

**EFFECT OF E-COMMERCE STRATEGY ON SATELLITE
OPTIONS AND SOLUTIONS LIMITED IN KENYA**

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DECLARATION

This research project is my original work and has not been submitted for examination to any university.

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

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DEDICATION

This Research Project is lovingly dedicated to my respective parents who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

ABSTRACT

Most organizations around the globe now depend on electronic commerce to a very significant degree. Electronic commerce therefore provides new channels for the global marketing of tangible goods and presents opportunities to create new businesses providing information and other knowledge-based intangible products. Although most EC is currently at the inter-corporate and inter-organizational level, services targeted at individual customers are evolving rapidly. The purpose of this study was to establish the effect of e-commerce strategy on Satellite Options and Solutions Limited. The study sought to achieve two objectives: to establish the extent to which the company had adopted e-commerce and to determine the effect of e-commerce on Satellite Options and Solutions Limited. The study adopted a case study research design and data was collected through an interview guide from 10 senior managers of the company. The findings indicate that the company uses electronic procurement to advertise its tenders and to finalize on all the transactions related to their procurement needs. It was also clear from the study that Satellite Options and Solutions Limited uses e-commerce in making electronic payments for any information technology equipment that it purchases. The customers also get to learn about the products of the company through advertisements over the internet and most of the transactions with the customers are mainly electronic

The adoption of e-commerce strategy by Satellite Options and Solutions Limited has had a number of effects on its business operations. The first effect is the enhancement of the market share and customer base; the reduction of costs of doing business as well as an increase in the revenue of the company.

The study recommends that it will be important for the company to pursue other avenues of increasing its revenues through e-commerce strategy. The other recommendation is that it will also be prudent for the management to explore more ways through which e-commerce can lead to further reduction in operating costs in order to increase the revenue of the company.

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ABBREVIATIONS AND ACRONYMS

| | |
|-------|--|
| ATM: | Automated Teller Machines |
| B2B: | Business to Business |
| B2C: | Business to Customer |
| B2G: | Business to Government |
| BPR: | Business Process Re-engineering |
| CCK: | Communication Commission of Kenya |
| EC: | Electronic Commerce |
| EDI: | Electronic Data Interchange |
| EFT: | Electronic Funds Transfer |
| G2B: | Government to Business |
| GDP: | Gross Domestic Product |
| GoK: | Government of Kenya |
| ICT: | Information Communication Technology |
| ISP: | Internet Service Provider |
| KCA: | Kenya Communications Act |
| MTP: | Medium-Term Plans |
| NCS: | National Communications Secretariat |
| OECD: | Organization of Economic Cooperation and Development |
| U.S: | United States |
| VOIP: | Voice over Internet Protocol |
| VSAT: | Very Small Aperture Technology |
| WAP: | Wireless Application Protocol |

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The internet is one of the most significant electronic mediums that have management to bring enormous transformations in many business organizations. This has been made possible because of the potential the internet has as a strategy that enables organizations to gain drastic reduction on actual transaction costs and the time it takes to process various transactions in an organization (Archer and Yuan, 2000). The internet also ensures that information about products and other relevant information is available online and globally and can be accessed by interested parties. The availability of internet has therefore made it possible for most businesses to introduce a form of business referred to as electronic commerce which is a strategy that has turned out not only as an effective means of reducing operational cost but also a high potential means of generating revenue for business organizations. The ubiquity of the web and the availability of browsers across different platforms provide a common base upon which electronic commerce applications can be built more especially at the enterprise level (Archer and Yuan, 2000).

Most organizations around the globe now depend on electronic commerce to a very significant degree. Electronic commerce therefore provides new channels for the global marketing of tangible goods and presents opportunities to create new businesses providing information and other knowledge-based intangible products. Although most EC is currently at the inter-corporate and inter-organizational level, services targeted at individual customers are evolving rapidly. The Internet is the most obvious example of this and is a major catalyst in the diffusion of EC, helping to foster a common

environment for electronic transactions of all kinds. EC encompasses all forms of interactive business transactions, which are facilitated by networks of computers OECD (1997).

It is evident that electronic commerce is expanding because of the greater number of businesses and individuals who are able to use these networks and the growing number of ways in which businesses can conduct transactions electronically with other organizations and directly with consumers (Gunasekaran et al., 2002). Satellite Options and Solutions limited has leveraged on e-commerce to be able to source for its products and also to reach its clients who are spread all over the East Africa region.

1.1.1 The Concept of strategy

There are several definitions of strategy that exist today. However this study will adopt the definition given by Mintzberg (2001) who defines strategy as a plan, consciously intended course of action or a set of guidelines aimed at assisting one to deal with a situation. This definition reveals that strategy has two main characteristics. The first characteristic is that strategies are usually developed in advance or early before the plans they are meant for while the second revealed characteristic is that strategies are a product of consciousness and purposefulness. The concept of strategy had its early application in the military environment where it was used to draft the tactics that were used to defeat an enemy in war. However, in modern day organizations strategy is used in almost every aspect of the organization to be able to achieve corporate objectives.

A strategy is important to both public and private institutions since it tries to link an organization with the current situation and its expected future position. A strategy enables

organizations to respond to changes in the operating environment that occur due to the dynamic nature of business environment. A strategy also assists organizations to find a structured way of allocating the resources that are available to them. There are a number of resources that are available to organizations such as monies, people, technologies and activities that must be carefully management to enable an organization to achieve its objectives (Young, 2002).

1.1.2 E-commerce Strategy

According to Wakid, Barkley and Skall (1999), the phrase electronic commerce refers to that process where business entities or individuals engage in electronic means of conducting business with the sole aim of satisfying organizational or individual objectives. Another definition of electronic commerce is given by Kalakota and Whinston (1997) who view the concept from four different perspectives. The first perspective of e-commerce is the communication perspective where they consider e-commerce as the deliverer of information, products, services or payments over telephone lines, computer networks or any other electronic means. The second perspective of e-commerce is the business process perspective where they define the same as the application of technology towards the automation of business transactions and work flows. There is a third perspective which is the service perspective which views e-commerce as a tool that addresses the desire of firms, consumers and management to cut service costs while improving the quality of goods and increasing the speed of service delivery and the last perspective according to Kalakota and Whinston (1997) is the online perspective where

they define e-commerce as a process that enables individuals and firms to buy and sell products and relay information on the Internet.

Gunasekaran et al., (2002) indicate that e-commerce is not a standalone technology but rather a combination of a range of separate technologies and practices that are now available to improve the effectiveness of trading relationships. The most basic and important technologies that make e-commerce a reality at the application level are the telephone, fax, Electronic Data Interchange (EDI) which involves computer to computer exchange of business documents without human intervention, electronic mail (Email) which is the relaying of computer created and computer stored messages via a telecommunications network, electronic funds transfer (EFT) and the Internet more specifically the Web. Gunasekaran et al., (2002) further asserts that in the modern business environment, there is evidence that the volume of business that is realized through business-to-business electronic commerce is far much business-to-consumer electronic commerce. The global economy largely depends on the electronic commerce platform and most firms operating in the global economy may have few choices other than embracing electronic commerce if they intend to remain competitive and enhance their revenues. The reason why firms need to embrace the e-commerce concept is due to its potential to contribute to economic efficiency through shrinking distances and timescale, lowering distribution and transaction costs, speeding product development, providing more information to buyers and sellers and enlarging customer choice and supplier reach

1.1.3 ICT Industry in Kenya

The Information Communications Technology sector in Kenya is perhaps one of the fastest growing in Africa. The ICT sector in Kenya has had a number of firsts such as the introduction of mobile money transfer via Safaricom's M-pesa which is among the first mobile money transfer platforms in the globe. The Kenya ICT activities are addressed under various pieces of legislation. One such legislation is the Kenya Communications Act of 1998; the other is the Science and Technology Act, Cap. 250 of 1977; and the Kenya Broadcasting Corporation Act of 1988. The national ICT policy (The Kenya Gazette, 2006) recognizes that these Acts are inadequate in dealing with issues of convergence, electronic commerce and e-Government. It thus also recognizes the need for a comprehensive policy, legal and regulatory framework in order to provide the required support in ICT development, investment and application, promote competition in the industry where appropriate, address issues of privacy, e-security, ICT legislation, cyber crimes, ethical and moral conduct, copyrights, intellectual property rights and piracy.

It is evident that the most important document regarding ICT legislation and regulation in Kenya is the Kenya Communications Act 1998 (KCA 1998). The KCA 1998, which repealed the Kenya Posts and Telecommunications Act, provides the current framework for regulating the communications sector in Kenya. The Act unbundled Kenya Post and Telecommunication into five separate entities including Telkom, the fixed line operator; the Postal Corporation of Kenya (Posta); the Communications Commission of Kenya (CCK) as the sector regulator; and the National Communications Secretariat (NCS) to

advise the government on the adoption of a communication policy. It also created an Appeals Tribunal for the purposes of arbitration in cases where disputes arise between parties under the KCA 1998.

In the year 2008 The Kenya Communications Amendment Bill, 2008, which was to amend the Kenya Communications Act, 1998, and address some of the challenges cited in the national ICT policy document, was passed by parliament and the President signed it into law in January 2009. One of the key sections is Part VII of the bill on electronic transactions (e-transactions). This is the part that first recognized the legality of electronic records; recognizes electronic messages as valid for the formation of contracts; and supports the use of electronic records and electronic signatures in government and its agencies in Kenya. The new Act also deals with various aspects of ICT and cyber-crimes in the country.

Inclusion of e-transactions in the Kenya Communications (Amendment) Act, 2009, is a great step in the right direction. By including e-transactions in the converged Act, the government of recognizes the technology convergence that has occurred in the digital world. While this convergence is a reality that has been recognized globally, most of the countries Kenya may be competing with; in the BPO industry for example, have stand-alone laws that regulate e-transactions. A stand-alone law has sufficient detail to address all the areas of e-transactions. The practice in other countries has been to create separate e-transaction legislation. Examples include South Africa's Electronic Communication and Transactions Act, 2002; India's Information Technology Act, 2002, amended in

2006; Egypt's e-Signature Law No. 15/2004; Philippines Electronic Commerce Act 8792, 2000; and the Singapore Electronic Transactions Act, 2001.

The current national ICT policy is the first for the country and was published through a special issue of the Kenya Government Gazette (GOK, 2006). The vision in this policy is of a prosperous ICT driven Kenyan society. The mission provides for the improvement of the livelihoods of Kenyans by ensuring the availability of accessible, efficient, reliable and affordable ICT services. Most recent development that have been made by the government include the laying of the fibre optic cable that was made possible by the undersea fibre bandwidth (GOK, 2008a) and this will go a long way in align the ICT sector to global changes. This has not been done.

The Kenya Vision 2030 represents the blueprint for the country's development up to year 2030 (GOK, 2008a). The vision aims to make Kenya a middle income economy with a high quality of life by the year 2030. The vision has three pillars, namely the economic pillar, the social pillar and the political pillar. The overall objective of the Kenya Vision 2030 is to realize higher and sustainable economic growth in a more equitable environment, accompanied by increased employment opportunities. The Vision is to be implemented in five successive Medium-Term Plans (MTPs) under the Ministry of Information and Communications, the first of which runs from 2008 to 2012 (GOK, 2008b). The vision of the ICT sector MTP is to make Kenya information and knowledge based society. The mission of the ICT sector is to provide information and communication based solutions and ensures the availability of efficient, reliable and affordable information communication services in the entire country. The overall industry

goal of the ICT industry is to facilitate provision of equitable and affordable quality information and communication services countrywide. Towards this end the government has come up with a very ambitious plan of developing a modern Technology city at Konza in Machakos County. The main aim of developing Konza city is to make Kenya a leading ICT hub not only in the region but in Africa (GOK, 2011).

1.1.4 Satellite Options and Solutions Ltd.

Satellite Options and Solutions Ltd is a Kenyan ICT company that has significant interests in the telecommunication sector ranging from Installation of satellite communication systems, Internet connectivity, and wireless systems installations to Information Technology. Satellite Options and Solutions was formed in Kenya in the year 1997 to pursue opportunities in the Eastern and Central African Very Small Aperture Technology (VSAT) market, with a particular focus on value added solutions. Since the year 1997 the company has witnessed enormous growth and has managed to build a wide customer base in the eastern and central African region (Satellite Options and Solutions Limited, 2013).

In the year 2007, encouraged by the potential of the deregulation of the Telecommunication market opportunities in Kenya, Satellite Options and Solutions Ltd decided to pursue a more aggressive expansion strategy, by incorporating an Internet Service Provider (ISP) business Sayari Online. This has opened up new opportunities for Satellite Solutions to offer complete turnkey solutions to its customers. Satellite Options and Solutions have already made and continue to make significant investments in growing the business and its networks throughout the eastern and central Africa region. Satellite

Options and Solutions activities are focused in the government and private sectors providing custom solutions as per each sector needs. Variety of solutions provided covers most of clients' requirements. Satellite Options and Solutions' customer base includes Kenya, Uganda, Somalia, Tanzania, Sudan, Kazakhstan, Palestine, Dubai, Eritrea, Ethiopia and the great lakes regions (Satellite Options and Solutions Limited, 2013).

Satellite Options and Solutions limited offers a variety of products to its customers such as sales and installation of VSAT systems for data, video and voice transmission with experience in i-Direct, Hughes, Linksat, Codan and Advantech transceivers as well as Comtech, Gilat, and Radyne Comstream modems; provision of satellite broadband internet access; wireless internet access; dedicated leased line; low cost VOIP telephony among others. The company sources some of the equipment from outside the country and makes use of e-commerce frequently. It also does business with a number of clients through e-commerce platform (Satellite Options, 2013).

1.2 Research Problem

The electronic commerce strategy has totally transformed the way organizations conduct business transactions. The strategy has enabled most enterprises to sell their products outside their local boundaries thus encouraging globalization and internationalization of business. With the help of e-commerce companies are now able to source and pay for products and services from other countries within a very short time and low cost. Ecommerce has also enabled most companies to reduce the cost of doing business since it has eliminated the need of foreign direct investment in some aspects of international business. Electronic commerce is therefore a strategy that has the potential to enhance the

sales and revenues of an organization since it provides the platform for accessing a wider market.

Kenya is one of the countries with a robust electronic commerce sector that has partly been made possible by enactment of various pieces of legislation that recognize legality of e-transactions. Satellite Options and Solutions Limited is one of the local companies that are engaged in various electronic commerce transactions in both the procurement and marketing of its products. E-commerce has a number of effects to organizations. Studies carried out confirm that e-commerce has profound effects on various organizations. Gunasekaran et al., (2002) carried out a study on the e-commerce and its impact on operations management. The study findings reveal that e-commerce offers the possibility of breakthrough changes such as radically altering customer expectations that redefine the market or create entirely new markets. Another study was also conducted by OECD (1999) on the economic and social impact of e-commerce. It was established that the largest effects of e-commerce may be associated not with many of the impacts that command the most attention such as customized products, the elimination of middlemen but rather with less visible, but potentially more pervasive, effects on routine business activities like ordering office supplies, paying bills, and estimating demand. Some studies have also been conducted locally on e-commerce. For example Nyaanga (2013) carried out an investigation on the effects of e-commerce adoption on business process management in commercial banks in Kenya. The findings revealed that most banks have embraced use of e commerce and focused their businesses in collaborating with business partners and this has improved the image of the banks besides profit making. Equally Kinyanjui and McCormick (2002) surveyed e-commerce in the garment industry in

Kenya. It was found out that all except one of these firms in the garment industry were found to be selling their products in external markets and all but two were sourcing inputs from outside Kenya.

Despite the studies that have been carried out, there is no evidence of studies involving e-commerce among firms that are in the ICT industry in Kenya. The ICT industry in Kenya has made several important strides and cannot therefore be ignored. This study sought to fill this gap by establishing the effect of e-commerce on Satellite Options and Solutions Limited. Therefore the study sought to answer two important questions: To what extent has Satellite Options and Solutions Limited adopted e-commerce? And what is the effect of e-commerce on Satellite Options and Solutions Limited.

1.3 Research Objectives

This study sought to meet two objectives:

- i. Establish the extent to which Satellite Options and Solutions Limited has adopted e-commerce strategy
- ii. Determine the effect of e-commerce strategy on Satellite Options and Solutions Limited

1.4 Value of the Study

The findings of this study will assist those in the academic realm to get relevant literature on the effect of e-commerce strategy on the information technology industry in Kenya. They will be able to understand how e-commerce adoption is of great significance to

Kenya ICT firms. It will also be a good contribution towards confirming the assumption that e-commerce has profound effects on organizations.

The findings of this study will assist Satellite Options and Solutions Limited to understand the potential benefits of e-commerce strategy. The company will be able to benchmark for best practice through the literature that will reveal e-commerce adoption in other companies. Policy makers from the company will therefore be able to come up with appropriate ICT policies that can support e-commerce strategy.

The government of Kenya will also benefit from the findings of this study in a number of ways. For instance the government seeks to develop ICT infrastructure in order to achieve vision 2030. The findings will inform the government on e-commerce strategy potential and benefits. This will assist the government in coming up with legislation that will assist in the development of e-commerce in the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the studies that have been conducted on e-commerce. The issues that are featured include an overview of e-commerce and the effects of e-commerce on organizations. There is also a summary of the chapter as well as a statement that outlines the existing research gap that prompts the need for this study.

2.2 Theoretical Foundations

This study will be based on the Resource Based Theory of strategic planning. The theory posits that organizations depend on resources as the primary point of the strategic planning process. Birger (1984) asserts that most products require the services of several resources and most resources can be used in several products. Caves (1980) defines organizational resources as both tangible and intangible assets that an organization has such as brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures and capital. The resource based theory therefore suggests that the resources available to an organization can determine the level of returns the organization can be able to achieve.

The resource based theory indicates that an organization can identify attractive resources to enable it to identify classes of resources for which resource position barriers can be built up. These barriers are often self-reproducing; that is a firm which at a given time, finds itself in some sense ahead of others may use these barriers to cement that lead (Birger, 1984). It is the properties of the resources and their mode of acquisition which

allow this to be done. In this study, Ecommerce is taken as a resource that can be utilized by an organization in gaining competitive advantage and profitability. This is done by maintaining technological leads such as e-commerce implementation to assist in business.

2.3 E-commerce

The World Bank (2000) indicates that electronic commerce is a commercial activity dealing directly with the trading of goods and services and with other related business activities, in which the electronic communication medium plays a central role. These activities include the communication of information, the management of payment, the negotiating and trading of financial instruments, and the management of transport. Electronic commerce therefore is an inter-play of physical, human and societal resources. It operates within the constraints of these three resources while, at the same time, influencing and moulding them. These three resources have much in common.

The development of e-commerce can be attributed to the need to create institutions that are knowledge and information reliant. Globalization is therefore the most important economic, political and cultural phenomenon of the modern business environment (Micklethwait and Wooldridge 2000). According to Castells (2000a) globalization is a social change process that is characterized by the globalization of markets, a shift towards an economy based on knowledge and information, and the growing importance of technology in everyday life. The advent of network organizations provided some of the practices supporting Business to Business (B2B) electronic commerce, such as supply chain management, just-in-time sourcing, lean production, and inter-organizational information systems. Network organizations are now common both within and across

national borders. Together with trade, capital and investment flow, and migration, network organizations represent one of the defining features of globalization.

According to Mirescu and Maiorescu (2010) electronic commerce was present before the Internet breakthrough. Electronic commerce existed in the form of credit cards, Automated Teller Machines (ATM) machines or telephone banking way back in the 1980s. The advent of the internet made e-commerce more successful than it was before. In the contemporary business environment, developments in the mobile phone technology has even made e-commerce to advance to another level of Mobile commerce (M-commerce) using smart phones and other equipment together with other instruments of electronic commerce to conduct business online. Mirescu and Maiorescu (2010) further asserts that adapting of worldwide companies to the technological realities forced them to take into account an attempt to enter the online market, virtually re-drawing and transforming the entire economic process that hadn't experienced any major mutations prior to the trigger of this phenomenon. If by the time of the e-commerce acknowledgement some companies have neglected the aspect and importance of technology, now these companies have adapted to the new requirements of management and production. There have appeared new approaches to advertising or marketing strategies. At the same time, a fierce fight sparked out and the companies became more interested to attract clients, since the number of their potential customers has increased significantly.

Electronic commerce can exist in several models depending on the key players involved. The name of any of the models is usually drawn from the participants in that form of

electronic commerce. Despite the existence of many models, the most prominent of all the models are the business-to-business and business-to-consumer models. The names are clear as to who are the main players involved in the economic process and the purpose each one of them serves in the process. The Business-to-business (B2B) is currently perceived as the most important segment of e-commerce, representing transactions of goods and services between companies in order to obtain the final economic assets. The main components of this concept are e-infrastructure and e-markets, or websites that function as virtual meeting places where buyers interact with the bidders. The purpose of B2B finds utility it is in the transactions geared towards the consumer. The other model of e-commerce is Business-to-consumer (B2C) that is based on the mechanisms geared towards satisfying the consumers' needs through trade between producers and buyers. There is also another model of e-commerce called Business-to-government and government-to-business (B2G/G2B) and it represents the ways in which commercial transactions take place between companies and public sector.

2.4 Effect of E-commerce

Heng (2003) indicates that there are a number of ways through which e-commerce can affect organizations. Electronic markets affect the consumer purchase process in two ways major. The first involves the digitization of market mechanisms, reducing customers' search costs in terms of money, time, and effort needed to gather information on price, quality, and product features. The second involves the digitization of information products and their distribution (Turban et al. 2000). The essence of these two effects is the need to increase returns and minimize the costs incurred by the business to

produce various goods and services and also eliminate the need of inventory that must be physically shipped to the consumer. The climax of success in the electronic commerce will be more pronounced when a large number of people recognize and adopt electronic means of settling business payments (Turban et al, 2000).

Electronic commerce also plays a very significant role in ensuring that labour and capital resources are released and channeled into the production of other goods and services. This increases the quantity of products in the market and due to the forces of demand and supply. As a result, the prices of the products will experience a downward trend. The internet has also assisted in the reduction of transaction costs that have challenged companies for a long time. For instance Wallis and North (1986) measured the size of transaction costs that go through the market in the U.S. economy, such as costs associated with banking, insurance, finance, wholesale, and retail trade; or in terms of occupation, such as lawyers and accountants. Their study revealed that more than 45 percent of national income was devoted to transactions. The importance of transaction activities to American business applies to global business too. Modern international business exhibits a high degree of diversification in its production, production processes, and markets. There is need therefore to bring down transaction costs through e-commerce.

Goldman (2000) also asserts that electronic commerce has the potential to increase the Gross Domestic Product (GDP) of a number of economies because of the increased level of transactions. It is already clear that in the United States, Australia, Denmark and Norway, changes in the growth rates of labour productivity are related to significant technological changes (OECD 2000a). In one view, e-commerce facilitates more efficient

stock management, leading to lower inventories as a ratio of sales and thereby modifying the stock building pattern. Since the late 1980s, inventories relative to sales fell sharply all over American manufacturing. According to the U.S. Department of Commerce (2000) this change in the levels of inventory enabled many American companies to cut down inventory costs to a tune of \$10 billion a year. The downside is that without the buffer or reservoir role of stock, any downturn is transmitted more quickly through the whole system.

The global population provides a wider market open to electronic commerce platform. This market has the potential to stimulate and satisfy an increasingly widespread demand, thereby encouraging expansion in industry and foreign trade among many companies around the globe Peet (2000). E-commerce is also likely to scale down the number of players or firms to a small number of giants, probably led by those best able to solve the fulfillment problem. This view applies well to companies competing with traditional retailers. But another possibility is just as significant: an opportunity for companies whose competitive edge is specialization. The global reach of the internet means that the local neighborhood is not defined by physical geography but by specialty. The internet therefore becomes the marketplace for goods that can be ordered delivered over the network. This provides a great opportunity to companies which cannot possibly survive in a major city since they can do a brisk business serving a world market. E-commerce therefore provides opportunities for many smaller competitors providing special interest news and services. Where new businesses depend upon the postal services for fulfillment, the delivery cost is relatively high. The challenge is to develop the market and expand

sales. As the volume of such business grows, fulfillment specialists and other services would arise to support them, reducing the delivery costs (Peet, 2000).

Micklethwait and Wooldridge (2000) argue that business to business e-commerce provides organizations with enormous opportunities that can enable them thrive in business. However, this can only be realized if worldwide trade information is available to the organizations to enable them improve their global sourcing, procurement, supply chain visibility, order commitment, transportation management, and collaboration capabilities. Electronic commerce presents a 24-hour availability of services globally since customers can be able to view products online any time. It therefore translates into a skewed advantage for global firms. It has the potential of improving the competitiveness of global firms and giving customers greater convenience and flexibility in terms of choice and price. One common strategy to achieve global reach is through merger and acquisition. This strategy, however, may not be the preferred path of the more agile and successful corporations, given the high rates of debacles in cross border merger and acquisition.

The competitive advantage that is achieved through electronic commerce involves integrating supply chain activities at a lower cost than competitors. Increased competition drives business firms to look for cost reduction and efficiency in co-ordination and integration of the supply chain. Isolated business activities such as marketing, material procurement and stock management, manufacturing, and distribution are reorganized to function in tandem. Kalakota and Whinston (1997) assert that e-commerce can be very instrumental in maximizing the efficiency of online procurement as well as assisting

companies to tie together their inventory control systems with web-based exchanges. It will also enable organizations to link online sales to order entry systems and customer relationship management. Therefore the availability of e-commerce provides a wider perspective and of integration among several firms along a supply chain.

Electronic commerce has led to the development of new business models that are challenging the logic and assumptions of traditional models. This implies that Businesses acting as intermediaries between supply and demand of business to business (B2B) markets are more likely to exit the market if they do align their strategies to the technological advancements. Therefore, one of the most important challenges facing organizations in the age of electronic commerce is the development of new business strategies and models. New environments present opportunities for some and threats for others. Indeed, inability to outgrow the dominant, outdated business design and thinking is often what leads to business failure (Kalakota and Robinson 2001). Companies are now facing much more pressure than ever before to function in a state of more or less constant transformation. The top management of organizations must always be on the lookout for better and current ways of earning revenues by leveraging on technology.

The main enabler of electronic commerce is information technology (IT). There is no way e-commerce can succeed without IT. This is an implication that information technology will continue to receive greater interest as more and more companies become interested in electronic commerce. This implies that e-commerce is likely to have a greater impact on IT related businesses than any other industry (Pan et al, 2000). There is little doubt that growth in this area will continue as more organizations become involved,

establishing. Most corporate organizations especially in the developed countries where internet access is higher have been completely transformed by the internet (Micklethwait and Wooldridge, 2000). The new business environment ushered in by EC also stimulates businesses to engage in areas hitherto alien to them. With the advent of Wireless Application Protocol (WAP) technology, mobile phones can provide customers with direct access to the Internet. Mobile online shoppers would use their WAP phones to make purchases without a credit card.

Internet-based e-commerce has several advantages to both organizations and individual customers since it is based on a global network accessible to all, easy to use, inexpensive and capable of communicating product information to potential customers in almost all countries worldwide (Barjis & Chong 2000). However, more openness is needed to narrow the gap separating supply and demand. The open strategy of many of the most successful e-commerce ventures led to a shift in the role of customers, who are increasingly involved as partners in product design. The market setting is now completely being transformed into a web of demand and supply. Data capturing experiences and results of using products can be collected and processed to correct flaws in the design, production, and transport stages, a sort of learning by using. Producers can also make use of e-commerce platform to get vital feedback from the consumers on ways to improve their products.

2.5 Summary of Literature

From the extant literature that has been reviewed, it is clear that electronic commerce has completely transformed the way organizations conduct business transactions. Most

organizations have shunned the traditional processes that led to high transactional costs and have adopted electronic based business transactions that have the potential to reduce cost of transactions. However, most of the studies are based on experiences from developed countries where internet access is higher than in developing countries. A number of businesses from developing countries are fast adopting e-commerce. This is likely to affect the way they do business and the revenue they earn from business. This is the reason why this study is important so as to establish the effect of e-commerce on Satellite Options and Solutions Limited.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents a discussion on the methodology that was used to carry out the study on the effect of e-commerce on Satellite Options and Solutions Limited. Therefore, this is discussion on the research design that was applicable in this study, the data collected and the instruments applied in collecting the same as well as the data analysis techniques that were employed in this study.

3.2 Research design

The study adopted a case study design in examining the cross cultural differences and their influence on internationalization of firms with a specific focus on Satellite Options and Solutions Limited. A case study research design is a qualitative analysis that involves a careful and complete observation of a particular individual or element in a population. This is an element or individual can represent a person, family or institution (Kothari, 1990). This was therefore a case study of Satellite Options and Solutions Limited which is a local IT company that specializes in installation of V-SAT technology. A Case study research design was appropriate since it enabled the researcher to carry out an in-depth investigation on the effect of e-commerce.

3.3 Data collection

The study used both primary and secondary data. The primary data was collected directly from the respondents who involved 10 senior managers of Satellite Options and Solutions Limited. The data was collected using an interview guide since it required detailed

explanations. Interviewing is a way to collect data as well as to gain knowledge from individuals. Kvale (1996) regarded interviews as an interchange of views between two or more people on a topic of mutual interest, sees the centrality of human interaction for knowledge production, and emphasizes the social impact of research data. Secondary data was obtained from other sources such as published and non-published company documents.

3.4 Data analysis

The researcher collected qualitative data. The researcher subjected the qualitative data to content analysis and drew inferences from the data. According to Kothari (2004) content analysis entails the analysis of the contents of documentary and verbal material and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. Before embarking on content analysis, the researcher assessed the written material's quality to ensure that the available material accurately represents what is written or said. The researcher then listed and summarized the major issues contained in the interview guide responses. This enabled him to structure the data in a way that can make it possible to analyze and interpret it. The researcher was also careful not to distort the original views of the respondents during the data analysis process.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The aim of this study was to establish the effect of e-commerce strategy on Satellite Options and Solutions Limited. The study had two objectives to achieve: establish the extent to which Satellite Options and Solutions Limited have adopted e-commerce strategy and to determine the effect of e-commerce strategy on Satellite Options and Solutions Limited. Data was successfully collected from ten senior managers of Satellite Options and Solutions Limited. This is an indication of 100% response rate on data collection. Due to this favourable response rate, the results can reflect the true position of the effect of ecommerce strategy on Satellite Options and Solutions Limited.

4.2 Extent of Ecommerce Strategy Adoption

The findings from the study revealed that Satellite Options and Solutions Limited is a company that engages in the provision of information communication technology solutions to a number of customers both in Kenya and within the region. The company engages in installation of satellites that enable organizations to access internet faster. The respondents indicated that the company imports most of the equipment that is used in the installation of the information technology systems to the clients. The need to import the equipment necessitated that the company has to participate in global competitive sourcing. This made it necessary for the company to resort to e-commerce alternatives since it offers the company better options of sourcing for the required equipment. It was also evident that the need to speed up the process of procuring these equipments made it necessary for the company to prefer electronic commerce to other methods of doing

business. By adopting e-commerce the company has been able to serve its customers efficiently and effectively.

The respondents indicated that there are a variety of products the company procures from outside the country. The study revealed that the main products the company imports are satellite equipment since this is the core business of the company. The company also imports computer equipment since it is engaged in installation of internet equipment to its customers. The respondents revealed that the company also imports some software or computer programmes that can assist their customers to access internet conveniently. The study also confirmed that the company is also exploring the possibilities of expanding its business operations in order to include a wide variety of information technology products such as internet pads and other hand held devices that can be able to assist users access internet more conveniently.

It was evident from the study findings that the company makes use of electronic commerce in handling a number of transactions as far as the procurement of various items is concerned. E-commerce was found to be relevant in the advertising the tenders for the equipment to be procured by the company. The respondents also confirmed that e-commerce enables the company to identify the vendors who have the appropriate equipment they require. Through e-commerce the company is able to make appropriate enquiries on various equipments and also initiate transactions that lead to the purchase of the equipment in question. The study also confirmed that e-commerce makes it possible for the company to make quick electronic payments and this makes it possible to reduce the time it takes for the company to complete its business transactions.

The findings also confirm that electronic payments are very essential when the company is dealing with vendors who are based in overseas countries or outside Kenya. Whenever the company purchases equipment from such vendors, it becomes necessary to utilize electronic payment systems for faster and efficient payment that can facilitate quick delivery and shipping of the products to the country. The company also accepts electronic payments from its customers who prefer paying using this system. The respondents confirmed that electronic payments are relatively safe to use when they are dealing with international business partners or suppliers since it drastically reduces the cost of the whole transaction. It was also clear that the company adopts electronic payments in almost 80% of the transactions they carry out.

The researcher was also interested in establishing how customers get to know the various products that are sold by Satellite Options and Solutions Limited. The findings confirm that the company has various ways of ensuring that its products are made available to customers. One of the most popular ways through which customers get to know the company's products is through advertisements that are posted in other websites. The company advertises the products and services they offer in some specific websites that provide customers with contacts and physical location of the company. The company also lists itself in some other advertisement media such as the Yellow pages under those companies dealing in information technology issues. The respondents also indicated that Satellite Options and Solutions Limited attend fairs and exhibitions where they provide demonstrations on the various products they offer to customers. The company has also developed a website that provides comprehensive information on the products and services that are offered by them.

The respondents confirmed that the internet has been a very significant tool in marketing of its products to customers. It was revealed that other than enabling the company to advertise its products, the internet has provided the company with a wide market that is beyond Kenya. The internet has also made it possible for the company to respond to customer queries and complaints faster and in a convenient manner. The study revealed that the internet has made it possible for the company to provide important details about its products and services. It also makes it possible for the company to provide visual images of the various products that are available to customers. It was therefore clear from the findings that the internet has made it possible for the company to provide necessary information about their products and services in the cheapest way possible.

4.3 Effect of e-commerce on Satellite Options and Solutions Limited

The study sought to establish how e-commerce strategy has affected the sales of Satellite Options and Solutions Limited. The findings reveal that electronic commerce has totally transformed the way Satellite Options and Solutions Limited conducts its sales. The respondents confirmed that most of their sales originate from internet based intelligence that is available to its customers. It was confirmed that the company has actually experienced growth in its total revenues over a number of years due to the adoption of e-commerce strategy. It is equally clear from the study that electronic commerce has made it possible for the company to increase its market share since it enables the company to access the entire global market at minimal costs. The sales of the company have been growing over time due to increased market share that has been made possible by the adoption of the e-commerce strategy. The findings confirm that if the sales for the

duration when the company had not adopted e-commerce are compared with those after the adoption, there is a very clear distinction because the current sales volume is much higher than before.

It was established from the study that e-commerce is very important in developing the company's customer base. Before the adoption of the e-commerce strategy by Satellite Options and Solutions Limited, the company mainly operated in Kenya. Most of the company's products were sold locally because there seemed to be a geographical barrier that could not allow the company to expand its customer base to other countries in a cost-effective manner. It was revealed that after the adoption of the e-commerce strategy, it has been possible for the company to expand its customer base to other countries. Currently the company serves several customers from many countries within East and Central Africa. E-commerce has also made it possible for the company to get referrals from other customers thus greatly improving its customer base and network. The respondents were also certain that e-commerce strategy has a great potential of widening the company's customer base in the future.

It is evident from the study that the adoption of the e-commerce strategy by Satellite Options and Solutions Limited has enabled it to make substantial improvements on its revenue. The respondents indicate that before the adoption of e-commerce strategy, the revenues of the company were very minimal and could hardly enable the company to earn any significant profits. However, the adoption of e-commerce strategy totally reversed the trend and the company started to experience a total transformation on its revenues. It was revealed that e-commerce has made it possible for the company to

experience an upward trend on its revenues over some period of time. The enhanced revenue earnings have enabled the company to get the required funds to serve its widening customer base that spans across East and Central Africa. A part from the expanded customer base, the company has also managed to enhance its revenue due to drastic reduction in cost of operations and business transactions by adopting the e-commerce strategy.

The study sought to establish how the e-commerce strategy has affected the efficiency and effectiveness of Satellite Options and Solutions Limited. It was revealed that electronic commerce has actually played a major role in ensuring that there is a high degree of efficiency and effectiveness in the operations of the company. For instance, the respondents confirmed that e-commerce has made it possible for the company to procure items within a very short time and this has drastically reduced the lead-time and enhanced delivery of the procured products. It was also evident that the company has managed to attend to customer queries and complaints within a very short duration through the use of e-commerce. E-commerce has also made it possible for the company to avoid wrong and irregular shipments since customers are able to view the products online and make appropriate and informed decisions before finally opting for particular transactions. The E-commerce strategy has also enabled the company to reduce the time it takes to provide the required products and services to its customers as well as the response time for any after sales services that are required by the customers.

It is also clear from the study findings that Satellite Options and Solutions Limited does not have any limitations on the market that they can serve with the use of e-commerce.

The respondents indicated that e-commerce places the entire global market before Satellite Options and Solutions Limited and that they can serve any market as long as there is e-commerce. For instance, the study revealed that absence of the e-commerce strategy limited the operations of the company to Kenya alone. However once the e-commerce strategy was adopted, it provided the company with more opportunities and market openings that span the entire globe. Currently, the company has been able to capture the East and Central Africa markets and there are all indications that further expansion to other markets is inevitable. The respondents therefore indicate that the fact that the company now operates within East and Central Africa, does not in any way limit it from venturing into other markets around the globe.

The researcher also sought to find out the specific cost savings Satellite Options and Solutions Limited has been able to make through the adoption of e-commerce strategy. The respondents cited a number of costs the company has been able to minimize or completely eliminate due to adoption of the ecommerce strategy. One such type of cost is the cost of making remittances or payments for the products that are procured. The use of electronic payments has made it possible for the company to incur lower costs of sending remittances in order to pay for the products they purchase from outside the country. It has also enabled Satellite Options and Solutions Limited to reduce costs related to tendering since everything can be done online and within a very short time. The costs of ordering for various equipments have also been drastically reduced and actually maintained at almost negligible limits.

It was finally established that despite all the advantages and benefits that Satellite Options and Solutions Limited has gained from adopting e-commerce strategy, there are a number of risks the company has to grapple with in order to continue to efficiently and effectively using the system in conducting its business operations. The respondents indicated that internet hacking is one of the most serious risks that provide the company with challenges in its e-commerce activities. Hacking is likely to expose the confidential information of the company and that of the customer to unscrupulous individuals who may use it to bring huge losses to the company. The company has to continually update its security information in order to ensure that this does not happen. The study revealed that the company also finds it difficult to establish the authenticity of some vendors who can be accessed through e-commerce. There are several vendors who provide cheaper equipment but it becomes almost impossible to confirm whether they are genuine vendors or imposters who are out to defraud customers. This makes it difficult for the company to source from lowest vendors and has to continue sourcing from already established business networks.

4.4 Discussion of Findings

It was revealed that Satellite options and solutions limited makes use of electronic commerce in handling a number of transactions as far as the procurement of various items is concerned. E-commerce was also found to be relevant in the advertising the tenders for the equipment to be procured by the company. The study further revealed that e-commerce enables the company to identify the vendors who have the appropriate equipment they require. Through e-commerce the company is able to make appropriate enquiries on various equipments and also initiate transactions that lead to the purchase of

the equipment in question. This position is also supported by Micklethwait and Wooldridge (2000) who argue that e-commerce provides organizations with enormous opportunities that can enable them thrive in business. However, this can only be realized if worldwide trade information is available to the organizations to enable them improve their global sourcing, procurement, supply chain visibility, order commitment, transportation management, and collaboration capabilities.

The study confirms that e-commerce is very important in developing the company's customer base. Before the adoption of the e-commerce strategy by Satellite Options and Solutions Limited, the company mainly operated in Kenya. It was revealed that after the adoption of adoption of the e-commerce strategy, it has been possible for the company to expand its customer base to other countries. Currently the company serves several customers from many countries within East and Central Africa. Ecommerce has also made it possible for the company to get referrals from other customers thus greatly improving its customer base and network. These findings are in line with Peet (2000) who asserts that e-commerce has the potential to stimulate and satisfy an increasingly widespread demand, thereby encouraging expansion in industry and foreign trade among many companies around the globe.

The study established that electronic commerce plays a major role in ensuring that there is a high degree of efficiency and effectiveness in the operations of the company. For instance, the study revealed that e-commerce has made it possible for the company to procure items within a very short time and this has drastically reduced the lead-time and enhanced delivery of the procured products. It was also evident that the company has

managed to attend to customer queries and complaints within a very short duration through the use of e-commerce. The findings agree with Turban et al. (2000) who indicates that the essence of e-commerce is the need to increase returns and minimize the costs incurred by the business to produce various goods and services and also eliminate the need of inventory that must be physically shipped to the consumer.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The aim of this study was to establish the effect of e-commerce strategy on Satellite Options and Solutions Limited. The study sought to answer two important questions: To what extent has Satellite Options and Solutions Limited adopted the e-commerce strategy and what is the effect of e-commerce strategy on the company's business operations. This chapter presents the summary of the findings from the study; the conclusions made from the study; the recommendations made and the limitations that are applicable to the study.

5.2 Summary of Findings

The study revealed that Satellite Options and Solutions Limited has adopted e-commerce in various aspects of its business operations. The first such area where e-commerce has been adopted is in procurement of the equipment that is required by the company. It was confirmed that the company uses electronic procurement to advertise its tenders and to finalize on all the transactions related to their procurement needs. It was also clear from the study that Satellite Options and Solutions Limited uses e-commerce in making electronic payments for any information technology equipment that it purchases. The customers also get to learn about the products of the company through advertisements over the internet and most of the transactions with the customers are mainly electronic transactions.

The findings confirm that the effect of e-commerce on Satellite Options and Solutions Limited cannot be underestimated. For instance e-commerce has enabled the company to enlarge its market share. Initially the company served Kenya alone but the adoption of the e-commerce strategy has enabled it to move to the East and Central Africa region. The customer base of the company has equally been enhanced by adoption of the e-commerce strategy. It was also established that the revenue of the company has registered an upward trend since the adoption of the e-commerce strategy. This is mainly because of the expanded market share and customer base due to the adoption of electronic commerce strategy. The study revealed that a number of costs such as ordering costs; payment costs and tendering costs are some of the costs that the company has been able to minimize due to its adoption of electronic commerce. It was also clear that electronic commerce has a number risks that it poses to the company. One such a risk is hacking which poses a threat to confidentiality of the company's information as well as that of the customers. Identifying genuine vendors in the internet is also a major huddle for the company since there are several imposters who are out to defraud customers.

5.3 Conclusions

Satellite Options and Solutions Limited is a company that mainly offers information technology solutions to customers through the installation of satellites and also engages in selling of computers. The company sources for a number of equipment for its business from outside the country and e-commerce has been very significant in identifying vendors for these equipments. E-commerce has also made it possible for the company to make electronic payments for its products. The company also utilizes e-commerce to

make customers aware of its products. This is mainly done through advertisements in specific websites.

The adoption of e-commerce strategy by Satellite Options and Solutions Limited has had a number of effects on its business operations. The first effect is the enhancement of the market share and customer base; the reduction of costs of doing business as well as an increase in the revenue of the company. E-commerce has also opened more opportunities for the company in form of the global market.

5.4 Recommendations

The study has revealed that e-commerce has the potential of increasing the revenue of Satellite Options and Solutions Limited. It will be important for the company to pursue other avenues of increasing its revenues through e-commerce strategy.

It is also clear from the study that e-commerce has enabled the company to reduce costs. It will also be prudent for the management to explore more ways through which e-commerce can lead to further reduction in operating costs in order to increase the revenue of the company.

5.5 Limitations of the Study

This study involves a case study of Satellite Options and Solutions Limited. The findings of the study are therefore applicable to the company and may not be directly applicable to other companies.

These findings may only be limited to e-commerce adoption and not all the other aspects of information technology. Due time and because of innovations in technology, the findings may be obsolete and irrelevant hence less significant to the company.

5.6 Suggestions for Further Research

This study is not an end to itself. Similar studies can be conducted in order to come up with more information on the adoption of e-commerce strategy in organizations. For instance this study can be replicated after five years in order to establish the position as at that time. This is important because innovations in information technology are more rapid and changes are likely to take place within short periods of time.

A comparative study or even a survey can be conducted in order to establish whether the findings can apply to an entire industry. This will assist in generalizing the findings on a given industry on the adoption of e-commerce.

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APPENDICES

Appendix I: Interview Guide

Section A: Extent of e-commerce strategy adoption

- i. Kindly provide a brief background of e-commerce strategy application in the company
- ii. What products does the company procure from outside the country?
- iii. How relevant is e-procurement in procuring these items?
- iv. Under what circumstances does the company make electronic payments?
- v. How do customers get to know and view your products?
- vi. How is the internet relevant in marketing the company products?

Section B: Effect of e-commerce on Satellite Options and Solutions Limited

- i. How have your sales changed with the use of e-commerce strategy?
- ii. How can you relate your customer base and e-commerce strategy adoption?
- iii. Does e-commerce strategy have any effect on the company revenue?
- iv. How is the efficiency and effectiveness of the company affected by e-commerce strategy?
- v. What risks are prevalent from e-commerce strategy adoption?
- vi. Which markets are you able to serve using e-commerce strategy?
- vii. What cost savings has the company realized from using e-commerce strategy?

Appendix II: Introduction Letter



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DATE 8/10/2013

TO WHOM IT MAY CONCERN

The bearer of this letter GEORFFREY ONDERI DENGA

Registration No. DE161618/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS