Strategic Management in Africa: Tracing Gaps in Sustainable Business Development

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Sustainable business development in Africa is a debatable issue. Different theoretical frameworks have been advanced to explain the phenomena. This paper explores studies to argue that the late and slow adoption of strategic management perspectives could explain the low business development. Models that accounted for growth of businesses in other parts of the world like firm internationalization, market liberalization, strategic planning became common in Africa much later. The business landscape was characterized by colonial legacy, state controls and unexploited resources. Recent environmental changes have seen great transformation. This paper contends that strategy tools could enhance sustainable business development in Africa.

INTRODUCTION

The concept and field of strategic management still attracts a lot of debate on its key perspectives. Scholars are still at pains to generally agree not only on the definition but the dichotomy of the emerging domains in the field. Equally the business landscape in Africa has continued to attract concerns from various parties. While there are recognizable efforts in business, most firms operate precariously. From various boundary spanning fields of strategic management like sociology, economics, finance and industrial psychology, explanations can be drawn why there has been slow or even stunted business development in Africa. Basing on the general prescription of strategy models this paper draws from studies to argue that business development in Africa has principally been due to the late adoption and application of strategic management in business. While there are antecedent factors to this trend the paper does not delve into the scene of precursors. We observe that with continued exposure to international business the trend in Africa is rapidly changing. It is recommend that more analytical studies at firm and industry levels be done in various African economies to widen the understanding of how strategic management perspectives can inform policy development, innovation and creativity for sustainable business development.

A CONCEPTUAL BACKGROUND

Strategic Management was defined by Jemison (1981) as the process by which general managers of complex organizations develop and use a strategy to co-align their organization’s competencies,
opportunities and constraints in the environment. But Schendel & Hofer (1979) in Rajiv et al. (2007) defined strategic management as the process that deals with the entrepreneurial work of organizations, their growth and renewal particularly utilizing the strategy to guide all operations. Strategic Management is further defined as an art and science of formulating, implementing and evaluating cross functional decisions that enable organizations to achieve their objectives. Strategic Management, though still in its pre-paradigmatic stages, has become a field for business success worldwide. According to Rajiv et al. (2007), the debate that has shaped our understanding of strategic management today has stretched over decades. From business policy designed by the Harvard group, to financial planning (1950’s), then long range planning (1960s) and strategic planning in the 1970s saw the concept developing through both theory and practice. In the western firms, the essence of planning as against action was questioned. This further paved way for better ways of doing business amidst the changing environment, gradually leading into growth of firms and industry. In a reasonably stable and predictable environment at that time African businesses continued to lag behind. By the fall of the 1990’s organizations in the developed nations and a few super emerging economies were involved in strategic management with focus on shaping new economic blocks. Conversely, in mainland Africa businesses were locked in state controls, lack of exposure and no long term focus.

The urgency to link strategy to other organizational activities did not open the windows to strategy formulation in a manner cognizant of the African reality. Only when the local environment became characteristic of high turbulence did many governments feel the push to open up from state controls. This attracted multinational companies with which came new exposure of local firms to internationalization, liberalization, privatization and several models of running business. The need for firms to have strategy for long term survival became pertinent. Though the meaning of strategy still eludes scholars, there is consensus that it is about aligning of the business to its environment, setting long term goals and direction. This is basically what had long lacked in Africa. Even today firms must have long term focus, beyond legislative reforms and management adaptations. Like Rumelt (2009) noted, strategy is not about the routine set of decisions that define scope of enterprises to survive. Mintzberg (1987) defined strategy as a pattern of a stream of decisions for long term competitiveness. Porter (1985) had defined strategy in terms of positioning a business in a given industry through an analytical process. But analytical models developed in industrialized firms had not found space in Africa. Rumelt (2009) emphasized that strategy is a cohesive response to a challenge, not the popularized 5-year market plans or the price cuts over a peak season or even a mission statement. A real strategy is accordingly neither a paper statement nor a forecast, it is an overall synthesis based on an environmentally diagnosed challenge with a view point of the forces at work. Finally, Johnson and Scholes (2006) defined strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources and capabilities within a changing environment, with an aim of fulfilling stakeholder expectations.

The notion of sustainability is another challenge for business development in Africa. Muthuri & Huang (2010) posited that sustainability had become a mantra for the 21st. century. It addresses the social, economic and environmental concerns of actors. The Bruntland report of 1987 cited by the same authors, defined sustainable development as advancement that meets present needs without compromising those of the future. There is a growing interest in sustainability management as a strand in the strategic management field. Loorbach et al. (2009) posited that in many studies this concept has picked interest of scholars and is at times referred to as corporate sustainability or transition management. Windsor (2001) reemphasizes that the consensual understanding of strategy is that it is the alignment (or non alignment) of the organization to its external environment so as to achieve corporate goals. Studies have long concentrated on factors such as industrial organization, political forces and economic viability of firm strategies. For example the generic strategies of Porter (1980) all focused on industrial forces like competitors, suppliers and consumers. Strategy has to be firm based, acknowledging that firms are environmental serving and dependant. A symbiotic coevolving relationship between firms and society was only assumed. There has long been less attention to societal dimensions such as social capital and
ecological environment. The current debate of corporate sustainability refocuses strategic attention to the ecological environment, social systems and networks as key facets of the growing field of strategic management.

To appreciate the strategic drifts in Africa, it is important to understand the general dimensions of emerging economies. According to Rajesh and Pillama (2009) the term has been extended to mean more or less all developing countries. Yadong and Junkunc (2008) defined emerging economies as countries undergoing significant economic transformation. This description is close to Elango and Pattnaik (2007) who said that emerging markets are countries experiencing rapid economic development with their economic structures concurrently undergoing rapid institutional adaptation to free-market ideologies. Usha and Haley (2006) defined emerging economies as those in low and middle income countries in which most people have lower standards of living with less access to goods and services as compared to those in high income or developed countries of the World. Strategy research agrees that emerging economies are assuming prominent positions in the World economic system. They are increasingly becoming the growth drivers of the global economy since the 1990’s (Rajesh & Pillama, 2009). Basing on World Bank statistics, Yadong and Junkunc (2008) identified and characterized 72 countries as emerging economies. The numbers notwithstanding, emerging economies are countries previously categorized as least developed (LDCs) which have now taken center stage in economic liberalization.

Emerging economies are a host of about 4/5 of the World’s six billion inhabitants, however they account for only 1/5 of the World GDP. The key characteristic is that these economies are transiting from state controls, also characterized by numerous low level business, small enterprises, predominantly agro-based and low industrialization. Eweje (2007) asserted that in developing countries most companies fall short of international standards in legislation and monitoring. According to Usha and Haley (2006) there is poor and low data on markets, low information processing capacity and less attachment to models of reason in business patterns as against the rule based and universal models in developed economies. Elango and Pattnaik (2007) asserted that the characteristics of emerging economies have changed over time. Prior to the year 2000, emerging markets lacked international competition, were dominated by state controlled firms, there were less choices of goods and services, firms lacked international exposure and were dotted with localized production. The firms in these economies are relatively small in size, with few organizational resources and low networks. However researchers posit that today there has been a radical change with increased globalization and openness to international competition. This is supported by Peng, Tan and Tong (2004) who noted that the economic landscape in developing countries had substantially changed featuring more organizational diversity through partnerships and networks. These arguments reaffirm our preposition that the low business development in Africa is resultant of the late and slow adoption of strategic management.

NEXUS OF STRATEGIC MANAGEMENT AND BUSINESS IN AFRICA

It is recognized that the development of strategic management in the United States of America, and its precursors, business policy, long range planning and financial planning led to rapid development in business. From here the field spread to other regions, with Africa being the last adapter in the 1980’s (Adegbite, 1986; Woodburn, 1984; Aosa, 1982). Wallender (1978) argued that strategic planning did not appear to be a priority for African businesses and their concentration was more on formal management functions which defined short term horizons of their businesses. Theories and models applicable in the emerging economies of Europe, Asia, Latin America and Caribbean countries were thought to be applicable in Africa (Amoaka- Gympah & Acquaah, 2007) but the replication of these models did not seem to have had a positive impact. Amoaka- Gympah and Boye (1998) proposed a shift to manufacturing and industrialization strategic models if Africa was to attain a higher economic status. This proposal was supported by Khanna and Palepu (2006). Other scholars have argued that Africa may however not have been suitable for the strategic models applied in the other countries because of its unique environmental challenges. Ansoff (1991) posited that strategic management tools are sensitive to the context in which they are practiced. The models and tools required to be modified in order to address
fully the peculiar political, social and economic challenges of Africa. However there were very few researches to inform such adaptation. A critical example is cited by Younis (1996) where the IMF/World bank strategy policy of privatization was rejected in Egypt, Morocco and Tunisia because the term privatization could not readily translate into Arabic language, and it was a foreign model.

With countries at different levels of development, it is bear defeating to argue that the entire region will uniformly realize sustainable business development when strategic management models are adopted. In Ghana, Acquaah and Adjei (2008) studied the adoption of Porter’s (1980) generic strategies and found that firms were pursuing differentiation, cost leadership at varying degrees of success. Acquaah and Aldken (2008) posited that a combination of cost leadership with differentiation yielded better performance. The commitment of many African governments to structural adjustment programs imposed by the World Bank and IMF led to many countries opening their business borders to foreign direct investment and joint ventures with multinationals (Acquaah, 2005). Acquaah (2007) posited that managers in domestic firms gradually relied on social networks and social relationships for their strategic business decisions. Ngwana (2002) in a study on strategic planning in higher education in Cameroon posited that adapting strategic planning in Africa required decisions to be on a backdrop of global, regional and institutional reality. Woodburn (1984) indicated the existence of corporate planning among the private and public sector firms in South Africa. In most sub Saharan African countries the private sector led in adapting strategic planning; but in South Africa both the private and public sectors were astute at these trends much earlier, this evidence to the more developed South African economy compared to the rest of the continent. In Nigeria, Fubara (1986) revealed that strategic planning was informal and characterized mainly by budgeting activities with emphasis on profitability. Adegbite (1986) however, found contrary views in a study of the same country. The difference in findings between the two studies was attributed to the population of study. Fubara (1986) studied local firms while Adegbite (1986) drew the sample from foreign firms. These findings imply that foreign firms in Africa were more involved in strategic planning than their local counterparts. This is supported by Aosa (1992) in a study of firms in Kenya. Domestic firms in Africa are however progressively learning through exposure to foreign business operations and gradually internationalizing their operations.

Some of the challenges that inhibited business development in Africa have been family settings, poor levels of technology, government and political environment, low organizational and managerial capabilities, and narrow knowledge space. In Africa, family set up includes extended families and paternalistic authority with individuals loyal to their family and tribe spread within African societies which influence managerial and organizational processes. Education and interaction with people of other cultures have recently influenced African societies leading to adoption of western educational systems and organizational management practices. This has opened a gate way to business growth by adopting western models. Governments in Africa are majorly centralized which has led to abuse of power and economic mismanagement. Aosa (1992) found out that governments and especially the political elite tend to interfere with private sector business to the detriment of management operations. Adegbite (1986) noted that most African states have experienced political instability with military rule, and undemocratic institutions. Both Aosa (1992) and Adegbite (1986) observed that political stability has had an impact on the development of strategic management field. As it is known that the field bridges the firm and the environment, organizations lacked an enabling setting to develop localized strategy models or to adopt those from developed countries. Resource utilization capabilities that could enable them undertake successful business have been lacking. Though the countries are endowed with numerous physical and human resources, there have been vague strategic views of how to exploit them for sustainable business development. The Resource based view scholars argue that resources need to meet certain necessary conditions for this framework to build competitive advantage (Peteraf, 1993; Barney, 1991; Wenerfelt, 1984). Managerial competencies have been in vain across the continent. Hambrick and Mason (1984) indicated that organizational effectiveness and strategies are reflected in the values of the top echelons in the organization. In this regard, the low performance of firms reflects the gaps in leadership of the organizations. Comparatively, Wang and Chang (2009) in a survey in China on Porter (1980)’s five
forces model found wide rejection of this model; what had driven Chinese industry success was leadership and its characteristics of wisdom, courage, strictness, human-heartedness, and sincerity.

Africa’s positioning in the global knowledge system is weak. Castles (1996) came up with what he termed a triangular symbolic network of knowledge and innovation which connects America, Europe and the industrialized Asia. Ngwana (2002) supported this view noting that Sub Sahara Africa’s lack of place in this space of knowledge flow led to being marginalized and suffering what Brock-Utne (2000) termed as the “new apartheid”. Ngwana (2002) illustrated that Research and Development scientists in the North went up by 60% while in Sub – Sahara it was 1%. Research publications in Science and Social science shows Sub-Sahara behind with 5,839 papers compared to 249,386 in United States of America. This shows the low participation of Africa in the global knowledge space with continued polarization of her politics, business patterns and education by former colonial masters; this further renders the pace of business growth to be slow. Recently the SME (small and medium enterprises) phenomena took center stage as an ideal model for sustainable business development. However this is not yet well studied. The initial results of SMEs have been dismal and disappointing. Adgebite and Oke (2010) observed that the key issues for Africa are technology transfer, productivity and competitiveness, which SMEs are unable to strategically institutionalize. Chinemedu (2010) established that SMEs emerged from interplay between complex social, economic and individual systems. There is a multiplicity of views on SME leadership rendering it questionable. Thomas (1992) in Osarenkhue (2010) argued that key concepts like competing, collaborating, compromising, avoiding and accommodating if well articulated would lead to strategic networks. Firms would access and share resources, improve efficiency and be innovative. On the contrary multinationals have shifted competition from their home countries to African soil. For lack of knowledge and international exposure local companies have been swallowed up. States having recently adopted liberalization find it difficult to re institute state protectionism to domestic innovations. Since strategic management had also not grown in African public sector, policy makers lack insights of what is suitable for indigenous firms. Osarenkhue (2010) observed that takeovers, joint ventures and other entry models by multinationals have not yielded expected results. Ijeoma (2010) argued that African business lacked a strategic direction; was driven on a false paradigm by western technocrats advocating for stabilization, liberalization, privatization instead of institutional reforms as panacea for development. China and India developed own models, though tailored on western experiences. Their experience shows that business development if premised on spontaneous responses to the environment while gradually building strategic capabilities. Ola (2010) pointed out that Africa adopted western models on fragmented principles; for example deregulation of the communication sector in Nigeria was a boost while that of the petroleum sector triggered anxiety; there should have been a long term strategic agenda. With such lack of integration, Enhe (2010) reaffirmed that anticipated drivers of development in Africa failed not only on knowledge generation but also on adaptation of appropriate strategies.

The New partnership for African development (NEPAD) is a long term strategic framework proposed to address environmental rather than firm or industry level factors to enable Africa break through drivers inhibiting business development among others. Luiz (2006) posited that NEPAD was adopted in 2001 as a pledge by African leaders to stage an agenda for sustainable growth and development. Of interest to strategic management scholars, NEPAD declares Africa open for business, a significant departure and indeed a paradigm shift from inward policies that stifled the growth of the field. The strategy is to embrace globalization rather than oppose it. Kamoche and Harvey (2006) contend that NEPAD offers a platform for knowledge diffusion, a lack of which has been a key inhibition to business; this will lead to organizational learning, inflow of managerial expertise, technology transfer and capital. All these are key tenets of sustainable business development.

CONCLUSION AND RESEARCH IMPLICATIONS

After being isolated from the rest of the World for many decades, African economies have made political and economic transitions towards open market systems. This changing environment has made the business landscape in Africa greatly different. The indigenous firms are competing for space with many
multinationals that have superior management systems and large capital bases. Local managers have had to refocus attention on models of survival and competitiveness. The region has adopted strategic management belatedly; this is a possible explanation for the low level of business, the poor management and the superiority of the multinationals. The integration into the global business trends by local firms has led to some level of economic growth. This paper has drawn from various authorities to show how lack of strategic management affected African business. It is clear that research is urgently needed to analyze various dimensions of strategic management such as firm internationalization, resources and capabilities, leadership, sustainability management and strategic planning to inform policy and practice. There are scarce empirical evidences of how the models from the developed economies have fared, successes and failures of liberalization policies, the challenges and success stories of SME models, the knowledge space among others. Analytical research will enable the localization and contextualization of models to specific needs. This will place Africa on a platform of clear strategic and sustainable business practices which are crucial for today’s global competitiveness. From this discussion we contend that strategic management tools provide an inherent possibility for breaking into the global economic order from which sustainable growth and technological development are tenable.

REFERENCES


