COMPETITIVE STRATEGIES ADOPTED TO DRIVE PERFORMANCE BY FIRMS IN THE TELECOMMUNICATIONS INDUSTRY IN KENYA

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university.

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DEDICATION

This work is dedicated to The Almighty God and to my husband Michael Gathimba and our son Liam Maina for their love, patience, support and understanding towards successful completion of this course.
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ABSTRACT

Competition is the main driving force leading managers to search for areas of competitive advantage that leads to greater financial success. For companies to survive in the market from challenges like, volatile customer demands, technological changes and globalization they need to continuously assess the environment, trace the root of competition and adopt strategies that earned them a competitive advantage over the rivals. This study sought to determine the competitive strategies adopted to drive performance by firms in the telecommunication industry in Kenya. The data was collected from the nine firms in Kenya namely Safaricom Ltd, Airtel Kenya, Telkom Kenya, Jamii Telkom, Access Kenya, Liquid Telkom, Internet Solution, MTN Business and Wananchi Group. The respondents were one top manager from each of the firms using non-probability sampling technique. Data was collected using questionnaires and analyzed through descriptive statistics on quantitative data and content analysis on qualitative data. This study established the root of competition and how strategies like cost leadership; differentiation strategy and focus strategy are used to gain competitive advantage. The study concludes that the firms in the telecommunication sector adopt various strategies including: differentiation, cost leadership and focus so as to acquire and maintain sustainable competitive advantage. The study further concludes that the cost strategy was visible in the organizations and they kept on changing this strategy when it was no longer successful. The organizations need to continue innovating products which would compete with other companies’ products and at the same time they should do aggressive marketing in order to change the perception of customers regarding the pricing of their products. The study recommends that although the organizations are market leaders they should consider other competitors prices as the customers are conscious about the lowest rates they are offered and not necessarily the value. These would ensure that the organization maintains their market share which is under threat from other competitors.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The dynamic business environment requires that firms develop appropriate strategies in response to the challenges posited so as to remain competitive. Strategy is about winning (Grant, 1998). Porter (1985) argues that every company has a competitive strategy which could either be official or unofficial with which it uses to approach the market. It is in a form of a plan on how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors, which then leads to a sustainable competitive advantage. Competitive strategy is a quest for superior performance through establishing competitive advantage over rival firms. Pearce and Robinson (2007) note that the success or failure of the organization may well depend on how strategies have been crafted and applied. For any organizations to thrive, it needs to find the secret to crafting and implementing superior strategies to those of competitors (Grant, 1998).

Pearce and Robinson (2007) recognized the three levels of strategy including: corporate, business, and functional or operational level. The corporate level strategies define the vision, corporate goals and philosophy and culture of the firm (Porter, 1985). The business level strategies bridges corporate and functional strategies with decisions including plant location, market segmentation, geographical coverage and distribution channels, thus broadly it covers the mission, business goals and competencies (Thompson, Strickland and John, 2010). The functional level strategies are concerned with the implementation and are short term, low risk and quantifiable (Pearce and Robinson, 2007).
Open systems theory holds that organizations as open systems operate from an environment and are therefore affected by the operating environment in equal measure that they affect it. This theory therefore calls on firms to consider the operating environment in their strategy formulation process because any strategy not formulated with the immediate environment in mind may fail. Open systems theory therefore requires that firms interact with their immediate environment in order to be successful. The study will further be anchored on the resource based theory which defines resource as anything which could be thought of as strength of weakness of a given firm (Wernerfelt, 1984). For any organization to implement a strategy, it needs to have adequate resources otherwise the strategy will fail (Barney, 1991). The resources owned or controlled by a firm form the basis of its competitiveness.

The telecommunications industry in Kenya has gone through a tremendous growth for the past five years as firms strive to grow their market share. This market has been characterized by intense rivalry among the incumbent operators, threat of new entrants, bargaining power of buyers and suppliers and the threat of substitutes. Competitive forces particularly apply within this industry as competitors continue to slug it out for increasingly demanding customers who treat products and services as commodities and where price unfortunately is a huge differentiator forcing companies in a downward spiral of price deflation and pressure. The entrance of Mobile Virtual Network Operators (MVNOs) into the Kenya industry has led to the incumbent firms coming up with innovative means of retaining customers and market share in order to remain competitive.
1.1.1 The Concept of Strategy

Thompson, Strickland and John (2010) define strategy as the match between an organization’s resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. It is depicted as the management’s game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving targeted objectives (Thompson & Strickland 2007). It is a set of beliefs on how a firm can achieve success (Woods & Joyce, 2003). Quinn (1980) defines strategy as the pattern or plan that integrates an organization’s major goals, policies and action sequences into a cohesive whole. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce & Robinson, 2007). It indicates the choices its managers have made about how to attract and please customers, how to respond to changing market conditions, how to compete successfully, how to grow the business, how to manage each functional piece of the business and develop needed capabilities, and how to achieve performance targets.

Andrews (1980) argues that the pattern of decisions in a company that determines and reveals its objectives, purposes or goals, produces the principal policies and plans for achieving those goals, and defines the range of businesses the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities. It provides an organization with the direction and scope of an organization that ideally matches the results of its changing environment and in particular its markets and customers so as to meet stakeholder
expectation. Mintzberg (1994) declares that strategy has several meanings, all of which are useful. He says that strategy is a plan, a pattern, a position, a perspective and, can also be a ploy, a maneuver intended to outwit a competitor. Ansoff (1998) views strategy in terms of market and product choices. According to his view, strategy is the “common thread” among an organization’s activities and the market.

1.1.2 Competitive Strategies

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2007). Porter (1996) stated that the goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against industry competitive forces or can influence such forces in its favor. For a firm to develop a competitive advantage within the industry it must analyze and understand the five forces that shape the industry competitive environment as was defined by Michael Porter. Companies pursue competitive strategies to gain competitive advantage that allows them to outperform rivals and achieve average profitability. Developing a competitive strategy is essentially developing a broad formula of how a business in question would compete successfully in the relevant industry.

Porter (1996) argues that competitive strategy is about being different from others in the industry which means deliberately choosing a different set of activities to deliver a unique mix of value. In short, strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. The organizational competitiveness is probably the most widely used dependent variable in
organizational research yet it remains vague and loosely defined (du Plessis, 2007). The focus of attention in performance has been mainly on financial measures but some scholars have proposed a broader performance construct of ‘business performance’ to incorporate non-financial measures such as market share, customer satisfaction and new products among others. Roehm and Sternthal (2001) proposed four possible types of measurement for organizational performance namely: outcomes (turnover, absenteeism, job satisfaction); organizational outcomes (productivity, quality, service); financial accounting outcomes (return on assets, profitability) and capital market outcomes (stock price, growth, returns).

1.1.3 Organizational Performance

Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals. Organizational performance means attainment of ultimate objectives of the organization as set out in the strategic plan. This normally depends on the quality of people and how well they are able to use the resources at their disposal for the achievement of a given set organizational goals. Kirkman, Lowe and Young (1999) define performance as the achievement of organisational goals in pursuit of business strategies that lead to sustainable competitive advantage. Although widely used in empirical and theoretical research, the notion of organisational performance remains largely unexplained and recourse is taken to commonly used operationalization of performance. There is relatively little agreement about which definitions are “best” and which criteria are to judge definitions (Baguley, 1994).

Organizational performance may be measured in terms of accounting measures, operational measures, market based measures, and survival measures. Measures of
economic value creation are also popular in practice but are not frequently used in strategic management or entrepreneurship (VerWeire and Van Den Berghe, 2004). Accounting measures are those that rely upon financial information reported in income statements, balance sheets, and statements of cash flows.

Accounting measures can be further subcategorized into profitability measures, growth measures; leverage, liquidity and cash flow measures; and efficiency measures. Profitability measures include values and ratios that incorporate net income or a component of net income such as operating income or earnings before taxes. Growth measures include values and ratios that present some indication of organizational growth. Growth has been conceptualized both in the context of resources and from a business operations perspective (Kaplan and Norton, 1992). Typical accounting-based growth measures include absolute or percentage change in total assets, operating assets, sales, total expenses, and operating expenses. Organizational size can be conceptualized as being part of the growth construct since size generally is measured in absolute terms of a growth variable of interest, where growth is the change in the variable. Size in absolute terms is typically used as a control variable and not an outcome variable (Baguley, 1994).

Leverage, liquidity and cash flow measures include values and ratios that represent the organization’s ability to meet its financial obligations in a timely manner and provide a cash return to capital providers. The ability to meet financial obligations can be measured both by the ratio of liquid assets to liabilities, and/or by the organization’s ability to generate sufficient cash flow to meet outstanding liabilities. Efficiency measures include values and ratios that represent how well the organization utilizes its resources. Typical efficiency ratios include asset turnover, net
profit per employee, net profit per square foot, sales per employee, and sales per square foot (Kirkman, Lowe and Young, 1999).

Operational measures include variables that represent how the organization is performing on non-financial issues. These measures include the Balanced Scorecard, Deming model and Baldrige model. The balance scorecard is a measuring instrument that offers to the organization the opportunity to clarify its vision and strategies and translate them into action. This provides feedback on both internal business processes and on external achievements in order to continuously improve strategic performance and business results. The variables applied in this model include market share, changes in intangible assets such as patents or human resources, customer satisfaction, and stakeholder performance. The Balanced Scorecard retains financial metrics as the ultimate outcome measures for company success, but supplements these with metrics from three additional perspectives – customer, internal process, and learning and growth which are the drivers for creating long-term shareholder value (Baguley, 1994).

1.1.4 Telecommunication Industry in Kenya

The earliest telecommunications connections connecting Kenya to the outside world were the submarine cables linking Zanzibar, Mombasa, and Dar es Salaam laid by the Eastern & South African Telegraph Company in 1888. In 1968, Kenya became a member of the intelsat global satellite communications consortium, with extelcoms (and subsequently kenextel and ultimately KP&TC) responsible for operating earth stations to access intelsat's satellites. Kenya's first major earth station came into operation at Longonot northwest of Nairobi in 1970. Kenya's telecommunications and broadband market has undergone a revolution following the arrival of three fiber-
optic international submarine cables in 2009 and 2010 - Seacom, TEAMS and EASSy, ending its dependency on limited and expensive satellite bandwidth.

The mobile phone industry in Kenya has come a long way to what we have today. Before 1998, all telecommunications in Kenya were controlled by the state-owned monopoly Kenya Posts and Telecommunications Corporation (KP&TC). In the year 1998, the Kenyan Parliament passed the Kenya Telecommunications Act as proposed by the Communication Commission of Kenya (CCK). CCK then set up Telkom Kenya in 1999. Mobile phone telephony in Kenya started in the year 2000 when both Kencell (rebranded as Celtel in 2004, Zain in 2008 and now Airtel) and Safaricom Limited were launched on 5th May and 19th October 1998 respectively (www.cck.go.ke).

**Research Problem**

The business environment within which the mobile telephony sector operates has been very volatile (Pearce & Robinson, 2007). Political anxieties, competition from new entrants, social reforms, technological advancements and globalization are some of the challenges that have greatly affected the growth of this sector. Competitive strategy is about being different and it means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1985). In a competitive market environment, customers make choices based on their perception of the value for money which is a combination of price and perceived product or service benefits and other value prepositions offered by an organization.

Several studies have been conducted on competitive strategies and the performance of firms in Kenya. For instance, Akingbade (2014) examined competitive strategies and improved performance of selected Nigeria telecommunication companies. The
findings revealed that there is a relationship between competitive strategies, its constituents and performance of telecommunication companies. However, this study was carried out in Nigeria whose operational environment is different from Kenya hence the need to undertake the current study. Afande (2015) examined competitive strategies and firm performance in the mobile telecommunication service industry using a case of Safaricom Kenya Limited. The findings also show that the strategies adopted by Safaricom Kenya Limited included vigorous pursuit of cost reductions; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. This study was only a case of one organization yet the current study is a cross-sectional study cutting across several players in the telecommunication industry.

Kapto and Njeru (2014) sought to examine the strategies adopted by mobile phone companies in Kenya to gain competitive advantage. The study found out that there existed a strong relationship between strategies adopted by the mobile phone companies to gain competitive advantage, cost leadership, and differentiation. This study did not evaluate the how these competitive strategies drove the performance of these companies as it the case of the current study. In addition, the study only concentrated on mobile phone service providers yet the current study focus is beyond mobile telephone services as it includes other data and internet service providers. The existing studies have concentrated on mobile telecommunication companies and not included data service providers. This study therefore will be guided by the following study question: What competitive strategies have been adopted to drive performance by firms in the telecommunications industry in Kenya?
Research Objectives

i. Determine the competitive strategies adopted by firms in telecommunications industry in Kenya

ii. Establish the extent to which the competitive strategies have influenced performance in telecommunications industry in Kenya

Value of the Study

This study would be important to the policy makers in the telecommunication industry as they would be able to know for certain how competitive strategies affect performance of their companies. The results would contribute to a better understanding on how effective the competitive strategies adopted by the companies are in driving organizational performance.

Further, the study would be important to telecommunication companies’ managers as it would help them understand the effects of competitive strategies that drive organizational performance. The competitive strategies play a key role in determining the success or failure of organizations. This would help them strategize on how to use competitive strategies to improve organizational performance.

The results of this study would also be important to future researchers and scholars, as it would form a basis for further research. The scholars would use this study as a basis for discussions on competitive strategies adopted by telecommunication companies in improving their performance. The study would also be a source of reference material for future researchers on other related topics; it would also inform other academicians who undertake the same topic in their studies.
1.5 Chapter Summary

This chapter presented the introduction to the study by clearly discussing the concepts and context of the study. The key concepts discussed included strategy, competitive strategy and organizational performance in the context of telecommunications industry. The chapter also presented research problem where the gap to be filled by the study was illustrated both internationally and locally. This was followed by the research objective and value of the study.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject of competitive strategies and organizational performance as presented by various researchers and scholars. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.2 Theoretical Perspective

The study is founded on two theories including the open systems and the resource based view theory all of which explain how organizations need to interact with the environment to build competitive advantage in its industry. These theories are discussed in details below:

2.2.1 Open Systems Theory

Open system theory was developed by Ludwig von Bertalanffy (1956), a biologist, but it was immediately applicable across all disciplines (Scott, 2003). Open system perspectives see organizations both as hierarchical systems and as loosely coupled systems. Open systems tend to have some semblance of clustering and levels. The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems (Hatch, 1997). The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. Interdependencies and connections within a subsystem tend to be tighter than between subsystems. These "stable sub-assemblies" give a distinct survival advantage to the entire system (Gortner, Mahler and Nicholson, 1997).
Open systems reflects the belief that all organizations are unique in part because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities (Hatch, 1997). Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates.

The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity (Hatch, 1997). This theory holds that in order for the organization to achieve its objectives and goals, it is important that it operates as an open system where it takes care of the environment in its decision making process because failure to do this may lead to failure to deliver on organizational objectives.

### 2.2.2 Resource Based View Theory

The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991). The resource-based view (RBV) is a basis for the competitive advantage of a firm that lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Prahalad, 1996). The RBV isolates unique resources that are complex, intangible, and dynamic within a particular firm which can be utilized by the firm to gain and sustain competitive advantage (Barney, 1991). The bundles of resources that are distinctive to a firm give it an edge which other firms
may not easily copy hence providing sustainability of the competitiveness (Wernerfelt, 1984).

The basis of the RBV is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Wernerfelt, 1984). The firm’s unique resources and capabilities provide the essence of strategy. Barney (1991) argues that if all the firms were equal in terms of resources, there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The RBV suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors. Therefore, in an organization’s effort to gain competitive advantage, it is important to establish the resources owned by the company and how such resources can be tapped for the given organization’s competitive advantage.

2.3 Competition and Competitive Advantage

Competition is at the core of the success or failure of firms as it determines the appropriateness of a firm’s activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation (Porter, 1985). A business should endeavor to develop strategies to compete successfully in the market place for it to enhance its chances of growth and therefore perform far above industry average (Bisungo, Chege and Musiega, 2014).

Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry (Porter, 1985). The state of competition in an industry depends on five basic forces including: threat of new entrants, bargaining power of buyers, threat of substitute products or
services, bargaining power of suppliers and rivalry among existing firms (Porter, 1985). The corporate strategist’s goal is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favour. Knowledge of the underlying sources of competitive pressure provides the groundwork for a strategic agenda of action (Porter, 2008).

The competitive advantage of an organization may be eroded because the competitive forces may change and/or competitors manage to overcome adverse forces. This process or erosion may be speeded up by changes in the macro environment such as new technologies, globalization or deregulation. The advantage may be temporary; though the speed at which erosion occurs will differ between sectors and over time. Organizations may then respond to this erosion of their competitive position, creating what has been called a cycle of competition (Johnson, Scholes and Whittington, 2008).

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Porter, 1985). The goal of much of business strategy is to achieve a sustainable competitive advantage. An organization will gain competitive advantage over its competitors from an understanding of both markets and customers, and special competences that it possesses (Porter, 1985). 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 a firm to create superior value for its customers and superior profits for itself.
2.4 Competitive Strategies

Porter (2008) argues that competitive strategy is "about being different. This means deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, about differentiating oneself in the eyes of the customer, adding value through a mix of activities different from those used by competitors. If the primary determinant of a firm’s profitability is the attractiveness of the industry in which it operates, an important secondary determinant is its position within that industry. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns (Porter, 1985).

A firm positions itself by leveraging its strengths and minimizing the effects of its weaknesses. Porter (1985) argues that a firm’s strengths ultimately fall into one of two categories, namely cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level and are called generic strategies because they are not firm or industry dependent. They apply across all industries.

2.4.1 Cost Leadership Strategy

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices. Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However,
the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm’s loss of its competitiveness.

In a study of competitive strategies applied by commercial banks, Gathoga (2001) concludes that banks had adopted various competitive strategies, which included delivery of quality service at competitive prices and at appropriate locations. The banks also engaged in product differentiation by creating differentiated products for different market segments.

2.4.2 Differentiation Strategy

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The ‘shelf life’ of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage.

According to Murage (2001), computer technology is crucial to Accounting Information Systems (AIS) and to accountants for many reasons. One is that
computer technology must be compatible with, and support, the other components the AIS. Secondly, in trying to expand their services, audit firms are moving into provision of outsourced accounting and/or internal auditing services, which require mastery of computer accounting packages. Githae (2004) implies that in differentiating, audit firms have to broaden their services. They have to embrace various disciplines crucial to world of business, charting what one may describe as new frontiers. They have to adopt such strategies as forensic services to remain competitive.

2.4.3 Focus Strategy

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs.

Kombo (1997) in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.
2.5 Competitive Strategies and Organizational Performance

The choice of a competitive strategy is critical for the survival and success of any company. Increased competition threatens the attractiveness of an industry and reduces the profitability of industry players as it exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated actual changes in the environment. Literature has shown that there is a strong link between unique advantage and performance of organizations. Competitive edge is able to significantly predict the variance in the performance of the organization.

Several studies have revealed the relationship between competitive strategies and organizational performance. For instance, Hsu (2012) examined effects of competitive strategy, knowledge management and e-business adoption on Performance. The study analyzed and measured current business organizations use of competitive strategy, knowledge management and e-business adoption effect on performance. The results demonstrated: the significant relationship between knowledge management capability and organizational performance, the significant relationship between e-business adoption and organizational performance, the different effect of capabilities of knowledge management and level of e-business adoptions on organizational performance, and a firm with a differentiation strategy and a higher level of e-business adoption creating greater organizational performance. It also help organizations to find out what are the essential elements to create their value and advance better performance.

strategies in Spanish firms. The findings show that a large number of the organizations use different types of hybrid strategies and also that such strategies tend to be associated with higher levels of firm performance, particularly those strategies which place emphasis on a greater number of strategic dimensions, and specifically on innovation differentiation.

2.6 Chapter Summary

This chapter has presented literature review starting with the theoretical perspective where open systems theory and resource based view theory were discussed. The chapter then presented the relationship between competition and competitive advantage before highlighting the competitive strategies commonly used in firms. The chapter then presented a discussion by scholars on the relationship between competitive strategies and organizational performance.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the research methodology that was be used to carry out the survey, what informed the selection of the research design, why the population was selected, the sampling method used, the data collection instrument, how data was analyzed and data interpretation.

3.2 Research Design
This study used descriptive, cross-sectional research design. Descriptive research is adopted in order to observe, describe and document aspects of a situation as it naturally occurs (Polit & Hungler 1999). This involves the collection of data that would provide an account or description of individuals, groups or situations. In this instance, there is no experimental manipulation or any random selection to groups. Descriptive design addresses the “what” question of the population under study. Cross-sectional survey is a type of descriptive research design involving the collection of information from any given sample of the population element once (Ngechu, 2004). Mugenda and Mugenda (2003) noted that a survey attempts to collect data from members of a population and describes phenomenon by asking individuals about their perceptions, attitudes, behaviour or values.

Cross-sectional research design has been chosen because it appeals for generalization within a particular parameter. The data obtained was standardized to allow easy comparison. Moreover, it explores the existing status of two or more variables at a given point in time. This design will enhance a systematic description that is accurate,
valid and reliable as possible the competitive strategies adopted by firms in telecommunications industry in Kenya to drive performance.

3.3 Population of the Study

According to Bryman and Bell (2003) a population is a well-defined or set of people, services, elements, events, group of things or households that are being investigated. Mugenda and Mugenda (2003) define a target population as group of individual to which the researcher would like to generalize his results from. It comprises of all potential participants that can make up the study group. The target population of the study was nine firms in the telecommunications industry in Kenya that are currently members of Telecommunication Service Providers Association of Kenya (TESPOK); a lobby group representing telecom companies in Kenya, as per attached appendix II. For this study the census approach was adopted as the organizations were not many and the respondents with relevant information were easily identified.

3.4 Data Collection

The study used primary data collected using a questionnaire. The questionnaire used both open and closed ended questions. For the closed ended questions, the study adopted a five point Likert scale where the target respondents indicated the extent of their agreement/disagreement with each statement. The questionnaire was also subdivided into distinct sections including: section A which covered demographic information about the respondents; section B covered competitive strategies while section C covered the extent to which the competitive strategies have influenced performance in telecommunications industry in Kenya.

The study targeted senior managers in the organization because of their role in strategy development and implementation. This was either the finance manager, chief
technical manager, commercial manager, customer service manager; marketing manager or the human resource manager. In total, the study targeted 9 respondents from the listed firms. The questionnaire was administered through a drop and pick later method to allow the target respondents time to respond to the questionnaire.

3.5 Data Analysis

Once the instruments have been collected from the field, they were prepared by checking their completeness and then entered into software for analysis. For close ended questions, the study used descriptive statistics including mean and standard deviation. For qualitative data, content analysis was used in the analysis and the analyzed data was presented using tables.

In order to evaluate the relationship between the dependent and independent variables, the study conducted a multiple regression analysis of the form:

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon \]

Where  
\[ Y = \text{Organization Performance} \]
\[ X_1 = \text{Cost Leadership strategy} \]
\[ X_2 = \text{Differentiation strategy} \]
\[ X_3 = \text{Focus strategy} \]
\[ \epsilon = \text{Error Term} \]

3.6 Chapter Summary

This chapter presented research methodology including the research design, study population and sample selection. It clearly presented data collection by explaining the types of data to be collected and how it was to be analyzed.
CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the data collected from the field, its analysis and interpretation. The study sought to establish the competitive strategies adopted to drive performance by firms in the telecommunications industry in Kenya. To achieve this, the study was guided by two objectives: determining the competitive strategies adopted by firms in telecommunications industry in Kenya; and to establish the extent to which the competitive strategies have influenced performance in telecommunications industry in Kenya. Data was collected using questionnaires as the data collection instruments whose presentation and interpretation is given below through the use of a frequency distribution tables, mean and standard deviation; correlation and multiple regression analysis.

4.1.1 Response Rate

The study targeted a sample of nine firms in the telecommunications industry in Kenya that are currently members of Telecommunication Service Providers Association of Kenya (TESPOK). Out of the nine distributed questionnaires, 8 were filled and returned. This translated to a response rate of 89%. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent.

4.2 General Information

4.2.1 Period the Organization had been in Operation

The respondents were asked to indicate the number of years that the organization had been in operation the findings are illustrated below in Table 4.1:
Table 4.1: Period the Organization had been in Operation

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5 Years</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>11-15 Years</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>16-20 Years</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>26 Years and Above</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

From the findings in Table 4.1 above, respondent firms which had been in operation for between 16- 20 years accounted for the highest proportion at 38% each followed by those below 5 years at 25% other period categories recorded 13% each. These findings show that the respondent firms had been in operation for long enough to develop different strategies to improve their competitiveness. Therefore the findings are more representatives of the industry.

4.2.2 Position Held in the Organization

The respondents were asked to indicate the position they held in their organizations.

The Results are shown on Table 4.2:

Table 4.2: Position Held in the Organization

<table>
<thead>
<tr>
<th>Position</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Level Management</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Subordinate</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>Supervisor</td>
<td>5</td>
<td>62</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

As per findings in the Table 4.2, of those who returned their questionnaires, 13% were Subordinate, 25% were at top management level while the majority 62% were supervisors. These findings show that the respondents were majorly supervisors who
clearly understood the performance of different strategies implemented by their organization thus the findings are more reliable for the study.

4.2.3 Period worked in the Telecommunications Industry

The study sought to establish the number of years the respondents had worked in the telecommunications industry. The findings are shown in Table 4.3:

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Cumulative %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5 Years</td>
<td>1</td>
<td>13</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>11-15 Years</td>
<td>2</td>
<td>75</td>
</tr>
<tr>
<td>16 Years and above</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td></td>
</tr>
</tbody>
</table>

From the findings in Table 4.3, majority of the respondents had worked for than 6-10 years at 37%, followed by 11-15 years and 16 years and above at 25% and the least below 5 years 13%. In total, 87% of the respondents had worked in the industry for more than five years hence they were more conversant with the competition levels in the industry and the strategies adopted to enhance performance. This therefore goes to show that the data collected was reliable and relevant for this study.

4.2.4 Years Worked with the Organization

The respondents were asked to indicate the number of years they had worked with the organization. The findings are well illustrated in the Table 4.4:

<table>
<thead>
<tr>
<th>Years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5 Years</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>16 Years and above</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>11-15 Years</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>6-10 Years</td>
<td>4</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
As shown in the Table 4.4, majority 50% of the respondents had worked with their current organizations for a period of between 6-10 years followed by those who had worked for between 11-15 years at 25%. The least period was below 5 years and 16 years and above at 12.5% each. These findings show that the respondents had worked with their current organizations long enough to understand how they operated to enhance their performance.

4.3 Competitive Strategies

Several strategies were identified against which the respondents were requested to indicate the extent to which they applied them in their organizations. A five point Likert scale was provided ranging from: 5= Very Large Extent; 4= Large Extent; 3= Moderate Extent; 2 = Little Extent; 1= Not at all. From the responses, descriptive measures of central dispersion: mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are clearly illustrated below.

4.3.1 Cost Leadership Strategy

The respondents were asked the extent to which they agreed on the statements below on cost strategy adopted by their organizations. The Findings are shown in Table 4.5
<table>
<thead>
<tr>
<th>Organization uses low prices for its products to remain competitive in the telecommunications industry.</th>
<th>4.166</th>
<th>0.572</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charging lower prices, our company increases its market share.</td>
<td>4.119</td>
<td>0.508</td>
</tr>
<tr>
<td>Organization develops new products that meet the market demand.</td>
<td>4.023</td>
<td>0.419</td>
</tr>
<tr>
<td>Organization uses knowledge gained from past production to lower production costs.</td>
<td>4.190</td>
<td>0.642</td>
</tr>
<tr>
<td>The cost leadership strategy protects our organization from competition by other telecommunication companies.</td>
<td>4.238</td>
<td>0.932</td>
</tr>
<tr>
<td>Lower cost strategy helps our organization gain a competitive advantage by reducing its operating costs below its competitors.</td>
<td>4.023</td>
<td>0.435</td>
</tr>
<tr>
<td>There is quality delivery of service at competitive prices and at appropriate locations.</td>
<td>4.285</td>
<td>0.906</td>
</tr>
<tr>
<td>Cost leadership strategy at our organization offers services in a broad market at the lowest prices.</td>
<td>4.381</td>
<td>0.986</td>
</tr>
<tr>
<td>Other competitors imitate technology leading to the Organization’s loss of its competitiveness.</td>
<td>4.190</td>
<td>0.873</td>
</tr>
<tr>
<td>Organization focuses on reducing operating costs.</td>
<td>4.404</td>
<td>0.857</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization focuses on defending our existing products</td>
<td>4.428</td>
<td>0.667</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organization focuses on searching for economies of scale</td>
<td>4.234</td>
<td>0.563</td>
</tr>
</tbody>
</table>

As shown in the Table 4.5, organization focused on reducing operating costs as supported by the mean of 4.4048 with a standard deviation of 0.8570. Followed by focusing on defending existing products as indicated by a mean of 4.4286 with a standard deviation of 0.667. These findings shows that defending existing products had an influenced on cost leadership strategy to a large extent. At the same time, reducing the operations cost had influenced the organization cost leadership strategy to a very large extent. Organization cost leadership strategy at organization offers services in a broad market at the lowest prices, the mean was 4.3810 with a standard deviation of 0.986, thus had an influenced on the cost leadership strategy to a very large extent.
The least mean scores were on whether charging lower prices, companies increased their market share as indicated by a mean of 4.119 with a standard deviation of 0.508. Organization develops new products that meet the market demand the mean was 4.0238 with a standard deviation of 0.419; this indicates that development of new products to a large extent influence the organizations cost leadership strategy. Lower cost strategy helps organization gain a competitive advantage by reducing its operating costs below its competitors the mean was 4.0238 with a standard deviation of 0.435, thus had an influence to the organizations cost leadership strategy to a large extent.

4.3.2 Differentiation Strategy

The respondents were asked the extent to which they agreed on the statements below on differentiation strategy adopted by their organizations. The Findings are shown in Table 4.6

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaging highly skilled staff</td>
<td>4.3056</td>
<td>0.71641</td>
</tr>
<tr>
<td>Maintaining high innovation adoption</td>
<td>3.9444</td>
<td>0.86287</td>
</tr>
<tr>
<td>Reducing rate of customer defection</td>
<td>3.5278</td>
<td>1.03633</td>
</tr>
<tr>
<td>Introducing unique products</td>
<td>4.0463</td>
<td>0.56674</td>
</tr>
<tr>
<td>Sourcing in order to access the best and to offer unique services</td>
<td>4.1111</td>
<td>0.65049</td>
</tr>
<tr>
<td>Quick delivery timelines</td>
<td>4.5093</td>
<td>0.60224</td>
</tr>
<tr>
<td>Leadership focusing on continuous improvement</td>
<td>4.1944</td>
<td>0.6135</td>
</tr>
<tr>
<td>Focusing on continuous improvement</td>
<td>4.3148</td>
<td>0.79039</td>
</tr>
<tr>
<td>Creating a first-mover advantage</td>
<td>3.2685</td>
<td>1.25010</td>
</tr>
</tbody>
</table>

As shown in the Table 4.6, high scores were on quick delivery timelines as supported by a mean of 4.5093 with a standard deviation of 0.60224. This indicates that to a very large extent quick delivery had influence differentiation strategy. Focusing on continuous improvement had a mean of 4.3148 with a standard deviation of 0.79039 thus had an influence on differentiation strategy to a great extent. On whether the
organization is engaging highly skilled staff the mean was 4.3056 with a standard deviation of 0.71641. This means that highly skilled staff had influenced to a great extent the organizations differentiation strategy.

Low scores were on reducing rate of customer defection at a mean of 3.5278 with a standard deviation of 1.03633. These mean that customer defection had influenced differentiation strategy to a great extent. Creating a first-mover advantage had a mean of 3.2685 with a standard deviation of 1.25010 showing that it had influenced differentiation strategy to a moderate extent.

4.3.3 Focus Strategy

The respondents were asked the extent to which they agreed on the statements below on focus strategy adopted by their organizations. The Findings are shown in Table 4.7:

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company has chosen specific market segments for some of its products</td>
<td>4.285</td>
<td>0.708</td>
</tr>
<tr>
<td>Focusing of specific market segments enable our company to deliver high quality</td>
<td>4.119</td>
<td>0.56</td>
</tr>
<tr>
<td>products/services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company focuses on differentiating its products from those of its competitors</td>
<td>4.309</td>
<td>0.737</td>
</tr>
<tr>
<td>Company focuses on competitive pricing to remain competitive</td>
<td>4.123</td>
<td>0.301</td>
</tr>
<tr>
<td>Our Company focuses on innovations to remain competitive</td>
<td>4.125</td>
<td>0.302</td>
</tr>
<tr>
<td>Our Company focuses on new product development to remain competitive</td>
<td>4.023</td>
<td>0.214</td>
</tr>
</tbody>
</table>

As shown in the Table 4.7, the Company focusing on differentiating its products from those of its competitors had a mean of 4.309 with a standard deviation of 0.737. These shows that differentiating its product to a great extent had influence on organization focus strategy. On whether the organization/company had chosen specific market segments for some of its products the mean was 4.285 with a standard deviation of
0.708. These mean the chosen specific segments had an influence on the organizations focus strategy to a large extent. On company focuses on innovations to remain competitive the mean was 4.125 with a standard deviation of 0.302 indicating that innovations had an influence to a large extent on organization focus strategy.

On the low scores, focusing on specific market segments enable company to deliver high quality products/services had a mean of 4.119 with a standard deviation of 0.56, these indicates that specific market segments to a large extent had an influence on organization focus strategy. Company focuses on new product development to remain competitive had a mean of 4.023 with a standard deviation of 0.214. These show that new product had influenced the organizations focus strategy to a large extent.

4.3.4 Organizational Competitive Strategies

Respondents were asked about the extent to which the following organization’s competitive strategy had on their organizations. The respondents were required to indicate the level of importance of each of the identified strategies. The key included: L.I= Least Important, I = Important, V.I = Very Important and E.I. = Extremely Important. The results are given on Table 4.8:

<table>
<thead>
<tr>
<th>Competitive Strategies</th>
<th>L.I</th>
<th>%</th>
<th>I</th>
<th>%</th>
<th>V.I</th>
<th>%</th>
<th>E.I</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price offering</td>
<td>1</td>
<td>13%</td>
<td>2</td>
<td>24%</td>
<td>4</td>
<td>50%</td>
<td>1</td>
<td>13%</td>
</tr>
<tr>
<td>Product offering</td>
<td>3</td>
<td>38%</td>
<td>3</td>
<td>38%</td>
<td>2</td>
<td>24%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotional offering</td>
<td>1</td>
<td>13%</td>
<td>3</td>
<td>37%</td>
<td>4</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution/Place offering</td>
<td>4</td>
<td>50%</td>
<td>3</td>
<td>37%</td>
<td>1</td>
<td>13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation strategy</td>
<td>2</td>
<td>25%</td>
<td>4</td>
<td>50%</td>
<td>2</td>
<td>25%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Focus strategy</td>
<td>1</td>
<td>13%</td>
<td>3</td>
<td>38%</td>
<td>4</td>
<td>50%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On the extent to which price offering as part of organization’s competitive strategy had influence on performance of firms 13% of the respondents said it was less
important and extremely important, followed by 24% who said it was important and majority 50% said it was very important.

On the extent to which product offering as part of organization’s competitive strategy had influence on performance of firms 24% of the respondents said it was extremely important, 38% said it was important and 38% said it was very important. On the extent to which promotional offering as part of organization’s competitive strategy had influence on performance of firms 13% of the respondents said it was important, 37% said it was very important and majority 50% said it was extremely important.

On the extent to which distribution/place offering as part of organization’s competitive strategy had influence on performance of firms 13% of the respondents said it was extremely important, 37% said it was very important, and majority 50% said it was important. On the extent to which differentiation strategy as part of organization’s competitive strategy had influence on performance of firms 25% of the respondents said it was important, 25% said it was extremely important and majority 50% said it was very important.

On the extent to which focus strategy as part of organization’s competitive strategy had influence on performance of firms 13% said it was important, 38% said it was very important and majority 50% it was extremely important.

4.3.5 Organization Performance

The respondents were asked the extent to which they agreed on the statements below on focus strategy adopted by their organizations. The Findings are shown in Table 4.9:
As shown in the Table 4.9, high scores of mean were on improved customer retention; the mean was 4.452 with a standard deviation of 0.964 indicating that customer retention to a large extent had an influence on organization performance. This was followed by increased market share with a mean of 4.342 with a standard deviation of 0.987 showing that market share to a very large extent influence the organization performance. Improved profitability for the Company had a mean of 4.338 with a standard deviation of 0.994. This indicates that profitability had influenced the organization performance to a very large extent.

Low scores were recorded on improved customer loyalty at a mean of 4.011 and standard deviation of 0.936, it shows that customer loyalty had influenced the organization performance to a moderate extent. On whether competitive strategies affect the performance of the organization, improved customer satisfaction had a mean of 4.168 with a standard deviation of 0.914. These shows that customer satisfaction had influence the organization performance to a large extent.

4.4 Correlation Analysis

Pearson’s correlations analysis was conducted at 95% confidence interval so as to establish the relationship between the competitive strategies that have been adopted to drive performance by firms in the telecommunications industry in Kenya.
Table 4.10 Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Organizational Performance</th>
<th>Cost Leadership Strategy</th>
<th>Differentiation Strategy</th>
<th>Focus Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Performance</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.593**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.647**</td>
<td>.644**</td>
<td>1</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.691*</td>
<td>.687*</td>
<td>.833*</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).  
*. Correlation is significant at the 0.05 level (2-tailed).

From Table 4.10 above, there is a positive correlation between performance and competitive strategies (cost leadership strategy, differentiation strategy and focus strategy) of magnitude 0.593 with cost leadership strategy, 0.647 with differentiation strategy, and a magnitude of 0.642 with focus strategy respectively. The independent variables also had a positive significant correlation relationship with P-values of 0.017, 0.011, and 0.006 respectively.

4.5 Regression Analysis

A regression analysis was conducted to determine how the cost leadership strategy, differentiation strategy, and focus strategy related to organization performance. The
statistical package for social sciences (SPSS) was used to code, enter and compute the measurements of the multiple regressions for the study.

**Table 4.11: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.892</td>
<td>0.795</td>
<td>0.754</td>
<td>0.102</td>
</tr>
</tbody>
</table>

Table 4.11 shows a model summary of regression analysis between three independent variables cost leadership strategy, differentiation strategy and focuses strategy and dependent variable organization performance. The value of R was 0.892; the value of R square was 0.795 and the value of adjusted R square was 0.754. From the findings, 79.5% of the changes in the organization performance were attributed to the three independent variables in the study. The positivity and significance of all values of R shows that model summary is significant and therefore gives a logical support to the study model.

**Table 4.12: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>0.463</td>
<td>3</td>
<td>0.154</td>
<td>2.484</td>
<td>.033</td>
</tr>
<tr>
<td>Residual</td>
<td>0.248</td>
<td>4</td>
<td>0.062</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>0.711</td>
<td>7</td>
<td>0.216</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANOVA statistics of the processed data at 5% level of significance shows that the value of calculated F is 2.484 and the value of F critical at 5% level of significance With numerator degrees of freedom 3 and denominator degrees of freedom 4 was 2.484 Since F calculated is equal to the F critical (2.484=2.484), this shows that the overall model was significant.
### Table 4.13: Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>2.432</td>
<td>0.364</td>
<td></td>
<td>6.681</td>
</tr>
<tr>
<td>Cost Leadership Strategy</td>
<td>0.384</td>
<td>0.193</td>
<td>0.338</td>
<td>5.098</td>
</tr>
<tr>
<td>Differentiation Strategy</td>
<td>0.342</td>
<td>0.456</td>
<td>0.254</td>
<td>2.943</td>
</tr>
<tr>
<td>Focus Strategy</td>
<td>0.064</td>
<td>0.582</td>
<td>0.041</td>
<td>2.859</td>
</tr>
</tbody>
</table>

From the regression findings, the substitution of the equation:

\( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 \) becomes:

\[ Y = 2.432 + 0.338X_1 + 0.254X_2 + 0.041X_3 \]

Where \( Y \) is the organizational performance, \( X_1 \) is cost leadership strategy, \( X_2 \) is differentiation strategy and \( X_3 \) is the focus strategy.

From the findings of the regression analysis if all factors (Cost Leadership strategy, Differentiation Strategy and Focus Strategy) were held constant, organization performance of the firms would be at 2.432. An increase in cost leadership strategy would lead to an increase in the organization performance by 0.338. An increase in the differentiation strategy would lead to an increase in the organization performance by 0.254. An increase in the focus strategy would lead to an increase in the brand performance by 0.041. All the variables were significant as the P-values were less than 0.05 which is an indication that all the factors were statistically significant.

### 4.6 Chapter Summary

This chapter presented data analysis, findings and discussions as collected from the field. The findings were arranged in thematic areas to enable adequate response to the research question. The specific sections covered here include: general information, competitive strategies and organizational performance. The chapter then presented the
relationship between competitive strategies and organizational performance using both correlation and multiple regression analysis.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary of key data findings and draws conclusions from the findings based on the objectives. The chapter also presents the recommendations made from the findings. The purpose of this study was to establish the competitive strategies adopted to drive performance by firms in the telecommunications industry in Kenya.

5.2 Summary of the Findings

The findings on the usage of cost leadership strategy by the organizations were that the organizations used the strategy most on focusing on reducing operating costs, offering services in a broad market at the lowest prices and on defending existing products. Further the organizations use low prices for its products to remain competitive edge, develop new products that meet the market demand, use knowledge gained from past production to lower production costs, focuses on searching for the economies of scale and quality delivery of service at competitive prices and at appropriate locations.

The study established that the organizations differentiation strategies had been adapted to a large extent mostly in quick delivery timelines, engaging highly skilled staff and focusing on continuous improvement. On focus strategy the organizations had chosen specific market segments for some of its products and focused on differentiating its products from those of its competitors to a large extent.
The respondents agreed that price offering was very important, product offering was important, promotional offering was extremely important and distribution/place was important in organization competitive strategies. On differentiation majority agreed that it was very important in organization competitive strategies, on whether focus strategy had influence on organization performance majority agreed it was extremely important.

5.3 Conclusion

The study established that the operating environment in the telecommunications sector is competitive following entry of other players. The study concludes that formulation of competitive strategies is therefore relevant if a firm is to keep its market share and remain competitive. The study therefore concludes that the firms in the telecommunication sector adopt various strategies including: differentiation, cost leadership and focus so as to acquire and maintain sustainable competitive advantage.

The analysis of the organizations is that they are trying to differentiate themselves with the other players in the market. The cost strategy was visible in the organizations and they kept on changing this strategy when it was no longer successful. Thus in order to succeed the organizations has to use more than one strategy or at least have a back-up strategy in case the first one fails. They probably have to combine the differentiating strategy with the cost strategy because of the more decreasing prices in the Kenyan market. Having only a cost strategy is more or less impossible because all the operators are forced to keep the cost low and to be cost effective. The focus strategy was used to a lesser extent since it seem to demand too much effort and being too risky.
5.4 Limitations of Study

The main limitation of the study was the difficulty in obtaining data that is likely to have a strong direct effect on the analysis of financial performance. This is because organizational performance is influenced by many other factors such as the marketing strategy, quality of management staff, cost management and technology strategies. Failure to disclose information by the organization management posed great limitation. This challenge was handled through letters of identification from the university.

It was also difficult to access data because some respondents failed to give adequate information. However, the researcher assured them that the information was confidential and would be used only for academic purpose. Time limitation posed a great constrain in carrying out this study. This challenge was handled through rescheduling of the time plan so as to meet the planned activities within the limited time available. The financial resources available to carry out the study were not adequate. The researcher however utilized the only available resources to facilitate the success of the study.

5.5 Recommendations

The study found out that the firms had created unique positions in the market through provision of goods and services it is therefore recommended that they continue investing in coming up with unique products so that they can differentiate themselves. The organizations should at the same time continue innovating products which will compete with other companies’ products and at the same time they should do aggressive marketing in order to change the perception which the customers have regarding the pricing of their products.
The study found out that the organizations do not consider other competitors prices when setting the prices to charge on their products. It is recommended that although the organizations are market leaders they should consider other competitors prices as the customers are conscious about the lowest rates they are offered and not necessarily the value. These would ensure that the organization maintains their market share which is under threat from other competitors. Although the organizations has managed to differentiate, improve on cost and focus strategy from other competitors, these alone without marketing of the products will not attract sufficient customers and it is recommended therefore that the company markets their products so that they can attract more customers.

5.6 Suggestions for Further Studies

The study confined itself to competitive strategies adopted by firms in telecommunication industry in Kenya. It should extend to other strategies firms are adopting to thrive in this industry. The study therefore recommends that in the future studies on the same be conducted across telecommunication industry so as to generalize the findings.

Further study should be conducted covering a large sample size in order to bring out a more relevant and reliable results that will reflect the telecommunication industry as a whole.
REFERENCES


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APPENDICES

APPENDIX I: QUESTIONNAIRE FOR MANAGERS

Please fill out the questionnaire in the spaces below. Kindly tick only one response.

SECTION A: GENERAL INFORMATION

1. Name of the organization
   (Optional)_____________________________________

2. Number of years that the organization has been in operation

   Below 5 years ( )
   6-10 years ( )
   11-15 years ( )
   16-20 years ( )
   21-25 years ( )
   26 years and above ( )

3. What position do you hold in the organization?

   Top level management ( )
   Supervisor ( )
   Subordinate ( )

4. How many years have you worked in the telecommunications industry?

   Below 5 years ( )
   6-10 years ( )
   11-15 years ( )
   16 years and above( )

5. How many years have you worked with this organization?

   Below 5 years ( )
   6-10 years ( )
   11-15 years ( )
   16 years and above( )

SECTION B: COMPETITIVE STRATEGIES

6. Kindly indicate the extent the statement as applies to your organization by applying the following key: 5= Very Large Extent; 4= Large Extent; 3= Moderate Extent; 2 = Little Extent; 1= Not at all. (Tick only what applies to your organization).

<table>
<thead>
<tr>
<th>Cost Strategy</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organization uses low prices for its products to remain competitive in the telecommunications industry.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>By charging lower prices, our company increases its market share</td>
<td></td>
<td></td>
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<tr>
<td>Our organization develops new products that meet the market demand.</td>
<td></td>
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</tr>
<tr>
<td>Our organization uses knowledge gained from past production to lower production costs.</td>
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</tr>
</tbody>
</table>
The cost leadership strategy protects our organization from competition by other telecommunication companies.

Lower cost strategy helps our organization gain a competitive advantage by reducing its operating costs below its competitors.

There is quality delivery of service at competitive prices and at appropriate locations.

Cost leadership strategy at our organization offers services in a broad market at the lowest prices.

Other competitors imitate technology leading to the organization’s loss of its competitiveness.

Our organization focuses on reducing operating costs

Our organization focuses on defending our existing products

Our organization focuses on searching for the economies of scale

7. How important is price offering as part of your organization’s competitive strategy?

   Not important  (  )
   Less important (  )
   Important      (  )
   Very important (  )
   Extremely important (  )

8. How important is product offering as part of your organization’s competitive strategy?

   Not important  (  )
   Less important (  )
   Important      (  )
   Very important (  )
   Extremely important (  )

9. How important is promotional offering as part of your organization’s competitive strategy?

   Not important  (  )
   Less important (  )
   Important      (  )
10. How important is distribution/place offering as part of your organization’s competitive strategy?

Not important (  )
Less important (  )
Important (  )
Very important (  )
Extremely important (  )

11. Kindly indicate your rating on the below statements by applying the following key: 5= Very Large Extent; 4= Large Extent; 3= Moderate Extent; 2 = Little Extent; 1= Not at all. (Tick only what applies to your organization)

<table>
<thead>
<tr>
<th>Differentiation Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engaging highly skilled staff</td>
</tr>
<tr>
<td>Maintaining high innovation adoption</td>
</tr>
<tr>
<td>Reducing rate of customer defection</td>
</tr>
<tr>
<td>Introducing unique products</td>
</tr>
<tr>
<td>Outsourcing in order to access the best and then offer unique services</td>
</tr>
<tr>
<td>Quick delivery timelines</td>
</tr>
<tr>
<td>Leadership focusing on continuous improvement</td>
</tr>
<tr>
<td>Focusing on continuous improvement</td>
</tr>
<tr>
<td>Creating a first-mover advantage</td>
</tr>
</tbody>
</table>

12. How important is differentiation strategy as part of your organization competitive strategy?

Not important (  )
Less important (  )
Important (  )
Very important (  )
Extremely important (  )
13. Kindly indicate your rating on the statement by applying the following key: 5= Very Large Extent; 4= Large Extent; 3= Moderate Extent; 2 = Little Extent; 1= Not at all. (Tick only what applies to your organization)

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>The Company has chosen specific market segments for some of its products</td>
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</tr>
<tr>
<td>Focusing of specific market segments enable our company to deliver high quality products/services</td>
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</tr>
<tr>
<td>The Company focuses on differentiating its products from those of its competitors</td>
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<tr>
<td>The Company focuses on competitive pricing to remain competitive</td>
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<tr>
<td>Our Company focuses on innovations to remain competitive</td>
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<td></td>
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<tr>
<td>Our Company focuses on new product development to remain competitive</td>
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</tbody>
</table>

14. How important is focus strategy as part of your organization competitive strategy?

Not important ( )
Less important ( )
Important ( )
Very important ( )
Extremely important ( )

15. Kindly indicate the extent to which the identified competitive strategies affect the performance of your organization by applying the following key: 5= Very Large Extent; 4= Large Extent; 3= Moderate Extent; 2 = Little Extent; 1= Not at all. (Tick only what applies to your organization)

<table>
<thead>
<tr>
<th>Strategy</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Improved customer satisfaction</td>
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<tr>
<td>Improved customer retention</td>
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<tr>
<td>Improved customer loyalty</td>
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<tr>
<td>Increased operational efficiency</td>
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<tr>
<td>Improved profitability for the Company</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Increased market share</td>
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</tr>
</tbody>
</table>

THANK YOU
APPENDIX II: LIST OF FIRMS

1) Access Kenya Group
2) Liquid Telkom
3) Jamii Telkom
4) Safaricom Limited
5) Telkom Kenya
6) Internet Solutions
7) Airtel Kenya
8) MTN Business
9) Wananchi Group

Source: (Telecommunications Service Providers Association of Kenya, 2015)