STRATEGIC RESPONSES TO EXTERNAL ENVIRONMENT BY THE COMMUNICATIONS COMMISSION OF KENYA

BY

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DECLARATION

STUDENT'S DECLARATION

I declare that this management research project is my original work and has not been presented to any other university for the award of a degree.

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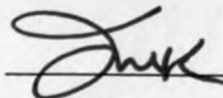
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SUPERVISOR'S DECLARATION

This management research project has been submitted for examination with my permission as University Supervisor.

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DEDICATION

This research is dedicated to Margaret and Kirsten, my family and all others who supported me throughout the period that I was undertaking my studies for the Masters Degree.

God bless you all richly.

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ABSTRACT

The alignment between strategy and environment lies at the center of strategic management theory and practice. The external environment undoubtedly plays a significant role in survival of organizations. The business environment in Kenya. and especially within the communications sector, is very dynamic and the players in the sector have to respond in order to succeed in their businesses. One of the key players in the sector is the Communications Commission of Kenya (CCK), which is the regulator.

This research was a case study whose objectives were determine the challenges faced by the CCK in relation to its external environment and how the organization responded to them. The objectives were achieved by collecting primary data, supplemented by secondary data. Primary data was collected through face-to-face interviews with respondents who were the heads of department at CCK. These are the people responsible for developing and implementing the strategic responses at CCK. Secondary data was obtained from published reports and corporate development plans.

The research results ascertained that the CCK operates in a highly dynamic external environment, and has experienced challenges from the political, economic, social-cultural and technological environments. The research results further indicated that the CCK has implemented a number of strategic responses to counter these challenges, including internal restructuring, lobbying for enactment of an enabling legislation and ensuring flexibility in implementation of its strategic plan.

A large number of studies have already demonstrated the importance of strategy-environment alignment, both theoretically and empirically, and suggested that the

strategy-environment fit has strong performance implications. The findings of this study

therefore are in congruence with those from previous studies in this area of study.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

For organisations to survive, they have to adapt to the conditions prevailing in their operating environment. Virtually all industries and business sectors across the globe are currently experiencing increased pressure from their respective external environment. These external environmental forces have increased the rate at which organisations need to alter their strategies and structures in order to survive in the market. The environment in which organizations operate is very dynamic, with different factors influencing their operations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations must realize that their services and products, regardless of how good they are, simply do not sell themselves (Kotler, 2000).

The emergence of external environmental influences and their effect on firm strategy has gained tremendous attraction in the management literature in recent years (Pearce and Robinson, 2005, Johnson and Scholes, 2001). Fueled by societal concerns over issues such as globalization, environmental pressures have gained substantial attention in strategic management classrooms, corporate boardrooms and academic journals (Pearce and Robinson, 2005; Greening and Gray, 1994). While these concerns are global in nature, they manifest themselves differently based on firm context. All in all, most business environments represent substantial environmental forces that impact the

development and implementation of strategy. Yet the nature of firm strategic response to these external influences is presently understudied. Moreover, the process by which firms incorporate environmental forces and strategies into corporate strategies has not yet been exhaustively examined.

The communications sector in Kenya has experienced phenomenal growth in the last one decade, including expansion in the number of operators in the market that pose a challenge to the regulators ability to effectively regulate the sector and the changing nature of consumer demands which has necessitated CCK to develop new regulatory frameworks for the new products as well as acting as the guardian of the consumer of the products. There is therefore a need to investigate how the changes in the communications sector in Kenya have impacted on CCK and the strategic responses that CCK has developed and adopted in response to the changing conditions.

1.1.1 Strategic Responses

Although a firm has little or no control over environmental factors, these factors exercise considerable influence over the success of its strategy, and strategies usually are based on key premises about them. Strategic responses are concerned with decisions and actions meant to mitigate against turbulence and complexity of the business environmental with a view to achieving the business objectives and purpose. A response strategy aims at achieving strategic fit. It aims at achieving the correct positioning of the organization, for example, in terms of the extent to which it meets clearly identified market needs. A response strategy is meant to safeguard an organization from impact of both present and foreseeable future environmental changes. A response strategy is therefore environmental

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driven. A response strategy, just like strategic decisions, is concerned with the scope of an organization's activities (Johnson and Scholes 2002). This includes products range, the number of activities to be carried out and geographical coverage.

According to Pearce and Robinson (2002), strategic managers are often frustrated in their attempts to anticipate the environment's changing influences. Different external elements affect different strategies at different times and with varying strengths. Johnson and Scholes (200) see the important question that firms should ask themselves as: what changes are going on in the environment and how will they affect the organization and its activities? They go further to explain that managers should understand the different impacts of external influences and drivers on particular industries, markets and individual organizations.

The following are some types of strategic responses:

Positioning – Johnson and Scholes (2002) talked about the notion of strategic fit whereby a firm develops its strategy by identifying opportunities in the business environment and adapting resources and competencies so as to take advantage of these. A firm does this through positioning to meet its clearly identified market needs. An example of this is when a small business tries to find a particular niche in the market in order to avoid competition from the established firms.

Change in the organizational structure – organizations at times restructure in order to respond and adapt to the demands of the external environment within which they operate.

Change in internal processes - The restructuring and re-engineering of companies' business processes are ongoing evolutions and a reality in many industries. They have

become necessities for survival. For instance, an organization can intensify mechanization of its operations in order to overcome problems of labour by reducing reliance on labour.

Mergers and acquisitions – that mergers and acquisitions are very common and economically important corporate strategy is very clear (Barney, 2002). Barney goes further to explain that the value of mergers and acquisitions as a response strategy depends on the market context within which these strategies are implemented. Mergers and acquisitions can be used as a way of taking advantage of opportunities existing in the external environment, as well as neutralizing threats posed by the external environment. Yabs (2007) discusses the acquisition strategies as used by Transcentury through investing in other promising firms to diversify its portfolios.

1.1.2 External Environment

The business environment has been characterized as complex, dynamic, multi-facet and having far reaching impact (Kazmi 2002). The business environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Over the last two decades, the world economy has fundamentally changed and the world economies are experiencing the increased forces resulting from globalization and liberalization of trade. The phenomenon of globalization, according to Hammond and Grosse (2003) refers to "the

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fact that people around the world are becoming more and more knowledgeable about each other," this is expected to increasingly affect the communications sector.

According to Pearce and Robinson (2002), the external environment of a business consists of two interrelated sets of variables that play a principal role in determining the opportunities, threats and constraints that a firm faces. Variables originating beyond and usually irrespective of any single firms operating situation (economic, political, social and technological forces) form the external environment. Variables influencing a firm's immediate competitive situation (competitive position, customer base, suppliers, creditors, and labor market) constitute the external operating environment. These two sets of forces provide many of the challenges faced by firms. Pearce and Robinson (2002) discuss four external forces economic, political, social and technological. Each of these external factors influences corporate strategy. While these descriptions are generally accurate, they may give the false impression that the components and factors are easily identified, mutually exclusive, and equally applicable in all situations (Pearce & Robinson, 1985, p 121). In fact, forces in the external environment are so dynamic and interactive that the impact of any single element cannot be wholly disassociated from the impact of other elements.

According to Pearce and Robinson (2002), the factors that constitute the external environment can be divided into three interrelated sub-categories i.e. factors in the remote environment, factors in the industry environment and factors in the operating environment. Some of the factors in the remote environment that influence the operations of a business include:

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Economic factors - The economy has a significant impact on the viability of a corporate strategy. Economic factors relate to the nature and direction of the economy in which the firm operates.

Political factors - The current political climate can influence the types of legislation that can influence corporate spending or tariffs on goods and services. Political factors can be restrictive or beneficial. Restrictive factors are those factors that limit profits; such as constraints placed on enterprise through fair-trade laws, antitrust laws, tax laws, minimum wage legislation or pollution laws as cited in Pearce and Robinson, (1985).

Social factors – These refer to the beliefs, values, attitudes, opinions and lifestyles of persons in the firm's external environment, as developed from cultural, ecological, demographic, religious, educational and ethic conditioning (Pearce and Robinson, 2002). Certo (1997, p. 51) defines social responsibility as a managerial obligation to take actions that protects and improves both the welfare of society as whole and the interests of the organization.

Technological factors - Technology factors are the scientific advances, which influence the competitive position of the enterprise. Maintaining awareness of new technologies decreases the probability of becoming obsolete and promotes innovation. Advancements in technology can impact the transformation plan in many ways.

Porter (1980) popularized the concept of the industry environment through his five forces model that helps strategic managers to link remote factors to their effects on a firm's operating environment. Pearce and Robinson (2002) refer to the operating environment as the competitive or task environment, comprising of factors in the competitive situation

that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services.

1.1.3 External Environment and Strategic Responses

Koontz and Weihrich (2007) stress that to live in an environment and be responsive to it does not mean that managers should merely react in the face of stress. They further argue that a government agency should not wait until its regulations are obsolete and discredited before looking for another way to achieve its objectives. According to Ansoff and McDonnell (1990), it is through strategic management that a firm will be able to position itself and relate to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. They further argue that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategic implementation.

Organizations must therefore adapt to their environments if they are to remain viable. Smart and Vertinsky (1984), maintain that to maximize long-term effectiveness, organizations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance (crises). The corporate resource allocation has become an essential issue in this process. The environment is complex and ever changing and it will continue to change rapidly, radically and unpredictably (Burnes, 1996). Therefore managers have to keep reviewing their strategy to match the environmental demand.

Hamel and Prahalad (1990) argue that if a firm wants to remain vibrant and successful in the long run, it must make impact assessment of the external environment, especially such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact on its operations success is dependent on productivity, customer satisfaction and competitor strength. Porter's explanation of this is that firms with high market share were successful because they pursued a cost leadership strategy and firms with low market share were successful because they used market segmentation to focus on a small but profitable market niche. Firms in the middle were less profitable because they did not have a viable generic strategy.

1.1.4 The Communications Commission of Kenya

The communications sector in Kenya has grown in leaps and bounds over the last one decade. From having only one licensed radio and television network (the then Voice of Kenya and now Kenya Broadcasting Corporation) to having over ten licensed television networks and more that twenty operating radio stations. But nothing exemplifies this rapid expansion more than the telecommunications sub-sector. Within a very short time, we have experienced a very rapid expansion in this sector. For instance, the mobile market has grown rapidly over the past few years, with the number of subscribers growing from 2.8 million in September, 2004 to 19.4 million in December 2009, representing a penetration rate of close to 50 percent (CCK 2009/2010). And right now, competition for these subscribers is intensifying with the introduction of two new players in the mobile telephony market, Telkom and Econet Wireless.

According to the CCK report, the outlook of the communication sector in Kenya continues to be strong, and growth will be achieved through gaining new customers, offering new services, and in general capitalizing on the growing role of telecommunications in people's everyday lives. The mobile sector in the country continues to grow increasingly competitive as indicated by the steady growth in subscriptions. The data and internet boom and the bust in international bandwidth have been likened with the development of the nation's undersea cables launched by the government and the private sector. The Internet access which is still too low is expected to be boosted with this enhanced capacity as operators compete for high level products and service innovations (CCK 2009/2010).

This study focuses on the communications sector in Kenya and specifically on the regulatory body of the communications industry, the Communications Commission of Kenya (CCK). With such rapid expansion in the communications sector, and with the changing nature of the needs of the consumers of communications products, CCK has had to make strategic adjustments in its regulatory role (CCK 2009/2010).

The Communications Commission of Kenya (CCK) was established in February 1999 by the Kenya Communications Act, 1998 to license and regulate telecommunications, radio communication and postal services in Kenya. CCK assigns frequencies to all licensed telecommunications operators as well as acting as the watchdog of the consumer; making sure that standards of quality are maintained in both service and equipment provided. It ensures public service obligations are carried out while, at the same time, guaranteeing the protection of both consumer and investor interests (CCK 2009/2010).

The legal framework under which the CCK operates is spelt out in the Kenya Communications Act, 1998 of the laws of Kenya, and the Kenya Communications Regulations, 2001. The Kenya Communications (Amendment) Bill, 2007 seeks to make certain amendments to the Kenya Communications Act, 1998, in order to streamline and introduce regulatory standards in information technology and broadcasting. This has been proposed to be done by transforming and empowering the CCK into a fully-fledged information and communication technology sector regulator. The Bill seeks to amend section 1 of the Kenya Communications Act, 1998 and rename the said Act as "the Information and Communications Act" (CCK 2009/2010).

CCK plays a critical role in the liberalization of Kenya's postal and telecommunications sectors. CCK is the gateway that encourages private investment in the sector and provides for the rights and obligations of both operators and consumers. The licensing of new players has given the consumer greater choice. As the link, CCK liaises with consumers, operators and service providers to ensure a level playing field in the sector.

There are a number of factors that have triggered the need for strategic reorientation of the communications regulator. The first has been the rapid expansion in the number of the operators in the market which has posed a challenge to the regulators ability to effectively regulate the sector. The second trigger has been the change in the communications need of the consumer, which has heralded the introduction of a number of new products into the market. CCK, being the licensing body, has had to develop new regulatory frameworks for the new products as well as acting as the guardian of the consumer of the products. The third trigger has been the nature of rivalry among players in the market, which is best exemplified by the bitter wars between the two current

mobile telephony operators, Safaricom and Zain. As the regulator, CCK has had to step in and create frameworks for fair competition and arbitrate over the grievances of the two parties (CCK 2009/2010). Finally, another trigger has been the recent move towards unification of licences to ensure that various products are offered under a single platform. For instance, the mobile telephone can also be used to broadcast television programmes, receive emails, mobile banking services e.t.c. With such evolution, CCK has had to revise its licensing regime to accommodate the evolving needs of the consumers.

As a result of the triggers for strategic change, CCK has had to develop strategic responses to enable it to effectively regulate the communications sector, in the face of evolving conditions. This study will be an examination of the strategic responses developed and adopted by the regulatory body and the manner in which the changes are being implemented.

1.2 Research Problem

Organizations cannot be oblivious of the environment within which they operate. They have to be conscious of the environment in which they operate and respond to various factors in the environment in order to remain relevant. Organizations are faced with turbulence in their external environment (Kotler, 2000). A key aspect of the analysis of a firm's strategy is the interaction between the strategic choice and its environmental context. Strategy scholars have found that operating in a global industry context is an important element in determining the organizational environmental fit (Hambrick and Lei, 1985). For domestic firms facing global competition, industry position imposes an additional competitive challenge that differs from purely domestic competition. The

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alignment between strategy and environment lies at the centre of strategic management. Correct alignment helps a firm maximize the economic benefits from resources, improve the effectiveness of operations, and boost the fulfilment of its strategic goals (Hambrick, 1983; Venkatraman and Prescott, 1990).

There are a many factors that have triggered the need for strategic responses of the communications regulator in Kenya including rapid expansion in the number of the operators in the market which has posed a challenge to the regulators ability to effectively regulate the sector; change in the communications need of the consumer, which has heralded the introduction of a number of new products into the market; nature of rivalry among players in the market, which is best exemplified by the bitter wars between the mobile telephony operators, Safaricom, Zain, Yu and Orange and the recent move towards unification of licenses to ensure that various products are offered under a single platform. As a result of the triggers for strategic change, CCK has had to develop strategic responses to enable it to effectively regulate the communications sector, in the face of evolving conditions.

A large number of studies have already demonstrated the importance of this alignment, both theoretically and empirically, and suggested that the strategy-environment fit has strong performance implications (Miller and Friesen, 1983; Tung, 1979; Tan and Litschert, 1994; Venkatraman and Prescott, 1990). When the environment is uncertain and complex, the importance of this fit is magnified (Wernerfelt and Karnani, 1987).

Local studies have also been conducted on the response to the external environment. For instance Muturi (2003) did a study on strategic responses by Christian churches in Kenya

to changes in the external environment with reference to evangelical churches in Nairobi; Mulema (2004) conducted a study on responses to changes in the external environment in service industry a case of TSC: Mohamed (2007) researched on the responses of Nzoia Sugar Company to challenges in its external environment while Wairimu (2008) conducted a study on strategic responses of Barclays Bank of Kenya Limited to challenges in the external environment. None of these local and international studies had ever focused on the strategic response by CCK to external environment.

The reason why this study chose to focus on the CCK was because regulators play a pivotal role in the economy, but in Kenya the regulators remain largely unstudied. Most of the studies have chosen to focus on businesses in the private sector, with little or no focus on the public sector, and especially the regulators. In fact, very few studies have been conducted on the CCK. An example is Makau (2007) who studied the behaviour of regulators in Africa, and focused on the CCK. In the study, Makau evaluates the role that the telecom regulator is playing to ensure that it represents the consumer. Makau concludes that consumer affairs remain a relatively uncharted and undeveloped discipline not only in Kenya but in the rest of Africa, and that while many regulatory agencies worldwide have established special mechanisms or created specific organizations to represent consumer interests, there are as yet very few studies on what kinds of mechanisms are most effective at assessing or improving consumers interests. Munyua and Walubengo (2007) studied the E-communication strategies for the CCK, and concluded that CCK does not have a space that is fully dedicated to communicating with its customers or that provides a forum for stakeholders to discuss industry issues. They recommended that CCK should dedicate space in the website to allow for two way

discussion and to act as a sounding board for the regulator to get input on critical policy and regulatory issues.

Another reason why this study chose to focus on CCK is because the communications sector in Kenya has experienced phenomenal growth in the last one decade, including expansion in the number of operators in the market and the changing nature of consumer demands. This study sought to investigate through research how the changes in the communications sector in Kenya have impacted on the regulator and what strategic responses have been developed and adopted by the regulator in response of the changing conditions. The study therefore explored the major developments over the last one decade in which the regulator has been in operation and the nature of responses that the regulator has had to adopt as a result of the challenges posed by the external environment. The study sought to answer the following research questions:

i. What are the challenges faced by the CCK as a results of its external environment?

ii. What is the nature of strategic responses, if any, that have been implemented by the regulator over the last one decade?

1.3 Research Objectives

The study sought to achieve the following objectives:

i. To identify the external environmental challenges faced by the CCK; and

ii. To determine the nature of strategic responses, if any, implemented by the CCK to deal with the challenges.

1.4 Value of the Study

This study will contribute to the theory on strategic responses. In particular, the study will be useful to researchers and academia in the field of strategic management and environment in the communication industry, as it will be a source of reference in forming their future research topics and studies. They will be able to identify the changes that have taken place in the communications sector in Kenya over the last one decade, explore whether or not CCK has acted in accordance with the environmental dependence concept; and contribute to the strategic management studies through literature review and also identify where further research could be done on the subject matter.

The study will further contribute to the practice of strategic management and in particular demonstrate the ability of state corporations to adapt to changes in the operating environment, and gaps if any. It will therefore provide a framework upon which more efficient response strategies can be built.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. It will provide the reader with an account of the theoretical grounds of the research problem being studied. The specific areas covered here are concept of business strategy, concept of business external environment, strategic response to business external environment, challenges in strategic responses and the conclusion.

2.2 Concept of Business Strategy

Strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates (Johnson and Scholes, 2002). Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Hamel and Prahalad (1990) argue that if a firm wants to remain vibrant and successful in the long run, it must make an assessment of the external environment within which it operates, with focus on such relevant groups as customers, competitors, consumers, suppliers, creditors and the government and how they impact the success of its operations.

Strategy development is a multidimensional process that involves rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without

analysis. the process of strategy formulation. particularly at the senior management level. is likely to be chaotic with no basis for comparing and evaluating alternatives. Without a thorough analysis. critical decisions become susceptible to the whims and preferences of individual managers. to contemporary fads. and to wishful thinking (Henry. 1978).

Equally important. a strategy serves as a vehicle for achieving consistency in decision making across different departments and individuals. Hamel and Prahalad (1989) view organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination there is need for the strategy process to act as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers is part of the increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell and Gale. 1989).

2.3 Concept of Business External Environment

The business environment is very dynamic and keeps on presenting both opportunities and challenges to the organizations that operates in it. Factors that influence the business environment include the government. social-economic dynamics and globalization; Organizations must survive by analyzing the environmental dynamics, identify the opportunities and respond in a way that seizes these opportunities to ensure survival and growth.

In today's global environment, increased trade liberalization reduces country-based trade barriers. thus increasing the opportunity for cross-border entry (Ellis and Williams,

1995). If new entrants have adopted new technologies and/or developed more efficient business operations systems, the competitive intensity will increase pressure of existing industry to internationalize by weakening their competitive position. Virtually, most industries across the globe are currently experiencing increased pressures for globalization. Environmental forces of change are the forces which are increasing pressure for globalization and have led to trade liberalization. These forces have also increased the rate at which companies need to alter their strategies and structures in order to survive in the market. During the last decade, the economic and political environment has changed dramatically. These changes have had a tremendous impact on the global economic outlook (Tersine and Harvey, 1998). Continued globalization, coupled with the technological revolution led has changed the way most of the organizations operate. These changes have created both enormous opportunities and challenges for global organizations. The change in environment has forced most organizations to develop a global strategy based on flexible systems that can adapt to the changing external environment.

One of the primary functions of effective management is to organize and use the available resources in ways which minimize the impact of environmental threats and pressures on the organization (Steers, 1977). Organizations must adapt to their environments if they are to remain viable. Smart and Vertinsky (1984), for example, maintain that to maximize long-term effectiveness, organizations need to develop the capability not only to cope with daily events in the environment, but also to cope with external events that are both unexpected and of critical importance (crises). For many organizations crises are unique and rare events. However, in many industries crises may

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be a regular feature of corporate life. Consequently. a central issue in the process of organizational adaptation is not only coping with uncertainty. but understanding situations where uncertainty can degenerate into a crisis. Although the external environments of organizations have been conceptualized in various ways (Pfeffer and Salancik, 1978), several important dimensions have been underscored. Two major dimensions are of concern for this study: stability and complexity.

The business environment has been found to influence modern competitiveness of firms within it; the government can influence and be influenced by the determinants of competitiveness. The four determinants are: firms strategy structure and rivalry. factor conditions; demand conditions and related and supporting industries. Factor conditions are affected through subsides. policies towards capital markets. policies towards education, etc. (Porter, 1990). The government also acts as a regulator. buyer, and shapes supporting industries (Republic of Kenya: SEPIP-1996). The determinants measure the extent to which the national environment is a fertile one for competing in an industry. In most cases the government environments keeps on shifting resulting in to a highly unpredictable environment (Mahoney, 1992). On the other hand. Social and political stability of a country has a very significant role in influencing the industrialization process.

2.3.1 Environmental Challenges

Many businesses are facing the challenge of high velocity environments in their strategic responses (Bourgeois and Eisenhardt. 1988). The concept of high velocity environments is used to designate those environments which are characterized by rapid and

discontinuous changes in demand. competitors. technology. and/or regulation such that information is often inaccurate, unavailable or obsolete (Bourgeois and Eisenhardt. 1988). This concept implies that there are continuous dynamisms (Dess and Beard. 1984) or volatility (Bourgeois, 1985), but these are overlaid by sharp. discontinuous change (Sutton *et al.*, 1986). Dynamism is characterized by the rate of change and innovation in the industry as well as the uncertainty or unpredictability of the actions of customers and competitors (Burns and Stalker. 1961). Industries operating in high velocity environments, e.g. communication and technology. experience such an extreme rate of change that information is often of questionable accuracy and is quickly obsolete (Bourgeois and Eisenhardt. 1988).

Two additional characteristics have been underscored in the literature that poses challenges in response to the environment: hostility and heterogeneity. Hostility refers to the degree of threat to the firm posed by multi-facetedness. vigor and intensity of the competition and the downswings and upswings of the firm's industry (Khandwalla. 1976). Heterogeneity. or complexity, encompasses variations among the firm's markets that require diversity in production and marketing orientations (Porter. 1980).

Because of these challenges, strategic decision making is problematic in this kind of environment not only because change is so dramatic. but also because it is difficult to predict the significance of a change as it is occurring (Sutton *et al.*. 1986). As a result, it is particularly easy to render poor strategic judgment. However, in high velocity environments the "wait and see" and "me too" decision strategies may also result in failure. as competitive positions change and windows of opportunity close. Thus, the

dilemma is best summarized as follows: it is easy to make mistakes by acting too soon, but equally ineffective to delay decision making or to copy others.

Many business organizations have to make innovative and yet practical responses to the complex and uncertain environmental challenges facing their firms. A number of recent research studies have concluded that much of the business community is facing increasingly stringent legislative and regulatory measures, commercial and other stakeholder pressures to raise the environmental sensitive of business practices (Johnson and Scholes, 2003).

External challenges relate mainly to the external entities that the business and technologies interact with. One important challenge is coupled with the more diverse and complex forms of knowledge that the business will require (Lowes et. al., 1994). BPM necessitates the availability of skilful and knowledgeable people who can understand and work with different business processes. There are few people in the market who have the necessary BPM skills, and with the growing development of process-oriented technologies, these people will be in high demand. Adding to this challenge is the case when the knowledge is tacit in nature and cannot be formalized or encoded easily and adequately. Also, the more demand for process automation the more risk associated with the business being shrunk due to a lack of accepting continuously renewed technologies. Another challenge would be related to the globalization demands for extending business boundaries across geographical areas where more customers in different locations have to be satisfied in the same way, despite their cultural backgrounds (Gupta and Goyal, 1989).

The main challenge that affects most business is the degree of competition – how fiercely other businesses compete with the products that another business makes (Aosa 1992). The other factors that can affect the business are: Social – how consumers, households and communities behave and their beliefs. For instance, changes in attitude towards health, or a greater number of pensioners in a population. Legal – the way in which legislation in society affects the business. E.g. changes in employment laws on working hours. Economic – how the economy affects a business in terms of taxation, government spending, general demand, interest rates, exchange rates and European and global economic factors. Political – how changes in government policy might affect the business e.g. a decision to subsidize building new houses in an area could be good for a local brick works. Technological – how the rapid pace of change in production processes and product innovation affect a business. Ethical – what is regarded as morally right or wrong for a business to do (Grant, 1999).

The task environment is the closest environment of the organization and the elements that compose it have a direct influence on the organization. This environment is typically composed of factors such as consumers, competitors, suppliers, labour market, industry, and financial resources (Grant, 1999). It is argued (Draft et al. 1988) that factors in the task environment usually create greater perceived uncertainty and challenges to organizations than factors in the general environment. This is because it is believed that the task environment, which is connected with the short-run, is more volatile than the general environment, which is connected with the long-run.

2.4 Strategic Responses

Pearce and Robinson (2000), say that there is need to adopt strategies that match the challenges presented by the external environment. Reengineering, downsizing, self-management and outsourcing are some of the dominant strategies that were used for restructuring in the 1990's. Ansoff and McDonnell (1990) assert that the management system used by a firm is a determining component of the firm's responsiveness to environment changes because it determines the way that management perceives the environment, diagnoses their impact on the firm, decides what to do and implements the decisions. According to Burnes (1998) the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and manage strategic change successfully is a key competitive strength for a sustainable environment. Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issue, which may have profound impact on the firm.

Strategic responses imply that the entity has the ability to change according to its needs. Flexibility is the ability to adapt to an existing situation. This notion reflects the ability to stay operational in changing conditions, whether those conditions are predictable or not, or completely different from conditions known in advance. Strategic responses are crucial in hypercompetitive environments because, the established paradigms of sustainability of competitive advantage and stability of organizational form have limited applicability.

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After an analysis of the environment the firm may choose any of the generic competitive strategies in response to opportunities. Cost Leadership can be achieved through efficiencies, cost reductions, overhead reductions etc. Differentiation may take the form of design or brand image, technology, quality, durability, after sale services, distribution and market mix etc. Focus strategy involves focusing on a particular buyer, segment, or geographic markets. A firm failing to develop its strategies in any of the three directions is 'stuck in the middle' and suffers from lack of focus, low motivation, blurred corporate culture and conflicting set of organization arrangements (Porter, 1998).

The strategic directions a firm may choose may include market penetration strategy, market development strategy, product development strategy or diversification strategy. This could also be described as horizontal growth, vertical growth, conglomerate growth or internationalization (Ansoff 1990). In deciding on which direction to grow the firm must also determine to what extent it must expand externally and internally. Internal growth involves expanding a firm's internal capabilities such as production, distribution and marketing facilities. External growth may include mergers and take-overs. While a firm may seek to expand its business in one of the various ways it may also choose to rationalize and restructure (Ansoff, 1990).

2.5 Strategic Response to Business External Environment

Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Three areas of a company strategy are important in identifying the responses of a firm to its environmental challenges. These include: Objective setting which involve long term and short term goals; the vision and mission of the company;

Strategic directions which involve what business activities should the company concentrate in and where; Competitive strategy where after considerations of the firm's competitive strengths and weaknesses vis-à-vis competition and customer needs, the company establishes a position of competitive advantage (Lowes et. al., 1994).

As Johnson and Scholes (2003), posited, dealing with the external environment is difficult because of three factors: the first factor is diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may not be of much use because no overall picture emerges of the really important influences on the organization. The second difficulty is the speed of change. Managers typically feel that the pace of technological change and the speed of global communications mean more and faster changes than ever before. Third is the problem of complexity. Managers are no different from other individuals in the way they cope with complexities; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It is important to avoid these tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is serious decline in performance which cannot be reversed and that special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point. The start of response is delayed past the rational trigger point due to four factors; systems delay, verification delay, political delay and unfamiliarity delay (Ansoff and McDonnell, 1990). Systems delay typically occurs in large firms due, in part, to the time consumed in

observing, interpreting, collating and transmitting information to responsible managers. In another part, it due to the time consumed by these managers in communicating with one another and establishing a common understanding as well as the time necessary for processing the decisions among the responsible groups and decision levels. A verification delay may be invoked because some managers will argue that, even though the level of impact has reached unacceptable proportions, there is never an ironclad assurance that the threat is real and that the impact is permanent.

Strategic responses are closely linked to environmental uncertainty. As the external environment becomes more volatile companies need to develop greater flexibility in order to respond to the emerging conditions. According to Harrigan (1985) flexibility is composed of a number of "senses" including "adaptability, agility, corrigibility, elasticity, hedging, liquidity, malleability, plasticity, resilience, robustness, and versatility". He argued that each of these organizational flexibilities would be in response to some form of external environmental uncertainties or pressures. The type of reaction could be "offensive" or "defensive" and he categorized these senses into those categories.

While flexibility is normally considered solely as an adaptive response to environmental uncertainty (Gupta and Goyal, 1989), it is important to realize that a firm may use its strategic responses to proactively re-define market uncertainties and make it the cornerstone of its ability to compete. This is exemplified by Toyota and its actions in global automobile industry in the 1980s and the 1990s. Unfortunately, such proactive behavior in using flexibility is often neglected by researchers (Gupta and Goyal, 1989; Nilson and Nordahl, 1995).

In order to develop strong strategic responses capabilities a firm needs to have the three types of flexibilities: (a) market flexibility, (b) production flexibility, and (c) competitive flexibility (Yip, 1989). Market flexibility deals with organizations' ability to have a high global market share, ability to sell its major products in a large number of international and geographic markets, and have a strong presence in those markets that are the home bases of global competitors. For most organisations, production flexibility arises from spreading its value creation activities in those markets where it has a major market share. An organisation can shift production from one base to another, in order to take advantage of the foreign exchange rate fluctuations and access the best factors of production (Porter, 1990). Similarly, the competitive flexibility of an organisation arises from its ability to coordinate its global competitive moves. This helps the organisation to have a large number of competitive points and a bigger strategic space to build appropriate offensive and defensive moves that may often include counter-parry, cross-subsidization and sequential competitive entries.

Aosa (1992) noted that the action of competitors have a direct impact on a firm's strategy. He further stated that strategy will only make sense if the markets to which it relates are known; and pointed out that the nature of the industry in which the company operates needs to be understood. The structure of an industry and trend in that industry will help the current and future attractiveness of that industry.

Burnes (1998) the concern in real time responses is to minimize the sum to total losses and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which organizations have to operate today means that the ability to think strategically and

manage strategic change successfully is key competitive strength for a sustainable competitive advantage. Real time strategic issue responses are necessary to facilitate the firm's preparedness in handling the impending issue. which may have profound impact on the firm.

2.6 Challenges in Strategic Responses

In implementing strategic responses to the external environment. firms face a number of challenges. key among them limitation of strategic choices. the cost involved and resistance to changes. Although these are far from exhaustive, this study examines these challenges as they are considered to be key.

The strategic choices available to a company are not unlimited: rather, they depend upon the firm's capabilities and its position in the marketplace. Porter (1980) notes that at the broadest level formulating competitive strategy involves the consideration of four key factors that determine the limits of what a company can successfully accomplish. The limiting factors can either be internal or external. The internal limits are the company's overall strengths and weaknesses and the personal values of its leaders. As noted by Porter (1980). the firm's strengths and weaknesses are its profile of assets and skills relative to competitors. including financial resources, technological posture. brand identification. and so on. The external factors limiting the range of a company's strategic decisions are the competitive environment and societal expectations under which it operates. Porter (1980) stated that societal expectations reflect the impact on the company of such things as government policy. social concerns, evolving mores, and many others.

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These factors must be considered before a business can develop a realistic and implementable set of goals and policies.

The cost of implementing strategic responses is the other challenge that firms face as they seek to adapt to factors in their external environment. In choosing a particular strategic response, the firm has to consider the associated cost and whether resources are available for implementation of that particular strategic response. In fact, several researchers have emphasized the relation between resources, capabilities and the strategic options. Kogut and Kulatilaka (2001) defined capabilities as real options which bring future opportunities. Bernardo and Chowdhry (2002) claimed that with the real investment decisions firms learn information about the different types of resources they have, therefore firms should consider this learning process while exercising their strategic options. Pandza et al. (2003) considered real options thinking as an appropriate heuristic for capability development. Kyläheiko and Sandström (2007) developed a framework for managing dynamic capabilities by using strategic options. Maritan and Alessandri (2007) also considered capabilities as real options.

The other challenge is resistance to change by employees of the firm. People resist changes in the strategic direction for several reasons, including the option adopted does not make sense or they do not understand why we are doing this, e.t.c. Another reason for the resistance is the lack of communication, because the strategic options have been adopted without inclusion of employees and are not understood by staff and will be ambiguous. Communications must therefore be in all directions from the top down and from the bottom up. Sherman (2004) notes that strategy revision occurs when the business strategy changes significantly to meet a change in the environment or the

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interpretation of the environment. However, the strategic changes in a strategy revision do not require a significant organizational change, usually because of a flexible structure or slack resources in the existing structure. Mason (2007) further notes that strategy revision in a dynamic environment should be a democratic, bottom-up process and should be organic, self-organizing, adaptive and emergent.

Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Strategic responses implies that the entity as the ability to change according to its needs. Flexibility is the ability to adapt, in a reversible manner, to an existing situation, as opposed to evolution, which is irreversible. After an analysis of the environment the firm may choose any of the generic competitive strategies in response to opportunities.

The strategic directions a firm may choose may include market penetration strategy, market development strategy, Product development strategy or diversification strategy. This could also be described as horizontal growth, vertical growth, conglomerate growth or internationalization. The business environment is very dynamic and keeps on presenting both opportunities and challenges to the organizations that operates in it. One of the primary functions of effective management is to organize and use the available resources in ways which minimize the impact of environmental threats and pressures on the organization. Organizations must adapt to their environments if they are to remain viable.

The business environment has been found to influence modern competitiveness of firms within it; the government can influence and be influenced by the determinants of competitiveness. Strategic responses are concerned with decisions and actions meant to achieve business objectives and purpose. Strategic responses are closely linked to environmental uncertainty. As the external environment becomes more volatile companies need to develop greater flexibility in order to respond to the emerging conditions.

Many businesses are facing the challenge of high velocity environments in their strategic responses. The concept of high velocity environments is used to designate those environments which are characterized by rapid and discontinuous changes in demand, competitors, technology, and/or regulation such that information is often inaccurate, unavailable or obsolete. Two additional characteristics have been underscored in the literature that poses challenges in response to the environment: hostility and heterogeneity. Because of these challenges, strategic decision making is problematic in this kind of environment. Most of the studies cited in this chapter have focused on the strategic response by companies in other sector but the communication sector. Further, most of them are done in developing countries whose strategic approach and financial footing is not similar to that of Kenya. This study therefore seeks to fill the gap in literature by focusing on the case of CCK as a regulator of the communications sector in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher discusses the research design for the study. Further, the researcher discusses the methodology and tools used in gathering and analyzing data, and reporting on the results.

3.2 Research Design

The research design adopted was a case study as the researcher aimed at getting detailed information regarding the strategic responses to external environment implemented by the CCK. According to Yin (2003) a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. Kohati (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study that focuses on depth rather than breadth, and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primary data collected from such a study is more reliable and up to date.

3.3 Data Collection

Both primary and secondary data was used for the study. Primary data refers to facts, assumptions or premises obtained directly from the respondents. Secondary data refers to applied to facts, assumptions and premises contained in various documentary sources.

To obtain data, the study used interview guides which were administered among employees currently employed by the CCK. The reason for adopting this instrument was because it was useful in guiding the discussions between the interviewer and the respondents. The interview guides contained open-ended questions that enabled

collection of qualitative data. The use of an open-interview strategy enabled better exposure of the interviewees' personal perspectives, their deeper thoughts, emotions and ambitions (Bromley, 1986; Paton, 1990). This less structured approach allows the interviews to be much more like conversations than formal events with predetermined response categories, permitting the respondents' views to unfold, rather than the predisposition of the researcher (Marshall and Rossman, 1997, p. 80).

The interview guides were administered on a face-to-face basis. The reason why the study chose to use interviews was because they were particularly useful in getting the story behind a respondent's experiences. Further, it offered an opportunity to pursue in-depth information around the topic as well as follow-up to certain respondents in order to further investigate their responses, (McNamara, 1999).

The respondents were heads of the core/technical departments within CCK. These technical departments whose heads were interviewed included Competition Tariff & Market Analysis (CTMA), Frequency Spectrum Management (FSM), Licensing, Compliance and Standards (LCS), and Consumer Affairs (CA). The study chose to focus on heads of departments since they are known to be involved in the strategy formulation and implementation for their particular departments, and the organization as a whole; hence they were considered to be conversant with all the strategic responses that the regulator employed over the last decade.

Secondary data sources were also used to supplement the primary data received from interviews. The secondary data used was qualitative in nature and was collected from already documented materials such as the past CCK strategic plans, reports (including

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Quarterly Sector Statistics Report, the CCK annual reports and relevant reports from various forums held by the CCK) and journals.

3.4 Data Analysis

The study used content analysis for data analysis. After the interview guides were completed, they were edited for completeness and checked for consistency before processing the responses. Content analysis was employed in analyzing the respondents' views about strategic responses to external environment implemented by the CCK the using the perspective of Marshall and Rossman (1997), who described qualitative data analysis as "a search for general statements among categories of data". The data gleaned from the interviews was then combined with the data gathered from secondary sources for a more robust analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis and interpretations of the data from the field. It further presents the findings of the study as set out in the research methodology on the strategic responses to external environment implemented by the CCK. The data was gathered using an interview guide as the key research instrument. The interview guide was designed in line with the objectives of the study. To enhance data quality of data obtained, open-ended questions were used whereby interviewees indicated their views and opinions about the strategic responses to external environment implemented by the CCK.

4.2 General information about respondents

The interviewees for this study were drawn from various core departments in the CCK namely the Competition Tariff & Market Analysis (CTMA), Frequency Spectrum Management (FSM), Licensing, Compliance & Standards (LCS), and Consumer Affairs (CA) departments. Those interviewed were heads of departments and held positions such as Directors and Assistant Directors. Majority of the respondents indicated that they had worked in the organization for a period of at least 5 years, while others had worked in the CCK for a period of 3-4 years. Only a small portion of the respondents had worked in the organization for 1-2 years. This implies that the respondents of this study had worked in the organization for enough duration of time and therefore were well versed with the organization and the issues sought by the study.

The study sought to investigate the respondents' level of education with an aim of establishing their ability to respond to the questions in this study. According to the findings, majority of the respondents are holders of an undergraduate level of education, a small proportion of the respondents held a diploma level of education, while an even smaller portion of the respondents were certificate holders. None of the respondents held secondary of primary certificate as his/her highest level of education. This shows that most of the employees have at least a certificate level of education and therefore understood the issues sought by this study.

4.3 External Environment Forces and Challenges

The study sought to investigate the general nature of the external environment within which the CCK operates. All the respondents indicated that the general external environment is highly dynamic and influenced by the technological advancements applied by the communication operators in their businesses, as well as the changing nature of demands by consumers of communications services.

On the challenges that the CCK faces from the political and legal factors in its external environment, the respondents cited the lagging behind of legislation, regulations and policies compared to the technological advancement in the communications sector. This has impeded the ability of CCK to enforce its mandate as the regulator of the communications sector. Further, due to the fact that CCK is a government institution, it has been affected by the changes in leadership at the policy making level (ministers and permanent secretaries for the ministry of information and communication) which has affected continuity in policy implementation. In addition, the perceived lack of

impartiality has affected its ability to effectively implement its mandate. Additionally, respondents cited the liberalization of the communications sector, which has experienced stiff competition among operators (especially in the telecommunications sub-sector) as posing a challenge to CCK, as it had to re-orient its role in the sector, and play a role of a 'facilitator' in addition to its regulatory role.

Further, the respondents of this study were required to indicate the challenges that the CCK faces from the economic factors in its external environment. The respondents indicated that CCK faces challenges of being able to match the demands from both operators and consumers of the communications services due to rapid uptake of these services resulting from the vibrant economy. In particular, the respondents commented that the internal structure of the CCK is not able to keep up with the changing nature of demands that have resulted from the uptake of communications services due to expansion of the economic activities within its operating environment. Further, enforcement of policies and regulations concerning calling rates, services and products has not been as effective as intended. The recent global economic crisis has also affected the ability of the CCK to obtain funds for investment into various projects.

The study sought to investigate the social-cultural challenges that the CCK face in its external environment. The findings of this study show that the rise in poverty levels in the society has hampered the ability of the CCK to implement its universal access strategy. As a result some of the sections of the population have been marginalised and are therefore either un-served or under-served. Further, the age of a section of the population (the older generation) has been a barrier to the uptake of communications services thus hindering the realisation of the universal access strategy. The gradual decay in the moral

fibre of the Kenyan society has further led to increased cases of cyber and other communication-related crimes, which the CCK has to combat in collaboration with law enforcement authorities.

From the interviews, majority of the respondents cited the rapid technological advancement as a challenge, as the legislation has been unable to keep up. Further, the technological advancement has led to convergence of information technology with telecommunication and financial services, which poses further regulatory challenges, with the regulator being required to stay a step ahead of the operators. In addition, technological changes have caused increased e-waste that has led to the degradation of the environment. The interviewees further cited poor technological infrastructure in the communications sector as a challenge to the CCKs objective of facilitating communications services.

The study also sought to investigate the challenges that the CCK has faced in implementation of its strategic responses. The respondents cited challenges such as lack of strategic leadership, high turnover at the policy making level, inadequacy in legislation, as well as political interference as come of the challenges to its implementation of the strategic responses.

4.4 Strategic Responses

The study sought to investigate the strategies that the CCK has implemented in responding to the technological, political and legal, economic and socio-cultural challenges. The study revealed that the CCK has so far developed two strategic plans, the first covering the period 2005 to 2008, while the second covers the period 2008 to 2013.

Both strategic plans document the strategies that the CCK has either adopted or plans to adopt in order to counter the challenges posed by the external environment. In particular, the priorities of the strategic plan for the 2008 – 2013 period are: robust regulatory framework, managing competition, consumer information/education and protection, upholding the public interest and building the capacity of CCK to respond to emerging challenges.

To counter the challenges posed by the political and regulatory environment, the respondents indicated that the CCK engaged in lobbying stakeholders for the enactment of new legislation that will enable it to effectively implement its mandate. This has been demonstrated by the enactment and operationalization of the Kenya Communications (Amendment) Act of 2009, which expanded CCKs mandate to include broadcasting and electronic transactions services. The new legislation came into effect on 2nd January 2009, following assent by the president on 30th December 2008. The new legislation has therefore enabled the regulator to effectively regulate these services as the legislation provides the broad framework within which the CCK can formulate regulatory policies. The regulations formulated have enabled the CCK to rein in on the operators and protect the interests of the consumers of communications services, in line with its mandate, while at the same time facilitating competition within the sector.

To respond to challenges posed by economic and technological factors, respondents indicated that the CCK has streamlined its internal systems and processes, including an on-going reorganization process that will enable it to better respond to the demands resulting from advancement in technology and economic expansion. In particular, the CCK has attained ISO 9001 – 2000 certification in quality management systems. Further,

the CCK is responding to the dynamism of the operating environment by ensuring flexibility in the implementation of its current strategic plan. and evolving the strategy in accordance to the changes in the environment.

The respondents further indicated that the CCK is engaged in strategic human resource management by hiring qualified staff. investing in the up-skilling of staff and improving staff working conditions. in order to motivate its workforce to respond to the challenges resulting from operating in a highly dynamic external environment. The CCK is also investing in infrastructural development in the country, with a view to facilitating communications services in order to ensure that the un-served and under-served access communications services. This was cited by the respondents as a way of responding to the challenges posed by the socio-cultural factors. Lastly. the respondents indicated that the CCK has enhanced its visibility and engaged in consumer information and protection. as way of responding to the challenges faced in consumer protection. due to the stiff competition in the communications sector.

The interviewees of this study were requested to indicate whether these strategies had been successful in responding to the external environment. Majority of the interviewees indicated that the responses have been successful to some extent citing that this has been through involvement of staff from all cadres in implementation as well as participation of the stakeholders in policy review, as well as collaborating with other government and private organizations.

Further the respondents were requested to indicate the method that the CCK has used to communicate the strategic responses it has implemented. The respondents indicated that

the CCK communicated its strategic responses in its strategic plan documents, the service charter, the CCK website as well as top leadership affirmation of the new strategic direction. The CCK has circulated its service charter which documents the highlight of its strategy and its commitment to various stakeholders.

The study sought to investigate the value of adoption of the response strategies to external environmental factors to the CCK. The respondents unanimously indicated that adoption of strategic responses was valuable to the CCK. They explained that the strategic responses have facilitated the efficiency of the CCK in regulating the communications sector, which is viewed as a critical sector in the Kenyan economy. In particular, the respondents indicated that the lobbying of stakeholders facilitated the enactment of the relevant legislation, which has provided the regulator with a framework within which to operate.

4.5 Discussion of results

The objectives of this study were to identify the external environmental challenges faced by the CCK and to determine the nature of strategic responses, if any, implemented by the CCK to deal with the challenges. Data analysis and interpretation of responses from the CCK management revealed that the CCK has faced a number of challenges emanating from the external environment as discussed above, and has implemented a number of strategic responses to deal with those challenges.

These findings are congruent with the expectations of the researcher, that the CCK has had to respond to the external environment. Further, the findings are in agreement with the views of various scholars in strategic theory, notably Johnson and Scholes (2002),

Hamel and Prahalad (1990) and Porter (1980) who all agree that for organizations to remain successful they must assess and respond to the external environment within which they operate. In addition, the findings are in agreement with the empirical literature in this area of study, notably Mohamed (2007), Mulema (2004), Muturi (2003) and Wairimu (2008) who found that the organizations that their respective studies focused on responded to the external environment in different ways. In particular, the findings of the study that the external environment within which CCK operates is dynamic are in agreement with the findings of these other studies that dynamic environment calls for rapid response as well as flexibility in implementation of strategy.

However, most of the literature has tended to focus predominantly on strategic responses aimed at responding to competitive forces. As such, the strategic responses were primarily competitive in nature or aimed at maximizing returns. The subject of this study was a government-based regulator; hence the strategic responses that it has implemented are not primarily competitive. Rather, the strategic responses implemented by the CCK were aimed at enhancing its effectiveness in discharging its mandate as a regulator in the communications sector, and the profitability motive was not a consideration.

The implications of these findings are that government-based regulators must respond to the external environment within which they operate in order to remain effective and efficient in their respective roles. Further, the findings imply that all the external environmental factors including political, legal, economic, socio-cultural and technological factors are relevant to government-based regulators, as they are to profit making organizations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings from Chapter Four, and also gives the conclusion and recommendations of the study based on the defined objectives. The objectives of this study were to identify the external environmental challenges faced by the CCK, and to determine the nature of strategic responses, if any, that have been implemented by the CCK to deal with the challenges.

5.2 Summary of the findings

The interviewees whose responses form the body of the finding of this study indicated that they worked in the core departments within CCK. The interviewees were mainly heads of departments or assistant heads of departments who have worked in the organization for a period of at least 5 years; others have worked in the CCK for a period of 3-4 years, while a small portion of the respondents have worked in the organization for 1-2 years. This implies that the respondents of this study have worked in the organization for enough duration of time and thus were well versed with the organization and the issues sought by the study. The respondents' level of education further indicates that they understood the issues sought by this study.

The respondents indicated that the general external environment within which CCK operates is highly dynamic and largely influenced by technological advancement in the communications sector. Further, the respondents indicated that the CCK has faced a number of challenges emanating from the political, economic, socio-cultural and

technological factors within the environment it operates. Challenges from the political environment include the inadequacy of the legislative framework which has tended to lag behind technological advancement, as well as lack of continuity at the policy making level as a result of CCK's affiliation to the Government, and specifically the Ministry of Information. The respondents cited challenges from the economic environment as largely being the inability of the regulator to keep up with the demands that result from the expansion in the economy, with the resultant application of new technology in the communications sector. With regard to challenges from the socio-cultural environment, the respondents mentioned the burgeoning cases of cyber and communications related crimes which result from decay in the moral fibre of the society, as well as the inability of the CCK to realise its universal access strategy due to the rise in the poverty levels in some sections of the society. On the technological front, the respondents cited the quantum leaps made in the application of technology within the communications sector, and the challenge of the regulator to stay a step ahead of the operators that it is required to regulate. Some of the other challenges cited by the respondents include the limitations to the technological infrastructure, and the liberalization of the communications sector which spawned stiff competition among the operators and brought to light the challenge of consumer protection.

To address the challenges enumerated above, the study found that CCK implemented a number of strategic responses, ranging from lobbying of stakeholders to formulate the necessary legal framework, to streamlining of internal processes, to ensuring flexibility in the implementation of its strategy in order to address emerging challenges, as well as adoption of strategic management of human resources in order to motivate its workforce

to respond to a highly dynamic operating environment. Most of the respondents felt that the strategic responses adopted were appropriate, and have been implemented with a measure of success. In particular, respondents cited that this has been made possible through involvement of staff from all cadres, participation of the stakeholders, setting proper policies, reviewing the firm's mission and vision as well as collaborating with other government and private organizations.

Regarding the challenges that the CCK faced in implementation of its strategic responses, the study found that CCK has suffered from political interference, which has affected the perception of its impartiality in regulation of the sector. Further, the legislative framework has for a long time not been enabling, although the recently assented Kenya Communications (Amendment) Act of 2009 now provides the necessary legislative framework for proper policy formulation.

The study found that that the CCK communicates its strategic responses through its vision and mission statements, as well as involvement of the entire staff in implementation. CCK also undertakes continuous review of the progress made in implementation of its strategy in order to take the necessary corrective action, and gives feedback on short term gains made in order to further motivate its workforce. Respondents were unanimous in their view that adoption of strategic responses has been valuable to the CCK. They explained that it is necessary to continuously scan the environment in order to respond to emerging challenges.

5.3 Conclusion

The study concluded that the general nature of the external environment within which the CCK operates is highly dynamic and constantly changing, in response to the technological advancements being experienced in the sector. Further, the study concluded that CCK faces challenges of ensuring that the legislative framework does not lag behind the advancement in technology. In addition, the study concluded that the CCK faces challenges in its ability to enforce its mandate as a regulators and facilitator of the communications sector due to changing nature of demands spawned by the dynamism of the external operating environment.

The study also concluded that the strategic responses adopted by the CCK in response to the challenges posed by the technological, political and legal, economic and socio-cultural factors are appropriate as they have enabled the regulator to overcome those challenges. In addition, the study concluded that it is necessary for the CCK to maintain flexibility in the implementation of its strategic plan, in view of the dynamism of the external operating environment within which it operates.

The study further concluded that for implementation of strategic responses to be successful, there is need for wide consultation among stakeholders as well as constant evaluation of the implementation progress. Finally, the study concluded involvement of staff from all cadres and participation of the stakeholders has enable CCK to successfully implement the strategic response cited in the study.

5.4 Recommendations

This study recommends that the CCK should constantly scan its environment to ensure that it responds to the emerging demands and challenges. This is in view of the dynamic nature of its external operating environment and the technological advancements that are currently being experienced in the communications sector. In addition, the CCK should ensure that it maintains flexibility in the implementation of its current strategic plan, in order to be able to respond to the changes and demands that will emerge as the communications sector evolves.

The study further recommends that CCK should continue monitoring the progress made in the implementation of the strategic responses adopted, in order to ensure that the momentum is maintained, and any necessary corrective action is taken in good time. Further, in order to be able to stay a step ahead of the operators whom the CCK regulates, the CCK must continuously invest in its workforce through training and capacity building programs, and borrowing from global best practices.

Further, in view of the changing demands from the communications sector, the CCK may need to further evolve and re-orientate its role, in order to play less of a regulatory role, and more of a facilitator role, as the sector becomes more self-regulating. This is based on evidence from other sectors which are becoming increasingly self-regulating, spawning the need for reorientation of the traditional role of the regulator.

5.5 Limitations of the study

There were limitations imposed on the study due to time and budgetary constraints. The major limitation is that only CCK staff were interviewed during the study, whereas it

would also be important to obtain the perspective of the other players in the communications sector especially organizations that are regulated by the CCK as well as a section of the general pubic that consumes communication services. However, this does not degrade the quality of the study to a large extent because the individuals interviewed were best placed to understand the strategic responses implemented by the CCK.

The other limitation of the study is that the staff interviewed were drawn from the management level, whereas staff in other levels would also have input in terms of the strategic responses implemented by the CCK. However, this does not degrade the quality of the study to a large extent, because the selection of the staff to be interviewed was based on the consideration that managers' views represents the views of those in the non-management levels.

Finally, this was a case study focusing on one government-based regulator, and the generalization of the findings to other similar regulators is limited. In order for the findings of the study to be considered as representative of the other government-based regulators such as the Capital Markets Authority (CMA), the Central Bank of Kenya (CBK) and the Insurance Regulatory Authority (IRA), similar studies need to be carried out targeting these regulators.

5.4 Recommendations for Further Research

This study explored the strategic responses to external environment implemented by the CCK. A similar study should be carried out to target another government-based regulator, in order to compare the similarity of the challenges faced by regulators due to the external environments, and the strategic responses adopted.

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APPENDIX I: INTERVIEW GUIDE

STRATEGIC RESPONSES TO EXTERNAL ENVIRONMENT BY THE COMMUNICATIONS COMMISSION OF KENYA

SECTION A: DEMOGRAPHIC QUESTIONS

1. Department that you are based ....

2. Position held in the organization ....

3. When did you join the organization (Year)? ....

4. What is your education level? ....

5. How many employees are there in your department? ....

SECTION B: EXTERNAL ENVIRONMENT FORCES AND CHALLENGES

6. In your opinion, how would you describe the general external environment within which the CCK operates?

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7. What challenges does the CCK face from the political and legal factors in its external environment?

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8. What challenges does the CCK face from the economic factors in its external environment?

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9. What challenges does the CCK face from the social-cultural factors in its external environment?

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10. What challenges does the CCK face from the technological factors in its external environment?

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11. What other challenges does the CCK face emanating from its external environment?

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SECTION C: STRATEGIC RESPONSES

12. To respond the above factors and challenges, what strategies has the CCK implemented?

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13. Have these strategies been successful? Briefly explain.

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14. Which strategies have been most effective in response to the external factors?

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15. What challenges has the CCK faced in implementation of these strategic responses?

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16. Which method has the CCK used to communicate the strategic responses it has

implemented?

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17. In your own opinion, is adoption of the response strategies to external environmental

factors of any value to the firm? Briefly explain.

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*Thank you for taking time to answer the interview questions; your views and opinions are
highly valued.*