SOURCES OF SUSTAINABLE COMPETITIVE ADVANTAGE IN THE MOBILE TELEPHONY SECTOR IN KENYA

BY

GRACE N. KIMARI

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DECLARATION

This Management research project is my original work and has not been presented for an award of a degree at the University of Nairobi or any other institution of learning.

Sign..... Date.....15/11/2010.....

GRACE N. KIMARI

D61/70007/2008

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

Sign..... Date..15-11-2010.....

DR. JAMES GATHUNGU

Department of Business Administration

School of Business

University of Nairobi.

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I also appreciate and recognize the support and encouragement from all my classmates, the critique and compliments during various discussions and presentations are deeply appreciated.

DEDICATION

To my beloved parents Mr. Humphrey Kimari and Mrs. Lucy Kimari who taught me from an early age that God is the Divine giver of knowledge, skills in learning and wisdom.

ABSTRACT

The objectives of this study were to establish the sources of sustainable competitive advantage in the mobile telephony sector in Kenya and to determine the strategies adapted by the mobile telephony players to achieve sustainable competitive advantage.

To achieve this objective, a census survey was conducted. The population of study comprised of all mobile telephony operators in Kenya. The study used primary data which was descriptive in nature and collected using structured questionnaire comprising both closed and open-ended questions. The data collected was analyzed using descriptive statistics in the form of pie charts, contingency tables, bar graphs, percentage, rank ordering, frequencies and percentages.

The study concludes that mobile telephony players in Kenya have put in various measures to stay competitive. The study further concludes that mobile telephony players in Kenya have employed various strategies to achieve sustainable competitive advantage. These include wide range of products/Services, aggressive promotional Campaigns, product development, continuous brand development, strategic alliances and continuous upgrading of the service/products. In addition, the companies have employed continuous training of staff, market development, satisfactory quality service and products, intensive staff training, cost reduction strategy, product differentiation strategy, continuous developing existing and creating new resources and capabilities and establishing own hub to compete effectively.

The study recommends that mobile telephony players need to employ various competitive strategies to achieve sustainable competitive advantage. These include differentiation which involves creating a product that is perceived as unique.

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ABBREVIATIONS

CCK	Communication Commission of Kenya
CBK	Central Bank of Kenya
TQM	Total Quality Management

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Competitive advantage are regarded as the heart of a firm's performance in competitive markets (Porter, 1985), almost all firms are eager to search for competitive advantages in fast changing and competitive environment, but how to maintain the sustainable competitive advantage? To sustain competitive advantages in uncertain and competitive market, firm's strategies and activities must be changed to adapt and match to intensive competition and industry development in turbulent and changing environment growth. Grant (1991) contends that to cope with unpredictable world one must build an enormous amount of flexibility into the organization. He argues that while one cannot predict the future one can get handle of trends which is a way to take advantage of the change and covert risks into opportunities. According to Barney (1991) a firm is said to have a sustainable competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. Thus sustained competitive advantage exists only after efforts to replicate that advantage has failed. It is for this reason that organizations are focusing on methods and strategies that are difficult to imitate.

The mobile telephony sector in Kenya is composed of four licensed mobile operators namely Safaricom, Zain, Telkom Kenya's Orange and Essar Kenya's Yu Communication Commission of Kenya (CCK), 2010. The mobile sector continues to grow increasingly competitive; this is shown with the steady growth in subscriptions with over 19.4 Million

subscribers as at July 2010 (CCK, 2010). The telecom industry in Kenya is highly competitive and characterized by aggressive pricing and marketing strategies and rapid deployment of new technologies. Mobile telecommunications operators compete for customers principally on the basis of services offered, price, marketing skills, quality, reliability and coverage area. As market saturation approaches, the focus of competition will likely shift from customer acquisition and customer retention to innovations in products and services offered.

In Kenya, the mobile phone has become a very powerful gadget. Apart from just receiving and making calls, the cell phone can do a lot of other things that a few years ago were thought impossible. Competition among the operators, unification of the licenses and the application of new technologies in mobile market segment has witnessed diversification of services by the operators, reduced tariff rates and increased affordability of communication services by a large population. The subsequent shifts in consumer needs and expectations has compelled aggressive network roll out and infrastructure upgrades using technologies that support high capacity services. Increased competition among the operators has also contributed to the high level of product and service innovations as a means of customer acquisition and customer retention. Understanding sources of competitive advantage has become a major area of research in the field of strategic management. Not only must managers be aware of environmental forces and changes, they must also manage the organization resources to take advantage of opportunities and counter threats (Thompson, 1997).

1.1.1 Competitive Advantage

Competitive advantage is all about winning and staying a winner. It is about a style of management that seeks to achieve sustained leadership by out thinking the competition with more effective strategies and by outperforming the competition with superior quality and customer satisfaction. One of the fundamental missions of strategic management research is to investigate and explain differences in performance among firms. The reigning incumbent explanation for the heterogeneity of firm performance is based on the concept of competitive advantage. This concept appeared in the strategic management literature in the early work of Ansoff (1965) but is probably most associated with Harvard Business School and popularized by the work of Michael Porter in the early 1980s (Porter, 1979, 1980). More recent work by Porter and others (Amit & Schoemaker, 1993; Barney, 1991; Ghemawat, 1986; Porter, 1985) has focused on the expanded concept of sustained competitive advantage, which, simply put, is the idea that some forms of competitive advantage are very difficult to imitate and can therefore lead to persistent superior economic performance.

In today's fast-paced economy competition is an issue of services and products. Understanding sustainable competitive advantage has become a major area of research in the field of strategic management. Proponent of the position or environment model argue that to achieve a competitive advantage, the firm is required to make a choice about the type of competitive advantage it seeks to attain the scope within which it will attain it. Choosing the competitive scope or the range of the firm's activities plays a powerful role in determining competitive advantage for the firm because it aims to establish a profitable

and sustainable position against the forces that determine the industry competition (Porter, 1985). Porter (1985) shows that the five competitive forces, namely, the threat of entry of new competitors, the threat of substitutes, the bargaining power of suppliers, the bargaining power of buyers, and the rivalry among the existing competitors play a major role in the company success or failure. The collective strength of these five competitive forces determines the ability of the firms in an industry to earn on average, a rate of returns on investment in excess of the cost of capital. To sustain competitive advantages in uncertain and competitive market, firm's strategies and activities must be changed to adapt and match to intensive competition and industry development in turbulent and changing environment growth.

1.1.2 Sources of Competitive Advantage

Firms of all sizes need to see competitive advantage as an integral part of ensuring its long-term survival and propensity. Creating competitive advantage is dependent on having the right sources of competitive advantage. The source of competitive advantage could be from within or outside the firm. An organization that has external sources of competitive advantage arising from the industry or the characteristics of a national economy is likely to enjoy a privileged market position. Economies of scale, learning and experience curve and irrevocable commitments which are the main components of a privileged market position have the potential to erect entry barrier to new entrants or small rivals. An organization may entirely rely on the privileged market position to defend its market but capitalize on its resources to win a market war. Organization resources such as assets, capabilities, competences, information knowledge and

reputation that are owned or controlled by a firm and which enable it to conceive of and implement strategies that improve efficiency and effectiveness can provide it with a sustained competitive advantage (Barney, 1991). Internal resources of an organization do not automatically provide leverage and therefore a source of competitive advantage. Some resources are easier to decode than other. A resource only become a source of competitive advantage when it meets four basic criteria; rare valuable, imperfectly imitable and non-substitutable (Barney, 1995); Grant 1999 and Collins and Montgomery, 1995). Organization resources that conform to the above four criteria, fall under the category of core competences. Prahalad and Hamel (2000) state that core competences are what matter in situation where firms have to compete within an industry. Core competencies are an area of specialized expertise that result from harmonization of complex streams of technology, knowledge, and work activities that eventually lead to lower cost or differentiated offerings.

1.1.3 The Mobile Telephony Sector in Kenya

The mobile telephone services in Kenya started in 1992 with the analogue system that was widely known as the Extended Total Access Communication System, which was commercially launched in 1993. During this entry period the services were so expensive that it was only a few within the upper rank of the society that could afford them. The cost of owning a mobile handset was as high as Kshs. 250,000.00. This resulted in a marginal mobile subscriber base of less than 20,000 for a period of seven years (from 1993 - 1999). The enactment of the Kenya Communications act, 1998 led to the introduction of competition in the cellular mobile industry. The Communications

Commission of Kenya is mandated among other responsibilities to implement policies geared towards promotion of sustained development of Communication sector and to achieve Universal access in the country. Latest statistics from CCK (2010) indicate that Safaricom controls 80 per cent of subscribers followed by Zain Kenya with 9.3 per cent while Essar's YU and Telkom Kenya's Orange have 7.3 and 2.7 per cent respectively. Currently as per CCK (2010), there are 19,400,000 mobile subscribers as at July 2010. This trend can be explained by among other factors, the reduction in the cost of mobile handsets as well as the low value of prepaid calling cards. The penetration rate of mobile service had risen to 49.7 per 100 inhabitants. This compares favorably the world average of 49.8 per 100 inhabitants (ITU, world development index 2009) of 2007 data. Over the period the mobile tariffs have been declining as a result of stiff competition from the four mobile operators who have been offering incentives as a way of acquiring subscribers as well solidifying their market base.

The increase in mobile penetration can be attributed to increase in the number of mobile operators, increased mobile coverage and availability of low denomination calling cards. Currently some mobile operators offer calling cards of denomination for as low as Kshs 5 which continues to provide affordable reach to most income users. From the cell phone you can; send and receive email, buy airtime form your bank account, receive airtime from another phone user, top up another phone user and pay your bills. The latest tool is money transfer service, a concept that has caused grumbling in Kenya's banking industry. The cell phone operators Safaricom, Zain and YU have introduced money transfer services namely M-pesa, Sokotele and YuCash respectively as a value addition to their

business. Despite grumbling from the bankers to have the Central Bank of Kenya explain what laws the mobile phone companies are operating under, the Central Bank of Kenya has instead told the bankers to partner with telecommunication companies to provide better financial services to Kenyans. Three years after Kenya's Safaricom launched its mobile money transfer service, M-Pesa, the company now has more than 11-million customers with money transfer worth KSh525-billion as of July 2010. The Kenya's banking industry has begun to partner with telecommunication companies to provide better financial services to Kenyans. Many commercial banks in Kenya have adopted the Mobile-Banking that offer services to their customers including; checking their bank balance, viewing mini bank statements, request bank statements, pay utilities bill power and water, satellite TV and to top-up their mobile phone balance among other services. Mobile phone subscribers in Kenya will soon be able to retain their mobile subscriber numbers whenever they change service providers. This follows the Commission's award of license for the provision of number portability services to M/s Porting Access Kenya Ltd in June 2010. Implementation of number portability would bolster the level of competition in the mobile telecommunications market and enhance consumer choice. Introduction of number portability services is also expected to level the playing ground for operators in the market.

1.2 Statement of the Problem

In the 21st century business landscape, firms must compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (DeNisi, Hitt and

Jackson, 2003). Therefore, achieving a competitive advantage is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners for the last two decades (Henderson, 1983; Porter, 1985; Coyne, 1986; Barney, 1991; Grant, 1991). The importance of competitive advantage as determinants of a firm's success and growth has increased tremendously in the last decade. This increase in importance is as a result of the belief that fundamental basis of above-average performance in the long run is sustainable competitive advantage (Porter, 1985). Practitioners and academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate consumer and are transferable to many different industrial settings.

The essence of Strategy lies in creating tomorrow's competitive advantages faster that competitor can mimic the ones a firm has today. The key is not to anticipate the future but to create the future (Hamel and Prahalad, 1989). The key to survival in the ever competitive global market for a service firm is to offer a service that is in some way superior to its competition. Besides it must be sustainable over time. Managers have embraced tools such as Total Quality Management (TQM), benchmarking, and reengineering. Dynamics operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2002) argue that as managers push to improve on all fronts, they move further away from viable competitive positions. Michael Porter argues that operational effectiveness although necessary to superior performance, is not sufficient,

because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

The mobile telephony industry is dominated by two firms, that is, Safaricom and Zain. The almost oligopolistic state of the market has encouraged stiff competition among the companies as evidenced in the different strategies being employed to increase the number of subscriber's e.g. aggressive marketing and subsides to customers like discounted airtime, fairly priced hand sets and line among others has seen the subscriber base increase tremendously (Ng'ang'a, 2008). Therefore, it's evident that major factors of competition in this industry have revolved around building subscriber base as opposed to retention of quality client (Ng'ang'a, 2008). The existing players have been advertising and positioning their brands in various ways. This has inevitable touched on various factors of competition such as cost/price, customer base, net availability and reliability, and other social responsibility activities among others (Ngobia, 2004). Industry rivalry is manifested by changing prices, improved product differentiation and innovation and creative use of distribution channels.

Previous researches on sources of sustainable competitive advantage have been undertaken. Oyego (2008) researched on sources on sustainable competitive advantage in the banking industry in Kenya. Njenga (2008) looked at Sources of sustainable competitive advantage in top ranking secondary schools in Nairobi. None of the studies had tackled sources of competitive advantage in the mobile telephony industry. This

study sought to bridge this gap by focusing at sustainable competitive advantage among player in the mobile telephony in Kenya.

1.2.1 Research Questions

This study sought to answer the following questions:

a) What are the sources of sustainable competitive advantage in the mobile telephony Sector in Kenya?

b) What strategies are adapted by the sector players to achieve sustainable competitive advantage?

1.3 Objectives of the Study

The objectives of this study were;

a) To establish the sources of sustainable competitive advantage in the mobile telephony industry in Kenya

b) To determine the strategies adapted by the mobile telephony players to achieve sustainable competitive advantage.

1.4 Significance of the Study

The study will be important to practitioners and academicians in term of providing further insight into the concept of sustainable competitive advantage and by contributing to the existing body of knowledge in the area of strategic Management. The Management of the mobile firms will find the study useful as it brings to light the underlying sources of sustainable competitive advantage. This goes a long way in enabling them to re-

examine their competitive position in the industry and root for avenues for achieving and sustaining competitive advantage.

The study will also be of important the Communications Commission of Kenya who's mandated among other responsibilities is implementing policies geared towards fair competition in the market. To the general management fraternity, the findings provide insight into the understanding of how firms build and sustain competitive advantage for possible contextualization and replication purpose.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The fundamental basis of long-run success of a firm is the achievement and maintenance of a sustainable competitive advantage. Competitive advantage can result from implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy (Barney, 1991). The chapter review literature related to competitive advantage as well as its sources and different types of strategies that may be used to achieve it.

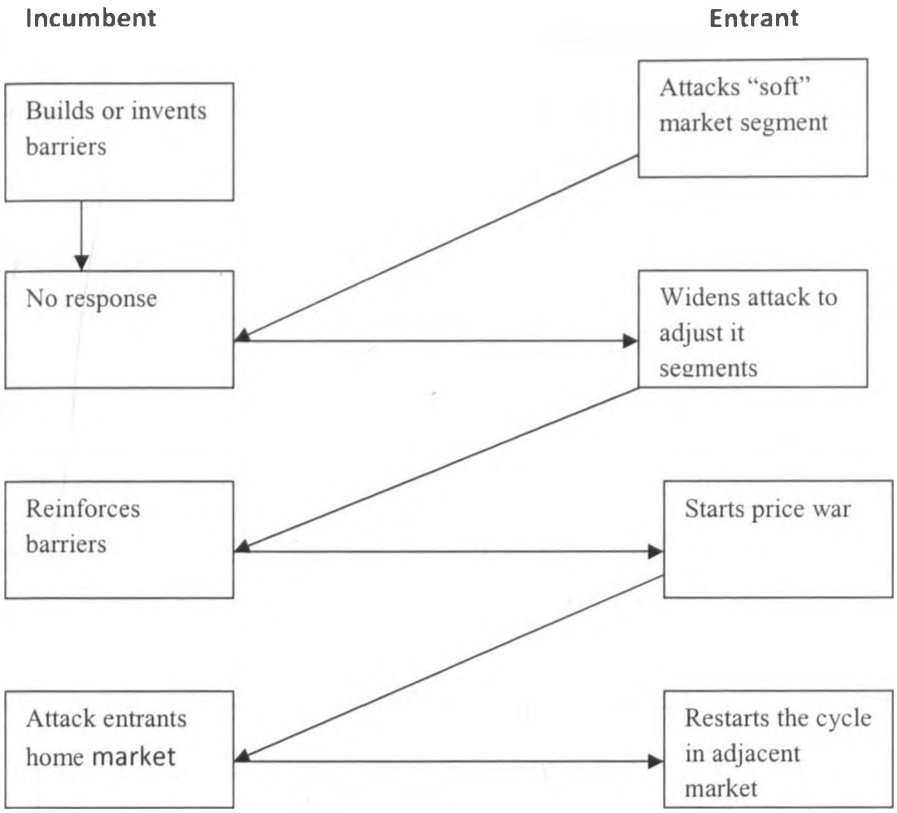
2.2 Competition

One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of the players. Competition exerts pressure on the firms to be proactive and to formulate successful response strategies to changes in the competitive environment; all in an effort to gain competitive advantage. Firms that do not respond effectively to increased competition are not likely to succeed in business. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. A firm's competitor may change over time in terms of their characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry (Giltinan & Paul, 1994). The art of an organization may be eroded because the competitive forces may change and or competitors manage to overcome adverse forces. This process of erosion may be speeded up by changes in the macro environment such as new technology, globalization or deregulation. The advantage may be temporary though

the speed at which evasion occurs will differ between sectors and over time. Organization may then respond to this erosion of their competitive position, creating what is been called a cycle of competition as shown in figure 1 below, empirically, the intensity of competition varies gradually along 5 competitive forces (Thompson et al., 2007). From figure 1, it is important to understand the speed at which these cycles of competition might move. If the process is relatively slow then there may be significant periods of time when competition in an industry settles down to a well established pattern on the other hand, where the spend of the cycle is very high, this is referred to as hyper competition.

Hyper competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant disequilibrium and change (Johnson et al., 2005). Whereas competition in slower moving environments is primarily concerned with building and sustaining competitive advantage, that are difficult to imitate. Hyper competitive environments require organization to acknowledge that advantages will be temporary; competition may also be about disrupting the status quo so that no one is able to sustain long term advantage on any given basis (Johnson et al., 2005).

Figure 1: Cycle of Turf Battles and Entry Barrier Competition



Source: D'Aveni (1994)

Porter (1980) explains his strategic option in the light of analyzing the market opportunities and threats, which form the background to competitive behavior. Industry analysis is oriented towards an assessment of industry attractiveness and as such, competitive strategy must grow out of a sophisticated understanding of the rules of competition that determines an industry's attractiveness. Competitive strategy therefore, aims to establish a profitable and sustainable position against the forces which determine competition (Lowel et al., 1994). According to Porter (1985), the key to a successful competitive strategy is to establish a position, which is less vulnerable to attack from competitors and to erosion from buyer, suppliers, and substitute goods. Porter (1980)

argues that most businesses must respond to five basic competitive forces that drive industry competition. According to him, the collective strength of these forces determines the ultimate profit potential of the industry and thus its attractiveness. The five forces are threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and rivalry within competitors.

Porter's model is a powerful tool for systematically diagnosing the competitive pressure in a market and assessing how strong and important each one is (Thompson, 1998). A proper analysis of the five forces will help a firm choose one of Porter's generic strategies that will effectively enable the firm compete profitably in an industry. Porter's model eposes what competition is like in a given market in terms of the strength of each force, the nature of competitive pressure comprising each force and the overall structure of the competition. The stronger the collective impact of the force, the lower the combined profitability of participating firms (Porter, 1996). A company's competitive strategy is increasingly effective the more it provides good defense against the five competitive forces alters competitive pressure in the company's favor and helps create sustainable competitive advantage. Managers can only develop winning strategies by first identifying the competitive pressure that exist gauging the relative strength of each and gaining a deep understanding of the industry's whole competitive structure.

2.3 Competitive Advantage

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002).

Sustainable competitive advantage is born out of core strength that yield long term benefits to the company. To succeed in the wrong term, organizations must compete effectively and out perform their rivals in a dynamic environment (Trethowan & Scullion, 1997). To accomplish this they must find suitable ways for creating and adding value for their customers. When a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors, then we can say the firm has a competitive advantage. And when a firm is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy, then we can say the firm has a sustained competitive advantage (Barney, 1991). The essence of Strategy lies in creating tomorrow's competitive advantages faster that competitor can mimic the ones a firm has today. The key is not to anticipate the future but to create the future (Hamel & Prahalad, 1989). The key to survival in the ever competitive global market for a service firm is to offer a service that is in some way superior to its competition. Besides it must be sustainable over time. This concept is known as sustainable competitive advantage (Porter, 1985). Scholars have associated sustainable competitive advantage to four basic elements namely superior quality, superior efficiency, superior innovations and superior customer responsiveness.

According to Hill and Jones (2001), competitive advantage is the ability of a company to outperform competitors within the same industry. They go on to say that innovations, efficiency, quality and customer responsiveness are the main building blocks of competitive advantage. Together, the four factors help a company create more value by

lowering costs or differentiating its products from those of competitors. Porter (1985) stated that firm could create and sustain competitive advantage from the strategies, which were typically viewed in functional or activity terms (i.e. strategies such as cost leadership, differentiation, focus and the like. Aron (1995) identified four generic strategies for firm's success in competitive market exception of above strategies suggested by Porter, those strategies involved horizontal service integration, superior consumer relationship. Flamholtr (2003) indicated that sustainable competitive advantage are from the several variables of successful organization which included markets, products, resources, operational systems, management systems and corporate culture.

The value chain displays total value, and consists of value activities and margin (Porter, 1998). Face value activity employs purchased inputs, human resources and some form of technology to perform its functions. Value activities are therefore the discrete building blocks of competitive advantage. How each activity is performed combined with its economies will determine whether a firm is high or low cost relative to its competitors. How each value activity is performed will also determine its contribution to buyer needs and hence differentiation. Value chain is therefore a useful way of describing and analyzing the important relationship between an organizations resources, competencies and strategies (Porter, 1998). Comparing the value chain of competitors exposes which of the generic strategy they are using, and therefore one is able to determine their competitive advantage.

Competitive advantage cannot be understood by looking at a firm as a whole. It stems from the many discrete activities a firm performs in designing, producing, marketing, delivering and supporting its product. A systematic way of examining all the activities a firm performs and how they interact is necessary for analyzing the sources of competitive advantage. The value chain disaggregates a firm into its strategically relevant activities in order to understand the behavior of cost and the potential sources of differentiation. A firm gains competitive advantage by performing these strategically important activities more cheaply or better than its competitors (Porter, 1985).

2.4 Classification of 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; these advantages flow naturally from the industry structure (Cool, Cogta & Dierichy, 2000) and national characteristics when a firm faces a foreign competitor (Porter, 1990). Divani (2001) however points out that a firm's source of competitive advantage originates from both outside and within itself core and vital interests. Resource based view of strategy takes the position that a firm resources are firm specific (Barney, 1991). Cater (2004) present a much broader classification of resources to include both the external and internal sources of competitive advantage is premised on the fact that sources of competitive advantage regardless of their sources are complementary.

2.4.1 External Sources of Competitive Advantage

The external sources of competitive advantage can be traced to the structure of the industry such as the bargaining power of supplier or customers, the threat of substitute, the threat of new entrants and current competition among the existing firms (Porter, 1985) and the characteristics of the environment (Lado et al., 1992; Gadhoal, 1998) and whether the firm faces foreign competition (Porter, 1990). Firms facing foreign competition derive their competitive advantage from the country of origin or location advantage. It is indeed the location advantage which is influenced by the cost factor, the demand condition, related and supportive firm/industry and the nature of the structure and strategies among the competing firm that create effective barriers.

A dominant firm in the industry can use its superior bargaining power with supplier's to secure inputs at lower costs and thus create barrier to small rival or new entrants purely on the cost advantage. Established firms are likely to enjoy prevailing strength unlike new entrants (Pitt & Lei, 2003). Existing firm's capacity to out perform smaller arrivals or new entrants lie purely on economies of scale, experience and learning curve and a favorable government policy. The resultant economies of scale in it do not translate into a new solid barrier to the new entrants. Privileged market position arises from the existence of sunk costs and not to scope of the firm's operations. 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 provides the incumbent with a privileged market position. Economies of scale, absolute cost advantage, network externalities, customer base, proliferation of products varieties, government policies,

alliances, brand identity, switching cost, access to distribution, expected retaliation and proprietary products are major external sources of competitive advantage that assist leading firms to erect barrier to new entrants.

2.4.2 Internal Sources of Competitive Advantage

The internal sources of competitive advantage stem form the resources based view of strategy which stipulates that a firm sources of competitive advantage originate from within the firm and therefore the firm resources. A firm's internal sources of competitive advantage are thus classified into physical, finance, human and organization varieties (Barney, 1997). Some strategy expert such as Venugapal (2001) however classifies resources as assets, skills and capabilities. Capabilities denote an area of excellence (these are knowledge based specialty or service) and can be further classified into managerial input based, transformational base (Labo, Body & Wright, 1992). Cater (2004) classify internal resources 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 patent, know-how, skilled workforce, strong customer loyalty, software unique process and organization design (Baruchler, 2004). A further subdivision of intangible resources pegs it to either related or to employee related specific resources and encompass organization resources, transformational and output based capabilities and knowledge of the firm. Employee related source of competitive advantage on the other hand refer to a firms strategies, human resource, managerial capabilities and knowledge of individual.

2.5 Porter's Generic Strategies for Competition

A firm positions itself by leveraging its strengths. Michael Porter has argued that firm's strength ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategic results; cost leadership, differently and focus. These strategies are applied at the business unit level. The generic strategies are not firm or industry dependent. Creating value for buyers that exceeds the cost of doing so is the goal of any generic strategy. Value must therefore be used to analyze competition position.

Figure 2: Porter's Generic Strategies

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	1. Cost Leadership	2. Differentiation
	Narrow Target	3A. Cost Focus	3B. Differentiation Focus

Source: Porter, (1985)

2.5.1 Cost Leadership

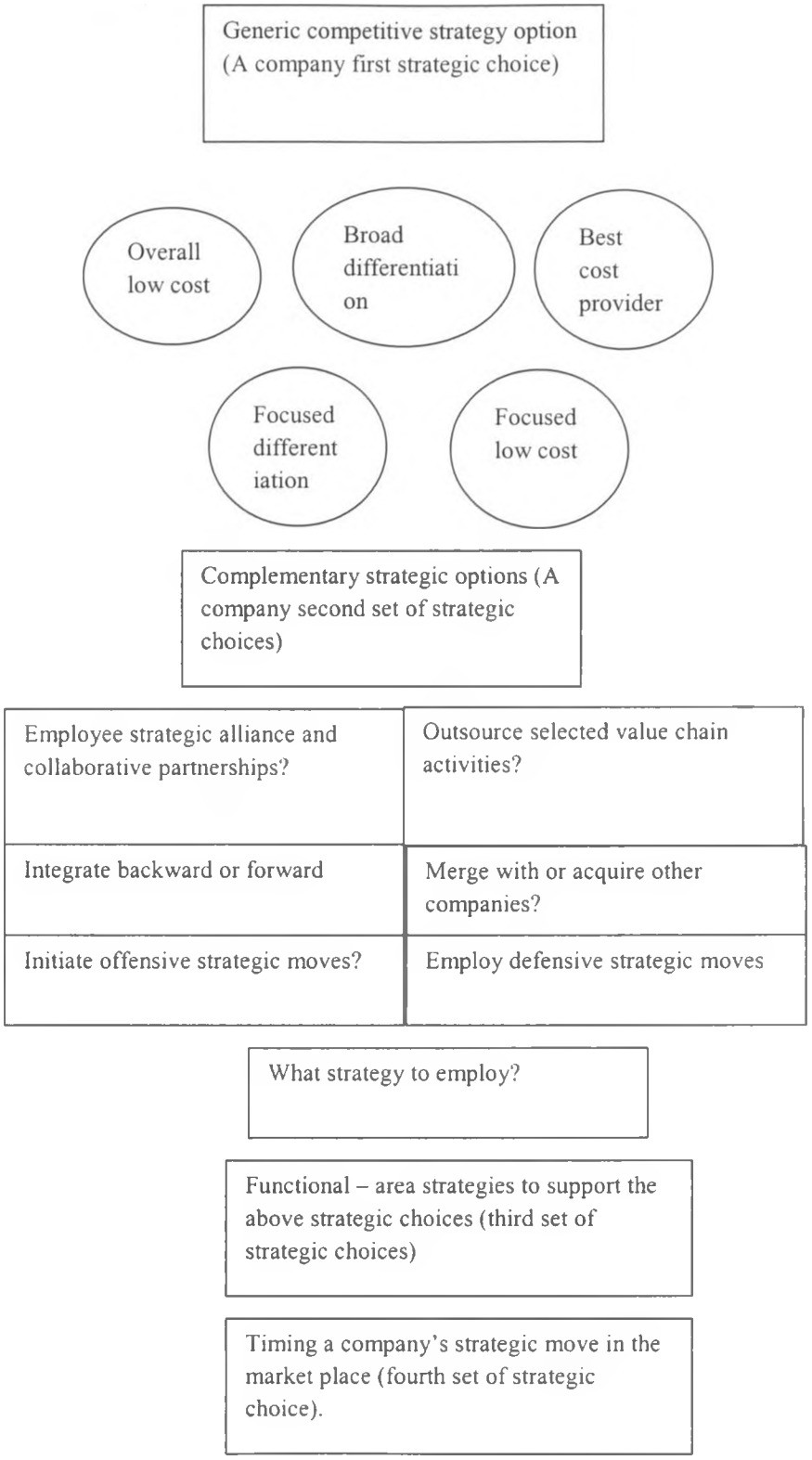
This generic strategy calls for being the low cost producer in an industry for a given level of quality (Thomson and Strickland, 1998). The firm sells it products either at average industry price, to earn a profit higher than that of its rivals, or below the average industry prices to gain market shares. Cost leadership strategy requires aggressive construction of efficient scale facilities, vigorous cost reductions from experience, tight cost curve control and cost maximizations in various functions (Porter, 1980). In pursuing low cost leadership, organization must take care to include features and services that customers consider essential. The value of a cost advantage depends on its sustainability. Whether rivals find it easy or inexpensive to imitate the low cost methods will determine the duration of the advantage. The strategy benefits the firm in that it is able to with stand intensive price competition and buyer may appreciate the offer for low price (Thompson and Strickland, 1998). New entrants are also deterred by low cost capabilities and supply price increases the more easily absorbed.

The greatest danger of cost leadership strategy in the competitors ability to find ways of producing at a lower cost and beat the cost leaders at his own game. The competitor's ability to initiate easily the cost leader's methods also poses a great risk. Cost leadership therefore imposes severe burdens on the firm to keep up its position through investing in modern equipment and being alert for technological improvements. Technological change and low cost learning may however, nullify past investments. Another great risk of the strategy is that single minded desire to reduce cost may cause loss of sight of

outsourcing strategies, offensive strategies, defensive strategies, and website strategies. Many companies are using strategic alliances and collaborative partnerships to help them in the race to build a global market presence or be a leader in the industries of the future. Strategic alliances are an attractive, flexible, and often cost effective means by which companies can gain access to missing technology, expertise, and business capabilities (Thompson et al., 2007).

Mergers and acquisitions are another attractive strategic option for strengthening a firm's competitiveness. When the operations of two companies are combined viz merger or acquisition, the new company's competitiveness can be enhanced in any way of several ways –lower costs, stronger, technological skills, more or better competitive capabilities, a more attractive line up of product and services; wider geographic coverage; and/or greater financial resources with which to invest in research and development, and capability or expand into new areas (Thompson et al., 2007).

Figure 3: A Company's Menu for Strategic Options



Source: Thompson et al. (2007)

Vertical integrating forward or backward makes strategic sense only if it strengthens a company's position via either cost reduction or creation of a differentiation-based advent otherwise, the drawbacks of vertical integration (increased investment, greater business risk, increased vulnerability to technical changes, and less flexibility in making product changes) are likely to outweigh any advantage (Thompson et al, 2007). Outsourcing pieces of the value chain formerly performed in house can enhance a company's competitiveness whether an activity: can be performed better or more cheaply by outside specialist, is not crucial to the firm's ability to achieve sustainable competitive advantage and will not hollow out its core competences, capabilities or technical know how, reduces the company's risk exposure to changing technology or changing buyer preferences; streamlines company operations in ways that improve organization flexibility, cut cycle time, speed decision making and reduce coordination costs; or allows a company to concentrate on its core business and do what it does best (Thompson et al., 2007).

One of the most pertinent strategic issue that companies face is how to use the internet in positioning the company in the market place – whether to use the internet as only a means of disseminating product information (with traditional distribution channel partners making all sales to end users) as a secondary or minor channel, as one of several important distribution channels, as the company's primary distribution channel, or as the company's exclusive channel for accessing customers (Thompson et al., 2007). Companies have a number of offensive strategy options that improving their market positions and trying to secure a competitive advantage. Offering an equal or better

product at a lower price, leap fogging competitors by being first to adopt next generation technologies or the first to introduce next generation technologies or the first to introduce next generation products, pursuing sustained product innovation, attacking competitors weaknesses, going a few less contested or unoccupied market territory, using hit and run tactics to steal sales away from unsuspecting rivals, and launching preemptive strikes. A special kind of offensive, blue ocean strategy, seeks to gain a dramatic and durable competitive advantage by abandoning efforts to beat out competitors in existing markets and instead, investing a new industry or distinctive market segment that renders existing competitors forging irrelevant and allows a company to create and capture altogether new demand (Johnson et al., 2005).

Defensive strategies to protect a company's position usually take the form of making moves that put obstacles in the path of would be challenges and forging the company's present position while undertaking actions to disable rivals from even trying to attack (Thompson et al., 2007). Once all the higher level strategic choices have been made, company managers can turn to the task of crafting functional and operating level strategies to flash out the details of the company overall business and competitive strategy. In many respects, the nature of functional and operating level strategies to flesh out the details of the company's overall business and competitive strategy. In many respects, the nature of functional strategies is dictated by the choice of competency. For example, mobile firm employing a low cost provider strategy needs an R &D and product design strategy that emphasizes on incorporate features and facilities economical assembly and a production strategy that stresses capture of scale economics and actions

to achieve low cost manufacture and a low budget marketing strategy, a business pursuing a high end differentiation strategies needs a production strategy geared to top notion quality and a marketing strategy aimed at touting differentiating features and using advertising and a trusted brand name to "pull" sales through the chosen distribution channels. If company using a focused differentiation strategy need and marketing strategy that stresses growing niche (Pearce & Robinson, 2006).

The timing of strategic moves also has relevant in the quest for competitive advantage company managers are obligated to carefully consider the advantages or disadvantages that attach to being a first mover versus a fast follower versus a late mover. What makes being a first mover strategically important is not being the first company to do something but rather the first competitor to put together the precise combination of features, customer value, and sound revenue/cost /profit economics that gives it an edge over rivals in the battle for market leadership. There are instances when there are advantages to being an adept follower rather than of first mover, for instance when rapid market evolution (due to fast paced changes in both technology or buyer needs and expectations). Gives fast followers and may be even cautions late movers the opening to leapfrog first mover's products with more attractive next version products. Companies that are habitual late movers regardless of the circumstances hope that buyers will be slow to gravitate to the products of the first mover, giving them time to catch up. Counting on all first movers, to stumble or otherwise be easily overtaken is usually a bad bet that puts a late mover competitive position at risk (Thompson et al., 2007).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the research design method used in the study, unit of study, data collection method and how data was analyzed and presented.

3.2 Research Design

The study was carried out through a census survey. This research is descriptive in nature because of the nature of the data that is collected. Census survey is the most appropriate in this study because the number of the mobile phone companies is relatively small, which does not warrant sampling.

3.3 Population

The population of study comprised of all mobile telephony operators in Kenya. The mobile telephony sector was composed of four licensed mobile operators namely Safaricom, Zain, Telkom Kenya's Orange and Essar Kenya's Yu communications (CCK, 2010).

3.4 Data Collection

The study used primary data which was descriptive in nature and collected using structured questionnaire comprising both closed and open-ended questions. The questionnaire was divided in three parts; part A contained semi-structured questions aimed at obtaining general information on the organization. Part B consists of questions for gathering information on the sources of sustainable competitive advantage and part C

focus on the strategies used by the players in the mobile telephony sector to maintain competitive advantage. The questionnaire were administered through the drop and pick method targeting senior managers in the following departments; Human Resource, Corporate Affairs, Finance/Accounts, Marketing, Information Technology and Customer service managers. These respondents were considered to be useful in availing sufficient information regarding the company's efforts in achieving and maintaining sustainable competitive advantage.

3.5 Data Analysis

Data analysis is the process of systematically searching, arranging, organizing and breaking data into manageable units, synthesizing the data, searching for pattern, discovering what is important and what is to be learned. The data analysis was guided by the objective of the study. Because of the descriptive nature of the data that was collected, the study used descriptive statistics to analyze the data. Interpretation and analysis of data was done using a Statistical Package for Social Scientist (SPSS) to ensure objectivity. The data collected was analyzed using descriptive statistics in the form of pie charts, contingency tables, bar graphs, percentage, rank ordering, frequencies and percentages. Data was presented in tabular form for ease of interpretation and reporting the mean sores for each of the attribute was calculated and the standard deviation used to interpret the respondent deviation from the mean.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This Chapter presents the analysis and the findings of the study as set out in the research methodology. The total number of questionnaire given out was 24 and 20 of them were completed and returned. This represents a response rate of 83% which is adequate to base the conclusion on. The data was presented in tables, bar graph and pie chart and analyzed using descriptive statistics such as frequencies, percentages measure of central tendency such as standard deviation and correlation deviation.

4.2 Demographic In formation

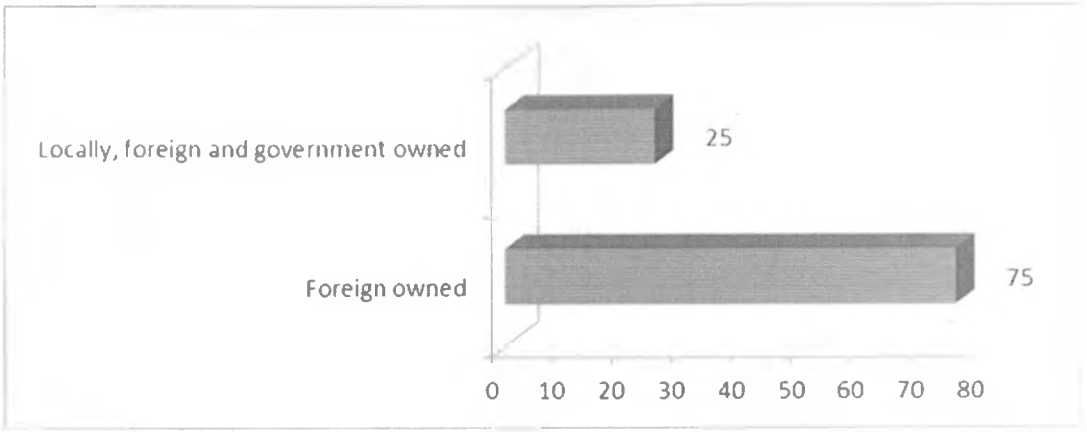
The Mobile telephony sector in Kenya is composed of four licensed mobile operators namely Safaricom, Zain, Telkom Kenya's Orange and Essar Kenya's Yu Communication.

4.2.1 Ownership structure

This section aimed at establishing the ownership structure of the companies. The respondents were to indicate the percentage of ownership including local, foreign, Government and to specify other forms of ownership.

Figure 4.1 presents the ownership structure of mobile telephony sector in Kenya

Figure 4.1 Ownership structure



Source : Researcher, 2010

Results presented in figure 4.1 reveal that majority of the companies were foreign owned comprising 75 percent while 25 percent were locally, foreign and government owned comprising 25 percent.

4.2.2 Market Coverage

The study further established that the market coverage of all the firm's services and products were countrywide, comprising of both rural and urban areas.

4.2.3 State of Competition

On competition, all the respondents that the state of competition in the mobile telephony in Kenya is stiff.

Table 4.1 presents the state of competition in the mobile Telephony Sector in Kenya

Table 4.2 State of Competition

State	Frequency	Percentage (%)
Very fast	15	100
Sometimes fast	-	-
Total	20	100

Source : Researcher, 2010

The state of competition in the Mobile Telephony Sector is very stiff with a respondent rate of 100%.

4.2.4 Top management response to tackling competitive issue

This section aimed at establishing the respondents rating on top management response to tackling competitive issues. Table 4.2 presents the top management response to tackling competitive issues.

Table 4.3 Top management response to tackling competitive issue

	Frequency	Percentage (%)
Very fast	15	75
Sometimes fast	5	25
Total	20	100

Source : Researcher, 2010

Findings from the study revealed that a majority of the companies top management responded to tackling competitive issues very fast as was shown by 75 percent while in 25 percent of the companies, the top management responded to tackling competitive issues sometimes fast.

4.3 Sources of Sustainable Competitive Advantage

4.3.1 Rivalry in the mobile telephony sector in Kenya

This section aimed at establishing the respondents view on whether rivalry in the mobile telephony sector is intense and the factors contributing to the rivalry. All respondents agreed that rivalry in the mobile telephony sector is intense. The study further inquired the various factors that contribute to rivalry in the mobile telephony sector. The respondents cited factors such as price wars, technology development, increased advertisements and increased number of retail agencies. In addition, the respondents cited factors such as increased customer needs and new entrants in the market.

4.3.2 Major competitive strengths

The study in this section aimed at establishing the major competitive strengths that the companies had. Safaricom competitive strengths were; a large market share, strong brand equity, technological knowhow, values added services and products, technical knowhow, financial resources and a pool of loyal customers. The other companies (Zain, Yu and Orange) had quality services, technical capabilities, financial capabilities and skilled staff.

4.3.3 Major actions being taken to compare effectively in the market

The study went further to inquire the major actions the companies were taking to compare effectively in the market. Findings from the study revealed that the respondents were employing various actions such as price cutting, innovative products and technologies, increasing on value added services, handset subsidies, increases staff training, strategic alliances and partnerships with technology providers and increasing the number of retail agents.

4.3.4 Methods applied to stay competitive over the past one year

This section aimed at establishing the various methods that have been applied to stay competitive over the past one year. The section used a likert scale of 1=Not at all; 2= To a less extent; 3= To a moderate extent;4= To a great extent;5= to a very great extent.

Table 4.3 presents the methods applied by the mobile firms to stay competitive over the past one year.

Table 4.4 Methods applied to stay competitive over the past one year

Method	**very great extent**	**great extent**	**moderate extent**	**less extent**	**Not at all**	**Mean**	**SD**
Carrying out sales promotion and advertising	19	1	-	-	-	4.034	.343
Use of latest technology	17	2	1	-	-	4.123	.543
Enhancing distribution	17	2	1	-	-	4.123	.456
Concentrated efforts to build organization reputation within the sector	17	2	1	-	-	4.123	.456
Specific efforts to insure a pool of highly trained/experienced personnel	17	2	1	-	-	4.123	.545
Major expenditure on technology based delivery systems to lower costs	16	4	-	-	-	4.267	.643
Promotional/advertising expenditure above the industry average	16	3	-	1	-	4.271	.456
Alliances with distributors, suppliers and technology partners	16	3	1	-	-	4.269	.654
Keeping over head costs lower than the competition	15	3	2	-	-	4.274	.435
Diversified Product portfolio	15	2	2	1	-	4.279	.436
Pricing below the competition	14	5	1	-	-	4.284	.645
Continuing overriding concern for lowest cost per unit	14	4	2	-	-	4.285	.554
Extremely strict service/product quality control procedures	14	4	2	-	-	4.285	.434
Major expenditure of technology to differentiate service/product	14	3	2	1	-	4.290	.435
Following actions of the competitors	14	2	3	1	-	4.295	.545
Training staff in customer service	12	3	3	2	-	3.996	.535
Outsourcing of customer care centers	11	6	1	1	1	3.798	.535
Handset subsidy	9	4	5	2	-	3.309	.534

Source : Researcher, 2010

Findings from the study revealed that majority of the respondents cited that the companies used to a very great extent various methods such as carrying out sales promotion and advertising, shown by a mean of 4.034, use of latest technology, shown by a mean of 4.12, enhancing distribution, shown by a mean of 4.12, concentrated efforts to build the organization reputation within the sector, shown by a mean of 4.12, specific efforts to insure a pool of highly trained/experienced personnel, shown by a mean of 4.12 and major expenditure on technology based delivery systems to lower costs, shown by a mean of 4.24. In addition, the respondents cited that the companies used to a great extent promotional/advertising expenditure above the industry average, alliances with distributors, suppliers and technology partners, keeping over head costs lower than the competition, diversified Product portfolio, pricing below the competition and continuing overriding concern for lowest cost per unit shown by means of 4.271, 4.269, 4.274, 4.279 and 4.284 respectively.

4.3.5 Extent into which methods to stay competitive lead to competitive advantage.

This section aimed at establishing the extent into which methods to stay competitive are a source of competitive advantage. The section used a likert scale of 1=Not at all; 2= To a less extent; 3= To a moderate extent;4= To a great extent;5= to a very great extent.

Table 4.4 presents the extent to which methods applied by the mobile firms to stay competitive over the past one year

Table 4.5 Extent to which methods to stay competitive lead to competitive advantage

Method	**very great extent**	**great extent**	**moderate extent**	**less extent**	**Not at all**	**Mean**	**SD**
Effective use of technology	19	1	-	-	-	4.024	.343
Reconfigured value chain	18	1	1	-	-	4.043	.543
Superior skills/capabilities of personnel	17	1	2	-	-	4.073	.456
Promotional and distribution Strategies	17	3	-	-	-	4.083	.456
Brand Equity	16	2	2	-	-	4.123	.545
Possession of tactic/intangible knowledge embedded in the organization culture	16	2	2	-	-	4.267	.643
Highly charged, motivated and loyal employees	16	3	1	-	-	4.271	.456
Effective leadership focused continuous improvement of the value adding activities	15	3	2	-	-	4.269	.654
Use of strategic alliances	15	3	2	-	-	4.274	.435
Continuous learning on how to do things better	14	3	3	-	-	3.979	.436
Managing Quality	14	4	2	-	-	3.884	.645
Ability to analyze and predict the behavior of competition	12	3	3	2	-	3.685	.554

Source : Researcher, 2010

Findings from the study revealed that majority of the respondents cited that competitive methods led to a very great extent the effective use of technology, reconfigured value chain, superior skills/capabilities of personnel, promotional and distribution Strategies

and brand equity as was shown by means of 4.02, 4.04, 4.07, 4.08 and 4.12 respectively. In addition, the respondents cited that the competitive methods led to a great extent the possession of tactic/intangible knowledge embedded in the organization culture, highly charged, motivated and loyal employees, effective leadership focused continuous improvement of the value adding activities and use of strategic alliances as was shown by means of 4.267, 4.271, 4.269 and 4.274 respectively.

4.3 Strategies For Sustainable Competitive Advantage

4.3.1 Strategies put in place in response to competition

This section aimed at establishing the various strategies put in place in response to competition. Findings from the study revealed that majority of the respondents cited that the companies had put in various strategies such as value added services e.g mobile banking and money transfer services, wide range of products, competitive pricing of products and provision of high quality and fast internet services.

4.3.2 Extent into which various strategies have been used to stay competitive in the market

This section aimed at establishing the various strategies that the companies have used to stay competitive in the market.

Table 4.5 below presents the various strategies used by the mobile firms to stay competitive.

Table 4.6 Extent into which various strategies have been used to stay competitive in the market

	very great	great extent	moderate extent	less extent	Not at all	Mean	SD
Wide range of products/Services	18	1	1			4.767	.456
Aggressive promotional Campaigns	18	1	1			4.767	.545
Product Development	18	2				4.733	.643
Continuous Brand Development	17	1	2			4.656	.456
Strategic Alliances	17	1	2			4.651	.654
Continuous upgrading of the service/products	16	2	2			4.645	.435
Continuous training of staff	16	4				4.640	.436
Market Development	16	3	1			4.638	.645
Satisfactory Quality service and products	16	3	1			4.630	.654
Intensive Staff Training	16	3	1			4.628	.435
Cost reduction strategy	15	3	2			4.626	.436
Product Differentiation strategy	15	2	2	1		4.624	.645
Continuous developing existing and creating new resources and capabilities	14	3	2	1		4.534	.554
Establishing own hub to compete effectively	14	3	2	1		4.524	.434
Integrate backward or forward	14	4	1	1		4.518	.435
Undertaking radical innovations in the way the company does business	13	5	2			4.512	.545
Outsource selected value chain activities	13	3	2	2		4.510	.535
Initiate offensive strategic moves	13	2	2	1	2	4.301	.535
Public Relations	12	5	3			4.245	.534
Lobbying	10	5	2	1	2	4.239	.654
Market Entry Strategies	9	5	4	2		3.546	.435
Tacit Collision Strategy	8	7	3	2		3.534	.436

Source : Researcher, 2010

Findings from the study revealed that most companies have used to a very great extent wide range of products/Services, aggressive promotional Campaigns, product development, continuous brand development, strategic alliances and continuous upgrading of the service/products, shown by means of 4.767, 4.767, 4.733, 4.656, 4.651 and 4.645 respectively. In addition, the companies have used various strategies to a great extent such as continuous training of staff, market development, satisfactory quality service and products, intensive staff training, cost reduction strategy, product differentiation strategy, continuous developing existing and creating new resources and capabilities and establishing own hub to compete effectively, shown by means of 4.640, 4.638,4.630,4.628,4.626,4.624, 4.534 and 4.524 respectively. The least strategies aimed at staying competitive are tacit collision strategy and market entry strategies shown by means of 3.534 and 3.546 respectively.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, conclusions and recommendations. The results have been discussed in line with the research objectives. The chapter concludes by suggesting recommendations for adoption to ensure sustainable competitive advantage and also suggestions on areas for future research.

5.2 Summary

The objectives of this study were to establish the sources of sustainable competitive advantage in the mobile telephony sector in Kenya and to determine the strategies adapted by the mobile telephony players to achieve sustainable competitive advantage. Consequently, in an effort to achieve the objective, a census survey on the mobile telephony firms in Kenya was carried out and senior managers in the following departments were the targeted respondents; Human Resource, Corporate Affairs, Finance/Accounts, Marketing, Information Technology and Customer service department. The respondents are considered useful in availing sufficient information regarding their company's efforts in achieving and maintaining competitiveness. The population of interest was all the Mobile Telephony firms in Kenya. Quantitative and qualitative survey was adapted and semi-structured questionnaire were developed and administered to the respondents. Out on 24 targeted respondents 20 of them completed and returned the questionnaire.

The study established that rivalry in the mobile telephony sector is intense. The study further revealed that there were various factors that contribute to rivalry in the mobile telephony sector. These factors were price wars, technology development, increased advertisements, and increased number of retail agencies, increased customer needs and new entrants in the market.

The study further revealed that the companies had various competitive strengths. These were a large market base; value added services and products, technical knowhow, a pool of loyal customers, financial resources and improving technical knowhow. On the issue of the actions the companies were taking to compare effectively in the market, the study revealed that the companies were employing various actions such as price cutting, innovative products such as money transfer service, technologies such as provision of internet and 3G network that provided broadband high-speed data to its customers through Wimax and fibre. Increasing on value added services, handset subsidies, increases staff training, strategic alliances and partnerships and increasing the number of retail agents.

On the topic of methods that have been applied to stay competitive over the past one year, the study revealed that the companies were carrying out sales promotion and advertising, use of latest technology, enhancing distribution, concentrated efforts to build the organization reputation within the sector, specific efforts to insure a pool of highly trained/experienced personnel, major expenditure on technology based delivery systems to lower costs, promotional/advertising expenditure above the industry average, alliances

with distributors, suppliers and technology partners, keeping over head costs lower than the competition, diversified Product portfolio, pricing below the competition and continuing overriding concern for lowest cost per unit. The study further revealed that competitive methods led effective use of technology, reconfigured value chain, superior skills/capabilities of personnel, promotional and distribution Strategies, brand equity, possession of tactic/intangible knowledge embedded in the organization culture, highly charged, motivated and loyal employees, effective leadership focused continuous improvement of the value adding activities and use of strategic alliances.

On the issue of strategies put in place in response to competition, the study revealed that the companies had put in various strategies such as value added services e.g mobile banking and transfer services, wide range of products, competitive pricing of products and provision of high quality and fast internet services.

On the topic of the strategies that the companies have used to stay competitive in the market, the study revealed that most companies have used to a very great extent wide range of products/Services, aggressive promotional Campaigns, product development, continuous brand development, strategic alliances and continuous upgrading of the service/products. In addition, the companies have employed continuous training of staff, market development, satisfactory quality service and products, intensive staff training, cost reduction strategy, product differentiation strategy, continuous developing existing and creating new resources and capabilities and establishing own hub to compete effectively. The least strategies aimed at staying competitive are tacit collision strategy and market entry strategies.

5.3 Conclusion

The study concludes that mobile telephony players in Kenya have put in various measures to stay competitive. These include carrying out sales promotion and advertising, provision of value added services that helps to lock the customers, use of latest technology, enhancing distribution, concentrated efforts to build the organization reputation within the sector, specific efforts to insure a pool of highly trained/experienced personnel, major expenditure on technology based delivery systems to lower costs, promotional/advertising expenditure above the industry average, alliances with distributors, suppliers and technology partners, keeping over head costs lower than the competition, diversified Product portfolio, pricing below the competition and continuing overriding concern for lowest cost per unit.

The study further concludes that mobile telephony players in Kenya have employed various strategies to achieve sustainable competitive advantage. These include wide range of products/Services, aggressive promotional Campaigns, product development, continuous brand development, strategic alliances and continuous upgrading of the service/products. In addition, the companies have employed continuous training of staff, market development, satisfactory quality service and products, intensive staff training, cost reduction strategy, product differentiation strategy, continuous developing existing and creating new resources and capabilities and establishing own hub to compete effectively

5.4 Recommendations

The study recommends that mobile telephony players need to employ various competitive strategies to achieve sustainable competitive advantage. These include differentiation which involves creating a product that is perceived as unique and increase in technology innovativeness.

5.5 Suggestion for Further Research

The study focused on sources of sustainable competitive advantage in the mobile telephony industry in Kenya. More research needs to be carried out on other industries in Kenya e.g manufacturing industry.

5.6 Limitations

The researcher encountered problems in eliciting information from the respondents as the information required was subject to areas of transparency, and confidentiality which could not be accurately quantified and/or verified objectively. The researcher encouraged the respondents to participate without holding back the information they had as the research instruments did not bear their names and only aggregate scores would be reported. The researcher encountered problems of time as the research was being undertaken in a short period which limited time for doing a wider research. Some of the respondents approached were reluctant in giving information while other were too busy to respond to the questionnaire. The researcher had to persuade them in order for them to fill the questionnaire.

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APPENDIX I: LETTER OF INTRODUCTION

APPENDIX II: PERMISSION TO COLLECT RESEARCH DATA

University of Nairobi,
School of Business,
P.O BOX 30197, Nairobi.

Date: 5th October, 2010

Dear Sir/Madam,

RE: PERMISSION TO COLLECT RESEARCH DATA

I am a postgraduate student at the University of Nairobi pursuing a course leading to a degree of Master of Business Administration (MBA). In partial fulfillment of the course, I am undertaking a management research project on "Sustainable Competitive Advantage in the Mobile Telephony Sector in Kenya". Your organization has been selected to participate in this study since it falls in the scope and category.

I therefore wish to request your permission to carry out the study by issuing the attached questionnaires to senior managers in the listed departments; Human Resource, Corporate Affairs, Finance/Accounts, Marketing, Information Technology and Customer service managers. The respondents are considered useful in availing sufficient information regarding your company's efforts in achieving and maintaining competitiveness.

I wish to assure you that all information with respect to this research will be treated with the strictest confidence it deserve and will only be used for academic purpose. The completed research project is expected for submission to the University of Nairobi and a copy will be made available to you on request.

Your assistance is highly appreciated.

Grace N. Kimari
MBA Student

Dr. James Gathungu (Supervisor)
University of Nairobi.

APPENDIX III: QUESTIONNAIRE

SOURCES OF SUSTAINABLE COMPETITIVE ADVANTAGE IN THE MOBILE TELEPHONY SECTOR IN KENYA

This questionnaire has been developed for the purpose of collecting and analyzing data for the above study, being part of the requirements for the Degree of Masters of Business Administration. The aim of the study is to explore the sources of competitive advantage in the mobile telephony sector in Kenya. The Information gathered from this questionnaire will be treated with utmost confidentiality.

Part A: Company Profile

1.Name of your company ----------

2.Ownership Structure (tick as appropriate)

a) Locally owned ( )

b) Foreign owned ( )

c) Government owned ( )

d) Locally, Government or Foreign owned (please give percentage of ownership)

i) Local --------%

ii) Foreign ---------%

iii) Government ---------%

iv) Others (Specify) ----------

3.Market coverage of the firm's service and products.

a) Within Nairobi and its Environs ( )

b) Within Major towns in Kenya ( )

c) Country wide (both rural and urban areas) ( )

4.How would you rate the state of competition in the mobile telephony sector in Kenya?

Stiff ( ) fairly stiff ( ) not stiff ( ) not sure ( )

5.How can you rate the top management response to tackling competitive issue (tick as appropriate) Very Fast ( ) Sometimes fast ( )

Do Nothing ( ) Others (Please specify) ----------

Part B: Sources of Sustainable Competitive Advantage

6.Do you think rivalry in the mobile telephone sector is intense? If yes, what factors are contributing to that?

7.List your major Competitive Strengths

8.Please indicate the five major actions your firm is taking to compare effectively in this market

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9. What method have you applied to stay competitive over the past one year? Use a scale of 1 to 5 where:

1=Not at all; 2= To a less extent; 3= To a moderate extent;

4= To a great extent; 5= to a very great extent

No	Statement	5	4	3	2	1
1	Pricing below the competition					
2	Keeping over head costs lower than the competition					
3	Continuing overriding concern for lowest cost per unit					
4	Major expenditure on technology based delivery systems to lower costs					
5	Use of latest technology					
6	Extremely strict service/product quality control procedures					
7	Diversified Product portfolio					
8	Major expenditure of technology to differentiate service/product					
9	Enhancing distribution					
10	Concentrated efforts to build the organization reputation within the sector					
11	Promotional/advertising expenditure above the industry average					
12	Carrying out sales promotion and advertising					
13	Specific efforts to insure a pool of highly trained/experienced personnel					
14	Following actions of the competitors					
15	Training staff in customer service					
16	Outsourcing of customer care centers					
17	Alliances with distributors, suppliers and technology partners					

10. To what extent are they source of competitive advantage to your company? Use a scale 1 to 5 where:

1=Not at all; 2= To a low extent; 3= To a moderate extent;
4= To a great extent; 5= To a very great extent

No	Statement	5	4	3	2	1
1	Brand Equity					
2	Superior skills/capabilities of personnel					
3	Possession of tactic/intangible knowledge embedded in the organization culture					
4	Continuous learning on how to do things better					
5	Highly charged, motivated and loyal employees					
6	Ability to analyze and predict the behavior of competition					
7	Reconfigured value chain					
8	Effective leadership focused continuous improvement of the value adding activities					
9	Managing Quality					
10	Promotional and distribution Strategies					
11	Use of strategic alliances					
12	Effective use of technology					

Part C: Strategies for Sustainable Competitive Advantage

11. What strategies are used in your organization in the face of competition in the industry?

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12. Please indicate (tick) the extent to which you have used the following strategies to remain competitive in the market. Use the following scale.

1= To a no extent; 2= To a low extent; 3= To a moderate extent; 4= To a great extent; 5= To a very great extent

No	Statement	5	4	3	2	1
1	Cost reduction strategy					
2	Continuous upgrading of the service/products					
3	Continuous developing existing and creating new resources and capabilities					
4	Wide range of products/Services					
5	Establishing own hub to compete effectively					
6	Undertaking radical innovations in the way the company does business					
7	Continuous training of staff					
8	Continuous Brand Development					
9	Aggressive promotional Campaigns					
10	Product Development					
11	Outsource selected value chain activities					
12	Integrate backward or forward					
12	Initiate offensive strategic moves					
13	Product Differentiation strategy					
14	Strategic Alliances					
15	Market Development					
16	Market Entry Strategies					
17	Tacit Collision Strategy					
18	Satisfactory Quality service and products					
19	Intensive Staff Training					
20	Partnership					
21	Lobbying					
22	Public Relations					

Other Strategies (please specify)

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13. Any other information that may be relevant to this research

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End of the Questionnaire!

Thanks for your time and effort.

Appendix IV: Mobile Telephony Subscription

Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	July 2010
Number of mobile subscribers	15,000	114,000	585,131	1,325,222	1,590,785	2,546,157	5,263,676	7,340,317	11,440,077	16,233,833	17,938,706	19,400,000
Mobile Penetration (%)	0.053	0.38	1.90	4.20	4.95	7.77	15.74	21.62	33.65	35.25	45.7	49.7

Note: Communications Commission of Kenya Report (2010).