

**STRATEGIC PLANNING BY INTERNET SERVICE PROVIDERS IN THE
TELECOMMUNICATION INDUSTRY IN KENYA**

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DECLARATION

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

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This management research project has been submitted for examination with my approval as the university supervisor

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DR. BITANGE NDEMO

DEDICATION

I wish to dedicate this research work to my family for all their endless support, to my mum and dad as well as my brothers and sisters for their unceasing prayers, and all those who supported me in the completion of this project writing.

Thank you and God bless you abundantly.

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ABSTRACT

While strategy is a practically central concern in contemporary management, its successful implementation remains an essential challenge for virtually any organization. Strategic planning is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims and fulfilling both over time. ISPs in Kenya are faced with various challenges emanating from external environment such as competition, socio-cultural changes, technological changes and economic challenges. These challenges pose a serious threat to such organizations. This call for better strategic plans that capture the industry dynamics and that are premised on radical changes reminiscent of the industry for swift responses make such occasions arise. No specific study has been done on strategic planning at the internet service providers in the telecommunication industry in Kenya. This study set to investigate strategic planning by internet service providers in the telecommunication industry in Kenya. The study used a descriptive research design. The target population for this study was the ISPs in the telecommunication industry in Kenya. These firms included Liquid Telecom Kenya, Jamii Telecom Limited, MTN Business, Safaricom (K) Ltd, iWayAfrica Kenya, Airtel Kenya, Orange (Telkom) and Yu. Primary data was collected using questionnaire administered through drop and pick later method to the ISPs in the telecommunication industry in Kenya. Analysis was done using descriptive statistics that included frequency distributions, percentages, means and standard deviations. The study concludes that there have been moderately effective ISPs in the telecommunication industry in Kenya. Strategic planning in ISPs focus on increasing their market share, providing an enhanced distribution infrastructure, participating actively in internet provision activities, provision of the national strategic reserve and developing organisational, operational excellence, and developing long term financing for the strategic goals in order to realize effective strategic planning and hence better performance. Government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya. According to the findings, broadband access, privatization government stakes, broadband availability, legal compliance, interest rate regimes, licensing, level of awareness and price controls affects strategic planning by internet service providers in the telecommunication industry in Kenya. Pricing of broadband affects the strategic plans of ISPs in the telecommunication industry in Kenya. As such, product/services price, production, aggregation and distribution value chain, costing standards/ methodologies and principles, operating cost, accessibility of broadband services affordability of broadband services, switching costs and price reductions affect strategic planning at the ISPs in the telecommunication industry. Devolution affects the strategic plans of ISPs in the telecommunication industry in Kenya and strategic planning for ISPs in Kenya is very critical especially in the face of ever changing regulatory framework which is a very key component of the planning process. The study thus recommends that it is important to put in place mechanisms for continued review of the legal and policy frameworks to ensure it is up to date and the industry remains competitive. The ISPs in the telecommunication industry should embrace IT within all department of the organization in order to have a uniform outcome and common objective with expected positive outcome all over the organization. The ISPs' structures should take note of cultural dynamics so that an absolutely new slate of practices is enacted.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Changes in the business environment are leading to new and greater demands on strategic planning practices. Moreover, given that strategic planning's sole purpose is to improve strategic performance, improving, assessing and monitoring the effectiveness of the strategic planning practice, would appear to be a key managerial task. According to Scholes (2002) the strategic management process involves not only strategy formulation but also strategic planning. Accordingly, strategic planning is arguably important ingredient in the conduct of strategic management. The strategies formulated are actualized in the implementation of the strategic plan.

The strategy of an organization involves matching its corporate objectives and its available resources (Johnson, Scholes & Whittington, 2006). In this development of strategy, managers are concerned with reconciling the business the organization is in with the allocation of resources. This allocation process is concerned with the general purposes of an organization, whether it is part of the grand plan, the overall objectives or a 'strategy' designed to keep the organization in business (Tim and Hannagan, 2005).

Strategy represents managerial game plan for running an organization. Effective strategic planning can transform the performance of an organization, make fortunes for shareholders, or change the structure of an industry. According to Johnson and Scholes (2002), it is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. Mintzeberg, Lampel and Ghoshal (2002) contended that while both content and process are separate elements of strategy formulation, they are highly interdependent.

1.1.1 Conceptual Argument on Strategic Planning

Strategic planning is the process by which firms derive a strategy to enable them to anticipate and respond to the changing dynamic environment in which they operate (Harrison and Pelletier, 2000). As such, strategic planning can be conceptualized as a systematic, formally documented process for deciding the handful of key decisions that an organisation, viewed as a corporate whole must get right in order to thrive over the next years. According to Burnes (2004) strategic planning is the systematic and more or less formalized effort of a company to establish basic company purposes, objectives, policies and strategies.

It involves the development of detailed plans to implement policies and strategies to achieve objectives and basic company purposes. According to Roach and Allen (2003), the strategic plans are the product of the best minds inside and outside the corporation. The process considers future implications of current decisions, adjusts plans to the emerging business environment, manages the business analytically, and links, directs, and controls complex enterprises through a practical, working management system (Roach and Allen, 2003). Jofre (2011) suggests that effective strategic plans are not as rational and analytical as it has been portrayed in the literature.

Robinson and Pearce (2004) argues that formal strategic plans are a conceptual activity suited solely to larger firms and therefore have no effect on the performance of small firms. Pearce & Robinson (2007) define strategic planning as a disciplined and well-defined organizational effort aimed at the complete specification of a firm's strategy and the assignment of responsibilities for execution. Strategic planning involves making choices and decisions about the long-term future of an organization.

Steiner (2009) provides a thorough conceptualization of a strategic plan that it is an attitude and an outcome of a process concerned with the future consequences of current decisions. Paterson (2009) states that strategic planning is not just a matter of formulation and deployment; it also includes how people interpret and deploy the strategic plan. Despite numerous researches (by Steiner, 2009; Paterson, 2009; Jofre, 2011 and others) founded on the critical assumption that strategic plans are important, the debates rages on in the literature.

1.1.2 Context of ISPs in the Telecommunication Industry in Kenya

Internet service providers (ISPs) are organizations that provide services for accessing, using, or participating in the Internet. Internet service providers are organized in various forms, such as commercial, community-owned, non-profit, or otherwise privately owned. Internet services typically provided by ISPs include Internet access, Internet transit, domain name registration, web hosting, co-location. Many Internet service providers (ISPs) offer the uploading of data for free to their subscribers while some providers charge a fee. Internet is used in African countries like Kenya with specific limitations. Mutula (2003) identified the ICT constraints as: high cost of access to telecommunications; Government policy towards ICT; under utilization of existing technologies; limited indigenous base; digital illiteracy

The sector liberalization as implemented by the CCK has significantly changed the communications sector. In the year 2000, access to the Internet was available through a number of competing ISPs and some 250 cyber cafes, about half of which were located in Nairobi (ITU, 2006). The telecommunications market in Kenya was broadly liberalized in 1999, giving more scope for private sector innovation and market entry. The Communications Commission of Kenya (CCK now the Communications Authority of Kenya) was established to regulate the sector and, for the first time, issued ISPs with licenses (Communications Authority of Kenya,

CAK, 2012). There were 303 905 fixed-line subscribers and 6.48 million mobile subscribers as at June 2006. This translates into fixed teledensity of 0.91 per hundred inhabitants for fixed-line and 19.42 per hundred inhabitants for mobile.

The number of registered ISPs has been growing, reaching a peak of 78 in 2003/2005 and reducing to 51 in 2005/2006. Out of 51 ISP licensees, less than 50% are active, with approximately 1.5 million Internet users. There were also over 1 000 cyber cafés and telephone bureaus by June 2005. There were 16 operational television stations and 24 FM radio stations. There were around 8 915 public phones installed throughout the country by the year 2004. The national broadcaster (Kenya Broadcasting Corporation), with the highest penetration of radio and TV coverage, has 95% of the population covered by radio and 65% covered by television. At the same time, an estimated 87.2% of households have a radio set and 17.1% a television set (RIA, 2007).

ISPs in Kenya are faced with various challenges emanating from external environment such as competition, socio-cultural changes, technological changes and economic challenges (Mutula, 2003). These challenges pose a serious threat to such organizations. This call for better strategic plans that capture the industry dynamics and that are premised on radical changes reminiscent of the industry for swift responses make such occasions arise. The aspects of strategy that affect ISPs include information technology, policy/regulatory environment, pricing of broadband and devolution. This study focused on the ISPs in the telecommunication industry which include Liquid Telecom Kenya, Jamii Telecom Limited, MTN Business, Safaricom (K) Ltd, iWayAfrica Kenya, Airtel Kenya, Orange (Telkom) and Yu in investigating strategic planning by internet service providers in the telecommunication industry in Kenya.

1.2 Statement of the Problem

Strategy is a tool that firms can use to find their competitive advantage and place within the ever turbulent operating environment. Robinson and Pearce (2004) argue that formal strategic plans are a conceptual activity suited solely to larger firms and therefore have no effect on the performance of small firms. While strategy is a practically central concern in contemporary management, its successful implementation remains an essential challenge for virtually any organization. Miller (2000) found in his research that the victories and strengths of companies can often be the cause of their future strategic failure. The need to have strategies in an organization is increasingly being considered as very fundamental to attaining superior performance within the context of strategic management.

Driven by cost conscious customers, increasing competition, stringent regulatory requirements and technological changes and innovations, ISPs especially in the telecommunication industry in Kenya are constantly searching for new ways to obtain better performance, gain and sustain competitive advantage. The extent to which these objectives can be realized on a sustainable basis and in an environmentally sound manner is dependent on the degree and strategic plans adopted by the firms within which this critical factor of production is made affordable. However, ISPs in the telecommunication industry in Kenya, being a major industry, are dogged with problems that relate to planning. Previous researches on strategic planning have tackled various organizations other than internet service providers in the telecommunication industry in Kenya. For instance, Sharbani (2001) carried out a study on strategic planning practices within hotels and restaurants in Nairobi.

Karuri (2006) carried out a research on the challenges of strategy implementation in Development Financial Institutions: A case study of Industrial and Commercial Development

Corporation (ICDC). Her findings were that, organization structure was not matched to staff responsibilities. Further, not all staff was aware of their responsibilities and not all staff were aware of their responsibilities towards achievement of strategic plans. Finally, Karanja (2004) carried out a survey on strategic planning and performance of public corporations in Kenya and established that strategic planning was being effectively carried out by state corporations in Kenya. The studies generally recommended that further study be carried out in the areas of strategy implementation and performance in other institutions in Kenya. As observed from the foregoing discussion, no specific study has been done on strategic planning at the internet service providers in the telecommunication industry in Kenya. Given this backdrop, this study set to investigate strategic planning by internet service providers in the telecommunication industry in Kenya. The study sought to answer the following research question: how is strategic planning carried out by the ISPs in the telecommunication industry in Kenya?

1.3 Research Objectives

The objective of the study was to investigate strategic planning by ISPs in the telecommunication industry in Kenya.

1.4 Value of the Study

ISPs in the telecommunication industry: This study would be of great importance not only to the management of ISPs in the telecommunication industry in Kenya but also other firms since it investigates strategic planning by ISPs in Kenya. The study would also be important to other ISPs in Kenya since it examines the extent to which various ISPs undertake their strategic planning. This study would also be important to all those companies that would like to undertake strategic planning because the companies would be equipped with the necessary knowledge for the exercise.

The government of Kenya: The government of Kenya would be enlightened in a bid to make policies relating to strategic planning by ISPs/telecommunication companies and other firms in Kenya. Through knowledge of strategic planning by ISPs, the government can formulate policies to regulate and govern strategic planning of firms as espoused in Kenya's Vision 2030.

Academicians and researchers: To academicians and researchers, this study calls for continuous research to ascertain the actual situations rather than living on assumptions. The findings of this study therefore would prove useful to scholars and academicians who may wish to use them as a basis for further research on the subject of strategic planning by internet service providers and other firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature review of the study; the chapter explores the existing theoretical and empirical literature on strategic planning by internet service providers. The chapter covers the concept of theoretical foundations, strategic planning, and finally the empirical review on strategic planning in an attempt to bridge the gap on strategic planning by ISPs in the telecommunication industry in Kenya.

2.2 Theoretical Foundations

Strategic planning applies a system approach by looking at a company as a system composed of subsystems. It permits managers to look at the organization a whole and the interrelationships of parts, rather than deal with each separate part alone without reference to others. Therefore, it provides a framework for improved coordination and control of an organization's activities. Following the work of Ramanujam & Venkatraman (2006), the strategic planning system characteristics in the present study includes: the degree of internal orientation of the system, the degree of external orientation of the system, the level of integration achieved within functional departments, the extent of key personnel involvement in the planning process, and the extent of use of analytical techniques in addressing strategic issues.

These planning system attributes, in addition to being well-grounded in the existing literature, also appear to be problem areas in strategic planning within the internet service providers' industry. Strategic planning provides a basis for other management functions. Although many strategic planning system characteristics have been suggested in the literature, no consensus has yet emerged. This study is grounded on Institutional theory and Shumpeterian Theory of Innovation.

2.2.1 Institutional Theory

Institutional theory takes a sociological view of reciprocal interactions between institutions (such as business entities) and society. According to Scott (2001), 'Institutions are social structures that have gained a high degree of resilience'. Akinola (2005) observed that institutions 'are embedded in country-specific institutional arrangements' (emphasis added). Differences between national institutions affect both the level of entrepreneurial activity in each country and the nature and amount of innovation taking place within the country (Kiggundu, 2002). Scott (2001) identified three different systems or 'pillars' that support social institutions, namely the regulatory, normative and cognitive systems.

In the regulatory system, formal and informal rules are set, monitored and enforced if necessary by means of laws, regulations, and government policies which promote or restrict behaviours within a country (Busenitz, Goacutemez, and Spencer 2000). The normative system consists of 'normative rules that introduce a prescriptive, evaluative, and obligatory dimension into social life' (Scott 2001). In contrast, the cognitive system recognizes 'the shared conceptions that constitute the nature of social reality and the frames through which meaning is made' (Scott 2001).

In contexts where institutional and competitive pressures exert strong influences like in the ISPs industry, the strategic decisions of managers result both in conformity to institutional pressures, which leads to isomorphism and legitimacy, and in differentiation, which, following the resource-based view of the firm, can increase the possibility of creating a competitive advantage through heterogeneity in resources and capabilities. In this study compliance to regulatory/government policies is a determinant of effective strategic planning. This theory

therefore relates to the effects of regulatory policies/environment on strategic planning by the ISPs in Kenya.

2.2.2 Schumpeterian Theory of Innovation

Schumpeter (1934) is especially known for his dynamic theory of innovation and entrepreneurship. He thereby contributed an important enhancement of neoclassical “static” economics. Schumpeter is nowadays regarded as the founding father of the modern concepts of innovation and entrepreneurship. Around the 1930s Schumpeter started studying how the capitalist system was affected by market innovations. In his book “Capitalism, Socialism and Democracy” he described a process where “the opening up of new markets, foreign or domestic, and the organizational development (Klein, 2002). After analyzing the capitalist model Schumpeter tried to understand what companies would be in a better position to innovate. He developed a theory where a company’s ability to innovate was mainly connected to its size.

Initially he defended that small companies should be in a better position due to their flexibility while large companies might get trapped in bureaucratic structures (Klein, 2002). Some years later, however, he changed his view, stating that larger corporations with some degree of monopolistic power could have an advantage to develop innovations. Compared to smaller firms such large corporations have better resources and more market power. One important insight arising from Schumpeter ideas, though, is that IT can be seen as “creative destruction” waves that restructure the whole market in favor of those who grasp discontinuities faster.

The problem that is usually visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them. The collaborative model extends the power of strategic decision-making from the CEO to the organization’s management team. This model helps to motivate the managers and also provides the strategic decision-making-process

with more information and cognitive capital. The problem of this model results from the fact that collaboration does not reach beyond top management. The above theory investigated the effects of in information technology on strategic planning of ISPs in Kenya.

2.3 Strategic Planning

The basic idea and process of strategic planning has been around for many years. Strategic planning represents a paradigm shift from what is known as long-range planning. As Bruce (2008) asserts, strategic planning was developed as a proactive alternative to long-range planning. Long-range planning is based on a projection of historical data into the future using somewhat arbitrary assumptions for projectors. He further poses that long-range planning is inherently based on the past and does not provide the company with a long-term direction that will ultimately increase the organization's true value and sustain or increase its position in the marketplace. Many key strategic plans firms make involve discrete choices. These plans are fairly complex and typically involve the consideration of a number of demand, cost, and competitive factors (Karuri (2006).

Johnson, Scholes and Whittington (2005), note that strategic drift occurs when the organization's strategy gradually moves away from relevance to the forces at work in its environment. Effective strategic planning can transform the performance of an organization, make fortunes for shareholders, or change the structure of an industry (Johnson and Scholes, 2002). Ineffective strategic planning can bankrupt companies and ruin the careers of chief executives. Many scholars agree that a strategic plan needs to be simple, realistic and neither too ambitious nor insufficiently demanding (Leggate & Thompson, 1997; Aldehyyat et al., 2011).

Strategic planning should allow some degree of flexibility to fit with the changing environment. Aliouat (2007) suggests that any drawbacks in the strategic planning process relate to deficiencies in its implementation. It could be argued that there is little purpose in having a range of visions, goals, aims, objectives and so on, if there is no attention given to how they can be deployed effectively. Kraus, Harms and Schwarz (2006) found that planning formalization have positively effect on performance in small Austrian enterprise. Schwarz observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution.

2.4 Strategic Planning by the Internet Service Providers

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science and its research history has previously been described as fragmented and eclectic (Noble, 2000). It is thus not surprising that after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process.

Hussey (2000) explores the subject of successful strategy implementation by introducing the concept of “soft” and “hard” aspects of implementation. He argues that there are soft and hard elements which need to fit together if the strategy is to be implemented. The soft elements comprise the behavioural dimensions while the hard elements comprise the analytical dimensions to the process of making and the subsequent implementation of strategy. He contends that the issue then becomes one of creating a strategic fit between the soft and hard elements and

organizational variables. To be successful, the strategic plan must have the support of every member of the firm. For effective implementation of strategy, there is need for adequate leadership in the organization. This will ensure that all the organizations effort is united and directed towards achievement of the organizations goals (Pearce and Robinson, 2007).

The choice of a method for strategic management implementation will depend upon situational factors such as size of the institution, complexity of programs, institutional culture, and the style of the management. A recent study by Gibson and Cassar (Gibson & Cassar, 2005) cast doubt on the causal relationship between planning and performance, even in small firms. In Kenya, the current measures in the ISP industry consider how those measures might be changed to provide a clearer picture of the results achieved, and how those results relate to the mission and stakeholder expectations (Karanja (2004; Awino, 2001). This study discusses the effects of policy/regulatory environment, pricing of broadband and devolution on ISPs strategic planning.

2.4.1 Regulatory Policies/Environment

Revolutionary developments in broadband technologies and markets are creating many policy challenges for regulators. Chief among these are issues of broadband access and availability. National governments everywhere are embracing the potential of broadband as a key enabler of national, economic growth and development, social inclusion and cultural enrichment. For companies in many nations, regulatory policy increasingly shapes the structure and conduct of industries and sets in motion major shifts in economic value. According to Johnson & Scholes (2002) governments place a huge emphasis on the potential value from more innovation across all sectors of the economy. Predicting regulatory outcomes and planning business strategies to benefit from change are now widely considered essential elements of good business practice.

Strategic planning requires careful consideration of the regulatory objectives. Such planning may involve evaluating the impact, or potential impact of legislation and policy.

In many respects, regulation reflects an explicit, formal contract between business and society. Even in the absence of laws and regulations, informal agreements may call upon companies to meet certain social responsibilities. Supply-side strategies are usually linked directly with attempts to promote more innovative behavior (US Geological Survey, 2000). Indeed the focus of government policy is firmly focused on improvements in the microeconomics of market. The primary purpose of government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices. The prohibition against monopolization is not violated by the mere possession of monopoly power or some predetermined share of the market.

It is claimed that regulation reduces incentives for both incumbents and new entrants to invest in infrastructure and broadband content (Crandall, Hahn, & Tardiff, 2002). Scholars holding this view thus estimate that, among others, one reason for the success of broadband Internet services could be the lack of government regulation (Hausman, 2002). The reforms in the economy include abolition of price controls allowing the market forces of demand and supply to determine prices and resource allocation, liberalization of foreign exchange and interest rate regimes, privatization of Government stakes in non-strategic public institutions and divestiture of Government interests in activities of a commercial nature. The growing availability of high bandwidth is likely to enhance business growth opportunities in the field of triple play (broadband as a platform for voice services (VoIP), Internet services and video/TV services). In addition to these economic opportunities, broadband is also seen to bring about various kinds of social benefits (Klotz & Grewe, 2005).

The experience of developed countries has evidently demonstrated that a shift of government's industrial policy-making towards a technological innovation-driven economic strategy is absolutely critical. In Kenya, internet governance has been characterised, at both international and national levels, by the participation of diverse stakeholder groups. These include international entities concerned with the Internet itself (such as ICANN, the Internet Engineering Task Force (IETF) and the Internet Governance Forum (IGF)), intergovernmental organisations, national governments, private sector businesses, civil society organisations, and the Internet technical and professional community (Karuri, 2006; Awino, 2001). The new licensing regime (of 2008) is based around three main licence categories, concerned with network facilities, applications or services, and content – and imposes no technology constraints on how services are to be delivered.

2.4.2 Pricing of Broadband

Driven by the conviction of the widespread use of broadband pricing of broadband can support economic recovery and help countries achieve other important national goals. The affordability and accessibility of broadband services are largely determined by the prices that are charged for those services. According to ITU Report (2012) the regulation of prices can thus be a very tempting prospect for policymakers and regulators who want to increase the adoption and use of broadband services at the earliest time. However, price intervention in broadband markets is a risky proposition and potentially damaging to the long-term development of those markets. In the broadband Internet access market, a larger number of competitors would not necessarily result in a competitive outcome in the market. A particularly important factor limiting the effects of entry is the switching costs at the customer level.

The notion that broadband markets have not yet reached maturity may seem counterintuitive given that, at least in developed countries, penetration is quite high and utilization has infiltrated many daily routines. As Williams (2011) indicates some countries have even built national next generation access broadband networks and directly connected residential and business premises with fibre optic cables. However, it is important to distinguish between the physical broadband access connection (which is measured by penetration statistics) and the utilization and application of the bandwidth capacity of the actual broadband service. The latter has considerable potential, ranging from applications that are common today to innovative new applications, many of which involve substantial bandwidth and multimedia presentation. These applications of broadband technology provide service providers and others in the production, aggregation and distribution value chain with considerable revenue and growth potential and it would be premature to describe broadband markets as mature until that potential is more fully realised.

Further, it would be damaging to the long-term development and effectiveness of those markets if they were regulated as if they were fully and finally matured. The access and usage prices for fixed voice telephony have traditionally been subject to some form of regulation in most countries (Crandall, Hahn & Tardiff, 2002). Although that has provided regulators with many years of experience in telecommunications price regulation and the associated costing methodologies and principles, that experience is not necessarily useful and relevant to broadband markets and may even pose barriers to the development of those markets. Whereas narrowband markets were voice-centric and characterised by sunk investment costs, a simple supply chain, and known demand profiles, broadband markets are not service-specific, require considerable

new investment in infrastructure and have unclear and evolving customer demand and expectations.

As explained in Economides (2010), customers face significant costs in changing last mile broadband access networks. Lower customer churn in a market in the presence of switching costs has been shown both theoretically and empirically to be associated with a less competitive and higher-priced outcome. High prices and low churn confirm market power of last mile broadband access providers. Schwartz, while stating that the wire-line broadband access market is a duopoly, (Schwartz, 2010,) claims that there is vigorous competitive rivalry. However, his arguments are based on examples that do not hold up to scrutiny. In Kenya, while comparative advertising does occur, it is targeted mostly at marginal consumers in areas where consumers have access to more than two service providers (Karuri, 2006; Awino, 2001). High margins reveal the fact that there was a high-cartel pricing policy which exploits retail consumer.

2.4.3 Devolution

Devolution, a shift of program and financial responsibility from a more to less centralized level of government affects various aspects of ISPs including their strategic planning (Randal, 2001). The fundamental conflict in devolution is the desire on the part of officials to combine an activist policy agenda with a vision of smaller, more decentralized government. While devolution implies local control, many of the changes enacted with the devolution impose more, rather than fewer, restrictions on ISPs. Similarly, a reduction of support as well as a transfer of responsibility has, in many instances, accompanied devolution of responsibility. These often contradictory motivations have undermined the ability of states and localities to innovate and use the flexibility implied by devolution to address local needs.

While, in theory, indirect liability can be attractive independent of its role in encouraging detection and deterrence, in practice we doubt that arguments about activity levels would on their own lead us to favor indirect liability for ISPs. According to Souter & Makau (2012) hesitation does not derive from any doubts over whether ISPs impose negative externalities as they enroll new customers and offer new services; of course there are externalities at play, given that any new subscriber can turn out to be a careless grandma, and any new service can quickly devolve into a portal for Internet contagion. The concern instead derives from the fact that there are drawbacks to imposing liability solely because of negative externalities, and we think those drawbacks are significant in this particular application.

One drawback associated with the activity level rationale is that it might distort incentives by forcing parties to internalize negative externalities even though they often cannot internalize equally sizeable positive externalities. The starting point is Kenya's new (2010) Constitution, which has restructured the country's political and administrative framework, not least by devolving a great deal of power to new local government entities, and which sets out some core principles of governance. These include constitutional commitments in favour of the privacy of communications, freedom of expression and free media, which are derived from the Universal Declaration of Human Rights. Kenya's new constitution transfers much administrative authority from central government to 47 new local administrations (counties), whose government bodies will likewise have an interest in the availability, access and use of Internet within their jurisdictions and will seek to exploit them for local development.

With the devolvment, ICT infrastructure and services are prerequisites to development in each County Government. In particular, the mobile and data sub-sector has resulted in extensive and aggressive deployment of infrastructure in most parts of the country by the competing

telecommunications businesses (Liquid Telecom Kenya, Jamii Telecom Limited, MTN Business, Safaricom (K) Ltd, iWayAfrica Kenya, Orange Telkom, Safaricom, Airtel and Essar). In addition, large data infrastructure operators, including Jamii Telecom, Liquid Telcom, Access Kenya Group, Wananchi Group, Kenya Education Network (KENET), MTN, Internet Solutions, amongst others are developing infrastructure. Infrastructure deployment by many operators has resulted to competition leading to a relative reduction of tariffs and increased usage of mobile phones and internet. By September 2013, there were 31.3 million mobile subscribers and mobile penetration of 76.9 per cent. At the same time, there were 25.1 million mobile money subscribers. Estimated internet users were 19.1 million with 47.1 per 100 inhabitants having access to internet services. The International internet bandwidth available was 60,900Mbps of which 41.8 per cent was being utilized (CCK, 2014).

2.5 Empirical Review

Internet service providers are today largely liable for their role in the interconnection computer networks that allows users access resources and information within the network. Sherman, Rowley and Armandi (2007) notes that a common problem experienced in Africa is that people are appointed to positions to which they have no matching professional ability. This leads to a mismatch between the personalities appointed with the strategies that can work well for the organization. Employers are required to treat their employees as internal customers who have the ability to give feedback an organizational progress.

Dandira (2011) notes that lower cadre employees may feel left out in formulation and hence they fail to implement the plan effectively. Effective interpersonal skills from top management enable them to involve all the stakeholders to participate actively in the whole process of strategic plan formulation. Continuous learning is very important for any person who wishes to get the skills to

scan the environment. Hamid (2008) notes that different people have different ways of acquiring knowledge; some prefer scanning the environment, others reading from the books and internet and others from discussing with their peers. To be able to formulate strategic plans effectively, today's environment requires business minded and innovative employees who after analyzing the environment, can be able to develop strategies that are customer focused.

Locally, Awino (2001) looked at strategy implementation in State Corporation, the Higher Education Loans Board which is commercial and education oriented. Ochanda (2005) studied the challenges of strategy implementation at Kenya Industrial Estates (KIE). He recommended that the study be replicated on other state enterprises and an in-depth study be carried out on each challenge. Karanja (2004) carried out a survey on strategic planning and performance of public corporations in Kenya and established that strategic planning was being effectively carried out by state corporations in Kenya. She however, noted that only 24 respondents out of 50 responded to the study. Due to the poor response and performance indicators of her study, she recommended that further study be carried out in the areas of strategy implementation and performance in state corporations in Kenya.

Karuri (2006) carried out a research on the challenges of strategy implementation in Development Financial Institutions: A case study of Industrial and Commercial Development Corporation (ICDC). Her findings were that, organization structure was not matched to staff responsibilities. Further, not all staff was aware of their responsibilities and not all staff were aware of their responsibilities towards achievement of strategic plans. She therefore recommended that further research be carried out in the area of challenges in implementing strategic plans in other public enterprises. To the best of the researcher's knowledge, no study

had ever investigated the strategic planning by internet service providers in the telecommunication industry in Kenya hence the research gap. It was against this backdrop that the current study aims to close the existing gap by carrying out a study on the strategic planning by internet service providers in the telecommunication industry in Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter set out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. Therefore, in this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data.

3.2 Research Design

This research problem was studied through the use of a descriptive research design to investigate strategic planning by internet service providers in the telecommunication industry in Kenya. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This research design had the ability to accommodate large sample sizes; ability to distinguish small differences between diverse samples groups; ease of administering and recording questions and answers; increased capabilities of using advanced statistical analysis; and abilities of tapping into latent factors and relationships.

3.3 Population of the Study

The target population for this study was the internet service providers in the telecommunication industry in Kenya. These firms included Liquid Telecom Kenya, Jamii Telecom Limited, MTN Business, Safaricom (K) Ltd, iWayAfrica Kenya, Safaricom (K) Ltd, Airtel Kenya, Orange (Telkom) and Yu. This constituted a census as all the internet service providers in the telecommunication industry in Kenya. To investigate strategic planning by internet service providers in the telecommunication industry in Kenya, the study must take into consideration the fact that staffs of the target firms are quite significant to elicit information on strategic planning by internet service providers in the telecommunication industry in Kenya. As such, this study

concentrated on the internet service providers in the telecommunication industry in Kenya. Studying the whole population therefore, enhances the value of the study by giving an overall inference of the above characteristics and functions of each firm in provision of internet service.

3.4 Data Collection

This study collected both primary and secondary data. Primary data was collected using questionnaires. Questionnaires are preferred to other data collection instruments because they are practical and help in collection of a large amount of data from many people within a very short period in a cost effective way. It was also easy to quantify the results of a questionnaire (Kazdin, 2003). Data was collected from ISPs in the telecommunication industry in Kenya.

3.5 Data Analysis

Questionnaires were checked for completeness and consistency. Thereafter, the data was coded and a database developed in statistical software. Analysis was done using descriptive statistics that included frequency distributions, percentages, means and standard deviations as the measures of central tendency and presented in tables and charts to describe the data into simple summaries. Standard deviation will be used as the preferred measure of statistical dispersion to compliment the measures of central tendency in analyzing the data.

Interpretation of data will be of benefit in describing the state of affairs as it exists. With the help of Statistical Package for Social Scientists (SPSS), the researcher qualitatively and quantitatively analyzed and interpreted the data obtained from the field. Report and findings presentation will be done in tables and charts with explanations on all the parameters used on strategic planning by internet service providers in the telecommunication industry in Kenya.

CHAPTER FOUR: DATA ANALYSIS AND DISCUSSIONS

4.1 Introduction

This chapter presents findings and analysis of the study as set out in the research methodology. The study findings are presented on the strategic planning by internet service providers in the telecommunication industry in Kenya. The analysis of data was done using statistical package for social sciences (SPSS). The chapter is organized according to the research objectives. The data was gathered from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. The study employed various statistical tools for extracting information on strategic planning by internet service providers in the telecommunication industry in Kenya. The study involved respondents drawn from the four telecommunication companies involved in ISP business in Kenya in collecting data with regard to the strategic planning by internet service providers in the telecommunication industry in Kenya.

4.1.1 Response Rate

The study targeted respondents from the four telecommunication companies involved in the provision of internet services. The responses were received from Liquid Telecom Kenya, Jamii Telecom Limited, MTN Business, Safaricom (K) Ltd, iWayAfrica Kenya, Safaricom (K) Ltd, Airtel Kenya, Orange (Telkom) and Yu. The study further sought to ascertain the length of time that the ISPs in the telecommunication industry have been in operation in Kenya. Table 4.1 shows the results.

Table 4.1: Firms' Length of Operation

Firm	Year of Incorporation
Safaricom Kenya Ltd	1997
Airtel Kenya	2000
Telkom Orange	1963-1999-2008
Essar Telecom/Yu	2008

Source: Author, 2014

From the study, the oldest telecommunication firm involved in mobile financial services is Orange Telkom Kenya which was established initially as East African Postal Corporation (EAPC). It was however established as a public telecommunications operator under the Companies Act in April, 1999. Telkom Kenya's partnership with France Telecom Group, saw the launch of the Orange brand in Kenya in 2008. Other firms were established recently such as Safaricom Kenya Ltd established in 1997, followed by Airtel Kenya established in 2000,. Essar Telecom (Yu) was incorporated in Kenya in 2008. This is a clear indication that most of the firms sampled had been operating in the industry for a long time hence are better placed to respond to the issues sought by this study.

The study also sought to establish the ownership statuses of the ISP in the telecommunication industry in Kenya. The results are as depicted in Table 4.2.

Table 4.2: Ownership Statuses of the ISP in the telecommunication industry

Firm	Ownership Status
Safaricom Kenya Ltd	Joint private/public (foreign/local ownership)
Airtel Kenya	Joint private (foreign/local ownership)
Telkom Orange	Joint foreign private/Kenya Govt
Essar Telecom/Yu	Private (foreign)

Source: Author, 2014

Majority of the firms in the mobile money business in Kenya are a joint private/public. This category comprises of the major telecommunication firms such as Safaricom Kenya Ltd, Airtel Kenya, Telkom Orange and Essar Telecom/Yu.

The study required the respondents to indicate the number of employees working in the ISPs in the telecommunication industry in Kenya. The results are as shown in Table 4.3.

Table 4.3: Number of Employees Working in the ISPs in Telecommunication Industry

Firm	Number of Employees
Safaricom Kenya Ltd	10,000
Airtel Kenya	3000
Telkom Orange	2500
Essar Telecom/Yu	500

Source: Author, 2014

The study results indicate that Safaricom is the largest employer among the ISP in the telecommunication industry in Kenya with over 10000 employees. Airtel Kenya employs about 3000 employees, Telkom Orange follows with an estimated 2500 employees countrywide while Essar Telecom employs 500 staff.

ISPs in the telecommunication industry contribute significantly to the revenue stream generated by the firms' total diversified services and product mix. As such the study sought to establish (in billions of Kenya Shillings) the average contribution of the ISPs in the telecommunication industry function to the firm's annual turnover.

Table 4.4: Average Annual Turnover of ISPs in the Telecommunication Industry

Firm	Average Annual Turnover (in Billions of KShs)
Safaricom Kenya Ltd	Above 6bn
Airtel Kenya	3bn-4.5 bn
Telkom Orange	Below 1.5 bn
Essar Telecom/Yu	1.5bn-3.0 bn

Source: Author, 2014

From the study, Telkom Orange makes an average annual turnover of less than KShs. 1.5 billion. Essar Telecom/Yu Mobile makes between KShs. 1.5bn-KShs. 3.0 bn, Airtel Kenya makes

average annual sales of between KShs. 3.0-4.5 billion, while Safaricom makes the highest average annual turnover amounting to more than KShs. 6.0billion.

4.2 Strategic Planning by ISPs in the Telecommunication Industry

The main purpose of this study was to investigate strategic planning by internet service providers in the telecommunication industry in Kenya. As such the study sought to establish the respondents' view on the effectiveness of strategic plans in their firms. The results are as depicted in Table 4.5.

Table 4.5: Effectiveness of Strategic Planning by ISPs in Telecommunication Industry

Contribution	Frequency	Percent
Much effective	10	28
Moderate effective	14	38
Less effective	12	34
Total	36	100

Source: Author, 2014

According to the results depicted in Table 4.5, 38% of the respondents indicated that there has been a moderately effective ISPs in the telecommunication industry in Kenya, 34% of them recapped that the strategic planning in the firms in Kenya has been less effective while 28% of the respondents opined that strategic planning in their firms has been much effective. These results indicate that majority of the ISPs in the telecommunication industry in Kenya are moderately effective in their endeavors of strategic planning.

The respondents were further required to indicate the extent to which the ISPs focus on the various aspects aimed at realizing effective strategic planning and hence better performance.

Table 4.6 shows the results of the study.

Table 4.6: Aspects used for Effective Strategic Planning and Better Performance

Aspects of strategic planning	Mean	Std. Dev.
Increase this firm's market share	3.9410	0.1111
Provision of the national strategic reserve	3.0500	0.4212
Providing an enhanced distribution infrastructure	3.7923	0.3421
Participating actively in internet and broadband provision	3.1942	0.1422
Developing organisational and operational excellence	2.8949	0.2351
Developing long term financing for the Strategic Goals	3.5273	0.1363

Source: Author, 2014

Majority of the respondents reiterated that the ISPs firms focus on increasing their market share to a great extent as shown by a mean score of 3.9410, providing an enhanced distribution infrastructure to a great extent as shown by a mean score of 3.7923 as well as developing long term financing for the strategic goals to a great extent as shown by a mean score of 3.5273. In addition they recapped that the various strategic decisions made are aimed at participating actively in internet provision activities to a moderate extent as shown by a mean score of 3.1942, provision of the national strategic reserve to a moderate extent as shown by a mean score of 3.0500 and developing organisational and operational excellence to a moderate extent as shown by a mean score of 2.8949.

4.2.1 Policy/Regulatory Environment

One of the aspects of strategy that affect internet service providers in the telecommunication industry in Kenya is government policy/regulatory environment. In this regard the respondents

were required to indicate the extent to which government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya.

Table 4.7: Extent to which Policies affect ISPs in Telecommunication Industry

Extent	Frequency	Percent
To a very great extent	2	5.7
To a great extent	10	28.3
To a moderate extent	20	56.6
To a little extent	3	9.4
Total	36	100.0

Source: Author, 2014

From the study, 56.6% of the respondents indicated that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a moderate extent, 28.3% of the respondents indicated that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a great extent, 9.4% of the respondents indicated that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a little extent, while 5.7% of the respondents indicated that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a very great extent.

The study further sought to establish the extent to which various aspects of government policies affect the strategic planning by internet service providers in the telecommunication industry in Kenya. The results are as depicted in Table 4.8.

Table 4.8: Extent to which Government Policies affect Strategic Planning in the ISPs

Government policies	Mean	Std. Dev.
Broadband access	3.7391	1.42118
Broadband availability	3.6828	1.2501
Level of awareness	3.3714	.83703
Interest rate regimes	3.5000	.59

Privatization of government stakes	3.6875	1.25
Legal compliance	3.5489	1.18
Licensing	3.5428	1.5152
Price controls	3.3322	1.4923

Source: Author, 2014

Majority of the respondents indicated that broadband access affects strategic planning by internet service providers in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.7391, privatization of government stakes affects the strategic planning hence the performance of the ISPs to a great extent as shown by a mean score of 3.6875, broadband availability affects strategic planning by internet service providers in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.6828, legal compliance affects strategic planning by internet service providers in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5489, licensing affects strategic planning by internet service providers in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5428 and interest rate regimes affects strategic planning by internet service providers in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5000, while level of awareness and price controls affect strategic planning by internet service providers in the telecommunication industry in Kenya to moderate extents as shown by mean scores of 3.3714 and 3.3322 respectively.

The study also sought to establish the respondents' level of agreement on the various statements with regard to government policies affecting strategic planning and how they contribute to performance of the ISPs in the telecommunication industry in Kenya.

Table 4.9: Agreement with statements on effects of policies Strategic Planning by ISPs

Statements with regard to government policies	Mean	Std. Dev.
Tax policy of the government is viewed as discriminatory hence	3.9571	.52297

contributing to the nature of competition		
There is need to develop policy recommendation for ISPs industry such as harmonizing and rationalizing taxes, developing an appropriate policy to develop the industry	3.3714	.83703
The government place a huge emphasis on the potential value from more innovation across all sectors of the economy	3.0000	0.8401
Government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices	3.6954	1.2543
The government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets	3.5542	1.1833

Source: Author, 2014

From the study, the respondents agreed that tax policy of the government is viewed as discriminatory hence contributing to the nature of competition as shown by a mean score of 3.9571, government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices as shown by a mean score of 3.6954, the government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets as shown by a mean score of 3.5542 and introduction of suspended duty on refined products imported directly into the country to cushion the refinery from competition from efficient refineries in the gulf region as shown by a mean score of 3.5428; however they remained neutral on that there is need to develop policy recommendation for the industry such as harmonizing and rationalizing taxes, developing an appropriate policy to develop the industry as shown by a mean score of 3.3714 and that the government place a huge emphasis on the potential value from more innovation across all sectors of the economy as shown by a mean score of 3.0000.

4.2.2 Pricing of Broadband

Pricing of broadband is another aspect that affects the strategic plans of ISPs in the telecommunication industry in Kenya. As such the study sought to establish the extent to which pricing of broadband affects strategic planning of ISPs in the telecommunication industry in Kenya.

Table 4.10: Extent to which Pricing of Broadband affects Strategic Planning of ISPs

Extent	Frequency	Percent
To a very great extent	0	0
To a great extent	21	59
To a moderate extent	7	19
To a little extent	8	22
Total	36	100

Source: Author, 2014

From the study results shown in table 4.10, an overwhelming majority (59%) of the respondents unanimously indicated that pricing of broadband affects strategic planning of ISPs in the telecommunication industry in Kenya to a great extent, 22% of the respondents indicated that pricing of broadband affects strategic planning of ISPs in the telecommunication industry in Kenya to a little extent, while 19% of the respondents indicated that pricing of broadband affects strategic planning of ISPs in the telecommunication industry in Kenya to a moderate extent. These results clearly indicate that pricing of broadband affects strategic planning of ISPs in the telecommunication industry in Kenya in Kenya.

The study further sought to establish the extent to which various aspects of pricing of broadband affect strategic planning at the ISPs in the telecommunication industry. A scale of 1 to 5 was provided where 1= no extent, 2= little extent, 3= moderate extent, 4= large extent and 5 is to a very large extent.

Table 4.11: Aspects of Pricing of Broadband affecting Strategic Planning at the ISPs

Aspects of Pricing of Broadband	Mean	Std. Dev.
Product/services price	3.7533	1.1823
Costing standards/ methodologies and principles	3.5845	0.77251
Price reductions	3.3322	1.4923
Affordability of broadband services	3.3725	1.2021
Operating costs	3.5528	1.1843
Accessibility of broadband services	3.4612	1.2633
Switching costs	3.3714	.83703
Production, aggregation and distribution value chain	3.6250	1.4083

Source: Author, 2014

Majority of the respondents recapped that product/services price affects strategic planning at the ISPs in the telecommunication industry to a great extent as shown by a mean score of 3.7533, production, aggregation and distribution value chain affect strategic planning at the ISPs in the telecommunication industry to a great extent as shown by a mean score of 3.6250, costing standards/ methodologies and principles affect strategic planning at the ISPs in the telecommunication industry to a great extent as shown by a mean score of 3.5845 as well as operating costs as shown by a mean score of 3.5528. On the other hand, the respondents indicated that accessibility of broadband services affordability of broadband services, switching costs and price reductions affect strategic planning at the ISPs in the telecommunication industry to moderate extents as shown by a mean score of 3.4612, 3.3725, 3.3714 and 3.3322 respectively.

The respondents were also required to indicate their level of agreement with various statements on the effects of pricing of broadband on strategic planning of ISPs in the telecommunication industry in Kenya. A scale of 1-5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Table 4.12: Agreement on effects of Pricing of Broadband on Strategic Planning of ISPs

Outcomes of pricing of broadband	Mean	Std. Dev.
Price intervention in broadband markets potentially damages the long-term development of the ISPs markets	3.3322	1.4923
The total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing	3.6667	1.342
Growth in service delivery effectiveness is likely to result primarily from continuous improvement	3.7533	1.1823
Costing strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors	3.5845	0.77251
The broadband pricing seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs	3.3725	1.2021
Pricing has build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service	3.5000	.5933

Source: Author, 2014

According to the results depicted in table 4.12, majority of the respondents agreed that growth in service delivery effectiveness is likely to result primarily from continuous improvement as shown by a mean score of 3.7533, the total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing as shown by a mean score of 3.6667, costing strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors as shown by a mean score of 3.5845 and that pricing has build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service as shown by a mean score of 3.5000. The respondents further remained neutral on that broadband pricing seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs as shown by a mean score of 3.3725 and that price intervention in broadband markets potentially damages the long-term development of the ISPs markets as shown by a mean score of 3.3322.

4.2.3 Devolution

The study further sought to establish the extent to which devolution affect the strategic plans of ISPs in the telecommunication industry in Kenya. Table 4.13 shows the results of the study.

Table 4.13: Extent to which Devolution affect the Strategic Planning of ISPs

Extent	Frequency	Percent
To a great extent	22	60
To a moderate extent	6	18
To a little extent	8	22
Total	36	100

Source: Author, 2014

From the study, 60% of the respondents indicated that devolution affects the strategic plans of ISPs in the telecommunication industry in Kenya to a great extent, 22% of the respondents indicated that devolution affect the strategic plans of ISPs in the telecommunication industry in Kenya to a little extent, while 18% of the respondents indicated that devolution affect the strategic plans of ISPs in the telecommunication industry in Kenya to a moderate extent. These results imply that majority of the devolution affect the strategic plans of ISPs in the telecommunication industry in Kenya to a great extent.

The respondents were required to indicate the extent to which various aspects of devolution affect strategic planning of ISPs in the telecommunication industry in Kenya. The responses are as depicted in Table 4.14.

Table 4.14: Extent to which aspects of Devolution affect Strategic Planning of ISPs

Aspects of devolution	Mean	Std. Dev.
Transfer of responsibility	3.0769	.75955
Fees and charges on ISPs	3.5528	1.1843
Reduction of support	3.5489	1.1772
Involvement of stakeholders	3.2972	1.6102
Utilization of Untapped Resources	3.6252	1.0026

Distribution of Revenue	3.6250	1.002
Infrastructural investments	3.5845	0.77251

Majority of the respondents reiterated that utilization of untapped resources affect strategic planning of ISPs in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.6252, distribution of revenue affect strategic planning of ISPs in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.6250, infrastructural investments affect strategic planning of ISPs in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5845, fees and charges on ISPs affect strategic planning of ISPs in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5528 and reduction of support affect strategic planning of ISPs in the telecommunication industry in Kenya to a great extent as shown by a mean score of 3.5489, while involvement of stakeholders affect strategic planning of ISPs in the telecommunication industry in Kenya to a moderate extent as shown by a mean score of 3.2972 and transfer of responsibility affect strategic planning of ISPs in the telecommunication industry in Kenya to a moderate extent as shown by a mean score of 3.0769.

On any other information to share about strategic planning by internet service providers in the telecommunication industry in Kenya, the respondents recapped that strategic planning for ISPs in Kenya is very critical especially in the face of ever changing regulatory framework which is a very key component of the planning process and that the ISPs implement their strategic performance management system. In addition,

On what should be done to enhance strategic planning of ISPs in the telecommunication industry in Kenya, the respondents opined that the ISP's need to ensure that they have all the up to date data to ensure that they are able have viable strategies in place. This will make for strong

strategic plans since important entities will have been factored into the plans. In addition, the government should involve the ISP's when formulating policies and regulations that touch on overall operations of the telecommunications industry.

4.3 Discussion of Findings

From the study the ISPs in the telecommunication industry in Kenya are moderately effective in their endeavors of strategic planning and the various aspects aimed at realizing effective strategic planning and hence better performance include focus on increasing their market share, providing an enhanced distribution infrastructure and developing long term financing for the strategic goals to great extents. Other areas include participating actively in internet provision activities, provision of the national strategic reserve and developing organisational and operational excellence to moderate extents. These findings concur with Robinson and Pearce (2004) who found that strategic plans are a conceptual activity suited to affect the performance of firms. Indeed, ISPs in Kenya are constantly searching for new ways to obtain better performance, gain and sustain competitive advantage, increasing their market share, providing an enhanced distribution infrastructure and developing long term financing for the strategic goals.

The foregoing results show that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a moderate extent. Broadband access, privatization government stakes, broadband availability, legal compliance, interest rate regimes, licensing level of awareness and price controls affect strategic planning by internet service providers in the telecommunication industry in Kenya to significant levels. The findings correspond to submissions by Mutula (2003) that the ICT constraints as: high cost of access to telecommunications; Government policy towards ICT; under utilization of existing technologies; limited indigenous base; digital illiteracy.

The study further found concurrence on that tax policy of the government is viewed as discriminatory hence contributing to the nature of competition, government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable price, the government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets and introduction of suspended duty on refined products imported directly into the country to cushion the refinery from competition from efficient refineries in the region. Schwarz et al., (2006) found that planning formalization have positively effect on performance in small Austrian enterprise. Schwarz et al., (2006) observed that companies typically realize only about 60 percent of their strategies potential value because of defects and breakdowns in planning and execution.

The results also show that pricing of broadband affects the strategic plans of ISPs in the telecommunication industry in Kenya and product/services price, production, aggregation and distribution value chain, costing standards/ methodologies and principles as well as operating cost affect strategic planning at the ISPs in the telecommunication industry to great extents. Accessibility of broadband services affordability of broadband services, switching costs and price reductions affect strategic planning at the ISPs in the telecommunication industry to moderate extents. The affordability and accessibility of broadband services are largely determined by the prices that are charged for those services. According to ITU Report (2012) the regulation of prices is a very tempting prospect for policymakers and regulators who want to increase the adoption and use of broadband services at the earliest time.

In the broadband Internet access market, a larger number of competitors would not necessarily result in a competitive outcome in the market. A particularly important factor limiting the effects

of entry is the switching costs at the customer level. The study found that growth in service delivery effectiveness is likely to result primarily from continuous improvement, the total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing, costing strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors and that pricing has build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service.

According to the results of the study devolution affects the strategic plans of ISPs in the telecommunication industry in Kenya to a great extent. As such, utilization of untapped resources, distribution of revenue, infrastructural investments, fees and charges on ISPs and reduction of support affect strategic planning of ISPs in the telecommunication industry in Kenya to great extents. In addition, involvement of stakeholders and transfer of responsibility affect strategic planning of ISPs in the telecommunication industry in Kenya to moderate extents. The results concur with the findings by Randal (2001) that the fundamental conflict in devolution is the desire on the part of officials to combine an activist policy agenda with a vision of smaller, more decentralized government and indicated that while devolution implies local control, many of the changes enacted with the devolution impose more, rather than fewer, restrictions on ISPs. The study found that strategic planning for ISPs in Kenya is very critical especially in the face of ever changing regulatory framework which is a very key component of the planning process.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes data collected and statistical analysis undertaken with reference to study objectives and research questions. Having collected and analyzed data in chapter four, this chapter is aimed at presenting a summary of the study objectives, research methodology and findings. This chapter provides the summary of the findings from chapter four, and it also gives the discussions and conclusions and recommendations of the study based on the objectives of the study. The chapter finally presents the recommendations for improvement, institutional recommendations and recommendations for further research.

5.2 Summary of Findings

The study found that the ISPs in the telecommunication industry in Kenya are moderately effective in their endeavors of strategic planning. From the study, the various aspects aimed at realizing effective strategic planning and hence better performance include focus on increasing their market share, providing an enhanced distribution infrastructure and developing long term financing for the strategic goals to great extents. Other areas include participating actively in internet provision activities, provision of the national strategic reserve and developing organisational and operational excellence to moderate extents.

The study found that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya to a moderate extent. The results of the study show that broadband access, privatization government stakes, broadband availability, legal compliance, interest rate regimes and licensing affects strategic planning by internet service providers in the telecommunication industry in Kenya to great extents while level of awareness

and price controls affect strategic planning by internet service providers in the telecommunication industry in Kenya to moderate extents. The study found concurrence on that tax policy of the government is viewed as discriminatory hence contributing to the nature of competition, government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable price, the government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets and introduction of suspended duty on refined products imported directly into the country to cushion the refinery from competition from efficient refineries in the gulf region.

The study further found that pricing of broadband is another aspect that affects the strategic plans of ISPs in the telecommunication industry in Kenya to a great extent. From the results, product/services price, production, aggregation and distribution value chain, costing standards/ methodologies and principles as well as operating cost affect strategic planning at the ISPs in the telecommunication industry to great extents. Other aspects include accessibility of broadband services affordability of broadband services, switching costs and price reductions which affect strategic planning at the ISPs in the telecommunication industry to moderate extents. The study found that growth in service delivery effectiveness is likely to result primarily from continuous improvement, the total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing, costing strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors and that pricing has build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service.

The study also found that devolution affects the strategic plans of ISPs in the telecommunication industry in Kenya to a great extent. Accordingly, utilization of untapped resources, distribution of revenue, infrastructural investments, fees and charges on ISPs and reduction of support affect strategic planning of ISPs in the telecommunication industry in Kenya to great extents. On the other hand, involvement of stakeholders and transfer of responsibility affect strategic planning of ISPs in the telecommunication industry in Kenya to moderate extents. The study found that strategic planning for ISPs in Kenya is very critical especially in the face of ever changing regulatory framework which is a very key component of the planning process.

5.3 Conclusions

The study concludes that there have been moderately effective ISPs in the telecommunication industry in Kenya. Strategic planning in ISPs focus on increasing their market share, providing an enhanced distribution infrastructure, participating actively in internet provision activities, provision of the national strategic reserve and developing organisational, operational excellence, and developing long term financing for the strategic goals in order to realize effective strategic planning and hence better performance.

The study further deduces that government policy/regulatory environment affect internet service providers in the telecommunication industry in Kenya. According to the findings, broadband access, privatization government stakes, broadband availability, legal compliance, interest rate regimes, licensing, level of awareness and price controls affects strategic planning by internet service providers in the telecommunication industry in Kenya. The study concludes that tax policy of the government is viewed as discriminatory hence contributing to the nature of competition, government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable

price, the government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets and introduction of suspended duty on refined products imported directly into the country to cushion the refinery from competition from efficient refineries in the gulf region.

The study deduces that pricing of broadband affects the strategic plans of ISPs in the telecommunication industry in Kenya. As such, product/services price, production, aggregation and distribution value chain, costing standards/ methodologies and principles, operating cost, accessibility of broadband services affordability of broadband services, switching costs and price reductions affect strategic planning at the ISPs in the telecommunication industry. From the results, growth in service delivery effectiveness is likely to result primarily from continuous improvement, the total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing, costing strategy is effectively implemented when the business designs, produces.

The study finally concludes that devolution affects the strategic plans of ISPs in the telecommunication industry in Kenya and strategic planning for ISPs in Kenya is very critical especially in the face of ever changing regulatory framework which is a very key component of the planning process. In this regard, utilization of untapped resources, distribution of revenue, infrastructural investments, fees and charges on ISPs, reduction of support, involvement of stakeholders and transfer of responsibility affect strategic planning of ISPs in the telecommunication industry in Kenya.

5.4 Recommendations

From the foregoing, there are various aspects of government policies affect the strategic planning such as privatization of government stakes, legal compliance, licensing and interest rate regimes. In this regard, the study thus recommends that it is important to put in place mechanisms for continued review of the legal and policy frameworks to ensure it is up to date and the industry remains competitive. Further, it is necessary to adopt a minimalist government intervention approach in oil production and distribution. The essence of this approach is restricting the role of the government strictly to regulatory and policy-making roles without giving it an opportunity to participate in the market as a commercial player. As such, the private sector is given a free hand to innovate the best approaches to steer the industry forward.

The study further recommends that since technology affects competitiveness, customer satisfaction and product diversification, technological advancements, the ISPs in the telecommunication industry should embrace IT within all department of the organization in order to have a uniform outcome and common objective with expected positive outcome all over the organization. As such the technologies adopted should address various aspects like customer security, competitive strength, efficient service delivery, convenient locations, partnerships with several organizations and product development. They should adopt technological tools and techniques that support the sales process, that enhance expanding and maintaining market share, influence the firms to invest more in making better use of technological innovations, they should have a positive impact on implementation of strategic plans.

Based on the research findings, it is recommended that the ISPs' structures should take note of cultural dynamics so that an absolutely new slate of practices is enacted. The internal culture that does not support ultimate realization of objectives should be avoided by first ensuring that all

employees are well inducted into their roles and space in service delivery. The study therefore recommends that coordination of activities need to be streamlined to enhance success in strategy implementation by ensuring that employee across the organization understand their roles to ensure that they stay focused on the key targets given the everyday pressures. Further, it is the recommendation of this study that experts are involved in regular reviews of adopted organizational structures.

5.5 Recommendation for Further Studies

Given that internet and IT solutions are a key component of the economic sector in Kenya, ISPs infrastructural requirements as well as investment requirements and options for financing internet promoting projects including public private partnerships, project financing and/or an appropriate throughput tariff structure that will spur investment in the ISPs industry development are imminently needed. There is need for a more focused research on all the other possible strategic approaches of enhancing strategic planning of ISPs in the telecommunication industry in Kenya and the industry as a whole.

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APPENDICES

Appendix I: Introductory Letter

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST TO COLLECT DATA FOR AN MBA PROJECT

I am a post graduate student at the University of Nairobi pursuing a Masters of Business Administration degree.

Pursuant to the pre-requisite course work, I am currently conducting a research project on **STRATEGIC PLANNING BY INTERNET SERVICE PROVIDERS IN THE TELECOMMUNICATION INDUSTRY IN KENYA**. The focus of my research will be on the Head Offices of ISPs in the telecommunication industry in Kenya and this will involve use of questionnaires administered to the management staffs of the ISPs in the telecommunication industry head offices in Nairobi Kenya.

I kindly request you to participate in this study by assisting in filling the questionnaires and providing with any other relevant information. The information collected will be treated with utmost confidentiality and is for academic purpose only. The findings and recommendations of the research will be availed to you upon completion of the research

Thank you in advance.

Yours faithfully,

Michael Sabala

MBA, UoN

Appendix II: Research Questionnaire

This research is in partial fulfillment of requirements for a degree in Masters of Business Administration from the University of Nairobi and I will be most grateful if you could kindly complete this questionnaire. This questionnaire consists of two parts; kindly answer all the questions by ticking in the appropriate box or filling in the spaces provided. Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided. The information given here will only be used for purposes of this study and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

PART A: COMPANY INFORMATION

1. Name of your Company:.....
2. How long has this ISP in the telecommunication industry been in operation in Kenya?

Less than 3 years	<input type="checkbox"/>	7-10 years	<input type="checkbox"/>
3-6 years	<input type="checkbox"/>	Over 10 years	<input type="checkbox"/>
3. Please indicate the ownership of this firm (Tick appropriately)

Locally owned	<input type="checkbox"/>	Foreign	<input type="checkbox"/>
Mixture of local and foreign	<input type="checkbox"/>	Others.....	<input type="checkbox"/>
4. What is the firm's annual turnover?.....

Above 6bn	<input type="checkbox"/>	3bn-4.5 bn	<input type="checkbox"/>
Below 1.5 bn	<input type="checkbox"/>	1.5bn-3.0 bn	<input type="checkbox"/>
5. How much is your firms market share in the ISPs in the telecommunication industry?.....
6. How many staffs are employed in this firm?.....

PART B: STRATEGIC PLANNING BY ISPS IN TELECOMM INDUSTRY

1. How would you rate the effectiveness of strategic plans in this firm?

Very much effective	<input type="checkbox"/>	Much effective	<input type="checkbox"/>
Moderate effective	<input type="checkbox"/>	Less effective	<input type="checkbox"/>
Not effective	<input type="checkbox"/>		

2. To what extent does the Firm focus on the following aspects aimed at realizing effective strategic planning and hence better performance? Rate on a scale of 1 to 5 where 1 is to no extent and 5 is to a very great extent

Aspects of strategic planning	1	2	3	4	5
Increase this firm's market share					
Provision of the national strategic reserve					
Providing an enhanced distribution infrastructure					
Participating actively in provision of internet activities					
Developing organisational and operational excellence					
Developing long term financing for the strategic goals					
Other (Specify.....)					

POLICY/REGULATORY ENVIRONMENT

3. To what extent do government policies affect the strategic planning in ISPs in Kenya?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

4. To what extent do the following aspects of regulatory policies affect the affect strategic plan in the Firm? Use a scale of 1 to 5 where 1 is to no extent and 5 is to a very great extent

Government policies	1	2	3	4	5
Broadband access					
Broadband availability					
Level of awareness					
Interest rate regimes					
Privatization of government stakes					
Legal compliance					
Licensing					
Price controls					
Other (specify.....)					

5. Rate your level of agreement on the following statements with regard to regulatory policies affecting strategic planning? Use a scale of 1 to 5 where 1 is strongly disagree and 5 is strongly agree.

Statements with regard to government policies	1	2	3	4	5
Tax policy of the government is viewed as discriminatory hence contributing to the nature of competition					
There is need to develop policy recommendation for					

ISPs industry such as harmonizing and rationalizing taxes, developing an appropriate policy to develop the industry					
The government place a huge emphasis on the potential value from more innovation across all sectors of the economy					
Government policies is to foster free and unfettered competition on the assumption that such competition will produce the best result for consumers the lowest and most reasonable prices					
The government should establish a legal framework in order to prevent market distortions, ensuring unconstrained access of foreign investors to domestic financial markets					
Other (specify.....)					

PRICING OF BROADBAND

6. To what extent does pricing of broadband affect the strategic plans of ISPs in the telecommunication industry in Kenya?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

7. To what extend do the following aspects of pricing of broadband affect strategic planning at the ISPs in the telecommunication industry? Rate on a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= large extent and 5 is to a very large extent.

ASPECTS OF PRICING OF BROADBAND	1	2	3	4	5
Product/services price					
Costing standards/ methodologies and principles					
Price reductions					
Affordability of broadband services					
Operating costs					
Accessibility of broadband services					
Switching costs					
Production, aggregation and distribution value chain					
Others (specify.....)					

8. What is your level of agreement on the following statements on the effects of pricing of broadband on strategic planning of ISPs in the telecommunication industry in Kenya? Use a

scale of 1-5 where 1 is strongly disagree, 2 is disagree, 3 is neutral, 4 is agree and 5 is strongly agree.

Outcomes of pricing of broadband	5	4	3	2	1
Price intervention in broadband markets potentially damages the long-term development of the ISPs markets					
The total cost to produce and deliver the broadband services to the customer provides a lower bound on profitable pricing					
Growth in service delivery effectiveness is likely to result primarily from continuous improvement					
Costing strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors					
The broadband pricing seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs					
Pricing has build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service					
Others (Specify.....)					

DEVOLUTION

9. With reference to this Firm, to what extent does devolution affect the strategic plans of ISPs in the telecommunication industry in Kenya?

To a very great extent	To a great extent	To a moderate extent	To a little extent	To no extent

10. To what extent do the following aspects of devolution affect strategic planning of ISPs in the telecommunication industry in Kenya? Use a scale of 1 to 5 where 1= no extent, 2= little extent, 3= moderate extent, 4= large extent and 5 is to a very large extent.

Aspects of devolution	1	2	3	4	5
Transfer of responsibility					
Fees and charges on ISPs					
Reduction of support					
Involvement of stakeholders					
Utilization of Untapped Resources					
Distribution of Revenue					
Infrastructural investments					
Others (Specify.....)					

11. What other information would you like to share about strategic planning by internet service providers in the telecommunication industry in Kenya?

.....

.....

12. In your opinion, what do you think should be done to enhance strategic planning of ISPs in the telecommunication industry in Kenya?

.....

.....

.....

THANK YOU!!!