

**COMPETITIVE STRATEGIES AND PERFORMANCE OF MOBILE SERVICE  
PROVIDERS IN THE TELECOMMUNICATION INDUSTRY IN KENYA**

**BY**

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**DECLARATION**

This research project is my own work and has never been submitted for examination in any other university.

Signature..... Date...../...../.. 2018..

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D61/82430/2015

This project has been submitted with my authority as the university supervisor.

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## **DEDICATION**

This research project is dedicated to my lovely family, for the words of encouragement and love they accorded me throughout entire period I was doing my MBA. A special dedication to my brother Simon Gachaiya and my wife Milcah Muli for their word of encouragement with an aim of reaching my limit.

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## **ABBREVIATIONS AND ACRONYMS**

<b>GSM:</b>	Global System for Mobile communications
<b>ICT:</b>	Information, Communication and Technology
<b>2G:</b>	Second Generation Networks
<b>3G:</b>	Third Generations networks
<b>CAK:</b>	Communication Authority of Kenya
<b>CEO:</b>	Chief Executive Officer
<b>HR:</b>	Human Resources
<b>KPTC:</b>	Kenya Post & Telecommunication Corporation
<b>4G/LTE:</b>	Fourth Generation/Long Term Evolution technology
<b>MNO:</b>	Mobile Network Operators
<b>MVNO:</b>	Mobile Virtual Network Operator
<b>BSC:</b>	Balanced Score card
<b>SBSC:</b>	Sustainable Balanced Score Card
<b>GOK:</b>	Government of Kenya
<b>CA:</b>	Communication Authority of Kenya
<b>CAK:</b>	Competition Authority of Kenya

## ABSTRACT

The purpose of the study was to establish the impact of competitive strategy and performance of mobile service providers in the telecommunication industry of Kenya. We shall identify competitive strategies that the players in the telecommunication sector use to remain competitive in the market. The study was guided by Resource based view, Market based view and knowledge based view theory. Cross-sectional research design was adopted and targeted four major telecommunication firms operating in Kenya, that is; Airtel Limited, Safaricom Limited, Equitel Limited and Telkom Kenya. The unit of observation was the managerial staff of the four telecommunication firms who are involved in formulating strategic decisions for the firm. Closed and open ended statements in the questionnaire were used to collect primary data. Qualitative and quantitative procedures were used to analyze the data. Qualitative procedures involved use of regression analysis while data collected from quantitative techniques were analyzed using frequencies, standard deviation, means and percentages which was aided by SPSS software. Regression analysis was also adopted to determine the nexus between the study variables. The study established that the telecommunication companies in Kenya have adopted cost leadership strategy, market focus strategy and differentiation strategy. In regard to market focus strategy, the study found out that the companies segmented products based on benefits sought by the customers. On differentiation strategy there was an indication that the companies had adopted differentiation strategies by differentiating their products and services from their rivals. On cost leadership strategy, it was found that the companies used cost strategy to increase the market share and keep ahead of competition. The study concluded that the relationship between competitive strategies (“differentiation strategy, market focus strategy, cost leadership strategy”) adopted and organization performance of telecommunication sector in Kenya is positive and significant. The study recommended that telecom companies should continuously and persistently invests in new technology and concentrating with devising unique and imitable products so that they can be distinct from their competitors through product differentiation; the companies should also utilize benchmarking so that they can compare their differentiation strategy with best performing companies in the service industry. The study also recommended that the telecommunication companies in Kenya should continue innovating and developing new products as well as doing aggressive marketing for them to be and remain competitive.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

The antecedent of competitive strategy is to enable an organization acquire competitive advantage via a unique of competing in the market. Competitive advantage is indispensable for an organization not only to compete favourably in the market but also to ensure that an organization achieve sustainable competitive advantage. Competitive advantage of an organization can achieved if it is able to recognize its position in market and therefore, identify challengers, follower and market leader. According to Lawrence (2012) this would enable the organization to adopt suitable strategies favourably competition in the market.

An organization can achieve competitive advantage which is sustainable diffusing completion in the market. This can be done by finding out how they compete in the market, understanding the market in which they compete in, the core of their competition, their competitors in the market and means in which they immune themselves from competition. Some of the benefits of having competitive strategies are; supporting the top-line growth goals of a firm by helping create a unique and sustainable niche in the competitive market, putting up best practice, assess the competitive situation and lastly formulate the appropriate response. It enables an organization to deliver benefits which will exceed those of competing products. (Porter, 1980).

The study is grounded on competitive forces model theory and resource based theory. Resource based theory is precursor of an “inside out” strategy formulation process (Grant, 2001). Porter, (1980) identified the second strategy of competitive forces model.

According to Porter's five forces model, a company which faces these forces from an industry is in an unattractive industry space.

The Telecommunication Sector, a subsection in ICT Sector, contributes about 10% of our country's GDP. It is among the most improved sector of our economy. Therefore, it is expected to constantly remain strong at the backdrop of adversities and challenges facing it. It is also one of the Key pillars in the country's Vision 2030. The players in this Sector continue to innovate in a response to competition in order to keep offering customers better and innovative service.

In Kenya, the growth of mobile telecommunication industry has been indigenously and has been everything to do with the price of getting connected and the need of being connected for personal and business reasons as has been evident in the recent years of operation. In the earlier years, we had per minute billing by both Kencell and Safaricom. This was later changed to per second billing by Safaricom which made them grow in both customers and profitability to a market leader and has since been.

ICT and mainly mobile service providers will be the major enabler in achieving our next use cases in terms of innovation. Most of the recent innovations have a mobile use in the process, which makes it even easier, time saving and modern. This includes the Security and Surveillance firms, automotive industry, Aeronautical industry, and modern hospitality industry as well as drone technologies.

### **1.1.1 Concept of Strategy**

Strategy is a word which was developed from a German word “strategia”. This was mainly used by the military, which meant that the troops would be deployed in different locations to engage an enemy before he strikes. This was then borrowed to be used in business. Strategy of an organization is its direction and scope it intends to follow in the long-term. Strategy provides an advantage to the organisation by stipulating the type resources that are required in competitive environment, so as to sustain market needs and at same time fulfilling stakeholder expectations. To sum, direction, scope of the market, resources, the environment and the stakeholders is what entails strategy (Porter, 2005).

The direction of the company is concerned on where the business wants to be in the long-term. This is the strategic direction of the company also known as the vision. This also helps in identifying the markets in which the business intends to compete in. this guides the company as they work on developing a strategy for the organization with the vision in consideration. These approaches are also used at the “business unit level” also known as non-specific strategies as they are not industry dependent (Chesire and Kombo, 2015).

Strategy also looks into resources required to compete, the external factors of the environment which can affect the businesses' ability to compete and the stakeholders expectations; those with a direct concern in the affairs of the firm.

### **1.1.2 Competitive Strategy**

Competitive strategies classification can be grouped into three types, innovation, amplification of quality and cost reduction (Schuler & Johnson, 1987). Some argue that all three types of strategy can be used along with each other (simultaneously) to gain competitive advantage both locally or internationally, regardless of the industry. Others argue that the ease of entering a new market can only be the essential factor in determining a competitive advantage.

Erecting strong entry barriers, through captivating customers, lower costs of production, or economies of scale, can manage and sustain competitive advantages. Competitive strategy is course of action developed to assist an organization acquire competitive advantage in relation to its competitors in the market or rivals in the long-run (Green Wald and Khan, 2005).

The major goal for a business/ company is to establish a niche in the market where it can position itself relative to worthy competitors or have effect on their activities in its advantage. Knowing the sources of competitive forces highlights the company's strengths and weaknesses, identifies its position in the industry or market, shows areas where changes in strategy may result into greater pay off and highlights the area where trends in the industry promise to be either threat or opportunity, Slater and Olson, (2001). A competitive strategy's effectiveness takes either defensive or offensive action so as to establish a status versus five forces and hence enable a company to realize a return on investment which is positive.

### **1.1.3 Organisational Performance**

Organizational performance as stated by Noum (2007) is the measurement of efficiency, effectiveness and environmental responsibilities. (Rodgers & Wright, 1998; Richard et al., 2009) further states that organizational performance is the dependent variable probably most widely used. As a matter of fact, it is ultimately used by researchers whose focus is on the management of an institution. The construct has a pivotal role where it is seen to be the major goal of an organisation. March and Sutton (1997) asserted that performance has been researched widely under management discipline as its definition and structure are inadequately overtly justified.

Performance is a frequently researched topic in various disciplines of management not limited to strategic management and it has continued to elicit interest from both management practitioners and academic scholars. It is worth noting that whereas scholars and management practitioners have pre-occupied themselves with ways to manage and improve organization performance in a broad perspective, there has been a raging debate among the academic community with most of these debates centered on terminology, the concepts for performance assessment and performance level of analysis which entail the contribution of units within organization to overall organization performance (Ford & Shellenberge, 1982).

Organizational performance in most cases manifests itself on a conceptual perspective which delimits itself on the conceptual expression and assessment (Goodman, Pennings & Associates 1977). The reason behind this conceptual definition is to determine the dimension and properties that comprise of various concepts in relation to performance



(Scott, 1977). The justification of performance variation in effectiveness and the pursuit of acceptable causation structure is a representation of one of endless sought topic in the organizational studies (March & Sutton, 1997). Chakravarthy (1986) asserted that various perception of efficiency such as financial-market, profitability, transformation of organization quality and multiple stakeholders satisfaction.

#### **1.1.4 Competitive Strategy and Organisational Performance**

Although performance of businesses is important during a study on strategy, there exists an argument on the usefulness of various approaches to the concept of utilization and performance measurement of organizations. Mostly used approaches on measurement of organizational performance are; the objective of measuring performance which may be quantitative in nature, the subjective to be measured which may be qualitative hence judgmental and normally based on the interviewee's perception and triangulation. Organizational performance is how well an organization can achieve its vision as well as its financial goals.

Any organization initiative, including strategic management, should ultimately lead to enhanced organizational performance. Trade performance is used to measure how well an organisation is performing. Trade performance is calculated on the basis of sales return, field, return on investment, output, market split and the growth of manufactured goods (Wang and Lo, 2003; A Neely, 2005). The introduction of balanced score card, (BSC) by Kaplan and Norton (2011) which is a more pragmatic method of measuring organization performance. Balanced scored card is based on causation effect "Cause and effect relation" and it provides a structure in which organization strategic objectives are

organized in line with mission and vision of financial perspective. The BSC measures the internal business processes, financial aspect, customer services, growth and learning within the organization

The success of an organisation's strategy will address its crucial success factors which determine organization strategic performance; therefore, an outcome of strategy is performance especially competitive strategies. Strategic performance can be measured through financial and market success (Thompson et al, 2007). Financial success is important for continued operations of the organisation and financial competences are crucial as they support organizational functional strategies which ensure that required infrastructural investments are made.

### **1.1.5 Mobile Service Providers in Kenya**

Telecommunications players in Kenya and internationally are going through quite a number of changes. In the recent past, this industry has been transformed by technological innovation, advancement and regulatory restructuring. Markets which were formerly discrete, distinct and vertical have come together irrespective of their boundaries with a huge investment of capital mostly from private sector participants. This has resulted into new markets, players, and therefore new challenges.

During the third quarter (ending March 2017), the mobile telephony sub sector recorded slight growth in mobile subscriptions. 90 day active mobile users were 39.1m from 38.9 million in December, 2016. On the other hand, mobile penetration is at 86.2% in March, 2017. This is calculated as a percentage of the total population of the country which is currently at 45.4 million people as per the Economic Survey 2017.

Safaricom which is a Key player in Kenya telecom industry was a department of KPTC “Kenya Post and Telecommunication Corporation” which at the time enjoyed unfeted monopoly. Later, in 2002, through issuance of share, with a limited liability, it was converted in a public limited company. In 2008, the company sold a quarter of the shares held by the government to the public. However, in March 2017, Vodafone transferred a 35 per cent stake in Kenyan operator Safaricom to Vodacom, its listed South African business, in the UK telecoms group’s latest move to simplify its sprawling global empire.

Telkom Kenya sold 51% of its share to France Telecom in 2007. In the year 2013, France Telecom owned up to 70% of shared in Telkom Kenya. However, the government has failed to release some fund agreed upon in 2012. The company rebranded to Orange Kenya from Telkom Kenya in June 2017 after a purchase by Helios.

Airtel Kenya joined Kenya in June, 2010 after a purchase of most of Zain’s operations in Africa. Zain Kenya was born of Celtel, which was born of Kencell (2000). Airtel Kenya is a subsidiary of Bharti Airtel Limited. Airtel Kenya is the second largest mobile provider in Kenya in terms of subscriber base. Other Mobile service providers are Equitel; a subsidiary of Equity Bank Group, Sema Mobile; a community based mobile service provider and Mobile Pay previously known as Tangaza, with a focus on mobile money payments.

## 1.2 Research Problem

Competitive strategy targets a firm becoming profitable and sustainable in a competitive industry. (Ghalayini & Noble, 1996) states that for Organizations globally are looking into differentiating themselves from competitors and being unique through proper positioning and competitive strategies. Organisations employ competitive strategies to improve their performance through in a given market. To find an industry's niche and to understand your customers, an organization has to use an effective competitive strategy.

Competitive strategies are important inputs in determining the performance of mobile service providers in Kenya. (Johnson & Scholes, 1999) identified that there is a direct correlation between competitive strategies and organizational performance. Most researches have been done on both competitive strategies and organizational performance. However, the findings have been contradictory and did not provide a conclusive evidence in the relation of these two variables.

The ICT sector is a pillar in Kenya's economy. It contributes 10% of our GDP. The performance of the mobile service providers, has had a ripple effect on the perception of the firm's performance and in relation to its competitiveness. This perception are in terms of increasing shareholders wealth through increased demand for shares thus increase of share prices, increased returns for investors through large dividend payments and engagement in non-financial benefits to the shareholders and public through use of surplus funds.

Mobile service providers in Kenya may not attain profits in spite of being in an attractive industry if their strategies have been poorly chosen to identify its position in the market. With the Kenyan government liberalizing its telecommunication sector, many new entrants have entered into the market, challenging established players as Safaricom Limited. For the new entrants, there has been a lot of attempts to gain market share. This requires effective strategies which appeal to the customer to gain a competitive edge.

Recent International studies done in the area of competitive strategy and performance of organisations include; Li (2007) who researched on organizational autonomy, incentives and performance of state corporations in China. He found that organizational autonomy reduces and boosts firm performance. Jia et al., (2005) studied effect of privatization on organization performance. He found that organization autonomy has a negative relationship with firm performance. Cleland (1998), researched on nature of environment in which interpersonal group relationship occurs also affects quality and style of leadership in cement production industry. He found out that the environment is affected by management's success and failures, and that external environment such as government authorities and policies affect performance of organisations.

Strategies adopted by companies manufacturing sugar in Kenya and found out that these firms have changed their vision and mission statements to more formal ones (Obado, 2005). Cost leadership strategy was the most widely practiced amongst the firms while differentiation strategy mainly revolves around customer service, distribution networks and branding.

Competitive strategies employed by petroleum stations with a case of the city of Mombasa (Amir, 2007). He found that a number of them adopt the differentiation strategies in conjunction with cost leadership due to their huge resource capabilities. However, small companies with sole proprietors use pricing strategy and sell at cheaper prices; Adhiambo (2009) did a study on competitive positioning and performance of commercial banks and found out that repacking of products is important for organisations.

Another research on strategies employed by Safaricom to competitively retain its leadership in technology, the four generic strategies by porter and the resource based view were used by Safaricom (Ndambuki, 2016). However, this research was limited to Data/ Internet only and to Safaricom only rather than the entire industry.

From the above, the studies were conducted on competitive strategies adopted by companies or organizational performance of specific companies but did not consider the mobile service industry in Kenya, which is a very competitive industry in ICT and a pillar of our country's GDP growth. Other researches were specific to one mobile service provider (case study), while others focused on a specific area such as Internet or mobile money. Therefore, this study helped to answer the following research question; what are the competitive strategies used by mobile service providers in Kenya to tackle competition and how do they influence their overall performance?

### **1.3 Research Objectives**

This research will establish the competitive strategies adopted by mobile service providers in Kenya and identify whether competitive strategies influence the performance of these mobile service providers.

### **1.4 Value of the Study**

The current study is of significance as it would enable Telecom Companies to evaluate the major strategy they can embrace in a highly competitive industry as is in this sector. The study will also be of paramount importance for those parties who would be interested in joining or investing in the telecommunication industry in Kenya because this study will provide the competition highlights and strategic decisions or models to adopt.

This study can also be used as an illustration of what other companies can employ. Most of all, this research will offer experiential suggestions on what kind of competitive strategies to put in place in order to have a competitive advantage in a given industry. The authorities concerned with mobile telephony sector can get some knowhow of the dynamics in this sector and the strategies which can be competitively employed. It will be a source of guidance to make necessary policies to regulate this telecom sector.

Future researchers or students would find the findings of this study useful as referential material. The findings can be differentiated with strategies in other sectors or industries to identify how to get an added competitive advantage in a competitive environment. Consultants can benefit from this study to offer effective assistance in the successful operations of firms to remain competitive.

### **1.5 Summary of the Chapter**

The first chapter has covered, an introduction and background of the study which gave a scope of Strategy and majored on competitive strategies, discussed Organizational performance and a relation of the Competitive strategies to organizational performance. It has also expounded on the Mobile telephony service providers in Kenya and the major players in the Industry. Covered also is the research problems, objectives as well as value of the research study.



## **CHAPTER TWO: LITERATURE REVIEW**

The theoretical framework for the study is covered in this chapter. This chapter will review literature on competitive strategies available. It will discuss the various theories of strategy which can lead to an organization attaining a competitive edge. These theories will be used during the research to identify their inputs in determining the ultimate strategy to adopt as mobile telephone service providers in Kenya which is dynamic, unique and competitive in nature.

The chapter will also review the various outcomes achieved from various competitive strategies in terms of performance of the organisation. It will further discuss if there exists any relationship between the various competitive strategies and performance of the organization.

This chapter will also focus on successful implementation of strategies as well as challenges organizations face during the implementing of these strategies to obtain a competitive edge. It will discuss the various variables to consider while implementing these strategies and how to overcome the challenges of implementing the competitive strategies in order to achieve the desired performance outcome.

### **2.2 Theoretical Foundation**

There are various approaches to strategy in which an organization can adopt in a bid to remain competitive in a market or industry. There are two broad frameworks which cover competitive strategies. Strategic fit strategy involves developing strategies which after identifying the opportunities in the market, you adapt the available resources in the firm so as to be competitively advantaged to take on these initiatives. Strategic Stretch is

majorly involved in making proper use of the available resources and abilities of the company. This will give the company a competitive advantage to create new ideas and opportunities.

Strategy highlights three strategies; leadership in cost, product differentiation and focus on cost as well as product focus (Porter, 1999). In cost leadership, a firm ensures that it produces products or services at a relatively low cost. This makes the end product cheaper due to low production costs hence obtain a cost advantage over its competitors.

A firm also differentiates itself from its competitors if has one unique way which the customer will value the products of the company. The focus strategy is aimed at identifying a niche which is experiencing a gap. It chooses a narrow competitive scope within an industry, Thompson, Stickland and Gamble, (2010). As such firms need to adopt competitive strategies that ensure that they have competitive advantage within the industry and most specifically for a given segment with an unaddressed need.

Organisational Performance is the measurement of efficiency, effectiveness and environmental responsibilities according to Noum, (2007). Performance is a dependent variable during a research. It is dependent upon the strategies put in place and how these competitive strategies will be implemented amidst various challenges which may hinder the effective and successful implementation of the same in an organization.

### **2.2.1 Competitive Forces Model**

This is also known as the Strategic Fit model. Porter (1983) posits that every company has a competitive strategy. Strategic fit involves developing strategies by identifying opportunities available in the business environment. By identifying these opportunities, you adjust the available resources and competences so as to pursue these opportunities and remain competitive in the market. Porter, (1980) identified the five forces model. These are the strength of the buyer and suppliers, presence of substitutes, possible new entrants and chances of rivalry.

According to Porter's five forces model, a company or firm which faces these forces from an industry is in an unattractive industry space. That for it to achieve profitability, it has to face these forces as competition from this industry and vice versa will be an attractive industry. It is important for managers to understand the market/ industry they are in to maintain profitability by identifying ways to counter competition.

Most companies follow strategies which try to emulate or copy the market leader. This makes the management of the firm pre-occupied with catching up with the leader rather than creating ways to become the market leader in their own way.

### **2.2.2 Resource Based View**

RBV is mainly a Strategic Stretch model which involves influencing the available resources and expertise to build competition through yielding new opportunities in the market. No company has the same likeness in terms of resources to employ in their operational activities.

Advanced strategy in the fact that it is the dependent on the resources available in a given company (Birger Wernerfelt, 1984). Resource Based View theory holds that competitive advantage is gained through the resources and competencies available in an industry so as to develop exclusive competences in an industry.

According to the resource based theory, the values of the organisation, uniqueness, imitability, and substitutability will define its competitiveness. Lado & Wilson, (2000) noted that the human labour, transformation, leadership capabilities are competences deemed important in contribution to an organization's competitiveness.

### **2.2.3 Porter's Generic Business Strategies**

Each profit making company uniquely develops its strategy to fit its unique need. This leads to four major strategies by Michael Porter, (1985), a Harvard professor identified product differentiation, leadership in cost, focus on low-cost and differentiation through low – cost as important competitive strategies which are generic in nature and which can be changed so as to meet most of the businesses needs in most of the industries.

A company which has effectively produced or designed its products in a much better way than its competitors, then it has employed the cost leadership strategy (Allen et al. 2006). Cost leadership strategy, mainly applied by large companies which can be in a position to purchase raw material products cheaply as explained by the theory of economies of scale hence making the end product less expensive. This achieves a competitive price of your products in a highly substituted product such as food products which have a high demand. Small companies or new entrants may find it difficult to compete with you since

they may not be able to purchase their raw materials at a price lower as that of the fellow large companies in the same industry setting.

A firm has to ensure that its products have a unique attribute which is relevant to the customer's need (Porter, 1980). Differentiation strategy provides companies with unique products or services over its competitors. This is because the competition may not be able to offer the same type of product or service as itself. It is also important to conduct a proper research before launching a new offering in the market so as to understand the needs of the market being targeted. A unique product should be difficult to copy. A patent right should be considered to enjoy rights to your product innovation with less competition.

Low – cost focus strategy has similarities to the leadership in cost strategy above. It focuses its product offering to a specific market segment. The main reason for this strategy is in order to become the cheapest provider in that identified segment. For instance, a bread manufacturing company may manufacture its bread in a given town or county but ensure that it provides the cheapest bread in that county, but of course not the cheapest in the whole country.

A successful product differentiation is developed after an intense study of the buyer you intend to focus on (Pennathur, 2001). This strategy targets a narrow segment in a given market. This target market is defined in a unique way. A company designs a good or service which is specifically for the young generation. While targeting on a narrow segment of the market, this business can push and concentrate all its efforts to this

segment. This will need less resources compared to that of concentrating on the wider market.

### **2.3 Organisational Performance**

Organizational performance is broadened into three areas of firm's outputs (Richard et al., 2009). These areas are on; performance of the product in the market, performance of financials or profits and also returns to the investors. Strategy planners, finance, legal, and organizational development are specialists who have much interest in performance of the organization. Porter (1998) noted that the control-oriented traditional performance measurement system is becoming irrelevant in today's dynamic business environment. Several performance measurement systems that have been in use to determine how well an organization performs, e.g. shareholder wealth maximization, the balanced scorecard, the triple bottom line and the sustainable balanced scorecard.

A well thought out strategy, innovative and unique competitive strategy leads a company to performance which is above that of its competitors. Thompson et al. (2007) states that a company has to step up in their strategies since the business environment has become very uncertain and turbulent as competitors are day on day working to ensure that they stay a-float in the market. It is with proper strategies that a company can ensure that it does not end into a financial crisis.

The concept of balanced scorecard was coined for the purpose of determining if small scale organization operational activities are in line with overall organization vision, vision and objectives in larger scale (Kaplan & Atkinson, 1992). Therefore, balance scorecard has been continuously been used as a tool for execution and monitoring of

organization strategy through using of financial and non-financial measures combination. The tool is designed so as to translate strategy and vision of an organization into measures and objectives through four approaches which are internal business process, customer, financial, growth and learning. The approach offers a framework that ensures that a given strategy is rendered into comprehensible and logical performance measurable sets.

We must acknowledge that is not an easy task to measure organizational performance, especially when the items to be measured keeps changing over time (Kaplan and Atkinson, 1992). To measure sustainable performance, there has to be a concept based but simple, for it to be useful to the consumers. These are available frameworks and models which can be used to gauge the performance of the organization at a given period of time to identify if it achieves the goals of the organization.

## **2.4 Implementation of Competitive Strategies**

Clarity on the importance of competitive strategies in a business environment is as important to attain a competitive edge to competitive players in an industry in order to achieve a positive outcome (Markgraf, 2016). An industry keeps changing and dynamics change too in relation to consumer needs or regulatory changes. This will affect the current strategies which have been put in place. Bert, (2016) explain that strategy should evaluate the variables within the environment and adjust the strategy accordingly so that it is concurrent to the current changes and get a benefit from any opportunities which crop up in the industry before other players pick them up.

Porter suggested that since the position of the business in the market may change, a company is advised to adaptively change their strategic focus so as to remain in profitability or market leadership by addressing these areas of concern. A company which depends on suppliers to remain competitive must constantly scan and oversee the supplier's movements or involvements or change of behavior so as to adjust its strategy accordingly so as to identify different ways of remaining competitively advantaged rather than depending on the supplier to attain a competitive edge.

In order to remain competitively successful in the long-run, a company needs to maintain products or services which appeal to the end user, the customer (Mumassabba, 2015). The organizational structure should also be adaptive such that in the case of any changes needed, the structure can quickly adapt in order consistently offer quality products and services. A company which is competitively advantaged may be overtaken by a new entrant who uses technology and innovation to produce its goods and services. It is also necessary to monitor competition activities with regards to their strategy as well as new entrants and existing players in an industry. (Markgraf, 2006).

It is also necessary to be ICT savvy when it comes to operations of the company. Stiff completion is likely to be faced by those companies which neglect technology as a means of easing their processes. This will also help the company to remain relevant in the industry and increase production at a relatively lower cost and more efficiently.

The strength and capabilities of the management are of paramount importance in enabling these companies attain their competitiveness in a given industry (Fu & Zhang, 2012). Unique management abilities will clearly cascade the vision and mission of the



organization to the entire organization such that the whole organization is in sync with the companies' direction as well as the values that the organization upholds in order to achieve the much needed competitive edge in an industry. According to Molina et al., (2004), it has been identified that companies with a capable leadership team have successfully achieved their competitive strategy. Thompson et al (2007), indicates that implementation of strategy effectively is dependent on the skills and competences of the overall employees. An organization which is not in a position to attract competent and highly skilled work force may not be in a position to achieve its desired output from a strategy.

## **2.5 Empirical Studies and Knowledge gaps**

According to Obado (2005) did strategies adopted by companies manufacturing sugar in Kenya and found out that these firms have changed their vision and mission statements to a more formal ones. Cost leadership strategy is the most widely practiced amongst the firms while differentiation strategy mainly revolves around customer service, distribution networks and branding.

According to Amir (2007), competitive strategies employed by petroleum stations with a case of the city of Mombasa. It was found that all the stations apply competition strategies where a number of them adopt the differentiation strategies in conjunction with cost leadership due to their huge resource capabilities. However, small companies with sole proprietors use pricing strategy and sell at cheaper prices compared to the big companies.

A study on competitive positioning and performance of commercial banks (Adhiambo, 2009) found out that repackaging of products is important for organisations and that they should be innovative in a dynamic business environment mainly on updating themselves on technology for survival. Ndambuki, (2016), undertook a research on strategies employed by Safaricom to competitively retain its leadership in technology, the four generic strategies by Porter and the resource based view were used by Safaricom Kenya limited as well as the open systems in its strategy formulation. However, this research was limited to Data/ Internet only and also to Safaricom only rather than the entire industry.

The above are studies which have been performed in the field of either competitive strategies and/ or organisational performance. This shows that there are gaps in the area of study with regards to Mobile telephony organisations in Kenya as well as their organisational performance.

This chapter was on a detailed literature review on the Competitive Strategies and well as Operational performance. The literature was necessary to identify what previous scholars and researches have worked on and the variables. Theories guiding the study are also stipulated in this chapter which forms the foundation of the study. The main theories here are Competitive five forces theory, Resource Based View approach and the generic business strategies by Porter.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

Research methodology is systematic plan of models on which to conduct a research. This chapter outlines the ‘how’ of the study. This chapter will identify the research design, data collection, and the method that will be used for data analysis.

We shall determine the appropriate method to collect data and the sources of the data shall be identified. The data shall be based on facts in order for us to reach to an amicable solution or conclusions. We shall determine the method to sample if need be and also determine who our target population will be.

This chapter shall also looks into the data analysis which will offer the explanation of the data collected. The results derived from the analysis should be acceptable to a scientific community. The data will be easy to interpret by identifying the appropriate data analytics tool or technique.

### **3.2 Research Design**

A research design is considered as detailed action plan and blue print indicating how a research project should be conducted (Neumann, 2006). Research can be in a fixed design of flexible design, which may coincide with quantitative and qualitative research designs. Flexible designs allow more freedom on data collection compared to fixed designs. There are various forms of research designs; random assignment, correlation, descriptive, review and meta-analytical research designs.

This study made use of descriptive research design as it has the ability to describe and portray respondents in a precise and correct manner. More simply put, descriptive

research is all about describing people who take part in the study. A cross sectional survey method will be used in collecting data from the respondents. Study of this nature (Descriptive research) allows the researcher to consider the entire population or focus on a sample population which possess a particular characteristics of the individual participants from which the objective of the research would be achieved by collecting data and therefore, answer the research questions.

The information that is gathered represents what is going on at only one point in time; measurement is by having same variables across all respondents. The method is relatively inexpensive and takes up little time to conduct. Can estimate prevalence of outcome of interest because sample is usually taken from the whole population. Many variables can be assessed and useful in generation of hypotheses; there is no loss because follow up is usually not necessary and if necessary, it can be easily done using a similar sample from the same population which should be taken evenly among the various variables.

### **3.3 Population of the Study**

The target population consists of mobile operator companies, internet service providers, and data carrier network operators categorized by CA as mobile telephone service providers under the telecommunication industry, both large and small companies and which are located in Kenya as per information collected from Communication Authority.

The study applied random sampling approach in selecting study sample that is a representation of whole population due to the fact that the population is standardized across the board. A target population from these mobile telephony companies will be selected.

We shall target mainly the top and middle level managers who will be drawn as respondents. Therefore each member of the subset will have an equal probability of being chosen. This will consequently help in collecting much more reliable, useful and accurate data for the study

### **3.4 Data Collection**

Data collection is the process of gathering facts or ideas from a targeted population of study. This process enables one to get answers for the research problem in order to derive solutions or outcomes. The data collected should emphasis on accuracy and trustworthiness or honest. Data collected should give proper evidence which is credible and can lead to quality analysis and solutions.

There are various methods of data collection which include individual interview through questionnaires, photo voice where a photo is accompanied by a written caption, a picture story, focus group discussions or even identifying specific participants who are suitable or knowledgeable for a specific topic of study.

To achieve the objective of the study, the study collected primary data from sample respondents. Collection of data was achieved by use of self-administered questionnaires carrying semi structured questions. Questionnaires are an appropriate method of collecting data due to the ease to analyze, administer, greater accessibility and cost friendly. To ensure reliability and validity of the research, the supervisors' views and suggestions will be incorporated in the questionnaires. The appropriate respondents will be managers/employees working from these mobile telephony companies.

### 3.5 Data Analysis

Data analysis is a systematic procedure where statistical or logical techniques are used to show, clarify and explain the widely gathered data (Marshall & Ross man, 1999). Data collected is usually of high volume and qualitative in content. The data gathered from research will be organized systematically so as to ensure analysis output is achieved by use of a technique to analyze the content.

Regression analysis was adopted to examine what relationship exists between competitive strategies (“independent variables”) and organizational performance (“dependent variable”). In analyzing the relationship with more than one independent variable, the regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e$ ) will be used.

The unknown regression coefficients or graph slopes of the independent variables  $X_1$ ,  $X_2$ , and  $X_3$ , are represented by  $\beta_0$ ,  $\beta_1$ , and  $\beta_2$ . The study considered various independent variable vectors (“X”) estimates after undertaking regression analysis a distinct collection of values for the three unknown indicators in  $\beta$  will be provided. The Y in the equation represented performance of mobile service providers and X represented the different competitive strategies. Multiple linear regression analysis was deployed so as to establish a statistical association between the study variables. In particular, the analysis aided in understanding the changes in dependent variables when one of the independent variable in the model are varied while the other set of variables are controlled.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

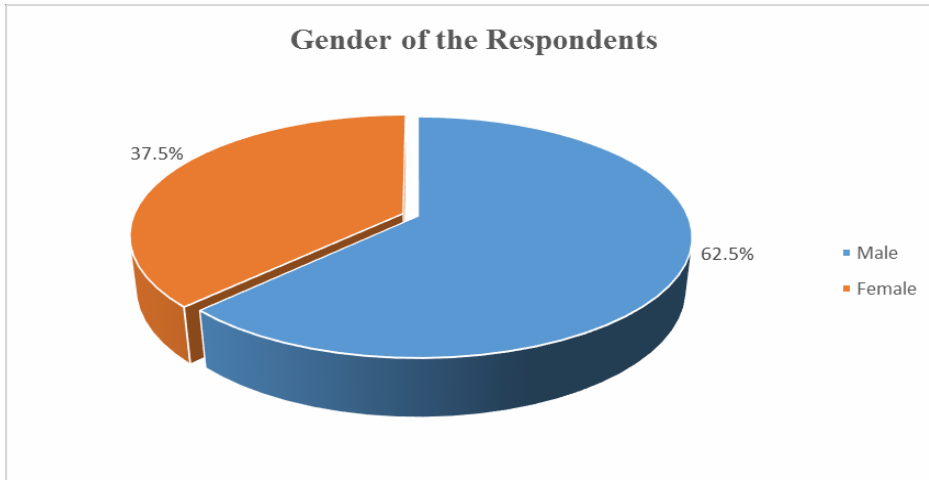
This section entails results of data analysis as outlined in chapter three, interpretation and lastly the discussion of the results. The objective of the study was to determine the impact of competitive strategy and performance of telecommunication sector in Kenya also identifies the competitive strategies that the players in the telecommunication sector use to remain competitive in the market. The findings were presented in tables and charts.

### **4.2 Background Information**

This section shows respondents' demographic data. This kind of respondents' demographic information reflects the characteristics of study population which forms the foundation under which the research obtained pertinent data. Data recorded include: gender, age, years worked in the organization, highest level of education and duration in years the companies have been operational.

#### **4.2.1 Respondents Gender**

The classification gender is important in this study since it comprised of human population respondents. Therefore, the participants were required to specify whether they are male, female or otherwise. Figure 4.1 shows the results.



**Figure 4.1: Respondents Gender**

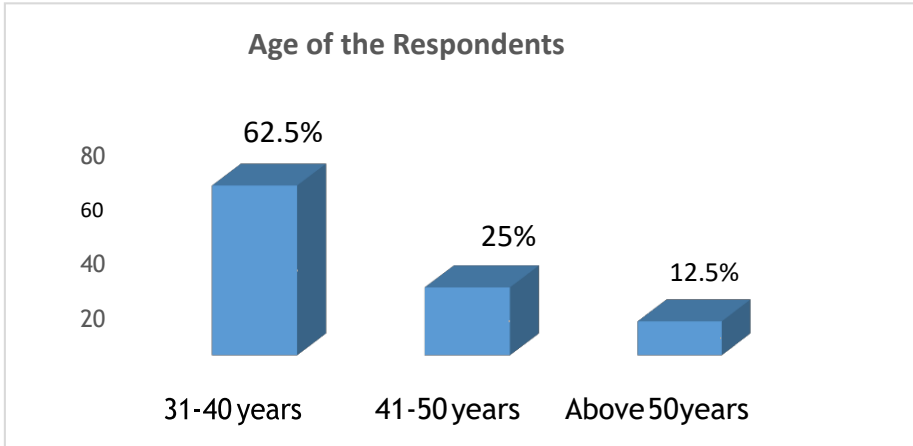
**Source: Field Data (2018)**

A large number of the respondents (62.5%) were men while 37.5% of the respondents were women. This implies that sampled mobile telephony companies have more male in comparison to female although third gender rule has been observed.

#### **4.2.2. Respondents' Age**

Age, is a determined factor in differentiation strategy as the mixture of both young and mature results to implementation of innovative differentiation strategies. The participants were required to identify their age brackets which were structured to enable easy presentation and analysis. Table 4.2 present relevant results.





**Figure 4. 2 Respondents’ Age**

Majority of the respondents (62.5%, n=5) aged between 31 – 40 years whereas 25% (n=2) of these research respondents were between age 41 – 50 years. The remaining, 12.5% (n=1) of these respondents were above 50 years of age.

#### **4.2.3 Respondents’ Education**

Education is vital in the formulation and implementation of competitive strategies and companies have dedicated colossal amount to improve skills and expertise of their human resource. In this connection, the study required respondents to reveal their highest level of academic attained. Table 4.1 shows the relevant results.

**Table 4.1: Respondents’ Education**

<b>Education Level</b>	<b>Frequency</b>	<b>Percent</b>
College	2	25.0
University	5	62.5
Postgraduate	1	12.5
<b>Total</b>	<b>8</b>	<b>100.0</b>

The results as indicated in Table 4.1 revealed a large number of these respondents

(62.5%) had various university degrees while 25% of them had attained college level of education. On the other hand, 12.5% of these respondents had post graduate level in different specialization. From the outcomes of the research, majority of the respondents implied to have reached university level as their highest level of education attained. This improves the reliability of the information given as it implies that most of the managers were more knowledgeable. However, it was difficult to establish whether they have post graduate degrees in strategic management to ascertain their usefulness in achieving organization competitive advantage.

#### **4.2.4 Duration in the Organization**

Duration in the organization is vital in this study as respondents who have spent a long time in the organization are able to identify competitive strategies adopted as well as the trend of organization performance. Therefore, the respondents were requested to specify for how long (years) have been working in their respective companies. Table 4.2 shows pertinent results.

**Table 4.2: Working Duration**

	<b>Frequency</b>	<b>Percent</b>
Less than 10 years	1	12.5
5 to 10 years	4	50.0
11-15 years	1	12.5
Above 15 years	2	25.0
<b>Total</b>	<b>8</b>	<b>100.0</b>

**Source: Field Data (2018)**

Majority of the respondents (50%) had been engaged with the company for duration between 5-10 years while 25% of the participants had worked organization for above 15years. On the other hand, 12.5% of the participants have been at their companies for a period not more than 10 years while another 12.5% of the participants have been working in the organizations between 11 and 15 years. This suggests that these managers were fully aware of the operations in their organization and therefore could give reliable information on competitive strategies and organizational performance.

#### **4.2.5 Number of Years in Which the Organizations Were Operational**

The age of the organization in this study is important as it shows for how long the company has been existence to have adequate time to implement competitive strategies. In this regard, the respondents were requested to state for how long they have their organizations have been operational. Table 4.3 present the outcome

**Table 4.3: Operational Duration of the Companies**

<b>No. of Years</b>	<b>Frequency</b>	<b>Percent</b>
Less than 10	1	12.5
10-20	5	62.5
20-50	2	25.0
<b>Total</b>	<b>8</b>	<b>100.0</b>

Most of the participants (62.5%) revealed that the companies were operational for between 10-20 years and 25% of the participants indicated that the companies were operational for a period between 50-100 years. 12.5% of the respondents stipulated that the organizations were operational for a period less than 10 years. From the findings, it can be deduced that most of the companies have been in existence for over 10 years which have adequate contact with competitive strategies.

### **4.3. Organizational Performance**

This section sought addresses the research objective which sought to determine how telecommunication sector in Kenya performance is impacted by competitive strategy

#### **4.3.1 Performance Indicators Used by the Organization**

The study was interested in establishing the main performance measures used by telecommunication companies in Kenya. This was achieved by using likert scale measure of 5 point continuum to analyze the data in which scores of “less extent and low extent were illustrated by a mean score equal to 1 to 2.5 on the constant Likert scale ( $1 \leq \text{low extent} \leq 2.5$ ). The outcomes of ‘moderate extent’ were equal to 2.6 to 3.5 on the Likert scale ( $2.6 \leq \text{moderate extent} \leq 3.5$ ). The score of great extent and very great

extent were equal to 3.6 to 5.0 on the Likert scale ( $3.6 \leq \text{great extent} \leq 5.0$ ). The findings are given in Table 4.4.

**Table 4.4: Performance Indicators Used the Organization**

<b>Performance Indicators</b>	<b>Mean</b>	<b>Std. Deviation</b>
Expense versus Budget	4.50	0.535
Innovation expenditure	4.00	0.756
Cost/operating efficiency	4.25	0.707
Customer attrition rate	4.25	1.035
Customer satisfaction and retention rate	4.63	0.744
External response to open positions	4.13	0.641
Salary competitiveness	4.00	0.756
Skills attained with training	3.88	0.641
Employee retirement/turnover rate	3.50	0.756

The respondents agreed that the organizations used performance indicators to a great extent such as; customer satisfaction and retention rates, expense versus budget and customer attrition rate as shown by the mean scores of 4.63, 4.50 and 4.25 respectively. The participants also confirmed to use of other performance indicators to great extent such as cost/operating efficiency, external response to open positions and innovation expenditure as indicated by the means of 4.25, 4.13 and 4.00 consequently. Participants further agreed that the companies used other performance indicators to a great extent such as the skills attained through training and salary competitiveness as indicated by the means of 4.00 and 3.88 correspondingly. However, the participants revealed that the staff

turnover rates in the firms were to a moderate extent; as indicated by a mean score of 3.50.

### 4.3.2 Organization Performance

Organization performance in this study was used as the predicated variable (“dependent variable”). To establish the performance, the participants were asked to rate and compare the following statements regarding the performance of their organization. Table 4.5 presents the outcome.

**Table 4.5: Organization Performance**

	Mean	Std. Deviation
How do you rate the performance of your company for the last 5 years	4.50	0.535
Has product/service differentiation improved performance in your organizations	4.50	0.535
How do you rate the product/service performance over time compared to competitors	4.38	0.518
“How do you rate your approach to quality management to ensure complete customer satisfaction”	4.50	0.535
How do you compare strategies used to improve organizational performance overtime	4.50	0.535

**Source: Field Data (2018)**

The respondents indicated that the organizational performance had improved due to activities such as product/service differentiation in the organizations; as shown by a mean of 4.50. The participants also revealed that the strategies used such as quality management to ensure complete customer satisfaction in the organizations had improved over time; as shown by the mean score of 4.50 respectively. It can be deduced from the findings that organizational performance was at great extent and there was need to establish if its connected with competitive strategies adopted.

#### **4.3.3 Extent to which organization Performance is affected Competitive Strategies**

In this study, competitive strategies were used as predictor variable (“Independent Variable”). The study was interested in establishing the extent to which it has affected performance of telecommunication companies in Kenya. The participants were requested to affirm the scope to which the competitive strategies have affected the sampled companies’ performance. Table 4.6 shows the results.

**Table 4.6: Extent of Competitive Strategies on Organizational Performance**

<b>Extent</b>	<b>Frequency</b>	<b>Percent</b>
Very great extent	6	75.0
Great extent	2	25.0
<b>Total</b>	<b>8</b>	<b>100.0</b>

Three quarters of the participants (75%) affirmed that the competitive strategies adopted by the sample firms to a very great extent affect their performance. On the other hands, a quarter of the participants showed that the performance of their companies is affected by competitive strategies at a great extent. Basing on these findings, competitive strategies of telecommunication firms have influence on their performance to a very great extent. This also supported by absence of “small extent”, “not at all” and “moderate extent”.

#### 4.4 Competitive Strategies

This section sought to identify competitive strategies that the players in the telecommunication sector use to in order to protect their competitiveness in the market. Participants were requested to state the degree of agreements with the various facts relating to the adoption of competitive strategies in the firms. Table 4.7 presents relevant results.

**Table 4.7: Competitive Strategies**

“Competitive Strategies	Mean	Std. Deviation
The company uses/offer unique competitive strategies/products to attain a competitive edge	4.63	0.518
Promotion and advertising has increased the number of customers who use products and services	4.63	0.518



The company segments products based on benefits sought by the customers	4.88	0.354
The company has adopted differentiation strategies to improve performance	4.25	0.463
The company use differentiation as a strategy to differentiate its products and services from their rivals	4.25	0.463
The company uses cost strategy to increase the market share and keep ahead of competition	4.75	0.463

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The respondents agreed that the companies segmented products based on benefits sought by the customers and used cost strategy to increase the market share and keep ahead of competition; as indicated by the mean score of 4.88 and 4.75 subsequently. The participants also confirmed that the companies used unique competitive strategies/products to attain a competitive edge and that promotion and advertising had increased the number of customers who used services and products; as presented by the estimated mean of 4.63 respectively. The participants further concurred that organizations had adopted differentiation strategies to improve performance by differentiating their services and products from their rivals; as presented by the estimated mean of 4.25 respectively.

Respondents also indicated that the companies also used competitive strategies such as ensuring affordability and promoting customer intimacy through customized products. The respondents indicated some of the unique competitive strategies adopted by the companies included; mobile banking services, products and payments and high speed

networks such as 3G and 4G networks to assure reliability.

On achieving competitive strategies of low cost leadership, the respondents indicated that the companies offered low cost mobile loans and data bundles and outsourcing of some services. Some of the outsourced services included; cleaning services, maintenance and security services. Therefore, the study established that various competitive strategies have been adopted by telecom companies at great extent. The competition in the market has contributed to a large extent for firms to up their competitive strategies so as to remain relevant.

#### **4.5 Competitive Strategy and Organizational Performance, the Nexus**

The nexus between competitive Strategy and Organizational Performance of telecom firms was sought for by this study. These respondents were asked to indicate whether competitive strategy and organizational performance of mobile service providers in the telecommunication sector in Kenya are connected significantly. A 100% (all the respondents) agreed that there the correlation between performance of the organization and competitive strategy is positively. The interpretation of these results was done with cautious as it was based on descriptive statistics and personal opinions; therefore, it was important to proves that association scientifically.

#### **4.5 Competitive Strategies and Organisation Performance**

In this section, we wanted to determine the nexus of performance of mobile service providers in Kenya and competitive strategies using a multivariate regression model. The predictors were; market focus strategy, differentiation strategy and cost leadership strategy. Table 4.8 presents the outcome.

**Table 4.8: Model Summary**

“Model	R	R Square	Adjusted R Square	Std. Error of the Estimate”
1	0.906	0.821	0.687	0.23368

a Predictors: (Constant), Differentiation strategy, Market focus strategy, Cost leadership strategy

The R Square/ Adjusted R<sup>2</sup> is the “coefficient of determination” and inform variation in dependent variable relative to independent variables. The outcomes in Table 4.9 shows an adjusted R<sup>2</sup> value of 0.687. This implies that the competitive strategies (“differentiation strategy, market focus strategy and cost leadership strategy”) implemented by telecom firms in Kenya explained 68.7% of organization performance in the sector. This implies that other predictors/variables not covered in this study can describe the residual percentage of 31.3%.

**Table 4.9: Results of ANOVA (b)**

“Model		Sum of Squares	df	Mean Square	F	Sig”
1	Regression	1.002	3	0.334	6.118	0.005(a)
	Residual	0.218	4	0.055		
	<b>Total</b>	<b>1.221</b>	<b>7</b>			

a Predictors: (Constant), Differentiation strategy, Market focus strategy, Cost leadership strategy

b Dependent Variable: Organizational Performance

The research utilised ANOVA to display the appropriateness of the regression model to give reliable results. The regression findings shows an F-value (F = 6.118), which was significant (p-value=0.005). The model indicated a 0.005 (0.5%) possibility of presenting a false estimate. Hence the model has significance level of five percent (95.0% confidence level).

**Table 4.10: Coefficients Results**

Model		Unstandardized		Standardized	t	Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta		
1	(Constant)	-1.060	1.965		-0.539	0.618
	Market focus Strategy	0.402	.259	0.340	3.550	0.026
	Differentiation strategy	0.120	.205	0.133	2.584	0.050
	Cost leadership strategy”	0.786	.205	0.872	3.837	0.019

a Dependent Variable: Organizational Performance

The following regression equation was formed from the regression

results:  $Y = -1.060 + 0.402X_1 + 0.120X_2 + 0.786X_3$

The regression findings in Table 4.11 show that there was a favourable as well as statistically significant connection between market focus strategy and organization performance ( $\beta = 0.402$ ,  $p=0.026 < 0.05$ ). The findings also show that there is a positive

and remarkable connection between differentiation strategy and organization performance of telecommunication companies ( $\beta = 0.120$ ,  $p=0.05$ ); cost leadership strategy ( $\beta = 0.786$ ,  $p=0.019<0.05$ ). This postulates that the competitive strategies adopted by the telecommunication sector in Kenya (“differentiation strategy, market focus strategy and cost leadership strategy”), positively influences organization performance of the companies in the telecommunication sector in Kenya.

#### **4.6 Discussion of the Results**

On organizational Performance, the study found out that the companies used performance indicators such as customer satisfaction and retention rates, operating efficiency salary competitiveness and customer attrition rate to a great extent. This implies that organizations that formulate action plan that intervenes by improving technique to yield higher performance compared to other companies by promoting operating efficiency, customers’ satisfaction and retention realizes improved organizational performance.

According to Porter (1980), the influence of competitive strategies on organizational performance is a great issue to strategy makers and plays key role in improving organizational performance over a period of time. These findings are supported by Ghemawat(1986) who indicated that a firm can sustain and preserve an appropriate market share if they are able to consider competitive advantage as a strategy in the industry. Therefore, such organizations are likely to realize high profits in comparison to their rival operating in the same field thus enhancing the performance of an organization.

The study also found out that the organizational performance had improved due to activities such as product/service differentiation in the organizations. The respondents also indicated that the strategies used including quality management ensured complete customer satisfaction in the organizations and had improved over time. This implies that various competitive strategies such as product/service differentiation and other strategies in quality management have great influence on the organization performance.

The findings of the research are in line with those by Kamau (2015) who indicated that firms in the telecommunication industry embrace different techniques including: differentiation, cost initiative and market focus in order to obtain and maintain competitive advantage.

The results also revealed that the segmented products based on benefits sought by the customers, adopted cost strategy to increase the market share, used unique competitive strategies/products to attain a competitive edge and that the companies adopted differentiation strategies to improve performance by differentiating their products and services from their rivals. This implies that organizations require more than one competitive strategy to enable them gain an effective competitive advantage over their rivals. These findings are in line with those by Kamau (2015) who indicated that firms must have different strategies if it intends to succeed. As a result of decreasing prices they should combine the cost and differentiating strategy as it is impossible to use one strategy and be cost effective at the same time.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1. Introduction**

This section summarizes the findings, gives conclusions that are derived from key findings and further presents recommendations for policy and scholarly of the research founded on the objectives of the study. It involves a combination of significant concerns of the objective of the study as gathered from the complete study.

### **5.2. Summary of the Study**

On organizational performance, study found out that the companies used performance indicators such as customer satisfaction and retention rates, expense versus budget and customer attrition rate to a great extent. The results also revealed that the sampled respondents also confirmed to use other performance indicators such as cost/operating efficiency, external response to open positions and innovation expenditure to a great extent. The findings also indicated that respondents confirmed that the companies used other performance indicators such as the skills attained through training and salary competitiveness to great extent. Organizational performance had improved due to activities such as product/service differentiation in the organizations an indication that various strategies adopted by various firm are bearing fruits. The respondents also indicated that the strategies used including quality management ensured complete customer satisfaction in the organizations and had improved over time.

On competitive strategies, the study found out that the companies segmented products based on benefits sought by the customers and used cost strategy to increase the market share and keep ahead of competition. The respondents also agreed that the companies used unique competitive strategies/products to attain a competitive edge and that promotion and advertising had increased the number of customers who used products and services. The respondents further agreed that companies had adopted differentiation strategies to improve performance by differentiating their products and services from their rivals.

The multiple linear regression analysis results established that a positive and significant connection between the competitive strategies adopted; that is, market focus strategy, differentiation strategy, cost leadership strategy, and organization performance of the companies in the telecommunication sector in Kenya. This implies that, these three differentiation strategies have immense contribution to performance of sampled organizations.

### **5.3 Conclusion of the Study**

The usage of cost leadership strategy by the organizations were that the organizations used the strategy most on focusing on reducing operating costs, offering services in a broad market at the lowest prices and on defending existing products. Hence, the study concluded cost leadership strategy concentrated on reducing operating cost so as to offer affordable products in the market. The organizations that use low prices for their products to maintain a competitive edge, developing of unfamiliar products in the market through innovativeness so as to meet the emerging demands of the market and utilization of previous production knowledge so are to reduce cost of production, focus



on searching for the economies of scale and delivering of quality services at suitable location with competitive market prices.

In conclusion the strategies adopted by telecommunication companies improved the overall organization performance and that some of the key performance indicators that were influenced were: cost and operating efficiency, customer retention, salary competitiveness, profitability and product growth transformation.

The study also concludes that formulation of competitive strategies is relevant if a firm is to keep its market share and remain competitive and that in the telecommunication sector there is aggressive rivalry and this has made firms operating the industry to embrace different strategies in order to remain competitive. From competitive approaches adopted by firms in the telecommunication sector, the research concludes that differentiation strategies, product segmentation and low cost leadership strategies are adapted to a very great extent. Other strategies include strategic promotions, advertisements and market focus strategies.

Telecommunication companies in Kenya also adopt low cost strategy to reduce overheads. Market focus strategies empower organizations to offer excellent customer service and launch new products. The research established that organizations that use differentiation strategies observe to specifications that greatly impact on product performance, protect quality management systems from rational actions and offer unique and quality products to the market. Various competitive strategies utilized by firms are aimed at enhancing the firms' performance

#### **5.4 Recommendations of the Study**

The study concluded that there is creation of unique positions by the firms in the market by offering services and goods thus the study recommend that organization should consistently and persistently invest in producing products that are unique at the same time difficult to imitate so that they can remain unique and differentiated in the market.

The organizations should also continue innovating products which will compete with other companies' products and at the same time they should do aggressive marketing in order to remain competitive and to change the perception which the customers have regarding the pricing of their products.

Mobile telephony firms in Kenya to realize increase in performance should relentlessly and continuously benchmark their differentiation strategy performance against services based firms in the market that have realized success in their adoption of differentiation strategies. This would enable the mobile telephony firms to identify their weakness in differentiation strategy implementation against the strength of these successful firms therefore, exploit their opportunities by matching competitive advantage with organizational performance.

#### **5.5 Limitations of the Study**

In pursuit of carrying out this study, the researcher initially experienced challenges of getting information/data from the respondents who were the management staff. Accessing the management staff of targeted telecommunication companies was difficult as they were busy and it was difficult to fit in their busy schedules. However, the researcher countered this limitation by booking for appointments at the most convenient time of the respondents so as to avoid interfering with their busy schedules.

Other than the challenge of access to the needed information as some of the respondents were also unwilling to share information for fear that the data may be released to other unauthorized persons or market rivals. However, the researcher resolved this challenge by informing the participants the purpose of the study and how it could benefit the company. The researcher also followed ethical procedures and ensured confidentiality of the data given.

### **5.6 Areas Suggested for Further Research**

This study sought to identify competitive strategies embraced by the players in the telecommunication sector and how they influence performance of the companies in the sector. This study was limited to telecommunications companies in Kenya. The study recommends that a future study be conducted in other sectors, other than in the telecommunication sector, for comparison of result.

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## **APPENDICES**

### **Appendix I: Letter of Introduction**

**DEAR RESPONDENT**

RE: Letter of Introduction

The purpose of this letter is to seek for permission and acknowledgement for your esteemed company to participate in this study. Currently am undertaking a student from University of Nairobi undertaking MBA program and am required to write a thesis after successfully defending my proposal. The study is titled “Impact of competitive strategy on organizational performance”

With your approval, a questionnaire will be distributed to the respondents to answer. The exercise is time conscious as it would not take more than thirty minutes. I will observe all ethical consideration and as such the response would exceptionally remain confidential and no third party would gain access. In the event I publish this work, only authorized that would be documented.

Your authorization to undertake this this study in your esteemed company will be highly treasured.

Yours Sincerely,

Wallace Chege



## Appendix II: Questionnaire

“The answers provided for this questionnaire will solely be used for academic purposes and they will be treated with the highest level of confidentiality.”

### Section A: Respondents/ Organisation Bio-Data (Optional)

1. “Gender  
Male    
Female
2. Indicate your age  
bracket Below 20 years    
20-30 years    
31-40 years    
41-50 years    
Above 50 years
3. State your highest level of education  
Secondary level    
College    
University    
Postgraduate

4. For how long have you been working at your organization?

Less than 5 years [ ]

5 to 10 years [ ]

11 to 15 years [ ]

Above 15 years [ ]

5. For how long has your company been in operation?

Less than 10 years [ ]

10-20 years [ ]

21-50 years [ ]

50-100 years [ ]

More than 100 years [ ]

6. Name of the company.....”

**Section B: Strategies Adopted in the last 3 years**

1. “The following are examples of strategies; please indicate the extent to which your Organisation adopts them. Please tick in consideration of the key provided below.

Key: (5) Very large extent (4) large extent (3) moderate extent (2) less extent (1) not at all”

**I. COST LEADERSHIP STRATEGY**

	5	4	3	2	1
2. How often do your customers demand for price discounts or costs?					
3. How often does your company give price discounts to customers					
4. How seriously and aggressively do you think they are when demanding for the price cuts					
5. What importance do you think lower price plays in attracting and keeping customers					
6. Reduction of operational costs and reflecting the same in consumer prices					

7. “What do your customers consider the prices of your services to be (please tick as appropriate)

1. Higher than competition ( ) 2. Similar to competition ( ) 3. Lower than competition( )

**II. DIFFERENTIATION STRATEGY**

8. Do you try to create unique products to your customers?

Yes/ No (.....)

a. If yes, how do you do it differently?

.....

.....

.....

9. “Please indicate (tick) to what extent you have used the following action plans to beat competition in the market.

Key: (5) Very large extent (4) large extent (3) moderate extent (2) less extent (1) not at all “

	5	4	3	2	1
10. Tailored its products to suit specific requirements of your clients					
11. Introduced a new product to the market					
12. Offering services not offered by competitors					
13. Rebranded its services / products to create market recognition					

**III. MARKET FOCUS STRATEGY**

	5	4	3	2	1
14. Do customers exclusively rely on your services					
15. Do you retain their loyalty					
16. Do you offer specific services to a particular segment your market					
17. Rebranded its services / products to create market recognition					

18. What are some of the ways in which you inform your market about your availability and the services offered?

.....

.....

.....

.....

19. a. Do you believe that your company has enough resources than that of the competition

Yes/ No (.....)

b. If yes, please explain briefly?

.....

.....

**Section C: Organization Performance**

1. “To what degree are the following performance indicator used in your organization?

Please tick in the appropriate square. 1= Least extent, 2= Low extent, 3= Moderate extent, 4= Great extent, 5= Very great extent”

<b>Financial/Customer/People Measures</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Expense versus Budget					
Innovation expenditure					
Cost/ Operating efficiency					
Customer attrition rate					
Customer satisfaction and retention rate					
External response to open positions					
Salary competitiveness					
Skills attained with training					
Employee retirement/turnover rate					

2. Please respond to the following questions by ticking on the appropriate box (√).

“Greatly Improved (5) Improved (4) Constant (3) Decreasing (2) Greatly decreased (1)”

<b>Statement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
How do you rate the performance of your company for the last 5 years?					
Has product/service differentiation improved performance in your organization?					

How do you rate the product/ service performance over time compared to competitors?					
“How do you rate your approach to quality management to ensure complete customer satisfaction?”					
How do you compare strategies used to improve organizational performance overtime?					

3. To what extent have the competitive strategies affected the performance of your Company?

Very great extent

Great extent

Moderate extent

Little extent

No extent

4. What unique competitive strategies/products does the company offer to attain a competitive edge?

.....

There is a positive relationship between competitive strategy and organizational performance.

Agree

Disagree

**Thank you**

### **Appendix III: Mobile Service Providers in Kenya**

1. Safaricom Limited
2. Airtel Kenya Limited
3. Telkom Kenya Limited
4. Equitel Limited
5. “Sema Mobile services”
6. “Mobile Pay limited”

Source: CA Report, 5th July 2018