OPERATIONS STRATEGY AND BUSINESS PERFORMANCE IN THE MOBILE PHONE SERVICE PROVIDERS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in 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 dedicated to my dear wife, Anastacia, for her enormous support during my study. Special thanks to my parents, brothers and sisters.

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ABSTRACT

Little research has been done on operations strategy employed in the mobile phone service providers in Kenya and the link between operations strategy and business performance in the organizations. The limited research that has been undertaken is deeply rooted in the business sector and relates to the strategy development process. This study addressed this limitation. The objective of this study was to establish operations strategy employed in the mobile service providers in Kenya; establish business performance levels in the mobile service providers in Kenya; and determine the relationship between operations strategy and business performance in the mobile service providers in Kenya.The population comprised of all the mobile phone service providers in Kenya, namely: Safaricom Limited, Airtel Networks Kenya Limited, Orange Telkom Kenya Limited and Essar Telecom Kenya Limited.

All the four mobile phone service providers in Kenya were included in this study, hence the study is a census. Questionnaire was used to collect data. Drop and pick method was used to collect data. The benefit for using this method was that it was convenient for the respondents to have ample time to fill it.The study established that operations strategy was used to a great extent in all the four mobile service providers in Kenya. It was further realized that cost, quality, flexibility and speed of provision of services affected business performance to a great extent.

It emerged from the findings of the study that there is a link between operations strategy and business performance among the four mobile phone service providers in Kenya. Operations strategy was used to offer the companies improved business performance, more loyalcustomers and an overall improvement of the business' standing in society. It was also seen as a key determinant in shaping the future of the companies' in terms of business continuity.

The study recommends that operations strategy should be formulated with business performance in mind for mobile service providers in Kenya. The study also recommends that relationship between operations strategy and business performance of mobile service providers in Kenya should be enhanced to improve overall performance. The study finally recommends thatorganizational synergy is needed to improve the relationship between operations strategy and business performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The operations element of a business is effectively the part of the business that transforms the input into an organization into the output that gives additional value to the end user than the sum of the inputs to the system.Organizations that have focused on the development of the operations are the ones that have been able to show long-term growth and success within the market place. Importantly, in these situations, success has not been dictated by a particular innovation, instead it is their ability to continue to satisfy their customers that defines their performance. (Kimson H.T and Rupert L.M, 2009).

Operations strategies are the plans that specify the design and use of resources to support the business strategy. This includes the location; size and type of facilities available; worker skills and talents required; use of technology; special processes needed; special equipment and quality control methods. The operations strategy must be aligned with the company's business performance to enable the company achieve its long-term plan Chase *et al.* (2001).

According to Gupta (2001), operations strategy is recognized as a strategic function in mobile phone service organizations and investment in new technologies should be strategically directed to strengthen various operations decisions such as quality, process, capacity and facility. The expectations are high for mobile phone service providers in Kenya as they are experiencing high growth, competition, lack of skilled resources and significant changes in organization, process and technology. Operations strategy and business strategy alignment practice will facilitate success in these areas. A commitment to an ongoing alignment practice will yield results in the long term more consistently. These results will include improved revenues, market share and profits.

1.1.1 Operations Strategy

Operations strategy is the set of decisions related to goals, resources and operational capabilities of an organization (Hayes, 2005). Although manufacturing is the engine of modern economies since the eighteenth century, it was not until the end of the 1960s and early 1970s that the first studies in operations strategy Skinner appeared (Hayes & Wheelwright, 1979; 1969, 1974; Wheelwright, 1978). Despite being a young branch of OM, operations strategy has received considerable attention within the area of operations, especially in the years 1980 and 1990 (Dangayach & Deshmukh, 2001).

An appropriate operations strategy is essential to an organization not only as it will determine the extent to which its business strategy can be implemented, but also as its operations can be a source of competitive advantage. Slack *et al. (*2004) argued that an operations strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of operations. Mintzberg viewed operations strategy as a pattern, implying a consistency in strategic decisions and actions over time. (Mintzberg and Waters, 1985).

Operations strategy has a vertical relationship in the corporate hierarchy with business strategy. It might come out in a top-down or a bottom up process with regard to business strategy. Similarly, an operations strategy might be developed in a response to market requirements or be based on the capabilities of its operations resources.(Slack and Lewis, 2002) observed that this gives rise to four perspectives on operations strategy. Top down perspective is one in which the operations strategy is derived from, and is supportive of the organization’s business strategy and is concerned with what the business wants operations to do to realize its’ business strategy.

The bottom-up perspective is one in which the organization sees operations strategy emerging through a series of actions and decisions taken over time within operations. The bottom up perspective is one in which the organization learns from its experiences, developing and enhancing its operational capabilities as operations managers try new things out in an almost experimental fashion using their workplaces as a kind of ‘learning laboratory’. (Leonard-Barton,1992).

Market-led perspective is one in which the operations strategy is developed in response to the market environment in which the organization operates. (Terry Hill, 1985) suggested that an organization’s operations strategy should be linked to its marketing strategy by considering how its products and services win orders in the market place. Operations-led perspective is one in which its excellence in operations is used to drive the organization’s strategy. The premise is that superior performance comes from the way that an organization acquires, develops and deploys its resources and builds its capabilities rather than the way it positions itself in the market place (Werner felt *et al*, 1984).

1.1.2 Business Performance

Business performance is primarily concerned with how a particular business unit should compete within its industry and what its strategic aims and objectives should be (David Barnes, 2008). In today's competitive markets, a company's success can easily be copied. However a company with a distinct business strategy is enabled to achieve a differentiated market position. This differentiated position both protects companies from rival imitations and at the same time facilitates deepening within the processes that constitutes the company's core competencies, thereby delivering a unique mix of value to its customers.

The impact of business strategy in mobile phone service providers is extremely high, because gaining sustainable competitive advantage lies in differentiation, awareness of customer demand, and good estimation of technological development to overcome the high level of uncertainty in the industry (Valerie Feldmann, 2002). These are the elements that determine if the mobile service business can create economic value for the players involved in the mobile value chain. Ultimately, this uncertainty is resolved by the business strategies employed to realize business objectives.

1.1.3 Operations Strategy and Business Performance

Geroski (1994) suggested that the production of new products or processes strengthens a firm's performance. But the profits and growth will be transitory and only last as long as the firm can enhance its performance by formulating and implementing operations strategy. He also observed that operations strategy transforms a firm fundamentally by enhancing its internal capabilities, making it more flexible and adaptable to market pressures.

The alignment of operations strategy to business performance should be of utmost importance to organizations that want to proactively compete in the market place. By aligning strategy throughout the organization, a business can maintain a performance premium over its competitors. Many businesses experience performance gaps between higher level strategic planning and their actual day-to-day activities. The mobile phone service providers in Kenya take into account the costs of providing services and ways to minimize those costs while implementing quality control and thereby achieving great profits.

This aspect of operations strategy is achieved by determining the necessary financial, human, and technological resources required, as well as how the companies structure enable flow of information regarding operations, thereby enabling coordination and keeping focus on achieving the objectives. Recruitment of capable operations managers who are well trained and fairly compensated to provide better service, with less supervision has shown that the overall business strategy is implemented. (Harvard Business Review, 1994).

1.1.4 Mobile Phone Service Providers in Kenya

Mobile services in Kenya were pioneered with the launch of the ETACS network in 1993. The mobile telephone industry in Kenya comprises Safaricom Limited, AirtelNetworks Kenya Limited, Orange Telkom Kenya Limited and Essar Telecom Kenya Limited.

Safaricom Limited was started in Kenya in May 2000. The company offers mobile voice and data services, electronic cash transfer services, mobile payment services, Kikopezi services, Flashback services and Premium rate services which range from sports updates to weather and entertainment. The firm has a market share of 67.9% made up of 21,248,287mobile subscribers (communication Commission of Kenya, Quarterly Sector Statistics Report, Financial Year 2012/13)

Airtel Networks Kenya Limited was launched in 2010 following the acquisition of Zain group by Bharti Airtel Limited, a global telecommunication company. It has a market share of 16.5% made up of 5,156,269subscribers. The company's product offerings include 2G, 3G and 4G wireless services, mobile commerce, fixed line services, high speed DSL broadband, IPTV, DTH, enterprise services including national and international long distance services to carriers. (Airtel website, http://www.africa.airtel.com)

Orange Telkom Kenya Limited was formed in 2008 when the former Telkom Kenya partnered with France Telecom group. (www.orange-tkl.co.ke). The firm provide integrated communications solutions in Kenya with the widest range of voice and data services as well as network facilities for residential and business customers. It has a customer base of approximately 2,255,099 (7.2% market share) customers on GSM, fixed and CDMA wireless platforms with a country-wide presence.

Essar Telecom Kenya is Kenya’s fourth mobile cellular network under the brand “yuMobile”, launched in 2008. YuMobile achieved the fastest network rollout speed in the region, by achieving countrywide coverage in approximately 10 months from launch and currently, the network has 2,649,362 (8.5% market share) subscribers. The firm offers voice, sms, mobile data, mobile money transfer, electronic mobile top-up, callerring back tones, mms and international dialing services (YU website, http://www.yu.co.ke)

1.2 Statement of the Problem

Operations strategy formulation is basically about motivating employees to understand the organizational strategy and how it should affect what they do. A company’s executive must manage operational programs in a way that empowers individuals to take ownership of the strategic objectives. They must proactively monitor the company’s progress toward incremental milestones and alert stakeholders to unexpected outcomes, and they must measure operational performance in a way that clearly identifies both problems and areas for growth(Slack and Lewis, 2002).

In the past few years, the Information and Technology sector has emerged as a steadily growing contributor to the Kenyan economy. Since 2000,the sector has outperformed all other players in the Kenyan economy, growing on average by approximately 20% annually (World Bank Economic Update, 2010). This has been largely due to the major advancements in infrastructure, favorable government policy, as well as an active and innovative private sector. Many Kenyans are now interacting actively with technology in terms of creation and development of the technology, as well as actual application and dissemination of technology products and services.

A number of studies related to operations strategies have been done in Kenya including but not limited to: Ochako (2007), who investigated the strategic issue management practices by mobile telephone companies operating in Kenya: a case of safaricom limited. It established that in response to competitive environment, Safaricom adopted the 3 porter’s generic strategies among others; and Muthangya(2007), who performed a study on strategic response to competitive environment: A case of Postbank. It established that in response to competitive environment, Postbank adopted the three Porter’s generic strategies; Olunga (2007), response of Postbank limited to changes in the financial services sector in Kenya.The study established that Postbank responded to the changes by investing in new market driven products and adoption of the most appropriate distribution channels; Rumba (2008), strategic responses by mobile phone companies in Kenya to environmental changes, among which are cost leadership and differentiation.

Little research has been done on alignment of operations strategy to business performance in Kenya. The limited research that has been undertaken is deeply rooted in the business sector and relates to the strategy development process. Furthermore, little or no research has been undertaken on the challenges that firms experience in aligning operations strategy to business performance. For instance, Abdullahi (2000) did a study on the strategic responses by Kenyan insurance companies following liberalization. Njau (2000) did a study on the strategic responses by firms facing competitive conditions and focused his study on East African Breweries Limited. Kandie (2001) focused on Telkom Kenya Ltd, Goro (2003) focused on the banks while Kiptugen (2003) focused on the Kenya Commercial Bank.

Research in service organisations (Cicchetti, 2003; Geisler, Krabbendam and Schuring, 2003) identified that strategic planning is crucial to management of service organisations, even when the characteristics of each organisation vary. Organisations which aim to achieve world-class performance must make decisions on what objectives will enable them to gain a competitive advantage or differentiate themselves (Hill, 2005; Slack and Lewis, 2003). Michael Porter (1980) observed that competitive business strategies include both achieving lower cost and adding value through differentiation.

None of the aforementioned studies focused on alignment of operations strategy to business performance for mobile service providers in Kenya. It is evident from these studies that operations strategies and business performance are aimed at bettering performance but there is a gap for this linkage. Therefore, there is need to bring out the effect of the various operations strategies and business strategies on firm performance. The researcher wants to establish to establish operations strategy employedin the mobile service providers in Kenya and establish the relationship between operations strategy and business performance in the mobile service providers in Kenya

1.3 Objectives of the Study

The objectives of this study are to:

I. To establish operations strategy employedinthe mobile service providers in Kenya.
II. To establish business performance levels in the mobile service providers in Kenya.
III. To determine the relationship between operations strategy and business performance in the mobile service providers in Kenya.

1.4 Importance of the Study

After the research, the findings shall come in handy to make Mobile Phone service providers in Kenya aware of areas where successful alignment requires companies to have a clear view of strategy and operations, the plans and the activities. Only with increased visibility can businesses identify the barriers to alignment and close the gaps that may be keeping them from competing more effectively.

The results of the study will enlighten the management of the mobile phone service providers in Kenya on the operations strategy employed and level of business performance.The study's findings may provide useful basis upon which further studies on relationship of operations strategy to business performance could be conducted as well as add to the body of knowledge in operations management area of study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Operations Strategy as a field of enquirydeveloped from a practical need to understand reasons for success and failure among organizations. This led to a focus on overall performance and on the top management. The works of Chandler (1962) and Andrews (1971) created a view that strategy is made at the top and executed at the bottom, further reinforcing the fields focus on the top management while implementation was seen as secondary exercise. (Floyd and Woolridge 1996)

Different equivalents have been used within the literature for explaining the concept of operations strategy. Skinner (1974) presented the concept of alignment using the practical term strategic consensus, Porter (1996) referred to it as fit, Henderson and Venkatraman (1993) as alignment, and Venkatraman (1989) as fit. Each of these theories presents a concept ofoperations strategy and its relationship with business performance. According to Porter (1996), strategy means making the activities of an organization fit each other. In other words, activities must cooperate, support and strengthen each other.

2.2 Operations Strategy

Different equivalents have been used within the literature for explaining the concept of operations strategy. According to Porter (1996), strategy means making the activities of an organization fit each other. In other words, activities must cooperate and support and strengthen each other. Accordingly, there are three types of fitness: fitness between each of the general activities and strategies of the organization, fitness between activities which support one another and fitness through optimization of activities.

Skinner (1969) definedoperations strategy as a set of plans and policies by which a company aims to use to exploit the organization’s resource potential to achieve overall business strategy.The core of the strategy process involves decisions and actions. Decision making is the rational application of knowledge to a choice problem (Simon 1976). It involves seeking answers to questions such as what are the alternatives, what are the consequences of each alternative, how desirable are the consequences and what criteria to apply to evaluate the alternatives.

Strategy in a business organization is essentially about how the organization seeks tosurvive and prosper within its environment over the long-term. The decisions and actions taken within its operations have a direct impact on the basis on which an organization is able to do this. The way in which an organization secures, deploys and utilizes its resources will determine the extent to which it can successfully pursue specific performance objectives.

Slack *et al.* (2004) argue that there are five operations performance objectives namely the ability to produce at low cost; the ability to produce in accordance with specification and without error; the ability to do things quickly in response to customer demands and thereby offer short lead times between when a customer orders a product or service and when they receive it; the ability to deliver products and services in accordance with promises made to customers (e.g. in a quotation or other published information) and the ability to change operations. The success of any particular business strategy depends not only on the ability of operations to achieve excellence in the appropriate performance objectives, but crucially on customers valuing the chosen competitive factors on which the business strategy is based.

Matching operations excellence to customer requirements lies at the heart of any operations based strategy. It is unlikely that any single organization can excel simultaneously at all of the five operations performance objectives. Trying to do so is likely to lead to confusion if operations mangers pursue different objectives at different times. Skinner (1985) argued that operations could become a 'Formidable Competitive Weapon' if the function was allowed to play a full strategic role in the organization. That this was not the case in some organizations was due to there being inappropriate expectations of and attitudes towards operations.

2.3 Business Performance

Business performance is primarily concerned with how a particular business unit should compete within its industry and what its strategic aims and objectives should be (David Barnes, 2008). In today's competitive markets, a company's success can easily be copied. However a company with a distinct business strategy is enabled to achieve a differentiated market position. This differentiated position both protects companies from rival imitations and at the same time facilitates deepening within the processes that constitutes the company's core competencies, thereby delivering a unique mix of value to its customers.

The impact of business strategy in mobile phone service providers is extremely high, because gaining sustainable competitive advantage lies in differentiation, awareness of customer demand, and good estimation of technological development to overcome the high level of uncertainty in the industry (Valerie Feldmann, 2002). These are the elements that determine if the mobile service business can create economic value for the players involved in the mobile value chain. Ultimately, this uncertainty is resolved by the business strategies employed to realize business objectives.

2.4 Operations Strategy and Business Performance

Porter and Kramer (2006) stated that companies do not manage their business to obtain a full synergy regarding society aspirations and demands. Companies should conceive a performance proposition that integrates sustainability models and concepts to their business strategy, creating a real proposition of corporate social integration. Seliger (2007) proposed a performance plan for sustainable development based essentially in enhancing human living standards. He pointed out that sustainable political, economic, and social stability can be achieved only if humankind – not merely the developed countries – can create jobs and living conditions that favor human dignity.

According to Ueda *et al*. (2009), sustainable performance is a result of a co-creation process based on dynamic interaction among social, natural and artificial systems. They also stated that there is an implicit desire in society that enterprises, mobilizing their decision-making processes, are able to accomplish an overall purpose of mankind and their social organizations and individual objectives. If this happen, the necessary conditions are established for dynamic interaction among decision-making agents that have various goals and values.

Many businesses experience performance gaps between higher level strategic planning and their actual day-to-day activities. The mobile phone service providers in Kenya take into account the costs of providing services and ways to minimize those costs while implementing quality control and thereby achieving great profits.

This aspect of operations strategy is achieved by determining the necessary financial, human, and technological resources required, as well as how the companies structure enable flow of information regarding operations, thereby enabling coordination and keeping focus on achieving the objectives. Recruitment of capable operations managers who are well trained and fairly compensated to provide better service, with less supervision has shown that the overall business strategy is implemented. (Harvard Business Review, 1994).

Boyer and McDermott (1999) stated that strategic alignment to business performance means that individuals at various organizational levels agree on the issues of cost, quality, delivery and flexibility, which are important for organization's success. Many of the writers on the issue of strategy have stated that alignment between strategies is an integral component of organizations' success (Hayes and Wheelwright, 1984; Hill, 1988; Voss, 2005). Venkatraman (1989) has explained the concept of alignment to business performance in strategic research. According to him, six types of alignment are possible.

Hayes *et al.* (2005) argued that alignments are obtained in two dimensions of relating alignment to a specific criterion and the degree of accuracy in forming alignment relationships. The assumption of the model is that the greater the number of equation variables, the lower the degree of accuracy in alignment relations will be. In the viewpoint on alignment which considers it as a moderator, the effect of an independent variable such as strategy on a dependent variable such as performance depends on the performance of another variable such as environment which is known as the moderator.

In the alignment approach as mediation, a mediating variable such as organizational structure mediates in the relationship between a primary variable such as strategy and a consequent variable such as performance. Alignment approach as proportion expresses coordination between two variables. What distinguishes this approach from previous approaches is that in this approach, a criterion variable such as performance is not considered. Nevertheless, even in this approach the effect of coordination of two variables on one or more criterion variables selected by the researcher is measured Hayes *et al.* (2005).

A famous example of this approach is Chandler's (1962) study on the relationship between structure and strategy. In this research, the relationship between structure and strategy is examined without considering the variable of performance and it is assumed that lack of coordination between structure and strategy leads to poor performance (Chandler, 1962). In fact, these three viewpoints study the alignment between two variables. According to Collis and Montgomery (2005), the central concept of SWOT approach is notion of alignment between the unique capabilities of a company and the competitive requirement of an industry. By examining the viewpoints of the experts on alignment, two main dimensions of alignment of the strategy of functional units and business strategy (vertical alignment) and alignment of functions (horizontal alignment) may be expressed.

2.5 Summary and Conceptual Framework

Operations strategy enables a business to maintain a performance premium over its competitors. Organizations that provide products and services, at a lower price, high quality and that ensure fast and reliable delivery always have competitive advantage as compared to their competitors.

Many businesses experience performance gaps between higher level strategic planning and their actual day-to-day activities. The mobile phone service providers in Kenya take into account the costs of providing services and ways to minimize those costs while implementing quality control and thereby achieving profits. It is therefore important that organizations align operations strategy to business strategy to realize their overall business objectives.

The Table 2.1 shows the relationship between operations strategy and business performance.

Table 2.1: Interrelationship between operations strategy and business Performance

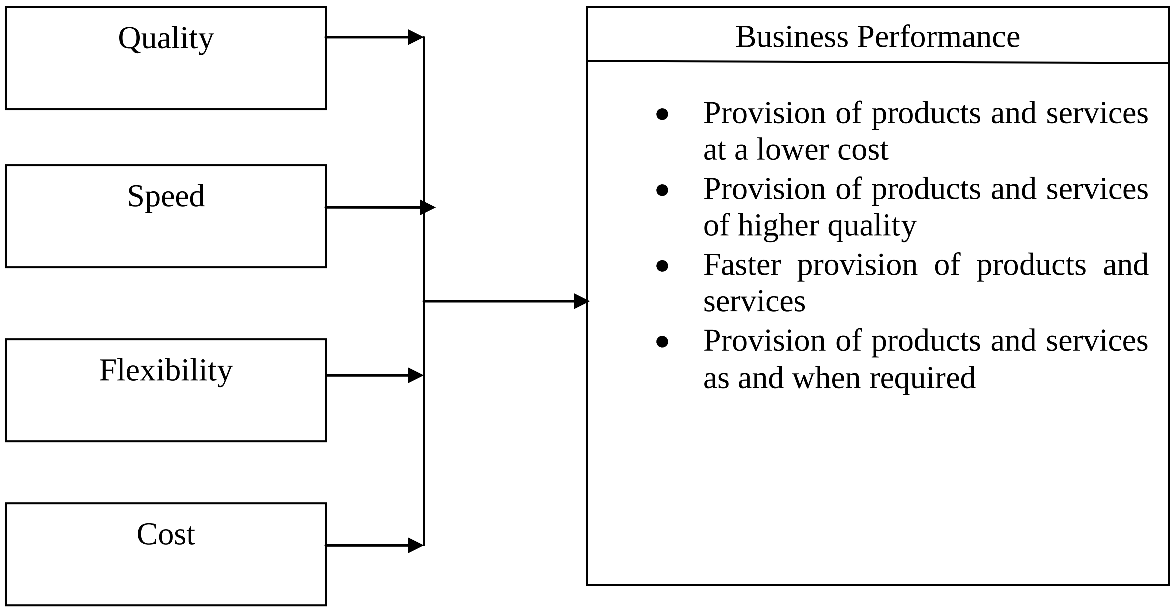
Factors in Operations Function	Business Objective	Business Performance
Cost	Cost Minimization	Company has advantage of providing products and services at lower prices as compared to competitors
Quality	Quality Enhancement	Company has advantage of providing products and services of higher quality as compared to competitors
Speed	Fast Delivery	Company has advantage of providing products and services faster as compared to competitors
Dependability	Reliable Delivery	Company has advantage of providing products and services when required compared to competitors
Flexibility	Quick response to changes in product design, product mix or product volume	Company has: • The ability to change the volume of production. • The ability to change the time taken to produce. • The ability to change the mix of different products or services produced. • The ability to innovate and introduce new products and services.

Source: Barney (2007)

An organization derives competitive advantage from how it produces its products, how it acts within a market relative to its competitors, or other aspects of the business (Wikipedia). Some of the approaches mobile phone service providers in Kenya use include: differentiation, in which products compete by offering a unique combination of features; cost, in which products compete to offer an acceptable list of features at the lowest possible cost and segmentation, in which products are tailored for the unique needs of a market, instead of trying to serve all customers.

Operations strategies must be developed within the wider context of the corporate and business strategy formulation and implementation. It is important that strategies developed throughout an organization are directed toward the achievement of business objectives and plans. Consequently, it is vital that business and operations managers are involved in the process of developing business and operations strategies, which means that this process must be clearly understood by those managers. It must be related to their business issues and be conducted using tools and techniques that are familiar to them and in a language that they understand. The Figure 2.1 indicates the conceptual framework on operations strategy and business performance

Figure 2.1: Conceptual Framework



Independent Variable **Dependent Variable**

Source: Barney & Hesterley (2006)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Descriptive research design was used because information will be collected without changing the business environment. The choice of this design is appropriate for this study since it utilizes a questionnaire as a tool of data collection. The information collected will enable the researcher to describe and understand the operations strategy employed and the relationship to business performance in the mobile phone service providers in Kenya.

3.2 Study Population

The population will comprise of all the mobile phone service providers in Kenya, namely: Safaricom Limited, Airtel Networks Kenya Limited, Orange Telkom Kenya Limited and Essar Telecom Kenya Limited. Safaricom Limited has elevenoperations managers. Airtel Networks Kenya Limited has five operations managers. Orange Telkom Kenya Limited has five operations managers. Essar Telecom Kenya Limited has four operations managers. All the 25 managers will be considered in this study.

3.3 Sampling Design

All the four mobile phone service providers in Kenya will be included in this study, hence the study is a census. The respondents will comprise of all the twenty five operations managers. The reason for using census survey is because the number of respondents to be interviewed is reasonably small, hence estimates are not subject to sampling errors. The desire to get accurate information for decision making and recommendations for further studies is another reason for using census survey as shown in Table 3.1

Table 3.1: Number of employees selected to participate in the census survey.

Mobile Phone Service Provider	Number of Employees in Operations Department in each organization
Safaricom Limited	11
AirtelNetworks Kenya Limited	5
Orange Telkom Kenya Limited	5
Essar Telecom Kenya Limited	4
TOTAL	**25**

3.4 Data Collection

Primary data was used in the study because information was collected for the first time, and thus happen to be original in character (Kothari, 2004). The question was tailored to get the data that wasused in the study. The reason was to elicit data that will help establish the operations strategies employed in the mobile service providers and the relationship between operations strategy and business performance. Questionnaire will be used to collect data.

The questionnaire contained both open-ended and closed-ended questions to give both quantitative and qualitative data. A questionnaire gives the researcher comprehensive data on a wide range of factors. It also allows greater uniformity in the way questions are asked, ensuring greater compatibility in the process (Mugenda and Mugenda 2003). It was divided into three parts. Part A captured questions on general information, part B contained questions on operations strategy and part C contained questions on relationship between operations strategies and business performance. Drop and pick method was used to collect data. The benefit for using this method is that it is convenient for the respondents to have ample time to fill it.

3.5 Data Analysis

Two types of analysis were used for both qualitative and quantitative data. The qualitative data was analyzed using content analysis because focus was on interpretation of the results rather than quantification. Quantitative data was analyzed through the use of descriptive statistics which include frequencies, percentages and arithmetic mean. Descriptive statistics provides simple summary about the sample and about the observations that have been made. The mean is the best measure of choice because it is a unique value, it uses all values in the data set, and it can be used in subsequent analyses (Mugenda and Mugenda 1999).

Frequency distribution was used for both qualitative and quantitative data. To establishthe relationship between operations strategy and business performance, a frequency table will show the score for each category in the rating scale and the number of occurrences in each of the five categories. To establish the level of business performance in the mobile phone service providers, a frequency table will show the score for each category in the rating scale and the number of occurrences in each of the five categories.The percentage of the score for each factor will summarize or describe the performance of each factor from the total observations.
A multiple regression model using the below statistical notation will be used.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + ع$

Where

Y is the dependent variable (Business Performance)

β_0, β_1, β_2, β_3 and β_4 are the regression coefficients

X_1, X_2, X_3 and X_4 are the independent variables (Cost, Quality, Speed and Flexibility)

ع is the random error term

SPSS software will be used to process data collected and presented in the report. A frequency table of factors that the mobile phone service providers consider in their operations strategy will show a summarized grouping of data divided into mutually exclusive classes and the number of occurrences in a class.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the results of the data analysis and corresponding findings. It starts by presenting a summary of the demographic information of the respondents. It then presents an analysis of the study's variables. Finally Inferential Analysis is used to determine whether the independent variables listed together predict the dependent variable business performance. All questionnaires returned by the respondents were usable for data analysis. The research findings were presented in form of tables.

4.2 General Information

This study took place in all the four mobile phone companies in Kenya namely: safaricom, Airtel, Orange and Yu. The study targeted a sample size of 25 respondents from which 23 respondents filled in and returned the questionnaires making a response rate of 92 %. This response rate was satisfactory and representative to make conclusions for the study. According to Mugenda & Mugenda (2003), a response rate of 70% and over is excellent. Based on this assertion, the study findings obtained can be considered excellent. This excellent response rate can be attributed mainly to the good access to decision makers in the companies. The response rate from all the four mobile phone service providers is captured in Table 4.1

Table 4.1: Response rate in the four mobile phone service providers

	Orange Telkom Kenya Limited	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited
No of respondents	4	10	5	4
Percentage of respondents	80	90.9	100	100

Source: Safaricom Ltd, Airtel Ltd, Orange, Essar Telecom Kenya Ltd (2014)

4.2.1 Age of the company

The age of the four mobile phone service providers is as captured in Table 4.2

Table 4.2: Age of the four mobile phone service providers

Orange Telkom Kenya Limited	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited
Over 10 years	Over 10years	Over 10 years	Below 10 years

4.2.2 Number of employees

The number of employees are as captured in Table 4.3

Table 4.3: Number of employees in operations department

Orange Telkom Kenya Limited	Safaricom Limited	Airtel Networks Kenya Limited	Essar Telecom Kenya Limited
1,615	3,446	2,133	1,348

From Table 4.3, most of the companies were over 10 years of age therefore they were in a better position to the alignment of operations strategy to business strategy should be of utmost importance to organizations that want to proactively compete in the market place.

4.2.3 Department of respondents

Most of the respondents were in the top management therefore they were best positioned to undertake part in this study since they gave valid information about the business strategy employed in the firms.

4.3 Operations strategies used in the Mobile Phone Service Providers

The study sought to find out the extent that respondents agreed with statements on operations strategies in the mobile phone service providers in Kenya.Table 4.4 shows the score for each factor in operations strategy.

Table 4.4: Mean and ST DEV score for operations strategies employed

of organization	Mean score and ST DEV for operations strategies employed							
	Cost		Quality		Flexibility		Speed	
	Mean	ST DEV	Mean	ST DEV	Mean	ST DEV	Mean	ST DEV
Safaricom Limited	4.2	0.87	4.3	0.90	3.5	1.02	4.3	0.78
Airtel Networks Kenya Limited	4.6	1.09	4	1.41	4	1.41	3.4	1.09
Orange Telkom Kenya Limited	4.75	0.86	4.5	1	4	1.41	4.5	1
Essar Telecom Kenya Limited	3.75	1.66	4.25	1.66	4.25	1.66	4	1.41
Global Mean	**4.34**	**1.12**	**4.26**	**1.24**	**3.93**	**1.38**	**4.05**	**1.07**

Source: Safaricom Ltd, Airtel Ltd, Orange, Essar Telecom Ltd (2014)

According to the findings, respondents agreed that quality is considered during provision of services in the firms as shown by a mean of 4.26 and a standard deviation of 1.24; that cost is considered during provision of services in your organization shown by a mean of 4.34 and a standard deviation of 1.12; that flexibility is considered during provision of services in your organization as shown by a mean of 3.93 and a standard deviation of 1.38; and that speed of delivery is considered during provision of services in your organization as shown by a mean of 4.05 and a standard deviation of 1.07.

4.4 Business performance levels in the Mobile Phone Service Providers

The study sought to find out if business performance is affected by the operations strategyemployed in the respondent's organization. Table 4.5 shows the mean and ST DEV score for business performance.

Table 4.5: Mean and ST DEV score for business performance

Name of organization	**Mean score and ST DEV for business performance**							
	Effect of Cost on business performance		Effect of quality on business performance		Effect of flexibility on business performance		Effect of speed on business performance	
	Mean	ST DEV	Mean	ST DEV	Mean	ST DEV	Mean	ST DEV
Safaricom Limited	4.3	1.45	4	1.41	4.2	1.26	4.1	1.7
Airtel Networks Kenya Limited	4.4	1.09	4.4	1.09	4.4	1.09	4.2	0.89
Orange Telkom Kenya Limited	4.5	1	4.25	0.86	4.5	1	4.0	1.41
Essar Telecom Kenya Limited	4.5	1	4.25	0.86	4.5	1	3.75	0.86
Global Mean	**4.4**	**1.14**	**4.2**	**1.06**	**4.4**	**1.09**	**4.0**	**1.21**

Source: Safaricom Ltd, Airtel Ltd, Orange, Essar Telecom Ltd (2014)

Most respondents agreed that cost of provision of services affect the business performance of the organization as shown by a mean of 4.4; that quality of provision of services affect the business performance of your organization as shown by a mean of 4.2 and thatflexibility affect the business performance of your organization as shown by a mean of 4.4 and that speed of provision of services affect the business performance of your organization as shown by a mean of 4.0. In the business environment, characterized with rapid globalization processes, it is very likely, that participants of operations strategy should align it to business performance.

4.5 Operations strategy and Business performance Levels

The alignment of operations strategy to business performanceis important to organizations that want to proactively compete in the market place. By aligning strategy throughout the organization, a business can maintain a performance premium over its competitors. Many businesses experience performance gaps between higher level strategic planning and their actual day-to-day activities. The mobile phone service providers in Kenya take into account the costs of providing services and ways to minimize those costs while implementing quality control and thereby achieving great profits.

4.5.1 Operation strategy and business performance in the four firms

The study sought to find out the relationship between operations strategyand business performance levels in the four mobile phone service providers in Kenya. Quantitative data was analyzed through the use of arithmetic mean. Pearson correlation is carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationships between two variables. It ranges from+1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Babbie, 2005). Table 4.6 shows the mean for operations strategy and business performance levels for the four organizations.

Table 4.6: Mean for operations strategy and business performance levels.

	Cost strategy and performance	Quality strategy and performance	Flexibility strategy and performance	Speed strategy and performance
	Mean	Mean	Mean	Mean
Safaricom Limited	4.3	4.0	4.2	4.1
Airtel Networks Kenya Limited	4.4	4.4	4.4	4.2
Orange Telkom Kenya Limited	4.5	4.25	4.5	4.0
Essar Telecom Kenya Limited	4.5	4.25	4.5	3.75
Global Mean	4.4	4.2	4.4	4.0

Source: Safaricom Ltd, Airtel Ltd, Orange, Essar Telecom Ltd (2014)

The average score for the extent to which cost was considered globally was 4.4. This implied that most respondents in all the four organizations agreed that cost of provision of services affect the business performance to a great extent; the average score for the extent to which quality was considered globally was 4.2. This implied that most respondents in all the four organizations agreed that quality of provision of services affect business performance to a great extent;the average score for the extent to which flexibility was considered globally was 4.4. This implied that most respondents in all the four organizations agreed that flexibility of provision of services affect business performance to a great extent and the average score for the extent to which speed was considered globally was 4.0. This implied that most respondents in all the four organizations agreed that speed of provision of services affect business performance to a great extent.

4.5.2 Correlation Analysis of Operations strategy on Business Performance

Correlation is a term that refers to the relationship between two variables. A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Leedy and Orodho, 2003). This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations.

Table 4.7 indicates the correlation analysis for operations strategy and business performance.

Table 4.7: Correlation analysis for operations strategy

		Business Performance	**Operations Strategy**
Business Performance	Pearson Correlation	1	0.3565
	Sig. (2-tailed)	0.000	62
	N	62	
Operations Strategy	Pearson Correlation	0.3565	1
	Sig. (2-tailed)	0.000	
	N	62	62

A correlation analysis for the information technology services was to find out how Operations Strategy correlated with Business performance. Table 4.7 shows that the Pearson correlation coefficient was 0.3564. This indicates that Operations Strategy has a positive correlation with Business performance (p-values = 0.000). These findings indicate that there was a positive linear relationship between Operations Strategy and Business performance.

Table 4.8: Explanatory power for the relationship between operations strategy and business performance

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.839[a]	.704	.664	.19758

Adjusted R^2 which is termed as the coefficient of determination tells us how operations strategies relate to business performance in the mobile service providers in Kenya. According to the findings in the table above, the value of adjusted R^2 is 0.664. This implied that there was a variation of 66.4 % of business performance with operations strategies at a confidence level of 95%. R is the correlation coefficient which showed that there was a strong correlation between the study variable as shown by the correlation coefficient of 0.839. The unexplained variance due to other variables not in the model and purely chance factors is only 33.6%.

Analysis of Variance (ANOVA) is a data analysis procedure that is used to determine whether there are significant differences between two or more groups or samples at a selected probability level. `An independent variable is said to be a significant predictor of the dependent variable if the absolute t-value of the regression coefficient associated with that independent variable is greater than the absolute critical t-value. The regression analysis also yields an F-statistic where if the calculated F-value is greater than the critical or tabled F-value, the prediction will be rejected. Table 4.9 shows the overall significance of the regression.

Table 4.9: Overall significance of the regression

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.744	4	0.372	11.59	.023
	Residual	39.091	39	0.129		
	Total	42.835	43			

From the ANOVA statistics above the processed data which is the population parameters, had a significance level of 2.3 % which showed that the data was ideal for making conclusions on the population's parameter as the value of significance (p-value) was less than 5%. The calculated F was greater than the critical value (11.59 >2.61) an operations strategy significantly influence business performance in the mobile service providers in Kenya. This is an indication that the model was significant. ANOVA assumes that the data are normally distributed.

4.5.3 Regression Analysis of operations strategy on business performance

Regression analysis generates an equation to describe the statistical relationship between one or more predictor variables and the response variable. Regression coefficients represent the mean change in the response variable for one unit of change in the predictor variable while holding other predictors in the model constant. This statistical control that regression provides is important because it isolates the role of one variable from all of the others in the model. The table below shows the regression coefficients of the four independent variables namely; cost, quality, flexibility and speed. Table 4.10 shows the regression coefficients for the four independent variables.

Table 4.10: Regression coefficients for the four independent variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.146	.172		1.847	.023
	Cost strategy	.337	.082	.132	1.739	.007
	Quality strategy	.243	.082	.254	7.835	.010
	Speed strategy	.141	.083	.113	2.806	.041
	Flexibility strategy	.167	.063	.189	2.583	.029

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ become:

$Y = 0.146 + 0.337X_1 + 0.243X_2 + 0.141X_3 + 0.167X_4 + \varepsilon$ Where Y is the dependent variable (business performance), X_1 is the Flexibility strategy, X_2 is Quality strategy, X_3 is Speed strategy, X_4 is the Flexibility strategy.

According to the regression equation established, taking all factors into account (Cost strategy, Quality strategy, Speed strategy and Flexibility strategy) as constant at zero, the business performance will be 0.146. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in Cost strategy will lead to a 0.337 increase in the business performance; a unit increase in Quality strategy will lead to a 0.243 increase in the business performance; a unit increase in Speed strategy will lead to a 0.141 increase in business performance and a unit increase in Flexibility strategy will lead to a 0.167 increase in business performance. At 5% level of significance and 95% level of confidence; Cost strategy showed a 0.07 level of significant Quality strategy showed a 0.010 level of significant; Flexibility strategy showed a 0.029 level of significant and Speed strategy showed a 0.041 level of significant. This therefore shows that Cost strategy is the most significant factor influencing business performance among the four studied factors, followed by Quality strategy, Flexibility strategy and Speed strategy in that order. This infers that Cost strategy contribute more to the business performance in mobile service providers in Kenya.

4.6 Discussion of Results

Results of the operations strategy employed in the four mobile phone service providers in Kenya are presented in Table 4.4. From the results, most respondents agreed that cost, quality, flexibility and speed of provision of services was considered to a great extent in the operations strategy in the four mobile service providers. This was in line with the first objective of establishing if operation strategy was employed in the four mobile phone service providers.

Results of the operations strategy and business performance levels in the four mobile phone service providers in Kenya are presented in Table 4.5. From the results, most respondents agreed that cost, quality, flexibility and speed of provision of services affected to a great extent the business performance in the four mobile service providers. This was in line with the second objective of establishing if operation strategy affected business performance in the four mobile phone service providers.

These findings are in agreement with the literature review where Cohen *et al.,* (2005) emphasizes that Operations Strategy is positively correlated with improved overall business performance. The findings are also in agreement with the observations made after a research was done on operations strategy and business performance in 1999. Masood Badri (1999) found out that successful firms, facing greater perceived competitive hostility, respond with a greater emphasis on quality, cost, flexibility and speed of provision of service to get a better business performance.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings of the research, the conclusion, recommendations and suggestion for further studies of the subject matter. The responses were based on the objectives of the study. This study sought to investigate the relationship between operations strategy and business performance in the mobile service providers in Kenya.

5.2 Conclusions

The objectives of the study were to establish operations strategy employed in the mobile service providers in Kenya, to establish business performance levels in the mobile service providers in Kenya and to determine the relationship between operations strategy and business performance in the mobile service providers in Kenya.

It was established that operations strategy was used to a great extent in all the four mobile service providers in Kenya. It was further realized that cost, quality, flexibility and speed of provision of services affected business performance to a great extent.The four organizations had strategy departments, vision and mission statements, explicit operations and business objectives and engaged in strategic planning, which was considered a very important aspect of an organization.The strategic plans were also implemented and very elaborate effort was made to monitor the implementation, with periodic reports and feedback.

All the companies spent enormous time and resources in ensuring that the respective mission, vision and values were integral in day to day operations and are internalized by all staff. The organizations have outlined operations strategy in their strategic plans and there were policies to guide engagements in implementation of the strategy.

5.3 Recommendations

The objectives of the study were to establish operations strategy employed in the mobile service providers in Kenya; to establish business performance levels in the mobile service providers in Kenya; and to determine the relationship between operations strategy and business performance in the mobile service providers in Kenya.

The study recommends that operations strategy should be formulated with business performance in mind for mobile service providers in Kenya. Cost, quality, flexibility and speed of provision of services should be considered to a great extent when formulating operations strategies as found out in the study. The study also recommends that relationship between operations strategy and business performance of mobile service providers in Kenya should be enhanced to improve overall performance. The study finally recommended that there are many challenges thatmobile companies experience in aligning operations strategy to business performance and therefore organizational synergy is needed to improve the relationship.

5.4 Limitations of the study

The limitations of this study included among failure to get 100% response rate. Some respondents failed to fill the questionnaire. The size of the sample was not big enough to give a fair assessment of the operations strategy employed and their relationship to business performance. The time available in carrying outthe research was short.Availability of a longer time period would have led to collecting data from all the target respondents and thereby getting a result that represented all the respondents.

5.5 Suggestions for Further Research

The study was only carried out by interviewing top management staff, and specifically operations managers in all the four mobile phone service providers in Kenya.The same study should be carried out in the other sectors and other departments to find out if the same results will be obtained.

Equally there is room for further research onexternal factors such as labor availability,competitive hostility,government laws,political environment and dynamism in the market that show the relationship between operations strategy and business performance of mobile service providers in Kenya in enhancing performance of other firms in Kenya.

Finally, study can be replicated in other industries and sectors in Africa with a view of documenting the operation strategy practices and how they are linked to business performance. It could also serve to investigate the extent of strategic planning and implementation in companies, and how it integrates other activities of the firms.

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APPENDICES

Appendix I: Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
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P.O. Box 30197
Nairobi, Kenya

DATE 13/10/2014

TO WHOM IT MAY CONCERN

The bearer of this letter BONIFACE MUSAU WAMBUA

Registration No. D61/70047/2008

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
13 OCT 2014
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Questionnaire

This study is intended to establish to establish operations strategy employed in the mobile service providers in Kenya and determine the relationship between operations strategy and business performance in the mobile service providers in Kenya.The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

INSTRUCTIONS:

1. Please answer all questions in order.
2. Please tick the best option as relating to your company
3. Information provided shall be confidential.

PART A: GENERAL INFORMATION

1. Age of the company

Below 3 years ( ) 3-5 years ( ) 5-10 years ( ) 10 years and above ( )

2. No. of employees……………………………………

3. Your Department……………………………………

PART B: OPERATIONS STRATEGY

Please indicate by ticking against a number appropriate with regard to the operations strategy employed by your company

1. Not at all ( ) 2. Small Extent ( ) 3. Moderate Extent ( ) 4. Great Extent ( )
5. Very Great Extent ( )

Statement	1	2	3	4	5
i. To what extent is quality considered during provision of services in your organization?					
ii. To what extent is cost considered during provision of services in your organization?					
iii. To what extent is flexibility considered during provision of services in your organization?					
iv. To what extent is speed of delivery considered during provision of services in your organization?					

PART C: BUSINESS PERFORMANCE

Please indicate by ticking against a number appropriate with regard to the business performance level in your company

1. Not at all ( ) 2. Small Extent ( ) 3. Moderate Extent ( ) 4. Great Extent ( )
5. Very Great Extent ( )

Statement	1	2	3	4	5
i. To what extent does cost of provision of services affect the business performance in your organization?					
ii. To what extent does quality of provision of services affect the business performance in your organization?					
iii. To what extent does flexibility of provision of services affect the business performance in your organization?					
iv. To what extent does speed of provision of services affect the business performance in your organization?					

Thank you for taking time to fill in the questionnaire. Your cooperation and input was highly appreciated.