling complex questions and have additional risk of low response rate.

3.4.2 Types of Interview

Sakaran (1992) identified two types of interviews: structured and unstructured. The study used both types of personal interview methods. The structured interview method was used for collecting standard and numeric data as outlined in the questionnaire (annex 2). The researcher personally administered the questionnaire. The questions were derived from empirical studies and the model of strategic management process presented in the literature review. Modifications were made after the interview process had started on questions that were not easily understood. Probing was used to get detailed information about the respondents businesses. Individual interviews were conducted and in some cased, more than one manager was interviewed because some of the information required was of technical or sales nature and these were not always known by the respondent. It was not possible in all cases to have the Chief Executive Officers respond the questionnaire given that most of them were busy people and some were out of the country. In cases where the Chief Executive Officers were not available, the interviewed persons were the Sales and Marketing managers or the technical managers as this were said to have a better understanding of the businesses. In some cases, Account Executives were interviewed.

3.4.3 Data Collection

Contacts were established with all companies by physically visiting them with the letter of introduction and the questionnaire (appendices1 and 2). These were hand-delivered to the target managers requesting for their participation in the study. Where the respondents were available, interviews were conducted on the spot. Where the respondents were not available for interview, an appointment was sought. Of the eighteen (18) targeted companies, access was gained with fourteen (14). One company was said to have merged with another and three (3) declined to participate citing various reasons such as lack of time to be interviewed. The response rate was 77% with all respondents completing the interview. This response rate was high compared to that achieved in similar studies including Njuguna (1996) 67% , Shimba (1993) 56%, Karemu (1993) 55%, Aosa (1992) 15%, Woodburn (1984) 7%, and Adegbite (1986) 5%.

The Interview process was carried out in two stages. First stage involved an unstructured interview with the respondents providing answers questions asked spontaneously by the interviewer. The structured interview followed the format in the questionnaire with information required as outlined in the questionnaire and where clarification on questions was required, this was given. The purpose of the questionnaire was to keep the interview on course. The unstructured interview provided additional data and information that would not have been otherwise captured by the questionnaire.

3.5 DATA ANALYSIS

3.5.1 Questionnaire Editing and Coding

At the end of the interview process, the completed questionnaires were edited and coding was done. This enabled the basic statistical analysis to be carried out. Field notes taken during the unstructured interview were edited and updated to ensure that no details were omitted.

Simple descriptive statistics i.e. proportions, percentages and frequency distributions were used. In addition, measures of both central tendency and spread were used to compare certain characteristics of the commercial Internet Service Providers. These statistical measures were sufficient to enable basic comparison to be made. For ease of the analysis of the data, all companies were coded from code C1 to C14.

3.6 LIMITATIONS OF THE METHODOLOGY

According to Backstrom and Hursch (1981), survey research has certain weaknesses. Surveys are obtrusive and are therefore not discrete research instruments. In this context, the respondents interviewed were fully aware that they were being interviewed and this could have potentially affected their responses. Using the survey also meant that the researcher had to rely on self-reporting by the respondents about their companies and such self-reporting may not always be true or accurate. Limitations as pointed above, arose out of using the survey mode for data collection.

The use of the questionnaire meant that the researcher predetermined the questions which the respondents were expected to answer. It was also assumed that the respondents could answer all the questions. However, there were cases where the respondents answered questions according to their understanding. Again, this provided another limitation to the survey method.

There was confidence however, that these limitations did not impair the results. Extra caution was taken to minimize as far as possible the potential effects of these limitations. This included re-framing the questions to the respondents if it appeared complicated or when it was not clear what was sought.

CHAPTER 4

DATA ANALYSIS AND FINDINGS

This chapter presents and discusses the finding of the study. The results are then presented on the basis of the arrangement of the strategy aspects investigated in the questionnaire. Qualitative data obtained in the study enabled the researcher to gather rich and deep supplementary data. This has also been incorporated into the body of the research findings.

4.2 COMPANY PROFILES

The background information provided by the respondents, plus the additional information available on each respondent's web-sites enabled the researcher to develop a profile for each responding company.

4.2.1 Company C1

The company was started by three Kenyans studying in the United States of America (US) in 1994 as a way for Kenyan students studying there to exchange information using the power of the internet. It's core business remains the provision of Internet services. With a leading presence in seven other African countries, this company is considered a leader not only in Kenya but in Africa. The company commenced trading on the Nairobi Stock Exchange in March 2, 2000 and was acquired by a United Kingdom listed Company on 26th October 2000. The company plans to expand to twelve African countries by the end of year 2000. The company has been involved in a number of acquisitions having acquired a rival Internet Service Provider and a Web-designing company in Kenya in the year 2000.

The company prides itself in providing tailor-made solutions for its clients. This includes a 24-hour customer service operation that operates seven day a week. They cater for all types of clients - individuals and corporate in their provision of internet services. The services offered by the company are: electronic mail, web-design, maintenance and Hosting, leased lines, electronic fax, online newsletter, advertising, and domain name registration. The company has recently introduced an Internet service for the public in partnership with a leading International bank and is already working on another partnership with a leading multinational oil company. The company's vision is to be the:

"Internet gateway to, from and within Africa"

4.2.2 Company C2

This company was founded in 1995 to serve the East African region with Internet connectivity and exposure. It provides solutions that include electronic mail facility, electronic mail to fax facility, domain name registration, web-site design, maintenance and hosting. The company employs a strategy of partnering with professionals to review a potential client's short and long term goals and design for them the tools to use with their "internet based" strategies. This is a strategy they feel sets them apart from others as they do not claim to be experts in all internet technologies. The company re-launched itself in the month of October 2000 and changed its name signifying a change in strategy and business orientation. It also physically moved offices to signify the change.

4.2.3 Company C3

This is a company that started as a computer supplies firm dealing with the Gateway brand of computers hence the name. In 1999, the saw the potential of the Internet and started providing services in that area. They offer the services of electronic mail, web-design, maintenance and hosting, domain name registration. They have a 24-hour customer service and host stock market results in eleven countries in Africa through a unique service called "commerce Africa" They plan to provide electronic commerce services in the near future.

4.2.4 Company C4

The company started back in 1994 as a cabling and network supplier company and in 1999 evolved into providing internet services having seen the business potential. Their vision is to provide a one-stop solution to their clients and to this end, they opened an office in Dubai to facilitate what is otherwise hard to provide from Kenya due to the infrastructure problems.

4.2.5 Company C5

This company was established in 1997 to offer internet services and has a presence in Nairobi and Mombasa. They provide electronic mail, web-design and hosting services, and have a web directory that one can use. Their main focus is corporate clients and focuses their advertising campaign to them depending on the events.

4.2.6 Company C6

The company was established in Nairobi in 1994 and is placed second in the industry. The company offers electronic mail services, web design, maintenance and hosting, and domain name registration. It also provides online debit/credit facilities. The company intends to provide complex electronic commerce solutions by the year 2001. It provides information on their web-site in both English and Kiswahili hence reaching a majority of Kenyans. They also provide a 24 hour customer service facility.

4.2.7 Company C7

The company was established in 1996 as an Internet Service Provider. They consider themselves as innovators in the internet business and provides services that its competitors do not yet provide. One unique service provided by this company is the "East African Eellow pages" - an online business directory for East African businesses. On the "Eallow Pages" the company has sought strategic alliances with a certain radio station such that advertisements on the site can be aired on the radio at a discounted rate. It plans to offer electronic commerce solutions in the future.

4.2.8 Company C8

This company started operations in December 1999 and has a state-of-the-art equipment and excellent technical services and customer relations which they feel places them ahead of their competitors. Their marketing strategy revolves around web designing and advertising. They however offer electronic mail services, web maintenance and hosting, electronic mail to fax services, and provide free e-mail addresses for those interested. The company plans to expand to other towns in Kenya.

4.2.9 Company C9

This is a significant player in the market and provides internet access and has recently partnered with a German firm called "Software AG" so as to sell electronic business software for optimizing business operations. The company provides internet access to firms in various categories and gives web-design and hosting services in addition to domain name registration.

4.2.10 Company C10

This company was established in 1999 to offer Internet services in Kenya. They pride themselves as being the "Best Internet Service Providers in Kenya". They provide electronic mail services, web design, maintenance and hosting services. They also provide unique services such as provision of 40,000 pages of real time financial information enabled by some strategic partnership with a financial company - Bridge Telerate Financial. The company has other special services that provide affordable and efficient Internet access to corporate clients such as cabling an entire building and all clients in the building access the cables for internet connection. This works out to be cheaper and a preferred option for most corporates. The company has been providing points of presence in major towns in Kenya and this, according to the respondents is

"keeping our customers once step ahead"

The company's vision is

> "Expanding online services initially in Kenya and later o the rest of Africa by exploiting various possibilities that the Internet Services have to offer".

Hence the motto " keeping you one step ahead" which aims at simplifying technology to suit the end users daily online usage. Their ultimate goal is to bring together 700 million people through online communication. The company considers itself to be in the business of connectivity, content and communication and this also form their objectives.

4.2.11 Company C11

This company started operations in March 2000 and offers "unlimited Internet access and e-mail services to members. The company's vision is;

> "To improve the knowledge and welfare of the people of Africa by facilitating easy, affordable and high speed internet and information services within the region".

To this end, the company aims to expand to Uganda, Tanzania and South Africa in the next two years giving affordable services to the public. The company's mission is to be;

> "...a responsible customer focused company providing reliable and professional Internet protocol and information services to its clients..........to guarantee our clients high speed connectivity, unsurpassed reliability, PLUS unbeatable customer service and price. In addition, we will develop the potential of our staff through training in areas of their expertise to enhance personal growth for peak performance".

4.2.12 Company C12

This company was established in 1996 to offer Internet services. Its focus was on offering the services to the rural towns since the management felt that this services were only available for the public in Nairobi. The company expanded to the major towns and had a good presence. Earlier this year, the company went into a strategic partnership with one of the bigger players in the industry who was by then expanding to the rural towns. Through this partnership, the company plans to use the use the alliance to spread to other parts of Africa with a rural concept.

4.2.13 Company C13

The company was established in 2000 by one of the other leading Internet Service Providers to offer internet access the larger public who could not afford to pay what the high service providers were charging. The company's strategy was a cost-leadership strategy where they would compete with other internet service providers on the low end of the market which it believes has a high potential for growth.

4.2.14 Company C14

This is another company that was established in 1999 for the low end of the market to offer Internet services at a cheaper rate than what most of the other internet service providers were giving. The company also has a cost leadership strategy and believes that by providing Internet access at affordable costs, the larger public will have access and benefit from the use of the Internet. It's current focus is electronic mail but will gradually develop other services to offer as their clientele develops and demands for this services.

4.3 COMMERCIAL INTERNET SERVICE PROVIDERS CHARACTERISTICS

Certain characteristics of the Internet Service Providers were investigated. These included the age, ownership, number of employees, internet services provided, Internet Accounts that the firm had and the services it intends to offer in the next 6 months. The results are presented in Tables 4.1, and 4.2.

Table 4.1 Age of Company, Ownership, Directors, Staff, Accounts and Expansion

Company	Age in years	Ownership	Directors	No. of staff	No.of Accounts	Expansion
C1	6	Local/Foreign	5	89	8,500	Pan-African
C2	5	Local	4	30	1,700	East Africa
C3	2	Local	2	28	110	Kenya
C4	2	Local	2	27	420	Global
C5	3	Local	7	30	2,500	Kenya
C6	4	Local/Foreign	2	42	2,700	East Africa
C7	4	Local	3	30	2,000	Kenya
C8	2	Local	2	23	250	Kenya
C9	3	Local	3	32	1,200	Kenya
C10	2	Local	5	28	700	Kenya
C11	1	Local	2	20	1000	Africa
C12	4	Local	3	27	1,300	Africa
C13	1	Local	2	15	100	Kenya
C14	2	Local	2	21	350	Kenya

Source: Interviews

Various conclusions can be drawn from an analysis of the data available in table 4.1 as follows: The average age of the companies was 2.9 year - approximately three (3) years. Companies C7,C9 and C12 fell within this range. Only two companies have been operational for over five years. It was also noted that twelve out of the fourteen companies were locally owned which is a percentage of 85% of all companies interviewed. 15% of the companies were jointly owned by locals and foreigners. The average number of directors was established to be three directors per company, where as the average number of accounts held per company was established to be one thousand six hundred thirty (1630) with companies C2 and C12 being the closest to the mean and Companies C13 and C1 differing widely from the average. On the expansion, 57% of the companies interviewed had intentions of expanding to other towns within Kenya, 14% felt they had enough presence in Kenya and wanted to expand to other East African Countries, 21% already had a foothold in East Africa and wanted to expand to other African countries where as 7% wanted to have a global presence.

Table 4.2. Services the Company Provides

Service Type	Number of companies providing it
Electronic Mail	14
Web-Design	10
Web-Hosting	8
Web-Maintenance	8
Corporate Leased Lines	8
Advertising	14
Domain Name registration	14
E-mail to fax facility	5

Source: Interviews

Table 4.2 shows that all the fourteen companies that responded offered e-mail services to their clients in addition to registering the domain names for the clients and giving advertising space on their web-site. Only 71% of the companies that responded offered web-design services and 57% offered web-design and hosting services. A new service that 36% of the respondent's firms had introduced was the electronic mail to fax facility which enabled one to send an electronic mail to a fax machine. This was seen as a value adding service that differentiated the providers from the rest.

All companies interviewed said that they intended to expand in the next 6 months but would not divulge the information given that the industry was heavily reliant on information and giving this out would arm the competition. As such, no analysis was done for this question as they all broadly said they would expand into the field of electronic commerce but were not specific.

4.4 RESEARCH FINDINGS

4.4.1. Mission statements

All the respondents indicated that their companies had mission statements which were also understood to mean the company vision. There was no clear distinction between the two. The vision and mission statements were directed either to the geographical expansion or to superior customer service levels as the respondent in company C1 said

> "Internet gateway to, from and within Africa"

> "to improve knowledge and welfare of the people of Africa by facilitating easy, affordable and high speed internet and information service within the region"

All respondents said that the mission statements and/or vision were written down and communication to the staff members and customers was either done through their web-sites or in informal and formal meetings that the companies held. A check on all web-sites showed that only four of the respondents had their vision or mission statements on the web-site, which is 28% of total respondents.

4.4.2. **Why the firms were established and their Objectives**

Table 4. 3 Why the firm was Established

Reason for Establishment of the firm	Number of Respondents
To Offer Internet access	11
To offer computer related services	3

Source: Interviews

All the respondents said that they were in the business of providing Internet access to their customers through the use of the World Wide Web. As indicated in table 4.3, only eleven (11) of the fourteen (14) - i.e. 78.5% started by offering Internet services in the form of e-mail. The remaining 21.5% started by offering other computer related services such as selling computers and only moved into providing internet services when they saw the opportunity to add value to their services.

Table 4.4 Objectives

Objective	Frequency	Proportion %
Customer Focus	14	100
Geographical expansion	14	100
Expansion into other Kenyan towns	8	57
Expansion to East Africa	2	14
Expansion to Africa	3	21
Expansion beyond Africa	1	7
Profitability	14	100

Source: Interviews

All respondents felt that their companies set objectives and the table above outlines the objectives set, the frequencies and proportions. Customer focus and geographical expansion were the most frequently cited objectives as the table above shows. Table 4.4 also shows, different companies understood geographical expansion to mean different regions depending on the companies objectives and their level of penetration of the existing markets. On the objectives setting one respondent said that objectives set determined the level of technology sophistication required and also the kind of customers to target. For example if a company needed to expand to another country, they would need to have the proper infrastructure to do this in the form of technology and presence. This, he cited was the reason most companies were concentrating on expanding locally by establishing points of presence or acquiring existing Internet service operations as they did not have the infrastructure to expand to other countries. Only after the local infrastructure was developed would the companies then move to other countries. All respondents said that the management set the objectives as these were the people who provided direction to the companies. One Account executive interviewed confirmed this:

> "our senior managers set the company's objectives and then inform us what we are required to do to achieve them…..the information can passed in a formal or informal meeting" (Source: Account Executive Company C3)

All respondents said the objectives were written down. Profitability came up as a key objective that was dependent on the firms' meeting all other organizational objectives. As table 4.4 shows, it had a proportion rating of 100%. Profitability of a firm and the meeting of objectives were also tied to a firm overcoming the major hindrances mentioned in table 4.5 below the most critical being the infrastructure.

Table 4.5 Major hindrances in setting objectives

Hindrance	Very Important	Important	Least Important
Dynamism in the Sector	8	3	3
Regulatory Framework	2	7	5
Infrastructure	10	4	0
Public awareness of the power of the Internet	3	9	2

Source: Interviews

4.5 PLANNING

Table 4. 6 Types of Plans used

Types of Plans	Frequency	Proportions %	Written	Developed by
Long range (over 5 years)	0	0	No	Not applicable
Short range (0-1 year)	14	100	Yes	Management
Functional	14	100	Yes	All staff

Source: Interviews

All respondents interviewed said that they had both formal and informal planning sessions. As table 4.6 shows, most used planning horizon was 0-1 year and most of the plans were written. Functional plans were also prevalent. There were no timetables for planning and no clear-cut responsibilities. According to one respondent

> "the industry was too dynamic to be tied to timetables and assigned tasks for planning……" (Source: Marketing Manager Company C12)

Short-term plans were prevalent due to the dynamism of the industry and the plans originated from the management. It was from the short-term plans that functional plans were derived. The functional plans were however discussed by all staff concerned so as to operationalise them.

4.6 STRATEGIES AND STRATEGIC PLANS

All companies interviewed said that they had developed some form of strategies for operation. These strategies were formal and written down in the form of mission statements, short terms plans these were then translated into operational plans. These strategies changed as the environment demanded.

4.7 ENVIRONMENTAL SCANNING

All respondents interviewed said that they gathered external information to assist in strategy making. This was in relation to customer satisfaction, number of customers and general technological developments. Respondents from Company C1 said that they hired research firms to assist them in getting information on customer size from the competitors. This company had also employed technology that was able to track their customer size and internet habits. All respondents said that they occasionally gathered external information from the competitors' web-sites and also from the customers who had moved over from competition, which was a very common occurrence. The function of environmental scanning in all companies fell under the Customer service department, which was a department present in all companies that responded. The scanning was done systematically and information gathered was recorded and analyzed to develop appropriate strategies.

4.8 COMPETITOR ANALYSIS

All respondents said that they regarded competition as all other commercial Internet Service Providers. However on further probe, most were keen to define their immediate competition as those companies with Internet Account holders numbers nearest to theirs. In this regard, company C1 stood out as being further than all others, as their account numbers were at least three times more than that of the nearest. Information about competition was gathered from the Media - both print and electronic as well as from the competition's web-sites.

Table 4. 7 Mean score on the importance of competition aspects

(The lowest score is 1.0 and maximum score is 5.0)

Industry Aspect	Mean Score
Number of competitors	3.5
Possible new entrants	3.0
Financial strength of competitors	2.75
Marketing practices	4.75
Physical and human resources of competitors	3.75
Goals of competitors	4.80

Source: Interviews

From table 4.7 above, it is clear that the goals of competitors were considered by all respondents to be very important hence the mean of 4.80, followed by the marketing practices of the competitors with a mean score of 4.75. Of least importance was the financial strength of the competitors, with a score of 2.75. Probing revealed that this was so because minimum finance was required to set up the main infrastructure required to operate.

4.9 INDUSTRY ANALYSIS

Table 4.8 Company ranking in terms of number of accounts

Position	Company
1st	C1
2nd	C6
3rd	C5
4th	C7
5th	C2
6th	C12
7th	C9
8th	C11
9th	C10
10th	C4
11th	C14
12th	C8
13th	C3
14TH	C13

Source: Interviews

Key factors determining the success of the industry was cited by all to be the number of client accounts and hence the ranking given in table 4.8 above is done in order of firm with most clients being ranked 1st and that with least clients ranked 14th. In addition all respondents said that customer service was crucial as unsatisfied customers usually signed their requests with other competing companies. This was established to be the reason why all companies had a customer service department and four of the companies had this department manned 24 hours a day, 7 days a week. Company C1 was planning to put in place an automated customer relationship management system.

Table 4. 9 Importance attached to industry aspects

Aspect	Frequency	Proportion %
Government Regulations	14	100
Industry growth rate	14	100
Exit entry of firms	14	100
New strategic focus in industry	14	100

Source: Interviews

Table 4.9 shows that all respondents considered the above mentioned aspects of the industry as very important depending on the circumstances. Government regulations were said to be very crucial at entry in terms of licensing fee and creating a liberalized communications sector. Industry growth rate and exit entry of firms was also key for all companies as this determined the environmental challenges posed. Very crucial was the strategic focus in the industry as all firm would tend to align themselves accordingly.

4.10 ROLE OF THE BOARD

The role of the Board of Directors was cited to be very important by all respondents. As table 4.1 shows, the average number of directors per company was established as three (3), with company C5 having an extreme with 7 directors. In all the fourteen (14) companies, one key person that held an Executive Director's position was the Technical Director. This was said to be crucial since the industry is heavily reliant on technology and as such, a technical director was required to provide the direction and advice on appropriate technology. All the directors in the fourteen (14) companies were executive directors involved in the operations of their companies in one form or another. The main duties of the Board were said to be;

a) Provide vision and direction and leadership for the company.

b) Set the companies short-term goals.

c) Formulate organizational strategies

d) Set organizational objectives.

e) Undertake functional duties as required.

f) Provide guidance on the future developments of the company.

4.11 DISCUSSION OF RESULTS

The commercial internet service providers investigated in this study in respect to their strategy practices showed that all practicing strategy in one aspect or another. Some were cited to have mission statements, to set objectives, be involved in planning of one form or another and even carried out environmental and industry scanning. These attributes of strategy practice are clearly brought out in the research findings. All the companies did practice strategic management but this varied in application due to the age of the firm, exposure of the managers to global events, and also due to the speed at which decisions in the firms were made. Only the two (2) firms with over five (5) years existence showed presence of strong strategic management practices. They had very formal processed and the mission and vision of the firms was quite defined. They understood why they were in business and their key success factors and were therefore very formal in their approach to strategy as compared to the others.

Most of the staff comprising management in all responding companies were staff who had university education and due to the nature of their work, had traveled to other countries and therefore were exposed to global happenings.. This meant that they had the academic ability to translate their findings into organizational objectives and practices. Availability of managerial support - the Chief Executive Officer and senior management enabled them to undertake some form of strategy practices as cited in the research findings. Two companies C1 and C11 undertook serious training of the staff and this was also a factor that contributed to their rapid growth.

The nature of the industry is highly competitive and as such, competitors have to try and stay ahead of the competition. Where the environment was very turbulent for example through competition, most firms sought the option of geographical expansion to newer markets preferably with little or no competition. Firms also sought to provide value added services that would differentiate them from the competition. All firms were interested in profitability and they said that this could be achieved through superior customer service that would ensure customer retention. Profitability could also be achieved through geographical expansion which would bring in new customers.

At the time of the study, the communications sector was getting liberalized and this was said to contribute to the number of new players and hence importance attached to marketing practices of competition and new players. A significant reduction in license fee meant that more players were now coming into the market and the only way the firms could differentiate themselves was by adopting various strategies. As cited in the findings, some players adopted a cost leadership strategy (Company C11) and despite being only in business for one year, this company was able to rank 8^{th} with 1000 accounts. Others adopted a differentiation strategy by offering unique benefits to their users (Company C1) has a loyalty club.

4.12 COMPARISON WITH OTHER EMPRICAL STUDIES

The section seeks to compare the findings of the study with findings from similar studies strategy practices. Njuguna (1996) found that strategic management was being practiced and oil companies attached greatest importance to the strategy and marketing practices of their competitors. New entrants were ranked second last of their concerns. The financial strength of the competitors was ranked last in importance. Karemu (1993) also found out that strategic management was being practiced. She also found out that the strategies were informally developed and rarely communicated to employees. She also found out that the supermarkets attached greatest importance to the number of supermarkets in the industry with respect to competitors. The strategies and marketing practices of competitors were ranked second in importance. They ranked competition from other retail shops as last in importance. With regard to competitor analysis, Shimba (1993) found that 85% of the financial institutions indicated that they incorporated various aspects concerning their competitors in the development of their strategic plans. 80% of them collected information on their competitors though they relied on simple procedures such as annual reports and market sources.

The study done also established that strategic management was carried out amongst the Internet Service providers to varying degrees. Those that had been existence for over five years had formal written down strategies, had written down mission statements, and vision which were communicated to all staff members. The relatively young firms - below 5 years were in the process of formalized the strategic management process and did some things formally and others informally. This research shows that 85% of the firms interviewed put a lot of emphasis on the strategy practices in terms of marketing strategy and goals of competitors and these were important in developing the critical client mass before they could look at other strategies. The 85% comprised of firms below 5 years of age. When it came to strategies used by their competitors, this is also very important as well as the goals of the competitors as most players were competing in the same turbulent arena. Environmental scanning and industry analysis was done using technological platforms such as the competitors web-sites and also from the customers and the press where firms were able to get a lot of information.

CHAPTER FIVE

SUMMARY AND CONCLUSIONS

5.1 INTRODUCTION

This chapter discussed the study's findings in relation to the theory on strategic management illustrated by the model presented in Chapter two. The model used highlighted various elements of strategic management which included defining the mission statements, objectives and objectives setting, planning environmental scanning, strategies and strategy development, industry analysis, competitor analysis, the role of the Board of Directors.

5.2 SUMMARY OF THE FINDINGS

All commercial Internet Service Providers studied indicated that their companies had mission statements though this was also understood to mean the company vision. The mission statements were related to the objectives of the companies and this had to do with growth in terms of geographical expansion or through maintaining superior customer service. All respondents said that their mission statements were written down and communication to staff and customers was either done through their web-sites or informal and formal company meetings. A check on all web-sites showed that only four (4) of the respondents had their vision or mission statements on their web-sites. All companies said that they were in the business of providing Internet access to their customers.

On the objectives and objectives setting, geographical expansion and customer focus were key objectives and were rated as being very important by all. Geographical expansion was understood to mean different regions depending on the company's objectives and their level of penetration of the existing markets. Objectives setting was done by the management and depended on the level of sophistication and the kind of customers the companies targeted. Major hindrances in objective setting were said to be the infrastructure and dynamism in the sector as the two key factors.

All companies interviewed had short-term plans ranging from 0-1 year and these were normally drawn up by the management. This was said to be crucial because of the dynamism in the industry and the fact that management were the ones who kept abreast with changes in the environment. As one respondent put it;

"in the Internet business, 6 months plans are obsolete"

Source: (Company C1)

All companies interviewed employed both formal and informal planning sessions. In relation to the strategy and strategic plans, all companies were found to have some form of strategies for operation, which were however not disclosed and they were deemed to be very confidential. The industry was heavily reliant on information and disclosing a strategy was opening up to competition.

Gathering of external information through environmental scanning was said to be very crucial given that the industry was heavily reliant on it. Information was sought on customer satisfaction levels, technological developments in the sector and marketing practices and goals of competing industry. This was done through the use of research firms by companies such as C1 or through visiting the client's web-sites to see the changes and trend and also from customers who had changed from one company to another, which was said to be a very common occurrence.

Competitor analysis was very crucial as well because the business was all about knowing what your competitor was up to. The bigger companies looked at competition at two levels, global and local, where as the smaller firm looked at competition in terms of the companies closest to them in terms of the number of accounts that each had. In this regard, one company - C1- stood out from being considered as competition as it had three times the number of clients with the second ranking company. This was company C1. Information about competition was gathered from the media - both print and electronic, from internet platforms such as the competitors web-sites and from competition itself e.g. during launch of various services. In relation to the various aspects of competition and from analysis on table 4.7, the goals of competitors hand a mean score of 4.80, closely followed by the marketing practices at 4.75 and this explains the significance of competitor analysis. The physical and human resources of competitors was also important at it was given a mean of 3.75 against a maximum of 5. This was explained in that physical resources such as the technology in place and the human resources employed would give a firm a competitive advantage in terms of differentiating it from the competition. An example in this case was company C1 which had installed a state-of-the-art billing system which was also able to track the habits of their clients and in this way, the company was able to give value-added service specific to clients habits. This way the company differentiated itself from the rest.

Key success factor in the industry was given as the number of accounts held by each firm and the types of accounts these were as these two determined the profitability levels of the companies. In addition, all respondents said that customer service was a key success factor and most offered this service 24 hours a day 7 days a week. The reason given for this was that unsatisfied customers usually signed up with other competing companies. Government regulations, industry growth rate, exit entry of firm, and the strategic focus of the industry were said to be important too depending on the circumstances. The role of the Board of Directors was said to be key given that most sent the objectives for the firm and were all executive and active in various functions of the business. In all companies interviewed, a key director was the technical director who also coupled up as the manager of the technical department. This was attributed to the fact that the industry was heavily reliant on technology.

5.3 SYTHESIS

Findings in this study show that strategic management practices among commercial Internet service providers in Kenya are in line with the strategic management theory which states that companies should develop mission statements, organizational objectives and should conduct both an external and internal analysis. The practice of strategic management in the commercial Internet service providers in Kenya can be attributed to their access to real-time information on the trends in the developed world. This influences the management systems adapted by the companies. Secondly, most these outsource some technological functions from the developed world and this contact also enable them adopt certain practices. In the literature review, it was mentioned that strategic management started from the developed world.

5.4 IMPLICATIONS OF THE STUDY

From the findings obtained from the study, it is evident that commercial Internet Service Providers undertake various aspects of strategic management. They for example come up with mission statement or organizational vision, which defines, where they see themselves in the future however short the future. They have some form of planning which implies that they do not just "get by". Given that companies operate in an environment that is turbulent, and the Internet business itself is very turbulent, it is only logical that these companies employ certain strategic management practices to ensure that they not only survive but thrive by adding value to their customers.

As stated in chapter one, the Internet business is very turbulent with so many players coming into the field and new technologies developing continuously. Companies have to continuously arm themselves to face the challenges. In addition, the sector is currently undergoing liberalization and more so the need to embrace strategic management in order to ensure that the players survive and thrive and thereby satisfy the shareholders as they will then be operating profitably.

5.5 LIMITATIONS OF THE STUDY

Limitations of the methodology employed in the study were pointed out in Chapter 3, which arose from the use of the survey mode of data collection. As earlier stated, the weaknesses of the survey method of data collection were potential limitations to the study. Other limitations that arose from the nature of the study were;

a) A census of the 18 operational commercial Internet Service Providers was not done because three refused to participate and one was said to have merged. This reduced the number of firms interviewed to only fourteen, and this may have affected the results.

b) The study focused on the rational-analytical approach to strategy, which meant that the behavioral aspect was ignored and the findings given therefore relate the strategy practices from a rational-analytical approach.

c) Comparison of the study with other similar studies done in other types of companies namely studies done in the oil sector, the financial sector, and the supermarkets. The differences in the sectors studied could account for the variation in the strategy practices, which affected the comparisons. The above limitations should therefore be considered when evaluating the research findings as this will help put them in the proper perspective.

5.6 SUGGESTIONS FOR FURTHER RESEARCH

Research in strategic management in Kenya is still at its infancy and therefore one could take similar research to other sectors of the Kenyan economy. One could also select fewer aspects of strategic management and cover them in a much wider perspective so as to give additional insight. Another area one would consider would be to look at strategic management aspects from a behavioral point of view as the findings here were from a rational-analytical approach to strategy.

5.7 CONCLUSION

The study sought to establish the strategy practices within commercial Internet Service Providers in Kenya. Fourteen out of the eighteen companies were investigated and it was found out that commercial Internet Service Providers do strategic planning. They have mission statements, set objectives, undertake planning on short term horizons, undertake both and environmental analysis and competitor analysis and also do an internal scanning of their strengths and weaknesses so as to match this with the opportunities and threats presented by the competitor and environmental analysis. This helps them plan on the strategies to adopt and also in implementing those strategies.

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P.O. Box 30197
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DATE: 11TH OCTOBER 2000

TO WHOM IT MAY CONCERN

The bearer of this letter: PAULINE W. MBAYAH

Registration No: D/61/P/7995/98

is a Master of Business & Administration student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some 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.

Thank you.

M.B.A. OFFICE
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UNIVERSITY COMMERCE FACULTY

DR. MARTIN OGUTU
LECTURER & CO-ORDINATOR, MBA PROGRAMME

MO/ek

QUESTIONNAIRE

SECTION I

COMPANY DATA

1. Name of the firm…………………………………………………………………..
2. Year when the firm was established……………………………………………………
3. Company Ownership

   Local [ ]

   Foreign [ ]

4. Number of Directors……………………………………………………………………
5. Number of employees…………………………………………………………………..
6. Please give the number of employees in the following departments;

   Management……………………………..

   Technical………………………………..

   Customer Service………………………..

   Internet Business Solutions……………..

   Finance & Administration………………..

   Sales and Marketing………………………

7. Name the Internet Services that the firm currently provides

   Electronic Mail [ ]

   Web Design [ ]

   Web Hosting [ ]

   Leased Lines [ ]

   Other (Please specify) [ ]

8. How many Internet Accounts do you currently have and in what categories……

Category	Number of Accounts
…Dail-up……………………………………………………………	
……………………………………………	………………………
…Leased Lines…………………………………	……………
……………………………………………	………………………
…Other (Please specify………………………………………	…….
……………………………………………	………………………

9. Name the Internet Services that the firm intends to provide in the next 6 months……...

…………………………………………………………………………………………………

…………………………………………………………………………………………………

10. Have you experienced any expansion since the firm was established? Yes [ ] No [ ]

11. If yes, in what ways have you expanded ……………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

12. What factors contributed to this growth and expansion?………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

…………………………………………………………………………………………………

GENERAL INFORMATION AND STRATEGY PRACTICES

SECTION II: GENERAL INFORMATION

1. Title of the respondent:..

2. How Long have you been with the firm...

3. Please state your academic and professional background...............................

....

....

....

4. How many years of experience do you have in current industry sector................

SECTION III: STRATEGY PRACTICES

Vision, Mission, Objectives

1. Does the firm have a Vision Yes [ ] No [ ]

2. If yes, what is the Vision..

....

3. Does the firm have a Mission Statement Yes [ ] No [ ]

4 If yes, is the Mission Statement written down Yes [ ] No [ ]

5. How is the Mission Statement communicated across the firm..............................

....

6. If the answer to question 4 is no, why not..

7. Has the Mission Statement ever been changed Yes [ ] No [ ]

8. If yes, what are the prime reasons that necessitated the change?..........................

....

9. What business do you consider your firm to be in?...

....

10.Why was the firm established..

11. Do you set objective for your firm Yes [ ] No [ ]

12. If no, why not? ....

13. If yes, what are they? Please rank them in order of importance - (number 1 representing the most important and 5 the least important.)

1.

2.

3.

4.

5.

14. At what levels are these objectives set? Management [ ] Department [ ]

15. Who participates in setting objectives? Chief Executive Officer[ ] Staff members [ ] Other (specify) [ ]..

16. Are these objectives written Yes [ ] No [ ]

17. What do you consider to be the major hindrance (s) in developing the mission and Formulating your objectives? (Please rank them starting with the mot to the least important 1.

2.

3.

4.

PLANNING

18. (a) What types of plans does your company have?

(Classification by the time span – long range, short range, functional level etc.)

(b) How long ago were these plans first developed in your company?

(c) Are these plans written once they have been developed? Yes/No?

(d) Who are the participants in the development of these plans?

(e) What time periods do your plans cover? (Please tick where appropriate)

0 – 1 year

1- 3 years

3 – 5 years

5 years and beyond.

(f) Indicate whether the following features are characteristics of your planning process:

i) Formal planning meetings Yes/No

ii) Informal planning sessions Yes/No

iii) Timetables for preparation of plans Yes/No

iv) Clear-cut responsibilities for planning Yes/No

v) Existence of a planning department Yes/No

STRATEGIES AND STRATEGIC PLANS

19. (a) Has your company developed any strategies for operation? Yes/No.

(b) If so, What are they?

(c) Have you changed these strategies over time? Yes/No

(d) If so, why?

(e) Do you intend to maintain these current strategies? Why/Why not?

(f) How are these strategies developed?

(g) Who are the participants in the development of strategies? (e.g. departments, individuals, etc.).

(h) Are these strategies in written form?

ENVIRONMENTAL SCANNING

20 (a) Does your organization gather external information to assist in strategy making? Yes/No?

(b) How do you gather this external information?

(c) What do you do with the data once it has been gathered?

(d) Who is in charge of this activity?

COMPETITOR ANALYSIS

21. (a) Who are your competitors? (please list them starting with the most important)

(b) Do you gather information about your competitors? Yes/No.

(c) If yes, what kind of information?

(d) How do you gather competitor information?

(e) Please indicate the level of importance that your company attaches to the following aspects of competition (1= least important up to 5 = most important):

		1	2	3	4	5
i	The Number of your competitors					
ii	Possible new entrants					
iii	Current strategies used by competitors					
iv	Financial strength of competitors					
v	Marketing practices					
vi	Physical and human resource of competitors					
vii	Goals of competitors					

INDUSTRTY ANALYSIS

22 (a) What is the company's rank/position in the industry?

(b) What are the key factors that determine success in the industry?

(c) Does the company gather information that is unique to the industry?

(d) Please indicate the level of importance that your company attached to the following aspects of industry (1 = least important up to 5 = most important)

		1	2	3	4	5
I	Governmental Regulatory influences					
Ii	Growth rate of the industry					
Iii	Exit/entry of firms into/out of the industry					
vi	New strategic focus in industry					

BOARD OF DIRECTORS

23 (a) What is the size of the board of directors in your organization?

(b) What would you consider to be its role in the planning process in your company? (Please tick where appropriate)

Very Important [ ]

Quite Important [ ]

Important [ ]