COMPETITIVE BUSINESS STRATEGIES ADOPTED BY MOBILE SERVICE PROVIDERS IN KENYA: A CASE OF TELKOM KENYA

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DECLARATION

This project proposal is my original work and has not been submitted for a degree in this or any other University.

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This project has been submitted with my approval as university supervisor.

Ms. Catherine Ngahu Date

DEDICATION

This project paper is dedicated to my parents Julius Kithamba and Elizabeth Wangari whose prayers, support, love and encouragement I truly value.

I also dedicate it to my brother Mugambi Kithamba for the continued encouragement and support.

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I would like to thank God for giving me the opportunity, strength and courage to complete my project proposal. He has been faithful throughout the process.

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Thank you ALL. I could not have done it alone.

ABBREVIATIONS AND ACRONYMS

BTS	Base Transceiver Station
CA	Communications Authority of Kenya
GSM	Global System for Mobile communications
KPTC	Kenya Post and Telecommunications Corporation
MKL	Mobicom Kenya Limited
MODE	Mobile Decisions
MVNO	Mobile Virtual Network Operator
NOFBI	National Optic Fiber Backbone Initiative
RBV	Resource Based View
TKL	Telkom Kenya Limited

ABSTRACT

The telecommunications industry in Kenya is volatile and highly competitive, to survive in the industry, organizations have to adopt business strategies that offer them competitive advantage over their rivals. This study looks into Telkom Kenya Ltd; one of the four telecommunication companies in Kenya and will seeks to determine the competitive business strategies the organization has adopted in order to create competitive advantage. A case study on Telkom Kenya Ltd was conducted with data collected through interview. Respondents of the interviews were the top managers of Telkom Kenya responsible for establishing and implementation of strategy in the organization. Data analysis involved the identification of specific wordings used by the respondents in the interviews; these words were then used to make conclusions in the study. From the study, we find that Telkom Kenya derives competitive advantage from internal resources that are both tangible and intangible. The study also finds that competitive strategies employed by the organization include; Cost leadership, price leadership and outsourcing strategies. In conclusion, the study recommends that Telkom Kenya divert the reliance of tangible internal resources as a source of establishing competitive advantage as they can easily be replicated and substituted by competition. It also recommends the exploration of external factors to provide competitive advantage and the adaptation of strategies specifically geared towards the increase of revenues and market share.

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CHAPTER ONE: INTRODUCTION

1. 1 Background of the study

Conducting business in the 21st Century has become exceedingly difficult for firms as they are faced with a myriad of challenges within their environment. Elements such as globalization and technological advancements have led to a steady increase in direct competitors and substitutes product all fighting for the same customers. According to Alderson (1965) to survive, firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. This brings rise to a need by firms to establish competitive advantage over rivals.

Barney (2001) says “a firm experiences competitive advantage when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions”. He goes on to elaborate that “a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs”. From this we can deduce that it is the responsibility of firms to scan both their internal and external environments for unique traits that will provide them with leverage over their rivals while building a base of loyal customers.

To deliver competitive advantage, firms are tasked with the duty of developing business strategies that will propel them to rip the benefits of the competitive edge they have over competitors. The formulation of strategy is a critical part of establishing competitive advantage.

1.1.1 Concept of strategy

There are numerous definitions of what strategy is in the context of a business entity, these definitions have a common theme as summed up by Nickols (2012). After review various definitions of strategy offered by prominent authors such as; Hart (1967), Mintzberg (1994), Andres (1980), Porter (1996), and Robert (1993), Nickols (2012) concludes that strategy can be defined as a ‘term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends'.

Porter (1980) describes three generic strategies which can be employed by firms, these include: low cost strategies, differentiation and focus strategies. These strategies aim at improving the firms operations and product offering while ensuring gains in market share and ripping large profits. They focus on leveraging on their core strength to afford them competitive advantage over rival organizations. Firms adopt business strategy in an effort to address ways in which they can build sustainable competitive advantage within a specific market.

1.1.2 Competitive Advantage

Fahey (1989) defines competitive advantage as anything that favorably distinguishes a firm or its products from those of its competitors, from the viewpoint of its customers or end-users. Baltzan and Phillips (2010) collaborates this definition by defining competitive advantage as 'a product or service that an organizations customers value more highly than similar offerings from its competitors'

The goal of most business strategies is to achieve sustainable competitive advantage. According to Barney (1991) competitive advantage is sustained when other firms are unable to duplicate the benefits derived from strategy. In a bid to establish competitive advantage, firms rely on strategies that leverage on resources, capabilities and distinct competences along the value chain.

1.1.3 The Telecommunications Industry in Kenya

In the spirit of establishing a common market in East Africa, in 1948, the East African Post and Telecommunications Corporation was established to provide services to Kenya, Tanzania and Uganda. This corporation was in existence till the collapse of the East African community in 1977. After the disintegration of the East African community, member states were faced with the challenge of providing postal and telecommunication services to their population. This need saw Kenya establish the Kenya Post and Telecommunication Corporation (KPTC) which took up the mantel from East African

Post and Telecommunications Corporation. Until 1999, Kenya Post and Telecommunication Corporation operated as a state operated parastatal that attempted to meet the postal and telecommunication need of the Kenyan population. In 1999 there was a move by the government of Kenya to liberalize its telecommunication sector, this move saw the slip of KPTC in 3 different entities including; Postal Corporation of Kenya, Telkom Kenya and the regulatory body; Communications Commission of Kenya (now Communications Authority of Kenya)

With the liberalization of the telecommunications industry Kenya has seen the emergence and rapid growth of mobile telephone services. At present it has an annual turnover of about Kshs.200 billion (CA quarterly sector statistics report 2012/2013). The sector is composed of four mobile operators namely Safaricom Ltd; Airtel Networks Kenya Ltd; Telkom Kenya Ltd and Essar Telkom Kenya Ltd. In June 2014, the Communication Authority of Kenya (CA) approved the licenses of four mobile virtual network operators (MVNOs).These MVNOs will ride on the existing infrastructure of the four mobile operators. The MVNOs are namely: Equity bank; Nakumatt Holding; Mobile Pay (Tangaza money) and Zion Cell owned by Mobile Decisioning (MODE).

Based on the Communications Authority of Kenya’s quarterly sector statistics report (2012/2013), Safaricom Ltd. has the largest market share of all four mobile service providers with 64.5% share. It is followed by Airtel Networks Ltd. with 16.9%, then Essar Telkom Ltd. with 10.5% and finally Telkom Kenya with 8.1% of the market share.

1.1.4 Telkom Kenya Ltd

Telkom Kenya ltd was established as a telecommunications operator under the Companies Act in April 1999. In 2008, Telkom Kenya partnered with France Telecom (now Orange Group) leading to the launch of the Orange brand in Kenya, Orange is current Telkom Kenya’s main brand.

The company’s mission is to connect every Kenyan through integrated communication solutions that simplify and enrich their lives and prides itself as a social and business catalyst, liberating and inspiring people with ideas and services to connect, collaborate and co-operate in new and existing ways ("About Telkom Kenya, 2011"). The organization is an integrated telecommunication solutions provider offering mobile telephony under GSM and CDMA platforms, fixed line telephone services and internet services. It also owns shares in the TEAMS and EASSY cables in addition to running the National Optic Fiber Backbone Initiative (NOFBI) and its own terrestrial fiber optic network supporting its data carrier to carrier business.

Telkom Kenya has approximately 1500 employees and is headed by a newly appointed chief executive officer, Vincent Lobry. Mr. Lobry succeeds the former chief executive officer Mickael Ghossein, on 4th September 2014, Mr. Ghossein managed Telkom Kenya for five years from 2009 to 2014. The chief executive officer report to the board of directors that is composed of representatives of the Kenyan government and Orange Group. In the extremely volatile telecommunications industry, Telkom Kenya has been compelled to adopt various competitive business strategies to ensure that it remains relevant to consumers.

1. 2 Research Problem

Globally mobile service is an industry that is fast paced with rapid changes in regards to technology, products and services availability, processes and consumer preference. According to Pearce and Robinson, (2003) the business environment within which the mobile sector operated is very volatile. Firms within this industry face rapidly growing market demands with pressure to reduce costs and reduce product and service prices while trying to keep up with the fast paced development of technologies putting a strain on resources so as to maintain market trends.

The Kenyan mobile service industry is no exception to the prevailing forces with as some firms within the industry have been faced with declines in operational margins, loss of market share, high marketing costs, price reductions and declined sales revenues. The market forces and inability to adopt strategies that provide competitive advantage has forces some service providers to exit the Kenyan market. This is evident in the history of the current Airtel Networks limited that has had three different owners in the past; Kencell Ltd, Celtel Ltd and Zain Ltd. To address challenges faced from a changing competitive environment, Telkom Kenya has to explore competitive business strategies that provide them with competitive advantage.

Locally there has been a wide range of research on the competitive strategies adopted by mobile service providers in Kenya to gain competitive advantage. Waringu (2013) explores the impact of competitive strategies on the firm performance in the mobile phone service industry in Kenya while Ngobia (2004) looks at the competition in the mobile phone industry in Kenya. Kamande (2010) explores the competitive strategies adopted by mobile phone companies in Kenya to determine the source of competition in the industry and identify the competitive strategies adopted to gain competitive advantage.

The available research on competitive business strategies focus mostly on the mobile service industry as a whole with little analysis done on specific companies within the industry. Kandie (2001) studied the strategic response of Telkom Kenya limited in a competitive environment. Though insightful, the research is outdated as drastic changes have occurred to Telkom Kenya from the time of the research including the privatization of Telkom Kenya from a parastatle, partnership of Telkom Kenya limited with the multinational Orange group and an addition of new players in the mobile service provider industry.

This research will seek to determine the strategies Telkom Kenya has employed to create competitive advantage and leads to the research question: What are the business strategies adopted by Telkom Kenya?

1. 3 Research objective

The broad objective of this study is to determine business strategies adopted by Telkom Kenya. The specific objective is to identify the competitive business strategies employed by Telkom Kenya in order to create competitive advantage.

1. 4 Value of the study

Telecommunication customer have unique behavioral patterns from region to region which act as a barrier to entry for some multinationals who wish to penetrate the market.

This study aims to create a better understanding of the telecommunications industry in Kenya and identify competitive business strategies that can be used to obtain meaningful gains in the industry. The study will evaluate the strategies employed by Telkom Kenya and will guide management in identifying points of improvement during future decision making process.

Other companies would be able to extrapolate gains made by Telkom Kenya based on strategies they employ thus creating the link between competitive advantage and revenue growth. Researchers, students and academicians will also find the study useful; those interested in the establishment of competitive business strategies will use the study as a guide for debates on the same as well as for future studies in the same area.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter aims to introduce the basic theory of competitive advantage and review published works within the context of competitive business strategies that may be adopted to gain competitive advantage. Merriam (1988) describes the literature review as: ‘an interpretation and synthesis of published work’.

2.2 Basic theory

Porter (1998) explains that for a firm to remain competitive, it has to either take an offensive strategic position in its industry or a defensive one. To fully define the strategic course to be adopted, it is important for a firm to first understand the industry in which it operates and what drives competition in that industry; this can be achieved by analyzing both the internal and external environment of the firm.

For the external evaluation of forces that impact of the strategies adopted by a firm Porter (1985) developed the “five force”, which define the rules of competition for any firm irrespective of the industry it operates in. The five forces are described as bargaining power of supplier, bargaining power of buyer, threat of substation, threat of new entrants and competition. An internal analysis of the firm will aid identification of resources and competences that can offer competitive advantage to the firm. Resources based view is the most common theory in the evaluation of competitive advantage based on the firms internal resources.

2.2.1 Resource Based View for Competitive Advantage

Although works by Penrose (1959) and Rubin (1973) introduce the concept of looking at firms in terms of its resources, the concept of resource based view (RBV) in a firm for competitive advantage only immerged in the 1980’s with works from Wernerfelt, B. (1984), Prahalad and Hamel (1990) Barney,J. (1991) amongst others.

According to Collis, David and Montgomery (1995) “The RBV combines the interval analysis of phenomena within companies with an analysis of industry and the competitive environment. It derives its strength from its ability to explain in clear managerial terms why some competitors are more profitable from the others, how to put the idea of core competence in practice, and how to develop diversification strategy that make sense" (p.118). Resource based view argues that firms should examine their internal resources as a sources of competitive advantage. Firms leverage on available internal resources to take advantage of opportunities within its external environment and differentiate itself from completion.

Wernerfelt, B (1984) explains that "a firm's resources at a given time could be defined as those (tangible and intangible) assets which are tied semi permanently to the firm" (p. 172). Tangible assets can be viewed as the physical resources available to the firm such as capital, machinery and property. This type of assets may offer little competitive advantage as the can be imitated or acquired by competitors. Intangible assets may be considers as elements with no physical presence but can be utilized by a firm to gain competitive advantage. Such elements would include: Human capital, structural capital, organization capabilities and external relationship capital. Intangible assets provide a higher level of competitive advantage as they are unique to the firm and are not easily imitated. This is collaborated by Collis et al. (1995) who elaborate that the best resources for competitive advantage are often intangible, not physical.

To fully leverage on internal resources a firm must ensure that these resources differentiate the firm from other competitors. Collis et al. (1995) offer a series of five tests for a valuable resource which firms can use to assess its resources. The test analyses the resources for the following qualities: inimitability, durability, appropriability, Substitutability and Competitive Superiority. Telkom Kenya has to review its internal resources and identify which of these resources hold the qualities described by Collis et al. (1995) and can be used to derive competitive advantage.

2.3 Porter's Generic strategies for Competitive Advantage

According to Porter (1985) Competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Value is what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Competitive advantage is thus said to exist when a firm or organization can deliver same benefits as its competitors but at a lower cost (cost advantage) or by offering benefits or services that exceed those offered by competing products (differentiation advantage) thus enabling the firm or organization to create a superior value for its customer and superior profits for itself. Cost and differentiation advantage are referred to as positional advantage and forms part of a firm's competitive strategy as they describe the firm's position in the industry as a leader in either cost or differentiation. Another important decision is how broad or narrow a market segment to target. Porter (1985) summarized this in a matrix using cost and differentiation advantage on one side of the matrix and a broad and narrow focus on the other side of the matrix in order to identify a set of generic strategies that a firm or organization can pursue to create and sustain a competitive advantage.

The generic strategies are applicable within the business unit level of any firm in any industry aimed at creating defendable position in the long-run and propel firms to outperform competition. The differentiation and cost leadership strategies seek competitive advantage in a broad range of market or industry segments while the differentiation and cost focus strategies are adopted in a narrow market/industry.

2.3. 1 Cost Leadership strategy

Firms that adopt this strategy gaining competitive advantage by providing a broad set of customers with products and services that have acceptable quality at a considerable lower cost. To achieve competitive advantage the firm focuses on large scale production with product that appeal to a broad segment of the market, for this reason, cost leadership is a broad scope strategy. These firms have a low price to value ratio products in their product offering driven by their ability to leverage on economies of scale, company efficiencies in production, technological advances independent of scale, and policy choices. "Cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on" (Porter, 1980, p. 35).

Competitive advantage derived from cost leadership allows firms to either reduce production costs thus increasing the amount of profit from unit sales when the firm can command a premium price or reduce production costs and passing on the cost saving to customers with the objective of increasing its market share According to Porter (1980), for a firm to achieve an overall low cost position in its industry, it may be required to command a relatively high market share or have other advantages such as favorable access to raw materials. There is also an element of high up-front capital investment that firm perusing this strategy should take into account. These will allow them invest in state of the art equipment, aggressively price their products, and absorb start up losses when building market share.

2.3. 2 Differentiation strategy

This strategy aims to derive competitive advantage by offering product or services with a unique customer proposition that allows the firm to stand out from its rivals. The focus here is on creation of products for which customers are willing to pay a premium due to their perceived additional benefits. Through the implementation of the differentiation strategy, companies seeks to achieve competitive advantage such as providing of a better product or service with the same price or just slightly higher (Johnson et al. 2005, 248). The uniqueness of the provided service or product can be derived from different activities, including product performance, marketing, technology, location and experienced employees (Grant 2005, 283-284).

According to Porter (1980) differentiation relies on building customer loyalty and eventually reducing customer sensitivity to price. Customers get a perception of exclusivity which is incompatible with a high market share objectives, thus firms that adopt this strategy tend to have a low market share but a pool of highly loyal customers which eliminates the need for low cost positioning. To create customer loyalty, firms must invest in communicating the product benefits to potential customers. Grant (2005) describes differentiation as an "emphasis on branding, advertising, design, service, quality, and new product development”.

Achieving differentiation will imply a trade- off with cost position if activities required to create it are inherently costly such as extensive research, product design, high quality materials or intensive customer support (Porter, 1980, p. 38)

2.3. 3 Focus Strategy

Using this strategy competitive advantage is derived by focusing business efforts on a specific segment of the market and providing products or services that address the needs of this segment. According to Porter (1980), the firm creates a niche within a particular buyer group, segment of the product line, or geographic market.

Porter (1980) elaborates that this strategy allows firms an option to pursue a cost leadership strategy or a differentiation strategy to suit that segment. Due to the aspect of segment focus, the strategy is considered to be a narrow scope strategy. The firm must ensure that the target segment is well defined and has unique characteristics that are addressable by the firm’s products or services Similar to the differentiation strategy, focus strategy presents some limitation in regards to acquiring a large market share. Porter (1980) states, "Focus necessarily involves a trade-off between profitability and sales volume (p.38).

CHAPTER THREE: RESEARCH METHODS

3.1 Introduction

This chapter sets out various stages and phases that were followed in accomplishing the objectives of the study. Procedures and techniques that were used in the collect, process and analyse data are discussed. Specifically research design, population of the study, description of research instruments, sampling design, data collection instruments, data collection procedures and data analysis. Study area is the Telkom Kenya LTD.

3.2 Research design

Case study was selected as the methodology used in the research. This facilitated the investigation and evaluation of Telkom Kenya's competitive business strategies in its entirety.

According to Kardos and Smith (1979), a case study is a research strategy that is used to investigate an event, group of persons within its real life context. Cooper and Schindler (2003) indicate that it places more emphasis on the full contextual analysis of the fewer events or conditions and other interrelationships.

3.3 Data collection and respondents

Both primary and secondary data was collected in the research to provide qualitative and qualitative data. Primary data is raw data collected for specific purpose Kotler (2006). This data was collected via personal interviews with top managers within Telkom Kenya LTD who are responsible for the formulation and driving of strategy.

Secondary data was derived from sector statistics reports from CAK, independent brand trackers by research firms and brand surveys commissioned by Telkom Kenya. According to McQuarrie (2005) secondary market research refers to any data gathered for one purpose by one party and then put to a second use or made to serve the purpose by a second party. It was carried out in order to refine the objectives as well as define the questions that were used in the primary research.

This study was conducted within the Telkom Kenya Limited which has approximately 1,500 employees. There are 10 departments within Telkom Kenya, the respondents of this research were the top level managers responsible for formulation of strategy within the organization within each of these departments, and these include:

1. Chief executive officer
2. Chief human resource officer
3. Chief business market (corporate) officer
4. Chief mass market office
5. Chief customer care officer
6. Chief of marketing and strategy officer
7. Chief information technology officer
8. Chief carrier services officer
9. Chief corporate communications officer
10. Chief finance officer

3.4 Data Analysis

As the data collected was qualitative in nature, qualitative data analysis techniques were used. Content analysis was conducted to examine the interview manuscript and audio tapes from the qualitative research. The analysis involved the identification of specific wordings used by the respondents in the interview and these words were used to make conclusions in the study. The data collected was thereafter described based on findings from the study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter contains the findings of the research, data analysis and discussion on these findings. Primary data was collected by interviewing the top level managers responsible for formulation of strategy within the major departments of Telkom Kenya. The data was then analyzed and Interpreted in line with the objective of the study which is to identify the competitive business strategies employed by Telkom Kenya in order to create competitive advantage. 10 interviewees were identified of whom 8 were successfully interviewed giving the case study an 80 per cent response rate. The data collected was subsequently analysed. The respondents identified the sources of competitive advantage and highlighted different strategies adopted by the organization to gain competitive advantage.

4.2 Sources of Competitive advantage

Primarily Telkom Kenya has looked into internal resources as a source of competitive advantage and as an avenue to increase profitability of the organization. The resources highlighted by respondents display both tangible and intangible characteristics and include:

4.2. 1 Tangible assets

One of the key strategic actions sighted by the respondents as a source of competitive advantage was the five year organizational plan to expand the its core network and rollout new base transceiver stations (BTS). Currently the organization has over 1,000 BTS' with plans to continuously increase that number. According to the respondents, the move is aimed at expanding the coverage and availability of Orange services which will works on keeping existing subscribers and acquiring new subscribers. The major focus of the organization during this expansion is the rollout of stations with 3G technology capabilities. Currently the organization has 3G coverage in five major cities and towns in Kenya including; Nairobi, Mombasa, Kisumu, Eldoret and Nakuru.

In 2010 TKL entered into a partnership with a well established telecommunications distributor; Mobicom Kenya Limited (MKL) who has a nationwide presence. The partnership allowed TKL to ride on MKL's existing infrastructure in regards to sales force and distribution channel. This allowed TKL to penetrate the market with little capital investment. The partnership saw MKL become TKL's sole national distributor responsible for driving the sales of TKL's products and services within the mass market.

To compliment the efforts of MKL in the sale of TKL's products and services, the organization in 2011 embarked on a plan to rollout a series of company owned shops that required minimal capital investment and that have minimal operational costs. These shops are strategically located areas with high foot traffic, increasing the number of customer touch points that which TKL to interact with its customers. The respondents acknowledge that there is still need for improvement in regards to creating customer touch points however the existing network of shops is a source of competitive advantage.

Owning and managing 100 per cent of the sales and distribution network would be extremely capital intensive for TKL so in addition to having the national distributor MKL, it has also gone into partnerships with smaller regional distributors with the financial capability to invest in sales infrastructure within specific regions. The establishment of a lean team of distributors with the financial capabilities to inject capital in the business has facilitated an increase in sale on a regional level and has created competitive advantage for the organization.

4.2. 2 Intangible assets

As change agents, the leadership of an organization is tasked with driving cultural change with the objective of meeting the organizations goals. Fifty per cent of the respondents interviewed have been in the organization for less than two years. These managers have injected new energy into the business and have managed to re-organize their teams to a performance oriented structure.

The respondent agree that there has been an intentional actions by the TKL to put the customer at the heart of the organization with a focus on improving customer experience. Customer experience has seen some improvements though the establishment of a customer test center which facilitates the testing of products and services on a sample of potential customers with the aim of obtaining feedback and identifying flaws in the design. The test centre has reduced the failure rate of products and eased the go to market process. A second source of customer feedback that goes towards enhancing the customer experience is a random sampling of customers who use specific products to get their feedback on the customer journey. The feedback is used to adjust the customer's experience, enhancing satisfaction.

For most telecommunication companies, customer acquisition is one of the biggest operational costs, this lies true with TKL. For the organization, acquisition costs includes; costs relating to advertising, the employment of sales staff, the payment of commissions and the provision of the telephone services. To ensure that once acquired the customer does not fall off the network; TKL has put in place a number of churn management processes. These processes include a loyalty scheme under which customer earns redeemable points for continued usage of the organizations services as well as a loyalty management system that targets SMS communication to different clusters of subscribers and issues them with rewards based on how long they have been using the organizations services. The ability to retain customers provides a source of competitive advantage.

The majority shareholder of TKL is Orange group a multinational with over 200 year of experience in the telecommunications industry and a presence in 32 countries around the world. Orange group has a policy for the continuous transfer of knowledge to affiliates such as TKL who benefit from tried and tested policies and processes. TKL obtains competitive advantage from the skills and knowledge base it has access to and the continuous support of Orange group.

During the transition from a parastatal to a privately owned company, TKL inherited most of the pre-existing technical systems used by the parastatal. These systems acted as an avenue for fraud and revenue leakages. The respondents agree that the system overhaul that has been carried out within the past three years has allowed the firm to seal revenue leakages emanating from system gaps as well as provide the customer with a better experience when they come into contact with TKL.

4.3 Business strategies employed by Telkom Kenya

4.3. 1 Cost leadership

The respondents agree that TKL has taken deliberate action to make savings along the value change with a deliberate effort to reduce operational costs and enhance the revenue collection process. The organization has in information management systems and business intelligence systems that aid in the control of expenditure and allow for budgeting. These systems are complimented by processes that offer tight controls revenue collection, expenditure and the management of overheads.

In line with the cost leadership strategy adopted by TKL, the organization has seen a move from the set up and ownership of high end, company operated retail shops to the adaptation of shop in shops. The shop in shop models is a low cost model that allows TKL to set up shops in existing large retail outlets such as supermarkets and malls. These shops require limited setup costs and operational cost while still providing customers with same high standard quality of service.

Through the years TKL has suffered enormous monetary losses due to the vandalism of copper cables which disruptions its land-line and data services. To reduce the impact of continues vandalism while still providing customer with the same land-line services TKL introduced a new service called Home Talk for homes or Biashara Talk for businesses. Customers continue to enjoy the same services offered by the copper line however Home and Biashara Talk are delivered through GSM technology which is cheaper to install, manage and monitor. Over all, Home and Biashara Talk offer TKL savings in capital that would have been spend repairing copper lines. Efficiencies through the production and service delivery processes within the value chain allows TKL to make significant savings that it can then transfer to its customers through a its price leadership model.

4.3. 2 Price Leadership

In August 2010 Bhati Airtel Limited, a new entrant in the Kenya telecommunications industry at the time, slashed their call rate by 50% as a market penetration strategy. This was the beginning of a long and bitter price war as other telecommunication operators followed suit bringing the market prices down to KES. 4 per minute a 50 per cent decline from the prevailing rate at the time. In January 2014, TKL dropped both its on-net and off-net prices further down to KES. 2 and KES. 3 respectfully. As opposed to competitors who had subscription or time based low calling rates, the tariff plan by TKL had no subscription cost or time limits making it the lowest call rate at the time. To support the reduction in pricing, TKL commenced a media campaign dubbed, “Did you Know”, which sort to sensitize consumers between the price disparities between Orange and the market leader Safaricom Ltd and option TKL as the cheapest service provider.

According to the respondents, the low subscriber base of TKL was an advantage as it allowed it to lower the on-net prices without a great impact on revenues. The competition did not have the same advantage and could not react by lowering their pricing as they had a larger subscriber base which would result in loss of existing revenue without a guarantee of acquiring new subscribers. The respondents attribute a 0.5% growth in market share in the first quarter of 2014 is attributed the price reduction and the ‘Did you know’ campaign.

4.3. 3 Outsourcing

In order to focus on their primary objective of proving telecommunication services, TKL has taken a strategic decision to outsource some of its non-core activities. Activities such as call center management under customer care, non- core server management under technical and sales animation under sales. These activities were traditionally operated and managed by TKL, however in a bid to achieve efficiency and reduce on cost, this activities coupled with their associated business process have been outsourced.

The respondents emphasized that the objective of outsourcing non-core activities was to ensure that the organization benefit from the competencies of the outsourced partners, will minimizing the operational costs. Outsourcing also allows the TKL to focus on its core competencies while maintain a high quality of service.

4.4 Discussion

From the literature review we find that it is vital for an organization to examine both its internal and external environment so as to identify drivers of competition in the industry and adopt strategies that provide the highest competitive advantage. The study finds that

Telkom Kenya has laid emphasis on internal resources as a source of competitive advantage. There is little emphasis on the external environment as a source of competitive advantage; this places the organization at a disadvantage in the event that there are changes in the external environment that do not favor the organization. The internal resources that provide competitive advantage are a mix of both tangible and intangible resources. Notably, the tangible resources currently provide competitive advantage however this advantage is not sustainable in the long term as they can easily be adopted or imitated by competitor.

The study found that Telkom Kenya has adopted strategies such as cost leadership, price leadership and outsourcing. Although this strategies have been instrumental in providing growth to the organization this growth has been minimal with Telkom Kenya holding the lowest number of subscribers in the industry since penetration into the market. To fully realize competitive advantage the organization must review its strategic choice, adopting strategies that directly offer grow of its market share, increases profits and provides the stakeholders with larger returns.

Chapter 5: summary, conclusion and Recommendations

5.1 Introduction

The objective of the study was to determine business strategies adopted by Telkom Kenya with the specific suppose of identify the competitive business strategies employed by Telkom Kenya in order to create competitive advantage. This chapter will presents a summary of the main findings of the study, giving conclusions and recommendations that reflect the answers to the specific questions for possible action and suggestions for further research.

5.2 Summary

Finds from the study indicate that TKL has adopted a resource based view in approaching competitive advantage. The organization draws competitive advantage from both tangible and intangible resources. Tangible resources identified during the study include the existence of a large network of BTS' as well as plans to expand the number of BTS' in order to increase network coverage and availability of Orange services. The partnership with Mobicom Ltd a sales and distribution specialist is another tangible resource that provides competitive advantage as it allows TKL to benefit from Mobicom Ltd's vast infrastructure without a large investment requirements. The presence of company owed shops as well as the partnership with regional distributors act as touch points for customers and drive sales for TKL.

The study also identified intangible resources used by TKL to establish competitive advantage. Some of these resources include the presence of members of the management team who are new to the organization and are able to implement cultural change and drive performance. The organizational approach to the continuous improvement of customer experience and churn management processes provide a competitive advantage as TKL is able to provide its customers with a high quality of service and retain customers. The resources and knowledge transfer offered by Orange group place TKL in a unique position as the benefit from the group's experience.

To fully benefit from the resources available to the organization, TKL have adopted a number of strategies that provide them with competitive advantage. The strategies identified in the study include a cost leadership model adopted by the organization to reduce costs alone the value chain. This strategy compliments their price leadership strategy also identified in the study. TKL offers the lowest per minute prices that are independent of time or subscription and they have used an intensive marketing campaign to support this pricing. Another strategy adopted by TKL is the outsourcing of non-core activities that allow the organization to focus on core activities and maintain a high quality of service.

5.3 Conclusion

From the study we find that TKL derives competitive advantage from a number of internal resources and have adopted various strategies that help build competitive advantage. The respondents focused on internal resources as the organizations main source of competitive advantage with little reference to external factors. There is little focus on the organizations external environment in the establishment of competitive advantage.

As much as tangible resources currently provide the organization with competitive advantage, the advantage is not sustainable. These resources can easily be replicated by competitors with the right amount of capital. In essence, tangible resources do not offer long term competitive advantage.

As much as the resources and strategies indentified during the study currently offer competitive advantage, TKL still has the lowest market share amongst all the telecommunication providers in the country. There is a need for the organization to explore other strategies that directly focus on organizational growth and gaining market share. From the study it was noted that there is a focus on revenues generated from the sale of voice and data services. Little emphasis was made on diversification of products and generation of new revenue streams that would aid in the growth of the business.

5.4 Recommendation

The study recommends that TKL should work towards establishing competitive advantage from both internal resources and external environment. An emphasis should be made on scanning the external environment for potential elements that would provide competitive advantage and conditions favoring high levels of organizational performance. In addition, the resources that the organization depends on to provide a competitive edge should be imperfectly imitable, durable and not easily substituted so as to ensure sustainable competitive advantage

The strategies employed by TKL to provide competitive advantage should also focus on increase the organizations market share and should contribute towards the growth of revenues by the organization . The organization should look towards diversification of its productions and services as a channel to drive growth. For example development of a reliable mobile money service and the creation of value added services.

5.5 Limitations of the study

The researcher faced difficulties in securing interviews as the respondents were not readily available and had time constrains. There was also an apprehension by the respondents to divulge organizational strategies, with the respondents failing to provide in-depth information and achievements from strategies implemented.

5.6 Recommendations for further study

The study identified gaps in the strategy implementation process in TKL. Further study should be performed on the strategies implemented by TKL since privatization and the challenges faced while implementing this strategies. This would help identify challenges the organization has faced in the strategy implementation process.

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APPENDICES

Appendix 1: INTRODUCTION LETTER TO RESPONDENTS

P.O. Box 790 00517

Nairobi

20/08/2014

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH DATA

I am a final year postgraduate student in the Faculty of Commerce, University of Nairobi majoring in Strategic Management. I am undertaking a research on the competitive business strategies adopted by mobile service providers in Kenya and shall be doing a case study on Telkom Kenya Limited.

In order to undertake the research, you have been selected to form part of my study. This is therefore to request to secure a short interview with yourself, at a time of your convenience. If preferred, the interview may also be conducted via email by responding to the interview questions as truthfully as you can. Attached please find a guide to the questions that shall be covered during the interview.

The information required is needed purely for academic purpose and will be treated in strict confidence. Even where a name has been provided, it will not under any circumstances appear in the final report.

Your assistance and co-operation will be highly appreciated

Yours sincerely,

Juliet Kithamba

Appendix 2: QUESTIONNAIRE

Instructions: The respondents shall be subjected to the below question and are requested to answer as truthfully as possible. There shall also be the option of fill in the blank spaces and tick the correct box where appropriate in the case on an email interview.

SECTION ONE: BACKGROUND INFORMATION OF THE RESPONDENT

Name :

____________	________________	________________
First	Middle	Last

Department: ______________________________

Position in the organization: ______________________________

Management level: Top [ ] Middle [ ]

How long have you worked at Telkom Kenya

Less than two year	[ ]
2 to 4 years	[ ]
5 to 8 years	[ ]
Over 8 years	[ ]

SECTION TWO: COMPETITIVE BUSINESS STRATEGIES ADOPTED BY TELKOM KENYA

This section aims to identify the competitive business strategies adopted by Telkom Kenya in the past three year that has contributed to establishment of competitive advantage and the challenges the company has faced in implementing this strategies ;

1. List and briefly explain the competitive business strategies adopted by Telkom Kenya within the past five years;

a.

b.

c.

d.

e.

f.

2. Amongst the strategies indicated above, identify which of these strategies has been most effective in gaining competitive advantage;

a.

b.

c.

d.

e.

f.

3. Describe the challenges faced in the implementation of strategies identified in part (1) above

a.

b.

c.

d.

e.

f.