

**STRATEGIC RESPONSES BY AIRTEL KENYA TO CHALLENGES OF
GLOBALIZATION**

BY

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DECLARATION

STUDENT'S DECLARATION

This research project is my original work and has not been presented for a degree at any other university.

Signature.....

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This study is dedicated to my loving family.

ABSTRACT

Strategic response is a reaction to what is happening in the economic environment of organizations. This study focused on strategic responses to the challenges of globalization by Airtel Kenya. The main objective of the study is to assess the strategic responses by Airtel Kenya to challenges of globalization. The main focus of this study was qualitative research and adopted a case research design which was meant to investigate the strategic responses adopted by Airtel Kenya to challenges of globalization. The researcher used primary data. An interview guide with open-ended questions was used to collect in depth. The staff in the Airtel Kenya included managers, middle level managers, directors and other staff. This involved in-depth discussion through individual meetings with the senior managers.

The data collected using interview guides which is qualitative in nature, was analyzed using conceptual content analysis which is the best suited method of analysis. The study targeted 50 respondents in collecting data. This comprised of the three levels of management at Airtel Kenya; the top management, middle level management, and the lower level management. The researcher interviewed all the 50 sample respondents with regard to strategic responses adapted by Airtel Kenya Limited to challenges of globalization.

The study found out that the resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital; that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods; that the management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future.

The study recommends that Airtel Kenya should emphasize on productivity growth. Airtel Kenya should develop a privacy policy to safeguard the customers' privacy and interests. The study was limited to Airtel Kenya. Not all respondents were committal to answer questions because the company withholds some information as confidential. Some employees may not answer all the questions in the questionnaire while others did not try at all. The study was only carried out in Airtel Kenya Limited thus the same study should be carried out in the other telecommunications industry to find out if the same results will be obtained.

TABLE OF CONTENTS

DECLARATION ii

ACKNOWLEDGEMENT..... iii

DEDICATION..... iv

ABSTRACT..... v

CHAPTER ONE: INTRODUCTION 1

 1.1 Background of the Study 1

 1.1.1 Strategic Responses 1

 1.1.2 Concept of Globalization 2

 1.1.3 Globalization and Strategic Responses 3

 1.1.4 Telecommunication industry in Kenya 3

 1.1.5 Airtel Kenya 4

 1.2 Statement of the Problem 6

 1.3 Objective of the Study 7

 1.4 Value of the Study 7

CHAPTER TWO: LITERATURE REVIEW..... 8

 2.1 Introduction 8

 2.1.1 Concept of Globalization 8

 2.2 Effects of Globalization 9

 2.3 Challenges of Globalization 11

 2.4 Strategic Responses to the Challenges of Globalization..... 12

 2.4.1 Strategic Alliances 13

 2.4.2 Innovation Strategies 14

 2.4.3 Diversification Strategy 14

 2.4.4 Strategic Human Resource Management..... 15

CHAPTER THREE: RESEARCH METHODOLOGY 17

 3.1 Introduction 17

 3.2 Research Design 17

 3.3 Data Collection 17

 3.4 Data Analysis 18

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION	19
4.1 Introduction.....	19
4.2 Response rate.....	19
4.3 Findings of the study.....	19
4.4 Discussions.....	22
CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	23
5.1 Introduction.....	23
5.2 Summary of the Findings.....	23
5.3 Conclusions.....	25
5.4 Recommendations for policy and practice.....	26
5.5 Limitations of the Study.....	27
5.6 Recommendations for further studies.....	27
REFERENCES	28
APPENDICES	32
Appendix I	32
Interview Guide	32

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy represents managerial game plan for running an organization. It is nearly always, a blend of prior moves, approaches already in place, and new actions being mapped out. Thompson and Strickland (1993) add that crafting strategy is an exercise in entrepreneurship. Managers face an ever present entrepreneurial challenge in keeping the organization's strategy fresh, responding to new and changing conditions, and steering the organization into the right business activities at the right time. Strategic response is the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives (Pearce and Robinson, 2005). Strategic responses adopted by companies reflect the firm's internal strengths and the opportunities faced in the external environment. Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose.

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). Globalization is multi-faceted with economic, political-legal, social-cultural and environmental dimensions. Globalization also refers to the strategy of approaching worldwide markets with standardized products (Johnson and Scholes, 2002). Companies in the telecommunication industry have had to critically assess their key competencies and develop strategies to compete effectively in a global economy (Alan and Rugman 1985). Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. (Porter, 1985)

1.1.1 Strategic Responses

Strategic response is the reaction of a firm or an organisation to environmental changes/turbulence i.e. machinery of the resources and activities of an organization to the environment in which it operates. They can be viewed as the matching of activities of an organisation to the environment in which it operates. When firms are faced with unfamiliar

changes they should revise their strategies to match the turbulence (Ansoff and McDonnell, 1990). Strategic responses affect the long-term direction of an organisation and require commitments and resources both human and financial. According to Pearce and Robinson (1991) strategic responses is the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objective. It is thus a reaction to what is happening in the environment of the organisation.

1.1.2 Concept of Globalization

Globalization is the integration of economies throughout the world by means of trade, financial and technological flows, the exchange of technology and information and the movement of people, goods and services (Thompson and Strickland, 1993). According to Johnson and Scholes, (2002) globalization refers to the strategy of approaching worldwide markets with standardized products. Globalization is multi-faceted with dimension of economic, political-legal, social-cultural and environmental. It refers to the strategy of approaching worldwide markets with standardized products.

The concept of globalization has only recently (20th Century) been popularized through the spread of multi-national enterprises. The roots of globalization however, date back to the 16th century when European nations struggled to establish empires worldwide. The Dutch and the British East India companies were perhaps among the earliest Multi National Enterprises, (Wagner, 2001).

In late 18th century many European firms went global by setting up manufacturing facilities in their colonies to extract raw materials. In mid-19th Century, many US firms began to globalize by setting up business plants in various parts of the world, (Wagner, 2001). Firms that operate principally in the domestic environment have an important decision to make with regard to their globalization. The options available are either be proactive by entering global markets in advance of other firms and thereby enjoy the first-mover advantages often accruing to risk taker firms that introduce new products or services or be reactive by taking more conservative approach and following other companies into global markets once customer demand has been proven and the high costs of new product or service introduction have been absorbed by competitors.

1.1.3 Globalization and Strategic Responses

Challenges come from foreign competitors entering firms' domestic markets, and from domestic competitors reducing their costs through global sourcing, moving production offshore or gaining economies of scale by expanding into new markets. Globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations. Companies aspiring to meet the challenges of today's rapidly changing markets and increasing global competition require management decisions to be founded on well-conceived strategies and plans that are vital if the firm is to achieve its objectives while optimizing the use of its limited resources. Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Many companies have had to critically assess their key competencies and develop strategies to compete effectively in a global economy (Bradley et al, 2003). At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down.

It is important to note that the advancements of science as well as technology and the consequent expansion of the market mechanism have been the real forces behind the movement of globalization. Of course, the expansion of globalization has been taking place in all directions. However, the economic dimension has been playing a central role in the process of globalization. Responses to globalization require organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises. If its internal capabilities are not matched to its strategy, then a capability gap arises. Porter (1990) affirms that it is important that organizations be able to shift strategy with changes in the environment and match their capabilities to the selected strategy in order to survive, succeed and remain relevant.

1.1.4 Telecommunication industry in Kenya

Telecommunication is the transmission of information, over significant distances, for the purpose of communication. In earlier times, telecommunications involved the use of visual signals, such as beacons, smoke, semaphore telegraphs, signal flags, and optical heliographs, or audio messages via coded drumbeats, lung-blown horns, or sent by loud whistles, for example. In the

modern age of electricity and electronics, telecommunications now also includes the use of electrical devices such as telegraphs, telephones, and teletypes, the use of radio and microwave communications, as well as fiber optics and their associated electronics, plus the use of the orbiting satellites and the Internet.

Kenya's government has responded to these challenges with a market-oriented economic policy, which emphasizes openness to the world economy and export-led growth. This policy necessitates a more universal and reliable telecommunications network than would be needed had Kenya attempted a predominantly inward-looking, centrally-directed economic strategy similar to those attempted by some other African countries. One of the more intriguing aspects of telecommunications in Kenya in recent years has been the establishment of a variety of special purpose networks making use of state-of-the-art technology to solve specific communications problems. The majority of these have been established by international public sector organizations, by universities and other research institutions, by nonprofit organizations, and by the financial services sector.

1.1.5 Airtel Kenya

Airtel is the World's fifth largest mobile operator with 180 million customers. Airtel brand replaced Zain in October 2010. In terms of network coverage, Airtel is currently number 1 in 10 countries in Africa, and there are, on average 2-3 telecom operators in a country. In the continent, Airtel is number 2 after MTN, and covers a population of 450 million. Earlier on, a price war had characterized Kenya's mobile communications market in 2008 to date, following the market entry of the third and fourth network, Econet Wireless Kenya (EWK, in which India's Essar acquired a stake), and Telkom Kenya under the Orange brand with its new majority shareholder, France Telecom. Subscriber growth is now forecast to slow over the coming years, and rapidly falling ARPU levels had driven one of the incumbents, Airtel, deeper into negative earnings, leaving only the market leader, Safaricom, with a net profit, although reduced.

Airtel made its formal entry into the African continent with its new global identity in November 2010. The new identity received a remarkably warm welcome from the African customers across different markets. Despite the challenge of multiple market environments the changeover to the new identity was remarkably swift. With this, 42 million customers in Africa started

experiencing the power of the new global brand as part of the larger Airtel family. On the marketing front, two of Africa's biggest passions – Music and Football have been a key focus area for us. Airtel is driving and leveraging music with the one8 anthem, which brings together eight African music superstars with the American R & B superstar R Kelly. Similarly, Airtel's association with football is being driven by the theme commercial "Kabutu", its partnership with English Premier League leader Manchester United and launch of "Airtel Rising Stars" programme for under 17 boys and girls in 15 countries. Both the initiatives have struck an instant chord with customers across the 16 markets. Product innovation remains a key driver of our market penetration strategy in Africa. As part of the innovative model Airtel has also successfully set up the Tower Co, which runs a separate business in the countries of operation and will be responsible for managing the end to end process and operations of our sites. This is another great opportunity, which will not only enable Airtel roll out our network with great speed but also provide potential cost efficiencies arising from site sharing. Looking forward to 2011-12, we shall of course be focusing on strengthening our business model across the 16 OpCos. We would also be looking at leveraging the big opportunities that 3G, data, MNP and airtel money present to us. Exploited fully, they have the potential to make us truly unique to both our current and prospective customers in the market.

Deeply embedded in Bharti Airtel's DNA, operational excellence has been the driving force towards mobilising the entire organisation to eliminate non-conformances and minimize waste in its processes. This has led to a remarkable process improvement and cost reduction. The Company has developed its unique model of excellence in line with Malcolm Balridge award known as CEO's Operational Excellence award. The award criteria include improvement, process compliance, leadership engagement in excellence, best practice replication, customer and employee satisfaction and financial performance. For the up-keep of standards, all processes are continually assessed by external consultants leading to certifications like TL9000, BCP DR, ISO 27001, OHSAS, beside continual improvement brand logo and identity. Designed to appeal to a more demanding consumer, the dynamic new identity met with high appreciation as it was introduced in existing and new markets. Backed by a high decibel communication campaign, the roll out of the new identity was completed across all its markets. Apart from India and Sri Lanka, the brand also started to offer its services to consumers in Bangladesh making the

Company a powerhouse across South Asia. Across the seas, the Company established a strong presence in the 16 countries across the African continent.

During the year, Airtel won the 'Most Preferred Cellular Service Provider Brand' award in the CNBC Awaaz Consumer Awards 2010 for the 6th year in a row. The CNBC Awaaz Consumer Awards were based on an extensive consumer survey done by Nielsen, wherein the customers rated brands across different categories which delivered true value for money.

1.2 Statement of the Problem

Strategic response is a reaction to what is happening in the economic environment of organizations. Porter (1998) views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers with the view that as the operating environment changes, a more pronounced transformation of the business landscape lies ahead (Ansoff, 1990). Therefore, strategy is vital to the adaptation of the changing business environment. According to the Mose (2007) implementation of structural adjustment programme and subsequent market liberalization opened the Kenyan market, leaving businesses at the mercy of market forces. The environment in which organizations operate is constantly changing with different factors influencing the organizations.

Strategy scholars have found that operating in a global industry context is an important element in determining the organizational environmental fit. Sheikh (2000) notes that the business environment in Kenya changed drastically in the 1990's and these changes have raised serious issues about the way business processes are run. Pearce and Robinson (2005) observed that for firms to be effective and successful, they should respond appropriately to changes that occur in their respective environments. The telecommunication providers worldwide are becoming increasingly interrelated. New types of corporate and business strategies are being explored: industry consolidation, better market segmentation, expanded product offerings and changed delivery channels. According to Raymond et al, (1998) strategic management in the telecommunication sector demand that organizations should have effective systems in place to

counter unpredictable events that can sustain their operations and minimize the risks involved through innovations.

Locally, various researchers have studied the state of industries in relation to changed economic conditions particularly after liberalization (Mwasho, 2007; Atieno, 2007; Kandie, 2001; Sheikh, 2000). They found that the changed environment has affected business practices and made firms more proactive and competitive. To survive in such an environment, the Airtel has to adjust strategic responses and come up with competitive strategies for dealing with the environment. Sheikh (2000) conducted a study of strategic responses by insurance companies following liberalization and concluded that firms in the industry consider strategic plans as important for their companies. Kandie (2001) studied the strategic responses of Telkom Kenya in a competitive environment and found that financial constraints and lack of managerial empowerment limited the capacity to respond to the environmental challenges. Atieno (2007) investigated the responses of Kenya Reinsurance Corporation to the challenges of globalization of the Reinsurance Industry and revealed that the responses included products, markets and technology as well as a combination of generic strategies and lobbying for a level playing field. None has specifically confronted the strategic responses to challenges of globalization in the telecommunication industry. This study focused on strategic responses to the challenges of globalization by Airtel Kenya. This study therefore sought to answer the question what are the strategic responses adapted by Airtel Kenya Limited to the challenges of globalization?

1.3 Objective of the Study

The main objective of the study is to assess the strategic responses by Airtel Kenya to challenges of globalization.

1.4 Value of the Study

The findings of the study will be important to Airtel Kenya, as it will be able to assess whether the strategies it has adopted have been beneficial to the organisation as far as globalization is concerned. The results of this study will also be invaluable to researchers and scholars, as it will form a basis for further research. The students and academics will use this study as a basis for discussions on globalization. The results will also benefit other firms (Safaricom, Orange) in the tele-communication industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter deals with the available literature that has been reviewed for the study. The literature is mainly on the strategic responses to the effects of globalization. The chapter is hence structured into concept of globalization, challenges of globalization and strategic responses to the challenges of globalization.

2.1.1 Concept of Globalization

Globalization of the world economy is the integration of economies throughout the world through trade, financial flows, the exchange of technology and information and the movement of people. Different companies have moved into globalization for different economical, technological, socio-technological, political and market significations. Levitt (1983), the founding father of globalization, described globalization as a standardized market for the globe with no boundaries between regions and nations. At the time Levitt released his definition, it was the beginning of the new era in trade, openness, and knowledge mobilization across the globe. At that juncture, the economy was virtually described as a commodity economy before its transformation into a digital economy a decade later, then at long last its transubstantiation into a knowledge economy. This dramatic revolution from the tangibility to the intangibility of the economy calls for the amendment of Levitt's vision to cope with the twenty-first century's speedy convergence of globalization, knowledge, and technology.

Globalization introduces enormous opportunities to the developed world, but greater challenges to developing countries. The effectiveness of developing countries in business decisions depends on the availability and the speed of relevant knowledge. However, the developing world is already suffering the digital divide, and consequently information gaps. Paradoxically, even within the developed world, many multinational enterprises restrict their knowledge to certain areas such as offshore manufacturing and product design, while localizing the most knowledge-demanding entity, i.e. the management. This may result in a cultural collision either between the branches of the same company or between the company and its customers and/or allies. In globalization, the scope of thinking must extend beyond the localized environment to global

dimensions. Hence, there is a drastic need for new global knowledge governance strategies to handle such relations. Kidd (2001) stated that enterprises should become cultural literate to improve their understanding of exchanging or brokering knowledge between peers within the firm, or through linking with individuals in other firms.

In globalization, new knowledge can be fetched from business alliances, partners, customers, competitors, products, and various channels of distribution. Inkpen (1998) concluded that in bringing together firms with different skills and knowledge bases, alliances create unique learning opportunities for the partner firms. By definition, alliances involve a sharing of resources. However, Kasul and Motwani (1995) warned that the deployment of effective global strategy is not trouble-free. The authors argued that the principal issues of globalizing organizations are transferring of knowledge, autonomy, integration, and responsiveness. Nevertheless, the relationship between globalization and knowledge is recursive, as stated by Lau et al. (2005) that globalization and growth resulted in new business opportunities to utilize the widely dispersed firms experience and expertise.

2.2 Effects of Globalization

Rapid globalization is the one of the most salient aspects of the new millennium, particularly since the fast development of information technology (IT) in the last two decades. To different observers, different types of globalization can be identified even though most of the attention is in the areas of economy, technology, and culture. According to Cheng (2000), there should be multiple globalizations, including technological globalization, economic globalization, social globalization, political globalization, cultural globalization, and learning globalization in the new millennium. Globalization has brought with it effects that have made Airtel Kenya to devise means of staying competitive not only in the global market but also in the local market. Airtel Kenya has been forced to diversify their product portfolio to cope with competition, maintain market share, enter into new markets and seal off any unexplored market segments that foreign competitors may come to exploit.

Globalization is creating numerous opportunities for sharing knowledge, technology, social values, and behavioural norms and promoting development at different levels including individuals, organizations, communities, and societies across different countries and cultures.

Even though globalization seems to be unavoidable to many countries and numerous initiatives and efforts have been made to adapt to it with aims at taking the opportunities created from it to develop their societies and people, in recent years there also have been increasing international concerns about the dangerous impacts of globalization on indigenous and national development. Various social movements have been initiated against the threats of globalization, particularly on developing countries (Cheng, 2000)

Financial globalization in the sense of an increase in cross-border capital flows (portfolio investment as well as foreign direct investment) implies that the above explained locational competition between countries or regions gains in importance. Theoretical and empirical research has shown that (high) inflation is an undesirable locational factor and a locational disadvantage in a globalised world (Wagner, 2002). Inflation is regarded as a signal of bad policy and political and economic instability (Rogoff and Reinhart, 2003). As bad policy and political and economic instability are relevant locational factors or disadvantages, this contributes to capital flight in a globalised economy. The costs of a capital drain stem from the fact that investors and (productive) mobile factors are the basis of economic growth. When firms and mobile capital leave the country (or region), this means a loss of (potential) production, a decrease in the (potential) output, an increase in unemployment and a decrease in productivity (particularly if, as is often the case, the most productive factors and the most innovative investors are the most mobile ones). This tendency for capital flight in the case of bad locational factors (such as high inflation) is stronger, the higher the integration and globalization of the financial markets is (Wagner and Berger, 2003). By contrast, the host country (recipient) profits from attracting foreign mobile capital. It profits from technology transfer, because foreign direct investment (FDI) allows the labour force in the host country to become better trained, and from profits and tax revenues.

Intense global competition has forced many firms to examine their core business processes and to devise plans to respond to an increasingly competitive market place. Several factors have come together to cause this increase in competition. Foremost amongst these have been the shortening of product life cycles, rapidly changing demand patterns, the increasing presence of Japanese and European producers, and the emergence of producers from countries of the Pacific

Basin as significant players in world markets. These forces have forced North American companies to critically assess their key competencies and to develop strategies to compete effectively in a global economy. At the forefront of these efforts have been attempts to improve flexibility and quality, stimulate innovation, and reduce lead times, while simultaneously keeping costs down, (Cheng, 2000).

This means globalization tends to reduce inflation mainly through its impact on locational competition. Countries and regions have to provide good infrastructure (better infrastructure than competing countries or regions) to attract mobile production factors. Good infrastructure increases the incentive for foreign direct investors to invest in this country or region and improves the chances of domestic firms attracting foreign mobile production factors or keeping their own productive factors from moving outward. Here various so-called locational or infrastructural factors matter, for example, on the national level: legal security (property rights, contract enforcement), social security, economic and political stability; and on the regional level: cultural offers or infrastructure, housing, roads, safety, etc.

2.3 Challenges of Globalization

Organizational approaches to international business have evolved from multi-nationalism to globalization, necessitating a more sophisticated and well-trained management to cope with the complexities of the organization's involvement in multiple foreign markets. Global organizations source raw materials, production capabilities, distribution, capital, and employees from throughout the world. Managers from various cultures/countries must be successfully molded together at each corporate location, including the corporate headquarters, to maximize overall benefits to the corporate network, (McKenna, 2000). Although there has been a tendency to rely on parent-country nationals, companies cannot wait to groom expatriates or take the time for them to acquire the multilingual skills, experience, and global vision needed in today's top global executives. The need to develop multicultural multinational organizations to compete in the global marketplace effectively is the logical next step in the evolution of the global organization.

Researchers have noted that managers' ability to work cross-culturally is a crucial success factor in competing in the global marketplace effectively (Mussa, 2000). To stimulate multiculturalism

in the headquarters organization, human resource managers need to facilitate the inpatriation process, improving inpatriate' ability to function in the focal organization's home country. Correspondingly, inpatriate employees can be seen as boundary-spanners between home and host organizations, assisting in maintaining cultural consistency between organizational entities (Levitt, 1983). Organizational approaches to international business have evolved from multi-nationalism to globalization, necessitating a more sophisticated and well-trained management to cope with the complexities of the organization's involvement in multiple foreign markets. Global organizations source raw materials, production capabilities, distribution, capital, and employees from throughout the world. Managers from various cultures/countries must be successfully molded together at each corporate location, including the corporate headquarters, to maximize overall benefits to the corporate network. Although there has been a tendency to rely on parent-country nationals, (Drazen, 2000), companies cannot wait to groom expatriates or take the time for them to acquire the multilingual skills, experience, and global vision needed in today's top global executives.

2.4 Strategic Responses to the Challenges of Globalization

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategic responses imply that the entity has the ability to change according to its needs. Survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Grant, 2002). Strategic responses require organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy. If an organization's strategy is not matched to its environment, then a strategy gap arises.

The last growing mobile phone network services provider made history by leading the way by lowering its SMS charges to Kshs.1 across networks five months ahead of Communications Commission of Kenya (CCK) plea for mobile phone networks to lower the SMS charges. These among other challenges demand that the Company adopt some strategic responses to counter these challenges.

2.4.1 Strategic Alliances

A strategic alliance, broadly defined, is a contractual agreement among firms to cooperate in reaching an objective without regard to the legal or organizational form the alliance takes. This definition accommodates the myriad arrangements that can range from handshake agreements to licensing, mergers, and equity joint-ventures. Thus, strategic alliances cover all relationships within the marketplace. Alliances are constructed as effective means to acquire access to new markets and special expertise or compete with others on the market. There might be a problem with finding resources to pursue a certain strategic direction and, therefore, a partner would be called in to help. Typically, such alliances might occur when a particular company has an interesting technological opportunity but lacks the funds to take it further or the needs to penetrate other countries, (Fischer, 2003).

Globally competitive firms will have to enter into international strategic alliances more aggressively in the future and in this light the Airtel Kenya has adopted various types of strategic alliances to cope with the challenges of globalization. Marketing can furnish a deep understanding of customer needs and demands. An operation has the knowledge and experience to cost effectively produce and deliver the product to the market, (Smith, 2003). Just as the customer provides revenue to the firm, suppliers may represent the bulk of the costs. Because the company's product and processes depend on healthy suppliers, management must look backward when planning production and research strategies. Establishing suppliers as partners is generally a win-win situation. Alliances geared towards reducing supplier costs or improving the quality supplied can greatly affect the productivity and attractiveness of the firm's own products and services to its customers, (Das and Teng, 2000).

Globally competitive enterprises will not only have to manage their own internal operations effectively, but coordinate the entire value chain of suppliers and distributors on which they depend. Virtual organizations are not constrained by requirements of geographic space or locations in cities in the same way as those that are engaged in mass production, they have to be able to have a global presence in order to attain economies of scope, connect components of a production distribution system in many locations that have the physical and geographical characteristics most appropriate for the component's efficient operation, (Maslen, 1997).

2.4.2 Innovation Strategies

Innovation is the response to environmental challenges or future opportunities (Li and Atuahene-Gima, 2001). It invariably needs a purpose and, therefore, the introduction and identification of a new consumer need or the development of additional technology within the market place usually initiates the process. This is more commonly identified as the push-pull process (Tidd et al., 2001). Consequently, the key precipitating environmental factors for innovation are uncertainty, risk and change (Braganza and Ward, 2001). Consumers perceive a new that which leads towards innovation (Rothwell, 1992). Factors that provide the stimulus for the new needs of the organizations, society and the market place, include unexpected events, globalization, alterations in demographics or changes in industry structure, and consumer need recognition. This emphasizes the market-pull aspect of the model (Rothwell, 1992). Innovation leads to both new market and new technological knowledge, which is fed-back to assist with new innovations (Afuah, 2003). This is a continual cycle and may be either radical or purely incremental.

An innovation is of little practical use if it cannot be absorbed by the market, organisation, process or service at which it is targeted (Brockhoff, 1998). Afuah, (2003) provided empirical evidence that R&D not only generates new knowledge, but it also enhances an organisations ability to assimilate existing knowledge. They argued that R&D could also enhance one's ability to learn from external knowledge sources and subsequently to create new knowledge. R&D functions essentially trade in knowledge: its creation, capture and transfer; they are knowledge creators. R&D brings value to creativity by combining new concepts (Kalling and Styhre, 2003) and ideas to generate applications. Another key R&D function is knowledge diffusion, defined as the process of communicating research, innovations, and/or knowledge to individuals, groups or organisations (Afuah, 2003).

2.4.3 Diversification Strategy

Geographically diverse operations are thought to bring significant performance benefits to organizations because of a variety of reasons. Previous research suggests that international diversity itself should confer advantage over domestic and less internationally diversified firms in the current globalized business environment (Aw and Batra, 1998). The positive impacts are expected to originate mostly from the firm's ability to access new technologies, the ability to

leverage scale economies, and the potential to take advantage of arbitrage opportunities in factor cost differentials across multiple locations (Bartlett and Ghoshal, 1989). Increased international diversity may increase a firm's ability to share activities of different geographic areas (Geringer et al., 1989), providing greater opportunities to achieve economies of scale in critical functions such as R&D and manufacturing over a broader base. In addition, internationally diversified firms have greater opportunities to leverage strategic resources while simultaneously diversifying market risks, thus raising their performance (Kim et al., 1993). They can arbitrage across factor markets and leverage their market power to reduce input costs.

Recent research has shown an increasing interest in examining the international diversification agenda as a response to the challenges of globalization. While previous studies differ widely in terms of research thrusts, sample, measures and findings, the emphasis has been placed on uncovering the impact of international diversification on organizational performance. A few recent studies have demonstrated a non-linear linkage between international diversification and performance. Nonetheless, the majority of previous studies have proposed and/or empirically demonstrated a positive relationship (Kim et al, 1993). We thus build upon the rich theoretical basis in the literature to extend the international diversification agenda to the domain of new product management. Past research has clearly shown a tendency to sample large firms. The samples were predominantly organizations, which presumably were more diversified compared to small firms. However, recent research suggests that an increasing number of small firms are diversifying into international markets (Yip et al., 2000).

2.4.4 Strategic Human Resource Management

Strategic Human Resource Management (SHRM) involves a set of internally consistent policies and practices designed and implemented to ensure that a firm's human capital (employees) contribute to the achievement of its business objectives (Huselid, et al., 1997). Strategic human resources management is largely about integration and adaptation. Its concern is to ensure that: human resources (HR) management is fully integrated with the strategy and the strategic needs of the firm; HR policies cohere both across policy areas and across hierarchies; and HR practices are adjusted, accepted, and used by line managers and employees as part of their everyday work.

The resource-based theory of the firm blends concepts from organizational economics and strategic management (Barney, 1991). This theory holds that a firm's resources are key determinants of its competitive advantage. Firms can develop this competitive advantage only by creating value in a way that is difficult for competitors to imitate. Traditional sources of competitive advantage such as financial and natural resources, technology and economies of scale can be used to create value. However, the resource-based argument is that these sources are increasingly accessible and easy to imitate. Thus they are less significant for competitive advantage especially in comparison to a complex social structure caused by globalization. If that is so, human resource policies and practices may be an especially important source of sustained competitive advantage despite the challenges of globalization (Jackson & Schuler, 1995). Specifically, four empirical indicators of the potential of firm resources to generate competitive advantage are: value, rareness, imitability and substitutability (Barney (1991). In other words, to gain competitive advantage, the resources available to competing firms must be variable among competitors and these resources must be rare (not easily obtained). HR practices greatly influence an organization's human and organizational resources and so can be used to gain competitive advantage.

Huselid et al, (1997) presents a framework for Strategic Human Resource Management as a response to prepare organizations for the challenges of globalization. He observed that by and large organizations have achieved relatively low levels of effectiveness in implementing Strategic Human Resource Management (SHRM) practices (Huselid, et al., 1997). If the propositions he outlined are supported, then the real challenge for organizations in the era of globalization is to pay particular emphasis to strengthening their human resources by upgrading the relevant competencies.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter captures the research design and methodologies employed by the researcher. The chapter also explores the population, sample design, data collection procedure and data analysis techniques that were used.

3.2 Research Design

Research design refers to the way the study is designed, that is, the method used to carry out a research. It is important to highlight the two main methods when investigating and collecting data; quantitative and qualitative. A quantitative approach is strongly linked to deductive testing of theories through hypotheses, while a qualitative approach to research generally is concerned with inductive testing (Zikmund, 2003). The main focus of this study was qualitative research and adopted a case research design which was meant to investigate the strategic responses adopted by Airtel Kenya to challenges of globalization.

This was a case study since the unit of analysis is one organisation. It is a case study aimed at getting detailed information regarding the strategic responses adopted by Airtel Kenya towards the challenges of globalization. According to Yin (1994) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kothari, (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such study is more reliable and up to date.

3.3 Data Collection

In order to investigate the strategic responses adopted by Airtel Kenya towards challenges of globalization, the researcher used primary data. An interview guide with open ended questions was used to collect in depth. The staff in the Airtel Kenya included management middle level managers, directors and other staff. This enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This involved in-depth discussion

through individual meetings with the senior managers. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Asika, 1991). Copper and Schindler (1998), emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained. This will make it easier to get adequate and accurate information necessary for the research.

3.4 Data Analysis

The data was collected using interview guides which is qualitative in nature, was analyzed using conceptual content analysis which is the best suited method of analysis. Content analysis is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2000), content analysis uses a set of categorization for making valid and replicable inferences from data to their context. The analysis was used to analyze the respondents' views about the strategic responses adapted by Airtel Kenya to challenges of globalization.

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to establish the strategic responses adapted by Airtel Kenya Limited to challenges of globalization. The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.2 Response rate

The study targeted 50 respondents in collecting data with regard to the strategic responses adapted by Airtel Kenya Limited to challenges of globalization. This comprised of the three levels of management at Airtel Kenya; the top management, middle level management, and the lower level management. The researcher interviewed all the 50 sample respondents with regard to strategic responses adapted by Airtel Kenya Limited to challenges of globalization.

4.3 Findings of the study

The following paragraphs discuss the findings of the study.

On the question about the duration of time respondents had worked at Airtel Kenya, majority of the employees indicated that they had worked at Airtel Kenya since it was started.

On whether Airtel Kenya's mission and structure have changed in the last 10 years, the study found out that Airtel Kenya's mission and structure have changed four times in the last 10 years.

On the question about how Airtel Kenya creates and maintains a match between its strategy and the environment to ensure success despite the globalization challenges, interviewees indicated that the resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital. In particular, interviewees indicated that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods

The question sought to find out the main challenges faced by Airtel Kenya as a result of globalization was rapid change and uncertainty of the future. Interviewees indicated that the

management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future. However, analysis of the economics of the telecommunications industry and the responses of firms and policy makers can contribute significantly to a better understanding of the issues and possibilities.

On how Airtel Kenya measures challenges brought about by globalization interviewees indicated that Airtel Kenya measures challenges brought about by globalization through comparing their annual performances with those of other companies in the telecommunications industry.

On the question about how Airtel Kenya policies in regards to the challenges brought about by globalization, interviewees indicated that Airtel Kenya has adopted various policies which include; Airtel Money's privacy policy which is developed to safeguard the customers' privacy and interests. This policy is formulated to give customers a better understanding of the information collected when they visit Airtel Kenya's website and how their personal information is kept and processed by Airtel. Airtel has also made provision for regular surveys. Airtel Kenya's online web surveys are there to help gathering specific information regarding website issues. This is in order to enhance the quality of service, which eventually will be reflected positively for their customers, given that the provision of customer's names and other details is totally optional. Further, Airtel Money maintains at all times the privacy and confidentiality of all personal information collected. Such information is only disclosed when required by law or when in good faith Airtel believes that such action is necessary or desirable to comply with the law, protect or defend the rights or property of airtel, this site or its users. All information provided to airtel Money is usually treated as confidential. Further, interviewees indicated that Airtel Kenya has provided online forms requesting information will help the company in providing customers with enhanced quality of customer care. Such information is used to respond to your questions, comments or requests by either airtel Money or any of its business divisions and subsidiary companies only.

On the training and skill development strategies adopted by Airtel Kenya in order to cope with the challenges of globalization, interviewees indicated that the company ensures that its employees acquire the skills required for long term global competitiveness. They indicated that

the methods adopted by Airtel Kenya to train the employees are, on the job training, scheduling for capacity building workshops, and also through seminars.

On research and development/innovation strategies adopted by Airtel Kenya in response to the challenges of globalization, interviewees indicated that Airtel Kenya is investing huge capital outlays in innovation to come up with innovative solutions. This is intended to help Airtel to survive in the telecommunications industry where competition is very stiff.

On the question about the international diversification strategies adopted by Airtel Kenya in response to the challenges of globalization, interviewees indicated that Airtel Kenya was part of a large group (Bharti Airtel Group) that has operations all over Africa

On the human resource management strategies adopted by Airtel Kenya in response to the challenges of globalization, interviewees indicated that Airtel adopted the following strategies; - Industry and Occupational shift which means Managing workforce with flexible working patterns; Focusing on competencies during hiring process; Designing incentive based compensation for the employees; Developing proactive employee development programmes, Technological Advancements; Managing a virtual workforce; Managing employee alienation; Developing training modules and conducting programmes to provide employees with required skills; Retraining current employees to manage obsolescence; Providing work-life balance initiatives; Outsourcing; Manage employee concerns about losing jobs due to outsourcing; Managing employee morale and productivity; Flexible Work Arrangements; Managing the loss of organizational control over work; Developing programmes for motivating the workforce; and Developing ways of ensuring commitment of the flexible workforce to the firm.

On response strategies adopted by Airtel Kenya, to counter globalization challenges, interviewees indicated that Airtel Manages a global workforce and therefore it ensures that it hires employees who have the skills for global assignments, and also focuses on employee productivity to ensure competitiveness.

4.4 Discussions

Based on the explorative examination the impact of globalization in high-tech- and knowledge intensive sectors, it is essential for firms to sequentially develop competitive advantages that are based on multiple-response strategies and also on achieving multiple advantages such as cost and differentiation, (Walsh et al., 1992). This study found out that Airtel Kenya was part of a large group (Bharti Airtel Group) that has operations all over Africa. It has therefore diversified hence increasing the internal efficiency of the firm.

Managers should evaluate globalization threats and opportunities from a holistic and dynamic viewpoint, (Fischer, 2003). This study found out that Airtel has adopted the following strategies; - industry and occupational shift which means managing workforce with flexible working patterns; Focusing on competencies during hiring process; designing incentive based compensation for the employees; developing proactive employee development programmes, technological advancements; managing a virtual workforce; managing employee alienation; developing training modules and conducting programmes to provide employees with required skills. Hofer and Schendel, 1978, posit that managers should remember the importance of analyzing their resource and capability bases. None of the functions can be investigated in isolation from the overall competitive strategy. Moreover, managers should follow the steps identified in the framework to carefully evaluate the presented response strategies and select the most suitable for them, (Braganza and Ward, 2001).

The study also found out that resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital; that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods; that the management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future. However, analysis of the economics of the telecommunications industry and the responses of firms and policy makers can contribute significantly to a better understanding of the issues and possibilities. This study therefore collates with past studies and is therefore a support to studies done by other scholars.

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The study also found out that resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital; that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods; that the management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future. However, analysis of the economics of the telecommunications industry and the responses of firms and policy makers can contribute significantly to a better understanding of the issues and possibilities. This study therefore collates with past studies and is therefore a support to studies done by other scholars.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to determine the strategic responses adapted by Airtel Kenya Limited to challenges of globalization.

5.2 Summary of the Findings

The study aimed at investigating the strategic responses adapted by Airtel Kenya Limited to challenges of globalization. The study found out that the resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital; that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods; that the management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future. However, analysis of the economics of the telecommunications industry and the responses of firms and policy makers can contribute significantly to a better understanding of the issues and possibilities.

The study also found out that Airtel Kenya measures challenges brought about by globalization through comparing their annual performances with those of other companies in the telecommunications industry; that Airtel Kenya has adopted various policies which include; Airtel Money's privacy policy which is developed to safeguard the customers' privacy and interests. This policy is formulated to give customers a better understanding of the information collected when they visit Airtel Kenya's website and how their personal information is kept and processed by Airtel. Airtel has also made provision for regular surveys. Airtel Kenya's online web surveys are there to help gathering specific information regarding website issues.

Further, the study found out that Airtel Money maintains at all times the privacy and confidentiality of all personal information collected. Such information is only disclosed when required by law or when in good faith Airtel believes that such action is necessary or desirable to comply with the law, protect or defend the rights or property of airtel, this site or its users. All information provided to airtel Money is usually treated as confidential. Further, interviewees indicated that Airtel Kenya has provided online forms requesting information will help the company in providing customers with enhanced quality of customer care. Such information is used to respond to your questions, comments or requests by either airtel Money or any of its business divisions and subsidiary companies only.

It was also found out that Airtel Kenya ensures that its employees acquire the skills required for long term global competitiveness. They indicated that the methods adopted by Airtel Kenya to train the employees are, on the job training, scheduling for capacity building workshops, and also through seminars; that Airtel Kenya is investing huge capital outlays in innovation to come up with innovative solutions. This is intended to help Airtel to survive in the telecommunications industry where competition is very stiff.

Further, respondents indicated that Airtel Kenya was part of a large group (Bharti Airtel Group) that has operations all over Africa; that Airtel adopted the following strategies; - Industry and Occupational shift which means Managing workforce with flexible working patterns; Focusing on competencies during hiring process; Designing incentive based compensation for the employees; Developing proactive employee development programmes, Technological Advancements; Managing a virtual workforce; Managing employee alienation: Developing training modules and conducting programmes to provide employees with required skills; Retraining current employees to manage obsolescence; Providing work-life balance initiatives; Outsourcing; Manage employee concerns about losing jobs due to outsourcing; Managing employee morale and productivity; Flexible Work Arrangements; Managing the loss of organizational control over work; Developing programmes for motivating the workforce; and Developing ways of ensuring commitment of the flexible workforce to the firm.

On response strategies adopted by Airtel Kenya, to counter globalization challenges, interviewees indicated that Airtel Manages a global workforce and therefore it ensures that it hires employees who have the skills for global assignments, and also focuses on employee productivity to ensure competitiveness.

5.3 Conclusions

The study concludes that the resulting productivity growth at Airtel Kenya is the key source of wealth of Airtel, which is moving ever-faster away from natural to human capital; that wealth creation at Airtel depends on the ability to access and make productive use of the expanding stocks of knowledge and information, and to build on them through creative research and development to design highly flexible production methods; that the management of Airtel Kenya cannot eliminate this uncertainty or provide a fail-safe means for predicting the future. However, analysis of the economics of the telecommunications industry and the responses of firms and policy makers can contribute significantly to a better understanding of the issues and possibilities.

The study also concludes that Airtel Kenya measures challenges brought about by globalization through comparing their annual performances with those of other companies in the telecommunications industry; that Airtel Kenya has adopted various policies which include; Airtel Money's privacy policy which is developed to safeguard the customers' privacy and interests. This policy is formulated to give customers a better understanding of the information collected when they visit Airtel Kenya's website and how their personal information is kept and processed by Airtel. Airtel has also made provision for regular surveys. Airtel Kenya's online web surveys are there to help gathering specific information regarding website issues.

Further, the study concludes that Airtel Money maintains at all times the privacy and confidentiality of all personal information collected. Such information is only disclosed when required by law or when in good faith Airtel believes that such action is necessary or desirable to comply with the law, protect or defend the rights or property of airtel, this site or its users. All information provided to airtel Money is usually treated as confidential.

It was also concluded that Airtel Kenya ensures that its employees acquire the skills required for long term global competitiveness. They indicated that the methods adopted by Airtel Kenya to

train the employees are. on the job training, scheduling for capacity building workshops, and also through seminars; that Airtel Kenya is investing huge capital outlays in innovation to come up with innovative solutions. This is intended to help Airtel to survive in the telecommunications industry where competition is very stiff.

It was also concluded that Airtel Manages a global workforce and therefore it ensures that it hires employees who have the skills for global assignments, and also focuses on employee productivity to ensure competitiveness.

5.4 Recommendations for policy and practice

Airtel Kenya should emphasize on productivity growth through moving away from natural to human capital. Airtel Kenya should develop a privacy policy to safeguard the customers' privacy and interests. This policy should be formulated to give customers a better understanding of the information collected when they visit Airtel Kenya's website and how their personal information is kept and processed by Airtel. Airtel should also provide for regular surveys and online web surveys are there to help gathering specific information regarding website issues.

Further, Airtel Money should maintain at all times the privacy and confidentiality of all personal information collected. Such information should only be disclosed when required by law or when in good faith.

Airtel Kenya should ensure that its employees acquire the relevant skills required for long term global competitiveness. on the job training, scheduling for capacity building workshops, and also through seminars. Airtel Kenya should adopt on the job training, schedule for capacity building workshops, and seminars to train its employees. This will help Airtel to survive in the telecommunications industry where competition is very stiff.

Airtel should further adopt Industry and Occupational shift which means Managing workforce with flexible working patterns; Focus on competencies during hiring process; Design incentive based compensation for the employees; Develop a proactive employee development programme, Manage the loss of organizational control over work; Develop programmes for motivating the workforce; and develop ways of ensuring commitment of the flexible workforce to the firm.

5.5 Limitations of the Study

The study was limited to Airtel Kenya. Not all respondents were committal to answer questions because the company withholds some information as confidential. Some employees may not answer all the questions in the questionnaire while others may not have tried at all. Some may fear that their responses may be accessed by their supervisors hence will fail to respond honestly. The researcher mainly engaged the respondents in a brief interview detailing the purpose and the confidentiality of information provided before conducting the actual interview as a strategy to avoid lack of cooperation.

Respondents were assured of the academic nature of the study so as to boost the response rate. While collecting primary data from the respondents, biases regarding the information posed a limitation. In dealing with this limitation, the researcher adopted an objective interview guide to reduce their personal perceptions.

5.6 Recommendations for further studies

The study was only carried out in Airtel Kenya Limited thus the same study should be carried out in the other telecommunications industry to find out if the same results will be obtained.

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APPENDICES

Appendix I

Interview Guide

Part one: General information

1. How many years have you worked at Airtel Kenya?
2. What is your position at Airtel Kenya?
3. Has the Airtel Kenya mission changed in the last 10 years?
4. Has the structure of Airtel Kenya changed in the last 10 years?
5. What do you think is globalization to Airtel Kenya?

Part two: Response to globalization

6. What types of globalizations affects the operations at Airtel Kenya?
7. How would you describe globalization in relation to the Airtel Kenya's survival and growth?
8. How does Airtel Kenya create and maintains a match between its strategy and the environment to ensure success despite the globalization challenge?
9. What are the main challenges faced by Airtel Kenya as a result of globalization?
10. How does Airtel Kenya measure the challenges brought about by globalization?
11. What are the Airtel Kenya policies in regards to the challenges brought about by globalization?
12. What are the training and skill development strategies adopted by Airtel Kenya in order to cope with the challenges of globalization?
13. What are the research and development/innovation strategies adopted by Airtel Kenya in response to the challenges of globalization?
14. Which are the international diversification strategies adopted by Airtel Kenya in response to the challenges of globalization?
15. What are the human resource management strategies adopted by Airtel Kenya in response to the challenges of globalization?

16. How else does Airtel Kenya respond to these challenges? Explain in details the company's response strategies to these challenges?
17. How has globalization affected Airtel Kenya strategy and performance?

THANK YOU FOR YOUR COOPERATION!

