The Role of Customer Relationship Management in building Competitive Advantage: The Case of Mobile Phone Operators in Kenya

By

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A Research Project presented in partial fulfillment of the requirements for the award of the Master of Business Administration degree of the University of Nairobi.

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Declaration

I, Gatobu Anne Makena acknowledge that this research project in its form and nature, organization, and content is a fruit of my personal effort. To the best of my knowledge and belief it contains no material previously presented for a degree in any other university, except when due reference is made in the text of the project.

Gatobu Anne Makena

Signature
Date

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

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Signature
Date
Acknowledgement

Above everything else, I thank GOD for enabling me to get this far in my life. I thank the LORD for his mercy, strength and guidance in my life.

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I am grateful to the University of Nairobi for giving me the opportunity to be a part of this prestigious institution.
Dedication

To my Parents, for your unfailing support, love and care during this long journey in search for knowledge.

To my brothers, Dennis and Eric, for always being there when I needed you.

To Steve, for your love and faith in me, you make every challenge and every victory worthwhile.
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Abstract
This study was conducted as a survey to try and determine whether sustainable competitive advantage of firms can be achieved through customer relationship management. The project focused on the case of mobile phone operators in Kenya.

Data was collected through the use of questionnaires, informal interviews as well as through observation of the key market players in the mobile phone operators industry in Kenya.

The study found that Customer Relationship Management has quite an impact on firms' market share and competitiveness. The results indicate that aggressive customer relationship management leads to an increase in the firm's market share as well as its competitiveness.

In order for a firm to be successful in developing sustainable competitive advantage, it should encompass every department and employee in the organization. Regular feedback mechanism with customers should also be enhanced. It is further recommended that another study should be done which will generalize the study findings for all organizations in Kenya from various industries.
CHAPTER ONE: INTRODUCTION

1.1 Background Information

In most industries, some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low. The superior performers conceivably possess something special and hard to imitate that allows them to outperform their rivals. These unique skills and assets (resources) are referred to as sources of competitive advantage in strategy literature. Sustainable competitive advantage can result either from implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors (Barney, McWilliams, and Tlrk 1989; Barney 1991) or through superior execution of the same strategy as competitors. Sustainability is achieved when the advantage resists erosion by competitor behavior (Porter, 1985).

According to Porter (1985), competitors are viewed by most firms as a threat. Attention is centered on how a firm can gain share against them and how their entry can be prevented in the first place. While competitors can be a threat, the right competitors can strengthen rather than weaken a firm's competitive position in many industries. Competitors can serve a variety of strategic purposes that increase a firm's sustainable competitive advantage and improve the structure of the industry. Accordingly, it is often desirable for a firm to have one or more good competitors, and even to deliberately forgo market share rather than to attempt to increase it. More market share can frequently be worse than less. At the same time, a firm should concentrate its effort on attacking "bad" competitors while maintaining relative position vis-a-vis good ones. These principles apply to market leaders and followers alike (Aaker, 1991).

Competitive advantage is the goal of strategic thinking and the primary focus of successful entrepreneurial action. The drive for sustainable competitive advantage should motivate top management's vision of the firms' future, since no vision can be effective that leads the company away from its potential in the market. All managerial tasks including resource allocation and organization design should be directed at building the firm's market position (Porter, 1985). If they are not oriented towards this end, economic performance will decline in the competitive product markets, the firm will suffer, and
management itself will be at risk. To achieve the goal of competitive advantage, a firm must offer value to customers at a cost that produces economic performance superior to rivals. The firm must then defend this position from the competition to achieve high sustainable performance. In view of the communication industry, the sudden increase in competition among mobile phone service providers (also referred to as mobile operators) has placed new emphasis on the value of effective competitive strategies (Farquhar, 2004).

The mobile phone service providers seek to achieve zero defection rates of profitable customers; to minimize customer churn, the acquisition and subsequent loss of customers (Farquhar, 2004). According to Kotler (1997), the cost of attracting a new customer is expected to be five times the cost of keeping a current customer happy; whereas it requires a great deal of effort to induce satisfied customers to switch away from their current suppliers of services. In addition, long-term customers may generate a positive word of mouth promotion for the mobile operators, therefore retaining a customer becomes a top priority and it is crucial to be able to predict which customers are likely to leave, in order for the mobile operators to be able to formulate and implement strategies to keep them (Fahy, 1993).

The competitiveness in the mobile phone industry in Kenya has increased significantly in recent years due to regulation of the industry, globalization of the market, changing of tastes and preferences of the customers; and increased demand for value of money by the customers. Another key cause for the cut-throat competition is the technological advances in ICT and mobile phone banking. Since the products and services offered by the mobile operators can easily be duplicated, the operators are not only competing with each other but also with banking institutions and internet service providers. Recent research by Polaris Marketing Research Inc., Atlanta (2007). has shown that lost customers will stop using your products or services without telling you why; and that lost customers are many times likely to share their bad experiences with friends and colleagues. Today however, many companies have recognized the importance of satisfying and retaining customers especially in the service industry where the quality of service is what mainly differentiates you from the rest of the industry. It has been indicated that companies can
improve profits anywhere between 25% and 95% by reducing customer defections by 5% (Reichheld and Sasser, 1990).

1.1.1 Competitive Advantage

Competitive advantage is the strategic advantage one business entity has over its rival entities within its competitive industry. It strengthens and positions a business better within the business environment. According to Porter (1985), it is the creating of a position in the market industry that can be sustainable in the long run. When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. The goal of much of business strategy is to achieve a sustainable competitive advantage. According to Porter (1985), there are two basic types of competitive advantage; cost advantage, and differentiation advantage.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation (Day, 1994).

1.1.2 Mobile Phone Operators in Kenya

As stated before, the impressive growth of mobile telephony in Africa is, indeed, concerning. Kenya is one of the most advanced country in this field in the Sub-Saharan Africa. At the end of 2007, Kenyan mobile operators offered services to more than ten million people. Nowadays, one in three adults carry a cell-phone in Kenya and about the 80% of Kenyans are covered by mobile network signals (Matthew, 2007). The network is still growing and mobile operators are extending their coverage reaching even more remote areas of the country. In one year, from 2006 to 2007, the cellular mobile services recorded an increase in the number of channels installed in GSM base station transmitters, from about 15,000 to about 20,000. This increase could be attributed to the
increased subscriber base, requiring mobile operators to increase investment in network expansion (Cyrille, 2005).

It is difficult to establish exactly the penetration of mobile telephony in the Kenyan population, due to the sharing of handset and the use of "mobile payphones". Nevertheless, official numbers regarding subscriptions are around 30%. This value is still low with respect to other countries like Nigeria, South Africa or with respect to the developed areas of the World. So there is plenty of room for business yet to come; there are still about 25 million Kenyans to sell phones to (Mason, 2007). This fact together with the current volume of the business - e.g. mobile industry contributed to more than 5% of GDP of Kenya in 2006 - explains the noticeable rush around new services, technologies licenses, plans, pervasive and impacting advertisement in which Kenyan mobile operators are going into (Cyrille, 2005).

Historically, mobile telephones were first introduced in the Kenyan market in 1992. but the real diffusion of this technology and of affordable services started in 1999 when the Communications Commission of Kenya (CCK) was established and the newly privatized company Safaricom and Airtel Kenya (previously known as KenCell Communications and then Celtel Kenya) were licensed by CCK to provide mobile services. These two operators; those currently providing mobile connectivity in Kenya, have covered gradually the majority of the populated areas, and they are still continuing in this trend of growth (Matthew, 2007). Telkom Kenya, the fixed-line operator in Kenya, launched fixed wireless services based on CDMA-2000 technology in the 800MHz frequency band in July 2007. Telkom Kenya offers these services using a license, which allows it to offer wireless telephone services within a restricted area. However, because the CDMA 2000 devices are small in comparison to mobile handsets, users have actually been using the service as a mobile substitute (Matthew, 2007).

This move attracted the opposition of Safaricom and Celtel, who argued that Telkom Kenya was offering mobile services in the absence of an adequate license. Since excise duty only applies to services offered by operators owning a mobile license, this meant that Telkom Kenya was able to offer much reduced prices compared to those of GSM operators. As a result, the Kenyan Government formalized an authorization to Telkom
Kenya to offer mobile services using CDMA and/or GSM technology. Upon the award of the mobile license, Telkom Kenya had to comply with the excise duty regime applicable to mobile services (currently 10%) (Mason. 2007).

1.2 Statement of the Problem

The new entries of other mobile network providers in the market have been intensified by increased entrepreneurial capacity as well as by increased economic power of individuals which has resulted into decline in market share and profitability of existing mobile operators. The major challenge for the mobile network providers is to come up with a strategy that makes them more competitive and attractive in the market. Thus, it may be inferred that systematic differences exist between firms as a result of 'strategic' resource based choices, i.e., decisions to invest in building resource bundles which are often difficult and costly to imitate. The main problems is inability to out perform other mobile network providers since some of the services offered by the competitors cannot be imitated by the institution and the inability to make viable investment decisions (Mason. 2007).

Following the dynamism in the telecommunication industry with the introduction of mobile phone portability, customer relations management is very important when it comes to retaining the available customers in to the particular mobile network provider. Different companies have varied competitive advantages over their counterparts and there is need in every company to outwit every one of them in the performance in form of market share (Cyrille, 2005). This study therefore seeks to determine the role of customer relationship management in attaining competitive advantage in the mobile telephon industry in Kenya. The study also seeks to bridge the gap of inadequate study on the use of customer relation management in the acquisition of competitive advantages since most of the studies conducted before were based on competitive advantages strategies.
1.3 Research Objectives

The objectives of the study were:

i. To determine the role of customer relationship management in attaining competitive advantage for mobile phone operators in Kenya

ii. To determine the correlation between customer relationship management and competitive advantage

1.4 Value of the Study

In the mobile operator industry today, aggressive competition is the order of the day. There is therefore the need of looking at other avenues (apart from the traditional cost and differentiation avenues) that will enable mobile operators to gain competitive advantage. This paper will look at customer relationship management as one of the avenues to gain competitive advantage. This will be useful to mobile phone operators and other stakeholders of the mobile operator firms. In academics, there has been little research (if any) done to link customer relationship management to competitive advantage. Therefore this study will try to till this gap.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives the literature on customer relationship management. The chapter discusses issues relating to the acquisition of competitive advantage through customer relations management on mobile operators in Kenya. It touches on the key issues that need to be addressed as far as customers are concerned in order to achieve the required competitive advantage.

2.2 Competitive Advantage

To be competitive in a dynamic environment, corporations have to become less bureaucratic and more flexible. In stable environments, which are not common today, a competitive strategy simply involves defining a competitive position and then defending it. However because it takes less and less time for one product or technology to replace another, companies are finding that there is no such thing as a permanent competitive advantage (Hunger and Wheelen, 2002). Man (2001) agree with Richard D*Aveni (1994) in his book "Hyper competition," that any sustainable competitive advantage lies not in doggedly following a centrally managed 5-year plan, but in stringing together a series of strategic short-term thrusts.

Firms must develop strategic flexibility, that is, the ability to shift from one dominant strategy to another. Strategic flexibility demands a long-term commitment to the development and nurturing of critical resources. The more multidimensional a firm's competitive advantage is and the more each dimension of competitive advantage is based on unique or complex bundles of organizational capabilities rather than individual capabilities, the more difficult it is for a competitor to diagnose the determinants of the firm's success (Hunger and Wheelen, 2002).
2.3 Customer Relationship Management

Customer relationship management (CRM) is a broadly recognized, widely-implemented strategy for managing and nurturing a company’s interactions with customers, clients and sales prospects. It involves using technology to organize, automate, and synchronize business processes—principally sales activities, but also those for marketing, customer service, and technical support. The overall goals are to find, attract, and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. CRM denotes a company-wide business strategy embracing all client-facing departments and even beyond. When an implementation is effective, people, processes, and technology work in synergy to increase profitability, and reduce operational costs (Porter, 1985).

CRM is a specialty within marketing and to implement CRM in a company, one uses tools as CRM systems, mailers, databases etc. CRM is commonly misunderstood, thinking it is an IT system. These tools have been shown to help companies attain these objectives: Streamlined sales and marketing processes; higher sales productivity; added cross-selling and up-selling; improved service, loyalty, and retention; increased call center efficiency; higher close rates; better profiling and targeting; reduced expenses; increased market share; higher overall profitability; and marginal costing (Richard, 1994).

The three phases in which CRM support the relationship between a business and its customers are to: Acquire (CRM can help a business acquire new customers through contact management, selling, and fulfillment), Enhance (web-enabled CRM combined with customer service tools offers customers service from a team of sales and service specialists, which offers customers the convenience of one-stop shopping), and Retain (CRM software and databases enable a business to identify and reward its loyal customers and further develop its targeted marketing and relationship marketing initiatives) (Hunt, 1996). For larger-scale enterprises, a complete and detailed plan is required to obtain the funding, resources, and company-wide support that can make the
initiative of choosing and implementing a system successful. Benefits must be defined, risks assessed, and cost quantified in three general areas:

2.4 Competitive Positional Advantages

Competitive positional advantages can be broadly construed as cost leadership and differentiation advantages. Cost leadership entails performing most activities at a lower cost than competitors while offering a parity product. Differentiation entails customers perceiving a consistent difference in important attributes between the firm's offerings and its competitors' offerings. The advantages, disadvantages, risks, and implementation requirements of cost leadership and differentiation as generic strategy alternatives have been well documented (Porter 1980, 1985). Shostack's (1987) analysis of the process of service provision in terms of complexity (the number of steps involved in providing the service) and divergence (the exceptional latitude at each step) and the positioning alternatives that emerge from this analysis-reduced divergence (a standardized, cost-efficient service), increased divergence (greater customization for specific segments), reduced complexity (a stripped down generic service), and increased complexity (addition of services tending toward a multi-service position)-provide additional insights into differentiation possibilities in service industries. Each of these positioning alternatives can result in differences in customer's perception of value. For example, a strategy of reduced divergence could lead to some customers perceiving the shift as one that lowers customization and limits their options and hence rejecting a highly standardized service even if it costs less (see Shostack 1987).

2.5 Early Contributions to the Strategic Competitive Advantage (SCA) Concept

Early literature on competition serves as a precursor to the development of SCA. In 1937, Alderson hinted at a basic tenet of SCA. that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson
was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. These arguments form the basis for achieving SCA.

2.6 Market-Based View of Strategic Groups

The importance of diversity among the demand and cost curves of firms within the same industry was first discussed in detail by Chamberlain (1932). This was a precursor to the concept of 'strategic groups', which was first observed by Hunt (1972), and then developed in a series of papers by Caves and Porter (1977, 1978) and Porter (1979) to explain observed intra-industry differences in profit performance. Strategic groups were loosely defined as clusters of firms which competed by following similar strategies within an industry (Porter, 1979). They are persistent structural features of industries and are bounded by mobility barriers-structural or strategic barriers which surround a group and protect it from entry by potential rivals (Caves and Porter, 1977). The presence of strategic groups within an industry is expected to affect industry and firm performance through the process of competitive rivalry between groups, and due to the presence of asymmetrical mobility barriers between groups. Groups which are protected by higher barriers and relatively insulated from the process of competitive rivalry within the industry are expected to enjoy superior performance (Porter, 1979). In essence, then, the appeal of the strategic groups-mobility barriers paradigm stemmed largely from its ability to account for persistent intra-industry performance variation. In fact, Porter (1979) went so far as to argue that 'the concept of strategic groups allows us to systematically integrate the differences in the skills and resources of an industry's member firms and their consequent strategic choices into a theory of profit determination'.

Empirical researchers who tested this proposition came up with mixed findings. Porter (1979) failed to establish statistically significant differences between his 'leader' and 'follower' strategic groups. Oster (1982), on the other hand, found that high advertisers outperformed low advertisers in those industries where advertising spending has lasting effects. Again, while Howell and Frazier (1983) found no difference in performance across strategic groups in the medical supply and equipment industry, Dess and Davis
did find differences on some performance measures in the paint and allied products industry. More recently, Cool and Schendel (1987) found differences of market share, but not profitability across groups in the pharmaceutical industry. In the insurance industry, Fiegenbaum and Thomas (1990) found significant differences over time across groups on five out of nine performance measures, while Lewis and Thomas (1990) found no support whatsoever for differential performance effects in the U.K. retail grocery industry. The conclusive empirical evidence on this issue means that either no such linkage exists or that the relationship has not been captured due to under poor specification of the model. Taking the specification issue as paramount, I use the RBV theory to develop an alternative set of group defining variables.

2.7 The Resource-Based View and Strategic Groups

The pattern, nature and intensity of competition in most industries have changed considerably since the original discovery of strategic groups. Under the new realities of global competition, traditional strategic recipes no longer hold. Successful competitors build their strategies not around products, but around deep knowledge of a few highly developed core skills (Prahalad and Hamel, 1990). A seemingly superior product rarely provides a sustainable competitive advantage, since it is easily bypassed, reverse engineered, cloned, or slightly surpassed (Quinn, Doorley, and Paquette, 1990). The underlying competitive advantage, instead, is provided by distinctive firm-level resources such as innovative marketing and distribution methods, advanced process technologies, logistics capabilities, appropriate organizational structures, and administrative procedures etc., which competitors cannot reproduce. These resources are accumulated over a period of time with a deliberate strategic focus. They are the product of a history of strategic choices and resource commitments made by the firm (Dierickx and Cool, 1989).

Thus, it may be inferred that systematic differences exist between firms as a result of 'strategic' resource choices, i.e., decisions to invest in building resource bundles which are often difficult and costly to imitate.

These resource bundles are the building blocks of successful product market strategies. Furthermore, because firms are most comfortable acting in the 'neighborhood' of what they already know best (Cyert and March, 1963); these resource bundles also
circumscribe the competitive flexibility of firms in terms of their ability to change strategic postures. Hence, given that resources constrain the effectiveness of current strategic actions, it can be argued that the 'stock' of accumulated resources and/or competencies constitutes the real source of competitive advantage. While superior performing product market actions are transparent to every player in the industry, what is not so readily apparent is the resource base required to successfully implement those strategies. Even if such insights are obtainable, considerable time lag is required to acquire and cultivate the desired resource mix (Hunt. 1996).

Apparently, then, with increasing global competition, the underlying competitive emphasis in most industries appears to have shifted from being position based to being more resource based (Best, 1990). Effective competition may not occur at the level of observed product market strategies (which merely reflect transient competitive positioning), but at the level of acquisition/creation of suitable resource bundles. Hence, any viable study of rivalry within an industry should concentrate on isolating the underlying competitive resources employed by firms. For instance. McGee and Thomas (1989: 105) argue that 'To discuss pricing (for example) on its own is less useful than examining how distinctive firm- level characteristics (which are embodied in different asset structures) influence competitive forces' (emphasis added). If strategic groups are derived based solely on observed product market strategies, they might not fully capture this underlying competitive reality.

The phenomenon which makes competitive positions stable and defensible is encompassed in the uncertain limitability of the underlying resource base. It is this resource base, and not market positions, which constitutes effective mobility barriers. In sum, according to the RBV, firm resource endowments rather than product market circumstances define success, and since the strategic group framework was originally developed to explain the locus of firm profitability, RBV suggests a modification of strategic group definition and operationalisation (Hunt. 1996).

Strategic groups, therefore, may be defined as groups of firms which compete within an industry by deploying similar configurations of strategic resource bundles. While researchers such as McGee and Thomas (1986) have acknowledged that firm resource
endowments provide a basis for identifying strategic groups, the question does arise as to how firm-level factors translate to group-level aggregation? The concept of strategic industry resources developed by Amit and Schoemaker (1993) provides an answer to this quandary. According to them, firm rent generating resources are of two types: resources which are considered valuable in the industry-the so-called strategic industry factors; and firm idiosyncratic resources. Of course, all unique firm-level resources are not necessarily valuable.

Thus, firms which employ similar configurations of the strategic industry resources can constitute a strategic group. Any derivation of strategic groups based on firm resources is expected to be more stable than the strategic groups based on firm product market strategy, because in general, altering a firm's resource base requires a considerably longer time than changing its market strategies (Dierickx and Cool, 1989). Further, since the stability of groupings is a prerequisite to the presence of performance differences between groups (Cool and Schendel, 1987), it is also expected that durable performance consequences will be associated with these resource-based groups.

2.8 Individual Level Determinants of Resource Choices in a Competitive Market

Whereas resource-based theorists assume that managers make rational choices bounded by uncertainty, information limitations, and heuristic biases, institutional theorists assume that managers commonly make non rational choices bounded by social judgment, historical limitations, and the inertial force of habit. As opposed to economic rationality which is motivated by efficiency and profitability, normative rationality refers to choices induced by historical precedent and social justification. It is suggested below that the process of resource procurement and accumulation is often normatively rational, and that this leads to sub-optimal resource decisions and the suboptimal use of accumulated resources. Therefore, differences among firms in their management of normative rationality will be an important source of developing sustainable competitive advantage (Zajac, 1992).

Economically, rational resource decisions are value-maximizing choices constrained by imperfect information and uncertainty about future outcomes. From this perspective.
resource decisions are vulnerable to decision biases and competitive blind spots (Amit and Schoemaker, 1993; Ginsberg, 1994; Zajac. 1992; Zajac and Bazer- man, 1991). as well as causal ambiguity, that is, limits on the ability to discern the relation between a firm's bundle of resources and its performance (Lippman and Rumelt. 1982; Reed and DeFillippi, 1990). In contrast, normatively rational resource decisions are value-laden choices constrained by firm history and the social context of decision-making. From this perspective, resource decisions are vulnerable to economic sub optimization because they occur in the context of corporate norms and traditions, and these norms and traditions can limit managers' willingness to acquire new resources or to change their current resource portfolios. As Ginsberg (1994) observes, 'strong institutional pressures abide in the evaluation of current resource allocations and in hindering acceptance of resource deployments.' Corporate history and traditions are most likely to generate suboptimal resource choices when investments in current resources represent cognitive sunk costs (DiMaggio and Powell, 1991; Powell. 1991).

Cognitive sunk costs are the social and psychological costs associated with altering firm habits and routines that prevent firms from developing sustainable competitive advantage. Cognitive sunk costs include, for example, employees' fears about learning new skills or competencies, a firm's reluctance to digress from its founder's vision, management's concern that resource changes will erode management's power, and unwillingness on the part of the top management team to be disloyal to corporate traditions (DiMaggio, 1991). Even when changes in current resources are economically rational, such reluctance to change occurs for any of three reasons: because individuals find it difficult to alter entrenched organizational habits and routines; because change to less familiar practices precipitates fear or uncertainty; or because the replacement of traditional practices with new ones may be perceived as socially unjustifiable or disloyal to company norms and values (Powell. 1991).

Cognitive sunk costs will be especially prevalent in resource decisions when the abandonment of familiar routines is disruptive or inconvenient, when anticipated change generates insecurity, when changes in resource allocations violate company norms, or when current resource investments are supported by vested interests (Amit and
Schoemaker, 1993; Oliver, 1992; Powell, 1991; Teece, 1988). Since the presence of sunk costs means that managers are reluctant to reassess their resource decisions, these costs are a potentially important source of heterogeneity in the resource selection process.

Leonard-Barton (1992) noted, for example, how the culture at Chemicals corporation valued chemical engineers over mechanical engineers, and vested interests supported projects involving polymers over equipment projects; these 'deeply embedded knowledge sets,' as cognitive sunk costs, created negatively reinforcing cycles that impeded abnormal advantage over product development. Constraints on optimal resource choices are also a function of resource longevity. Some resources owe their distinctiveness and inimitability to their longevity within the firm (Conner, 1991; Teece, 1988; Teece, Pisano, and Shuen, 1997). These history- or path-dependent resources (e.g., specialized technical expertise, unique R& D capabilities) are rooted in the history and culture of firms and derive their value from time compression diseconomies, that is, from development over a long period of time (Amit and Schoemaker, 1993; Conner, 1991; Dierickx and Cool, 1989; Powell, 1991; Teece, 1988). Yet it is the embeddedness of these institutionalized competencies in history that also increases their likelihood of being perpetuated without question. Chrysler's inability to see the value of smaller car production in the mid-1970s, for example, was a result of unquestioning conformity to the firm's historical competencies.

Traditional core competencies have the potential to become 'core rigidities' that inhibit subsequent development and success (Leonard-Barton, 1992). As Teece (1988: 265) has observed, firms have limited abilities to change their competencies 'because a firm's learning domain is defined in part by where it has been.' Longstanding core competencies typically become taken for granted as indispensable assets, not because of their demonstrated superiority under a variety of competitive conditions, but because their longevity is considered sufficient evidence of their value. Xerox, for example, took for granted that its traditional competence in servicing copiers was a key strategic capability until Canon 'designed service out of its product' by substituting superior product design for an extensive service network (Dierickx and Cool, 1989). These 'competency traps' (Barnett, Greve, and Park, 1994; Levitt and March, 1988).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter outlines the method that was used for the study and adopts the following structure: research design, population and sample, population description, data collection methods, research procedures and data analysis and methods.

3.2 Research Design
The research design used in the study was a survey design. The cross-sectional survey design was used. This design entails the collection of data of more than one case and at a single point in time in order to collect a body of qualitative or quantifiable data in connection with several variables which are then examined to detect tin* patterns of association (Bryman 2001).

3.3 Target Population
The target population of the study was mobile phone operators in Kenya. The study was a census since all the main firms in the mobile operation industry in Kenya were involved. The firms that were involved in the study were: Safaricom, Airtel, Orange Mobile and Esser Communications (YU).

3.4 Data Collection
The main data collection instrument that was adopted by the researcher was questionnaires where 15 questionnaires were presented. Each of the four companies had 3 questionnaires directed to the customer care department. Data was collected using a semi-structured questionnaire served on respondents through drop and pick methods: the questionnaires were open and closed to allow for varied responses. This method of data collection was chosen because it saved on time and cost. The exercise obtained core information and supplementary information through further probing of the respondents and from relevant publications of other firms in the industry.
3.5 Data Analysis

Data analysis was conducted using Microsoft Excel spreadsheets and Statistical Package for Social Science (SPSS version 17). Quantitative data was analyzed through the use of descriptive statistics where the mean and mode of the responses was established and the results then presented in form of charts and graphs. Correlation analysis was conducted in the determination of correlation between customer relationship management and competitive advantage.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

This chapter presents an analysis of the research findings compiled from the questionnaires administered.

4.2 Response Rate

A total of 15 questionnaires were randomly distributed to each of the four companies Safaricom, Airtel, Orange Mobile and Esser Communications (YU), 3 questionnaires were directed to the customer care department. All questionnaires issued were returned and these are what the researcher used. 40% of the respondents who participated in the study were males and 60% were females. This indicates that more males than females were the study respondents.

This part of the study sought to establish the age bracket of the respondents.

Table 4.1 Age of the Respondents

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 20</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21 to 30</td>
<td>10</td>
<td>67</td>
</tr>
<tr>
<td>31 to 40</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Over 41</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>

The results as shown in table 4.1 shows that 67% of the respondents who participated in the study were between the ages of 21 to 30 while 33% were between 31-40 years. This shows that the respondents are still very productive within the work environment.
The respondents were also asked to indicate their years of service in their respective firms. The results are shown in Table 4.2.

### Table 4.2 Years of firm existence

<table>
<thead>
<tr>
<th>Service</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 to 5 years</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>j</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>11 to 15 years</td>
<td>9</td>
<td>60</td>
<td>80 •</td>
</tr>
<tr>
<td>16 to 20 years</td>
<td>j</td>
<td>20</td>
<td>100</td>
</tr>
<tr>
<td>Over 21 years</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

From Table 4.2, it is evident that the majority (60%) of the respondents had been in the firm between 11 to 15 years. The minority (20%) had been in the firm between 6 to 10 years and 16 to 20 years. The results as shown in Table 4.2 show that, the firms are all established brands in the industry.
4.3 The role of CRM in attaining competitive advantage for mobile phone operators in Kenya

Table 4.3 represents the respondents’ views on the methods in customer relationship management employed within organizations.

Table 4.3   Methods Used In Customer Relationship Management

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-on-one interaction</td>
<td>8</td>
</tr>
<tr>
<td>Actively seek customer feedback and complaints</td>
<td>2</td>
</tr>
<tr>
<td>Calling customers to follow up on a recent purchase</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

From the results in Table 4.3, 53% answered One-on-one interaction. 13% actively seek customer feedback and complaints and 33% filled Calling customers to follow up on a recent purchase. Most respondents felt One-on-one interaction was an important method in customer relationship management.

Table 4.4 represents the effectiveness of the methods used in customer relationship management.

Table 4.4   Effectiveness of Methods Used In Customer Relationship Management

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentages</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Fair</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Good</td>
<td>11</td>
<td>73</td>
</tr>
<tr>
<td>Outstanding</td>
<td>4</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
</tr>
</tbody>
</table>
From the results in Table 4.4, 73% of the respondents feel that its good and 27% feel that it's outstanding. Overall all the respondents had a positive opinion on the methods employed in their respective organizations.

4.4 Customer relationship management and competitive advantage

All of the respondents felt that customer relationship management was important for organizations in order to increasing their market share.

Table 4.5 represents the respondents' views on customer relationship management. They were asked if the following qualities were beneficial in attaining competitive advantage. Increase in sales-force effectiveness and productivity. Strengthening customer relationships at every touch point, and ease in sharing more customer information were positively answered.

<table>
<thead>
<tr>
<th></th>
<th>GE (%)</th>
<th>G (%)</th>
<th>F (%)</th>
<th>P (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase sales force effectiveness and productivity</td>
<td>20</td>
<td>80</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Strengthen customer relationships at every touch point</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Easily in sharing more customer information</td>
<td>40</td>
<td>60</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Identify most profitable and unprofitable customers</td>
<td>47</td>
<td>20</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

From the results in Table 4.5, 80% of the respondents believed that an increase in the sales force productivity and effectiveness will aid in attaining sustainable competitive advantage while 60% believed that the ease of sharing customer information is the key to attaining sustainable competitive advantage. All in all, the respondents were in lull
agreement that strengthening customer relationships at every touch point is crucial in attaining sustainable and long-term competitive advantage.

Table 4.6 below represents the respondents' view on reasons for not engaging in customer relationship management.

**Table 4.6 Reasons for Not Engaging In Customer Relationship Management**

<table>
<thead>
<tr>
<th>Reason</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of information about how to innovate</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>It would be of no help</td>
<td>2</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Ignorance</td>
<td>1</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Satisfied with the current situation</td>
<td>7</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

From the results in Table 4.6, 33% of the respondents felt that lack of information about how to innovate was among the reasons why organizations don't engage in CRM. 13% ticked 'It would be of no help*, 7% ticked ignorance* as to why organizations don't engage in CRM and 47% of the respondents felt that the organizations were satisfied with the current situation.
Table 4.7 represents the respondents’ response on impact of customer relationship management on profit, market share, return on investment, customer satisfaction and customers’ confidence level, and loyalty.

**Table 4.7  Impact of Customer Relationship Management**

SA- Strongly Agree;  Agree- A;  U- Undecided;  D- Disagree;  SD- Strongly Disagree (in percentage)

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit has increased by the activity of customer relationship management of the firm</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Market share is decreased by the activity of customer relationship management of the firm</td>
<td>100</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer relationship management has no significant impact on the return on investment of the firm</td>
<td>7</td>
<td>53</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer relationship management has a significant impact on customer satisfaction</td>
<td></td>
<td>jj</td>
<td>67</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer relationship management guarantees the customers’ confidence level and loyalty</td>
<td>87</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Overall CRM plays a key role in the growth and productivity of a firm. All the respondents felt that CRM had a positive impact on profit. All the respondents agreed that market share did not decrease by the activity of customer relationship management of the firm. Most respondents, 93% felt that customer relationship management had significant impact on the return on investment of the firm. All the respondents felt positive on customer relationship management having a significant impact on customer satisfaction. Lastly, all the respondents’ views on customer relationship management guaranteeing customers’ confidence level and loyalty were positive.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The summary of the findings, conclusion and recommendations of the research study are discussed in this chapter. In this chapter, the researcher will give a summary on the role of customer relationship management in building competitive advantage. Conclusions will be drawn from the Kenyan mobile operators’ employees who answered the questionnaires. The researcher will also give recommendations on what the management of these companies can do from the results of the findings to enhance CRM in their organizations.

5.2 Summary of Findings

From the research findings, it was found that customer relationship management does indeed affect increase in firms' market share and competitiveness. This can be evidenced through the research carried out on the employees of the mobile operators.

CRM denotes a company-wide business strategy embracing all client-facing departments and even beyond. When an implementation is effective, people, processes, and technology work in synergy to increase profitability and market share. From the results of the research, it was established that the goal of CRM is to manage all aspects of customer interactions in a manner that enables firms to maximize profitability from every customer. Increasing competition and the technology have all contributed to the increase in customer power. Customers, faced with an increasing array products and services, are expecting more from firms in terms of customized offerings, attractive returns, ease of access, and transparency in dealings. The study found that retaining customers is a major concern for institutions which underscores the importance of CRM.
5.3 Conclusion

Analysis of the customer-buying cycle is a critical step to understand how best to bridge customer acquisition with relationship management efforts. Customers move across a continuum of problem identification, need identification, evaluation of options, purchase, implementation and maintain/improve/replace. Companies have key information needs to help customers move closer to buy. Customer relationship management (CRM) is an important strategy to foster a sustainable competitive advantage in business. The marketplace will continue to be cluttered with more product options, messages and communication channels vying for the same market. CRM is an important component of a sound business and marketing strategy because of the incremental impact it has to the market share. According to the research findings, Customer relationship management (CRM) tracks customers' interactions with the firm and allows employees to instantly pull up information about the customers such as past sales, service records, outstanding records and unresolved problem calls.

5.4 Recommendations

5.4.1 Recommendations with policy implications

From the findings of this study, it is recommended that managers should continuously support CRM activities in their organizations.

The study also recommends that the companies should strive to have an open door policy that encourages all employees to feel free to share their ideas and opinions with the management on how best to improve CRM in the organization. This means that the companies should have friendly organizational structures that make all the employees of the organization feel part and parcel of the organization knowing that the success of the CRM depends on them and they stand to gain from it.
5.4.2 Recommendations for further research

The study has explored the role of customer relationship management in building competitive advantage. The organizations in Kenya however comprise of various other organizations apart from those in the telecommunication industry which differ in their way of CRM policy and implementation. This warrants the need for another study which would ensure generalization of the study findings for all the organizations in Kenya and hence pave way for new policies. The study therefore recommends another study be done with an aim to investigate the factors role of customer relationship management in building competitive advantage in the other industries in Kenya such as commercial banking, broadcasting, insurance and learning institutions among others.
REFERENCES


Manica, L. and Vescovi, M. (2008): Mobile Telephony in Kenya is it making the life better?


APPENDICE: QUESTIONNAIRE

Thank you for taking your time to help me carry out this research by filling the following questionnaire. I assure you that the information that you provide will be treated with utmost confidentiality and your identity will not be revealed. Kindly read the instruction before filling the questionnaire.

SECTION I: GENERAL INFORMATION

Personal Information:

1. Gender
   Male ( )       Female ( )

2. Job
   Level/Position

3. Age Category:
   - Below 20 ( )       Above 41 ( )
   - 21-30 ( )
   - 31-40 ( )

4. Years of firm existence.
   - 0-5 ( )       16-20 ( )
   - 6-10 ( )       Over 2 i ( )
   - 11-15 ( )
SECTION II: The role of customer relationship management in attaining competitive advantage for mobile phone operators in Kenya

5. Does your organization have a customer relationship management policy?
   Yes ( ) No ( )

   If Yes:
   What are the methods in customer relationship management employed within your organization?
   a) One-on-one interaction ( )
   b) Actively seek customer feedback and complaints ( )
   c) Calling customers to follow up on a recent purchase ( )

   b) How would you rate the customer relationship management methods employed?
      1) Poor
      2) Fair
      3) Moderate
      4) Good
      5) Outstanding

6. Is competitive advantage in your organization based on building and maintaining long-term customer relationships?
   Yes ( ) No ( )
   Explain

SECTION III: Customer relationship management and competitive advantage

7. Does your organization have many competitors within the industry of operation?
   Yes ( ) No ( )

8. Would your organization consider it as a customer relationship plan?
   Explain
9. How would you rate the importance of customer relationship management in increasing market share?
   a) Important
   b) Fairly important
   c) Very important

10. To what extent do you consider the following to be beneficial?
    GE (Great extent), G (Good), F (Fair), P (Poor)
    INSTRUCTION: Please tick ( V ) the correct answers from the options

   a) Increase sales force effectiveness and productivity   GE( ) G( ) F( ) P( )
   b) Strengthen customer relationships at every touch point GE( ) G( ) F( ) P( )
   c) Increasing the customer satisfaction               GE( ) G( ) F( ) P( )
   d) Easily in sharing more customer information        GE( ) G( ) F( ) P( )
   e) Identify most profitable and unprofitable customers GE( ) G( ) F( ) P( )

SECTION IV: General section on CRM

11. Does your firm review its customer relationship policies?
    Please specify

12. How often does your firm review customer relationship policies?
    1) Daily
    2) Weekly
    3) Monthly
    4) Yearly
13. What are the reasons for not engaging in customer relationship management?
   a) Lack of information about how to innovate
   b) It would be of no help
   c) Ignorance
   d) Satisfied with the current situation
   e) Other

In the given section SA, A, U, D, SD have the under listed meaning;

SA- Strongly Agree; Agree- A; Undecided; D- Disagree; SD- Strongly Disagree

INSTRUCTION: Please tick (V) the correct answers from the options provided below.

<table>
<thead>
<tr>
<th></th>
<th>SA</th>
<th>A</th>
<th>U</th>
<th>D</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit has increased by the activity of customer relationship</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>management of the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market share is decreased by the activity of customer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>relationship management of the firm.</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Customer relationship management has no significant impact on</td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>the return on investment of the firm</td>
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<tr>
<td>Customer relationship management has a significant impact on</td>
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<tr>
<td>customer satisfaction</td>
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<td></td>
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<tr>
<td>Customer relationship management guarantees the customers*</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>confidence level and loyalty</td>
<td></td>
<td></td>
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</table>