

**RESPONSE STRATEGIES BY CYBER CAFES IN NAIROBI TO
CHANGES IN THE KENYAN INTERNET MARKET**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION
(MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.**

DECEMBER 2018

DECLARATION

This project is my original work and has not been submitted to any other University for any degree award.

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This research project has been submitted with my approval as the University supervisor.

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DEDICATION

This project is dedicated to my family and friends for their endless support and marvelous inspiration.

ACKNOWLEDGEMENT

I am extremely beholden to my supervisor Prof. Ogutu who steered me in the right direction by providing guidance and encouragement and consistently motivated me throughout this whole period. I am grateful indebted for his very valuable comments on this project.

I would like to thank my fellow students for their feedback, cooperation and of course friendship. In addition, special thanks to the lectures of the MBA Programme.

Most importantly I thank the Almighty God for giving me wisdom and strength during this whole time.

Lastly, I would want to thank my parents for their love and guidance. They are my ultimate role models.

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ABSTRACT

Businesses operate within an unpredictable environment and may have less control in it. They need to adopt appropriate response strategies and remodel in order to survive in this turbulent environment. Internet Cyber cafes in Kenya have faced various challenges for the past few years. The dynamic dimensions of the Internet environment together with the rising Internet technological trends has created one of the most challenging business environments for cyber cafes in Nairobi. The main goal of this research was to investigate various dynamic changes in the Kenyan Internet market that have occurred and the response strategies that cyber cafes have adopted to deal with these changes. The research adopted a survey study. This involved use of questionnaires which were administered to various cyber cafes owners in Nairobi. Secondary data was collected from various articles and publications that referenced the subject study. Descriptive analysis was used to analyze data. The study revealed that the Kenyan Internet market has changed drastically with new Internet technologies that have majorly have a direct impact on cyber cafes in Nairobi. The rising use of Internet enabled phones have led to a decline of the number of customers visiting cyber cafes in Nairobi. Furthermore, the emerging rise of the giant Internet Service providers has as well had an impact on Internet cyber cafes in Nairobi, since ISP's are now offering home internet connection to home users and the use of Internet enabled phones has been identified as one the biggest factor that has largely affected the Internet cafes industry. The study further revealed that cyber cafes have as well tried to lower their browsing rates but this has not done enough to attract more customers. The findings from the study indicated that after a successful remodeling and stretching their revenue streams are some of the response strategies that have been adopted by Cyber cafes in Nairobi that have likely helped them to stay ahead in business. Creativity and innovation was noted to be the most adopted response strategy by a majority of cyber cafes, whereby most of them have gone to the extent of offering value added services such as government online services, Mpesa services, eatery services and as well improved infrastructure facility so as to attract more customers in an effort to differentiate themselves from others.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Most businesses exist and operate within the environment. The environment can be turbulent, and constantly changing. For a business to survive in the environment, they need to implement strategies, that align to the external environment and redeploy resources that would manage the environmental changes. The alignment between strategy and environment lies at the center of strategic management. Proper alignment will help a business to cope with the winds of change and improve the effectiveness of its operations. The external environment is portrayed by turbulence, globalization, changing client needs and rivalry expansion.

Chaos theory argues that the world appears to be so chaotic and turbulent that it is not possible to predict what will happen or when. Peter (1942) suggests that for a business to meet the demands of the chaotic environment, they must learn to love change. Resource dependence theory argues that businesses modify their boundaries with the aim of managing any variations in the environment. The theory further presumes how the organization has a form of unitary actor and bridges with the firm in the environment so as to ganner autonomy and control hence it concerns itself on being effective. The theory further suggests that a firm need to have standard operating procedures that manages its resource dependence with the environment.

McBride (2000) claims that cyber cafes were established early back in the years to pave way for the digital revolution and have users access the internet globally. Following the

digital revolution over the past few years, Internet cafes, have incredibly become famous and pocket friendly for people to access internet at their convenient. However, the dynamic changes in the internet market, competition has been on the rise, as various Internet Service providers, such as Safaricom and Zuku are offering incredibly affordable home internet connection to home users. In addition, with the rise of internet enabled phones, Kenyans prefer to browse at the comfort of their homes. This Research study involved investigation of what strategies cyber cafes in Nairobi have implemented as a response strategy to the disruptive market in the Kenyan internet market.

1.1.1 Response Strategies

The turbulent and chaotic environment is very critical in the formulation of a business strategy and subsequent responses. A business needs to understand the process of the environment change since proactive response to the change in this competitive environment will determine the success or failure of a business. Businesses need to implement strategies that will allow reconfiguration and adaptation to deal with the chaotic environment. Ansoff (1979) argues that intense aggression of a firm or business should match its turbulent environment in order to stay ahead in business. Response strategies may alter the long term direction of a business which will necessitate large amounts of resources.

Hill and Jones (2001), argues that an organization needs to plan in order to identify any problems or difficulties that need to be addressed and develop strategies to solve them. Under strategic decision making, there are three levels of strategies in strategic responses which include; corporate, business and operational level strategy The choice of a response

strategy depends on how fast an opportunity or threat presents itself in a particular environment (Ansoff & McDonnell,1990). Real time responses by firms are required to facilitate handling of impending changes in which may have an impact to the firm. Burnes (1998) claims that the importance of instant responses is to reduce losses and achieve cost effectiveness in a chaotic environment.

Ansoff and McDonnell (1990) notes that intense and rapid competition has steered a major deviation in the global economic environment and businesses need to develop legitimate response strategies, in order to stay ahead in business. The response strategies adopted need to match the firm's internal activities with the external environment. The response selected will basically depend on the challenge faced by the business and the external analysis results. Response in this context could entail outsourcing, new product development, diversification, market development and joint ventures According to Byars (1991), strategic responses are different from operational responses. Operational responses revolve around efficiency of operations through the various departmental sections. Strategic responses on the other hand affect several areas of operation, require top management decisions and large amounts of capital, are long-range and affect potential prosperity of the firm and most importantly rely on the environment. Therefore, each firm adopts strategies that match its environment and that are supported by the firm's internal capability.

As a perspective, strategy gives an organization an identity and reveals the way an organization perceives the outside world. For businesses to be efficient and hence successful, they should respond adequately to changes that occur in their respective

environment. Consequently, they need strategies that focus on their customers and deal with the upcoming environmental blocks. Businesses therefore have to constantly examine their surroundings to establish patterns and conditions that may eventually affect the industry and adjust to them (Thompson & Strickland, 1993). Aosa (1992) claimed that a mismatch between the environment and the organization as a result of failing to react to changes in the market creates a strategic problem.

According to Ansoff and McDonnell (1990), it is through strategic management that a business will be able to relate itself to the environment and ensure its victory and more so secure itself from surprises brought about by a destructive environment. They argued that this is done by positioning the firm through strategy and capability planning, immediate response strategy through issue management and systematic management of resistance during strategy implementation. The importance of strategy formulation is basically to match a firm to its environment (Porter, 1990). He however contends that although the relevant environment to a company is very broad, the major attribute of the environment is the industry in which it operates. He also identified five competitive forces in an industry namely threat of new entrants, threat of substitution, bargaining power of suppliers, bargaining power of buyers and rivalry among existing industry players which he explains as follows. Entrants into the market bring in new capacity, acquire market share and bring in a pool of resources. Contest among existing industry players happens as each of the players struggles to improve their positions and achievement using channels like price competitions, advertisements, product innovations and better customer service. Substitutes on the other hand hinders the potential returns to the industry by placing a markup on the

prices that players can charge. Buyers drive down prices and negotiate for better quality and services thus limiting profits and also play competing firms against each other. Suppliers can dictate profits from an industry by threatening to increase prices or reduce quality of purchased inputs. For a firm to excel and hit its targets, top managers need to ensure they respond abruptly to changes in the environment. Strategic leadership is multifunctional, involves managing through others and helps organizations cope with change that seems to be increasing exponentially in today's globalized business environment (Huey, 1994).

Strategic leadership requires the ability to accommodate and integrate both internal and external business environment of the organization, and to manage and engage in complex information processing. Ross, Hitchin and Worley (1996) maintains that for organizations to remain truly competitive over time as the market changes, they had to learn, revamp and reorient themselves to the changing environment. This process has to be precise and well-coordinated leading to gradual or radical systemic rearrangement between the environment and a firm's strategic direction that results in improvement in performance and effectiveness. This adaptation forms the strategic responses.

1.1.2 Environmental Changes

The rapid technological changes especially in the Kenyan Internet market has led to some businesses' subject to unpredictable competitive forces. Businesses need to stay competitive periodically as the environment changes. Henderson and Mitchell (1997) argues that the interaction between the environment and the firm shapes business strategy and performance. For a business to succeed it needs to understand its environment and do

a strategic diagnosis. Business owners should be proactive to the environment, innovative, create new markets and always observe for new opportunities. This will in turn enable them to transform their strategic direction and always gain a competitive advantage. According to Kennedy (2014) technological advancement is inevitable, and noted the drivers of this rapid advancement, are the use of cloud computing to scale businesses very efficiently and to create granular business models. Technology leaders are more advanced in the emerging markets and are adopting these changes positively. All these technological advancements are due to the rapid growth of internet enabled market and the penetration of the fiber optic cables, which have great internet speed.

According to Burnes (2004) he claims that the pace of change is speeding up and businesses need to react quickly in this turbulent and complex environment. Businesses are faced with pressures of changes in technology, globalization, e-commerce, competition from suppliers and customers and lastly changes of clients being selective of the quality rather than quantity of products and services. Ansoff and McDonnell (1990) viewed the environment as turbulent. Environmental turbulence is the complexity and unpredictability of the environment. It encompasses the challenges and dynamics a business encounters. Predictability is characterized by the rapidity of the change and visibility of the future. Schachter (2013) claims that for the past few years the world has been turbulent, with a lot re-organization, cutting of budgets and relocations. He says there are four predictable reactions to change, which are dis-engagement, whereby some people withdraw, and it is hard to connect with them, secondly is dis-identification whereby business owners get frustrated as they have no idea how they will fit into this turbulent environment, thirdly is

dis-enchantment which entails disappointment due to the changes affecting them, finally is dis-orientation whereby business owners get confused on how to react to the chaotic environment. He further advises business owners they do have an opportunity to thrive during a turbulent environment, by adopting three key traits; equanimity, agility and influence. “Agility is about being able to be thrown to new situations and finding bearing, and figure out how to master the new environment, it is about taking the desert dweller dropping him in the jungle, and having him adopt to those circumstances” (Schachter,2013, p.67). Michel (2015) notes that in the past years the operating environment has fundamentally changed and the speed of change has accelerated and employee engagement has declined. He finds that traditional ways of managing our businesses have lost their effectiveness, making it slow, inflexible and fragile limiting the ability to act rather than expanding to cope with the challenges of the new era. He observed three concurrent; generation Y with different goals and styles, emerging technologies that enable new ways to collaborate and get things done faster and globalization, the need to connect, relate and provide purpose everywhere. He proposes that to address these challenges, we need speed, resilience and agility to react in this volatile era. Business owners should build on their capabilities, which entail functional capability and management capability. Functional capability entails the organizational behavior and culture, functional resources, functional skills, change management and power structure within and among functions. Management capability on the other hand evolves around coordination, integration and directing functional efforts towards a business objective.

Management capability is very critical to success of a business, as it becomes the key drivers of running the firm. According to Rollinson (2017) he argues that all businesses need some type of process to manage the turbulent environment. He further claims that all firms have the capabilities to execute and adjust their strategies as time goes by and individual and teams should have strategic management competencies. "In turbulent times businesses need to have specific rhythms and capabilities in order to be agile, and adapt quickly to changing circumstances" (p.35). Continued expansion of the internet whereby we have 2.7 billion users now connected to the internet across the world is a massive technological advancement. Furthermore, speed of connectivity is rising at a very fast rate and the shift to mobile is as well taking toll. According to Heaslip (2015), he sees the future technology is already here with us. He notes that technology is creating new business models and digital revolution is on the rise. Despite the different approaches by the above authors, the dominant idea is that an organization has to respond to developments in the environment. This is because the environment it operates in dictates the responses the organization puts in place to guide managerial decision making. The environment by extension also dictates the capabilities the organization should have in place to support chosen strategies.

1.1.3 Kenyan Internet Market

The Kenyan Internet market has undergone rapid growth and a dramatic turnaround in the past few years and changed the way business operate. Kenya's government has now fully acknowledged the internet and technological advancement as drivers of socioeconomic growth. New and revolutionary technologies and business processes have evolved overtime. Among them are cyber cafes that entered into the Kenyan market to offer internet

services to Kenyans worldwide. The evolution is found to be profound as the level of technology has transitioned from offline store, copper connectivity and now to fiber optics. In 1995, Kenyans would share a capacity of 32Kbps in the entire country but now Kenya has a capacity of 1.7Gbps. This shows how rapidly technological changes have taken effect in the last 20 years. Internet is now widely available and much cheaper.

Few years ago, electronic communication or email was hardly known. Email service providers relied on ISP's abroad to deposit and collect email. The ISP's in turn distributed the mail globally. Various institutes became the main upstream and supporter of local email service provider. Overtime, Internet awareness increased and thus led to various workshops being conducted to have a licensed international leased line. More business opportunities started to emerge and attracted private business sectors that wanted to launch commercial internet enabled services. With the rise of many stakeholders understanding the new technology, it led to funding by commercial entrepreneurs. The government eventually embraced the Internet and developed a proactive and mutual relationship with Communications Commission of Kenya(CCK) which became Kenya's telecommunication regulator. Interest in the Internet continued to grow and Kenya's internet hosts rose rapidly and the email accounts grew rapidly as well to a total of 20,000. Cost also posed as a challenge in the early years. Internet dial-up service included installation at kshs2000 and monthly charges of kshs7200, and an hourly use rate of kshs500. Use of Internet bureaus was equally expensive, with a fee of kshs 20 per minute.

At the same time, access to computers was very limited, as they were very expensive and very few in number. By 1997, the estimated number of computers in the country was 50,000 (Aguyo 1997). With the landing of undersea fiber cables in Kenya, much changes have been seen. The laying of EASSY submarine cable, SEACOM and the East African marine system (TEAMS) fiber optic submarine cable has brought broad band internet connectivity to Kenya and the countries within the region. Liberalization of international gateways, emergence of last mile solutions and integration of services was also a game changer in the evolution of internet. The overall effect was to lower the cost of internet access and fast data access. Internet Service Providers (ISPs) are on the rise and are offering incredibly affordable home internet connection to home users. The Kenya ICT Board is spearheading the establishment of Konza ICT center. The key objective of the center is to capture and grow business out sourcing services in Kenya. This will be facilitated by fast information access through the fiber optic network.

1.2 Research Problem

To cultivate a dynamic fit between a business and the environment, is the central concern of a business overall strategy (Miles and Snow, 1978). All businesses at some point in their cycle will be dependent on the limited elements around their external world. The business spheres of the internet environment combined with the emerging and disruptive internet technologies has created one of the most challenging business environments for cyber cafes in Nairobi. For a business to thrive in this chaotic environment, it needs to adopt a suitable response strategy that will enable it to outdo its competitors. Businesses need to remain being proactive and always conduct an environmental analysis to identify any opportunity or threat posed.

The liberalization of the information, communication and technology industry in Kenya, zero tax rating on computers, easier licensing of internet service providers by the Kenya Government has seen rapid growth of internet market industry. This has created competition within the internet market industry. The landing of new undersea fiber optic cables on the Kenyan shores and the spreading of the same into the mainland has led to increased connectivity and cheaper bandwidth in the country. The expansion of the electricity network, the rising use of internet enabled phones and the entry of giant ISP providers like Safaricom, has been a game changer in the internet market industry. Kenyans now are able to access internet services at the comfort of their homes and at any destination. This in turn has reduced the popularity that internet cyber cafes once had. Many of the services initially offered by cyber cafes can now be comfortably obtained from the mobile phone. More and more people are able to access the net from their phones and hence this has reduced the need for visiting cyber cafes. The prices of modems and computers are reducing. These and many other factors have most likely brought unfavorable impact on the advancement of cyber cafes.

Internet Cyber cafes need to appreciate the dynamism of the turbulent environment in order to stay in business. Few studies have been done to establish how businesses react to the disruptive market in Kenya. Strategic responses to changing environment by businesses in Kenya has been observed in several empirical studies. Nthusi (2012) recently carried out a study on the environmental changes in the Kenyan internet industry affecting Internet Service providers. He concluded that ISP's have responded to changes in the internet market industry by implementing various strategies which include; increase of strategic

capability, cost cutting and pricing measures. He further noted the ICT industry has undergone rapid change due to the introduction of fiber optic cables, which will tend to pose a threat to cyber café business. Bore (2007) as well researched about the responses strategies adopted by supermarkets in Nairobi to the intense competition while Wahogo (2012) carried out a study on response strategies embraced by financial audit firms in Kenya to the rapid competition. With all these challenges facing cyber cafes, it was essential to determine what response strategies cyber cafes should adopt to the dynamic changes in the Kenyan Internet market?

1.3 Research Objectives

The objectives of the study were as follows;

- i) To establish the changes that have taken place in the Kenyan Internet market
- ii) To establish the response strategies adopted by Cyber Cafes in Nairobi to deal with changes in the Kenyan Internet market

1.4 Value of the Study

The role of research is to gather information for purposes of facilitating effective decision making and advancing knowledge. This study will help a number of interest groups including cyber cafe owners in Nairobi and act as a reference point for suggestions on areas they can improve on and how they can respond to environmental changes. This will help cyber café owners to be effective and efficient in all the decisions they make to deal with the disruption in the Kenyan internet market industry.

For academicians, the research will form a basis which other related studies can be pointed on. Researchers will gain from this study by broadening their knowledge on the dynamic changes in the Kenyan internet market industry and how this has affected the Internet cyber cafes businesses.

Policy makers would as well benefit from this study. The Ministry of Information and Communications could benefit from the findings especially with regard to policies of formulation of cyber cafes and services offered. Investors would gain an understanding of the cyber cafes industry and its position in the market, and try to evaluate the business needs required to venture into that business and yet gain a competitive advantage over its competitors. This will help investors to appreciate change in this era of digital revolution

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covers discussions on various studies on response strategies to changes in the environment. It unveils various views from different authors and researchers. The chapter highlights various perspectives which forms a basis of this study. It concentrates on past studies on various concepts of strategy, turbulent environment and how businesses have responded to those scenarios. It continues to discuss on how market changes may require certain response strategies in a chaotic environment. This chapter covers the observational writing and past discoveries of this study. The part as well captured the knowledge gaps based on the study. This literature meets the research objectives by highlighting the market changes affecting business and various response strategies to be adopted in a chaotic environment.

2.2 Theoretical Foundations

This chapter is anchored under the following two theories; Chaos Theory and Resource Dependence theory. The two theories gave insight on how businesses may be faced with an ever changing environment which leads to the businesses responding to the changes in the market. The theories further discussed on how businesses should be effective in the context of the environment.

2.2.1 Chaos Theory

Chaos theory argues that the world appears to be so chaotic and turbulent that it is not possible to predict what will happen or when. Technological disruptions and economic

shifts continues to change the way businesses are conducted on a daily basis. This is a clear confirmation of chaos in today's world. Businesses must be able to revamp, since markets and technology are rapidly evolving. Peters (1942) suggests that for a business to meet the demands of the chaotic environment, they must learn to love change and redesign themselves overtime. He further offers a strategy to help corporations deal with the uncertainty of competitive markets through customer responsiveness, fast-paced innovation, empowering personnel, and most importantly, learning to work within an environment of change. Peters asserts that we live in "a world turned upside down," and survival depends on embracing "revolution." Businesses must believe that they can achieve their objectives in variety of ways and they should start focusing on the things they are good at. Weick (1936) argues that business strategies should be "just in time supported by more investment in general knowledge, a large skill repertoire, the ability to do a quick study, trust in intuitions, and sophistication in cutting losses."

Chaos theory shows the essence for effective leadership, an open communication, strong values, a guiding vision and organizational beliefs, in order to manage the complex environment. From recent research it shows that chaos theory began to change decision making process in businesses. For example, the emergence of high functioning teams. Tom Peters believes in a permanent revolution and the power it emanates. Businesses can thrive in a changing environment. They will ultimately be victorious because they are open to change and willing to embrace it. This is why businesses should look into detail the core of their existence, review their strategic initiatives and work towards adopting to a more customer-responsive approach. Curiosity should always be the pillar of every business and

always deal with problems in a more creative and customer-driven way. This will in turn guarantee them of surviving in this chaotic environment. Even the smallest adjustments and changes may generate a range of substantial gains and fruitful.

2.2.2 Resource Dependence Theory

Businesses have coordinated activities that interact with their environment. Pfeffer and Salancik (1978) argues that in this theory, the key to a business survival is the ability to acquire and maintain resources. It is concerned with a firm's uncertainty but if external dependence relations are not managed or coordinated well they create unfavorable conditions for the firm's survival. Salazar (2012) claims that in this theory, the firm needs to accomplish autonomy and certainty. The firm's central goal is survival and effectiveness; it focuses more on the relations with the external environment. It assumes an organization specific goals are contingent on dependence relations that keep it alive. Organizations can either respond to resource dependence theory by complying or adapting in order to manage dependencies. Resources come in variety of forms, which include physical material, technical and social. Physical may be the actual substance that the business builds the product from, technical resources entails information or knowledge while social may include prestige or reputation that enable the business to survive. A firm need to establish any critical resource and to determine whether the resource is on demand and its value. Availability of the resource also needs to be considered and firms need to identify if the resource can be substituted and determine if its scarce or not. Salazar further claims that discretion of a resource entails establishing or identifying who can control a resource and any regulations in place for that particular item.

2.3 Response Strategies and Market Changes

According to Johnson (2005) response strategies are basically the strategies adopted by firms and businesses in response to the ever changing environment. Response strategies entails matching the organization's activities to the environment in which it operates. The responses adopted by a firm will determine its effectiveness and will also have a deep-rooted effect on the firm's operations. This indeed will require a lot of capital and capability. The initial level of strategy at the top of the organization is corporate level responses. (Johnson&Scholes,2002). The corporate level responses are concerned with the mission, vision, integration, relationships and all stakeholders involved in a firm. Some of the corporate level strategies include; stability, growth and turnaround strategies. Acquisition and mergers are also a form of corporate level response which entails diversification, profitability, diversification, market entry and improved efficiency.

Horwath (2012) claims that new growth comes from new thinking and insists organizations should always be proactive. He further suggests there are three disciplines of strategic thinking; acumen, allocation and action. Acumen is the insight that brings about new initiatives, growth and good strategies. Allocation is the ability to focus on resources such as time, talent and budget by making tradeoffs thus maximize the business potential. Action is the ability to stay focused on what is critical to your business and not be misaligned by other events that evolve. He further describes strategic thinking as the incorporation of innovation through a decision process to achieve a competitive advantage. It should occur on a regular basis in any business operations in order to counter any environmental or market changes. In business, strategic thinking is the ability to use the resources more

effectively than the competition. Furthermore, for business owners to succeed in their operations they need to have a bigger picture perspective and stay aware of the potential disruptive game changing events and also move from reactive to proactive.

Business level responses is basically considered as how good an organization will compete in particular markets. To cope with the five forces of the competitive environment, Porter (1980) advanced three generic strategies that firms can use to excel in an industry. The three strategies constitute of; overall cost leadership, differentiation and focus. Cost leadership is geared towards reduction of cost with the aim of producing affordable products but of high quality and encompassing low research and development, advertising and service costs. Differentiation involves establishing and creating one of a kind product or service that is very unique and includes tactics like design and brand image, added features, technology and customer service. Focus strategy involves narrowing down to an industry or market segment and using the cost or differentiation strategy for the narrowed down segment.

The third level of strategy which is Operational strategic response is basically concerned with how components of the organization delivers efficiently in terms of resources, people and processes. The operational functions are areas like marketing, manufacturing, research and development. Personnel and marketing. They focus on short term planning with the aim of achieving efficiency through the use of resources and maximizing returns (Hills & Jones,1999). Cyber cafes should adopt strategies that are aimed to improve the efficiency

and operations of the business. Such strategies include but are not limited to research and development efficiency, infrastructure efficiency, information system efficiency.

Aosa (1992) claims that businesses should respond to the changing customer demands by becoming more creative and innovative and by improving internal processes for the benefit of satisfying the customer. Proactive response to a chaotic environment is a fundamental requirement for the sustainability of a business. Strategic responses need to occur when there is shift or a change in the environment, such as markets, new technologies, entry of competitors and changing consumer needs. Business owners need to understand the disruption in the market and make necessary changes in order to align themselves with the new market needs that the environment creates. The choice of response strategies to the market changes is largely determined by the internal capability of a business. Dawson (2005) argued that clear understanding of the internal environment is very critical.

According to Ferrell (2002) each business should carry out a situational analysis which include an internal and external analysis in order to determine, their weaknesses, strengths, opportunities and threats posed by the environment, and through this they can establish precise responses. Business are faced with different challenges, therefore it becomes impossible to devise a single solution for response to challenges that can apply to various industries (Ansoff &McDonnell,1990). This means that what works for a particular organization may not work for another.

The environment is becoming more and more unpredictable. The complexity of the market changes makes it difficult to predict the future. Lot of variables need to be considered in the decision making. Some processes, management systems, technologies are becoming obsolete within a very short span. New technologies are coming up on a daily basis increasing the need of businesses to stay abreast with these latest technologies. Multiple events from domestic to worldwide are widely increasing, thus affecting businesses and firms. With all these changes in the market, more focus should be placed on creativity and innovation and more sophisticated approaches of dealing with this chaotic environment.

Business owners need to make a clear distinction between long-range planning and short-range planning in order for their business operations to be conducted effectively. Pearce and Robinson (2011) explain that the remote environment comprises of factors that affect the business in which the business does not have control over. The factors include political, economic, social, culture and technological.

Kennedy (2014) claims that technological advancement is inevitable and it has taken a major toll in the business industry. He further advises business owners to rethink their use of technology in order to stay ahead in this turbulent environment. Organizations need to monitor technological considerations to ensure the business does not become obsolete and also promote innovative ideas. An understanding of the environment will help examine different aspects or challenges a business may be faced with, either in future or historically. This will in turn help managers determine their strategic options (Johnson & Scholes,1997).

2.4 Summary of Literature Review and Knowledge Gaps

This chapter covered summaries of other related studies in support of this investigation. The ultimate goal of this study was to identify the changes that have occurred in the Kenyan internet market and the response strategies that cyber cafes in Nairobi have applied to the changes in the market. The first section highlighted the theories that anchor the study. Chaos theory offers suggestions on how businesses should deal with uncertainties in this dynamic environment which include environmental analysis, creativity, good personnel management and efficient utilization of resources. Whenever there are changes in the market, a business needs to come up with response strategies for survival.

The second section highlighted on the response strategies that cyber cafes should adopt in this chaotic environment. The response strategies include; corporate level responses, business level responses and operational level responses.

Business owners need to analyze the external market, as this will determine the strategic response to choose. As evidence in the literature the external environment may affect the business operations of any firm and a firm may have minimal control. In view of this several responses have been established by scholars for the survival of the chaotic environment; creativity and innovation, proactiveness, strategic thinking and effective leadership. Businesses need to develop an art of survival as they do not operate in a standalone environment. It is against this backdrop that this chapter covered best practices that could be employed by Cyber Cafes in Nairobi to survive turbulence in the industry.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a procedure or a step by step process in problem solving (Scandura & Williams,2013). This chapter sketches the methodology that was used to meet the objectives of the study. It includes the research design, population of study, data collection and data analysis.

3.2 Research Design

A survey research design was adopted in this particular study. A survey research design attempts to study characteristic and relationships of a certain phenomenon through collection of data from a target population. A survey study would be of importance to measure change, describe situations or examine a cause effect relationship for a certain situation. Survey study basically provides a broad capability, since it may involve describing characteristics or behaviors of a large population. This in turn ensures more accurate data is collected from the target population, thus important decisions can be made.

Survey research design provides quantitative data. The data collected provides explanation with reference to the purpose of the study. The approach is considered to be flexible since it covers a wide variety and provides a statistical significant result. A survey is basically a data collection tool used to carry out a survey research. According to Salant and Dillman (1994), surveys are beneficial in assessing requirements, characteristics and examine impact. In survey research, independent and dependent variables provide a basis of defining the scope of the study, and cannot be controlled by the researcher.

3.3 Population of Study

Polit and Hungler (1999) defines a population as a totality or a collection of all the objects of interest to a study. Findings are later derived and generalized for a final conclusion. Sallant and Dillman (1994) pointed out surveys only provide an estimate from the true population. They further claimed that one of the prerequisite of sample selection is to identify a target population. It is of essence to correctly choose your primary audience for finer results. In this study, the target population comprises of cyber cafes in Nairobi county who have probably been affected by the changes in the Kenyan Internet market. The eligibility criteria of this study is; all cyber cafes in Nairobi that offer internet services.

3.4 Sample Design

According to Lemeshow and Levy (1990) a sampling plan must be developed first, which basically refers to the method that will be used to select the sample from the target population. The sampling plan entails, establishing the choice of media in which the survey will be carried out and how the sample size will be determined. Levy (1999) argues that the researchers should identify the variables to be measured, reliability and validity required to ascertain the estimates and also establish any resource limitations that may hinder the survey to be conducted. The sample design should meet the objectives of the subject study within the specified time frame.

Stratified sampling method was used to generate the research sample. The method recognizes stratas with unique characteristics in the sample frame. The method reduces sampling error and offers greater level of representation (Kothari,2004). It also ensures sufficient sample points is obtained to support an extensive analysis. Strata in this study

included the various areas in Nairobi where business owners have invested in cyber cafes. These include; Kasarani, Westlands, Nairobi CBD, South C, Pangani, Eastlands

Nairobi Areas	Population	Sample Size
Kasarani	50	25
South C	30	16
Westlands	20	15
Nairobi CBD	60	35
Pangani	15	5
Eastlands	80	36

Table 1: Sample Size and Target Population

3.5 Data Collection

Polit and Hungler (1999) refers to data as information obtained from a study. The study collected data through structured interview schedules and use of questionnaires. Leedy (2001) suggests that questionnaires enable a researcher to focus on areas significant to the subject study. The sole purpose of the study was to identify changes that have taken place in the Kenyan Internet market and how cyber cafes in Nairobi have responded to these changes. Open ended and closed ended questionnaires were used.

Structured questions save on time during data collection while unstructured questions give room to respondents to give dynamic responses therefore enhancing quality of data collected (Cooper&Schindler,2008). Questionnaires were administered to various cyber cafes attendants in Nairobi and were picked after a period of three days. Secondary data was as well collected from various publications and website articles that reference the

subject study. For the purposes of ensuring reliability, the questionnaires were pre-tested with a selected sample.

3.6 Data Analysis

According to Best (1981) he refers to analysis as the ultimate test, as much as planning and proper research design is essential. He further argues that measurement is the most accurate and worldwide accepted process of assigning values to objects or events. Data normally comes in different formats, thus careful interpretation of the data is required to obtain meaningful data and to achieve the objectives of the study. Youngman (1979) refers to analyzing as grouping, classifying and summarizing data to meet the research objectives or obtain answers for the subject research study.

A descriptive analysis was used to analyze the data collected. The data was analyzed descriptively, and the elements included mean, median and variability. Descriptive analysis of data is considered to be very precise as it shows the normality of a distribution. Graphical methods were adopted for translating numerical figures into a form that can be understood.

CHAPTER FOUR: DATA ANALYSIS, RESULTS, AND DISCUSSION

4.1 Introduction

This chapter shows analysis and findings of the study on response strategies adopted by Cyber Cafes in Nairobi to deal with changes in the Kenyan Internet market. The objective of the study was to establish response strategies adopted by Cyber Cafes in Nairobi, Kenya and to identify the dynamic changes on the Kenyan Internet market. The data was analyzed using descriptive statistics as shown in the following sections. 132 Cyber Cafes were selected, 6 did not respond; 5 declined to participate in the study and the other did not return the questionnaire therefore they are not included in the findings and analysis. The response rate was therefore 95%.

4.2 Dynamic Changes in the Kenyan Internet Market

This section highlights the findings on the changes that have occurred in the Kenyan Internet market. The questionnaire answered various responses from various cyber café owners. The questionnaire captured the various dynamic changes that could possibly have occurred in the Kenyan Internet market. The respondents were asked to rate to what extent, Growth of Internet Service Providers, Laying of Undersea Fiber Optic Cables, Easier Licensing of ISP's, Rise of Internet Enabled Phones, Zero taxing on Computers, Liberalization of International Gateways, Emergence of Last mile solutions, Expansion of Electricity and Network, Price reduction on modems had changed in the Kenya internet market. A 5-point scale was used whereby 1=Not at all 2=Little Extent 3=Moderate Extent 4=Great Extent and 5=Very Great Extent. Table 2 below demonstrates the responses of

cyber cafes under sole proprietorship ownership in regards to the extent to which the below have changed in the Kenyan Internet market.

To what extent have each of the following changed in the Kenyan Internet Market?	Mean
Zero Taxing on computers	5.00
Rise of Internet Enabled Phones	5.00
Growth of Internet Service Providers	4.80

Table 2: Sole Proprietorships responses

Table 3 below demonstrates the responses of cyber cafes under Partnerships ownership in regards to the extent to which the below have changed in the Kenyan Internet Market

To what extent have each of the following changed in the Kenyan Internet Market?	Mean
Growth of Internet Service Providers	4.90
Liberalization of International Gateways	4.95
Price Reduction on modems	5.00

Table 3: Partnerships Responses

Table 4 demonstrates the responses of cyber cafes under Corporations ownership in regards to the extent to which the below have changed in the Kenyan Internet Market.

To what extent have each of the following changed in the Kenyan Internet Market?	Mean
Growth of Internet Service Providers	5.00
Liberalization of International Gateways	5.00
Rise of Internet Enabled Phones	5.00
Zero Taxing on computers	4.80

Table 4: Corporations Responses

4.3 Response Strategies adopted by Cyber Cafes in Nairobi, Kenya

This segment highlights findings on the response strategies adopted by Cyber Cafes to changes in the Kenyan Internet Market Nairobi, Kenya. The questionnaire mentioned the various responses strategies the cyber cafes can adopt. Firms normally interact with their environment via their different modules continuously. Strategic responses are the strategies that firms take and are largely triggered by continuous changes in the environment. In order to effectively achieve the firm's objectives, these set of plans and actions must be strategically fit to the intricacy and dynamism of a rapidly shifting environment. The respondents were requested to indicate to what extent have each of the following response strategies been adopted by their cyber café to deal with the changes in the Kenyan Internet Market. A 5-point scale was used where 1=Not at all 2=Little Extent 3-Moderate extent 4-Great Extent 5=Very Great extent.

Table 5 below demonstrates the responses of cyber cafes owners in regards to the extent to which the below response strategies have been adopted to deal with the dynamic changes in the Kenyan Internet market.

To what extent have each of the following response strategies been adopted by your cyber café to deal with the changes in the Kenyan Internet Market?	Mean
Stability Strategy	4.8
Growth Strategy	5.0
Turnaround Strategy	3.5
Cost Leadership	3.5
Differentiation	5.0
Focus	5.0
R&D Efficiency	3.0
Infrastructure Efficiency	5.0
Personnel Efficiency	3.0
Creativity and Innovation	5.0

Table 5: Response Strategies

4.4 Discussion

One of the research objective of this study was to establish the dynamic changes that have occurred in the Kenyan internet market. Most of the respondents indicated that the rise of internet enabled phones, growth of Internet Service providers, liberalization of International Gateways and price reduction of modems were among the changes that have extensively occurred in the Kenyan Internet market. They attributed these changes to have greatly affected the cyber café service industry. Most respondents emphasized that the rise of Internet enabled phones has been the biggest contributing factor in the decline of their business. A bigger percentage now of Kenyans have Internet enabled phones, thus they can comfortably access the Internet at the comfort of their homes. Other respondents further indicated that the growth of Internet Service providers in Kenya, has as well had an impact on the operations of cyber cafes. They mentioned that huge giant ISP's have emerged such

as Internet Solutions, Zuku, Simbanet, Liquid Telkom, JTL which provide affordable home internet connection to most Nairobians. Such ISP's have negotiated their prices with other 3rd parties such as Seacom, Teams to receive fiber connection at a very low price. This in turn enables them to provide fair prices to users in Nairobi.

The respondents further indicated that the ISP's seem to have a Memorandum of Understanding with banks thus allowing them to have ease of access to loans, which in turn allows them to improve on their infrastructure and roll out more fiber optic cables in areas in Nairobi. With all these solid infrastructure ISP's are able to provide fast interconnection with more reliability and incredible speed. Other respondents indicated that the zero taxing on computers, has as well had a direct impact to cyber café owners. The respondents further explained that purchase of computers has now become much cheaper, and residents in Nairobi can now afford to purchase their own personal machines and thereafter have an internet connection. This in turn has greatly reduced the number of clients visiting the Internet Cyber cafes. To survive in the dynamic environment, cyber cafes strategies' need to focus on their customers and dealing with emerging environmental changes in its operating environment. A customer therefore is core to an organization and ought to be satisfied with the products of the organization for it to succeed in an ever changing environment. The study further established that there are various changes that have occurred in the operating environment of cyber cafes in Nairobi. These changes are technological, customer preference, decrease in the interconnectivity charges, changes in socio-cultural dynamics, tax regime changes, new entrants, increased cost of network infrastructure and consumer protection laws. Johnson and Scholes (2002) noted that

environmental changes shape opportunities and challenges facing the organization, the speed of digital transformation and rapid globalization across the world, calls for organizations to be resilient and adjust accordingly in order to be fruitful and successful.

The second objective was intended to establish the response strategies adopted by cyber cafes due to the dynamic changes in the Internet Market. A great number of the respondents indicated that creativity and innovation was the most effective following the disruptive Internet market changes. They further elaborated that through brain storming of various ideas in how they can offer unique and better solutions was at the forefront for a majority of them. A majority of the respondents incorporated this response strategy by providing value added services to their customers. These include providing government online services, eatery services and as well other respondents provided venue as a service to some of their customers. This has in turn led to growth of revenue to some of the cyber cafes despite the challenging market conditions. Another group of respondents claimed to have adopted Infrastructure efficiency as a response strategy. They further explained that the ambience of the cyber café matters a lot to a majority of customers, and they have gone an extra mile in re-modelling the look and feel of their cyber cafes.

Respondents in Westlands area as well, indicated that through proper negotiations with some ISP's they have managed to be given more bandwidth capacity, thus improving the speed of the internet connection. They attributed this to personnel efficiency through the good relationships some of the cyber café owners have with major stakeholders at ISP's. Another group of respondents embraced the Cost leadership approach, whereby, they

drastically reduced the prices of some of the services they offer, with the aim of gaining a larger market share. Some respondents from South C area claimed they decided to focus with a specific target group and provide unique services to them, and in return they had to increase some prices of various services they offer. Pearce and Robinson (2007) notes that implementation of new strategy will be involved with adjustments in the structure, employees, systems and way of doing things in order to accommodate the perceived needs of the strategy. Organizational culture helps in nurturing and dissemination of core values. The study further revealed that cyber cafes which offer superior quality and service, respond to competition pressures without delays, nurture key themes and dominant values that reinforce the competitive advantages and shape the culture to fit with opportunities and challenges. Organizational restructuring and remodeling provides a roadmap or a foundation for drastic growth, excellency, integrity and better performance of firms. The findings of the study on the usage of creativity and innovation as a strategy in order to respond to environmental changes was that the companies create value for customer by eliminating barriers, create a learning organization, outsource some services and employ extra staff during the peak season. The findings are consistent with Mantravadi and Reddy (2008) findings that as organizations attempt to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs, restructure, maintain quality and improve their performance.

CHAPETR FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter outlines the summary of findings, conclusions, implications of the study, suggestions for further research and limitations of the study.

5.2 Summary of findings

The study found out that cyber cafes in Nairobi have been in operation for a longer duration of time and therefore understand the dynamics of the Kenyan Internet market and the responses that should be adopted by the businesses in order to be competitive. The Kenyan Internet market has in the recent past witnessed cut throat competition especially for cyber cafes. This has been occasioned by changes in the sector which include technological, decrease in the interconnectivity charges, customer preference, tax regime changes, financial regulations, new entrants, decreased cost of network infrastructure and consumer protection laws. In pursuance of responding to the changes in the industry the cyber cafes were found to have adopted Stability Strategy, Growth Strategy, Turnaround strategy, Cost leadership, Differentiation, Focus, R&D efficiency, Infrastructure efficiency, Personnel efficiency, creativity & Innovation, strategies in order to compete effectively with other internet providers. Businesses need to redesign their internal activities constantly and to ensure they reflect to the new external changes thus have a successful future ahead. The competition in the cyber cafes has seen the companies lean about change, plan for and implement major changes in their companies for the long term survival and prosperity of the companies. The leadership and culture of an organization guide the organization to deal with constant change by embracing change, clarifying strategic intent and shaping

culture to fit with opportunities and challenges that change afterwards. In order to respond to changes in the chaotic environment cyber café businesses ensured that the leadership and culture was not a hindrance and it enabled the companies to offer superior quality and service.

5.3 Conclusion

The response strategies of a firm acts as an important strategic part of creating value and improve firms' competitive advantage over its competitors. As such the competitive advantage of companies in today's economy stems not from market position, but from the strategies which they implement and how it responds to the challenges they face. The outcome value is the result of an organization's ability to manage its business processes and, on the other hand, the effectiveness and efficiency of performing organizational processes based on organizational competencies. Management of the company will enable an organization to grow and develop the appropriate response strategies. Therefore, the fact that organizational responses are based on the effective and efficient management of strategic assets puts it at the heart of business performance and value creation. However, there is need to understand the processes of creation of response strategies to avoid a scenario where the strategies adopted does not yield the intended benefits to the organization. An effective response by an organization to competition is founded on continuous response by the organization to the changing environment.

5.4 Recommendations

The cyber café businesses in Kenya and worldwide is quite profitable but faces changes just like any other industry. Some of these changes include changes in technology, tax

regimes, customer preferences, social cultural dynamics. This study made recommendations on how companies can best adopt to these changes. These included recommendations on managerial policy but also practice.

5.4.1 Recommendations for Managerial Policy

Customer focus have always been viewed as core to any company's success. This view is however fast changing with the adoption of an integrated approach in many organizations whereby data based decision making is the way to go. This will enable them to contribute effectively to customer satisfaction, necessary for any company's survival.

Secondly the study established that the adoption of the strategies enables cyber café businesses to be competitive. Towards the achievement of this, an organization ought to implement suitable process of determining and harnessing strategies in order to face the challenges from the ambiguity business environment. As part of the organization strategy, assessment of competitors should form an important exercise and the targets set should bear in mind the capacity of the organization to achieve the targets with the available structures.

5.4.2 Recommendations for Managerial Practice

First and foremost, the study established that the Internet Café business respond to the changes in the industry using several strategies. It is therefore recommended that the management of the companies should inculcate a practice of continuous review of the state of competition in the industry so that they do not simply react to the challenges as they arise to avoid panic situation which will lead to adoption of strategies that will hamper the

company's ability to realize its desired objectives. The management of the cyber café businesses should consider diversifying and adding more products and services so as to increase market share. The management of these cyber café businesses should recruit workers who have the necessary knowledge and competencies in the business not only to reduce induction and training costs but also to achieve “quality customer service”, that every customer need is effectively satisfied. The staff should be remunerated fairly, have good working conditions and terms to ward-off staff poaching by competitors.

5.4.3 Contributions to Knowledge

This study focuses on cyber cafes in Nairobi, Kenya. To this extent this research will be extremely useful to individuals or companies with an interest in the cyber café businesses in Nairobi, Kenya. A valuable source of knowledge on these.

Additionally, the research provides information on strategies adopted by cyber cafes in Nairobi, Kenya to survive in this industry. Managers of other companies either in this industry or not will learn which strategies are effective and those that are ineffective as such to avoid them. This will ensure that their knowledge on what policies to adopt is enhanced.

5.5 Limitations of the study

The major limitations of this study was related to time constraints, limited financial resources and geographic distance between the cyber cafes in Nairobi. Time and geographical constraints were overcome by selecting a relatively small sample size that did not compromise the validity and reliability of the research findings, while the limited financial resources available were spent on research activities that could not be undertaken

solely by the researcher. In addition, the researcher did not overlook the major limitation of cross-sectional research studies which is that their design makes it difficult to explain phenomena that occur over time, hence the study's findings are only applicable to the study's time frame.

5.6 Suggestions for further research

The researcher recommends that further research should be undertaken to investigate the factors affecting the implementation of response strategies to environmental changes by cyber cafes in Nairobi and also the impact of the choice of response strategies to customers in Nairobi. Findings of such a study would enrich the conclusions and recommendations made in this study by providing more insight into the internet cyber café business industry and also have a deeper understanding of consumers' preference.

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APPENDIX I: QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Q1. a) Name of the Cyber Café (Optional) _____

b) How long has your cyber café been in business?

c) What type of ownership does your cyber café have?

Sole Proprietorship

Partnership

Corporation

d) What is the size of your cyber café?

e) What services does your cyber café offer?

f) What made you choose your current location?

SECTION B:

Q2. To what extent have each of the following changed in the Kenyan Internet Market? Use a 5-point scale where 1=Not at all 2=Little Extent 3=Moderate extent 4=Great Extent 5=Very Great extent

Growth of Internet Service Providers	1	2	3	4	5
Laying of Undersea Fiber Optic Cables	1	2	3	4	5
Easier Licensing of ISP's	1	2	3	4	5
Rise of Internet Enabled Phones	1	2	3	4	5
Zero taxing on Computers	1	2	3	4	5
Liberalization of International Gateways	1	2	3	4	5
Emergence of Last mile solutions	1	2	3	4	5
Expansion of Electricity Network	1	2	3	4	5
Price reduction on modems	1	2	3	4	5
Emergence of Free Wireless Hotspots	1	2	3	4	5

SECTION C:

Q3. To what extent have each of the following response strategies been adopted by your cyber café to deal with the changes in the Kenyan Internet Market. Use a 5-point scale where 1=Not at all 2=Little Extent 3=Moderate extent 4-Great Extent 5=Very Great extent

Stability Strategy	1	2	3	4	5
Growth Strategy	1	2	3	4	5
Turnaround strategy	1	2	3	4	5
Cost leadership	1	2	3	4	5
Differentiation	1	2	3	4	5
Focus	1	2	3	4	5
R&D efficiency	1	2	3	4	5
Infrastructure efficiency	1	2	3	4	5
Personnel efficiency	1	2	3	4	5
Creativity & Innovation	1	2	3	4	5