

Determinants of strategic forces that shape competition in handicraft industry in Kenya.

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Abstract:

The basis for crafting competitive strategies is understanding the forces that shape competition in a particular industry. The most widely used framework to understand the competitive forces is based on Porter's Five-Force model. The model provides an assessment of the determinants within the contending forces that shape competition in the industry and determine firm strategy. Using the model, this paper is designed to determine the use of Porter's Five Forces Model applicability in Kenya's handicrafts industry. The study used a quantitative approach and a cross sectional design; data was collected with use of semi structured questionnaires with the respondents being the CEO's, Corporate Strategy Managers and/or Marketing Managers of the sampled handicrafts companies. Descriptive statistics was used to obtain a general understanding of the handicraft industry, whereas inferential statistics was used to test the hypotheses and make generalizations of the findings.

Statistical techniques that were used include mean scores, standard deviations and factor analysis. The major findings of the study were that out of the six forces (Porter's five competitive forces and government policies) five forces were highly rated as shaping competition in the industry. The overall conclusion drawn from the findings of this study was that Porter's (1980) Five Forces Model offered a strong linear relationship with competitiveness and therefore was found to be applicable in the handicrafts industry while government was considered as a separate contending force. The implication of this study will go along way to develop policy framework in the handicraft industry and create partnership between firms and relevant authorities in government which will provide synergy in this sector. The same can also be replicated to the emerging markets in the world economy.