RESPONSE STRATEGIES ADOPTED BY MOBILE PHONE COMPANIES IN KENYA TO CHANGES IN THE TELECOMMUNICATION INDUSTRY

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DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

Signature …………………………………….. Date ……………………….

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D61/70728/2007

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

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DEDICATION

I dedicate this project to my twin sister Patricia Elung'ata, my other sisters Beatrice, Julia and the late Rhoda Elung'ata. To my brothers Bernard and Geoffrey Elung'ata, my dear mom Jeridah Elung'ata for their continued encouragement and support. God bless you all abundantly.

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I also thank all the respondents who participated in completing the questionnaires and have contributed in making this work a success.

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ABSTRACT

The business environment has become extremely competitive and complex. Organizations must be flexible in order to adapt to changes, to compete effectively and thus prosper and grow. A good corporate strategy should therefore integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. This is because one of the challenges facing business entities is choosing and implementing a good response strategy. It therefore means that effective response strategies are a major determinant of the organizational performance and therefore the leadership of the organization should consider it a key duty to set. The objective of the study was to determine the response strategies adopted by mobile phone companies in Kenya to changes in the telecommunication industry. The research design adopted by the study was cross sectional survey design. The population of the study consisted of all the four mobile phone companies operating in Kenya. The study used primary data which was collected using self-administered questionnaires. The data was analyzed using the Statistical Package for Social Sciences (SPSS) software and presented using tables and figures. The study established that the there are changes that have taken place n the telecommunication industry and these changes included technological, customer preference, decrease in the interconnectivity charges, changes in socio-cultural dynamics, tax regime changes, financial regulations, increased cost of network infrastructure and consumer protection laws. The companies responded to the changes through information technology, marketing, change management, leadership and culture and restructuring. The response by the companies resulted in development of new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces, improve productivity and reduce costs, communicating with its clients and staff, responding to competition pressures without delays, nurturing key themes or dominant values that reinforce the competitive advantages, and shaping the culture to fit with opportunities and challenges. In conclusion, an effective response by an organization to competition is founded on continuous response by the organization to the changing environment and the adopted strategies should be multifaceted to include both internal and external factors to the organization. The study though successful had some limitations such as suspicion on the part of the respondents. Despite this the research found that an organization should implement appropriate process of identifying and harnessing strategies in order to face the challenges from the uncertain business environment. Constant monitoring of the industry is essential to avoid surprises. Further, as part of the organization strategy, assessment of competitors should form an important exercise and the targets set should bear in mind the capacity of the organization to achieve the targets with the available structures.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A response strategy has become an important instrument for dealing with the challenges arising from the environmental changes coming from the business environment. In the business world, a response strategy represents an organizational capability of making due response to the variation of the external environment factors (Waddok and Isabela, 2009). Ansoff, (1987) says that strategy is an elusive and somewhat abstract concept. The definition of strategy by Johnson and Scholes (2002) as “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 to meet the needs of markets and fulfill stakeholder expectation”, offers a more complete version. As demonstrated in a number of studies, external environment factors such as competition situation and market size are key success factors. Therefore, it is imperative that one of the key agendas of the top management team of an organization should be to identify and adopt effective response strategies in order to survive in different competitive situation (Kunhui, Shen and Tan, 2009).

Theories of strategic response demonstrate that strategies create a competitive edge for a firm. While this strategic response might be necessary for optimal strategic use, they are not sufficient conditions. Elliott, Huffman and Makar (2003), argue that, given these strategies, a firm's ultimate decision to use a strategy also depends on the level of its competitors who are also operating in the same business environment. The influence that the environment has on a firm's strategy is supported by the environmental determinism theory as fronted by Pfeffer and Salancik (2002). The theory argues that organizations strategies and plans are determined by the environmental context the firm operates in and therefore the environment will be the primary mechanism of explaining the reaction of a firm. Macro-economic forces such as the political, economic, social and technological will influence the performance of a firm and can therefore be looked at as threats or opportunities. Such forces cannot be influenced by a firm at the individual level and hence any strategy developed will have to consider the effects that these forces will have.

The need to come up with business strategies has also affected the telecommunication industry. Currently there are four mobile phone companies in Kenya; Safaricom, Airtel, Orange (Formerly Telkom Kenya) and YU. According to industry experts, in June 1999, Kenya had 15000 mobile phone subscribers. By the end of 2007, there were more than 13 million subscribers. The telecommunication industry like any other environment continues to transform with changes such as new taxation laws, innovative products and services, political shifts, stabilities and instabilities among others. The need to retain the largest market share in the midst of much competition has driven much of the strategic thinking adopted by these companies. Morgan (1988) equates this type of business management to surfing in a turbulent sea and asserts that like surfers, managers and their organizations have to ride on a sea of change that can twist and turn with all the power of the ocean.

1.1.1 Concept of Strategy

An organizational strategy is a multi-dimensional concept and various authors have defined strategy in different ways. Linn (2007) depicted strategy as the match between an organization’s resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2001). Porter (2005) on his part describes competitive strategy as the search for a favorable competitive position in an industry. According to Porter (2005), competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors.

Strategy development is a multi- dimensional process involving a lot of rational analysis and intuition. It presents a challenge to management whose actions are watched by a multitude of positions. It involves choosing among alternate business directions. Managers face an ever present entrepreneurial challenge in keeping the organization’s strategy fresh responding to changing conditions, an steering the organization into the right business activities at the right time (Mintzberg, 1987). A strategy therefore represents a managerial game plan for running an organization. It nearly always comprises of a blend of prior moves an organization has employed, approaches already in place and new actions being mapped out. Simply put, strategy is a reaction to what is happening in the organization’s environment. Aosa (1992) noted that industries are responding to customer demand by becoming more innovative in their ways of approaching their changed environment.

1.1.2 Response Strategies

According to Pearce and Robinson (2007) strategic responses are a set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm’s objectives. In order to effectively achieve the firm’s objectives, these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment. Firms largely are open systems where there is continuous interaction and interfaces with the external environment. Strategic responses are the strategies that firms take and largely triggered by continuous changes in the external environment. Johnson and Scholes (2002) defined strategy as the direction and scope of an organization over the long term which achieves advantage for the organization over the long term through its configuration of resources within a changing environment to meet the needs of the markets and fulfill stakeholders expectations.

Timely response is critical to avoid adverse effects or missed opportunities. Costs of none response could be lost accumulative profits and cost of reversing the loss. Strategic response may include development of new products, new markets, new process, new services, and new strategies for attaching the market, restructuring, marketing, information technology, leadership and culture change (Wang, 2004). Firms need strategy to sustain and grow profitability, revenues, market share and most importantly-acceptance. A response strategy is concerned with how a company competes in a particular business and gains a competitive advantage through a distinctive way of competing (Gale and Luo, 2004). Hence, competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. A response strategy helps to search for a favorable competitive position in an industry which will lead to the establishment of a profitable and sustainable position against the forces that determine industry competition. The ability of a company to capture the opportunity that an industry gives depends on its core competency (Lai et al., 2004).

1.1.3 Telecommunication Industry in Kenya

Telecommunication is communication at a distance by use of technological means. Early technologies included use of smoke signals, signal flags, heliographs, telegraph, radio telephone among others. The telecommunication industry in Kenya has grown tremendously. In the past years communication in Kenya encompassed use of messengers, smoke signals, postal services to a recent rise of satellite phones, desk phones, and mobile phones. For purposes of effectiveness, this study will limit itself to the mobile phone industry.

The mobile phone industry in Kenya has grown over the years beginning at a few thousand subscribers in the 90's to millions of subscribers currently. The types of mobile phone services available have also changed drastically. There are currently four main players in this industry in Kenya; these include Safaricom, Airtel, Yu, Orange/ Telkom Kenya. Licensing of these operators has seen the government make good of its promise to Kenyans to grow this sector. The overall government objective for this industry is on course as the industry optimizes its contribution to the development of the Kenyan economy, through ensuring availability of efficient, reliable and affordable communication services throughout the country.

1.1.4 Mobile Phone Companies in Kenya

The mobile phone industry in Kenya was transformed by the enactment of the Kenya communications act in 1998. As a result the communications commission of Kenya was established in February 1999. Its function is to license and regulate telecommunications, radio communication and postal services in Kenya. The industry has experienced an extensive growth in the number of subscribers as well as geographic expansion of cellular mobile services in the country (cck.go.ke). Since inception, mobile penetration in Kenya has grown dramatically and stood at 78% as at 31st March 2013 (CCK quarterly sector statistical report January-March 2012). Much of the growth has come from the expansion of a single company Safaricom, which began as part of the state owned telecommunications monopoly Telkom Kenya but was partially privatized in 1997 and became a public company in 2002 (World Development indicators. The World Bank Group, 2009). Kenya had over 30 million subscribers as at 31st December 2013, with Safaricom enjoying 66.5% market share, followed by Airtel Networks Kenya Limited's 17.6%, while Telkom Kenya, under the brand name Orange, and who formerly gained entry into the market with CDMA technology, but later adopted the GSM technology due to changing technology and market demand, share stood at 7.1%. Econet Wireless, formerly owner of the brand name Yu, and who was the last GSM entrant stood at 8.8% market share. Yu now operates under the umbrella of Essar Group (CCK report, September-December 2013).

The Mobile Network Operators have developed new products and services and changed the lives of Kenyans and the rest of the world in leaps and bounds. At some point opportunities were lost through inefficiencies and sheer malpractices and neglect. For instance in 1999 Telkom Kenya Limited had a subscriber base of only 260,000 out of a population of 28,000,000 (a penetration rate of 1%). Mobile telephony has improved the face of communication and changed the basic role of mere communication to include making contacts, interaction and exchange of ideas, mobile banking, mobile money transfer, which have opened up opportunities for previously unbanked Kenyan and internet access among other forms of transmission of business and social information and services.

Kenya's mobile market has changed significantly over the last few years with the entry of the third and fourth Mobile Network Operators (MNOs), Yu and Orange. MNOs' networks coverage now stands at 96%, and intense price competition has seen prices fall by over 70% in the last four years, leading to a significant increase in usage levels in the recent past. The competition in the sector has resulted in Safaricom and Airtel buying out yuMobile in a deal which will see Safaricom buy Essar-owned yuMobile infrastructure and retain about 130 employees in the technical department while Airtel acquires the 2.7 million subscribers by taking over the mobile number prefix, thus allowing the customers to migrate to its network without having to change their identities.

The changes in the telecommunication industry such as decreased interconnectivity rates, portability of numbers across the networks, change in customer taste, increased regulation, and technological changes have necessitated the need for the firms to develop appropriate strategies. It is imperative that the firms develop appropriate strategies in order to maintain and grow their market share through development of appropriate products and at the same time add new features to the existing products to make them attractive to the target market. These strategies might include, but not limited to, information and communication technology, marketing strategy, leadership and culture change as well as restructuring of the organizations operations in line to the changing market demands.

1.2 Research Problem

An accepted position among researchers as well as business executives is that external factors such as competition situation and market size are key success factors in the communication industry (Fu et al., 2005). Therefore it is a key function among the top leadership of a business unit to come up with appropriate strategies to capture opportunities presenting itself in the market and at the same time limit any threats present in the market. A good corporate strategy should therefore integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities (Shen et al., 2004). This is because one of the challenges facing business entities is choosing and implementing a good response strategy. Prince and Chahal (2008) observed that one of the major reasons why the performance of contracting firms in China had been declining in the last decade was said to be due to poor skills in identifying and adopting effective response strategies to respond to the changing business environment. It therefore means that effective respond strategies are a major determinant of the organizational performance and therefore the leadership of the organization should consider it a key duty to set.

The Mobile Service industry in Kenya has been recognized as one of the fastest growing sectors and at the same time witnessing high level of competition in Africa (World Bank

Report, 2012). With one single operator in 1990s, the sector has witnessed an increase in number of players to the current four and customer base of 22.6M the year 2012 (CCK, Annual Report, 2012). The customers have at the same time become quite enlightened and demand better services than before albeit at a lower prices. The regulator (CCK) has at the same time not made matters any better for the mobile players by reducing the interconnectivity charges and allowing for porting of numbers by customers. With the change of technology, many customers are adopting the use of cheap communication means such as the internet and Voice over Internet Protocol. Thus, in such a unpredictable market, managers of these firms will need to develop appropriate strategies that will help them to manage effectively emergent exogenous disturbance caused by the market competition (Briciu and Mihai, 2009).

Studies have been carried out on competitive strategies in a number of areas. Past studies that have been carried out on similar topics include: - Irungu (2010), who studied “Strategies used by Safaricom in responding to the competitive environment”. She found out that Safaricom’s efforts in the competitive environment have been fruitful. These include operation cost and reduction, innovation (MPESA, MSHWARI etc), research and development ventures among others. Mwende (2010) carried out a study on “Competitive Intelligence Practices by Essar Telcom (YU) (K) Ltd”. She concluded that competitive intelligence activities were spontaneous in reaction to competitors’ activities, no specific budget was set aside for CI activities. Okunyanyi (1999) looked at the reasons why sugar firms are failing to compete effectively within the liberalized trading environment in Kenya: - The case of Government-owned Sugar Firms.

Mpungu (2003) recommends that companies scan their immediate environment for survival purposes in a study on the strategic responses to changing environmental conditions a case of AAR Health Services Ltd. Ngobia (2004) undertook a rather similar study by looking at the basis of competition in the mobile phone industry in Kenya. No study has however focused on all the mobile phone companies undertaking to look into their adaptation to changes in the telecommunication industry as a whole.

1.3 Research Objectives

The research objectives of the study were;

1. To determine the changes in the telecommunication industry that has affected firms within the industry.

2. To establish the response strategies adopted by Mobile phone companies in Kenya to changes in the telecommunication industry.

1.4 Value of the Study

The study will be of value to theoretical knowledge which lies in verifying the response strategies as well as supporting the existing literature knowledge in this area by evaluating several response strategies adopted by the telecommunication firms.

The management and staff of the Mobile service providers will find this study an invaluable source of material in developing and harnessing their strategic responses in the present day competitive business environment. This study will provide insight on some of the challenges that may be faced in the development and implementation of their strategic responses plans and how they can avoid them. The authorities will strive to avoid the pitfalls and capitalize on the strengths.

Other organizations can also find use in developing their unique strategic competitive responses that shall not be easily be imitable and thus create their own individual firm competitive advantages. The government and regulators of the industry will also find invaluable information in how competitive responses can be adopted and as a result put in place policies that will guide and encourage other organizations within and without the industry in implementing their strategies in an ethical manner.

The findings of this study are expected to contribute to research and practice, by elaborating the strategies that are pursued by the companies in order to respond to competition in the industry. The study may also add to the existing body of knowledge by stimulating new areas for further research through the findings and subsequent recommendations. The policy makers could use the results of the study to identify and bridge up gaps in the existing response strategies. This would help in improving the competitiveness of the mobile telephony companies. Additionally, the study also helps researchers in provision of information as secondary data for future use in the academic arena.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter literature of relevance to the study was reviewed. Key areas of literature that took center stage in this section include the theoretical framework. The study further put in context the environment and organization, industry competition and the response strategies adopted by the companies were equally reviewed.

2.2 Theoretical Framework

This study is anchored on two critical theories namely the open systems theory and the contingency theory. The Open systems theory comes from the relationship that emanates from the operation of an organization as a system. Organizations are thought of as systems with interrelated subsystems that process various inputs to generate various outputs, pleasing users and customers in the process. They depend therefore on the environment for their survival. Some modest environmental shifts can easily alter the results of management decision within organization. As open systems they need structures to deal with forces in the world around them (Scott, 2008).

Organizations as open systems remain efficient and effective by adapting to the shifts in their environment. They have to be concerned not only with what happens within and among its subsystems and people, but also with what happens outside of itself for no organization operates in a vacuum. The decisions the organization make have to fit in two environments internal and external. These forces influence condition in every organization; however the most influential force in one organization may have little impact on other organizations. Managers continually ought to scan and monitor the environment. This allows managers to determine their organizations best response to an environmental change. The systems therefore that interact with the environment are therefore open systems (Plunkett et al 2008).Open systems consists of five basic elements of inputs, a transformation process, outputs ,feedback and the environment (Scott, 2006).

Petrick *et al.,* (2009) posit that contingency theory is defined as a class of behavioral theory that indicates that there is no best way to organize a firm, to lead a company, or to make decisions.

In an organization, the optimal course of action is contingent (dependent) upon the internal and external situation. In his approach uncertainty is defined as a variable which makes the organization contingent upon the environment (Patrick et al., 2009). Therefore, organization design, and choice, depends on uncertainty, where uncertainty is to be associated with the mathematical concepts of probability and fuzziness or propositions of bounded rationality (Pike and Ryan, 2004). The two approaches to uncertainty are complementary to each other since the greater the amount of information that the organization needs to have in order to perform and to complete a task, the greater is the degree of cognition that the organization needs to have in order to process and to manage this information for task execution and completion (Fahy and Hooley, 2004). In this regard the contingency theory can be used to explain that each of the changes in the business environment presents a unique challenge to managers to come up with responses to fit the situations. So, the uncertainty caused by the environment is an important ingredient for a decision making in the organization.

2.3 Environment and Organization

All businesses operate as open systems and they constantly interact with its environment to survive, are environment dependent and depend on environment for survival (Pearce and Robinson, 2002). Organizations require money, equipment and human resources from the environment as input. Resources go through transformation process in the company. The finished products as output go to the environment. It is important that the product has to be accepted in the environment for company's success. An organization should be able to maintain the system, because any interference spells death for the organization. The firm's environment consists of remote environment, industry environment and operating environment. The organization ought to know how and what to respond to; know whether the action should be proactive or reactive in order to increase market share and safeguard customers. This requires new skills to help counter these challenges in the environment. Failure to align the internal capability of the firm to its environment spells doom for the organization (Aosa, 1992).

Johnson and Scholes (2002) state that environmental changes shape opportunities and challenges facing the organization, the paces of technological change, speed of global communication mean faster change now than never before thus, the need to constantly adjust according to these changes to remain successful. The operating environment comprises factors in the competitive situation that affect the firm's success in acquiring needed resources or in profitably marketing its goods and services. Firms can be more proactive in dealing operating environment. They include competitors, suppliers and creditors, human resources and customers. According to Johnson *et al.,* (2005), an organization exists in the context of a complex political, economic, social, technological, environmental and legal world. The environment changes and affects different organizations differently.

To survive in the dynamic environment, organizational strategies need to focus on their customers and dealing with emerging environmental changes in its operating environment. A customer therefore is core to an organization and ought to be satisfied with the products of the organization for it to succeed in an ever changing environment (Kotler, 1997). Burnes (2004) further argued that there is considerable support for the view that the pace change is accelerating as never before and organizations have to chart their way through an increasingly complex environment. Organizations have to cope with pressures of globalization, rapid changes in technology, rise of e-commerce, situations where customers and suppliers can be both competitors and allies and a change in emphasis from quantity to quality and from product to services. According to Kotler (1997), marketing concept holds that the key to achieving organizational goals lies in determining the needs and wants of the target market and delivering the desired satisfaction more effectively and efficiently than competitors.

2.4 Industry Competition

Porter (1980) argues that competition in an industry is determined by its basic underlying economic structure and suggests that awareness of the five forces that competitive environment can help a company understand the structure of its industry and take out a position that is more profitable and less vulnerable to attack. A substitute performs the same or a similar function as an industry’s product by a different means (Miller, 2006). Sometimes, the threat of substitution is downstream or indirect, when a substitute replaces a buyer industry’s product. Substitutes are always present, but they are easy to overlook because they may appear to be very different from the industry's product. When the threat of substitutes is high, industry profitability suffers. Substitute products or services limit an industry's profit potential by placing a ceiling on prices. If an industry does not distance itself from substitutes through product performance, marketing, or other means, it will suffer in terms of profitability and often growth potential. Substitutes not only limit profits in normal times, they also reduce the bonanza an industry can reap in good times (Whitley 1999). The threat of a substitute is high if: It offers an attractive price-performance trade-off to the industry's product.

Powerful customers can capture more value by forcing down prices, demanding better quality or more service (thereby driving up costs), and generally playing industry participants against one another, all at the expense of industry profitability. Buyers are powerful if they have negotiating leverage relative to industry participants, especially if they are price sensitive, using their clout primarily to pressure price reductions. As with suppliers, there may be distinct groups of customers who differ in bargaining power. A customer group has negotiating leverage if: there are few buyers, or each one purchases in volumes that are large relative to the size of a single vendor, (Davidson, 2001). Large-volume buyers are particularly powerful in industries with high fixed costs, the industry's products are standardized or undifferentiated, buyers face few switching costs in changing vendors and buyers can credibly threaten to integrate backward and produce the industry's product themselves if vendors are too profitable. Producers of soft drinks and beer have long controlled the power of packaging manufacturers by threatening to make, and at times actually making, packaging materials themselves (Pfeffer, 2004).

Powerful suppliers capture more of the value for themselves by charging higher prices, limiting quality or services, or shifting costs to industry participants. Powerful suppliers, including suppliers of labor, can squeeze profitability out of an industry that is unable to pass on cost increases in its own prices. Companies depend on a wide range of different supplier groups for inputs. A supplier group is powerful if: It is more concentrated than the industry it sells to, the supplier group does not depend heavily on the industry for its revenues, industry participants face switching costs in changing suppliers, suppliers offering products that are differentiated, there being no substitute for what the supplier group provides and the supplier group being credibly threatened to integrate forward into the industry. In that case, if industry participants make too much money relative to suppliers, they will induce suppliers to enter the market, (Porter, 1980).

Rivalry among existing competitors takes many familiar forms, including price discounting, new product introductions, advertising campaigns, and service improvements. High rivalry limits the profitability of an industry. The degree to which rivalry drives down an industry's profit potential depends on the intensity with which companies compete and on the basis on which they compete. The intensity of rivalry is greatest if: Competitors are numerous or are roughly equal in size and power, industry growth is slow, exit barriers are high, rivals being highly committed to the business and have aspirations for leadership especially if they have goals that go beyond economic performance in the particular industry, firms cannot read each other's signals well because of lack of familiarity with one another, diverse approaches to competing, or differing goals (Chimhanzi, 2004). The strength of rivalry reflects not just the intensity of competition but also the basis of competition. The dimensions on which competition takes place, and whether rivals converge to compete on the same dimensions, have a major influence on profitability. Rivalry is especially destructive to profitability if it gravitates solely to price because price competition transfers profits directly from an industry to its customers (Kotler, 2000).

New entrants to an industry bring new capacity and a desire to gain market share that puts pressure on prices, costs, and the rate of investment necessary to compete. Particularly when new entrants are diversifying from other markets, they can leverage existing capabilities and cash flows to shake up competition. The threat of entry, therefore, puts a cap on the profit potential of an industry. When the threat is high, incumbents must hold down their prices or boost investment to deter new competitors. The threat of entry in an industry depends on the height of entry barriers that are present and on the reaction entrants can expect from incumbents. If entry barriers are low and newcomers expect little retaliation from the entrenched competitors, the threat of entry is high and industry profitability is moderated. It is the threat of entry, not whether entry actually occurs, that holds down profitability (Slotegraaf and Dickson, 2004).

2.5 Response Strategies

Johnson and Scholes (1999) looks at strategic response on the emphasis on developing strategy on the basis of 'fit' with the environment or 'stretching' the organization on the basis of resources and competence which create opportunities for strategy development. Some of the strategic responses may include development of; new products, new markets, new process, new service, new strategies for entering the market, restructuring, marketing, information technology, leadership and culture change.

2.5.1 Information and Communication Technology

The computer and developments in Telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. Automation of business processes has led to a drastic improvement in productivity and reduction in costs while Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. IT has become indispensable ingredient in organizations in several strategic to meet challenges of change they include internet, intranets that support business operations and using it in BPR. IT is also used to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O'Brian, 2002).

According to Chapman (2004), all doors of communication are opened as a way of problem solving and feedback provided immediately to enhance strategic response. Development of ICT facilities is pivotal in creating the necessary networking to the whole organization. For the strategic response to be achieved all the departments need to work dependently and effective communication is quite crucial because it provides synergy. Information access, sharing and exchange are exploited to their full potential. In practice, policy also allows management to communicate a company's mission, major goals and objectives, and operational domain to its internal and external stakeholders.

2.5.2 Marketing Strategy

Marketers' argue that the company assets have little value without the existence of customers (Kottler, 2000). The key company task therefore is to attract and retain customers. Customers are attracted through competitive superior offering and retained through satisfaction. A marketer's task is to develop a superior offering and deliver customer satisfaction. Organizations therefore need to embrace marketing concepts that rest on five pillars namely; marketing focus, integrated/coordinate marketing, profits and competition. The strategic option chosen must be one that will enhance the organizations competitive position (Ansoff and McDonell, 2001). The company may chose to employ market penetration by serving the present market with present products. Product development strategy will entail serving the present market with new products using existing and new competencies and diversification. Diversification strategy is employed where the company decides to enter new markets with new products.

Most companies do not embrace the marketing concept until driven to it by circumstances. Various events forcing companies to adopt the market concept includes sales decline and slow growth in sales forces some companies to search for new markets. Most companies therefore realize they need marketing skills to identify new opportunities and to address the issue of changing buying patterns where most companies operate in markets characterized by rapidly changing customer needs. Such companies need more marketing know-how if they are to track buyers' changing values (Kotler, 2000). Increasing competition also force complacent companies to think about marketing. A number of strategic marketing variables can be manipulated in response to a changing competitive situation. They include adjusting of target market, diversification and development of new product, distribution changes, advertising, promotion and establishment of relationship market.

2.5.3 Managing change

Change is part of the daily life within an organization. The ability to manage change has shown to be a core competency for corporations. A great challenge within strategy implementation is to deal with potential barriers of the affected managers. Implementation efforts often fail when these barriers are underestimated and prevention methods are not adopted at the beginning (Thompson *et al.,* 2007). One has to be aware that barriers against the implementation of the strategy can lead to a complete breakdown of the formulated strategy.

In psychology, much research is done about human barriers. The cause for these barriers is seen in affective and non-logical resistances, which are, in a way, incomprehensible because they come out of the subconscious of human beings (Donaldson, 2005). Barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that strategy response consists, for the most part, of psychological aspects. By changing the way they view and practice strategic response, senior executives can effectively transform change barriers into gateways for a successful execution (Thompson *et al.,* 2007).

2.5.4 Leadership and Culture

Organizations should be structured in such a way that it can respond to pressure to change from the environment and pursue any appropriate opportunities which are spotted (Lorsch 2007). Thompson and Strickland (1980) notes that strategy implementation involves working with and through other people and institutions of change. It is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure according to Thompson (2007) is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes.

According to Wang *et al.,* (2007) organizational culture is a set of important assumptions, often unstated that members of an organization share in common. Organizational culture similar to an individual's personality is an intangible yet ever present theme that provides meaning, direction and the basis of action. Insightful leaders nurture key themes or dominant values within organizations that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed. Organizational culture helps in nurturing and dissemination of core values. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy (Pearce and Robison, 2007).

2.5.5 Restructuring

Activities within a business value chain are more critical to the success of the business strategy than others. Business process reengineering popularized by consultants Hammer (1996) is one popular method. Business process reengineering is intended to regularize a company so that it can best create value for customer by eliminating barriers that create distance between employees `and customers. It involves fundamental rethinking and radical redesign of business process to achieve dramatic improvements for instance, cost, quality service and speed. Reengineering and value orientation have led to downsizing, outsourcing and self-management as themes of influencing original structure.

Downsizing is eliminating the number of employee's particularly middle level management. It results to increased self-management, larger span control and more work for those that remain. Outsourcing means obtaining work that was previously done by employees inside organization from sources outside the company who can perform better. It is a source of competitive advantage. Activities that can be outsourced include; information processing, various personnel activities, security among others. According to Rugman and Verbeke (2000) restructuring also entails removal of structural barriers and creation of learning organizations capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, the target population, data collection instruments and the techniques for data analysis.

3.2 Research Design

Research design can be regarded as a blue print, a master plan that specifies the methods, techniques and procedures for collecting and analyzing the needed information or simply a framework or plan of action for the research (Charmaz 2003). As a set of logical steps taken by the researcher in a study, the research design invariably seeks to answer the research questions (Charmaz 2003). The research design adopted was a descriptive cross sectional design. This choice was determined by three factors, namely, the purpose of the study, the time period over which the data was to be collected and the type of analysis. According to Cohen, Manion and Morrison, (2005), a cross-sectional study is one that produces a ‘snapshot’ of a population at a particular point in time.

The main advantage of the cross-sectional research design for this study was that the researcher was able to collect and compare several variables in the study at the same time. In addition, the collection of data was less expensive in terms of time and cost; the researcher was also able to secure the cooperation of the respondents since the data was collected at one point in time; and finally, the analysis of the data was done more quickly using statistical software (SPSS).

3.3 Target Population

A population is a large pool of cases of elements from which the researcher draws a sample and results generalized from the drawn sample (Neuman, 2006). A research study's target population should be clearly defined and the unit of analysis should be identified, which is not easy sometimes. The target population consists of all the units being studied. The unit of analysis is the entity or who is being analyzed.

The population of the study comprised of all the mobile telephone companies in Kenya. According to the (CCK, 2014), there are four mobile companies in Kenya and all of them participated hence the study was a census.

3.4 Data Collection

The study used primary data which was collected through self-administered questionnaires. The structured questionnaires were used to collect data. The questionnaires consisted of both open and closed ended questions designed to elicit specific responses for qualitative analysis. The pre-coded ones had many tick boxes for respondents to fill in, whereas open questionnaires had a few open questions and spaces for respondents to make responses in their own words.

3.5 Data Analysis

The data collected was analyzed using descriptive statistics (measures of central tendency and measures of variations). Once the data was collected, the questionnaires were edited for accuracy, consistency and completeness. However, before final analysis was performed, data was cleaned to eliminate discrepancies and thereafter, classified on the basis of similarity and then tabulated. The responses were coded into numerical form to facilitate statistical analysis.

Data was analyzed using statistical package for social sciences based on the questionnaires. In particular mean scores, standard deviations, percentages and frequency distribution were used to summarize the responses and to show the magnitude of similarities and differences. Results were presented in tables and charts.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to determine the response strategies adopted by mobile phone companies in Kenya to changes in the telecommunication industry. This chapter presents the analysis, findings and discussion. The findings are presented in percentages and frequency distributions, mean and standard deviations.

4.2 Response Rate

A total of 20 questionnaires were issued out and 17 returned. This represented a response rate of 85%. This response rate was adequate for data analysis and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and over was adequate.

4.3 Demographic Profile

The demographic information considered in the study was the duration of company existence and the ownership of the company.

4.3.1 Duration of mobile company operation

The respondents were requested to indicate the duration the company they work for has been in operation in Kenya. This was necessary for the study as the companies will have encountered challenges in the course of operation which requires them to respond in order to be competitive in the industry.

Table 4.1: Duration of mobile company operation

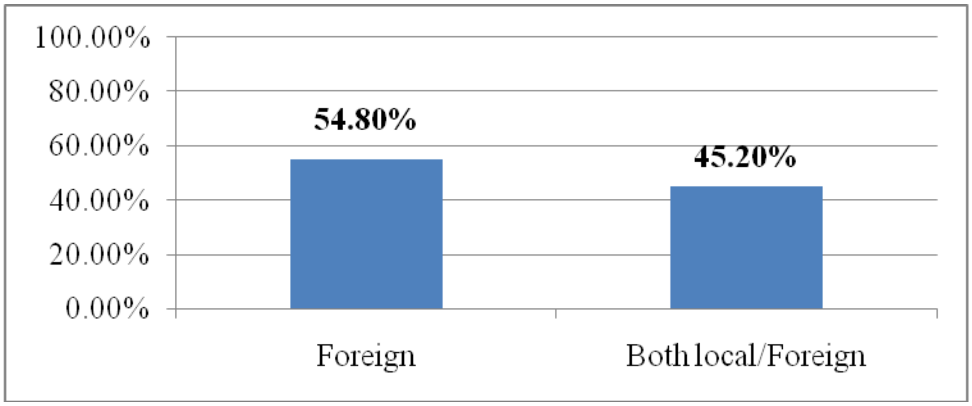
Years	Frequency	Percent	Cumulative percent
6-10	4	25.8	25.8
11-15	9	45.2	71.0
16-20	4	25.8	100.0
Total	17	100.0	

The findings presented in Table 4.1 indicate the distribution of responses on the duration of mobile companies. The findings indicate that a majority (45.2%) of the mobile companies have been in operation for a period of between 11 to 15 years, 25.8% of the respondents indicated that the mobile companies have been in operation for a period of 16 to 20 years while another 25.8% of the respondents indicated that the companies have been in operation for a period of 6 to 10 years. The results indicate that the companies have been in operation for a longer duration of time and therefore understand the dynamics of the industry and the responses that should be adopted by the operators in order to be competitive.

4.3.2 Company's Ownership Structure

The respondents were requested to indicate the company's ownership structure. This was important for the study in order to establish the extent to which changes in the sector has affected the strategies adopted by the companies and the need therefore to respond to the changes. The results are presented in figure 4.1.

Figure 4.1: Company's Ownership Structure



Source: Research findings

The findings on the ownership of the mobile companies indicate that 54.8% of the respondents said that the companies were foreign owned while 45.2% of the respondents said that the companies were both local and foreign owned. The results indicate that the mobile companies industry in Kenya is competitive due to the presence of both local and foreign firms who have experience on the industry and this necessitates strategic responses in order to remain competitive.

4.4 Changes in telecommunication industry

Johnson and Scholes (2002) state that environmental changes shape opportunities and challenges facing the organization, the paces of technological change, speed of global communication mean faster change now than never before thus, the need to constantly adjust according to these changes to remain successful.

4.4.1 Telecommunication industry changes

The respondents were requested to indicate the telecommunication changes that have occurred in the industry in the past three years in a five point Likert scale. The range was ‘very low extent (1)’ to ‘very great extent’ (5). The scores of very low extent have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of ‘moderate’ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both great extent and very great extent have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents. The results are presented in Table 4.2.

Table 4.2: Changes in the Telecommunication Industry

Changes in the Telecommunication Industry	Mean	Std. Deviation
Decrease in the interconnectivity charges between the mobile phone company players	3.6452	1.0503
Introduction of number portability across the network	3.5548	1.3552
Changes in the customer taste preferring	3.7164	1.1453
The tax regime changes, such as taxing money transfers services	3.5839	1.1795
The increased cost of network infrastructure which has limit expansion process	3.2903	.8638
Increased number of new entrants which has increased competition level	3.3548	.8774
The consumer protection laws enacted thus increase in investment platforms that deals serve customers	3.2258	1.1462
Technological changes in new applications such as WhatsApp	4.1197	1.0328
Financial regulations by Central bank which has affected the uptake of some of the services	3.3682	1.0503
Lack of global technology standards that would facilitate expansion of the firms operations to other countries in the region	3.1256	1.0645
Changes in socio-cultural dynamics, eg population growth	3.6129	1.3336

The changes in telecommunication industry was indicated by the respondents to be Technological changes in new applications such as WhatsApp with a mean of 4.1197, changes in the customer taste preferring with a mean of 3.7164 and decrease in the interconnectivity charges between the mobile phone company players with a mean of 3.6452. The respondents further noted that other changes included changes in socio-cultural dynamics, e.g population growth with a mean of 3.6129, tax regime changes, such as taxing money transfers services with a mean of 3.5839 and introduction of number portability across the network with a mean of 3.5548.

The changes in environment that were found to have happened to a moderate extent includes the financial regulations by Central bank which has affected the uptake of some of the services with a mean of 3.3682, increased number of new entrants which has increased competition level with a mean of 3.3548, increased cost of network infrastructure which has limit expansion process with a mean of 3.2903, consumer protection laws enacted thus increase in investment platforms that deals serve customers with a mean of 3.2258 and lack of global technology standards that would facilitate expansion of the firms operations to other countries in the region with a mean of 3.1256. From the results it can be concluded that there are several changes that have taken place in the telecommunication industry which in order for the companies to be competitive they have to respond to. Burnes (2004) argued that there is considerable support for the view that the pace change is accelerating as never before and organizations have to chart their way through an increasingly complex environment.

4.5 Response Strategies

Firms largely are open systems where there is continuous interaction and interfaces with the external environment. Strategic responses are the strategies that firms take and largely triggered by continuous changes in the environment. In order to effectively achieve the firm's objectives, these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment.

The respondents were requested to indicate the extent to which the mobile companies use the response strategies to respond to changes in external environment in a five point Likert scale. The range was 'strongly disagree (1)' to 'strongly agree' (5). The scores of strongly disagree have been taken to represent a variable which had mean score of 0 to 2.5 on the continuous Likert scale; (0≤ S.E <2.4). The scores of 'moderate' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤M.E. <3.4) and the score of both agree and strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ L.E. <5.0). A standard deviation of >0.9 implies a significant difference on the impact of the variable among respondents.

4.5.1 Information and Communication Technology

The respondents were requested to indicate the extent to which mobile companies use information communication technology to respond to the changes in the industry. The results are presented in Table 4.3.

Table 4.3: Information and Communication Technology

Information and Communication Technology	Mean	Std. Deviation
The company uses latest technology to communicate with its clients and staff	3.7419	1.1823
The company ensures that all departments work dependently and effective communication is there to create synergy	3.7742	.9560
Automation in the company has led to a drastic improvement in productivity and reduction in costs	3.8387	1.0676
Information technology has enabled the company to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry	4.0645	.8920
Technology adoption has allowed management to communicate company's mission, major goals and objectives, and operational domain to its internal and external stakeholders	3.9032	.9782

The findings in Table 4.3 indicate that the mobile phone companies respond to changes in the industry by adopting information technology which has enabled companies to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry with a mean of 4.0645, communicate company's mission, major goals and objectives, and operational domain to its internal and external stakeholders with a mean of 3.9032, improvement in productivity and reduction in costs (mean 3.8387), all departments work dependently and effective communication is there to create synergy (mean 3.7742) and communicating with its clients and staff with a mean of 3.7419. The results indicate that the companies have undertaken to use information technology which has revolutionized the industry as a medium in which they respond effectively to the changes.

4.5.2 Marketing Strategy

The respondents were required to indicate the extent to which the mobile phone companies respond to the changes in the industry through marketing. The results are presented in Table 4.4.

Table 4.4: Marketing Strategy

Marketing Strategy	Mean	Std. Deviation
The company undertakes aggressive advertisement and promotion in targeting both local and international customers	3.9710	1.2843
The company offers differentiated tariffs that suit their customer needs	4.1290	1.1759
The company ensures that customer needs are identified and satisfied as these would result in customer loyalty	4.1935	.9804
The company undertakes market research to establish customer needs	3.8839	1.0915
The company has established relationship marketing whereby it strives to develop and foster good relations with its clients	3.8387	1.0359
The company uses diversification and development of new products as a strategy to make its products distinct from competitors	3.7624	1.0286
The company analyzes competitors' costs, prices before fixing prices of its products	3.8548	1.2792

The results indicate that the respondents were in agreement that the mobile phone companies use marketing strategy to respond to changes in the industry. The strategy mostly used by the companies was indicated to be identification of customer needs which would ensure that they are satisfied resulting in customer loyalty with a mean of 4.1935. The other strategies used was found to be offering differentiated tariffs that will suit customer needs with a mean of 4.1290, undertaking aggressive advertisement and promotion targeting both local and international customers with a mean of 3.9710, undertaking market research to establish customer needs with a mean of 3.8839, analyzing competitors' costs, prices before fixing prices of its products with a mean of 3.8548, establishing relationship marketing whereby it strives to develop and foster good relations with its clients with a mean of 3.8387 and using diversification and development of new products as a strategy to make its products distinct from competitors with a mean of 3.7624. It can be concluded that marketing strategy is used by the mobile phone companies to respond to changes in the environment and this will enable the companies to know the customers' needs and come up with specialized packages which they advertise resulting in customer loyalty.

4.5.3 Managing Change Strategy

The respondents were requested to indicate the extent to which the companies manage change in order to respond to changes in the telecommunication industry. The results are presented in table 4.5.

Table 4.5: Managing Change Strategy

Managing Change	Mean	Std. Deviation
Linking change management with operational change and every aspect of the organization in relation to dynamic telecommunication industry	3.9452	.7978
Defining and implementing procedures and/or technologies to deal with changes in the environment and profit from changing opportunities	3.9339	1.2075
Established a structured methodology for responding to changes in the business environment	3.8806	1.0254
Management in the company is multi-disciplinary, touching all aspects of the organization and involves all cadres of staff	3.7871	1.2563

The results on the use of change management in order to respond to changes in the industry show that the companies link change management with operational change and every aspect of the organization in relation to dynamic telecommunication industry with a mean of 3.9452, define and implement procedures and/or technologies to deal with changes in the environment and profit from changing opportunities (mean 3.9339), establish a structured methodology for responding to changes in the business environment (mean 3.8806) and the management of the company being multi-disciplinary, touching all aspects of the organization and involving all cadres of staff (mean 3.7871). When the environment changes and the niche originally filled by the organization either becomes unimportant or is superseded, the organization must change or die and therefore in order to be competitive the companies adopt change management.

4.5.4 Leadership and Culture strategy

The respondents were asked to indicate the extent to which mobile phone companies use leadership and culture strategy to respond to changes in the industry.

Table 4.6: Leadership and Culture strategy

Leadership and Culture	Mean	Std. Deviation
The leadership of the company shape the culture to fit with opportunities and challenges that change afterwards	3.6452	.8774
The company can respond to competition pressures without delays or without too many bureaucracies and red tape	3.7097	.9727
Company leadership nurture key themes or dominant values that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed	3.6631	.9146
The culture of the company belief in being the best, offer superior quality and service, importance of people as individuals and a faith in their ability to make a strong contribution	3.9355	.9978
The top managers create a climate for the organization and their values influence the direction of the firm	3.6774	1.1512

The findings presented in Table 4.6 indicate the distribution of responses on the extent to which the mobile phone companies use leadership and culture to respond to changes in the industry. The results indicate that the culture telecommunication companies belief in being the best, offer superior quality and service, importance of people as individuals and a faith in their ability to make a strong contribution with a mean of 3.9355. The second strategy mostly used by the companies was found to be response by the company to competition pressures without delays or without too many bureaucracies and red tape with a mean of 3.7097. The respondents further noted that top managers create a climate for the organization and their values influence the direction of the firm with a mean of 3.6774, the company leadership nurture key themes or dominant values that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed with a mean of 3.6631 and that the leadership of the company shape the culture to fit with opportunities and challenges that change afterwards with a mean of 3.6452. From the findings, it can be concluded that leadership and culture was used by the operators to respond to changes in the environment and this resulted in the use of culture that fit with opportunities and challenges, and creation of climate that influences the direction of the firm and respond to the challenges without delays.

4.5.5 Restructuring Strategy

The respondents were requested to indicate the extent to which the mobile phone companies use restructuring strategy in order to respond to changes in the telecommunication industry. The results are presented in Table 4.7.

Table 4.7: Restructuring Strategy

Restructuring	Mean	Std. Deviation
The company employ extra staff during the peak season and layoff during the low season	3.5806	1.6077
The company outsource some services like transport	3.8194	1.3850
The company create value for customer by eliminating barriers that create distance between employees `and customers using business process reengineering	4.1065	1.0462
The company has created a learning organization capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision	3.9276	1.0885

The results indicate that the mobile phone companies use restructuring as a response to changes in the operating environment. The results show that the mobile companies create value for customer by eliminating barriers that create distance between employees `and customers using business process reengineering (mean 4.1065), create a learning organization capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision (mean 4.1250), outsource some services like transport (mean 3.8194) and that the companies employ extra staff during the peak season and layoff during the low season (mean 3.5806). Restructuring a corporate entity is often a necessity when the company has grown to the point that the original structure can no longer efficiently manage the output and general interests of the company and therefore the companies adopt the strategy in order to manage the changes in the industry.

4.6 Discussion

To survive in the dynamic environment, organizational strategies need to focus on their customers and dealing with emerging environmental changes in its operating environment. A customer therefore is core to an organization and ought to be satisfied with the products of the organization for it to succeed in an ever changing environment. The study established that there are several changes that have taken place in the operating environment of the mobile phone companies. These changes are technological, customer preference, decrease in the interconnectivity charges, changes in socio-cultural dynamics, tax regime changes, financial regulations, new entrants, increased cost of network infrastructure and consumer protection laws. Johnson and Scholes (2002) noted that environmental changes shape opportunities and challenges facing the organization, the paces of technological change, speed of global communication mean faster change now than never before thus, the need to constantly adjust according to these changes to remain successful.

In an increasingly globalized economy, information technology is one of the key determinants of competitiveness and growth of firms and countries. Kalkan *et al.*, (2011) noted that information technology (IT) has become one of the most critical factors for an organization to increase its efficiency, competitiveness and innovation and therefore it has to be properly aligned with the business strategy of an organization, in order for competitive advantages to be materialized, and hence the performance of the business uplifted. This is consistent with the findings of the study that the mobile companies have used information technology to respond to changes in the environment in order to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces, improve productivity and reduce costs and communicating with its clients and staff. Successful adaptation to change is as crucial within an organization as it is in the natural world. The study established that the mobile phone companies have responded to changes in the industry by managing change and this has enabled the companies to link strategic change with operational change and every aspect of the organization in relation to dynamic external environment. In most organizations, operations are an internal function that is buffered from the external functions by other organization functions. The findings are consistent with Mink *et al.*, (2003) observation that in today's business environments, learning about change, planning for and implementing major changes must be considered highest priority for the long term survival and prosperity of an organization.

Pearce and Robison (2007) notes that implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy. Organizational culture helps in nurturing and dissemination of core values. The study found out that the operators offer superior quality and service, respond to competition pressures without delays, nurture key themes or dominant values that reinforce the competitive advantages and shape the culture to fit with opportunities and challenges. Organizational restructuring provides potential for better integration and improved performance of firms. The findings of the study on the usage of restructuring strategy in order to respond to environmental changes was that the companies create value for customer by eliminating barriers, create a learning organization, outsource some services and employ extra staff during the peak season. The findings are consistent with Mantravadi and Reddy (2008) findings that as organizations seek to enhance their competitive positions in an increasingly global marketplace, they are discovering that they can cut costs, maintain quality and improve their performance by undertaking organizational restructuring strategy

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study had two objectives, the first was to determine the changes in the telecommunication industry that have affected firms within the industry. The second, to establish the response strategies adopted by mobile phone companies in Kenya to these changes in the industry. A total of 17 out of the expected 20 completed the questionnaires representing 85% of the target. From the results of data collection process this chapter provides a summary of the findings, what could be concluded from the findings, recommendations for management of these companies, limitations of the study and suggestions for further research.

5.2 Summary of Findings

The study found out that the mobile phone companies have been in operation for a longer duration of time and therefore understand the dynamics of the telecommunication industry and the responses that should be adopted by the operators in order to be competitive. The ownership of the companies comprised of both local and foreign companies. The telecommunication industry in Kenya has in the recent past witnessed cut throat competition among the companies. This has been occasioned by changes in the sector which include technological, customer preference, decrease in the interconnectivity charges, changes in socio-cultural dynamics, tax regime changes, financial regulations, new entrants, increased cost of network infrastructure and consumer protection laws. In order to respond to the changes in the industry the mobile phone companies were found to have utilized information technology strategy in order to compete effectively with other companies. Information technology has revolutionized the world by increasing efficiency, competitiveness, innovation, increasing revenue, reducing costs and improving customer responses through e-businesses for the companies that have embraced technology by aligning it with their business strategies.

Organizations being environmental dependent have to constantly adapt their activities and internal configurations to reflect the new external realities and failure to do so may put the future success of an organization in jeopardy. The competition in the mobile phone industry has seen the companies lean about change, plan for and implement major changes in their companies for the long term survival and prosperity of the companies. Marketing was found to have been used by the companies to communicate with the customers on the products that they offer in order to be competitive. These responses included target market, diversification and development of new product, distribution changes, advertising, promotion, analyzing competitors' costs, prices before fixing prices of its products and establishment of relationship market.

The leadership and culture of an organization guide the organization to deal with constant change by embracing change, clarifying strategic intent and shaping culture to fit with opportunities and challenges that change afterwards. In order to respond to the changes in the industry the mobile phone companies ensured that the leadership and culture was not an hindrance and it enabled the companies to offer superior quality and service, respond to competition pressures without delays, nurture key themes or dominant values that reinforce the competitive advantages and shape the culture to fit with opportunities and challenges. The mobile phone companies have been aggressively trying to build new competencies and capabilities, to remain competitive and grow profitably, however as they seek to enhance their competitive positions they are discovering that they can cut costs, maintain quality and improve their performance by undertaking organizational restructuring strategy. This strategy was used by the companies to create value for customer by eliminating barriers, create a learning organization, outsource some services and employ extra staff during the peak season.

5.3 Conclusions

The response strategies of a firm play an important strategic role of creating value and improve firms' competitive advantage over its competitors. As such the competitive advantage of companies in today's economy stems not from market position, but from the strategies which they implement and how it responds to the challenges they face. The generated value is the result of an organization's ability to manage its business processes and, on the other hand, the effectiveness and efficiency of performing organizational processes based on organizational competencies. Management of the company will enable an organization to grow and develop the appropriate response strategies. Therefore, the fact that organizational responses are based on the effective and efficient management of strategic assets puts it at the heart of business performance and value creation. However, there is need to understand the processes of creation of response strategies to avoid a scenario where the strategies adopted does not yield the intended benefits to the organization.

An effective response by an organization to competition is founded on continuous response by the organization to the changing environment. These responses include the adoption marketing strategies, change management, information communication technology, leadership and culture and restructuring. As such the management of the mobile phone companies should continue marketing their products so that they make it known to the customers every time of the new development in the telephony industry which could be the same products or superior than the competitors. It is the interaction of these different types of resources that drives a company's competitive advantage and the catalytic effect on the others and it is this cumulative catalytic impact that makes an organization develop sustainable competitive advantage.

5.4 Recommendations

The telecommunication industry in Kenya and worldwide is quite lucrative but faces changes just like any other industry. Some of these changes include changes in technology, tax regimes, customer preferences, social cultural dynamics. This study will make recommendations on how companies can best adopt to these changes. These will include recommendations on managerial policy but also practice.

5.4.1 Recommendations for Managerial Policy

The marketing department staff have always been viewed as core to any company's success. This view is however fast changing with the adoption of an integrated approach in many organizations. Staff are indeed the eyes of the organization regardless of the department they are in. With this in mind managers should adopt comprehensive staff development policies. Not only should they know the company's products and services but also every other aspect of the organization. This will enable them to contribute effectively to customer satisfaction, necessary for any company's survival.

Secondly the study established that the adoption of the strategies enables the mobile phone companies to be competitive. Towards the achievement of this, an organization should implement appropriate process of identifying and harnessing strategies in order to face the challenges from the uncertain business environment. As part of the organization strategy, assessment of competitors should form an important exercise and the targets set should bear in mind the capacity of the organization to achieve the targets with the available structures.

5.4.2 Recommendations for Managerial Practice

First and foremost the study established that the mobile phone companies respond to the changes in the industry using several strategies. It is therefore recommended that the management of the companies should inculcate a practice of continuous review of the state of competition in the industry so that they do not simply react to the challenges as they arise to avoid panic situation which will lead to adoption of strategies that will hamper the company's ability to realize its desired objectives.

The management of the mobile phone companies should consider diversifying to new markets such as East or West Africa in order to take advantage of economic liberations in many countries as a result of globalization. They should undertake appropriate persuasive and sustained advertisement, marketing campaigns so as to increase market share.

The management of these mobile phone companies should recruit workers who have the necessary knowledge and competencies in the business not only to reduce induction and training costs but also to achieve "quality customer service", that every customer need is effectively satisfied. The staff should be renumerated fairly, have good working conditions and terms to ward-off staff poaching by competitors.

5.4.3 Contributions to Knowledge

There have been several studies on response strategies adopted by mobile phone companies. These have covered mainly to changes in the business environment. Additionally most of these studies have focused on a single company with no reference to the others. This study focuses on all the mobile phone companies in Kenya. To this extent this research will be extremely useful to individuals or companies with an interest in the mobile phone companies in Kenya. A valuable source of knowledge on these.

Additionally the research provides information on strategies adopted by the mobile phone companies in Kenya to survive in this industry. Managers of other companies either in this industry or not will learn which strategies are effective and those that are ineffective as such avoid them. This will ensure that their knowledge on what policies to adopt is enhanced.

5.5 Limitations of the Study

The mobile phone industry operates in a very sensitive environment and due to stiff competition involved in the mobile phone industry, the stakeholders were not so comfortable completing the questionnaires especially highlighting response strategies adopted by their firms. There was apparent discomfort especially at the thought of such information leaking to their competitors. This made data collection abit difficult.

The employees of the mobile phone companies are also very busy. As such a lot of conversing and convincing was required. This finally led to gaining their support and trust towards the data collection process. Training on what the study was all about and how to complete the questionnaire purged fears on the complexity of the process and instrument.

5.5 Suggestions for Further Research

The study was undertaken on the mobile phone companies. The industry is currently adjusting itself as the Yu mobile has been taken over by Safaricom and Airtel and this will change the dynamics of the industry and therefore more studies need to be done on the influence of positioning strategy on the firms' performance.

The study focused on strategic responses adopted by mobile phone companies in Kenya to changes in the telecommunication industry. The researcher proposes that a study should be carried out to establish the challenges facing these companies in the implementation of various strategies within their organizations. This will enable the companies management to improve on their competitiveness if they are to survive through the changes.

The telecommunication industry goes beyond mobile phone companies. Other players include internet providers, documentation service providers among others. In view of this this study can be replicated among these players to gauge their survival strategies in this ever changing telecommunication industry.

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

23 July 2014

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: ELUNGATA EMILY AMAI.REGISTRATION NO: D61/70728/2007

This is to confirm that the above named is a bona fide student in the Master of Business Administration (MBA) degree program in this University.

She has successfully completed Part I (course work) of her studies and she has embarked on Part II (Research Project).

Any assistance offered to her will be highly appreciated.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
23 JUL 2014
P.O. Box 30197 – 00100, NAIROBI

APPENDIX II: QUESTIONNAIRE

Please give answers in the spaces provided and tick (√) in the box that matches your response to the questions where applicable.

Section A: Demographic Characteristics of Respondents

1. Name of the mobile phone company (Optional)………………………………………..

2. How long has your mobile phone company been in operation?

a) Under 5 years ( ) b) 6 – 10 years ( )

c) 11 – 15 years ( ) d) 16 – 20 years ( )

e) Over 25 years ( )

3. What is the company's' ownership structure?

a) Local ( )

b) Foreign ( )

c) Both local and foreign ( )

Section B: Changes in the Telecommunication Industry

4. Listed below are some of the changes that have occurred in the last three years in the telecommunication industry. Please indicate the extent to the following changes have affected your firm operations. Use **1-** Very low extent, **2-** Low extent, **3-** Moderately extent, **4-** Great extent, **5-** Very great extent

Changes in the Telecommunication Industry	1	2	3	4	5
Demand by the regulator (CCK) for the decrease in the interconnectivity charges between the mobile phone company players					
Introduction of number portability across the network					
There has been changes in the customer taste preferring instead additional features in service offering and payment of service mode, such as, post paid instead of pre paid services					
The tax regime changes, such as taxing money transfers services, has affected our income stream from money transfers and					

consequently our profits.					
The cost of network infrastructure has been increasing and therefore limiting our expansion process					
The number of new entrants in the market has increased which has increased competition level yet the customer base has remained unchanged.					
The consumer protection laws enacted has affected service delivery because the firm has had to increase investment in platforms that deals serve customers					
Technological changes in new applications such as WhatsApp has affected messaging services offered by the firm.					
Financial regulations has by Central bank has affected the uptake of some of the services e.g limiting the money transfers per day					
A lack of global technology standards that would facilitate expansion of the firms operations to other countries in the region					
The changes in socio-cultural dynamics, eg population growth, has affected the uptake of services due to the changes in their preferences					

Section C: Response Strategies

5. To what extent do you agree with the following statements regarding responses by the mobile firms to changes in the telecommunication industry? Use **1** – Strongly disagree, **2** – Disagree, **3** – Moderately agree, **4**- Agree, **5**-Strongly agree

Marketing Strategy	1	2	3	4	5
The company undertakes aggressive advertisement and promotion in targeting both local and international customers					
The company offers differentiated tariffs that suit their customer needs					
The company ensures that customer needs are identified and satisfied as these would result in customer loyalty					
The company undertakes market research to establish customer needs					

The company has established relationship marketing whereby it strives to develop and foster good relations with its clients					
The company uses diversification and development of new products as a strategy to make its products distinct from competitors					
The company analyzes competitors' costs, prices before fixing prices of its products					
Managing Change	1	2	3	4	5
The company links change management with operational change and every aspect of the organization in relation to dynamic telecommunication industry					
The company defines and implements procedures and/or technologies to deal with changes in the environment and to profit from changing opportunities					
The mobile phone company has established a structured methodology for responding to changes in the business environment					
Change management in the company is multi-disciplinary, touching all aspects of the organization and involves all cadres of staff					
Information Communication Technology	1	2	3	4	5
The company uses latest technology to communicate with its clients and staff					
The company ensures that all departments working dependently and effective communication is there to create synergy					
Automation in the company has led to a drastic improvement in productivity and reduction in costs					
The adoption of information technology has enabled the company to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry					
Technology adoption has allowed management to communicate company's mission, major goals and objectives, and operational domain to its internal and external stakeholders					

Leadership and Culture	1	2	3	4	5
The leadership of the company shape the culture to fit with opportunities and challenges that change afterwards					
The company is structured in such a way that it can respond to competition pressures without delays or without too many bureaucracies and red tape					
Company leadership nurture key themes or dominant values within organizations that reinforce the competitive advantages they posses or seek, such as quality, differentiation, cost and speed					
The culture of the company belief in being the best, offer superior quality and service, importance of people as individuals and a faith in their ability to make a strong contribution, importance of details of execution and customers as being supreme					
The top managers create a climate for the organization and their values influence the direction of the firm					
Restructuring	1	2	3	4	5
The company employ extra staff during the peak season and layoff during the low season					
The company outsource some services like transport					
The company create value for customer by eliminating barriers that create distance between employees `and customers using business process reengineering					
The company has created a learning organization capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision.					

5. Is there anything you would like to add as a suggestion or opinion that you feel was left out in regard to your mobile phone company response to changes in the telecommunication industry? Please comment below……………………………………………………………………………………
………………………………………………………………………………………

Thank You for Participating in This Study