STRATEGIES EMPLOYED BY ERICSSON KENYA LIMITED TO DEVELOP COMPETITIVE ADVANTAGE

BY

MUTHEE CAROLINE NYAMBURA

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

November 2009

DECLARATION

This management project is my original work and has not been submitted in any other university.

Muthee Caroline Nyambura

D61/70050/07

Signed ________________ Date 05th Nov. 2009

This management project has been submitted for examination with my approval as the university supervisor.

Professor Evans Aosa

Signed________________ Date 6/11/2009

DEDICATION

This project is specially dedicated to my loving husband Kenneth Njagi and my dear parents Mr. and Mrs. Joseph Muthee.

ACKNOWLEDGEMENT

I would like to acknowledge the tremendous support I got from various individuals during this journey of a lifetime. First, I would like to appreciate my supervisor Prof. Evans Aosa for his time and support to see to it that this project attained professionalism and high academic standards.

I would also like to thank my husband and parents for giving me all their support during my studies. Finally, many thanks go to everyone who stood by me, encouraging me and availing their support whenever I needed it.

Many thanks to you all. May the Almighty God bless you all and reward you tremendously for making a dream come true.

ABSTRACT

This management research was undertaken so as to understand the strategies employed in organizations to develop competitive advantage as well as the challenges this organizations are faced with in their pursuit to be the best player in the industry. The urge to conduct this research was due to the stiff competition in the telecommunications industry in Kenya that has left Ericsson not shaken and still the industry leader for over seven years now. Despite the competition, Ericsson has continued to be the leading provider of telecommunications equipments in Kenya. Its performance has continued to improve year by year, with over 70% of the telecommunications work currently being carried out by this company. The objective therefore was to investigate and document the various strategies employed by Ericsson Kenya Limited as well as the challenges and the limitations the company faces in its pursuit to develop competitive advantage.

The study focuses on the telecommunications industry which is one of the most competitive industries in Kenya today and has largely grown over the past ten years. The growth in this industry is mainly due to government liberalization in the early 1990's that saw other telecommunication companies venture into the market. Ericsson Kenya Limited joined the competition as a telecommunication provider in 2002, and has largely grown over the past seven years of its operations in Kenya. However, this industry is currently being threatened by the extensive entry of many competitors, who are basically fighting for the same customer. The survival of any player in this industry lies in coming up with strategies to ensure the development of competitive advantage and come up with ways of ensuring its sustainability.

The study aimed at collecting in-depth data and thus constituted a case study. The study utilized both primary and secondary data. Primary data was collected by interviewing the management and the departmental assistants. An interview was carried out with five top management personnel including the company controller, project managers and other top managers of each department. These managers are all experienced in corporate management with outstanding international experience as they are all currently long term assignment employees in Kenya but are Ericsson permanent employees in other developed countries. Their purpose is to oversee the day to day running of the company and therefore have good knowledge of the Ericsson operations and strategies. The data analysis concentrated on the ideas, themes and strategies of competitive advantage by Ericsson Kenya Limited and the challenges faced by this company at large. Data collected was analyzed using content analysis and it involved a detailed description of items that concerned the study.

The key findings on strategies applied by Ericsson to develop competitive advantage include technological leadership, focus on operational excellence and strategic marketing, customer intimacy, embarking on cost cutting measures, having a well defined human resource management, clear communication and building a corporate image, and investment in research and development. On the other hand, the challenges faced by this organization include increased competition, customer failures, government policies, global economic recession and cultural challenges. This study has several recommendations. Initially, there is need for the company to train its employees on change and stress management to avoid anxiety, panic and work related stressors. There is also need for management to replace consultants with local employees and also recruit local staff to

high management positions for motivation. Finally, an intensive analysis of the customer is necessary as the customer is critical for survival of the business.

However, the study had several limitations. Some of the top managers scheduled for interview declined to participate and others only responded to a few questions as opposed to the full interview guide leading to some inconclusive interviews. The managing director who is new to the company was not interviewed as he felt that he was not the right respondent. Finally, there is need to conduct research on more organizations in this industry as well as those of related industries in order to shed further light on this important area of academic discourse. This is mainly because different organizations differ in their structures, systems, culture, objectives and resources.

TABLE OF CONTENTS

Declaration......ii

Dedication......iii

Acknowledgement......iv

Abstract......v

CHAPTER ONE: INTRODUCTION......1

1.1 Background......1

1.1.1 Concept of Strategy......2

1.1.2 Competitive advantage......3

1.1.3 The telecommunications industry......5

1.1.4 Ericsson Kenya Limited......6

1.2 Research problem......7

1.3 Research objectives......9

1.4 Importance of the study......9

CHAPTER TWO: LITERATURE REVIEW......11

2.1 Concept of strategy......11

2.2 Competitive advantage......12

2.3 Emergence of competitive advantage......13

2.4 Sustaining competitive advantage......14

2.5 Analysis of the industry attractiveness......17

2.6 Generic Strategies for competitive advantage......19

2.6.1 Cost leadership......19

2.6.2 Differentiation......20

2.6.3 Focus......21

2.7 Sources of competitive advantage......24

2.7.1 The external sources of competitive advantage......24

2.7.2 The internal sources of competitive advantage....................25

CHAPTER THREE: RESEARCH METHODOLOGY....................27

3.1 Research design....................27

3.2 Data collection....................27

3.3 Data analysis....................28

CHAPTER FOUR: FINDINGS AND DISCUSSION....................29

4.1 Company profile....................29

4.2 Strategies for competitive advantage at Ericsson....................30

4.2.1 Technology leadership....................30

4.2.2 Focus on operational excellence and strategic marketing....................31

4.2.3 Customer Intimacy....................31

4.2.4 Cost cutting measures....................32

4.2.5 Human resource management....................33

4.2.6 Communication and building a corporate image....................34

4.2.7 Investment in Research and development....................35

4.3 Limitations and challenges faced....................35

4.3.1 Increased competition....................35

4.3.2 Customer failures....................36

4.3.3 Government policies....................37

4.3.4 Global economic recession....................38

4.3.5 Cultural challenges....................38

4.4 Discussion....................39

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS....................42

5.1 Summary....................42

5.1.1 Strategies for competitive advantage at Ericsson..42

5.1.2 Limitations and challenges faced by Ericsson..42

5.2 Recommendations..43

5.3 Limitations of the study...44

5.4 Suggestions for further research...44

5.5 Conclusion...45

REFERENCES...46

APPENDICES..49

CHAPTER ONE: INTRODUCTION

1.1 Background

Globalization and trade liberalization amongst other forces have not only widened the market for goods and services but also accelerated competition amongst firms. Competition as the new reality in almost all aspects of life and business has taken a different dimension all together. Environmental changes such as technological and innovation, competition, globalization, regulation and deregulation, and consumer behaviour have affected many organizations in that they have been forced to enhance their business processes in order to survive in an environment which has been increasingly competitive (Ansoff, 1987).

The aim of any organization today should be to realize more income as compared to their expenses. And for this to be achieved a strategy is required. The business strategy applied by any organization should be in a position to respond not only to the environment but also attempt to shape that environment in a firm's favour, its ultimate goal being to achieve competitive advantage over its rivals. Competitive advantage assists an organization to deal with competition by acquiring or developing attributes or a combination of attributes that allow it to outperform its competitors. In today's world competition is present in all markets and is intensifying every day. It is therefore necessary for all organizations to understand and come up with ways of dealing with it rather than ignoring it. Therefore, according to Porter (1998), the most important aspect is the choice of competitive strategy by a firm.

1.1.1 Concept of Strategy

A strategy is a unifying or integrating pattern of decisions. It defines an organizations purpose which includes the goals, objectives and priorities of any organization. It enables an organization to position itself in the environment and define its obligations and business scope to its stakeholders. The essence of strategy lies in creating tomorrow's competitive advantage faster than competitors can mimic the ones you posses today. The key is not to anticipate the future but to create the future (Hamel & Prahalad, 1989). An effective competitive strategy takes offensive or defensive action in order to create a defendable position against the competitive forces (Porter, 1998). A firm can however improve or erode its position within an industry through its choice of strategy.

A company's strategy consists of the competitive moves and the business approaches that managers are employing to grow the business, attract and please the customers, compete successfully, conduct operations and achieve the targeted levels of organizational performance (Thompson, Strickland, & Gamble, 2001). Generally, a strategy is a plan of action designed to achieve any goal and acts as a vehicle of communication and coordination within any organization today. Competitive advantage is therefore established through strategy.

Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called realized or emergent strategy. He pointed out that people use strategy in several different ways the most common being strategy as a plan, strategy as a pattern in actions over time, strategy as a position and finally strategy as a perspective that is the vision and direction of any organization. Strategy is the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means. It is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the trip we actually make. Even when we are embarking on a voyage of discovery, with no particular destination in mind, the voyage has a purpose, an outcome, an end to be kept in view.

1.1.2 Competitive Advantage

Competitive advantage is the single most powerful weapon needed by the firms to win and prosper in today's hypercompetitive world. It is the recipe for tackling problems caused by hyper competition. Competitive advantage is a unique position that firms develop in comparison with its competitors and with good plans and measure, it assists a firm to protect its market against new entrants and rivals (Dulo, 2006). Firms therefore need to view competitive advantage as an integral part of ensuring its long term survival and prosperity. According to Hill & Jones (2001), successful innovation could revolutionalize industry structure. There are two main types of competitive advantage. These are comparative advantage and differential advantage. Comparative advantage, or cost advantage, is a firm's ability to produce a good or service at a lower cost than its competitors, which gives the firm the ability to sell its goods or services at a lower price than its competition or to generate a larger margin on sales. A differential advantage is created when a firm's products or services differ from its competitors and are seen as better than a competitor's products by customers.

Building competitive advantage gives a firm an advent over its competitors which can be gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies higher prices (Johnson & Scholes, 2002). Companies can create competitive advantage by becoming champions at defining the pattern of successful innovation and executing against it. The advantage that is enjoyed by a winning firm is not across the board but relative to its closest competitors in the same industry. Outwardly, it can be defined and understood as a position of supremacy in an industry.

According to the resource based view, competitive advantage results in the creation of supernormal rents in the long run. It views the primary factors of competitive advantage as innovation, reputation and relationships. Resources held by a firm and the business strategy have a profound impact in generating competitive advantage. Business strategy is viewed as the tool that manipulates the resources and creates competitive advantage, hence viable business strategy may not be adequate unless it posses control over unique resources that has the ability to create such a unique advantage. Competitive advantage is thus a key determinant of superior performance and it will ensure survival and prominent placing in the market place (Barney, 1991).

1.1.3 The Telecommunications Industry

The telecommunications industry in the world has largely grown over the past ten years. The industry is fast changing due to the ever changing technological inventions. With almost all activities being carried out on the mobile phones such as sending and receiving money, playing games, browsing the internet, watching television and listening to music etc. the industry has greatly been characterized by new inventions and existing innovations. This has led to many companies venturing this market mainly by diversifying their activities.

In the late 1990's the telecommunication industry in Kenya was liberalized leading to other private companies entering the market. Initially, only Telkom Kenya was the licensed mobile company but currently other players have ventured in. As of 2009 we have other private companies such as Safaricom, Zain, Orange and Econet wireless in our Kenyan market. This increase has also led to an increase in the telecommunications service providers. Currently the main players are, Ericsson, Huawei, ZTE, Alcatel Lucent and Nokia Siemens. In Kenya, the telecommunication industry is viewed as the most competitive today.

The trend in this industry has been characterized by intensive growth and change over the past years. The fast and rapid growing sector has seen quite a transformation in the networks with the developments such as broadband, voice over internet protocol and fixed mobile convergence. Each of these recent developments represent part of the same evolutionary path in which individual service specific networks are developing into advanced IP-based networks capable of providing a full range of services and applications accessible from a wide range of devices that can function from any location. In developing countries the meteoric rise of mobile services has been fueled by improved affordability, increased network coverage, and new service options such as affordable voice and internet applications. Due to all this rapid growth in the industry, it's clear that the players have either to have a unique strategy or will be swept away by the competitors.

1.1.4 Ericsson Kenya Limited

Ericsson is one of the largest Swedish companies and is a leading provider of telecommunications and data communication systems, and related services covering a wide range of technologies including mobile networks. Directly and through subsidiaries, it also has a major role in mobile devices, cable TV and IPTV systems. Ericsson has operations in around 130 countries in the world and its head office is in Krista, Sweden.

This company is composed of 150 local employees, 200 consultants and 40 long term assignment employees who basically are Ericsson employees from other countries but residing in Kenya for a certain assignment. Their offices are located in Nairobi, Westlands and Mlolongo areas. It began its operations in Kenya in 2002 and is a major supplier of infrastructure for all the major wireless technologies. It provides mobile telecommunication system that incorporates any of the Major Global System for Mobile Communications (GSM), 3G which is an enhanced data for GSM evolution and Enhanced Data Rates for GSM Evolution (EDGE). It has been greatly involved in rolling out mobile telecommunications companies in Kenya which include Zain Kenya, Safaricom Limited, Econet wireless and Orange-Telkom.

1.2 Research Problem

Competitive strategy is the search for a favourable competitive position in an industry, the fundamental arena in which competition occurs. Competition is at the core of the success or failure of firms today. It determines the appropriateness of firms' activities that can contribute to its performance such as innovations, a cohesive culture or good implementation (Porter, 1998).Any competitive advantage a firm currently holds will eventually be eroded by the actions of competent resourceful competitors. Anticipated changes like in the economic structure of an industry may make what was at one time a source of competitive advantage, no longer valuable for a firm. Competitive advantage fades because the distinctive capabilities may decline and become less distinctive or the markets which that distinctive capability is applied may shrink or become less valuable (Ndungu, 1996).

Few studies have looked at competitive advantage in various firms. Dulo (2006) studied the sources of competitive advantage and the performance of firms in the Kenya sugar industry. Mbugua (2006) looked at sustainable competitive advantage under conditions of change at East African paper Industry. Ndungu (2006) analyzed sustaining a competitive advantage at British Airways World Cargo- Kenya. Njimu (2006) studied bases of competitive advantage of the school of business of the University of Nairobi. Njoroge (2006) studied building competitive advantage through diversification at Kenol/Kobil Oil Corporation. Steve (2005) looked at the value chain and competitive advantage in the corporate banking industry. Owuor (2004) analyzed strategic alliances and competitive advantage of major companies in Kenya. These researchers have all dealt with competitive advantage in various organizations but none has dealt with the telecommunications providers in Kenya.

Increased competition due to globalization and economic liberalization has resulted in the markets having more players basically fighting for the same customer. The telecommunications industry has greatly been hit by this extensive competition and increased threats into the industry especially as experienced over the last ten years. Therefore having a competitive edge over the rivals is the key to unlocking the potentials of any firm in this industry. Due to increased imitation, there is need of not only building a competitive edge but also enhancing ways of sustaining their competitive advantage from erosion by competitors. According to Mbugua (1996), in the last two decades, one of the most fundamental questions emerging in strategic management is how firms achieve and sustain competitive advantage. In a simplified world, understanding how firms achieve and maintain superior returns means comprehending how firms position themselves in a certain market, what they produce and how they use their resources at their disposal to do so.

Ericsson operates in this highly competitive industry. Its main competitors include Nokia Siemens, Alcatel-Lucent, ZTE and Huawei. These companies have used many strategies to keep them in business such as mergers and joint ventures. According to Johnson and Scholes (2003), collaboration between organizations may be a crucial ingredient in achieving advantage or avoiding competition. Despite it all, Ericsson has managed to stay as one of the key players in the industry. Specifically in Kenya, Ericsson managed to secure 70% of the telecommunications work of both Econet wireless and Orange Telkom and was previously involved with rolling out Safaricom and Zain as the first and second mobile companies in Kenya respectively. It is therefore evident that Ericsson Kenya has built a competitive edge over its rivals in this segment of the market. Bearing this perspective, what are the strategies used by Ericsson Kenya Limited to achieve competitive advantage? What are the limitations and challenges faced by the company in its pursuit to develop competitive advantage?

1.3 Research Objectives

This study has two objectives;

- To establish the strategy used by Ericsson Kenya Limited in achieving competitive advantage.
- To establish the limitations and challenges faced by the company in its pursuit to develop competitive advantage.

1.4 Importance of the study

This study will be of beneficial to the various stakeholders. The researchers and students of strategic management can use the study findings to expand their knowledge on competitive advantage and highlight on areas of further research therefore contributing to new knowledge. This research will therefore act as a base for them to expound on this area of study in future as well contribute to existing literature adding knowledge and stimulating further research studies. It will also act as a reference in which they can conduct their studies.

The study will also be of help to the management of Ericsson to better understand the concept of competitive advantage and its underlying factors. This research will offer tangible results and benefits that will as a result help the company to stream line on areas of competitive advantage and ensure that they sustain their competitive edge in the long run against their competitors. This therefore will provide for an underpinning for management excellence.

The study will benefit the policy makers by enlighting them on how to build competitive advantage and to sustain an above level performance in today's organizations. In their effort to improve the welfare of organizations, this study will help them with useful and relevant information and feedback on matters of competitive advantage thereby ensuring that they are able to deal with hyper competition rather than ignoring it. In the long run, it will ensure the realization of more income as compared to the expenses.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

Strategy deals with an organization's competitive advantage and defines the position of an organization in the environment. It describes the way an organization will pursue its goals, given the threats and opportunities in the environment and the resources and capabilities of the organization (Rue & Holland, 1986). It is understandable that the organization can not survive, let alone succeed if they can not match the environmental requirements. To be able to do so, organizations require strategy which becomes a link between the organization and its environment (Ansoff, 1990).

Strategy is further viewed as a detailed plan for achieving success, the bundle of decisions and activities that we undertake to achieve long term goals (Njoroge, 2006). More specifically it is indicative of the pattern of decisions regarding which industries or markets a firm should be involved in order to increase its profitability (Grant, 1998; Wheeler and Hunger, 1989). It can also be defined as the establishment of the long term goals and objectives of an organization, including the taking of action and allocation of resources for achieving these goals (Chandler, 1962). Due to scarcity of resources, the strategy that is chosen should be one that optimizes these resources in the pursuit of the organizations goals and objectives.

Strategy not only focuses on the goals and objectives of the organization and the means of achieving them, but also gives an indication of the nature of the company and its business, both in the present and in the long run (Njimu, 2006). It is the pattern or plan that integrates an organization's major goals, policies and actions sequences into a cohesive

UNIVERSITY OF NAIROBI
LOWER KABETE LIBRARY

whole. A well formulated strategy therefore helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents (Mintzberg, James, & Sumantra, 1999).

Strategy can further be seen as a multidimensional concept that embraces all the critical activities of the firm, providing it with a sense of unity, direction, and purpose as well as facilitating the necessary changes induced by its environment. It's a means of establishing the organizational purpose in terms of its long term objectives, action programs and resources allocation priorities. Through strategy an organization invests in both tangible and intangible resources to develop the capabilities that assure a sustainable advantage (Hax & Majluf, 1996).

The crafting of a strategy for any company represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. Thus a company's strategy is all about how- how management intends to grow the business, how it will build a loyal clientele and outcompete rivals, how each functional piece of the business supply chain activities will be operated and generally how performance will be boosted (Thompson, Strickland, & Gamble, 2008).

2.2 Competitive Advantage

Competitive advantage is an edge a firm has in attracting customers and defending against competitive forces. This leads in a firm's ability to outperform other organizations as it produces desired goods and services more efficiently and effectively than competitors. It was first developed by Porter (1985) in an attempt to resolve the puzzle of its roots. A comprehensive definition of competitive advantage defines it as the value proposition delivered to a well defined set of customers by a given brand. A brand value proposition is a statement of the functional, emotional, and self-expressiveness delivered by the brand that provides value to the customer (Dulo, 2006).

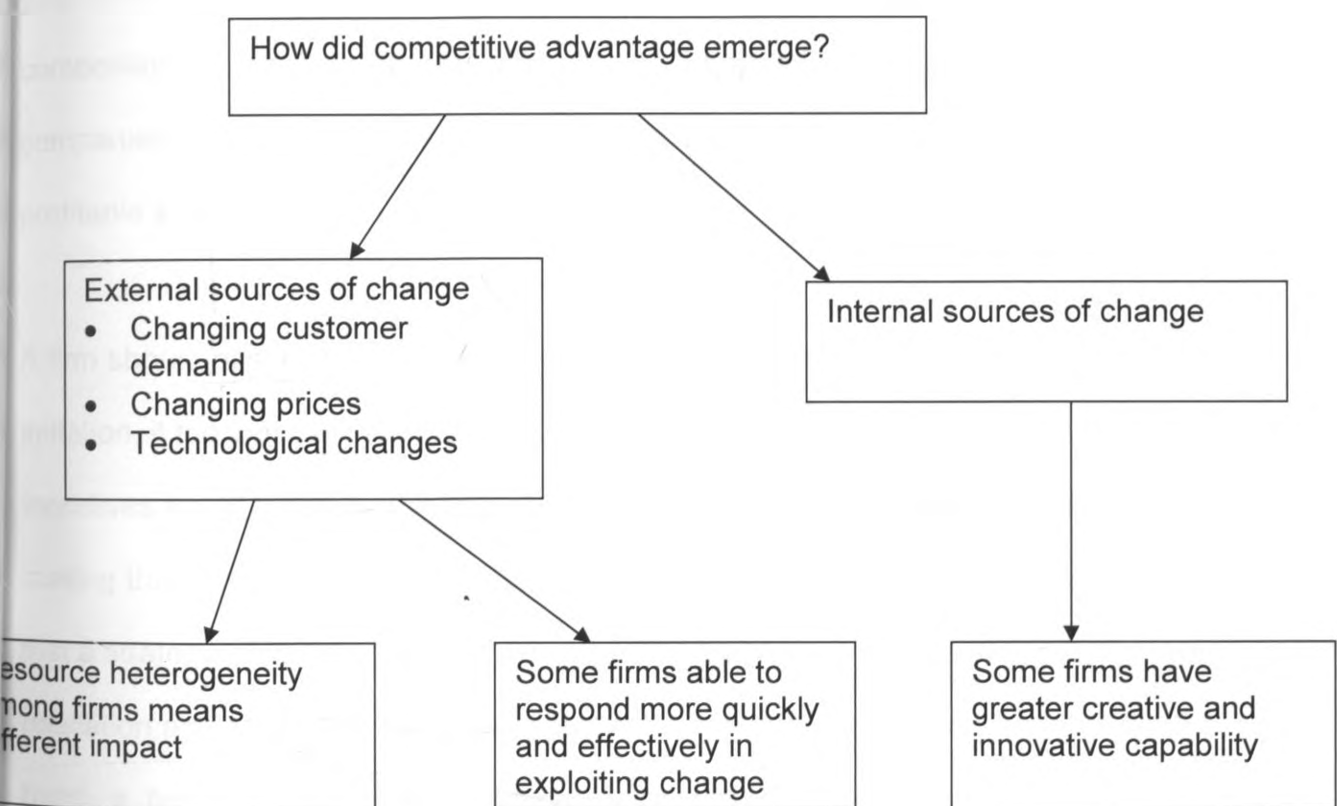
Competitive advantage exists when a firm is able to deliver the same benefits as competitors but at a lower cost, or delivering benefits that exceed those of competing products. Thus, competitive advantage enables a firm to create superior value for its customers and superior profits for itself. The building blocks of competitive advantage in this case include increasing efficiency, increasing quality, increasing innovation and increasing responsiveness to customers.

It can further be defined as adding either more real or perceived value to target customers than your competitors or similar value with lower costs, or in a faster time. Generally, it's the ability of the firm to outperform rivals on the primary performance goal which is profitability. According to the resources based view, it emphasis that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

2.3 Emergence of Competitive Advantage

Competitive advantage emerged from both external and internal sources of change. External sources of change causing competitive advantage include changing customer demand, changing prices and technological change. These results in some firm being able to respond more quickly and effectively in exploiting change. On the other hand, internal sources of change imply that some firms have greater creative and innovative capability. The above is further illustrated in figure one below.

Figure 1: The Emergence of Competitive Advantage



Source: Grant, R.M. (1998). **Contemporary strategy analysis** (3rd Ed.). Massachusetts: Blackwell Publishers Inc.

2.4 Sustaining Competitive Advantage

Once established, competitive advantage is subject to erosion by competition. The speed with which competitive advantage is undermined depends on the ability of competitors to challenge either by imitation or innovation. Therefore a firm should create such barriers to enhance sustainable competitive advantage. According to Grant (1998) for a firm to be able to successfully imitate the strategy of another, it must meet four conditions.

A firm should be able to identify the superior performance of competitors. The firm must be able to identify that a rival possesses a competitive advantage. A simple barrier to imitation is to obscure the firm's superior profitability. However, a more attractive means of avoiding competition is for the firm to withhold the information about its profitability. Among companies, diversification and consequent consolidation of accounts can help protect high profitable subsidiaries from competitive entry.

A firm should posses the incentives to compete. The firm must believe that by investing or imitation, it too can earn superior returns. A firm may avoid competition by undermining the incentives for imitation by the use of either deterrence or preemption. Deterrence involves making threatening signals towards competitors that encourage the competitors to believe that a strategy of imitation will not prove profitable. The key to deterrence is the promise of retaliation against a competitor that encroaches on the firm's strategic niche. On the other hand, a firm can also deter imitation by preemption which is occupying existing and potential strategic niches in order to reduce the range of investment opportunities open to the challenger.

A firm should be able to diagnose the competitive advantage of competitors. The firm must be able to diagnose the features of its rival's strategy that give rise to the competitive advantage. If a firm is to imitate the competitive advantage of another, it must understand the basis of its rival's success. In most industries there is a serious identification problem in linking superior performance to the resources and capabilities that generate that performance. This leads to uncertain imitability where there is ambiguity associated with the causes of a competitors success, any attempt to imitate that strategy is subject to uncertain success.

A firm should have the ability to assemble the resources and capabilities necessary for imitation. The firm must be able to acquire through transfer or replication the resources and capabilities necessary for imitating the strategy of the advantaged firm. Having diagnosed the sources of an incumbent's competitive advantage, the imitator can mount a competitive challenge only by assembling the resources and capabilities necessary for imitation. The period over which a competitive advantage can be sustained depends critically on the time it takes to acquire and mobilize the resources and capabilities needed to mount a competitive challenge.

Durability of competitive advantage depends on the barriers to imitation, capability of competitors and general dynamism of the industry environment (Hill & Jones, 2001). The difference between competitive advantage and sustainable competitive advantage is that the positions and processes a firm may hold are non duplicable and inimitable when a firm possess a sustainable competitive advantage. Hence sustainable competitive advantage is one that can be maintained for a significant amount of time even in the presence of competitors (Porter, 1985).

2.5 Analysis of the Industry Attractiveness

The model of pure competition implies that risk adjusted rates of return should be constant across firms and industries. However, numerous economic studies have affirmed that different industries can sustain different levels of profitability, part of which can be explained by analyzing the industry structure. The fundamental determinant of a firm's profitability is the industry attractiveness. It's therefore important to understand the rules of competition in a particular industry in order to determine its attractiveness. The rules of competition are embodied in the five forces model by Michael Porter. This is an outside-inside business unit strategy tool that is used to make an analysis of the attractiveness or value of an industry structure. The five forces analysis looks at five key areas mainly the threat of new entrants, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers, and rivalry among the existing competitors.

The first one is the intensity of competitive rivalry. In the past society, competition among rival firms drove profits to zero, but competition is not perfect and firms are not unsophisticated passive price takers. Rather, firms strive for a competitive advantage over their rivals. The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences. Highly competitive industries generally earn low returns because the cost of competition is high. A highly competitive market may result from little differentiation between competitors' products and services or having many players of about the same size with no dominant firm.

Secondly, there is the threat of substitute products. Here, substitutes refer to alternative products in other industries. A product's price elasticity is affected by more substitute products. As more substitutes become available, the demand becomes more elastic since customers have more alternatives. A close substitute product constraints the ability of firms in an industry to raise prices. People are likely to switch to substitute products if the cost of switching is low, changes in fashion and technology, product innovation and the perceived level of product differentiation.

The third one is the bargaining power of customers. This is the impact that customers have on a producing industry. In general, when a buyer power is strong, the relationship to the producing industry is near to a monopsony (a market in which there are many suppliers and one buyer). In such a market condition, the buyer sets the price. Substantial power by a customer is evident if they have a large enough impact to affect a company's margin and volumes.

The fourth one is the bargaining power of suppliers. A producing industry requires raw materials. This requirements leads to buyer-supplier relationships between the industry and the firms that provide it with the raw materials used to create these products. Suppliers, if powerful, can exert an influence on the producing industry, such as selling raw materials at a higher price to capture some of the industry's profits. Substantial power is held if one supplier has a large enough impact to affect a company's margin and volumes.

Lastly, there is the threat of the entry of new competitors. It's not only incumbent rivals that pose a threat to firms in an industry, the possibility that new firms may enter the industry also affect competition. Profitable markets that yield high returns draw new firms, this result in many new entrants and will effectively decrease profitability. In theory, any firm should be able to enter or exit a market, and if free entry and exit exists, then profit always should be nominal. In reality however, industries possess characteristics that protect the high profit levels of firms in the market and inhibit additional rivals from entering the market. These are referred to as barriers of entry.

2.6 Generic Strategies for Competitive Advantage

Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are basically two types of competitive advantage a firm can posses, which are low cost and differentiation. The significance of any strengths or weaknesses a firm possesses is ultimately a function of its impacts on relative cost or differentiation. Cost advantage and differentiation in turn stem from industry structure. They result from a firm's ability to cope with the five forces better than its rivals.

The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above average performance in an industry. These are cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus. If a firm is to attain competitive advantage, it must make a choice about the type of competitive advantage it seeks to attain and the scope within which it will attain it (Porter, 1985).

2.6.1 Cost Leadership

Cost is an important element in developing competitive advantage. It's therefore important to understand the behaviour of cost. Here, the firm sets out to become the low cost producer in its industry. This is mainly by supplying an identical product or service at a lower cost than its competitors. The sources of cost advantage are varied and depend on the structure of the industry. These may include the pursuit of the economics of scale, proprietary technology, preferential access to raw materials amongst other factors (Porter, 1985).

A firm has a cost advantage if their cumulative cost of performing all value activities is lower than competitors' costs. The strategic value of cost advantage hinges on its sustainability. Sustainability will be present if the resources of a firms cost advantage are difficult for competitors to replicate or imitate. If a firm can achieve and sustain overall cost leadership, it then will be an above average performance in its industry provided it can command price at or near the industry average. A cost leader's low position translates into higher returns.

Cost leadership is a strategy particularly dependent on preemption, unless major technological change allows a firm to radically change its cost position. It requires that the firm must find and exploit all sources of cost advantage and low cost producers typically sell a standard or no frills products and place considerable emphasis on reaping scale or absolute cost advantage from all sources.

2.6.2 Differentiation

Differentiation stems from uniquely creating buyer value. It can result through meeting use or signaling criteria, though in its most sustainable form, it comes from both. In this strategy, it selects one or more attributes that many buyers in an industry perceive as important and uniquely position itself to meet those needs. It is usually rewarded for its uniqueness with a premium price (Porter, 1985).

Some of the factors that are important in differentiation include; the product itself, the delivery system by which it is sold, the marketing approach, and a broad range of other factors. A firm that can achieve and sustain differentiation will be an above average performer in its industry if its premium exceeds the extra cost incurred in being unique. Here, a firm is required to choose attributes in which to differentiate itself from rivals and must be different from its rivals. Just as cost drivers influence cost, unique drivers influence a firm's uniqueness. Unique drivers are the underlying reasons for any unique activity.

2.6.3 Focus

A focus strategy may also provide a means for achieving a cost advantage and differentiation that rests on using focus to control costs and unique drivers. It requires a firm to dedicate its efforts to a well-chosen strategy, either cost advantage or differentiation. This leads to maximum benefits because of specialization that leads to efficiency and effectiveness.

This strategy rests on the choice of a narrow competitive scope in an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not posses a competitive advantage overall. All the variants of this strategy rest on differences between a focuser's target segment and other segments in the industry (Porter, 1985). The essence of the focus is the exploitation of a narrow target differences from the balance of the industry.

However, according to Thompson et al. (2008) there are five generic strategies, which are a low-cost provider strategy, a broad differentiation strategy, a best-cost provider strategy, a focused strategy based on low costs, and a focused strategy based on differentiation. The first one entails having a low cost provider strategy. This entails striving to achieve overall costs than rivals and appealing to a broad spectrum of customers, usually by under pricing rivals. This is a powerful competitive approach in markets with many price sensitive buyers. A company achieves low cost leadership when it becomes the industry's lowest cost provider rather than just being one of perhaps several competitors with comparatively low costs.

The second one constitutes having a broad differentiation strategy. This strategy seeks to differentiate the company's products offering from rivals in ways that will appeal to a broad spectrum of buyers. Differentiation strategies are attractive whenever buyer's needs and preferences are too diverse to be fully satisfied by a standardized product or by sellers with identical capabilities. A company attempting to succeed through differentiation must study buyers' needs and behaviour carefully to learn what they consider important, what they think has value, and what they are willing to pay for. Then the company has to incorporate buyer-desired attributes into its products or services that will clearly set it apart from rivals.

The third one entails having a best cost provider strategy. This strategy entails giving customers more value for their money by incorporating good-to-excellent product attributes at a lower cost than rivals. The target is to have the lowest costs and prices compared to rivals offering products with comparable attributes. It aims at giving customers more value for their money and the objective is to deliver superior value to buyers by satisfying their expectations on key quality, features, performance, service attributes and beating their expectations on price.

The fourth one is focused (or market niche) strategy based on low costs. Concentrating on a narrow buyer segment and outperforming rivals by having lower costs than rivals and thus being able to serve niche members at a lower price is the basis of this strategy. Focused strategy is set by concentrating attention on a narrow piece of the total market. The target segment or niche can be defined by geographical uniqueness, by specialized requirements in using the product, or by special product attributes that appeal only to the niche members. A focused strategy based on low cost aims at securing a competitive advantage by serving buyers in the target market niche at a lower cost and lower price than rival competitors.

Lastly, there is a focused (or market niche) strategy based on differentiation. This strategy is based on concentrating on a narrow buyer segment and outperforming rivals by offering niche members customized attributes that meet their tastes and requirements better than rivals products. It aims at securing a competitive advantage with a product that is carefully designed to appeal to the unique preferences and needs of a narrow, well defined group of buyers. Successful use of a focused differentiation strategy depends on the existence of a buyer segment that is looking for special products attributes or seller capabilities and on a firm's ability to stand apart from rivals competing in the same target market niche.

2.7 Sources of Competitive Advantage

The sources of competitive advantage for a firm are diverse. Porter (1990) attributes the sources of competitive advantage as originating from outside the firm and the national characteristics when a firm faces a foreign competitor. According to the resource based view of strategy, a firms resources are firm specific (Barney, 1991). The sources of competitive advantage are however broader and include both internal and external sources. The marrying of these two sources of competitive advantage is premised on the fact that the sources of competitive advantage are complementary.

2.7.1 The External Sources of Competitive Advantage

The external sources of competitive advantage can be traced to the structure of the industry such as the threat of substitute products, the threat of new entrants, the bargaining power of suppliers or customers and the current competition among the existing firms (Porter, 1985). Further it can be traced from the characteristics of the environment and whether the firm faces foreign competition (Porter, 1990). Firms facing foreign competition derive their competitive advantage from the country of origin.

A dominant firm in the industry can use its superior bargaining power with suppliers to secure inputs at lower costs and thus create barriers to small rivals or new entrants. Established firms are likely to enjoy prevailing strengths unlike new entrants. Existing firms capacity to outperform smaller rivals or new entrants lie purely on economies of scale, experience and a learning curve and a favourable government policy. The resultant economies of scale in it do not translate into a solid barrier to the new entrants. Privileged market positions arise from the existence of sunk costs and not the scope of the firm's operations (Grant, 1998).

The most important thing to understand and appreciate about the external sources of competitive advantage is the inherent power to act as an entry barrier to new entrants. This provides the incumbent with a privileged market position. Economies of scale, absolute cost advantage, network externalities, customer base, proliferation of product varieties, government policies, synergistive alliances, brand identity, switching costs, access to distribution, expected retaliation and proprietary products are major sources of competitive advantage that assist leading firms to erect barriers to competition (Porter, 1990).

2.7.2 The Internal Sources of Competitive Advantage

The internal sources of competitive advantage stem from the resource based view of strategy which stipulates that a firm's sources of competitive advantage originate from within the firm. A firms internal sources of competitive advantage are thus classified into physical, financial, human and organizational varieties (Barney, 1991). Some strategy experts however classify resources as assets, skills and capabilities. Capabilities denote an area of excellence and can further be classified into managerial input based and transformational based. Internal resources are further classified as either tangible or intangible.

The tangible resources according to this classification include physical and financial resources, functional capabilities and input based. The intangible resources are less visible and broadly include assets like patents, know-how, skilled workforce, strong customer loyalty, software, unique processes and organizational design. A further subdivision of intangible resources pegs it to either firm related or to employee related specific resources and encompass organizational resources, transformational and output based capabilities and knowledge of the firm. Employee related sources of competitive advantage refer to a firm's strategies, human resources, managerial capabilities and knowledge of individuals.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study constituted a case study. It was aimed at finding out the strategies for competitive advantage for Ericsson Kenya Limited. Further, it also aimed to understand the limitations and challenges faced by the company in developing competitive advantage. Therefore, this study was a qualitative research constituting a detailed description of the contents.

The choice of Ericsson Kenya as the company of study was made in consideration of the great role it has played in improving the telecommunication industry in Kenya given that it is the best provider of the telecommunications equipment. The choice of a case study was reached due to the fact that it involves a collection of in-depth data that will help in understanding the concept of competitive advantage as applied in Ericsson Kenya Limited.

3.2 Data Collection

Both primary and secondary data was used for this study. Primary data was collected using an in-depth personal interview and the information obtained was supplemented by the secondary data that was collected through the company's intranet and other historical records. Personal interview was chosen since it stimulates the respondents therefore permitting for flexibility and providing an opportunity for probing.

An interview guide was used to direct the interview and is in form of structured questions which are divided into three parts. Part A is composed of the general questions, part B contains the information on the strategies of competitive advantage and part C the challenges faced in developing competitive advantage (appendix 2).

The respondents were composed of five management personnel who are in charge of the various departments of the company. Further, I interviewed five administrators who basically foresee the day to day running of the departments including analyzing the activities and costs as per the departmental budgets. Self introduction to the respondent was made through an introductory letter (appendix 1).

3.3 Data Analysis

Once the data had been collected, content analysis was used to analyze the data. This kind of analysis helps in expounding the feelings of the respondents on matters concerning competitive advantage. Content analysis is an in-depth analysis using quantitative or qualitative techniques and is not limited as to the types of variables that may be measured or the context in which the data is created or presented. Qualitatively, content analysis can involve any kind of analysis where communication content which includes either a written text, speech, interviews, or images is categorized and classified.

Data analysis however concentrated on the strategies and challenges faced in developing competitive advantage at Ericsson Kenya Limited. The data collected was first organized to establish trends and relationships and finally compiled, interpreted and used to prepare a detailed report on the findings. Emphasis was laid on the qualitative rather than the quantitative aspects of the findings.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 Company Profile

Ericsson is a world leading provider of telecommunications equipments and related services to mobile and fixed networks operators globally. Over 1000 networks in more than 178 countries utilize their network equipment and 40% of all mobile calls are made through the Ericsson systems. It is one of the few companies worldwide that offer an end to end solution for all major mobile communication standards. Through the Sony Ericsson mobile communication joint venture they offer a range of mobile devices, including those supporting multimedia applications and other services allowing richer communication. The company dates back to 1876 and was formed from the parent company Telefonaktiebolaget LM Ericsson and has its headquarters in Stockholm, Sweden.

Ericsson Kenya Limited was incorporated in 2002 and has its focus in telecommunications equipments and service delivery to mobile and fixed network operators in Kenya, Tanzania, and Uganda. It has helped to construct a national telecommunications backbone on which the country's four mobile phone companies Safaricom, Zain, Orange and Econet wireless operate on by providing telecommunications equipments, network solutions and managed services, which enables them to serve millions of subscribers. The company offers the most comprehensive managed services, which ranges from designing, building, operating and managing day to day operations of a customer's network including end user services and business support systems. It also supplies the equipments and maintains them on behalf of its clients, the mobile companies.

A great percentage of the employee workforce is composed of engineers due to the nature of its business. The companies departments are global services, finance department and service delivery which is the main body that umbrellas human resources, operations development, project management office, logistics and supply, business support and delivery management. The company has no a defined structure as it is incorporated in the Market Unit Sub Sahara Africa (MUSA) structure which is redefined from time to time. A department can be scrubbed, added or adjusted accordingly depending on its operations. Each department is in charge of its own costs and revenues. This means that the managers are required to approve costs and take ownership and at the end of the financial period compare its costs against its revenues.

4.2 Strategies for Competitive Advantage at Ericsson

4.2.1 Technology Leadership

Ericsson has been the leader in technology since the early 19th century. Other than installation of equipment and offering end to end solutions to engineering problems, the company has the industry's leading solutions and equipments widely used in the telecommunications industry. With the constant revolutions in technology in such areas as IT and telecommunications, Industrial revolutions and Engineering, it allows the company to always apply paradigm to innovate across the world and therefore more efficiently solving problems that arise.

Ericsson Kenya Limited offers broadband from installation to deployment hence leading to exciting opportunities for the company as well as ensuring it is well positioned all the time to enhance sustainability. The company's good performance in technology in Kenya owes to the global company which currently is the world leader in mobile and converged networks, telecom services, and multimedia solutions for multimedia service providers.

4.2.2 Focus on Operational Excellence and Strategic Marketing

Ericsson is greatly focused on efficiency, speed and flexibility with its main focus on building key competencies in service delivery and continuously increase innovation. Accountability is the key source of efficiency in the company where every manager accounts for the department's cash flow and expenses. A manager is only allowed to approve costs where necessary and is held accountable for all operations of the department. There is also accountability for all employees in each department and this greatly helps to minimize role duplication and excessive staff.

The global company is efficient to market itself and its products in the world. The marketing is done strategically and focuses on areas where it will capture the attention of the key customers. The marketing adverts are placed mainly in the major airports of the world including the airport trolleys, and the screens. There is also the use of the international television such as CNN as opposed to local television sets that just capture a small segment of the market. This kind of advertising is used because most of the mobile companies are set up and owned by external investors other than the local people in Kenya.

4.2.3 Customer Intimacy

This company is quite focused on the customer perspective and has adopted the strategy of involving the customer in its day to day activities. The customer is allowed to participate in the projects as they are carried out and a briefing on the same is done on a weekly basis to the customer and their views on the progress are essential. This ensures that incase of any dissatisfaction with the progress of the work, a compromise is reached between them and the company employees on the right way forward. This ensures saving of time and costs especially during the acceptance stage where the sites are handed over to the customers.

There is also the existence of the Ericsson extranet portal that facilitates customer management by giving the customer entry to the necessary company information. The portal which has a standardized platform is maintained and operated by Ericsson to facilitate their relationship with customers. Customer intimacy allows the company to stay close to the customer thereby growing healthy business whether existing or new. This has led to the company being viewed as innovative, responsive, empowering, and customer oriented both within the organization and outside.

4.2.4 Cost Cutting Measures

The company is in a continuous effort to cut down on costs. This is mainly by analyzing each departmental cost monthly and restricting the expenses by having the company's managing director approving the large amounts of money out. The company controller is also in constant review of costs as she is directly responsible for the company's operations locally and giving a feedback to the parent organization in Sweden. The greatest measure it has taken that has helped it save a lot of costs according to the key accounts manager is outsourcing.

The company does not own 80% of the facilities and resources that it uses locally. The facilities that are outsourced include the vehicles that are either leased or rented from the major vendors depending on the nature of the work it is required for. Drivers for these vehicles are also outsourced and are a total of over 180 drivers and vehicles. There is also human resource outsourcing which is in charge of providing the company with consultants. Since the company's main business is on service delivery, the consultants at any one time are more than the permanent employees of the company and are needed only for some period of time after which they leave. When the work load is low, the outsourced services are reduced accordingly. This helps to proactively take out excessive costs and eventually improve on the company's margins.

4.2.5 Human Resource Management

This is one department of the organization that is kept at minimal and has led to the success of the company in many ways. The internal human resource department does not deal with the consultants as they are outsourced and is only left with a minimal workforce to maintain. Through the years of its operations in Kenya, the company recruits the most competent, high performing and motivated people in the field of requirements. There is a thorough recruitment process that ensures that the right candidate is picked for the job. Other measures include continuous training on all new and existing employees that is usually throughout the year from time to time.

The company also offers its employees good remuneration to ensure satisfaction and to avoid unnecessary exits that can be a threat to a company's good performance. There is also the Individual Performance Management (IPM) document that is meant for the employees together with their respective mangers to set goals for the year and is reviewed quarterly with the final document being presented to the human resource manager at the end of the year. The employees are rewarded according to their performance as indicated in the individual performance management document with a bonus cheque at the end of the year as a token of appreciation and motivation by the company.

4.2.6 Communication and Building a Corporate Image

Communication is a very important tool in achieving success for any organization. In Ericsson, there is clear communication and interaction between employees and the management at large. There are also frequently organized forums where people meet, interact and get to know each other well. Employees are also allowed to participate in decision making by airing their views on the issues at hand and the managers will as a result sort the views and accommodate some of them in the policy. Employee empowerment survey which is commonly referred to as dialog, is the process and tool that Ericsson uses to measure and focus on improving employee empowerment

The employees also sell one brand "Ericsson". This is mainly due to the intensive trainings that see to it that all employees behave and act in a uniform manner while in the office and also while carrying out certain assignments out of the office. This has helped the company over the years to have a strong corporate image which is enhanced by the employees and also the customers of this organization. This has also contributed to the company's good leadership in the telecommunications work in the country.

4.2.7 Investment in Research and Development

The company has invested heavily in research and development and promotion of open standards and systems. Due to Ericsson's extensive experience in the telecoms arena, Ericsson Kenya Limited has a firm commitment to research and development and it has led to an extensive portfolio of products and services to address both technology and customer needs. The company has also incorporated a department called 'new business' and is mainly involved in research work and trying out new business opportunities for the company.

Research and development is also owed to the parent company for its extensive investment in this department. Every year the company ventures in new businesses and production of improved or totally new products which provide Ericsson with systems, concepts, technology, and methodology to secure long term competitive product provisioning and world class innovation. This enables it to meet its long term objectives and maintain international standards in technology as well.

4.3 Limitations and Challenges Faced

4.3.1 Increased Competition

The company is faced with a great challenge of the increased competition from its rivals. With the liberalization of the telecommunications industry in Kenya, many telecommunications providers have ventured into the country and are basically fighting for the same customer. There is also the emergence of new companies that are proving to be a threat to Ericsson Kenya Limited. Currently, there is also the entry of the Chinese

UNIVERSITY
LOWER KABETE LIBRARY

company in the competition and has become a major threat to the future business of the company.

There is also the emergence of the local companies in the telecommunications sector. These companies have become a threat to the company's business since they are vetting for the contracts as separate entities as opposed to previously when the contracts were tendered by the big companies and later allocate some work to the local companies which had little finances to run big projects. Such emerging companies include Netplan, Maestro, Distribution Communication System, Egypro and Camusat. With such intensive competition and only four registered mobile companies the business is most likely to go down in the future.

4.3.2 Customer Failures

In many cases the customer has increased the challenges this company is facing. In many occasions, the customer runs out of funds to pay Ericsson therefore leading to delayed payments and this causes a delay in the installation of the equipments. In general, the telecommunications development in the country is slower than in most other countries that Ericsson has its operations in. This has also been a cause to the losses that the company suffers at times especially for maintaining a large workforce for longer than expected and is often as a result of the hiccups.

The customers also make unrealistic demands in the progress of the projects which become quite difficult for the company to meet. Such demands include time frames for certain jobs to be completed or demands on the quality of the sites and as compared to the cost, they do not want to be charged extra money. These at times leads to the slow pace in the acceptance of the sites by the customers. Lack of finances also forces the company to install old equipments as compared to the latest technology introduced by Ericsson such as the 3G technology. Eventually, Kenya lags behind in technology as compared to countries in the developing nations.

4.3.3 Government Policies

The Kenyan government often interferes with the operations of the company in many ways. The National Environmental Management Authority often delays the licenses to proceed with the masts construction in many areas due to environmental reasons such as noise and air pollution which is caused by generators that are installed on the sites. The Kenya Civil Aviation Authority also intervenes in cases where the masts are on rooftops and are thought to be a hazard to the air transport. These results in the work being redone and new survey have to be started to find another suitable place to erect the mast.

The Ministry of Immigration on the other hand, has often harassed the expatriates and often denied them work permits forcing them to go back home until a solution is found. The ministry also creates entry barriers to expatriates who come into the country for business, trainings or to offer specialized skills on the ground. They are often confused for employees and therefore have a very hard time operating in the country. Their movements are also restricted and often questioned by the local police. In many ways, the government policies have greatly affected the operations of the company negatively.

4.3.4 Global Economic Recession

Due to the current economic crunch, the company is experiencing high volume decline in our market unit. The crisis has led to the customers' withdrawal from further continuation of the site build due to lack of funds. High cash flow is required as building one mast costs up to Kenya shillings sixteen million and with the economic crunch this has proved quite difficult. As a result, the company has been forced to take measures such as offering voluntary retrenchments to the employees, laying off the consultants and terminating some outsourced services. A decline in the volume that has already been registered translates to a decline in the overall profits.

The changes have caused the company to suffer from several uncertainties and increased anxiety. In return, this has caused panic among the employees who have started exiting the company or affected their performance negatively. Some outsourced vendors also resulted in terminating the large workforce as a result of the termination of their contracts by Ericsson. These has caused some vendors to be sued by the employees and hence spending a lot of money in the pursuit to clear their names from the court cases.

4.3.5 Cultural Challenges

Ericsson Kenya Limited has also been challenged by the Kenyan culture. This includes the land ownership problems and disputes which often delay the civil build in a constant resolution to first find the owners with legal documents where they can lease the piece of land for building the masts. Poverty levels in the country are also a challenge especially in cases where the land owners in the rural population do not have a bank account which is the legal mode of payment incorporated in the company rules. Others do not have the ability to read or write therefore becoming hard to seal the agreements. This in return delays the site acquisition work greatly and therefore leading to a delay in the completion of the whole project. In general, projects in Kenya end up taking even twice the time estimated for completion and leads to customer penalty as is in the contract.

There are also the cultural differences resulting from the high number of consultants and expatriates in the company. Most are from Sweden therefore can only communicate in Swedish or English. In Kenya they experience the language barriers as some Kenyans can hardly speak fluent English especially in the rural areas. Ericsson has therefore to source for translators or other local employees to accompany them to the field. This often leads to reluctance of the expatriates to mingle with the local employees.

4.4 Discussion

Competitive strategies are unlimited and different organizations adopt different strategies to develop competitive advantage. According to the findings of this study, Ericsson has adopted seven main strategies which include technology leadership, focus on operational excellence and strategic marketing, customer intimacy, engaging in continuous cost cutting measures, maintaining a well defined human resource management, communicating and building a corporate image, and extensive investment in research and development. The organization has therefore embarked greatly on the two existing generic strategic by Michael Porter which are differentiation and cost leadership. Differentiation is brought out in strategies such as technology leadership, focus on operational excellence and customer intimacy. Cost leadership is well defined in the continuous engagement in cost cutting measures. The company has greatly focused on the internal sources of competitive advantage as well as the external sources to maintain leadership.

The study reveals some direct relationship between the findings and the underlying theory with respect to the strategies for achieving competitive advantage. Porter (1985) explains the importance of costs in developing competitive advantage and elaborates on the importance of firms becoming the low cost producers in their industries. The study has established that Ericsson is continuously engaging in cost cutting measures mainly by outsourcing at least 80% of the facilities and resources that it uses locally. Hax & Majluf (1996) elaborated the need for strategy that enables organizations to invest in both tangible and intangible resources to develop the capabilities that assure a sustainable advantage. This organization has greatly invested in technology, the customer, human resources and it operations to enhance its competitive edge in the market.

In comparison with similar empirical studies, Ndungu (2006) in her study on sustaining a competitive advantage at British Airways World Cargo revealed similar strategies which include focus on the customer, cost cutting measures and building a corporate image. Dulo (2006) in his study on the sources of competitive advantage and the performance of firms in the Kenya Sugar industry also brought about similar findings in his study which are building a corporate image and cost reduction measures. Njoroge (2006) whose area of study was building competitive advantage through diversification revealed that Kenol/Kobil has greatly focused on building a corporate image as the most important strategy adopted by this company.

However, this research has brought about new insights into the study on competitive advantage and includes strategies such as operational excellence and technological leadership. The study also draws the conclusion that firms should focus greatly on utilizing the internal as well as the external sources of competitive advantage although the internal sources appear to be more non duplicable by competitors. As opposed to previous research, this study also attempted to analyze the challenges that organizations face in their pursuit to build competitive advantage. Such challenges include cultural challenges, government legislations, increased competition and global economic recession.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Summary

5.1.1 Strategies for Competitive Advantage at Ericsson

Though there is no uniform approach to competitive advantage, Ericsson Kenya Limited is continuously searching for strategies so as to ensure sustainability of its market leadership in this segment of the market. From the findings, it is evident that both internal and external strategies are applied by this organization. The internal strategies, which are strategies that stem from within the organization include, operational excellence and strategic marketing, human resource management, embarking on cost cutting measures, investment in research and development and finally communication.

The internal strategies are greatly emphasized by this organization as they remain as the most non duplicable by competitors as compared to the strategies that result from the external environment. The external strategies that are applied here include technology and customer intimacy. These two are from the external environment and stand to be easier copied unlike the internal strategies. The organization should create barriers to protect the imitation of its strategies to ensure sustainability is achieved.

5.1.2 Limitations and Challenges faced by Ericsson

Ericsson has been hit by challenges which are increased competition, customer related failures, government policies, and most recently the global economic crunch. These challenges pose a great threat to the future of the company and may result in the erosion of competitive advantage. Lack of a thorough analysis of the internal and external environment may be the reason any organization is faced with such great challenges. This analysis helps organizations to be prepared to deal with issues in the most effective way possible.

However, every organization experiences several challenges from time to time and these challenges are vast. An organization can not operate in an environment without challenges but it should be in a position to put strategies in place to deal with these challenges as they come. Despite it all, the company is seen to have maintained the market leadership in the telecommunications industry for over seven years now.

5.2 Recommendations

Competitive advantage is only achieved if strategy and policies are clearly put in place. There is need for the company to clearly analyze both its internal and external environment in order to be in a better position to utilize its strengths, eradicate its weaknesses, exploit its opportunities and minimize its threats. The organization needs to recruit local staff to high management positions in order to minimize the high costs associated with housing, transport, security, and other long term assignment benefits. There is an urgent need for the organization to understand and interprete market signals to be able to effectively and efficiently deal with issues that arise from the external environment. There is need to equip the employees with other skills such as offering training on change management in order to avoid panic and work related stressors. This will enable the employees to adapt easily to change without necessarily affecting performance levels.

The management should consider replacing consultants with local staff who are well familiar with the Kenyan culture and geography. This will help to save on time taken by the consultants to do the task and save on excessive costs as well. There is also need to take measures to ensure that the local staff and expatriates interact fully to avoid divisions at work. An intensive analysis of the customer is also of important for this organization. Ericsson needs to thoroughly analyze and understand its customer base to avoid the inconveniencies arising from them. Customers are critical for the survival of the business hence should be treated with priority and care and extensive training offered to them as well. This will reduce their resistance and help in the development of the company in general.

5.3 Limitations of the Study

Some of the top managers scheduled for interview, declined after looking at the nature of my topic of study and questions. They felt that these were sensitive questions that concerned the company and hence did not want to be part of the respondent. The managing director is only two weeks old in Kenya and therefore he felt that he was not the right respondent and was therefore not interviewed. On the other hand, some respondents only agreed to answer some questions leading to some inconclusive interviews.

5.4 Suggestions for Further Research

Different firms differ in their structures, systems, capabilities, leadership, culture, objectives and resources. Based on this, there is need to therefore embark on more research in this industry to get a broader view of strategies that are employed to develop competitive advantage. There is also need to further look at the challenges other organizations in the industry are facing to get a clearer perspective.

5.5 Conclusion

Competitive strategies are wide and varied and they vary across organizations. The organizations should be able to identify and align themselves with the strategies that stem from the internal environment as well as those that arise as a result of the external environment. It is also important for any organization today to identify its competitors and ensure that its strategies are unique and hard to be copied by the competitors. A firm that has distinct competitive strategies is assured of achieving above normal returns in the long run.

A firm's success is founded on its ability to achieve and sustain its competitive strategies. A firm should be in a position to clearly understand the environment in which it operates and be in a position to align its activities with both its internal and external environment. Strategy is necessary for the achievement of competitive advantage and in the long run, there is urge to create processes and positions that are inimitable and non duplicable by rivals, in order to ensure the sustainability of the competitive strategies.

This report draws out the conclusion that today's and tomorrow's success is founded on a firm's ability and effort to employ competitive strategies. It also shows that a company exists in an internal and external environment which can not be ignored. A firm needs to align itself with the environment by developing strategies to achieve competitive advantage over its competitors. Having value creating processes and positions that can not be duplicated by other firms helps firms to posses a sustainable competitive edge in the long run.

REFERENCES

Ansoff, I. (1987). *Corporate strategy*. Penguine: Harmordworth.

Ansoff, I., & Mc Donnell, E. (1990). *Implanting strategic management* (2nd Edition). New Jersey: Prentice Hall.

Barney, J. (1991). *Firm Resources and Competitive Advantage*. Journal of Management, 99-120.

Chandler, A. (1962). *Strategy and structure* (pp.16). Cambridge: MIT Press.

Dulo, G.A. (2006). *The sources of competitive advantage and the performance of firms in the Kenya Sugar Industry*. Unpublished MBA Research Project Paper, University of Nairobi.

Grant, R.M. (1998). *Contemporary strategy analysis* (3rd Edition). Massachusetts: Blackwell Publishers Inc.

Hamel, G., & Prahalad, C. (1989). Strategic Intent (pp.63-76). *Harvard Business Review*.

Hax, A.C., & Majluf, N.S. (1996). *The strategy concept and process: A pragmatic approach* (2nd Edition). New Jersey: Prentice Hall.

Hill, C.W., & Jones, G.R. (2001). *Strategic management theory* (5th Edition). Houghton: Mifflin Company.

Johnson, G., & Scholes, K. (1997). *Exploring corporate strategy* (4th edition). Hertfordshire: Prentice Hall.

Johnson, G., & Scholes, K. (2002). *Exploring corporate strategy*. Hertfordshire: Prentice Hall International.

Mbugua, S.N. (1996). *Sustainable competitive advantage under conditions of change at East African paper Industry*. Unpublished MBA Research project paper, University of Nairobi.

Mintzberg, H. (1994). *The rise and fall of strategic planning* (3rd edition). New Jersey: Prentice Hall.

Mintzberg, H., & James, B. Q. (1991). *The Strategy process, concepts, contexts, cases* (2nd Edition). New Jersey: Prentice Hall.

Mintzberg, H., James, B.Q., & Sumantra, G. (1999). *The Strategy process* (Revised Edition). New Jersey: Prentice Hall.

Ndungu, M.K. (2006). *Sustaining a competitive advantage at British Airways World Cargo-Kenya.* Unpublished MBA Research project paper, University of Nairobi.

Njimu, F.W. (2006). *Bases of competitive advantage of the school of business of the University of Nairobi.* Unpublished MBA Research project paper, University of Nairobi.

Njoroge, I.M. (2006). *Building competitive advantage through diversification, a case study of Kenol/Kobil Oil Corporation.* Unpublished MBA Research project paper, University of Nairobi.

Owuor, T.O. (2004). *Strategic alliances and competitive advantage. The case of major companies in Kenya.* Unpublished MBA Research project paper, University of Nairobi.

Porter, M.E. (1985). *Competitive advantage: Creating and sustaining superior performance.* U.S.A: The Free Press.

Porter, M.E. (1990). *Competitive advantage: Creating and sustaining superior performance.* New York, U.S.A: The Free Press.

Porter, M.E. (1998). *Competitive advantage: Creating and sustaining superior performance.* New York, U.S.A: The Free Press.

Rue, L.W., & Holland, P.G. (1986). *Strategic management: Concepts and experiences.* New York: Mc Graw-Hill Inc.

Thompson, A.A., & Strickland, A.J. (2001). *Strategic management concepts and cases.* New York: Mc Graw-Hill International.

Thompson, A.A., Strickland, A.J., & Gamble, J.E. (2008). *Crafting and executing strategy: The quest for competitive advantage- Concepts and cases* (16^{th} Ed.). New York: Mc Graw-Hill International.

Wheeler, T.L., & Hunger, J.D. (1989). *Strategic management and policy* (3^{rd} Ed.). Massachusetts: Addison-Wesley Publishing Company Inc.

APPENDICES

Appendix 1; LETTER OF INTRODUCTION

Dear Sir/Madam,

REF: **REQUEST FOR A PERSONAL INTERVIEW**

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In order to fulfill the masters' degree requirement, I am undertaking a management research project on "*Strategies employed by Ericsson Kenya Limited to develop competitive advantage.*"

You have been selected to participate in the study as part of my respondent. Therefore, I am kindly requesting for a scheduled personal interview to enable gather required information.

Please note that all the information provided will be used for academic purposes only and therefore treated with all the confidentiality. A copy of the final report will be given to you upon request.

Thank you.

Your's Faithfully,

Caroline Nyambura Muthee,
University of Nairobi,
P.O Box 30197-00100,
Nairobi.
Tel; 0721 285220
Email; carolnyam112@yahoo.com

Appendix 11; INTERVIEW GUIDE

PART A: GENERAL INFORMATION

1. Your name.. (optional)
2. Job Title..
3. How long have you been working for Ericsson?

   ....
4. How long have you been working for Ericsson Kenya Limited?

   ....
5. How long have you worked in your current position?

   ....

PART B: COMPETITIVE STRATEGIES AT ERICSSON

1. What are the main strategies for competitive advantage for your company?

   ....

   ....

   ....
2. Which of the above strategies for competitive advantage are hard to be copied by competitors?...

   ....

   ....
3. What is one thing that your company does better than all the competitors?

   ....

   ....

4. What can you recommend for your company to improve on its competitive edge over its rivals?

....

....

....

PART C: LIMITATIONS AND CHALLENGES FACED

1. What are the challenges this organization is facing in developing competitive advantage?..

   ....

   ....

   ....

2. How has the organization been able to respond to these challenges?

   ....

   ....

   ....

3. How have the challenges faced affected the performance of the organization?..

   ....

   ....