STRATEGIES EMPLOYED BY AIRTEL AFRICA IN ENHANCING PERFORMANCE

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DECLARATION

This Research project is my original work and has not been presented in any other University.

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This Research project has been submitted for presentation with my approval as University Supervisor.

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DEDICATION

This project is dedicated to my dear parents; James and Elizabeth Mbati, who believed in education and made sure that my siblings and I got the best of it, even in the most difficult of times. I also dedicate this project to my siblings: Carol, Harold, Kadenge, Victor and Middy for their never ending support. Their support, encouragement and dedication have been priceless.

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ABBREVIATIONS AND ACRONYMS

RBV   Resource-Based View

IT   Information Technology

SBUs   Strategic Business Units

2G   Second generation

3G   Third generation

4G   Fourth generation

DSL   Digital Subscriber Line

IPTV   Internet Protocol television

DTH   Direct to Home

SCM   Supply Chain Management

ARPU   Average Revenue per User

EASSy   Eastern Africa Submarine Cable System

WACS   West Africa Cable System

IBM   International Business Machines

TDM   Time-division multiplexing

VOIP   Voice over Internet Protocol

BPO   Business Process Outsourcing

MSA   Master Services Agreement

MSLA   Multiple Service Level Agreements

SOW   Statements of Works

ABSTRACT

Strategies are adopted by organizations in order to achieve a more favorable position. The current high level of competition amongst businesses necessitates organizations to implement sound strategies to remain competitive. To adopt effective strategies, managers in an organization need to be aware of realities in the business environment. Strategy adoption thus begins with scanning of the external as well as the internal environment of the organization. The number of mobile operators with live operations in Africa (excluding mobile virtual network operators), rose by more than 10%, from 158 in the first quarter of 2008 to around 175 at the end of 2010. Airtel intended to replicate its low cost model in India in the African market and rolled out a number of strategies to augment its place in the telecommunication sector. Key among these strategies were; the 3G mobile service, Outsourcing, Airtel's Tower sale and lease back, as well as Mergers and Acquisitions. This study sought to establish the strategies adopted by Airtel Africa in enhancing its performance, as well as to determine the relationship between the strategies employed by Airtel Africa and its performance. This study adopted a case study design aimed at getting detailed information regarding Airtel Africa's different strategies and its effects in enhancing its performance. The case study design was preferred because it allowed the researcher to place more emphasis on a full contextual analysis of fewer events or conditions, and their inter-relations. Data was collected using both primary and secondary means. Primary data was collected from respondents using an interview guide. The interviewees consisted of senior staff involved in strategy formulation and implementation at Airtel Africa headquarters, in Nairobi. Secondary data was collected from relevant published materials both in print and online. Content analysis was then used to analyze the data as per the objectives of the study. Based on the findings, the study concluded that 3G strategy had led to an increase in the data footprint, customer acquisition, retention and drive, as evidenced by increase in subscribers; an increase in data revenue, an increase in customer market share growth, revenue diversification, amongst others. The study noted that Sale and Leaseback of towers had led to improvements at Airtel Africa in relation to; debt reduction resulting from the proceeds of the sale, balance sheet optimization, cost reduction overtime and capital release to fund new investments in marketing and product development. In addition, the study concluded that Outsourcing led to operating cost reduction, by using an effective and experienced tier 1 company, management of the subject matter expertise portfolio, and increased efficiency through exemplary performance by outsourced staff at Airtel Africa. It was further concluded that, Mergers and Acquisitions within Airtel Africa had led to increased customer market share and profitability, shareholder value, as well as company and brand enhancement across Africa. This study recommended to all mobile operators currently operating in the country to imbibe the culture of employing competent vendors for their outsourcing jobs and should re-invest or plough back most of their profits into their businesses so as to improve their present infrastructural roll out. This will enhance good quality network services throughout the country as well as easy accessibility in rural areas of the country. The researcher encountered quite a number of challenges related to research and most particularly during the process of data collection. Some interviewees were very cautious about the information they were sharing and thus did not give information considered as confidential.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The fundamental importance of strategies is that the business environment is dynamic. Therefore, regardless of the size and the scale, every organization needs to adopt well-planned strategies to survive and compete in the market and try to optimize for tomorrow following the trend of today. Strategies have been defined as the deliberate set of actions to achieve competitive advantage, giving coherence and direction to the organization (O'Regan and Ghobadian, 2005).

The essence of strategy is to understand why organizations perform differently, and how performance can be directed and controlled. Firm performance is defined as an organization's results measured against its intended goals and objectives. Richard, Droge, and Markeland (2009) also expound on firm performance as an encompassment of three specific areas of firm outcomes; financial performance, product market performance, and shareholder return. Literature (Pearce and Robinson, 2005; Hambrick, 2008)suggests that firms can have a single strategy or multiple strategies to boost their performance and these strategies are likely to exist at three levels; the corporate level, business unit level and functional level business strategies.

According to Porter (1980), a company's strategy consists of the competitive moves and business approaches that are employed to grow the business and achieve the targeted levels of organizational performance. It is the creation of a unique and valuable position,

involving a different set of activities. It also involves creating "fit" among a company's activities. This he adds is a winning strategy when it fits the enterprise's external and internal situation.

Concepts of strategies and performance of businesses have a foundation in the Resource Based View (RBV) theory (Barney, 1986). The Resource-Based View (RBV) is a model that sees resources as key to superior firm performance. This view stipulates that organizations should look inside the company to find the sources of competitive advantage instead of searching from the competitive environment. The theory postulates that it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity (Barney, 1986, 1991; Wernerfelt, 1984). RBV proponents argue that simultaneously valuable, rare, inimitable, and non-substitutable resources can be a source of superior performance, and may enable the firm to achieve sustained competitive advantage (Barney, 1991).

Airtel Africa is a subsidiary telecommunication company to Bharti Airtel. With its headquarters in Nairobi, Kenya, Airtel Africa is driven by the vision of providing affordable and innovative mobile services to all. The telecommunication industry estimates indicate that by the end of 2014, Africa had over 635 million mobile phone subscribers, a significant rise from 246 million subscribers in the year 2008. Mobile phones first exceeded that of fixed telephones in the year 2000 (About Bharti Airtel, 2013). In this regard, various strategies have been put in place by Airtel Africa's management to ensure that these goals are attained. The most outstanding strategies so far

have been the launch of the 3G services, Outsourcing, Mergers & Acquisitions as well as Sale and Lease back of its Towers (Bharti Airtel Report, 2010).

1.1.1 Concept of Strategy

Strategy has been defined as a firm's positioning to gain competitive advantage in the marketplace (Porter, 1996). It is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (Richard et al., 2009).

Therefore, the main purpose of a strategy is to secure organizational effectiveness by performing the right activities at the right time and to achieve the right fit with the external environment. Organization decision-making takes place at three levels and so strategies can be formulated at all these different levels. They are formulated at all these levels because a single strategy is not only inadequate but also insufficient. These different levels of strategic decision-making and strategic formulation include corporate-level, business-level, and functional-level (Henke, 2010).

The Top level or Corporate-level, which is the Board of Directors and the Chief Executive officer, is responsible for the organization's financial performance and other non-financial goals like; the organization's image and social responsibilities. The Top level takes major strategic decisions and formulates corporate level strategies. These strategies involve taking decisions about allocation of resources among different businesses of the organization, transferring resources from one set of the business to the

other and also managing and nurturing a portfolio of businesses in such a way that the overall corporate objectives are achieved. The corporate level strategies decide the investment portfolio of an organization (Hambrick, 2008).

The Middle level or Business-level is the level, which includes both Business Managers and Corporate Managers. Strategies formed at this level are comprehensive plans providing objectives for Strategic Business Units (SBUs), allocation of resources and coordination of the SBUs for optimal performance. At this level the strategies decided at Corporate level, are translated into concrete objectives and strategies for individual businesses (O'Regan and Ghobadian, 2005).

At the Functional level, there are many different perspectives much dependent on the function that is in question. Product development strategies may be grouped into product or process innovations. Product sales strategies may include bundling into systems/functional sales or unbundling into product/modular sales (Henke, 2010). Marketing strategies may be based on building relationships and one-to-one marketing or marketing management (Kotter, 2007). Functional level strategies other than marketing and sales strategies may include; human resource strategies, purchasing and supply strategies, manufacturing strategies, IT-strategies, etc.

1.1.2 Firm Performance

A wide variety of definitions of firm performance has been proposed in literature (Barney, 2002). A business or firm's performance refers to various activities that take place in a firm or in an organization. According to Performance Improvement Institute,

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firm performance can be termed as the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed (Druckman, 2000). Firm performance can also be looked at as the results of an organization measured against its intended goals and objectives. Richard et al., (2009) also expounds on firm performance as an encompassment of three specific areas of firm outcomes; financial performance, product market performance, and shareholder return.

Financial performance is the conspicuous area of performance, and it refers to a firm's overall financial health at a particular time. As Brush (1992) describes, it can be used to compare similar firms across the same industry or to compare enterprises across industries or sectors in aggregation. According to Arthur et al., (2003) there are various ways to measure financial performance, such as; profits, return on assets, return on investment, among others. Line items such as revenue from operations, operating income or cash flow from operations can also be used, as well as total unit sales. Furthermore, an analyst or investor may wish to look deeper into financial statements and seek out margin growth rates or any declining debt.

The product market is concerned with purchasing by organizations for their own use, and includes such items as: raw materials, machinery and equipment, which may in turn be used to manufacture items for the consumer market (Druckman, 2000). Shareholder return represents the total assets that an investor receives for one or more securities held. In the case of stock, this includes capital gains from increases in stock price as well as dividends issued. This is a very mathematical aspect of measuring performance that often requires expertise.

1.1.3 Telecommunication Sector in Kenya

According to the Telecommunication report (2014), Africa presents great opportunities in the telecom sector. The liberalisation of the sector, the extension of services by multinational conglomerates and the active competition currently in place in the sector have all contributed to the telecom revolution. Since the processes of liberalisation and privatization have been taken into consideration by African countries such as Uganda, Tanzania, Nigeria, Sudan, South Africa and Kenya; their telecommunication infrastructures have improved drastically. Many African governments have developed their telecommunication infrastructure by privatizing their former state-owned enterprises.

The telecoms industry in Kenya, just like the rest of the world, is going through profound changes. In the past decade, technological advancement and regulatory restructuring have transformed the industry. Markets that were formerly distinct, discrete and vertical have merged across their old boundaries with a massive investment of capital - much of it originating from private sector participants. The result is; new markets, new players, and new challenges including staff restructuring, which may cause dissatisfaction as changes caused by market liberalization.

Market liberalization efforts have also picked up ensuring the successful partial privatization of Telkom Kenya Ltd (December 2007), divestment of Government of Kenya's 25% stake in Safaricom Ltd through a public listing (May 2008), and the launch of a fourth mobile operator Econet Wireless Kenya (November, 2008). This has resulted into some of the world's best known telecommunication providers Vodafone, Bharti

Airtel International, France Telecom, and Essar Communications through their investments in Safaricom Limited, Telkom Kenya Limited and Econet Limited respectively - being major players in the Kenyan market. Ongoing infrastructural developments by operators have largely been focused on network expansion for increased nationwide coverage (Price Waterhouse Coopers, 2014).

1.1.4 Airtel Africa

Bharti Airtel, India's largest mobile services operator, acquired the African assets of Bahrain-based Zain Telecom for $10.7 billion, the largest ever cross-border deal in emerging markets. This became the presently known Airtel Africa telecommunications company. In early 2012, a year and a half after the acquisition of Zain Telecom, Bharti Airtel had its Networks, IT and Customer service operations outsourced in its Africa operations, like it did in India; launched a unified brand across the continent; and culturally integrated with its new environment. Key business metrics, including profit margins and market share, are showing early signs of improvement (Bharti Airtel Report, 2014).

According to Africa Analysis, PriceWaterhouseCoopers (2014), mobile business solutions are one of the most attractive market segments of mobile information services. With this realization adoption of the third generation of mobile communication systems (3G) by Airtel Africa was a significant step forward in the convergence of telecommunications and data communications industries. Bharti Airtel bagged 3G spectrum in 13 out of the 22-telecom circles. The 13 circles have 65-70% of the company's 2G subscriber base. The initial response was overwhelming and Airtel

became the market leader with 3 million 3G customers out of the total 9 million users of this service. The company also offers services like video call, live streaming of video, high-speed internet, mobile TV etc.

Sharing of towers has become commonplace in the US, Europe, India and South America. Now that sharing is taking off in Africa as well, large swathes of mobile infrastructure are passing from operators to independent tower companies like in Ghana, Nigeria, Tanzania, the Democratic Republic of Congo, Uganda, and South Africa (TowerXchangeAfrica, 2014).Regulators have encouraged the shift in tower management and ownership towards third-party tower companies because they are considered innovative business models in the industry that focus on converting capital expenditure into variable costs (PWC, 2014).

Airtel Africa sold over 3,500 towers in six countries across its African operations including Uganda, Ghana, Kenya, Malawi, Niger and Burkina Faso, to Eaton a leading independent telecoms towerco company in Africa in a ten-year deal. The Company also got into an agreement with the American Tower Corporation, a leading independent owner, operator and developer of wireless and broadcast communications real estate, for the sale of over 4,800 of Airtel's communications towers in Nigeria (Eaton, 2014).

With what concerns Mergers and Acquisitions, Airtel Africa applied this strategy in some of its operations and particularly in Uganda and in Congo Brazzaville. Warid Telecom, which entered the Ugandan telecommunications market five years ago, had been the country's third largest player after MTN, which was the leading player, and Airtel in the second position. The acquisition of Warid Uganda was to increase the company's

customer base in the country. This development was expected to strengthen Airtel's presence in the country and consolidate its position in the market (www.airtel.com, 2015). Additionally, Airtel Africa through its operations in Congo Brazzaville entered into a definitive agreement with the Warid Group to fully acquire Warid Congo SA. With this deal, it acquired Warid's mobile business in Congo-Brazzaville, one of Africa's richest markets with four mobile players. The mergers &acquisition is in line with the Organization's stated strategy of strengthening its market position through in-country acquisitions, as and when suitable opportunities come along.

1.2 Research Problem

Strategies are adopted by organizations in order to achieve a more favorable position. The current high level of competition amongst businesses necessitates organizations to implement sound strategies to remain competitive. To adopt effective strategies, managers in an organization need to be aware of realities in the business environment. Strategy adoption thus begins with scanning of the external as well as internal environment of the organization (Porter, 1985). Analysis of the external environment helps to identify the possible threats and opportunities while analysis of internal environment helps to identify strengths, weaknesses and the key people required within the organization to meet its objectives (Kanter, 2002).

Airtel Africa has in the recent past rolled out a number of strategies; 3G mobile service, Outsourcing, Sale and Lease back of its Towers, as well as Mergers & Acquisitions, to augment its place in the telecommunication sector in Africa. To begin with, Bharti Airtel acquired the African assets of Kuwait's Zain valued at US$10.7bn in the year 2010.

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Furthermore, it adopted various Bharti Cellular Ltd to consolidate its position in the market, gradually making it a leading cellular service provider in Africa. A programme was also put in place as a way to equip key staff with the necessary experience to implement the set out strategies (Bharti Airtel Report, 2013).

Africa's communications marketplace has now passed the tipping point from high potential to high growth. Unburdened by a legacy of installed telecom infrastructure, Africa has leapfrogged the fixed-line phase of development to go straight to mass-market mobile networks and services. Besides being one of the world's most dynamic telecom markets, Africa is also among the most innovative, a global testing lab, and a leader in digital and mobile-enabled applications in areas like payments, commerce, health, and education (PriceWaterhouseCoopers, 2014). Airtel took on operations in Africa with the hope of replicating the highly successful high-volume, low-cost telecom model that they had pioneered for the Indian masses, in Africa. However, when they began to integrate the companies, Airtel's executives discovered a slew of unexpected challenges, including: cultural differences between their Indian and African employees, poorer infrastructure than they had expected with higher-than-anticipated costs, a monopolistic distribution network, strong competitors, a weak partner ecosystem, and a market that was unresponsive to tariff cuts (Bharti Airtel Report, 2013).

Research has been done in the area of strategy and enhancing organization performance. Olson and Bokor (1995) studied the strategy Process Content Interaction and its Effects on Growth Performance in Small Start-up Firms, and found that the performance of an enterprise is determined by the business strategy it adopts. Ketchen and Palmer (1999)

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looked into the strategic responses to poor organizational performance: a test of competing perspectives, in Australia. Their study associated business strategies with performance, distinguishing between strategies associated with high and low performance. Locally, Wanjiru (2010) studied Strategic Alliances and Competitive Advantage: A Case Study of Safaricom Limited, where she recommended further studies should be done on other market players in the Telecommunication Industry in Kenya. Kimani (2014) studied the effects of strategic alliance on competitive advantage in Airtel Kenya Limited; the study indicated that Airtel Kenya's motive to form strategic alliances with dominating domestic firms in the airline, commercial banking, and insurance industries had implications on practice and support of theory building. Sande (2014), Competitive strategies adopted by Airtel Kenya. His study established that the Organization's competitive strategies that gave it a competitive advantage over its rivals were those it implemented in its physical infrastructure, technology, market research, innovation, and manpower development.

Studies done indicate that different organizations employ different strategies in order to enhance their performance. The various studies discussed have explored the relationship between strategy and organization performance in many fields and sectors including telecommunication but not in the context of this particular study. In light of the developments in the African telecommunication industry, what strategies therefore, has Airtel Africa adopted in order to enhance its performance?

1.3 Research Objectives

The objectives of the study were;

i. To establish the strategies adopted by Airtel Africa in enhancing its performance.

ii. To determine the relationship between the strategies employed by Airtel Africa and its performance.

1.4 Value of the Study

This research study will benefit various stakeholders in the telecommunication sector including; mobile phone users, mobile network operators, the Communications Commissions of the respective countries where Airtel Africa has its presence and the research fraternity.

To begin with, mobile telephone users will benefit from this study as they will appreciate the reason behind the strategies employed by Mobile network operators and in particular Airtel Africa. Airtel Africa is intended as the main beneficiary of this study as the study will provide information on its strategic strengths, weaknesses, opportunities and threats, in the region's mobile network industry. The study will also provide useful information to prospective new entrants in the region's mobile network industry.

Finally, researchers may benefit from the study as it adds on to the growing body of knowledge in the telecommunication industry. This may act as a source of reference for studies to be done in relation to the area of study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses theories relevant to the study. Literature related to the study is also reviewed with the aim of identifying literature gaps. The literature also guides the relevance of the study findings.

2.2 Theoretical Foundation

This study is based on the resource based view theory. The theory posits that firms that control valuable, scarce, non-substitutable and inimitable resources can gain persistent competitive advantage (Barney, 2001). The mix of these mentioned resources gives each organization its unique status and character that lead to a significant performance and later that leads to competitive advantage and core competencies. The resource-based view emphasizes on relationship between the external market environment in which a company operates and its internal resources and capabilities, that lead a company ultimately to a competitive position in a very competitive developing economies.

According to Barney (1991), sustainable competitive advantage requires four key organization specific variables (lack of substitutes, rarity, value, imperfect imitability). Value and rarity means resources must be capable of making an organization different from others (human, technical, and marketing sources). Imperfect imitability refers to very difficult if not impossible duplication of above-mentioned statement. Finally, competitors must not easily substitute these resources.

Many competitive advantages in emerging economies are based on network relationships, alliances, close business-government ties and more importantly competition, where firms become effective oligopolistic in domestic markets. As the institutional context changes, the necessary changes in company`s asset, structures and orientations are immediately required. Thus, opportunities as well as challenges created by this change in institutional context must be met with modified and new capabilities and resources (Haspeslagh& Jemison, 2011).

In regard to Airtel Africa, various strategies have been put in place by the organization's management to ensure that the organization remains competitive and tops industry performance. The strategies include; the 3G services, Outsourcing, Mergers & Acquisitions as well as Sale and Lease back of its Towers. According to RBV perspective, sustainable competitive advantage that leads to exceptional organization performance can be achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions. However, important thing is that, individual resources may not yield to a competitive advantage. It is through the synergistic combination and integration offsets of resources to formulate competitive advantage.

The resource based view theory was therefore of relevance to this study as it sought to establish the strategies employed by Airtel Africa in enhancing its performance.

2.3 Strategy and Performance

The performance of an enterprise is determined by the business strategy it adopts (Pearce and Robinson, 2005). Strategies, which result in high performance, are identified with activities that generally lead to success in the industry; that is key success factors (Hambrick, 2008). These activities are associated with initiatives in industry. Firms, which perform below average, tend to follow others in the industry and to react to events in their environment. Such firms are characterized by strategies, which emphasize risk avoidance and involve little innovation (Karagozoglu and Brown, 2008). Strategies of low performing firms include limitations of more successful firms in the industry, but usually fall short in some important respect.

The activities that comprise these strategies are often not well integrated and are mismatched with the demands of the environment. They are often referred to as reactive strategies because they are characterized by reactions to events rather than by initiative taking (Steiner, Miner, and Edmund, 2006). Strategies with varying degrees of proactivity and reactivity lie along the proactive-reactive continuum.

Focusing on business strategy items and performance, studies have identified that there are some relationships between strategy activities and performance. The activities of improving existing products to meet changing customer needs, developing new products and emphasizing product quality are associated with market share increases by attracting new customers and retaining existing ones (Pearce and Robinson, 2005). In contrast, low performing firms are likely to ignore these innovative and risk taking activities. High

performing firms are implementing new production technologies, emphasizing cost effectiveness and concerned with employee productivity to compete with competitors within the industry more so than the low performing firms (Vickery, Droge, and Markeland, 2008).

2.4 Strategies employed in the Telecommunications Industry

Some of the strategies employed by telecommunication companies to enhance their performance include; outsourcing strategy, mergers and acquisition strategy, 3G strategy as well as sale and lease back of towers.

2.4.1 Outsourcing Strategy

Outsourcing has been defined as the contracting out of a business process, which an organization may have previously performed internally or has anew need for an independent organization from which the process is purchased back as a service (Hayes, 2012). Outsourcing encompasses both foreign and domestic contracting which include off shoring which is described as a company taking a function out of their business and relocating it to another country. According to Baiye (2012) outsourcing also involves transferring of the employees and assets involved to the outsourcing business partner.

The reasons as to why firms outsource are essentially related to costs, core competencies, necessity, or risks. Deavers (2001), argues that firms tend to outsource because IT lowers the transaction costs in general, and the costs associated with finding information in particular. According to Deavers (2001), IT enables globalization of production and consumption markets. The core competence perspective on outsourcing is mostly adopted by researchers applying a theory on the firm based on a set of competencies, both

individual competencies but most important competencies embedded in the organization's core products, business units and the end products."

According to Dana (2012), the root system that provides nourishment to core products and products is the core competence. The advocates of the core competence perspective tend to suggest that firms outsource in order to focus on core competencies and to access external competencies such as external innovations. Walker (2008) introduces risk as an important factor in the outsourcing decision. He contends that strategic risk associated with sourcing relationships determines whether to make (vertically integrate) or buy (vertically disintegrate). Qualification of the internal and external sources entails their capabilities to meet specific operational and strategic performance criteria. At the operational level this means for instance, price based on cost and quality.

The strategic criteria are technological leadership, ability to link to other suppliers, and the compatibility between the seller's and the buyer's long-range strategic plan. Walker (2008) further identifies three types of strategic risks; appropriation risk, diffusion and degradation risk. Appropriation risk refers to when internal costs are lower than transaction costs or suppliers assets are strategic (often because assets are specialized which often leads to high switching costs) and supplier's behavior is opportunistic (often because switching costs are high). Risk of diffusion relates to product and process innovations that can be replicated by competitors and that should be protected from imitation. Finally, degradation risk is related to controlling the product interface with end

users for the purpose of effective emphasis on valuable product attributes and in order not to allow specialized competitors to enter specific niche product and end-user segments.

2.4.2 Mergers and Acquisitions Strategy

Mergers and Acquisitions have been essential tools of corporate growth and have become an attractive means by which to grow an enterprise. Mergers and Acquisitions (M&As) often refer to the aspect of corporate strategy and management, dealing with the buying, selling and combining of another company. According to Banal-Estañol and Seldeslachts (2004), mergers and acquisitions are often created to expand a current organization or operation aiming for long-term profitability and an increase in market power. Mergers and Acquisitions have continued to experience dramatic growth. Record-breaking megamergers have become a commonplace across the globe, in spite of the disparity of failure versus successful stories (Feldman & Spratt, 2009).

An acquisition is expected to create value and to provide a return on investment. It is only through the combined efforts of two sets of employees that these objectives will be achieved. However, human reactions to change are often ambivalent and difficult to anticipate. Change brings uncertainty and ambiguity (Haspeslagh & Jemison, 2011). Psychological and sociological factors become intermingled and behavior influenced. The buyer's first decisions are scrutinized closely, for they give an idea of what the new working environment will be like. The merger can lead to important changes in behavior, which may help or hinder the progress of the project. According to Bruner (2005), it is already difficult to manage a group of human beings, and even more so when a merger or

acquisition occurs in which two personnel with different histories, practices, and experiences are joined.

History shows that many mergers are cost-driven and others are built on growth expectations, they are always about change. According to Habeck et al., (2000), post-merger integration is most often the key to their success. Change in any environment is a challenge and it is important that management understands change and anticipates it along with preparation for the many aspects of change that will occur. Frank (2007) acknowledges that the idea of a mega deal continues to haunt floors of the world's largest companies.

Therefore, for companies involved in mergers or acquisitions, in an effort to prevent the hangovers that strike the majority of M&As, management must manage their post-merger integration more consciously and professionally. The integration phase plays the most integral part in the success or failure of the merger (Bruner, 2005).

According to Buono & Bowditch (2009), the heart of the post-merger stage is the integration of the strategic capabilities of the two companies in order to realize the potential synergies and to create the expected value added. As a result, a certain atmosphere has to be generated that allows the transfer of resources and skills. Managers of different hierarchical levels have to interact with colleagues from the partner organization (Jansen, 2009). The intention is to coordinate, adapt, change, reorganize, and to set up common structures and processes in the different business areas. This study seeks to understand the integration and management process of Airtel's M&As in Africa and its impact on the performance of the organization.

2.4.3 3G Strategy

3G is the third generation of mobile phone standards and technology and represents one of the biggest opportunities the business world has ever seen, increasing the potential of mobile Internet and opening up new revenue streams. In 3G, mobile phones became mobile devices combining a camera, video camera, computer, stereo, MP3 player, and radio into one device (Kumar, 2004). Rich-media information and entertainment are available at any time whenever there is a wireless network. 3G technologies have enabled faster data transmission speeds, greater network capacity and more advanced network services. UMTS-HSPA is the world's leading 3G technology. By 2015, UMTS-HSPA and LTE 3G technologies were expected to account for 3.9 billion global subscriptions (Vijjay and Garg, 2010).

Third generation mobile telephony protocols support higher data rates, measured in kbps (kilobits per second) or Mbps (megabits per second), intended for applications other than voice-centric. The shift from 2G to 3G not only gives users fresh ways to communicate but also a variety of new services such as browsing the Internet, e-mail, instant messaging, video-conferencing and digital television. 3G also makes guidance, presence, and location-based services available to mobile users (Chevillat & Schott, 2003).

In addition, current features of mobile phones such as cameras and personal time management systems are expected to develop. The importance of common industry standards with 3G networks has been emphasized in many studies. However, 3G networks still require large investment efforts in for example in base stations, in order to provide promised transfer speeds (Robins, 2008).

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With standardization, it is possible to meet one of the basic goals of 3G; to provide global access for the same services. This means creating a truly single, worldwide standard. The International Telecommunication Union (ITU) is working on 3G international standardization through its project IMT-2000 (International Mobile Telecommunications) that aims at setting the global standard for 3G. Thus, it is expected that in the coming years we will have a worldwide standard for 3G.

2.4.4 Sale and Leaseback of Towers

The infrastructure segment is what is known as the mobile networking segment, that is, the segment that makes the transmission of data and communication physically possible. Its constituents, in turn, are passive/non-electronic infrastructure and active/electronic infrastructure (Kumar, 2004). The components of passive infrastructure include antenna-mounting structures, base tower station shelters, power supply sources, DG set for power back-up, air conditioners, battery banks, invertors, fire extinguishers and security cabins, among others. The components of active infrastructure include base tower stations, microwave radio equipment, antennas, switches, and transceivers. The major players in the infrastructure segment are NSN (Nokia-Siemens), Ericsson, Huawei, Alcatel Lucent and IBM, to name a few.

There are four kinds of operator models in the network infrastructure sub-segment of the industry, of which network sharing, is what is considered an innovation in industrial organization: The first is the infrastructure model with no sharing of resources among operators, with operators investing in infrastructure and managing it internally. The second model is one wherein infrastructure subsidiaries with 100 percent ownership are

set up by a single telecom operator, with the subsidiary company building and managing tower infrastructure. The subsidiary company serves the infrastructure needs of the host (owner–operator) and tenants. For example, Bharti Infratel (excluding Indus Towers) is owned wholly by Bharti Airtel and has a tower portfolio of roughly 27,000 in number (ICRA, 2009). Similarly, Reliance Infratel, owned by Reliance Communications, has a portfolio of 44,000 towers.

The third model is one wherein an independent tower infrastructure company, jointly set up by a group of telecom operators, under a joint venture (JV) agreement, spins off an independent entity for managing tower infrastructure. Each operator contributes infrastructure to the JV and enjoys rights to shared resources. The independent entities are guaranteed occupancy from parent companies and serve other entities. For example, Indus Towers is jointly owned by Vodafone Essar, Bharti Airtel, and Idea Cellular, and has the largest tower portfolio in the country, of around 85,000 towers (ICRA, 2009).

The fourth model is that of independent tower infrastructure companies, which build and manage tower infrastructure that is leased out to operators under long-term contracts, such as GTL, Essar, and Quippo. Some operators hive off their tower infrastructure to independent companies to unlock value. In 2010, Airtel hived off 17,500 towers to GTL and recovered nearly Rs. 8400 crores in the process (Business Standard, 2010).

It is argued that network sharing, wherein multiple mobile phone companies share common network infrastructure and operations, goes a step further than outsourcing. While outsourcing uses a classic customer service provider relationship, sharing requires companies to cooperate with their direct competitors to create shared synergies. Sale and

leaseback as well as sharing can result in savings not only on operating costs but also on most network investment expenditures. The phenomenon of sale and leaseback as well as network sharing for cutting costs is a significant means of generating flexibility within large-sized corporations, with implications for employment and labour conditions.

2.5 Strategy and Organization Performance

Strategy adoption is a process that includes the various management activities that are necessary to put strategy in motion, institute strategic controls that monitor progress, and ultimately achieve organizational goals (Porter, 2009). Organizations that desire to perform must select strategies that will give them a strategic competitive performance advantage over their competitors based on their core competencies.

Organizations can do strategic analysis to achieve competitive advantage using tools such as (SWOT) Analysis and Porter's five forces Model. SWOT analysis aims at matching an organizations internal strengths and weaknesses with its external opportunities and threats. Porters (2007), also proposes three generic strategies, which can help organizations to cope with competitive forces, and these include focus, cost leadership, and differentiations. According to Lo (2012), these firm's resources include assets, capabilities, organizational processes, and knowledge that help firms to implement the strategies that improve performance. Other researchers refer to the resources as core competencies and capabilities that could generate competitive advantage leading to good performance (Peteraf, 1993).

The core competencies of telecommunication organizations include processes, skills, and assets that influence organizations to enhance performance. Strategies formulated and adopted in relation to the organizations core competencies such as the 3G, mergers and acquisitions, outsourcing, or the sale and leaseback of towers may help the telecommunications companies to sustain exemplary performance.

2.6 Empirical Studies and Research Gap

Previous studies have attempted to link strategy and organizational performance. Nduati (2014) studied the effect of competition on strategic orientation of cement manufacturing firms in Kenya. Kiptugen (2003) researched on strategic responses by Kenya Commercial Bank to a changing competitive environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change. This study precisely focused on the banking sector.

Kandie, (2001) on the other hand, did a study on strategic responses by Telkom Kenya Ltd in a competitive environment and found out that although Telkom Kenya has responded to its environment, financial constraints and lack of managerial empowerment considerably limited the organization's capacity to respond to the changes. The study dwelt mainly on the competitive strategies adoption, and was oblivious of other strategies including management, operational, production, among other strategies.

Wanjiru (2010) studied Strategic Alliances and Competitive Advantage: A Case Study of Safaricom Limited. She recommended further studies should be done on other market

players in the Telecommunication Industry in Kenya. Kimani (2014) studied the effects of strategic alliance on competitive advantage in Airtel Kenya Limited. The study indicated Airtel Kenya's motive to form strategic alliances with dominating domestic firms in the airline, commercial banking, and insurance industries had implications on practice and support of theory building. This study focused on alliances as the strategic practice adopted by Airtel Kenya. In addition, the study did not concentrate on the relationship between strategic alliance and performance of the organization.

The studies mentioned above, indicated that there exists a research gap on strategies that telecommunications companies have employed so as to enhance their performance. For the purpose of this study, strategies that Airtel Africa has employed so as to enhance its performance were investigated so as to fill the identified gap.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The aim of this chapter was to document the process that was used during the data collection. For the research planning to be systematic and effective, a suitable research design was determined which in turn ensured that proper data collection and data analytical methods for this study are used.

3.2 Research Design

Research design constitutes the blue print for the collection, measurement and analysis of data. According to Saunders, Lewis and Thornhill (2009) research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This study adopted a case study design aimed at getting detailed information regarding Airtel Africa's different strategies and its effects in enhancing the Organization's performance.

The case study design was preferred because it allowed the researcher to place more emphasis on a full contextual analysis of fewer events or condition, and their inter relations (Cooper and Schindler, 2006) in this context Airtel Africa. Other research studies that have used this design include Mwangi (2006) and Kithinji (2012).

3.3 Data Collection

Data was collected using both primary and secondary means. Primary data was collected from respondents using an interview guide. The interviewees consisted of senior staff involved in strategy formulation and implementation at Airtel Africa headquarters in Nairobi. These are Heads of corporate planning, human resources, quality service delivery, investigation and enforcement, internal audit, revenue collection, and finance department. These Heads of Departments were selected because they are responsible for strategic planning, strategy formulation, control, and implementation. The researcher personally interviewed the interviewees.

Secondary data was collected from relevant published materials both in print and online including a review of the organization's strategic plans, internal memos and minutes of meetings called to discuss strategy implementation in the organization, internal source of financing, profits, sales, total asset and current assets and current liabilities for a period of the past three years.

3.4 Data Analysis

Data analysis is the process of bringing order, structure and meaning to the mass of information collected. It involves examining what has been collected and making deductions and inferences. The data collected for this study was qualitative in nature and therefore contents analysis technique was adopted. Babbie (2001) noted that the content analysis measures the semantic content or the *"what"* aspect of a message. Its breadth makes it a flexible and wide-ranging tool that may be used as a stand-alone methodology or as a problem specific technique.

The qualitative data collected using the interview guide was therefore edited and classified with regard to the objectives of the study. During the editing process, the researcher carefully scrutinized the collected raw data from all the respondents with a key objective of ensuring it is accurate, uniform, and complete according to the research themes. Content analysis was then used to analyze the data as per the objectives of the study. Content analysis conforms to three basic principles of scientific method and thus preferred. They are; objectivity, which means that the analysis is pursued on the basis of explicit rules, which enable different researchers to obtain the same results from the same document or messages; systematic; the inclusion or exclusion of content is done according to some consistently applied rules whereby the possibility of including only materials which support the researcher's ideas is eliminated; generalizability, the results obtained by the researcher can be applied to other similar situations (Franzosi, 2004).

Data collected through secondary data was analyzed thematically. The study made inter-textual comparisons between the different sources, and compared the considered elements to the relevant literature. The analyzed data was then presented in prose form.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective of this study was to establish the strategies adopted by Airtel Africa in enhancing its performance and determine the relationship between the strategies employed by Airtel Africa and its performance. The data was collected using an interview guide.

4.2 Background Information

The study sought to collect information from the top managers of Airtel Africa at its Nairobi headquarters. 14 out of the targeted 18 senior management staff were interviewed. Those interviewed were: MD &CEO Airtel Africa, Head of IT Airtel money, Head of Project Management Office – CEO's Office, HR Officer, Head of Network Quality assurance, Vice President –Corporate communications, Chief Commercial Officer, Commercial Controller, Business Analyst to the Executive Operations Director SBU 2, Chief Legal Officer, Business Analyst to the Executive Operations Director SBU 1, Senior Vice President - Finance, Enterprise Director. Of the 14, 8 had worked for Airtel Africa for 1-3 years, 4 had worked for Airtel Africa for 4-6 years and 2 had worked for Airtel Africa for more than 7 years.

The respondents indicated that Airtel Africa offered a wide range of products and including; voice, SMS, terminals, data and mobile commerce offerings, telecom services, financial services, application for consumer and business services.

4.3 Strategies adopted by Airtel Africa to enhance its performance

The study sought to establish the strategies adopted by Airtel Africa to enhance its performance. The researcher asked the interviewees various questions relating to strategies adopted by Airtel Africa and obtained various responses. This was meant to indicate if indeed Airtel Africa had adopted any strategies so as to improve on its performance.

According to the respondents, Airtel Africa adopted the 3G technology in a global move to take up the rapidly growing data market. The migration was therefore driven by greater availability and affordability of smartphones, more extensive and deeper network coverage, and in some cases, by operator handset subsidies. The growing number of smartphones and other advanced devices (such as tablets) are increasing the use of data-intensive applications, such as video streaming, on mobile networks.

The respondents further stated that the 3G strategy was two proxy; in the first instance, the 3G strategy enhanced technology and efficiency of the organization's data service platform. Secondly, it saw Airtel Africa evolve from 2G in the urban areas to provide the much needed bandwidth and quality of service; consequently, the organization now offers efficient data services. The respondents further added that the 3G technology was launched in all the 17 Airtel markets in order to; focus on customer needs and provide seamless data services, provide high data speeds at lower cost, boost the data quality for its customers, grow and diversify revenue, as well as lead Africa into the internet age.

Apart from the 3G strategy, the respondents also disclosed that Airtel Africa did indeed adopt Outsourcing strategy to enhance its performance; a replica of what Bharti Airtel did in its Indian market. The respondents stated that the outsourced areas comprised of: Network, IT services, and the Call Centre. The aim of outsourcing was stated as being; to leverage expertise from Tier 1 companies, to enhance productivity by focusing on the Company's core business such as; marketing & distribution, and product development.

According to the respondents, Airtel Africa did also adopt Mergers and Acquisitions strategy to enhance its performance. The respondents explained that the goal of the Mergers and Acquisitions strategy was to gain market share across Africa by driving in country consolidation and industry performance. Even though growth could be managed through internal extension, Airtel Africa was conscious that Mergers and Acquisitions are a faster process to attain their expansion. Therefore, in order to expand within its own industry, Airtel Africa did not see the internal growth as the best alternative because competitors may react rapidly and will then take higher market share.

Moreover, in order to emerge into new markets of other nations, Mergers and Acquisitions are a useful mean to growth worldwide by merging together with an existing partner in these particular geographical markets. Cited examples of the mergers and acquisitions included; acquisition of Zain assets in Africa in the year 2010. More recently is the consolidation and takeover of Yu mobile in Kenya and the Warid Telecom in both Uganda and Congo Brazzaville. The mergers and acquisitions were also seen as a means of promoting market share of customers, and subsequently increase the revenue.

The respondents agreed on the fact that Airtel Africa had adopted Sale and Lease back of Towers strategy in almost all of its Countries of operations. They further explained that the sale and lease back of towers was implemented between the years 2014 and 2015. It essentially involved handing over the towers to companies, which are experts in managing towers, who then lease the towers to Airtel and other telecommunication companies such as Safaricom. The motivation behind this strategy was, infrastructure sharing is a solution that can help reduce the cost of extending network coverage, particularly into remote or geographically challenging areas. Network sharing can also significantly increase capacity in urban areas particularly, for example, where operators are looking to deploy small cell technology. It has the potential to strengthen competition and reduce the carbon footprint of mobile networks, while reducing costs.

4.4 Relationship between Strategies employed by Airtel Africa and its performance

The study investigated the relationship between the strategies employed by Airtel Africa and its performance. The researcher asked the interviewees various questions relating to the relationship between the strategies employed by Airtel Africa and its performance, and obtained the responses discussed below. This was meant to identify the key success factors at Airtel Africa.

The respondents revealed that the 3G technology strategy ensured increased networks speed, affordable bundles, and lower investment requirements. This in turn has led to improving the organization's performance through; increase of data revenues, which have replaced traditional SMS revenues, customer acquisition, and retention depicted by the leapfrog from 10% to 40% of Airtel base customer penetration in 4 years, good customer

experience, enhanced customer satisfaction, and reduced customer attrition. It has also captured new smartphone enabled customer segment. The 3G strategy also transformed Airtel Africa's position in the telecoms industry as its data capabilities enabled media streaming of television and movie content and music to handsets and computers.

The respondents explained that the 3G strategy had led to an increase in the data footprint, customer acquisition, retention, and drive as evidenced by increase in subscribers. An increase on data revenues, customer market share growth, revenue diversification, improved quality of service, and operating margins was depicted by revenue increase, which was a positive offset against the cost. 3G strategy also enhanced the organization's cash flow generation.

The respondents indicated that outsourcing strategy enhanced the organization's performance in terms of having a sound resource skill set with key subject matter experts. It also led to the organization saving in the wage bill and re-investing or ploughing back most of its profits into their businesses so as to improve their present infrastructural roll out. This has enhanced good quality network services throughout the country as well as easy accessibility in rural areas of the country. Outsourcing has enabled the company to focus more on its core areas of boosting its distribution coverage. Furthermore, the respondents indicated that this strategy had led to operating cost reduction by using an effective and experienced tier 1 company, managing the subject matter expertise portfolio, and also increased efficiency through exemplary performance by the outsourced staff.

The respondents stated that the Mergers and Acquisitions strategy improved the organization's performance by; positioning Airtel Africa to have a competitive edge through gaining international experience and exposure as well as increase its assets and products. It has also led to economies of scale, reduction of overhead, elimination of competition, increase in revenue as well as customer market share. Furthermore, the mergers & acquisitions have provided consumer/shareholder confidence in the brand, due to economies of scale. Mergers and Acquisitions have led to increased customer market share and profitability, Shareholder value, company and brand enhancement across Africa.

According to the respondents, the Sale and Lease back of Towers led to cost reduction due to; reduced site running costs, redeployment of human resources to the tower companies, efficiency in the network at a reasonable cost, faster access, and deployment of sites as the networks are now handled by experts whose main focus is ensuring quality services to the organization. Sale and Leaseback of Towers had also led to the following improvements in Airtel Africa; debt reduction resulting from the proceeds of the sale, balance sheet optimization, capital release to fund new investments in marketing and product development, increased tower sharing with competitors, and higher dividends for shareholders in some cases.

Finally, the respondents revealed that despite the progress to date, there is a significant population across its network areas of coverage who still do not have access to mobile services. A large proportion of the still unconnected population live in rural and in some cases geographically remote areas. These areas have additional challenges such as a lack

of electricity, infrastructure and low road density, which can provide extra obstacles to extending the strategies adopted by the organization. The economic case for Airtel Africa to expand its network in these areas is often challenging.

4.5 Discussion

4.5.1 Comparison of this Study with Theory

The study found out that Airtel Africa adopted 3G technology in a global move to take up the rapidly growing data market. The 3G technology strategy ensures increased networks speed, affordable bundles, and lower investment requirements. This in turn has led to improving the organization's performance through; increase of data revenues, which have replaced traditional SMS revenues, customer acquisition, and retention depicted by the leapfrog from 10% to 40% of Airtel base customer penetration in 4 years, good customer experience, enhanced customer satisfaction, and reduced customer attrition. It has also captured new smartphone enabled customer segment. Likewise, the resource based view theory posits that firms that control valuable, scarce, non-substitutable and inimitable resources can gain persistent competitive advantage (Barney, 2001).

The respondents study disclosed that Airtel Africa did indeed adopt Outsourcing strategy to enhance its performance; a replica of what Bharti Airtel did in its Indian market. The respondents further stated that outsourced areas comprised of: network, IT services as well as the Call Centre. The aim of outsourcing was; to leverage expertise from Tier 1 companies, to enhance productivity by focusing on the Company's core business such as; marketing & distribution, and product development. Similarly, RBV states that many competitive advantages in emerging economies are based on network relationships,

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alliances, close business-government ties and more importantly competition, where firms become effective oligopolistic in domestic markets. As the institutional context changes, the necessary changes in company`s asset, structures and orientations are immediately required. Thus, opportunities as well as challenges created by this change in institutional context must be met with modified and new capabilities and resources (Haspeslagh& Jemison, 2011).

According to the study, Airtel Africa did adopt Mergers &Acquisitions strategy to enhance its performance. The goal of the Mergers & Acquisitions strategy was found to be to gain market share across Africa by driving in country consolidation and industry performance. The Mergers & Acquisitions strategy was found to have improved the organization's performance by; positioning Airtel Africa to have a competitive edge through gaining international experience and exposure as well as increase its assets and products. It has also led to economies of scale, reduction of overhead, elimination of competition, increase in revenue as well as customer market share. Furthermore, the mergers & acquisitions have provided consumer/shareholder confidence in the brand due to economies of scale.

According to RBV perspective, sustainable competitive advantage that leads to exceptional organization performance can be achieved by continuously developing existing and creating new resources and capabilities in response to rapidly changing market conditions.

This study also established that Airtel Africa had adopted Sale and Lease back of Towers strategy in almost all of its countries of operations. The sale and lease back of towers was

implemented between the years 2014 and 2015, and essentially involved handing over the towers to companies, which are experts in managing towers. The Sale and Lease back of Towers led to cost reduction due to; reduced site running costs, redeployment of human resources to the tower companies, efficiency in the network at a reasonable cost, faster access and deployment of sites as the networks are now handled by experts whose main focus is ensuring quality services to the organization.

According to Barney (1991), sustainable competitive advantage requires four key organization specific variables (lack of substitutes, rarity, value, imperfect imitability). Value and rarity means resources must be capable of making an organization different from others (human, technical, and marketing sources). Imperfect imitability refers to very difficult if not impossible duplication of above-mentioned statement. Finally, competitors must not easily substitute these resources.

4.5.2 Comparison of this Study with other Studies

The study found out that Airtel Africa adopted 3G technology in a global move to take up the rapidly growing data market. The 3G technology strategy ensures increased networks speed, affordable bundles, and lower investment requirements. This in turn has led to improving the organization's performance through; increase of data revenues, which have replaced traditional SMS revenues, customer acquisition, and retention depicted by the leapfrog from 10% to 40% of Airtel base customer penetration in 4 years, good customer experience, enhanced customer satisfaction, and reduced customer attrition. It has also captured new smartphone enabled customer segment. In the same way, Chevillat& Schott (2003) found out that the shift from 2G to 3G not only gives users fresh ways to

communicate but also a variety of new services such as browsing the Internet, e-mail, instant messaging, video-conferencing and digital television. 3G also makes guidance, presence, and location-based services available to mobile users.

The study further revealed that 3G strategy had led to an increase in the data footprint, customer acquisition, retention, and drive as evidenced by increase in subscribers. An increase on data revenues, customer market share growth, revenue diversification, improved quality of service, and operating margins was depicted by revenue increase, which was a positive offset against the cost. 3G strategy also enhanced the Organization's cash flow generation. These findings are in line with Frigo (2003) who stated that 3G strategy implementation cannot succeed unless the strategy itself is designed to be executable; however, the execution will not result in outstanding performance unless it is designed around the goal of maximizing financial value.

The respondents study disclosed that Airtel Africa did indeed adopt Outsourcing strategy to enhance its performance; a replica of what Bharti Airtel did in its Indian market. The respondents further stated that outsourced areas comprised of: network, IT services as well as the Call Centre. The aim of outsourcing was; to leverage expertise from Tier 1 companies, to enhance productivity by focusing on the Company's core business such as; marketing & distribution, and product development. Likewise, the findings by Dana (2012) confirm that outsourcing is a way of getting additional support to one's team or company by inviting external contractors to undertake works that have been done bin-house staff for which they possess better competencies for. Additionally, outsourcing strategy enhanced the organization's performance in terms of having a sound resource

skill set with key subject matter experts. Outsourcing has enabled the company to focus more on its core areas of boosting its distribution coverage. It also led to the Organization saving in the wage bill. According to Prahalad and Hamel (1990), advocates of the core competence perspective, tend to suggest that firms outsource in order to focus on core competencies and to access external competencies like external innovations, etc.

Furthermore, the study indicated that the outsourcing strategy had led to operating cost reduction by using an effective and experienced tier 1 company, managing the subject matter expertise portfolio, and also increased efficiency through exemplary performance by the outsourced staff. In the same vein, the study by Khaki and Rashidi (2012) investigated outsourcing and its impact on operational objectives and performance of Iranian telecommunications firms. Operational objectives are considered as cost reduction, developed quality, flexibility, and better service. Performance measures of the firms are also considered as financial and non-financial factors. Among the results of this study is that, outsourcing could lead to better financial and non-financial performance of the Organization. Some respondents however, pointed out that outsourcing of networks had led to an increase in costs.

According to the study, Airtel Africa did adopt Mergers &Acquisitions strategy to enhance its performance. Similarly, Khemani (1990) probed that multiple forces influence the decisions for engaging in M&A, and he deduced that profitability was the ultimate objective. The goal of the Mergers & Acquisitions strategy was found to be to gain market share across Africa by driving in country consolidation and industry performance. The Mergers & Acquisitions strategy was found to have improved the

organization's performance by; positioning Airtel Africa to have a competitive edge through gaining international experience and exposure as well as increase its assets and products. It has also led to economies of scale, reduction of overhead, elimination of competition, increase in revenue as well as customer market share. Furthermore, the mergers & acquisitions have provided consumer/shareholder confidence in the brand due to economies of scale. This contrasts the findings by Yaylacicegi, (2005) who explored the consequences of mergers and acquisitions in the telecommunications industry for the period between 1988 and 2001, and established significant evidence that mergers were followed by substantial deterioration in profitability and operational performance, in addition to a significant decrease in the investment on new technology.

This study also established that Airtel Africa had adopted Sale and Lease back of Towers strategy in almost all of its countries of operations. The sale and lease back of towers was implemented between the years 2014 and 2015, and essentially involved handing over the towers to companies, which are experts in managing towers. The Sale and Lease back of Towers led to cost reduction due to; reduced site running costs, redeployment of human resources to the tower companies, efficiency in the network at a reasonable cost, faster access and deployment of sites as the networks are now handled by experts whose main focus is ensuring quality services to the organization. Likewise, ICRA (2009) observes that with networks at the centre of the system and network infrastructure procurement costs accounting for an estimated average of about 60-80 percent of the total investment for a mobile phone company, sale and leaseback of towers, as well as network sharing has emerged as one of the main strategies for cutting costs. Tan & Mahoney (2006) also assert that appropriate leasing strategies contribute to financial performance of a firm

through raising productivity and facilitating the adoption and use of new technologies, upgrade production, financial capabilities and flexibly respond to market forces.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter explains the study summary, conclusions, recommendations and suggestions for further study.

5.2 Summary of the findings

The study found out that Airtel Africa offered a wide range of products and services including; voice, SMS, terminals, data and mobile commerce offerings, telecom services, financial services, application for consumer and business services.

5.2.1 Strategies adopted by Airtel Africa in enhancing its performance

The study revealed that Airtel Africa adopted 3G technology in a global move to take up the rapidly growing data market. The migration was therefore driven by greater availability and affordability of smartphones, more extensive and deeper network coverage, and in some cases by operator handset subsidies. The growing number of smartphones and other advanced devices (e.g. tablets) are increasing the use of data-intensive applications, such as video streaming, on mobile networks.

In addition, the 3G strategy was two proxy; In the first instance the 3G strategy enhanced technology and efficiency of the organization's data service platform. Secondly, it saw Airtel Africa evolve from 2G in the urban areas to provide the much needed bandwidth and quality of service, the organization therefore now offers efficient data services. 3G technology was launched in all the 17 Airtel markets in order to; focus on customer needs

and provide seamless data services, provide high data speeds at lower cost so as to boost the data quality to customers, for growth and diversification of revenue and finally the 3G technology is aimed at leading Africa into the internet age.

The study disclosed that Airtel Africa also adopted outsourcing strategy to enhance its performance, a replica of what it did in the Indian market. The outsourced areas comprised of; network, IT services as well as the Call Centre. The aim of outsourcing was to leverage expertise from Tier 1 companies, to enhance productivity by focusing on core business such as marketing & distribution, product development.

According to the study findings, Airtel Africa did adopt Mergers and Acquisitions strategy to enhance its performance. The goal of the mergers & acquisitions strategy was to gain market share across Africa by driving in-country consolidation and industry performance. Even though growth could be managed through internal extension, Airtel Africa was conscious that Mergers and Acquisitions is a faster process to attain their expansion. Therefore, so as to expand within its own industry, Airtel Africa did not see the internal growth as the best alternative because competitors may react rapidly and will then take higher market share.

In order to emerge into new markets of other nations, Mergers and Acquisitions is a useful means to growth worldwide by merging together with an existing partner in these particular geographical markets. Cited examples of the mergers and acquisitions included; acquisition of Zain assets in Africa in the year 2010. More recently is the consolidation and takeover of Yu mobile in Kenya as well as Warid Telecom in Uganda

and in Congo Brazzaville. The mergers and acquisitions were also seen as a means to advance market share of customers as well as increase in the company's revenue.

It was established that Airtel Africa had adopted the Sale and Lease back of Towers strategy in almost all of its Countries of operations. Sale and lease back of towers was implemented between the years 2014 and 2015. It essentially involved handing over the towers to companies, which are experts in the management of towers, who then lease the towers to Airtel and other telecommunication companies such as Safaricom. The motivation behind this strategy was, infrastructure sharing is a solution that can help reduce the cost of extending network coverage, particularly into remote or geographically challenging areas. Network sharing can also significantly increase capacity in urban areas particularly, for example, where operators are looking to deploy small cell technology. It has the potential to strengthen competition and reduce the carbon footprint of mobile networks, while reducing costs.

5.2.2 Relationship between Strategies employed by Airtel Africa and its Performance

The 3G technology was found to ensure increased networks speed, affordable bundles, and lower investment requirements. This in turn has led to improve the organization's performance by; increasing data revenues which have replaced traditional SMS revenues, customer acquisition and retention depicted by the leapfrog from 10% to 40% of Airtel base customer penetration in 4 years, good customer experience, enhanced customer satisfaction and reduced customer attrition. It has also captured new smartphone enabled customer segment. The 3G strategy also transformed Airtel Africa's position in the

telecoms industry as its data capabilities enabled media streaming of television and movie content and music to handsets and computers.

Outsourcing was found to have enhanced the organization's performance in terms of; having a sound resource skill set with key subject matter experts. It was also found to have led to the organization saving in the wage bill and re-investing or ploughing back most of its profits into their businesses as to improve their present infrastructural roll out. This has enhanced good quality network services throughout the country as well as easy accessibility in rural areas of the country. Outsourcing was further found to have enabled the company to focus more on its core areas advancing its distribution coverage, and it has also led to savings in the wage bill.

The Mergers and Acquisitions were found to have improved the organization's performance by; positioning Airtel Africa to have a competitive edge through gaining international experience and exposure as well as an increase in assets and have improved products. It has also led to economies of scale, reduction of overhead, elimination of competition as well as increase in revenue and in the number of customers. Furthermore, the mergers & acquisitions have provided consumer/shareholder confidence in the brand, due to economies of scale.

The Sale and Lease back of Towers led to cost reduction due to reduced site running costs, redeployment of human resources to the tower companies, efficiency in network at a reasonable cost, faster access and deployment of sites as the networks are now handled by experts whose main focus is to ensure quality services to the organization.

Finally, the study ascertained that despite the progress to date, there is a significant population across its network areas of coverage who still do not have access to mobile services. A large proportion of the still unconnected population live in rural and in some cases geographically remote areas. These areas have additional challenges such as a lack of electricity infrastructure and low road density, which can provide extra obstacles to extending the strategies adopted by the organization. The economic case for Airtel Africa to expand networks in these areas is often challenging.

5.3 Conclusion

The study sought to establish the strategies adopted by Airtel Africa in enhancing its performance as well as to determine the relationship between these strategies and the organization's performance. Based on the findings in relation to the specific objectives, the study concluded that3G strategy had led to an increase in the data footprint, customer acquisition and retention, and drive, as evidenced by the increase in subscribers, an increase on data revenues, customer market share growth, revenue diversification, improved quality of service, and operating margins depicted by revenue increase which was a positive offset against the cost. It also enhanced the cash flow generation at Airtel Africa.

The study further indicated that the sale and leaseback of towers had led to improvements in Airtel Africa in relation to; debt reduction resulting from the proceeds of the sale, balance sheet optimization, cost reduction overtime, capital release to fund new investments in marketing and product development, increased tower sharing with competitors, and higher dividends for shareholders, in some cases.

In addition, the study concluded that outsourcing led to operating cost reduction by using an effective and experienced tier 1 company, managing the subject matter expertise portfolio and increased efficiency through exemplary performance by the outsourced staff at Airtel Africa. Furthermore, mergers and acquisitions in Airtel Africa had led to increased customer market share and profitability, shareholder value, company and brand enhancement across Africa.

The study finally concluded that despite the progress to date, there is a significant population across Africa who still do not have access to mobile services. A large proportion of the still unconnected population live in rural and in some cases geographically remote areas. These areas have additional challenges such as a lack of electricity infrastructure and low road density, which can provide extra obstacles to extending the strategies adopted by the organization. The economic case for Airtel Africa to expand networks in these areas is often challenging.

5.4 Recommendations

The study observed that the organization involved in the study, i.e. Airtel Africa, had adopted key strategies to enhance its performance. Due to the envisaged benefits of using these practices, the study recommends that all the firms in the telecommunication industry in Kenya should adopt strategic practices so as to gain competitiveness in the sector and also so as to gain efficiency in their operations, and hence improve their performance.

The study also found that at the helm of factors that affect strategic practices, was the government regulations and deregulations factor. The study therefore proposes that the

government should ensure that there are no frequent changes in the industry's regulations, but rather offer constant periods for implementing new regulatory changes. The organization can therefore base its strategic practices so as to ensure that the organization does not embark in creating new strategies frequently, since the changes may affect their prior strategic plans.

This study also recommends, to all mobile operators currently operating in the country, to imbibe the culture of employing competent vendors for their outsourcing jobs and should re-invest or plough back most of their profits into their businesses so as to improve their present infrastructural roll out. This will enhance good quality network services throughout the country as well as ease accessibility in the rural areas of the country. On financial performance, the study recommended that in order for organizations to achieve their goals, i.e. profitability, large market share and customer retention; there should be effective strategies that cater for the customers' needs, organization goals and environmental changes.

5.5 Limitations of the Study

The researcher encountered quite a number of challenges related to research and most particularly during the process of data collection. During the study, some of the respondents had to be hard-pressed to assist with data collection. Many follow up calls had to be made to remind them. Some interviewees were also very cautious about the information they were sharing and thus did not give information considered as confidential.

The study depended on interviews and discussions with the senior staff. It would have been of value to obtain the views of other members of staff as they are also incorporated in the implementation of formulated strategies. The study also faced time limitations. The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on. However, the researcher tried to conduct the study within the time frame that was specified.

5.6 Suggestions for further Research

This study was a survey on the strategies adopted by Airtel Africa in enhancing its performance as well as to determine the relationship between these strategies and the organization's performance. Nevertheless, Airtel Africa is one aspect of the larger telecommunication sector in Kenya and in Africa. It would therefore be of value to study the larger telecommunication sector as a whole, to establish the strategies adopted by telecommunication companies in enhancing their performance, and study the effect of these strategies to the organizations' performance.

The study suggests that further research should be done on the factors affecting strategy adoption, so as to give both the negative and positive sides that can be reliable. The study also suggests further research should be done on the impact of strategy adoption on organizational performance, by focusing on other sectors other than the telecommunication sector with the aim of depicting reliable information that illustrates the real situation across all sectors.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162 Telegrams: "Varsity", Nairobi Telex: 22095 Varsity	P.O. Box 30197 Nairobi, Kenya

DATE...19/09/2015

TO WHOM IT MAY CONCERN

The bearer of this letter ...LOISE...KAYAYA...MBATI...

Registration No...D61/80171/2012...

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

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

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

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
19 SEP 2015
Box 30197 – 00100, NAIROBI

APPENDIX II: INTERVIEW GUIDE

Introduction

This study is an investigation into the strategies employed by Airtel Africa in enhancing its performance. You are requested to participate in the study by responding to the questions in the interview document. The information you will provide will be used for academic purposes only.

SECTION A: Demographic Information

1. Name of the respondent (Optional)

   _____

2. What is your position at Airtel Africa

   _____

3. How long have you worked for Airtel Africa?

   _____

4. Which products/services does your organization offer?

   _____

SECTION B: Strategies adopted by Airtel Africa to enhance its performance

5. Did Airtel Africa adopt 3G technology strategy to enhance its performance?

   (Please explain)

6. How has the 3G technology strategy enhanced the organization's performance? (Please explain)

_____

_____

_____

7. Did Airtel Africa adopt outsourcing strategy to enhance its performance? (Please explain)

_____

_____

_____

8. How has outsourcing strategy enhanced the organization's performance? (Please explain)

_____

_____

_____

9. Did Airtel Africa adopt Mergers & Acquisitions strategy to enhance its performance? (Please explain)

_____

_____

_____

10. How has Mergers & Acquisitions strategy improved the organization's performance? (Please explain)

_____

_____

_____

11. Did Airtel Africa adopt Sale and Lease back of Towers strategy to enhance its performance? (Please explain)

_____

_____

_____

12. How has Sale and Lease back of Towers strategy enhanced the organization's performance? (Please explain)

_____

_____

_____

13. Explain the extent to which the 3G, Outsourcing, Mergers & Acquisitions as well as Sale and Leaseback of Towers strategies have increased the performance of Airtel Africa in the following areas; (Profits, Return on Assets, Return on Investment, Margin growth rates, Declining debt, and Shareholder value)

a) 3G

_____

_____

_____

b) Outsourcing

_____

_____

_____

c) Mergers & Acquisitions

_____

_____

_____

d) Sale and Leaseback of Towers

_____

_____

_____

THANKYOU FOR YOUR COOPERATION AND INPUT!

APPENDIX III: LIST OF TELECOMMUNICATION FIRMS IN KENYA

1. Ace Villa Development Co. Limited	2. Karibu Networks Limited
3. Access Kenya Group	4. Karibu Telecom Limited
5. Africa One Ispeed Limited	6. Kenya Data Networks
7. Africa Online Limited	8. Kenyaweb.Com
9. Alfa Solutions Limited	10. Liam Telecommunications Limited
11. Afsat Communications	12. Meteor Millennium
13. Airtel Kenya	14. Mitsuminet (K) Limited
15. Alphanet Communications Ltd	16. Mount Kenya Online Limited
17. Ameriken Telnet Kenya Limited	18. MTN Business
19. Antel Telecommunications	20. My ISP Limited
21. Browse Internet Access Limited	22. Nairobinet (K) Limited
23. Callkey (EA) Limited	24. Neotis Kenya Limited
25. Cam Communications Limited	26. Niltel Kenya Limited
27. Communication Solutions Limited	28. Nirali Enterprises Limited
29. Copkenyan.Com Co Limited	30. Nokia Siemens Networks (NSN),
31. Cybernatics Communications Ltd	32. Orange Kenya
33. Data Net Options Limited	34. Pace Setters Communication Network
35. Deep Africa	36. Philotronic Limited
37. Dialnet Communication Systems Limited	38. PwaniTelecomms Limited
39. Edgenet Limited	40. Rasmilink
41. EDP Limited	42. Safaricom Ltd
43. Extreme Internet	44. Sahannet Limited
45. EZSAT Africa Limited	46. Sky Connection Limited
47. Flexible Bandwidth Services Limited	48. Skyweb Technologies Limited
49. Geonet Communications Limited Nairobi	50. Swift Global (Kenya) Limited
51. Global Broadband Solution Kenya Limited	52. Tangerine Ltd
53. Global Implementation Solutions Limited	54. Texada Limited
55. i Way Africa	56. Telkom Kenya
57. Inter Connect Limited	58. Todays Online Limited
59. Internet Solutions	60. UUNET Kenya Limited
61. IPHONE Global Limited	62. Visionlab Communications
63. ITNETS East Africa Limited	64. Virtualsat Limited
65. Jambo Telkom Limited	66. Wananchi Online Limited
67. Jamii Telecommunications	68. Web Engineering Limited
69. Kasnet Internet Services Ltd	70. Webrunner Limited

Source: Communication Commission of Kenya website

(*http://www.cck.go.ke/licensing/telecoms.pdf*)

APPENDIX IV: AIRTEL'S OPERATIONS IN AFRICA

1. Burkina Faso

2. Chad

3. Democratic Republic of the Congo

4. Gabon

5. Ghana

6. Kenya

7. Madagascar

8. Malawi

9. Niger

10. Nigeria

11. Republic of the Congo (Congo Brazzaville)

12. Rwanda

13. Seychelles

14. Sierra Leone

15. Tanzania

16. Uganda

17. Zambia.

Source: Bharti Airtel Limited. *Annual Report 2014-15*