

CONTEXTUAL INFLUENCE ON STRATEGIC PLANNING: PORTER'S INDUSTRY ANALYSIS MODEL IN THE KENYAN SETTING

BY DR. EVANS AOSA, Senior Lecturer,
Faculty of Commerce, Nairobi

Abstract

Various models have been put forward regarding how strategy is formulated in companies. These models have largely been advanced in developed country contexts which are rather different from developing country ones. If such models have to be applied in developing countries, some adaptation may be necessary. A study was carried out in Kenya to assess the applicability of Porter's industry analysis model here. It revealed that Kenyan organizations faced strategic challenges which could not be fully explained by Porter's model. The model was adapted by adding extra forces to better reflect Kenya's business situation.

Introduction

Managers have always been faced with the challenge of positioning their companies such that they best address challenges emanating from the external environment. It is the environment that is the source of resource inputs for the companies. Once resources have been transferred by companies, the resultant output goes back to the environment. Companies have to maintain this relationship with their environments. Ansoff and McDonnell (1990) have described companies as being "environment dependent". For success to be attained, a company has to maintain a consistent relationship with the external environment.

As environmental challenges have increased overtime, managers have turned to strategic planning in trying to shape the future of their companies (Ansoff and McDonnell, 1990). Although formal strategic planning originated in United States of America in the 1960s, evidence indicates that it has spread to other parts of the world (Capon et al, 1980). Empirical evidence also shows that strategic planning has been adopted by companies operating in Africa (Woodburn, 1984; Adegbite, 1986; Aosa, 1992, 1996).

An issue that arises is whether strategic planning models developed in other countries can be applied in Africa. Management (and therefore strategic planning) is sensitive to the context in which it is practiced (Pugh et al, 1963; Pugh et al, 1969; Ansoff, 1987; Jones, 1988; Osigweh, 1989; Hussey, 1990; Austin, 1991). This suggests that strategic planning models advanced in developed countries (where strategic planning originated) may not be directly applicable in Africa. This is because of the differences in context between developed and African countries. A study was carried out in Kenya to evaluate this proposition that strategic planning models needed adaptation before being applied in other contexts. The five-force industry analysis model developed by Porter (1980) was assessed.

The Porter Model

Porter (1980) postulated that a company's success would be enhanced if the company oper-

ated in an industry that was attractive i.e. potential profitability was high. Such attractiveness was influenced by the degree of competition in the industry. Competition in an industry was in turn, dependent upon five forces namely threat of new entrants, threat of substitute products, intra-industry rivalry, bargaining power of suppliers and bargaining power of buyers. Collectively, these forces defined the strategic agenda or challenges facing companies.

This model suggested that if managers used it to conduct an analysis of their industries, they would understand the challenges and dynamics of their industries fully. This is all the information they required to formulate effective strategies for their organization. This included making such critical decisions as entering or exiting industries (based on their attractiveness). In the current study, we tried to establish whether this was the case in Kenya.

The Kenyan Study. Interviews were conducted with senior managers of 73 large companies operating in Kenya during the period 1992-93. The respondents were asked about their problems and experiences when formulating strategy. The companies surveyed fell into three categories: foreign, indigenous Kenyan and Asian Kenyan companies. The problems reported were the ones managers had to address in developing strategies for their companies. These problems were compared with the insights provided by Porter's industry analysis model.

Results and Discussion

Respondents indicated that they experience problems of external interference and unfair treatment while carrying out their activities. There were also reports of obstruction and illegal competition. The three most frequently cited problems were:-

- a) Raw material, machinery and spare parts availability
- b) Government bureaucracy and constraints
- c) Illegal dealings, illegal competition and corruption

These problems posed strategic challenges which could not be identified by Porter's model in its original form. Managers reported that some of these problems were so fundamental that they alone were threatening the survival of their com-

panies. A general manager of a local company explained this by saying:

"We have a lot of illegal imports. They affect our marketing. They are sold at very low prices".

The operations director of a larger foreign company concurred with the sentiments of the general manager. He pointed out that;

"There is tough competition. We have four companies here. But other products come in rather unfairly. Illegal imports are eating our markets".

The observations made here do not fit in with Porter's model.

It is my view that the logic of Porter's model holds true in Kenya. However, before the model is fully applicable, it needs to be modified. Palvia et al (1990) did suggest adaptations to the model to suit developing country contexts. They added two more forces to the model: Government and logistics. They pointed out that governments in developing countries played very significant and dominant roles in the economy. This was highlighted in this study by the reported problem of "government bureaucracy and constraints". Similarly, many infrastructure inadequacies exist in Kenya. Therefore, it appears that the modifications suggested by Palvia et al (1990) hold true for Kenya.

The above modifications do not explain all experiences of Kenyan managers. In the current research, managers complained of external interference, unfair treatment and illegal competition. These factors cannot be attributed to government directly. Individuals holding powerful positions in society can ignore government provisions and controls and influence business activity e.g. avoiding to pay duty on imports thus giving rise to illegal imports or influencing licensing procedures. This can happen when such individuals stand to gain. It is my proposition that activities of such individuals constitute a formidable strategic force. This should be added to Porter's model to better reflect industry challenges in Kenya. This new force is labelled "power play" Porter's modified model for the Kenyan setting therefore has eight forces. To the original five forces, three new ones have been added: Government, logistics, power play. The new model provides a more complete exposition of the additional challenges that have to be taken into ac-

count in formulating strategies for companies in Kenya.

Conclusion

The observations made here adduce supportive evidence to the proposition that management, is sensitive to the context in which it is practiced. The context of management in Kenya is different from that of the United States of America. Therefore, the Porter model, which was developed in the United States of America, needed adaptation before being applied in the Kenyan setting.

REFERENCES

- Adegbite, O., "Planning in Nigerian Business". *Long Range Planning*, 19(4), August 1986.
- Ansoff, H. and McDonnell, E., *Implanting Strategic Management*. Prentice Hall International, Englewood Cliffs, N.J., 1990.
- Aosa, E., "Management Involvement, Training and Company Effectiveness in an African Context". *Journal of African Finance and Economic Development*, 1(2), Fall 1992.
- Aosa, E., "Management in Africa: Contextual Factors and their Influence". *The Nairobi Journal of Management*, Volume 1, 1996.
- Austin, J., "The Boundaries of Business: The Developing Country Difference". *Harvard Business Review*, July-August 1991.
- Capon, N., Farley, J. and Hulbert, J., "International Diffusion of Corporate and Strategic Planning Practices". *Columbia Journal of World Business*, 15(3), Fall 1980.
- Hussey, D.E., "Development in Strategic Management". In Hussey, D.E. (ed.), *International Review of Strategic Management*, John Wiley and Sons, Volume 1, 1990.
- Jones, M., "Managerial Thinking: An African Perspective". *Journal of Management Studies*, 25(5), September 1988.
- Osigweh, C., "The Myth of Universality in Transitional Organizational Science". In, Osigweh, C. (ed.), *Organizational Science Abroad: Constraints and Perspectives*. Plenum Press, 1989.
- Palvia, P., Palvia, S. & Zigli, M., "Models and Requirements for Using Strategic Information Systems in Developing Nations". *International Journal of Information Management*, 17, 1990.
- Porter, M.E., *Competitive Strategy*. The Free Press, 1980.
- Pugh D., Hickson, D., Hinnings, C., MacDonald, K., Turner, C., & Lupton T., "A Conceptual Scheme for Organizational Analysis". *Administrative Science Quarterly*, Vol. 8, 1963.
- Pugh, D., Hickson, D., Hinnings, C., & Turner, C. "The Concept of Organization Structures". *Administrative Science Quarterly*, 14(1), March 1969.
- Woodburn, T.L., "Corporate Planning in South African Companies". *Long Range Planning*, 17(1), February 1984.

ZICO DEVELOPMENT LTD

Specialised in the following services

Selling of New & Used Motor Vehicles
Suppliers of Agricultural Inputs, i.e.,
Fertilizers, Pesticides, Herbicides, etc.
Car Hire Services
Property Consultancy
Insurance Agency of Major Insurance
Companies
Clearing and Forwarding Agents.

Contact us for Details at
Barngetuny Plaza
1st Floor Rm 11

For Memorable services, come and see us