

**STRATEGIES EMPLOYED TO ACHIEVE COMPETITIVE
ADVANTAGE BY WANANCHI GROUP IN THE
TELECOMMUNICATION INDUSTRY IN KENYA**

BY

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DECLARATION

I hereby declare that this research project is my original work and has never been presented for award of any degree in this or any other University

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This research project has been submitted for examination with my approval as the supervisor of the student and Lecturer at the University of Nairobi.

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DEDICATION

This research study is dedicated to my entire family who have always given me support in my studies and especially during this research project.

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LIST OF ACRONYMS AND ABBREVIATIONS

CCK	Communication Commission of Kenya
CA	Communications Authority of Kenya
ICT	Information Communication Technology
IT	Information technology
ISP	Internet Service Provider
DTH	Direct To Home
TV	Television
HFC	Hybrid Fibre Coaxial
GPON	Gigabit Passive Optical Network

ABSTRACT

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations. The objectives of this study was to determine the strategies employed to achieve competitive advantage as well as the challenges faced by Wananchi Group to achieve competitive advantage in the telecommunication industry in Kenya. The study targeted top management and the middle level management employees working at Wananchi Group. Primary data was through interviews which were used as the research instruments for data collection from the top level management and middle level management team. The data was collected and analyzed using qualitative techniques. Secondary data was obtained from journals and Wananchi Group database. Data collected was analyzed using the NVivo software. From the findings, it can be concluded that majority of the respondents agreed that efficiency is enhanced by embracing value innovation while others indicated that value creation is the real breakthrough for high performance. Accountability is enhanced in value innovation while others indicated service delivery becomes better in value innovation. A majority of the respondents indicated that marketing strategy leads to opening up of new markets. Marketing innovations addresses customer needs better as customer focus is enhanced by market innovation. Market oriented firms perform better financially than other firms and market innovation enhances effectiveness in decision making. From the findings it can also be concluded that development of new product-market combinations and more cost efficient production processes to some extent are the challenges faced in handling competition in the telecommunication industry. Development of new venture ideas, new product development, and development of new markets are also challenges faced to a large extent.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Telecommunication is defined as the exchange of information at a distance by technological means, particularly through electrical signals or electromagnetic waves. Internet Service Providers (ISPs), which is a type of telecommunication, connects end-users and businesses to the public Internet. They compete with each other on prices, performance and reliability but they also must cooperate with each other to provide global connectivity to all other attachments on the Internet (Mweu, 2000). The ISPs sector is expanding on an increasing rate and is becoming intensely competitive. As a result, every organization needs to adapt to some strategies which will enable it to have a competitive edge to the others. As competition intensifies, many businesses continue to seek profitable ways to differentiate themselves from competitors.

Strategy is the direction and scope of an organization over the long term which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholders' expectations (Oke and Goffin, 2001). Innovation is defined as the successful implementation of creative ideas within an organization necessary for its survival. Performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively.

Environment is a key factor to a firm's success. Environment can be relatively stable or highly turbulence. Each level of environment turbulence has different characteristics, requires different strategies and requires different firm capabilities (Ansoff and McDonell, 1990). According to Tushman and Nadler (2006) strategic management in the telecommunication sector demand that the institutions should have effective systems in place to offset unpredictable events that can maintain their operations and reduce the risks implicated through innovations. The fast changing competitive environment and firms' competitive positions are constantly challenged by emergence of new technologies, markets and competitors.

The Kenya ICT Federation (KIF) estimates that there are 4,000 companies dealing primarily with ICT. Kenya has a very well developed ICT infrastructure: 94 per cent of the population has access to mobile telephones (coverage), 90 per cent has access to FM/AM radio, 60 per cent to television and 40 per cent lives close to community or trading centers offering Internet connection (CCK, 2013).

1.1.1 Competitive Advantage

According to Pearce and Robinson (2009) strategic planning is a systematic, formally documented process for deciding the handful of key decisions that an organization, must get right in order to thrive over the next few years. Strategic planning is increasingly being adopted by many organizations around the globe to help in facing challenges in highly competitive and rapidly changing business environment.

Strategic planning can contribute to performance by generating relevant information, creating a better understanding of the important environment, and reducing uncertainty (Hodgetts and Kuratko, 2001).

The aim of strategic planning has been to help organizations to gain competitive advantages in their spheres of operations, and models have been developed for profit and non-profit entities.

Performance refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organization's operations and strategies (Venkatraman and Ramanujam, 2001). Based on organizational capabilities and production strategies, competitiveness may lead to quality, efficiency and flexibility. Customer satisfaction is very essential for any organization to not only exist but excel in the market therefore, the company's performance is crucial.

In today's knowledge economy, investments in intellectual assets are considered more and more to be key strategic elements to maintain a business' growth, profitability and competitiveness (Berry, 2000). For organizations in the telecommunication industry which are operating in increasingly competitive market, innovation is often a condition for simple survival. Innovation in the telecommunication sector aims at developing a change adept organization that anticipates, creates and responds effectively to change in the external and internal environments to increase profit potential. Some of the forces of change that have greatly influenced the telecommunication industry in Kenya include intense competition, regulation and technological advancement.

Planning processes are undertaken in firms to develop strategies that might contribute to performance (Tapinos, Dyson and Meadows, 2005). Strategic planning process involves developing a concept of the business and forming a vision of where the organization needs to be headed, converting the mission into specific performance objectives, crafting a strategy to achieve the targeted performance, implementing and executing the chosen strategy efficiently and effectively (Dandira, 2011).

In the public sector in Kenya, Strategic planning traces back to 2001 when the government launched the Strategy for Performance Improvement in the Public Service, in order to increase productivity and improve service delivery. Consequently the ministries or departments were required to develop strategic plans which reflected their objectives derived from the 9th National Development Plan, the Poverty Reduction Strategy Paper and based on the Medium Term Expenditure Framework (MTEF), Sectoral Priorities and Millennium Development Goals (Kobia and Mohammed, 2006). However, the practice gained momentum in 2003 when the National Rainbow Coalition (NARC) government came to power.

Therefore, it is a statutory requirement for both private and public organizations in Kenya including government ministries to adopt strategic management as a means of enhancing result-based management and efficiency in their operations.

1.1.2 Telecommunication Industry in Kenya

The success and sustainability of any organization in a competitive environment is determined by its choice of strategy. However most strategies are replicated by competitors and thus a company must position itself in the minds of the consumer in order to remain competitive. This study is an attempt to determine the positioning strategies applied by telecommunication firms in Kenya.

Innovation in the telecommunication sector aims at developing a change adept organization that anticipates, creates and responds effectively to change in the external and internal environments to increase profit potential. The fast changing competitive environment and firms competitive positions are constantly challenged by emergence of new technologies, product, market and competitors. Flexibility and adaptability have become key management concepts to develop sustainable competitive advantage (McLeod, 2011).

Kenya continues to experience growth in the information and communication technology (ICT) sector as demonstrated by the increasing number of internet users, and mobile phone subscribers. Kenya is one of Africa's fastest growing internet markets with internet penetration increasing from 7.5 percent in 2006 to 28 percent in 2011. (International Telecommunication Union, 2011) Much of this growth can be attributed to increases in mobile internet connections, improved internet bandwidth capacity, and intensified promotions on social media applications by mobile operators. Some of the ISPs in Kenya include Telkom Kenya, Liquid Telecom, Access Kenya, Jamii Telecoms, UUnet, Fibernet Technologies, Comtec Integrations Systems and Wananchi Group-Zuku.

1.1.3 Wananchi Group -Zuku

Wananchi Group Holdings, formerly Wananchi Online, was established in 2008 and was committed to servicing the emerging African mass consumer market through provision of high quality yet affordable home Internet services as well as the corporate communications market too.

Wananchi Group which has the brand name Zuku, is an East African brand established with the aim of making quality home entertainment and communication services accessible to a rapidly growing, choice conscious East African middle class society. Today, Zuku is a fully vertically integrated media and telecoms company consisting of several business divisions, providing a unique set of services in the markets in which they operate.

Zuku's DTH satellite Pay television offers quality television service of over 85 channels in both high definition and standard definition at an affordable price. The Zuku satellite TV has successfully launched in Kenya, Tanzania, Uganda and Malawi and will be rolling out aggressively to other countries in East Africa in the coming year including Ethiopia, Eritrea, South Sudan, Rwanda, Burundi and Zambia.

The triple play platform on the other hand is the foundation of the group's home entertainment strategy. High capacity fibre optic network is currently being deployed directly to residential homes in Nairobi and Mombasa with construction to be extended to the other major cities in East Africa over the next few years. Using a combination of HFC and GPON technologies the company has launched the first real triple play service in sub Saharan Africa with residential speeds currently up to 20 megabits per second. The inclusion of high quality voice services with free unlimited local on-net phone calls is another first on the continent.

1.2 Research Problem

Competition can help undermine corruption, and facilitates international competitiveness, private sector development, and employment creation, which are in turn crucial for achieving the wider economic growth that is needed to lift developing countries out of poverty (Tushman, 2006).

The 2030 Vision aspires for a country firmly interconnected through a network of roads, railways, ports, airports, and water ways, and telecommunications. By 2030, it will become impossible to refer to any region of our country as “remote”. To ensure that the main projects under the economic pillar are implemented, investment in the nation’s infrastructure will be given the highest priority (Vision, 2030).

The current level of competition in the country has witnessed a network expansion by several operators to levels that have surpassed their license conditions. The number of fixed fibre subscriptions grew by 6.1 per cent to reach 61,739 up from 58,197 subscriptions recorded during the previous quarter. Expansion of fibre optic roll out and competition among service providers play a key role in the steady growth in the fixed fibre (CCK, 2013).

The urge to conduct this research is due to the stiff competition in the telecommunications industry in Kenya that has firms shaken. Despite the competition, some telecommunication firms have continued to be the leading provider of telecommunications industry in Kenya.

Market orientation theorists such as Carr and Lopez (2007) have argued that market orientation traces its origins from the market concept and has consequences to overall business strategy. This study is not specific on the specific effect that market orientation has on a firm’s competitive strategy. This study will investigate market innovation effect on Zuku firm’s financial performance. The marketing concept is concerned with customer-orientation, competition-orientation, innovation and profit as an inducement for creating satisfied customers (Narver and Slater, 1994).

These studies do not investigate the influence of other factors like process innovation, technology innovation and value innovation on telecommunication firms that this study focuses on. This therefore paved the way for the study's main question; what are the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry in Kenya?

1.3 Research Objectives

The study was guided by the following objectives;

- i. To determine the strategies adopted by Zuku to achieve competitive advantage in telecommunication industry in Kenya.
- ii. To determine the challenges faced by Zuku to achieve competitive advantage in telecommunication industry in Kenya.

1.4 Value of the Study

Since there are hardly any empirical studies on strategies employed by telecommunication companies to achieve competitive advantage in Kenya, it is hoped that the findings of this study will contribute additional knowledge and form an appropriate framework upon which strategic plans may be implemented in Kenya.

This study is important to the policy makers in Kenya as they are able to know the strategies employed by telecommunication companies to achieve competitive advantage in Kenya and what strategies to use in order to effectively deliver on the telecommunication companies' mandate.

Further, the study is important to telecommunication companies' at all levels because they will understand the factors affecting implementation of strategic plans and how this understanding can help to re-align the strategic plan to meet the emerging competition and expectations brought about by the new constitutional dispensation.

The study highlights other important relationships that require further research. The results of this study will also be valuable to academic scholars, as it will form a basis for further research. Students and academicians will use this study as a basis for discussions on performance management. The study will be a source of reference material for future researchers on other related topics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section deals with the review of research carried out on the literature and is in tandem with the research variables. This will cover other parts of the world and finally in Kenya, theoretical framework, empirical review and critique of the literature review.

2.2 Theoretical Framework of the Study

A theoretical framework refers to how the researcher or writer of the report not only questions, but ponders and develops thoughts or theories on what the possible answers could be, then this thoughts and theories are grouped together into themes that frame the subject (Neuman, 2000). It is the process of identifying a core set of connectors within a topic and showing how they fit together. This study will be guided by contingency, implementation and innovation diffusion theories.

2.2.1 Contingency Theory

This research was based on the contingency theory whose proponents are Kast and Rosenzweig (1985) to the study of strategies employed to achieve competitive advantage by telecommunication companies in Kenya. The theory based upon the organismic analogy, views organizations as consisting of a series of interdependent subsystems, each of which has a function to perform within the context of the organization as a whole. This can be related to technology, quality customer service, employees' motivation and marketing strategy that are can be used to as a strategic response to competition by telecommunication companies.

Contingency theory additionally rests upon the open systems view that regards the organization as dependent upon the wider environment. The organization and environment are seen as being in a state of mutual influence and interdependence.

Several strategies seem pertinent, notably a cost leadership strategy which enables the organization to increase return on sales, or to increase market share through aggressive costing. Following staff downsizing the company can mute the leaner cost structure into competitive advantage (Mentzer, 2001) by increasing profitability or lowering prices, which will be expressed in increased market share.

2.2.2 Implementation Theory

This study was also guided by implementation theory which is a component of mechanism design. It provides an analytical framework for situations where resources have to be allocated among agents or users but the information needed to make these allocation decisions is dispersed and privately held, and the agents or users possessing the private information behave strategically and are self-utility maximizers. Implementation theory provides a systematic methodology for designing an information exchange process followed by an allocation rule that leads to allocation decisions that are “optimal” with respect to some pre-specified performance metric (Felix, 2009).

The key concept in the development of implementation theory is that of game form or mechanism. A game form or mechanism consists of two components: A message or strategy space, that is, a communication alphabet through which the agents or users exchange information with one another.

An allocation rule (also called outcome function) determines the allocations after the communication and information exchange process terminates (Smith, 2007). Most mechanisms employ monetary incentives and payments to achieve desirable resource allocations.

2.2.3 Innovation Diffusion Theory

Mahajan and Peterson (1985) defined an innovation as any idea, object or practice that is perceived as new by members of the social system and defined the diffusion of innovation as the process by which the innovation is communicated through certain channels over time among members of social systems. Diffusion of innovation theory attempts to explain and describe the mechanisms of how new inventions in this case Internet, is adopted and becomes successful (Clarke and Wells, 1995).

Steven (2002) stated that not all innovations are adopted even if they are good, it may take a long time for an innovation to be adopted. He further stated that resistance to change may be a hindrance to diffusion of innovation although it might not stop the innovation it will slow it down.

Rogers (1995) identified five critical attributes that greatly influence the rate of adoption. These include relative advantage, compatibility, complexity, triability and observability. According to Rogers, the rate of adoption of new innovations will depend on how an organization perceives its relative advantage, compatibility, triability, observability and complexity.

If an organization in Kenya observes the benefits of telecommunication they will adopt these innovations given other factors such as the availability of the required tools. Adoption of such innovations will be faster in organizations that have internet access and information technology departments than in organizations without.

2.3 Empirical Review

2.3.1 Technology innovations

Telecommunications technology touches every aspect of our lives. It affects the way we do business, the way we govern ourselves, the way we keep in touch with those we love, and the way we build the collective human experiences we call culture. Altogether, the telecom sector accounts for about fifteen percent of the U.S. economy (Neuchterlein & Weiser, 2007).

As Internet speeds and penetration increase on both wired and wireless platforms a new group of actors has also become increasingly important: so-called “over the-top” providers of communications services (Slind-Flor, 2009). Over-the-top providers are companies that compete with traditional telecommunications products and services over the public Internet from the perspective of the traditional operators, these companies provide services “over the top” of basic consumer telecommunications, rather than as a component of the consumer package. Internet telephony companies like Skype are the classic examples of this type of service, to which we also add makers of other innovative products and services used primarily for communication things like email, online gaming, and virtual worlds.

Innovation is neither simply manufacturer-driven nor operator-driven. Rather, operators have a set of market imperatives and competitive pressures that lead them to seek specific capabilities from manufacturers. At the same time, equipment manufacturers constantly strive to develop new products that anticipate coming needs or give providers new capabilities (Ewing, 2003). The industry advances through the interaction of this push and pull.

Innovation on the Internet can be driven more by freestanding actors, because inventions are embodied in software code running on general purpose machines rather than in integrated, special purpose systems (Arundel, 1999). Often, the same company engineers a piece of software and uses that software to provide consumer-facing services for example Skype. For this reason, Internet-based providers to some extent compete with both network operators and equipment manufacturers. This tension is the source of high profile policy debates over mandatory unbundling of broadband services and “net neutrality” regulations.

2.3.2 Process innovation

Innovative performance especially in the form of new product success is linked in the literature to an increase in sales and market shares, since it contributes considerably to the satisfaction of existing customers and gaining of new customers (Wang and Wei, 2005).

Elements of production or operations performance that is speed, quality, flexibility, and cost efficiency, seem to be highly related to the firm performance in administrative, process, and product innovations according to the past literature (Quadros et al., 2001).

For instance, according to Koufteros and Marcoulides (2006), continuing efforts and higher performance in innovations foster organizational learning and increase the speed and quality of the operations. Thus accordingly technological advancements can easily be incorporated and any design or quality deficiencies are overcome faster than the competitors.

Moreover, López-Mielgo et al. (2009) reported that especially process innovations exert a positive influence on the total quality management efforts of the organizations. Beside the speed and quality aspects, innovative performance is also related to the two other elements of production performance; namely, flexibility and cost efficiency.

Success in the renewal efforts especially in administrative mechanisms, production processes, and new products can contribute extensively to the dissemination of knowledge and effectiveness of coordination within the organization, which are necessary for operational flexibility and decreased related costs (Koufteros and Marcoulides, 2006). In this regard, Liu et al. (2009) confirmed in an empirical study the positive relationship between operational flexibility and new product success. As for the production cost reduction effects, Peters (2008) purports that not all the process innovations lead to cost savings, but some do and allows the organization to market products at competitive prices. Therefore, we can argue that the production performance, which is the combination of the achievements in such performance indicators as speed, quality, flexibility, and cost efficiency, is positively affected by the innovative performance.

2.3.3 Market innovations

A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing (OECD Oslo Manual, 2005). Marketing innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm's product on the market with the intention of increasing firm's sales. Marketing innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P's of marketing (Kotler, 1991).

Years of research have concluded that market oriented companies perform better than companies that are less market oriented. They focus on adapting their products and services to the needs and expectations of their customers instead of those who are product oriented and focus on developing a product or service that is then marketed and hopefully sold (Grönroos, 2006). To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defendable competitive advantage, decreased costs and increased profits (Desphandé, 1999). The market orientation concept focuses on coordinated business intelligence generation, dissemination and responsiveness to market information for efficient and effective decisions (Sundqvist, Puumalainen and Saminen, 2000).

Market orientation theorists such as Carr and Lopez (2007) have argued that market orientation traces its origins from the market concept and has consequences to overall business strategy.

The marketing concept is concerned with customer-orientation, competition-orientation, innovation and profit as an inducement for creating satisfied customers (Narver and Slater, 1994). Others scholars argued that market oriented behaviour in marketing new solutions leads to better performance, has positive effects on customer satisfaction and loyalty as well as innovation, employee satisfaction and cooperation (Schillewaert and Wei Hao, 2008).

2.3.4 Value innovations

The link between innovation and value creation is the real breakthrough for high performance. Value creation is often achievable only on an incremental scale if not accompanied by substantial innovation. The same for innovation alone, which has to be targeted to value creation to release its benefits (Carr and Lopez, 2007). There are many examples of new technologies that were not initially accepted by the market: the authors cite the case of Ampex, which involved video recording technology in the 50s without market success, where JVC and Sony could leverage this innovation to produce consumer value and create new mass markets.

An intriguing use of Web technologies could unleash the power of strong and usually neglected influencers in everyone's life: the family components. One way is in the careful design of family portals, coordinated and owned by telecommunication firms, with intriguing graphical and multimedia contents, like entertainment sections and school aids for children, time management, housekeeping hints, suggestions for shows and food, network games, chats and so on.

With such strong and regular connections to the families, there would be many indirect ways not only for marketing and promotion, but also to get feed-back and ideas for existing or potentially new products and services. A very nice example is the family portal by Banca Nazionale del Lavoro (www.efamily.it).

Web technologies could be further leveraged for the creation of communities around the customers' common interests or events of life: for example young new families may share interests about babies, education, etc.

2.4 Critique of literature reviewed

This chapter has reviewed the literature on technological change and financial innovation in telecommunication firms since 1980. This quarter century has been a period of substantial change in terms of telecommunication services and production technologies, but much less so with respect to organizational form. As this survey indicates, although much has been learned about the characteristics of users and adopters of financial innovations and the attendant welfare implications, we still know little about how and why financial innovations are initially developed. This remains an important area for further research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research design and research methodology that were employed in this study. Among the elements discussed in this section are the research design, data collection tools and instruments and finally the data analysis.

3.2 Research Design

The research design employed was the case study research design. Case study is an in-depth investigation of an individual, institution, or a phenomenon. It involves a careful and complete observation of social units or a phenomenon (Kothari, 2004). It also offers a comprehensive understanding of the social units or phenomenon under study. Case study is a method of in-depth study rather than breadth and places more emphasis on the full contextual analysis of the limited number of events or conditions and other inter-relations, which relies on qualitative data (Cooper and Schindler, 2001).

This study adopted a case study research design given that the unit of analysis is based on one organization, that is, Wananchi Group. According to Upagande and Shende (2012), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. The design was considered suitable as it allows an in-depth study of the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry in Kenya.

The case study research design is used in explanatory, exploratory and descriptive studies to allow researcher to gather information, summarize, present and interpretation in order to give clarifications (Orodho, 2004). Many variables of interest or multiple sources of evidence are used to guide in data collection and analysis.

3.3 Data Collection

Both primary and secondary data were adopted in this study. Primary data was carried out by the use of an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. They vary from highly scripted to relatively loose questions and help to know what to ask about and in what sequence. An in-depth interview allows more interaction between interviewer and interviewee. The interview guide was appropriate for this study as it provides more qualitative information, more depth, more representation, more efficiency, more statistics and more value. The interview guide used had open ended questions (unstructured) to elicit detailed information from the interviewees. Through the technique the researcher was also able to collect views and opinions and even feelings of the interviewees about strategies employed to achieve competitive advantage in the telecommunication industry. The questions in the interview guide were formed around the objectives of the study.

Targeted interviewees comprised top level management from key divisions including some middle level managers who spear head implementation of strategies. The divisions were Human resources, finance, technical, marketing, customer service, programming and legal.

Secondary data is data that is already available; published or unpublished (Kothari, 2004). Secondary data was collected using Zuku firms' reports, records from the website as well as from the Communication Authority of Kenya website. The reports and records were used to collect data on the strategies employed to achieve competitive advantage by the Zuku.

3.4 Data Analysis

The data was sorted, organized and analysed through the use of NVivo program. NVivo is a qualitative data analysis software package designed for qualitative researchers working with text based and/or multimedia information where deep levels of analysis on small or large volumes of data are required. The software can be used to organize and analyse interviews, field notes, textual sources, and other types of qualitative data including image, audio and video files. Being a descriptive case study, a large part of the data collected from the research was qualitative therefore appropriate for this mode of analysis.

While working through the data, key points were highlighted allowing for quick recall or analysis later hence Microsoft Excel was used to analyse the statistics. NVivo allowed the ability to track ideas and steps with ease; annotations were used to jot down thoughts, create memos to capture detailed observations or use links to 'glue' items with similar themes together.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The main focus of this chapter is the presentation of analyses and interpretation of the results of the research. The discussion is tied to the overall and specific objectives of the study which were to: determine the strategies adopted by Zuku to achieve competitive advantage in telecommunication industry in Kenya and to determine the challenges faced by Zuku to achieve competitive advantage in telecommunication industry in Kenya.

The data used in this study was qualitative which was obtained through conducting interviews to top level management and middle level management while the secondary data was collected using Zuku firms' reports, records from the website as well as from the CA website. Once collected, the data was fed into the computer and analyzed using the NVivo program.

4.2 Return Rate

Out of the 29 top level management and middle level management interviews that were to be done, 25 were successful. This represented 86.21% return rate which was intended to give a general picture of the strategies employed to achieve competitive advantage by Wananchi Group. According to Arora (2003), an interview that produces 75% and over response rate has done extremely well. Additionally Holbrook, Krosnick & Pfent (2007) support that surveys with response rates lower than 50% are less accurate.

4.3 Demographic Information of the Respondents

The purpose of this study was to assess the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry in Kenya. It was important to establish the general characteristics of the respondents under which would justifiably make inferences from their responses.

Table 4.1: Respondent's Department in Wananchi Group

Departments	Frequency
Finance	2
Programming	4
Human resource	3
Technical	3
Marketing	5
Customer service	4
Legal	4
Total	25

Research Findings (2014)

Table 4.1 above shows the respondents from various departments at Wananchi Group. Using the Microsoft Excel application, it was noted that 64% of the respondents were from programming, marketing, customer service and the legal departments whereas 36% were from finance, human resource, and technical departments. This therefore implies that the response of this study was from all the departments in Wananchi Group hence, the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry was widely covered.

The respondents were also asked to indicate the number of years that they had worked for Wananchi Group.

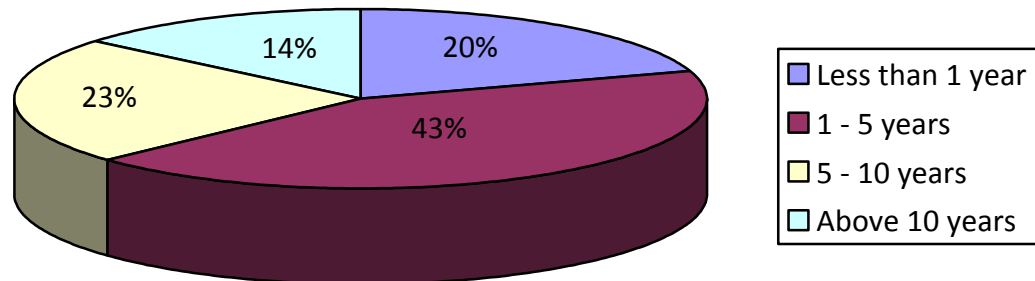


Figure 4:1 Duration of Service in the company

Research Findings (2014)

Figure 4.1 shows that majority (43%) of the respondents have worked with Wananchi Group for a period of 1 – 5 years while 23% have worked for 5 – 10 years. A few (20%) indicated that they had worked for less than 1 year while 14% had worked for over 10 years with Wananchi Group. This therefore implies that the study sampled respondents who had enough experience to understand the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry in Kenya.

4.4 Strategies Adopted by Wananchi Group to Achieve Competitive Advantage in the Telecommunication Industry

This involved studying the strategies in use by Wananchi Group to achieve competitive advantage in the telecommunication industry on the basis of process innovation, technology innovations, market innovations and value innovations as a strategy to achieve competitive advantage.

4.4.1 Strategies in Use by Wananchi Group

In the study of strategies in use to achieve competitive advantage in Wananchi Group, respondents indicated that the organization uses different strategies in dealing with competition. The most commonly used strategy was quality service provision as retorted by most of the respondents. Technology driven services is the second strategy which as stated is cost effective and increases the efficiency of process within the organization thus customer satisfaction. The third important strategy was on time service delivery which is fundamental in achieving competitive advantage in telecommunication industry. The other strategies highlighted included advertisement, relevant system in place, customer driven service, service design, observation of the required standards and having competent employees.

4.4.2 Risk Taking in Corporate Entrepreneurship

The research also sought to establish the level of the organizational risk taking abilities in order to establish their competitiveness on the market and three best responses are presented below in reported dialogue.

Response 1

“The company has a strong tendency toward getting involved in high risk projects. This is done on projects with a chance for high yield.”

Response 2

“Generally we believe that the business environment of the company is such that fearless and powerful measures are needed to obtain the company’s objectives.”

Response 3

“When faced with insecure decision-making situations, we normally take up a fearless, aggressive position, in order to maximize the chance of being able to exploit possible opportunities.”

This concurs with Kibas & K'Aol (2004) who conducted a study aimed at investigating and profiling cases of successful Kenyan entrepreneurs who started and have been managing their enterprises for over 5 years. It examined how these entrepreneurs have steered their firms to success through many challenges that make many enterprises fail to celebrate their first anniversary, especially in the developing countries. Specifically, the study examined entrepreneurial characteristics, factors that influence growth, and the problems and challenges facing entrepreneurs. The study involved tracing the biographies and exploring coping mechanisms adapted by these entrepreneurs; as well as looking at how they have taken advantage of opportunities to develop their firms to high levels of growth and expansion. The study documented survival techniques used by the respondents in such liberalized and highly competitive market.

4.4.3 Process Innovations as a Strategy to Achieve Competitive Advantage

The study researched the extent to which process innovation is used as a strategy to achieve competitive advantage. The respondents indicated that there is flexibility in process innovation. Five respondents indicated that there is cost saving in embracing process innovation. Two respondents indicated that process innovations leads to product success and indicated that the firm enhances efficiency by undertaking process innovation.

Accountability was found to be initiated by process innovation. This study is reflected by López-Mielgo et al. (2009) who reported that especially process innovations exert a positive influence on the total quality management efforts of the organizations. One of the responses received from this statement was;

“Process innovations lead to cost savings, and allow the organization to market products at competitive prices that make the firm succeed in a fierce competition.”

Success in the renewal efforts especially in administrative mechanisms, production processes, and new products can contribute extensively to the dissemination of knowledge and effectiveness of coordination within the organization, which are necessary for operational flexibility and decreased related costs (Koufteros and Marcoulides, 2006). Peters (2008) purports that not all the process innovations lead to cost savings, but some do and allow the organization to market products at competitive prices. Therefore, we can argue that the production performance, which is the combination of the achievements in such performance indicators as speed, quality, flexibility, and cost efficiency, is positively affected by the innovative performance.

4.4.4 Technology Innovations as a Strategy to Achieve Competitive Advantage

The research initially studied technology innovation as a strategy to achieve competitive advantage. Eight respondents indicated that there was fixed expenses by using technology innovation. Some responses indicated that technology innovation leads to increased profitability. Others indicated that technology innovation leads to non-interest income and higher profitability is realized through technology innovation. A few indicated that accountability is enhanced through technology innovation.

This agrees with Hernando and Nieto (2007) who found out that over time, online banking was associated with lower costs and higher profitability for a sample of Spanish banks.

4.4.5 Market Innovations as a Strategy to Achieve Competitive Advantage

The response on marketing innovation as a strategy to achieve competitive advantage highlighted that marketing strategy leads to opening up of new markets. One of the respondent indicated that marketing innovations addresses customer needs better while others indicated that customer focus is enhanced by market innovation. Market oriented firms perform better financially than other firms while two respondents indicated that market innovation enhances effectiveness in decision making. One of the feedbacks received in relation to market innovation was;

Response

“Marketing innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm’s product.”

The market orientation concept focuses on coordinated business intelligence generation, dissemination and responsiveness to market information for efficient and effective decisions (Sundqvist, Puumalainen and Saminen, 2000). The concept is also concerned with issues including organizational culture, innovation, human resource planning and organizational learning (Keskin, 2006,). Marketing innovations target at addressing customer needs better, opening up new markets, or newly positioning a firm’s product on the market with the intention of increasing firm’s sales.

Marketing innovations are strongly related to pricing strategies, product package design properties, product placement and promotion activities along the lines of four P's of marketing (Kotler, 1991).

4.4.6 Value Innovations as a Strategy to Achieve Competitive Advantage

The response regarding value innovation as a strategy to achieve competitive advantage indicated that efficiency is enhanced by embracing value innovation while others indicated that value creation is the real breakthrough for high performance. Two of the respondents indicated that accountability is enhanced in value innovation and that service delivery becomes better in value innovation. The link between innovation and value creation is the real breakthrough for high performance. Value creation is often achievable only on an incremental scale if not accompanied by substantial innovation. The following are some of the best sampled responses;

Response

“To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defendable competitive advantage.”

The same for innovation alone, which has to be targeted to value creation to release its benefits. There are many examples of new technologies that were not initially accepted by the market: the authors cite the case of Ampex, which innovated video recording technology in the 50s without market success, where JVC and Sony could leverage this innovation to produce consumer value and create new mass markets.

To achieve this customer focus, a firm with a high degree of market orientation cultivates a set of shared values and beliefs about putting the customer first and reaps results in form of a defensible competitive advantage, decreased costs and increased profits (Desphandé, 1999).

4.5 Challenges Faced by Wananchi Group

In order to fulfil the main objective of this study, the researcher sought to find out the challenges faced by Zuku to achieve competitive advantage in telecommunication industry in Kenya. First, the study sought to find out the effect of business environment factors on operations in Zuku then the challenges in handling competition in telecommunication.

4.5.1 Effect of Business Environment Factors on Operations in Wananchi Group

The respondents indicated that competition influences operation business environment and government policies were a factor also influencing the business environment. The other factors highlighted included rise in inflation and changing customer expectations.

Response

“The government policies aids in the growth of a firm. It either supports or negatively influences its operations in terms of strategies in curbing competition in the field.”

Environment is a key factor to a firm's success. Environment can be relatively stable or highly turbulence. Each level of environment turbulence has different characteristics, requires different strategies and requires different firm capabilities (Ansoff and McDonell, 1990).

4.5.2 Challenges in Handling Competition in Telecommunication Industry

From the findings, majority of the respondents indicated that development of new product-market combinations and more cost efficient production processes to some extent are the challenges faced in handling competition in telecommunication. From the findings, respondents indicated that development of new venture ideas, new product development, and development of new markets are challenges faced to a large extent as indicated. This explains that there is innovation since new ideas and new products are the main challenges facing Wananchi group.

4.6 Discussions of Findings in Relation to the Used Theories

4.6.1 Contingency Theory

It was found that Wananchi group applies technology innovation and market innovation as a strategy to curb competition in the telecommunication industry. The theory based upon the organismic analogy, views organizations as consisting of a series of interdependent subsystems, each of which has a function to perform within the context of the organization as a whole. This can be related to technology, quality customer service, employees' motivation and marketing strategy that are used by Wananchi Group as a strategy to achieve competitive advantage in the telecommunication industry.

4.6.2 Implementation Theory

The findings indicated that various mechanisms like technology innovations process innovation, market innovations and value innovations are used to tackle competition by Wananchi Group in telecommunication industry.

The implementation theory which is a component of mechanism design provides an analytical framework for situations where resources have to be allocated among agents or users but the information needed to make these allocation decisions is dispersed and privately held, and the agents or users possessing the private information behave strategically and are self-utility maximizers.

4.6.3 Innovation Diffusion Theory

The findings from the research also indicated that they adopt innovations such as the ensuring availability of the required tools. Innovation of diffusion theory attempts to explain and describe the mechanisms of how new inventions are adopted and becomes successful. Rogers (1995) identified five critical attributes that greatly influence the rate of adoption. These include relative advantage, compatibility, complexity, triability and observability. According to Rogers, the rate of adoption of new innovations will depend on how an organization perceives its relative advantage, compatibility, triability, observability and complexity.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Introduction

This chapter summarizes the study and makes conclusion based on the results. The implications from the findings and areas for further research are also presented. It also presents the findings from the study in comparison to what other scholars have said as noted under literature review.

5.2 Summary of Findings

The study aimed to an analysis of the strategies employed to achieve competitive advantage by Wananchi Group in the telecommunication industry in Kenya by looking at the strategies adopted by Zuku to achieve competitive advantage in telecommunication industry in Kenya and challenges faced by Zuku to achieve competitive advantage in telecommunication industry in Kenya.

5.2.1 Strategies Adopted by Zuku to Achieve Competitive Advantage

Respondents indicated that efficiency is enhanced by embracing value innovation while others indicated that value creation is the real breakthrough for high performance. Five respondents indicated that accountability is enhanced in value innovation while the rest (twenty) indicated that service delivery becomes better in value innovation.

It was found that marketing strategy leads to opening up of new markets. The respondents indicated that marketing innovations addresses customer needs better and that customer focus is enhanced by market innovation. Market oriented firms were found to perform better financially than other firms while two respondents indicated that market innovation enhances effectiveness in decision making.

It was found out that there is fixed expenses by using technology innovation and that technology innovation leads to increased profitability. Others indicated that technology innovation leads to non-interest income while fifteen indicated that higher profitability is realized through technology innovation. Two respondents indicated that accountability is enhanced through technology innovation.

The respondents indicated that there is flexibility in process innovation. Five of the respondents indicated that there is cost saving in embracing process innovation. The rest indicated that process innovations leads to product success and that the firm enhances efficiency by undertaking process innovation while accountability is initiated by process innovation.

It was found that generally Wananchi Group has a strong tendency toward getting involved in high risk projects (with a chance for high yield). Furthermore, they believe that the business environment of the company is such that fearless and powerful measures are needed to obtain the company's objectives and finally when faced with insecure decision-making situations, the company normally take up a fearless, aggressive position, in order to maximize the chance of being able to exploit possible opportunities. This means this strategy is mostly applicable in Wananchi Group.

5.2.2 Challenges Faced by Zuku to Achieve Competitive Advantage

From the findings, majority of the respondents indicated that development of new product-market combinations and more cost efficient production processes to some extent are the challenges faced in handling competition in the telecommunication industry.

From the findings, respondents indicated that development of new venture ideas, new product development, and development of new markets are challenges faced to a large extent.

Majority of the respondents indicated that competition influences operation business environment, while ten respondents indicated government policies as a factor influencing the business environment. The other factors highlighted included rise in inflation and changing customer expectations.

5.3 Conclusions

From the findings, it can be concluded that majority of the respondents agreed that efficiency is enhanced by embracing value innovation while others indicated that value creation is the real breakthrough for high performance. Accountability is enhanced in value innovation while the rest indicated service delivery becomes better in value innovation.

Majority of the respondents indicated that marketing strategy leads to opening up of new markets. Marketing innovations addresses customer needs better as customer focus is enhanced by market innovation. Market oriented firms perform better financially than other firms and market innovation enhances effectiveness in decision making.

There is fixed expenses by using technology innovation and technology innovation leads to increased profitability. Technology innovation leads to non-interest income while higher profitability is realized through technology innovation. Accountability is enhanced through technology innovation. Majority of the respondents indicated that there is flexibility in process innovation. There is cost saving in embracing process innovation and process innovations leads to product success.

The findings indicated that the firm enhances efficiency by undertaking process innovation and accountability is initiated through process innovation.

Wananchi Group has a strong tendency toward getting involved in high risk projects (with a chance for high yield), furthermore the business environment of the company is such that fearless and powerful measures are needed to obtain the company's objectives and finally when faced with insecure decision-making situations, their company normally take up a fearless, aggressive position, in order to maximize the chance of being able to exploit possible opportunities. This means this strategy is mostly applicable in the Wananchi group.

From the findings it can also be concluded that development of new product-market combinations and more cost efficient production processes to some extent are the challenges faced in handling competition in telecommunication. Development of new venture ideas, new product development, and development of new markets are challenges faced to a large extent. Competition, government policies, rises in inflation and changing customer expectations influences the business environment.

5.4 Recommendations

The study recommends that the Wananchi Group to be further involved in major risks to increase their returns for example through development of more new products, new marketing techniques and improved managerial roles. Further the study also recommends that the organization should develop ways of managing risks to avoid huge losses they might encounter.

Additionally, the study recommends that the pro-activity should be geared towards the attainment of the organizations objectives and those highly innovative skills to be developed to enhance innovations in the organizations.

5.5 Limitations of the Study

This research was a case study and therefore the research was limited to Wananchi Group, Kenya. Thus the findings on strategies employed to achieve competitive advantage are limited only to Wananchi Group and as such they cannot be generalized as remedies to other firms.

The study focused on interviewing very busy executive team members and scheduling appropriate interview timings was a challenge. In some instances we had to keep rescheduling the interviews. However, information was eventually obtained from the key decision makers of the company. It's also important to note that the data collected from the respondents may have suffered from personal biases and may therefore not fully represent the opinion of Wananchi Group in some cases.

5.6 Suggestions for further research

The study sought to determine the strategies employed to achieve competitive advantage in the telecommunication industry in Kenya. There is need for further research to be undertaken which include:-

- i. Factors affecting the relationship between the employer and employees in facilitating corporate entrepreneurial and business growth.
- ii. The role of the employees in supporting the entrepreneurial activities in the organizations.

- iii. The impact of innovation to the corporate entrepreneurship and business growth.

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APPENDICES

Appendix I: Introduction Letter



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 03/10/2014

TO WHOM IT MAY CONCERN

The bearer of this letter JOY KEMUNTO MOGENI

Registration No. D61179556/2012

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

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

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

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



Appendix II: Interview Guide

1. Respondent's Name
2. Respondent's Department/Section
3. Respondent's duration of service in the company
4. Which project has been the most (challenging/exciting/engaging) for you?
5. Do you know who your competitors and if so, what do you do differently to have a competitive edge from the competitors?
6. The business environment is rapidly changing, what do you do as an organization to cope with the rapid changes?
7. What is your track record of achieving your targets?
8. What trends have you picked up in the telecommunication industry recently?
9. Under each of the following business environment factors, please describe how they have affected operations in Zuku;
 - Government policies
 - Competition
 - Rise in inflation
 - Changing customer expectations
10. To what extent does technological strategy affect performance of the firm, Wananchi Group – Zuku?
11. What is the effect of product innovation on performance of firms of the Wananchi Group – Zuku?
12. How does market strategy influence performance of firms of Wananchi Group – Zuku?
13. What is the effect of process innovation on performance of firms of Wananchi Group – Zuku?