STRATEGIC MANAGEMENT PRACTICES OF MAJOR ADVERTISING AGENCIES IN KENYA

By

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DECLARATION

This management research project is my original work and has not been submitted for a degree in this or any other University or institution of learning

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DEDICATION

I dedicate this research project to my dear wife Lydiah Mungai and sons Victor Mungai and David Mungai

To my dear Mother Naomi Mbugua, to my uncle Joseph Mbugua (Joskar) who played a pivotal role in my education, to my brothers Samuel Thuo, Evanson Mbugua and my kid sister Grace Njeri.

To my late nephew Boniface Njoroge Thuo

To the Advertising Agencies in Kenya

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ABSTRACT

The conditions of the business environment within Kenya have been volatile in the recent past especially the past six years since post second president of the republic of Kenya's 24 year rule. It is within this period that Kenya experienced economic growth stepping from -2% to 7% in year 2007 as per central bank of Kenya Economic Journal. The country experienced a kind of violence that has not been witnessed before which had ethnic cleansing dimensions and lots of destruction of property. It is against this backdrop that the economy initially booming was almost brought to its knees.

As per Central bank of Kenya Economic Journal, April 2008, the economic growth is expected to slow down to under 4%. It is also around this time that the wall Street in United States came crumbling down and with world majors stocks indexes tumbling in a bearish market that saw the world sink into a near economic recession. Some renowned *multinational giants like Lehmann Brothers, Invesco etc collapsed. In* Kenya, the stck index fell from 5460 in January to 4023 in November 2008. Most other stock indicators world such as Case 30(Egypt), Sensex (Mumbai) S&P (US), Nikkei (Tokyo) etc have all been registering massive declines.

Such changes took a toll on adverting agencies heavily in the first half of year 2008 and it is apparent that should the global economic downfall continues, the advertising agencies will not be spared especially noting that they derive their existence businesses operating within these economies.

The objective of this study was to determine the strategic management practices of major Advertising agencies in Kenya with a view to Establish if indeed the agencies practices strategic management or not and if so the extent to which established strategic management practices are adopted by the agencies.

Data was collected through questionnaires dispatched via hand delivery or email and that was later collected from the respondents. 18 agencies were targeted, but only 15. These were considered representative of the industry practice.

The study concluded that formal strategic planning is adopted in major advertising agencies in Kenya. The management of the major agencies have the strategies in their minds. Future studies in this area can get more in-depth information using the case study approach.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

1.1.1 Strategic Management Practices

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2007). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

Strategy refers to the machinery of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes 2002). According to Ansoff and McDonnell (1990), it is through Strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation. Adopting the viable strategic concepts and management practices will inadvertently resolve most of the above challenges bedevilling the sector.

In today's global environment, change rather than stability is the order of the day. Increased trade liberalization reduces country-based trade barriers, thus increasing the opportunity for cross-border entry (Ellis and Williams, 1995). If new entrants have adopted new technologies and/or developed more efficient business operations systems, the competitive intensity will increase pressure of existing industry to internationalize by weakening their competitive position. Virtually, most industries across the globe are currently experiencing increased pressures for globalization, advertising industry included. Environmental forces of change are the forces which are increasing pressure for globalization of the advertising industry and have led to trade liberalization and opening of the advertising market. These forces have also increased the rate at which companies need to alter their strategies and structures in order to survive in the market.

Environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi 2002). As a result, of these characteristics, the environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A fundamental change is occurring in the world economy whereby the world economies are witnessing the forces of globalization and liberalization of trade. The phenomenon of globalization, according to Hammond and Grosse (2003) refers to "the fact that people around the world are becoming more and more knowledgeable about each other," this is expected to increasingly affect the advertising sector.

The emergence of environmental influences and their effect on firm strategy has gained tremendous traction in the management literature in recent years (Pearce and Robinson, 2005, Johnson and Scholes, 2001). Fuelled` by societal concerns over global warming, globalization, poverty, ecosystem destruction, and social degradation, environmental pressures have gained substantial attention in strategic management classrooms, corporate boardrooms and academic journals (Pearce and Robinson, 2005; Kazmi, 2002).

While these concerns are global in nature, they manifest themselves differently based on firm context. Environmental concerns are now quite prevalent in developed countries while disease and poverty have remained prominent in developing nations. All in all, most business environments represent substantial environmental forces that impact the development and implementation of strategy. Yet the nature of firm strategic response to these influences is presently understudied. Moreover, the process by which firms incorporate environmental forces and strategies into market strategies has not yet been examined.

1.1.2 Advertising Agencies in Kenya

Advertising agencies have over the past 15 months been fighting for a piece of the telecoms advertising cake as two new operators prepare to enter the market. With the two mobile telephone firms - Safaricom and Celtel and the two new entrants, Econet Wireless and Telkom Kenya - poised to account for the largest share of advertising spend, the stakes have never been higher.

In a Business Daily news paper of 6th July 2008, an article by Michael Omondi reported that the rise of telecom firms as the new elephants in the advertising house is being accompanied by the advent of a powerful clique of advisors who will pocket hundreds of millions of shillings in commissions and professional fees. They include Bharat Thakrar's ScanGroup, Koome Mwambia's Ogilvy East Africa, Annette Martyres' Access Leo Burnet and Thomas Omamo's ZK Advertising.

The Kenyan advertising market is controlled by five major agencies namely The scan Group, Red Sky Ltd, Ogilvy & Mather, Ayton Young & Rubicam and ZK Advertising Ltd. Such has been the characteristics that have been observed in the advertising arena in the recent past, which creates curiosity over the strategies advertising firms adopt in continued growth of the advertising agencies. The four are set to be the rulers of the media services business, whose fortune will see them, control a purse in excess of KSh4.7 billion. At this rate, the telecoms sector is set to account for about 30 per cent of Kenya's total advertising budget that stands at about Sh15.6 billion.

The article did report that the national advertising spend has doubled in the past one year, driven by intense competition between Celtel and Safaricom. Besides helping grow the size of the market, intense rivalry between the two operators has seen the telecoms sector overtake makers of First Moving Consumer Goods (FMCG) such as East

Africa Breweries, Unilever and Coca-Cola to become the biggest spenders on advertising in the market."This budget is expected to grow significantly with the coming into the market of the two new players," said Mr Joe Otin, the head of media monitoring at Steadman Group. The principal activity of the advertising and marketing agencies is that of developing communication strategies, creating advertisements for products and services, planning and buying media, as well as providing marketing consultancy and advice to its clients.

1.2 Statement of the Problem

Strategic management is important to organisations. Coping with the increasingly competitive environment has called on firms to rethink the way they operate. This has seen them start thinking strategically in order to survive (Pearce and Robinson, 2007). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

In Kenya, most of the studies earlier done in the service sector sought to identify the chronic problems of project implementation as opposed to critically assessing the managements' strategic fit. There has been studies done on strategic management practices touching on other industries such as Wahome Judy (2003). Strategic Management Practices In Flower Firms In Kenya; Mugambi M'nchebere (2003). The Strategic Management Practices of Shipping Companies In Kenya and Bukusi Violet (2003). A Survey of Strategic Management Practices in Reproductive Health NGOs Operating in Kenya but none has been done on Advertising Agencies in Kenya.

The advertising firms continue being run in an ad hoc management style despite the dynamics of the emerging business trends. Adoption of strategic management approaches and practices in their business operations and management, seem inadequate.

Notably, while liberalization offers an array of opportunities to the advertising industry players, knee-jack responses as opposed to strategic pro-activeness in the management practices is prevalent in service firms (Media Cousel, 2006). Studies earlier done in Kenya have revealed how other industries practice strategic management (Emily, 2006; Njenga, 2006; Mugambi, 2003). As such this poor internalization of strategic ideals and practices by indigenous advertising firms presents an opportunity for a critical study geared towards addressing this managerial fiasco. Therefore, this study seeks to address the fiasco by determining the strategic management practices of the major advertising agencies in Kenya.

1.3 Research Objectives

The objective of this study is to determine the strategic management practices of the major advertising agencies in Kenya.

1.4 Significance of the Study

The study findings are expected to be beneficial to various stakeholders. The advertising industry can be guided in coming up with suitable strategies and management practices that can ensure profitability, survival and growth-going concern.

The indigenous advertising firms can also benefit by assessing, evaluating and reviewing their strategic management practices as tools for competitiveness in the face of the changing business environment.

All those interested in the advertising industry and who are directly affected by the activities in the sector like advertisers, media houses and individual clients, among other players in the industry can benefit from the study.

The government can also benefit from the study in formulating policies and measures to stimulate growth in the advertising industry. The public can also benefit since a lot of public funds and resources have been invested in the sector.

Those in academia can find the results of this study invaluable as it contributes to the body of knowledge in the field.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategic Management

Strategy is a broad program and goals that help an organization to achieve success. Strategy is the match between organization resource and skills, the environmental opportunities and risks it faces and the purposes it wishes to accomplish [Schendel and Hofers (1979]. The external environment of a firm which comprises the whole range of economic, social and ecological factors is changing rapidly and it is important for an organization to constantly adapt its activities to reflect its new requirements of the environment. The changes in the environment constantly influence what these organizations do, since they have to constantly adjust to these changes to remain successful. David (1999) articulates the view of an environment constantly upsets a plan, should demand for more planning and constant monitoring to keep the organizational performance ready to respond to environmental changes. Thus strategy becomes the mediating force between the organization and the environment.

Using the strategic management approach, managers at all levels of the firm interact in planning and implementing. As a result, the behavioural consequences of strategic management are similar to those of participative decision making. Therefore, an accurate assessment of strategy formulation on organisational performance requires financial as well as non-financial evaluation criteria. According to Pearce and Robinson (2008) strategy formulation activities enhance the firm's ability to prevent problems. They further contend that group-based strategic decisions are likely to be drawn from the best available alternatives. The involvement of employees in strategy formulation improves their understanding of the productivity-reward relationship in every strategic plan and, thus, heightens their motivation. Strategic management also helps reduce gaps and overlaps in activities among individuals and groups as participation in strategy formulation clarifies differences in roles. Lastly, Pearce and Robinson assert that resistance to change is reduced. Though the participants in strategy formulation may be no more pleased with their own decisions than they would be with authoritarian decisions, their greater awareness of the parameters that limit the available options makes them more likely to accept those decisions.

Several views have been advanced regarding strategic planning. Mintzberg and Waters (1985) view strategic planning as a pattern in a stream of decisions. This view similar to Johnson and Scholes (2002) identified three approaches to strategy development as a deliberate and planned managerial process; these are the planning view, the command view and the logical incremental view. The logical incremental view sees strategy to develop through small stepwise responses to a gradually changing environment. Mintzberg and Quinn (1978) on the other hand advance the view of logical instrumentalism whereby strategy making is characterized by economic and behavioural factors. The behaviour of the manager is thus important in strategy development.

Strategic planning could be formal or informal. Formality in strategic planning refers to the degree in which participant (Pearce & Robinson, 2008)s, responsibilities, authority and discretion in decision making specified [Pearce and Robinson 2002]. Formal analytical process is characterized by use of analytical tools and methodologies to help managers reach a corporate success [Hofer and Schendel 1978]. Formal strategic planning usually ends up with a document, the strategic plan. A strategic plan is a comprehensive statement about the organization's mission and future direction near term and long-term performance targets and how management intends to produce the desired results to fulfil the mission, given the organization's situation [Thompson and Strickland 1993].

The informal approaches to strategy are characterized by executive bargaining and negotiation, building of coalition and practices of muddling through [Hax and Majluf 1991]. Informal planning is usually intuitive and under the influence of a visionary figure. Strategy should be managed through planning process as in form of a sequence of steps. This is supported by among them Ansoff (1990), Andrews (1987) and recently in the later 1980s Michael Porter. The view assumes some degree of consensus and among decision makers. According to Johnson and Scholes (2003), this involves objective setting analysis of environmental trends and resource capabilities, evaluation of different options and careful planning of implementation of strategies. Strategy is then communicated to the organization and implanted through successive organizational layers.

Mintzberg (1994) views planning strategy as precise intentions that are formulated and articulated by central leadership and backed up by formal controls to ensure their surprise free implementation in an environment that is controllable and practicable. In planning view, strategies are proposed to develop through a rational and formalized sequence of analytical and evaluative procedures. The command view is where by strategy develops through the direction of an individual or group and not necessarily through formal planning. The strategy would be an outcome of an autocratic leader or dominant leader who becomes personally associated with strategy development of the organization. Such individuals may be the owner or co-founder or political appointee of the organization. Usually such organizations are small enterprise or public sector organization.

Herold (1972) observed that planners were better than non-planners at identifying opportunities, setting goals and objectives, and setting proper strategies and effective tactics to achieve them as evidenced by their higher growth rate and higher operational efficiency ratios. He also points out that planners are also more aggressive than non-planners in pursuit of business objectives. Imposed strategy the external environment dictates patterns in the actions either through direct imposition or through implicating pre-empting or bounding organizational choice [Mintzberg 1998]

Strategic planning processes will be designed to fit the specific need of the organization. It's argued by [Morrison et al, 1984; McCarthy, 1996; Arthur, 1989] that every successful model must include vision and mission, environmental analysis, setting objectives and strategic analysis choice. Identification of the institutions vision and mission is the first step of any strategic planning process. What is our business and what will it be? [Thompson 1989]. This help in infusing the organization with a sense of purpose and direction and giving it a mission. A mission is a statement broadly outlines the organizations future course and serves as a guiding concept. Once the vision and mission are clearly identified the institution must analyze its external and internal environment [Harrison & St. John 1998]. The environmental analysis performed within the frame work of the SWOT analysis, analyses information about organization's external environment [economic, social, demographic, political, legal, technological] and internal organizational factors.

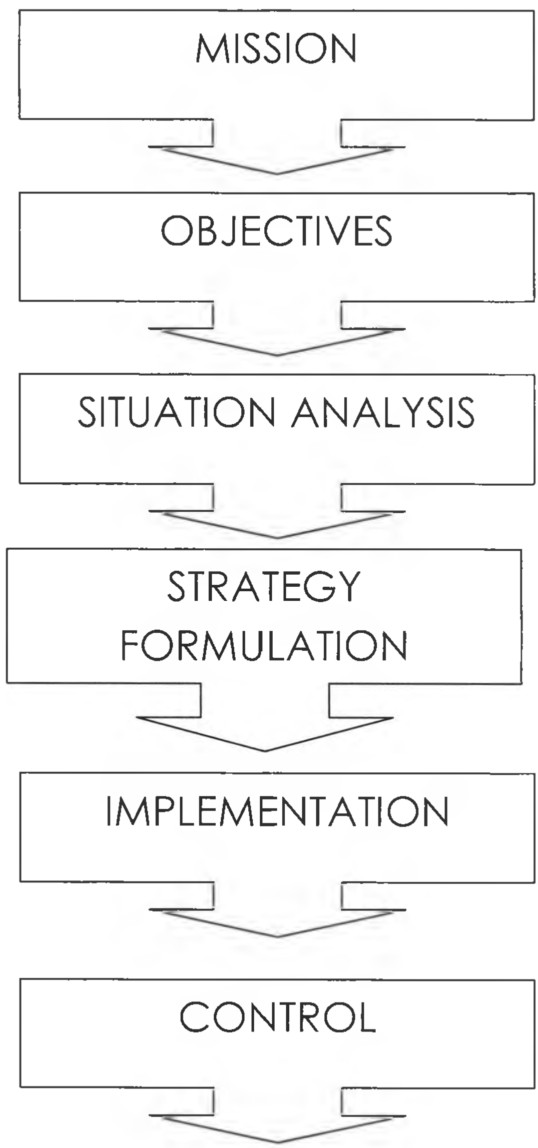
The act of setting formal performance objectives converts the organizations mission and direction into specific performance targets to be achieved and protects against drift confusion over what to accomplish and toleration undemanding results [Arthur 1989]. The organization is able to draw short range objectives which draw attention to what immediate results to achieve while long range objectives consider what to do now to have the organization in position to produce results later. The institution then evaluates the difference between their current position and the desired future through Gap analysis. To close up the gap and achieve its desired state the institution must develop specific strategies.

Strategic evaluation and control involves not only evaluating strategy for deviations from intended course but also for flexibility towards responding to the new challenges and determining the effectiveness and the pace of the implementation [Johnson and Scholes 2003]. The institution should measure current performance against previously set expectations, and consider any changes or events that may have impacted the desired course of actions. The revised plan must take into consideration emergent strategies and changes affecting the organization's intended course.

This ongoing stream of new and revised strategic moves and approaches some big in scope and some little some applying to one part means that an organizations prevailing strategy almost is almost never the result of a singles strategizing effort rather the pattern of moves approaches and decisions that establish an organization. Strategy assumes its shape over a period of time.

2.2 Strategic Management Process and Practices

Figure 2: Strategic Planning Model



Source: Pearce and Robinson, 2008

This process is most applicable to strategic management at the business unit level of the organization. For large corporations, strategy at the corporate level is more concerned with managing a portfolio of businesses. For example, corporate level strategy involves decisions about which business units to grow, resource allocation among the business units, taking advantage of synergies among the business units, and mergers and acquisitions. In the process outlined here, "company" or "firm" will be used to denote a single-business firm or a single business unit of a diversified firm.

A company's mission is its reason for being. The mission often is expressed in the form of a mission statement, which conveys a sense of purpose to employees and projects a company image to customers. In the strategy formulation process, the mission statement sets the mood of where the company should go. Objectives are concrete goals that the organization seeks to reach, for example, an earnings growth target. The objectives should be challenging but achievable. They also should be measurable so that the company can monitor its progress and make corrections as needed.

Once the firm has specified its objectives, it begins with its current situation to devise a strategic plan to reach those objectives. Changes in the external environment often present new opportunities and new ways to reach the objectives. An environmental scan is performed to identify the available opportunities. The firm also must know its own capabilities and limitations in order to select the opportunities that it can pursue with a higher probability of success. The situation analysis therefore involves an analysis of both the external and internal environment. The external environment has two aspects: the macro-environment that affects all firms and a micro-environment that affects only the firms in a particular industry. The macro-environmental analysis includes political, economic, social, and technological factors and sometimes is referred to as a PEST analysis.

An important aspect of the micro-environmental analysis is the industry in which the firm operates or is considering operating. Michael Porter devised a five forces framework that is useful for industry analysis. Porter's 5 forces include barriers to entry, customers, suppliers, substitute products, and rivalry among competing firms.

The internal analysis considers the situation within the firm itself, such as: company culture, company image, organizational structure, key staff, access to natural resources, position on the experience curve, operational efficiency, operational capacity, brand awareness, market share, financial resources, exclusive contracts, and patents and trade secrets.

A situation analysis can generate a large amount of information, much of which is not particularly relevant to strategy formulation. To make the information more manageable, it sometimes is useful to categorize the internal factors of the firm as strengths and weaknesses, and the external environmental factors as opportunities and threats. Such an analysis often is referred to as a SWOT analysis.

Once a clear picture of the firm and its environment is in hand, specific strategic alternatives can be developed. While different firms have different alternatives depending on their situation, there also exist generic strategies that can be applied across a wide range of firms. Michael Porter identified cost leadership, differentiation, and focus as three generic strategies that may be considered when defining strategic alternatives. Porter advised against implementing a combination of these strategies for a given product; rather, he argued that only one of the generic strategy alternatives should be pursued.

The strategy likely will be expressed in high-level conceptual terms and priorities. For effective implementation, it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as: marketing, research and development, procurement, production, human resources, and information systems. In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes.

Once implemented, the results of the strategy need to be measured and evaluated, with changes made as required to keep the plan on track. Control systems should be developed and implemented to facilitate this monitoring. Standards of performance are set, the actual performance measured, and appropriate action taken to ensure success.

2.3 Challenges of Strategic Management

The reasons why strategic plans fail or challenges faced by strategic a management are many especially failure to understand the customer. This refers to individuals or households that purchase goods and services generated within the economy. Why do they buy or is there a real need for the product. There is often inadequate or incorrect marketing research. Marketing research is a form of business research and is generally divided into two categories: consumer market research and business-to-business (B2B) market research, which was previously known as industrial marketing research. Consumer marketing research studies the buying habits of individual people while business-to-business marketing research investigates the markets for products sold by one business to another (Wendy, 1997).

Inability to predict environmental reaction is a challenge as firms are not sure what competitors will do. They may respond through fighting brands or price wars. They are not also able to predict if the government will intervene. Over-estimation of resources competence can be a serious challenge. The critical issue here is whether the staff, equipment, and processes can handle the new strategy dogged by failure to develop new employee and management skills. Failure to coordinate where you find reporting and control relationships are rarely adequate and organizational structure fail to be flexible enough (Sababu, 2007).

The inability to obtain senior management commitment such as failure to get management involved right from the start and failure to obtain sufficient company resources to accomplish task. Failure to obtain employee commitment may be affected by such factors such as the new strategy not being well explained to employees or no incentives given to workers to embrace the new strategy. Underestimation of time requirements with no critical path analysis done can be a serious challenge to project completion. Failure to follow the plan due to lack of follow-through after initial planning, lack of tracking of progress against plan and no consequences for above (Stopford, 1991).

Failure to manage change due to inadequate understanding of the internal resistance by stakeholders, lack of visibility on the relationships between processes, technology and organization and poor communications with insufficient information sharing among stakeholders plus exclusion of stakeholders may pose implementation challenges. Although a sense of direction is important, it can also stifle creativity, especially if it is rigidly enforced. In an uncertain and ambiguous world, fluidity can be more important than a finely tuned strategic compass. When a strategy becomes internalized into a corporate culture, it can lead to group think. It can also cause an organization to define itself too narrowly. An example of this is marketing myopia (Wendy, 1997).

Many theories of strategic management tend to undergo only brief periods of popularity. A summary of these theories thus inevitably exhibits survivorship bias (itself an area of research in strategic management). Many theories tend either to be too narrow in focus to build a complete corporate strategy on, or too general and abstract to be applicable to specific situations. Populism or faddishness can have an impact on a particular theory's life cycle and may see application in inappropriate circumstances (Sababu, 2007).

In 2000, Gary Hamel coined the term **strategic convergence** to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that strategies converge more than they should, because the more successful ones get imitated by firms that do not understand that the strategic process involves designing a custom strategy for the specifics of each situation. Strategic planning must not dominate action. "Just do it!" while not quite what he meant, is a phrase that nevertheless comes to mind when combating analysis paralysis. It is tempting to think that the elements of strategic management reaching consensus on corporate objectives, developing a plan for achieving the objectives and Marshalling and allocating the resources required to implement the plan - can be approached sequentially. It would be convenient, in other words, if one could deal first with the noble question of ends, and then address the mundane question of means (Porter, 1980).

But in the world in which strategies have to be implemented, the three elements are interdependent. Means are as likely to determine ends as ends are to determine means. The objectives that an organization might wish to pursue are limited by the range of feasible approaches to implementation. (There will usually be only a small number of approaches that will not only be technically and administratively possible, but also satisfactory to the full range of organizational stakeholders.) In turn, the range of feasible implementation approaches is determined by the availability of resources (Thompson and Strickland, 1993).

And so, although participants in a typical “strategy session” may be asked to do “blue sky” thinking where they pretend that the usual constraints - resources, acceptability to stakeholders , administrative feasibility - have been lifted, the fact is that it rarely makes sense to divorce oneself from the environment in which a strategy will have to be implemented. It’s probably impossible to think in any meaningful way about strategy in an unconstrained environment. Our brains can’t process “boundless possibilities”, and the very idea of strategy only has meaning in the context of challenges or obstacles to be overcome. It’s at least as plausible to argue that acute awareness of constraints is the very thing that stimulates creativity by forcing us to constantly reassess both means and ends in light of circumstances (Tung, 1979).

The key question, then, is, "How can individuals, organizations and societies cope as well as possible with issues too complex to be fully understood, given the fact that actions initiated on the basis of inadequate understanding may lead to significant regret?" The answer is that the process of developing organizational strategy must be iterative. It involves toggling back and forth between questions about objectives, implementation planning and resources. An initial idea about corporate objectives may have to be altered if there is no feasible implementation plan that will meet with a sufficient level of acceptance among the full range of stakeholders, or because the necessary resources are not available, or both (Thompson and Strickland, 1993).

Even the most talented manager would no doubt agree that "comprehensive analysis is impossible" for complex problems. Formulation and implementation of strategy must thus occur side-by-side rather than sequentially, because strategies are built on assumptions which, in the absence of perfect knowledge, will never be perfectly correct. Strategic management is necessarily a "repetitive learning cycle [rather than] a linear progression towards a clearly defined final destination. While assumptions can and should be tested in advance, the ultimate test is implementation. You will inevitably need to adjust corporate objectives and/or your approach to pursuing outcomes and/or assumptions about required resources. Thus a strategy will get remade during implementation because "humans rarely can proceed satisfactorily except by learning from experience; and modest probes, serially modified on the basis of feedback, usually are the best method for such learning (Sababu, 2007).

It serves little purpose (other than to provide a false aura of certainty sometimes demanded by corporate strategists and planners) to pretend to anticipate every possible consequence of a corporate decision, every possible constraining or enabling factor, and every possible point of view. At the end of the day, what matters for the purposes of strategic management is having a clear view - based on the best available evidence and on defensible assumptions - of what it seems possible to accomplish within the constraints of a given set of circumstances. As the situation changes, some opportunities for pursuing objectives will disappear and others arise. Some implementation approaches will become impossible, while others, previously impossible or unimagined, will become viable (Sababu, 2007).

The essence of being “strategic” thus lies in a capacity for "intelligent trial-and error"[100] rather than linear adherence to finally honed and detailed strategic plans. Strategic management will add little value -- indeed, it may well do harm -- if organizational strategies are designed to be used as a detailed blueprints for managers. Strategy should be seen, rather, as laying out the general path - but not the precise steps - by which an organization intends to create value. Strategic management is a question of interpreting, and continuously reinterpreting, the possibilities presented by shifting circumstances for advancing an organization's objectives. Doing so requires strategists to think *simultaneously* about desired objectives, the best approach for achieving them, and the resources implied by the chosen approach. It requires a frame of mind that admits of no boundary between means and ends.

2.4 Conclusion

The chapter has outlined the theoretical orientation of the aspects of strategic formulation and implementation. The issues of competitiveness and challenges have also been outlined. As can be seen from the foregoing discussion, no study has been done as regards the advertising industry in Kenya to determine the strategic management practices of the major advertising agencies in Kenya. As such, this study fills in the gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The design for this study was a survey design. A survey is an attempt 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 (Mugenda and Mugenda, 2003). Mugenda and Mugenda (2003) give the purpose of a survey research as seeking to obtain information that describes existing phenomena by asking individuals about their perceptions, attitudes, behaviour or values. Given that the objective of the study was to determine the aspects of strategic management and competitiveness of the advertising industry in Kenya, a survey design was found to be the best to fulfil the objectives of the study.

3.2 Target Population

There were 100 businesses listed in The Official Yellow Pages directory The Nairobi Edition 2008 Edition 16 under the category of Advertising agencies and marketing Firms in Nairobi. The research sample was drawn from this population based on Agencies that achieved over Kenya Shillings One Million annual media billings in 2007 as per Steadman & Associates ranking. In this category we had 14 agencies which represented over 60% of the total media billings in the industry. The 14 agencies surveyed were considered sufficient in answering the objective of the study. The other agencies were considered too small to warrant classification as major advertising agencies since their billings were below Kshs 1 Million in 2007.

3.3 Data Collection

Both primary and secondary data was used here. The data was collected using questionnaires. The questionnaires used had both closed and open ended questions. These were administered personally by the researcher. The respondents were the managers of the agencies from the selected sample. The secondary data, especially from the publications of the organisations as well as the company strategic plans were used for the study. The sample was drawn using the Steadman & Associates ranking of top 14 agencies in Kenya using their gross media billings. Appendix III contains the questionnaire administered. In the questionnaire Section [I] was designed to capture the profile of the respondent agencies, while section [II] was to explain the agency's vision and mission. Section [III] inquired into the environmental analysis while section [IV] sought to analyse the objectives of the agencies in the strategic plan. Section [V] was meant analyse issue of strategic Choices in the strategy formulation process.

3.4 Data Analysis and Presentation

Completed questionnaires were edited for completeness and consistency. The data was then coded and checked for coding errors and omissions. The coded data was analysed using descriptive statistics. While part A was about the demographic description of the respondent agency, part II, III, IV and V was analysed using measures of central tendency (mean scores and standard deviations). Statistical Package for Social Sciences (SPSS) was used to analyse the variables. Percentages were also used for analysis. The results were the presented in tables in chapter 4.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

The study had one objective, which was to establish strategic management practices of major advertising agencies in Kenya. Primary data was collected through in-depth structured questionnaire guided interview with senior managers or Managing directors of the target agencies. 16 questionnaires were completed and returned out of the 18 questionnaires that were sent out. The target respondents were either Managing directors, general Managers or Heads of finance of the target organization who were considered to be well versed with the strategic management practices of their organizations.

4.2 Demographic profile of target agencies

The agencies targeted were advertising agencies that have media spends of over 2Mn in 2007 as per Steadman's research survey. These firms are either locally owned while few are global multinationals or representative of global multinationals as may be seen from table 4.1

TABLE 4.1 Number of years of operation

Agency age interval	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 5 years	2	13.3	13.3	13.3
6 - 10 years	5	33.3	33.3	46.7
11 - 20 Years	3	20.0	20.0	66.7
21 - 30 years	1	6.7	6.7	73.3
Over 31 years	4	26.7	26.7	100.0
Total	15	100.0	100.0	

4.3 Strategic Management Practices

The following areas of practice were explored as far as various agencies practice them.

4.3.1 Existence of Vision & Mission

Table 4.2 Years of operation

Agency Age interval	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 5 years	2	13.3	13.3	13.3
6 - 10 years	5	33.3	33.3	46.7
11 - 20 Years	3	20.0	20.0	66.7
21 - 30 years	1	6.7	6.7	73.3
Over 31 years	4	26.7	26.7	100.0
Total	15	100.0	100.0	

It was established that as of year 2008, 46.7% agencies were between 0 and 10 years since commencement of business, while 66.7% were over 11 years with 26.7 % being over 30 years in operations as contained in table 4.2

Table 4.3 Existence of Vision

Vision Exists?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	13	86.7	86.7	86.7
No	2	13.3	13.3	100.0
Total	15	100.0	100.0	

Table 4.4 Existence of mission

Mission Exists	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	11	73.3	73.3	73.3
No	4	26.7	26.7	100.0
Total	15	100.0	100.0	

From table 4.3 and 4.4, of the surveyed agencies, 86.7% were found to have vision statements while 73.3% had mission statements. Of the ones with visions and missions, the difference and the value of the vision and mission were not clear and thus the reason for existence of one and not the other.

The study sought to establish the extent to which various critical elements of strategic planning process were applied. As summarised in table 4.5, It was observed that product definition was the highest ranked consideration during the strategic planning process while target customers' was least considered parameter.

Table 4.5 Critical Elements

Critical Elements	N	Minimum	Maximum	Mean	Std. Deviation
Product definition	14	1.00	5.00	4.5714	1.08941
Economic goals	14	1.00	5.00	3.6429	1.54955
Operating philosophy	14	1.00	5.00	4.2857	1.20439
Competitive advantage	14	1.00	5.00	4.0000	1.17670
Target customers	14	1.00	5.00	3.6429	1.54955
Responsibilities to stakeholders	14	1.00	5.00	3.7143	1.48989

4.3.2 Existence of Strategic Plan

Table 4.6 Existence of strategic plan

Strategic Plan exists?	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	15	100.0	100.0	100.0
No	0	0	0	0

Table 4.6 indicates that all the agencies surveyed were found to have strategic plans.

4.3.3 Environmental analysis

The study sought to establish what factors, forces and strengths within agencies' environment influenced the strategic planning process of the agencies studied. As summarised in table 4.7, Economic factors, technological factors, Competition, customers, superiority of resources and staff were seen to be vital considerations in the environment of the advertising agencies. However fewer agencies paid attention to ecological factors.

Table 4.7 Factors, Forces and Strengths

Factors, Forces and Strengths	N	Minimum	Maximum	Mean	Std. Deviation
Economical Factors	15	2.00	5.00	4.6000	.82808
Ecological Factors	15	1.00	4.00	2.2000	.94112
Political factors	15	1.00	5.00	3.4667	1.55226
Technological Factors	15	1.00	5.00	4.2667	1.09978
Social cultural factors	15	1.00	5.00	3.4667	1.30201
Competitors	15	2.00	5.00	4.2667	.96115
Creditors	15	1.00	5.00	3.2667	1.09978
Customers	15	3.00	5.00	4.6000	.73679
Labour	15	2.00	5.00	3.8667	.91548
Suppliers	15	1.00	5.00	3.2000	1.14642
Superior resources than competitors	15	2.00	5.00	4.1333	.99043
Greatest customer base	15	1.00	5.00	3.8000	1.20712
Technically competent staff	15	2.00	5.00	4.4667	.91548
Low market share	15	1.00	5.00	3.2000	1.61245
Lack of enough resources	15	1.00	5.00	3.5333	1.24595
Lack of highly competent staff	15	1.00	5.00	3.2667	1.33452

4.3.4 Objectives

This section sought to confirm is all agencies operate under a set of objectives, whether the objectives were properly communicated to the relevant players in the agencies. Table 4.8 indicates that the surveyed agencies were found to have a set of objectives. The objective ranked highest in importance was productivity with a mean score of 4.667 and standard deviation of 0.49 followed by profitability with a mean score of 4.6 and a standard deviation of 0.632. Least in importance was found to be public responsibility with a mean score of 3.2667 and standard deviation of 1.49.

Table 4.8 Objectives Analysis

Objective	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	15	3.00	5.00	4.6000	.63246
Productivity	15	4.00	5.00	4.6667	.48795
Competitive position	15	3.00	5.00	4.5333	.63994
Employee development	15	3.00	5.00	4.2000	.77460
Employee relations	15	1.00	5.00	3.4667	1.18723
Technological leadership	15	1.00	5.00	3.7333	1.16292
Public responsibility	15	1.00	5.00	3.2667	1.48645

The study sought to establish the extent of engagement of various players to the strategic management process. Expectedly, all agencies asserted that CEOs are engaged in the strategic management process to the greatest extent while all employees had a mean score in terms of engagement of 2.4667 and a standard deviation of 1.68466 and the observations summarised in table 4.9 was arrived at.

Table 4.9 Participation in Strategy Formulation

Participants	N	Minimum	Maximum	Mean	Std. Deviation
All managers	15	1.00	5.00	4.4000	1.12122
Few mangers	15	1.00	5.00	3.4000	1.59463
All departments	15	1.00	5.00	4.6000	1.05560
Select team	15	1.00	5.00	3.4667	1.84649
CEO	15	5.00	5.00	5.0000	.00000
The board	15	1.00	5.00	4.2000	1.42428
Line managers	15	1.00	5.00	3.2667	1.62422
All employees	15	1.00	5.00	2.4667	1.68466

4.3.5 Strategic Choice

This parameter did not generally exhibit patterned approach in strategy choice as all choices scored 3. This means that no single dominant approach was applied by the agencies. See table 4.10

Table 4.10 Strategic Choice

Strategic Choice	N	Minimum	Maximum	Mean	Std. Deviation
Generate several options	15	1.00	5.00	3.2000	1.42428
Evaluate each option	15	1.00	5.00	3.2667	1.83095
Chose optimal option	15	1.00	5.00	3.5333	1.68466
Best option selected	15	1.00	5.00	3.4667	1.64172
Sub optimal option for strategic reason	15	1.00	5.00	3.3333	1.23443

4.3.6 Discussion of Findings

The findings are comparable to those of similar studies carried out in different sectors in Kenya such as the study of strategic management practices within flower farms in

Kenya by Wahome Judy (2003), the study of supermarkets in Kenya by Karmu (1993) and the study of Stockbrokers by Kasinga (2001). These studies concluded that the firms studied practiced informal strategic management practices.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

Most firms interviewed indicated that they had a vision and or a mission statement in a written form.

Studies indicated that all firms surveyed (100%) had strategic plans.

Most of the firms indicated that they had long-term objectives. These objectives could be summarised in order of importance as: Productivity, Profitability, Competitive position, Employee development, Technological leadership, Employee relations and public responsibility.

All the respondents indicated that they carried out some of form of planning that had both informal planning process and existence of planning departments. However much of the planning and flow of strategic plans were a reserve of the top management where CEOs were the major players in the planning while in many instances the employees who are supposed to be the foot soldiers to implement the plans did not know what the strategic plans were. Indeed this was confirmed during data collections where most employees alluded to the fact that they could not answer questions related to Strategic plans. True to their assertion, the persons who understood these plans were the CEOs only. A few firms did not want to fill up the questionnaires as they considered responses to the questions on strategies privileged information.

With respect to the environmental analysis the following factors were ranked in their order of significance as Economical Factors, Technological Factors, Social cultural factors, Political factors and Ecological Factors.

Most firms indicated that customers ranked in their external forces followed by competitors and labour. The product offering by advertising agencies tend to be highly similar and labour intensive. The major think tanks in the advertising agencies are the Creative resources which are employees with rare creativity that drives brands and marketing campaigns. Other factors that ranked low in importance were creditors and /or suppliers. From informal field discussions, respondents indicated that the last two were easy to manage and as they were cashflow dependent. As far as the agencies were able to pay maturing debts on time, they did not have to worry about suppliers and creditors. The firms surveyed all relied with the same supplier base.

5.2 Limitations of the Study

As earlier indicated, there are over 100 advertising agencies that participate in the management of advertising budgets in Kenya. Some of the agencies are affiliates of the clients they service or are 'brief case' agencies. As such this study sought to establish strategic management practices of major advertising agencies in Kenya. The target group were determined through their media spends in the year 2007. The year in question was an election year and possibilities of the revenues having been inflated beyond normal annual averages due to the heavy political spends could not be ruled out.

Alternative means of selecting the samples could also have been employed such as random sampling regardless of the size of the media spends, stratified sampling especially due to some of the specialized nature of some of the industry players etc. For instance some agencies may not have been picked if their businesses hinged more heavily on the public relations practice. Others doing events and sports marketing as a specialization may have been missed out.

Due to the limitation of time and cost, the study had to be completed before all the responses could possibly have been returned were actually returned.

The problem of non response also amounted to a limitation of this study. Only 15 responses were analysed out of the possible 100 agencies.

5.3 Conclusion

Based on the study a number of conclusions can be made about the strategic management practices of major advertising agencies in Kenya.

Firstly, the practice of strategic planning exists and the plans done are written, documented and reviewed annually in most agencies. Visions, missions and objectives are clearly set in the strategic planning of most agencies and the process is largely formal. Most agencies rely on the environmental analysis of the media monitoring giant for information and rarely engage the services of other research firms to gather organizational specific environmental data.

Secondly, the firms are usually the brainchild of the chief executive who is the chief strategist. These strategies seem to rotate around the CEO with limited trickling down to the general employees of the agencies. It is for this reason that in almost all cases where the respondent was not the CEO, he/she had to review the questionnaire responses and where that was not possible, the responses to the questionnaires were withheld.

5.4 Suggestions for further research

As indicated earlier, strategy is sensitive to the context in which it is practiced. A similar study can bee carried out in other sectors of the economies in which similar studies have not been done. One could still choose the leading agency in Kenya Scangroup and do a case study of her strategic management practice especially give that it is a publicly listed company at the Nairobi Stock Exchange.

An interesting one would be about the key success factors of the major advertising agencies with a view of drawing a blueprint for upcoming agencies.

Another interesting area of study around agencies may be the examination of the strategic plans and their implementation to determine the extent to which the strategies developed end up in the implementation line. Such a study especially with the blessing of individual organization may be beneficial to the agencies interested in avoiding the dangers of analysis by paralysis where agencies spend too much time in academic planning with no implementation.

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APPENDICES

APPENDIX I - Agencies Billings Jan - Dec 2007

THE STEADMAN GROUP
Sharpen your edge
Media Monitoring Division

AGENCY BILLINGS JAN - DEC 2007

	Agencies	Billings'KShs.Millions
1	THE SCAN GROUP	3,221
2	RED SKY LTD	1,703
3	OGILVY & MATHER	1,409
4	AYTON YOUNG AND RUBICAM	745
5	ZK ADVERTISING LTD	716
6	ACCESS LEO BURNETT LIMITED	297
7	SARACEN MEDIA LIMITED	261
8	MARKETING COMMUNICATIONS LTD	221
9	NUTURN BATES LTD	196
10	THE ADVERTISING CO.	90
11	SPREAD MARKETING AGENCY LTD	71
12	EXPRESS ADVERTISING	68
13	TOMORROW CREATIONS	21
14	CHRISOM AGENCIES LTD	3

Note: The above figures are based on the gross rate card media value of brands monitored by Steadman Group. They do not reflect any discounts or incentives offered to advertisers by the respective media houses

APPENDIX II: Letter To The Respondent

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

P.O. BOX 30197

00100 - NAIROBI

TO:...

P.O. BOX ....

DATE...

STRATEGIC MANAGEMENT PRACTICE

I am a postgraduate student undertaking a Master of Business Administration Degree at the School of Business, University of Nairobi. I am currently carrying out a survey on the Strategic management practices of the major advertising agencies in Kenya in which category your firm belongs.

My approach to this survey is both consultative and collaborative and ensures that it causes minimum disruption to your schedule of activities. I kindly request you to provide the required information by responding to the questions in this questionnaire. Upon completion, I will make arrangement to collect your responses at your convenience. The information required is purely for academic purposes and will be treated in the strictest confidentiality

I will appreciate your cooperation in this exercise.

Thanking you in advance

Yours faithfully,

Peter Mbugua

APPENDIX III: AUTHORITY TO COLLECT DATA

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 29/10/2008

TO WHOM IT MAY CONCERN

The bearer of this letter PETER MBUGUA

Registration No: D61/P/7405/2005

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.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX IV: Research Questionnaire

SECTION I: AGENCY PROFILE

1. Agency Name:...
2. How many years has the agency been in operations...
3. The business is: (tick the appropriate):
   - a) Global Multinational [.....]
   - b) Locally owned, Limited Company [.....]
   - c) Partnership [.....]
   - d) Joint Venture [.....]
   - e) Sole Proprietorship [.....]
   - f) Other [.....]
   - g) Specify...

SECTION II: VISION AND MISSION

4. Does the firm/company have a vision statement? Tick appropriately.

   Yes [ ]

   No [ ]

If yes state

....
....

5. How is the vision statement communicated across the firm/company?

   - a) Posters [ ]
   - b) Word of mouth [ ]
   - c) Circulars [ ]
   - d) Others (specify)

   ....

6. Does your firm/company have a mission statement?

   Yes [ ]

   No [ ]

If yes please state

....
....
....

7. How is the mission statement communicated across the firm/company?

   a) Posters [ ]
   b) Word of mouth [ ]
   c) Circulars [ ]
   d) Operations manual [ ]
   e) Others specify [ ]

....

8. To what extent is the vision and mission **communicated** to each of the following? Tick appropriately alongside each of the parties.
   5 = Very great extent; 4 = Great extent ;3 = moderate extent; 2 = little extent;1 = Not at all

	5	4	3	2	1
Senior management team					
Managers & supervisors					
Workers					
suppliers					
Customers					
The general public					

9. How was the vision/mission statement formulated? Indicate the extent to which each of the following is true regarding how the vision/mission was formulated. Use a 5 – point scale where: 5 = Very great extent; 4 = Great extent; 3 = moderate extent; 2 = little extent; 1 = Not at all

Statement	**5**	**4**	**3**	**2**	**1**
The company product/service was defined					
Economic goals were defined					
The operating philosophy was chosen based on quality, image, and self-concept					
We defined our core competences and competitive advantages					
We defined what customers to serve					
Our responsibilities to various stakeholders were defined					

10. Does the firm/company have a strategic plan?

Yes [ ]

No [ ]

11. If yes what types of plan have been developed?

a) Long term range [3-5] years [ ]
b) Medium term range [1-2] years [ ]
c) Short term Strategic plans [0-1] years [ ]
d) All [ ]
e) Others specify______________________________

12. Are these plans written once they are developed?

Yes [ ]

No [ ]

13. To what extent do the following features characterize your planning process?

Use a 5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

	5	4	3	2	1
Informal planning meetings					
Time tables for preparation of plans					
Clear cut responsibilities for planning					
Existence for planning departments					

14. How frequent is the process reviewed?

a) Annually [ ]
b) After two years [ ]
c) After three years [ ]
d) Others specify______________________________

15. To what extent does your firm consider the following to be important factors in strategic planning Use a 5 – point scale where:
5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

	5	4	3	2	1
Ideas					
The numbers of figures					
Deadlines					
Others - Specify					
- Specify					

SECTION III: ENVIRONMENTAL ANALYSIS

16. Does the firm/company gather information from the external environment?
Yes [ ]

No [ ]

17. If yes indicate to what extent the following are involved to collect the information. Use a 5 – point scale where:
5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

	5	4	3	2	1
Senior management team					
Managers & supervisors					
Workers					
Research firms/individuals					

18. Please rate the extent to which each of the following factors affects your organization. Use a 5 – point scale where: 5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

Factor	5	4	3	2	1
Economic factors					
Ecological factors					
Political factors					
Technological factors					
Socio-cultural factors					

19. Does the firm/company carry out internal analysis?

Yes [ ]

No [ ]

20. To What extent do you consider the following to be your external forces? Use a 5 – point scale where:

5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

Factor	5	4	3	2	1
Competitors					
Creditors					
Customers					
Labour					
Suppliers					

21. To What extent do you consider the following to be your internal forces? Use a 5 – point scale where:

5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

Strength	5	4	3	2	1
Availability of superior resources than competitors					
Availability of the Greatest customer base in the industry					
Availability of technically competent staff					
Weaknesses					
Low market share					
Lack of enough resources					
Lack of highly competent staff					

SECTION IV: OBJECTIVES

22. Do you have any set objectives for the firm/company?

Yes [ ]

No [ ]

23. If **yes** please rate the extent to which each of the objectives in the table below is important to the firm using a 5 – point scale where:

5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

Statement	**5**	**4**	**3**	**2**	**1**
Profitability					
Productivity					
Competitive position					
Employee development					
Employee relations					
Technological leadership					
Public responsibility					

24. Is everyone in the firm/company aware of the objectives?

Yes [ ]

No [ ]

25. To what extent do each of the following people participate in the strategic management planning: Use a 5 – point scale where:

5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

	5	**4**	**3**	**2**	**1**
All managers					
A few selected managers					
All heads of departments					
A selected team from various departments and management levels					
The CEO or Managing director					
The board					
The line managers (supervisors					
All the employees					

SECTION V: STRATEGIC CHOICE

26. To what extent do you agree that the following steps are used in order to arrive at the selected strategy in your organisation? Use a 5 – point scale where: 5 = Very great extent; 4 = Great extent;3 = moderate extent;2 = little extent;= Not at all

Process	5	4	3	2	1
We generate several options to chose from					
We evaluate each of the options in order to find out the most viable one					
We choose the option that is optimal at the moment					
The option selected is usually the best option					
We sometimes choose sub-optimal options for strategic reasons					