COMPETITIVE STRATEGIES ADOPTED BY KENYA NETWORK INFORMATION CENTRE (KeNIC)

BY

MBENGI MARY GATUNE

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

November, 2012
DECLARATION

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

Signed:........................................ Date:........................................
Mbengi Mary Gatune
D61/75785/2009

This research project has been submitted for examination with my approval as the University Supervisor.

Signed:.................................Date:........................................
Dr. Vincent Machuki
Lecturer
Department of Business Administration,
School of Business
University of Nairobi
ACKNOWLEDGEMENT

I acknowledge the almighty God for His providence and blessings for me and my family. This far He is the one who has given me good health and resources to accomplish my studies. I acknowledge and sincerely appreciate my supervisor Dr. Vincent Machuki for his invaluable sacrifice of time to give his wise counsel, guidance, direction that has finally born fruits in this final project work.

I also sincerely appreciate and acknowledge the entire faculty of the school of Business, University of Nairobi and lastly but not the least the management of KeNIC for allowing me to conduct the study and gather data without restriction. To my family and friends for the encouragement and support throughout the study and every other person that contributed immensely to the fruition of the project.

All have sacrificed a great deal to see this project complete and thus my studies. May the almighty God reward each one of them abundantly.
DEDICATION

I dedicate this research project to my loving husband and friend David Muriithi and my lovely daughter Kyra Wamuyu, for their emotional and financial support through out my MBA studies. May God richly bless you.
ABSTRACT

The research was designed to investigate the competitive strategies adopted by Kenya Network Information Centre (KeNIC) to cope with the fierce competition in the ICT sector. The study sought to achieve two objectives. The first objective was to establish the competitive strategies adopted by KeNIC to cope with competition in the ICT sector, while the second objective was to determine the challenges that KeNIC faces in adopting the competing strategies. To achieve these objectives the study adopted a case study research design. It used primary data which was also substantiated with secondary data. The primary data was collected using interview guide which was administered on face to face with nine key members of KeNIC which included both directors and top management. These included; the Chief Executive officer, the Finance Manager, the Chairperson of the Finance Committee of the board, the human resource manager, the chairperson of the human resource committee of the board, the technical manager, the chairperson of the technical committee of the board, the marketing manager and the chairperson of the marketing committee of the board. The findings of the study showed that KeNIC has adopted several competitive strategies hence the success in the face of fierce competition in the ICT sector. The main competitive strategies adopted are differentiation, low cost, focus and market product growth strategies. The study also established that KeNIC faced challenges in adopting these strategies which included; financial constraints, bureaucracy which led to delays, lean structure, staff turnover and inexperienced staff and ineffective coordination and sharing of responsibilities. In general it was observed that KeNIC has adopted competitive strategies which have spearheaded its success in the ICT sector despite the challenges faced in adopting the same. Nevertheless, these strategies would bear more fruit if the challenges identified are addressed.
# TABLE OF CONTENTS

DECLARATION.........................................................................................................................ii  
ACKNOWLEDGEMENT.......................................................................................................... iii  
DEDICATION........................................................................................................................... iii  
ABSTRACT................................................................................................................................v  
ACRONYMS AND ABBREVIATIONS................................................................................ix  

CHAPTER ONE: INTRODUCTION..............................................................................................1  
1.1 Background of the Study .................................................................................................1  
  1.1.1 Competitive Strategies.................................................................................................4  
  1.1.2 Information Communication Technology (ICT) Sector in Kenya........................5  
  1.1.3 Kenya Network Information Centre (KeNIC).........................................................6  
1.2 Research Problem ...........................................................................................................8  
1.3 Research Objectives .......................................................................................................10  
1.4 Value of the Study ..........................................................................................................10  

CHAPTER TWO: LITERATURE REVIEW..............................................................................12  
2.1 Introduction...................................................................................................................12  
2.2 Concept of Strategy .....................................................................................................12  
2.3 Industry Competition .................................................................................................14  
2.4 Competitive Strategies ...............................................................................................15
5.4 Recommendations for Policy and Practice ................................................................. 47
5.5 Limitations of the Study ............................................................................................ 48
5.6 Suggestions for Further Research ............................................................................ 49

REFERENCES .................................................................................................................... 51

APPENDICES ..................................................................................................................... 55

Appendix 1: Self Introductory Letter to KeNIC ............................................................... 55
Appendix II: Interview Guide ......................................................................................... 56
Appendix III: KeNIC Institutional Assessment Report .................................................. 58
## ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCK:</td>
<td>Communication Commission of Kenya</td>
</tr>
<tr>
<td>CCTLD:</td>
<td>Country Code Top-Level domains</td>
</tr>
<tr>
<td>CSK:</td>
<td>Computer Society of Kenya</td>
</tr>
<tr>
<td>CRM:</td>
<td>Customer Relationship Management</td>
</tr>
<tr>
<td>EAIA:</td>
<td>East African Internet Association</td>
</tr>
<tr>
<td>ICANN:</td>
<td>Internet Corporation for Assigned Names and Numbers</td>
</tr>
<tr>
<td>ICT:</td>
<td>Information Communication Technology</td>
</tr>
<tr>
<td>IS:</td>
<td>Information Services</td>
</tr>
<tr>
<td>KENET:</td>
<td>Kenya Education Network</td>
</tr>
<tr>
<td>KeNIC:</td>
<td>Kenya Network Information Centre</td>
</tr>
<tr>
<td>KIS:</td>
<td>Kenya Information Society</td>
</tr>
<tr>
<td>MIS:</td>
<td>Management Information Services</td>
</tr>
<tr>
<td>PPP:</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>TESPOK:</td>
<td>Telecommunications Service Providers of Kenya</td>
</tr>
</tbody>
</table>
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business environment today is characterised by dynamisms which calls for constant alignment and realignment of the organizations' strategic initiatives. The consumer is surrounded by marketing in form of brands, adverts and promotions which all aim at influencing the consumer's behaviour. To be able to attract and retain its buyers a firm must position itself strategically by way of employing competitive strategies in order to withstand competitive pressure and improve its market position (Thompson, Strickland and Gamble, 2008). Organizations must, therefore, understand how to effectively compete in the market place by developing new competencies as the old advantage and competencies quickly get eroded by environmental turbulence. Faced with the changing environment, organizations have to adapt their activities and internal configurations to reflect on their new external realities. Failure to do this may jeopardize the future success of those organizations (Aosa, 1998).

Increased competition threatens the attractiveness of an industry and reduces the profitability of the players (Homes and Prahad 1993). It also creates a lot of pressure on the firms hence there is need to formulate competitive strategies that will enable proactive response to anticipated and actual changes in the environment. Due to the constant changes in the environment, organizations have to adopt competitive strategy for survival. Johnson and Scholes (2010) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfil stakeholder expectations”. Strategy therefore defines the purpose of an organization.
It directly shows the resources that the organization needs to be able to perform its activities and ultimately meets its goals and thus the purpose of the organization. Therefore, strategy is a unifying theme that gives coherence and direction to the actions and decisions of an organization by establishing competitive advantage which leads the organization to superiority performance and calls for performance measurement (Porter, 1985; Mintzberg, 1987).

Grant (1998) states that the emergence of game theory which discusses competition in a market came about as a criticism of Porter’s five force model that failed to take full theory account of competitive interactions among organizations. According to this theory, strategic competition is the interaction amongst players such that the decision made by any one player is dependent on the actual and anticipated decisions of the other players. Johnson and Scholes (2010) states that game theory is concerned with the interrelationships between the competitive moves of a set of competitors. He further states that game theory is helpful in understanding the competitive dynamics of markets and in considering appropriate strategies in this light. It provides a basis for thinking through competitors’ strategic moves in such a way as to pre-empt or counter them.

A company creates competitive advantage by having an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002). This concept of competitive advantage emerged in 1985 when Porter discussed the basic types of competitive strategies that a firm can possess which are cost, differentiation and focus to achieve sustainable competitive advantage. A firm has to depend on its core competencies and resources that yield
long term benefits to organization which must be evaluated overtime to anticipate any competitor moves in order to achieve sustainable competitive advantage. Achieving competitive advantage has been recognized as the most important goal of the firm (Porter 1980). It is inevitable for all organization to identify competitive advantage in their areas of expertise in order to develop competitive strategies to respond to the market forces.

In Kenya the Information Communication Technology (ICT) sector currently is experiencing drastic changes brought about by fierce competition between the current players and also the new entrants in the industry. This is as a result of the fact that the industry is quiet dynamic as new technologies are being developed rendering the old technologies obsolete and as individuals embrace new and better ways of operations. The Kenya ICT industry comprises a number of players both small and large and with increasing deregulation, the level of competitive intensity for industry players could increase. This could result in lower market share per player, or margins pressure. Players such as Kenya Network Information centre (KeNIC) therefore have a need to implement competitive business strategies to fortify their market share against a rapidly changing business landscape. In the light of increased competition and entry of new members, customer migration between providers could potentially result in volatile revenue bases for players. To be competitive players need to have in place competitive strategies which make their customers stay with them in spite of temptations from the competition.
1.1.1 Competitive Strategies

Competitive strategy entails all the actions and approaches that a firm takes to attract buyers and withstand competitive pressure and improve its market position (Thompson and Strickland 1992). According to Johnson and Scholes (2010), competitive strategy is concerned with a basis on which a business unit might achieve competitive advantage in its market. A competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business areas. A competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces (Ansoff, 1985). There are many roots to competitive advantage, but the most basic is to provide buyers with what they perceive to be of superior value at a low price, superior quality, or a combination of prices, features, quality, service and other attributes that customers find attractive (Thompson and Strickland, 1992). A competitive strategy is, thus, the search for a favourable competitive position in industry, the fundamental arena in which competition occurs. A competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1996). Firms pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific industry or market. Competitive business strategies are important strategic alternatives for many firms, but they are not the only business strategic alternatives (Brescian, 2007). Competitive strategy needs to focus on unique activities (Porter, 1996).

Competitive strategies should lead to competitive dominance as they are about sustained leadership and levels of undisputed excellence. Competitive dominance is an attitude that begins with the realization that leadership is no guarantee for long
term success, especially in the global market place. Firms also develop competitive strategies that enable them seize strategic initiatives and maintain competitive edge in the market (Porter, 1996). He further contends that the goals of a competitive strategy for a business unit in an industry is to find a position in the industry where the company can best shield itself against the five forces namely; rivalry, threat of substitutes, threat new entry, buyers power and supplier power. These five forces constitute the industry structure and it is from this industry analysis that a firm determines its competitive strategy.

A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive force (Thompson and Strickland, 2002). Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals. Regardless of the industry a business is operating in, various strategy typologies have been developed to guide in the strategic response to competition. They have been developed by various authors and they include Porters generic competitive strategies, Pearce and Robinson grand strategies, Ansoff product market growth strategies and Miles and Snow strategy typology.

1.1.2 Information Communication Technology (ICT) Sector in Kenya

The term Information Communication Technology (ICT) in Kenya is regularly used to refer to the entire industry. In actuality, information technology is the use of computers and software to manage information. In some companies, this is referred to as Management Information Services (or MIS), or simply as Information Services (or IS) (Andrade, 2009). The information technology department of a large company
would be responsible for storing information, protecting information, processing the information, transmitting the information as necessary, and later retrieving information as necessary. In Kenya there are over 4,000 registered ICT companies, with an estimated 3,000 individual ICT consumers in the dealer network (Andrade, 2009). Familiarity with computers is estimated at 10% of the population. Currently the ICT industry as a whole contributes USD 1.56 billion to the Kenyan economy.

In Kenya, Information Technology has also shifted from focusing on single computers to networks of computers, as the years have passed and technology has advanced. Networked computers allow many different users to have access to common databases, which has allowed databases to be where most business records for big companies are held. Software that implements these databases has quickly become a billion-dollar industry (Andrade, 2009). Customer Relationship Management (CRM) software drives business activities for many large enterprises who sells products in Kenya. Kenya continues to attract top investors in its ICT sector, with the industry ranking as one of the fastest growing industry in the country. The Kenya ICT board, established in 2007, has been committed to ensure that the industry grows into a regional hub.

1.1.3 Kenya Network Information Centre (KeNIC)

Kenya Network Information Centre (KeNIC) was borne through a broad based consultative process of the "Local Internet Community" with an aim to institute a local non-profit organization to manage and operate the dot ke country code top-level domain (ccTLD) in the 2002. This was an initial step to facilitate growth of the Internet sub-sect and foster the uptake of ICT's in the country through a public private
partnership (ppp's). In addition, the understanding that ccTLDs are a national resource that should be managed in a way consonant to the interests of the public and the industry also drove the founder members to establish the body (www.kenic.or.ke). It was further envisioned that the task of managing the dot ke ccTLD was best suited to an organization which is representative of the local Internet community and has been established with the appropriate resources to move Kenya forward in the global world of the Internet with the full support of the Government (www.kenic.or.ke).

The KeNIC mandate is; to act as a trustee for the dot ke ccTLD, to become the dot ke administrative and technical contact, to administer the dot ke and the Second Level Domains, to maintain and promote the operational stability and utility of the dot ke, to ensure cost-effective administration of dot ke ccTLD and its sub-domains, to notify the Internet Corporation of Names and Numbers (ICANN) of any change to the contact information about the dot ke ccTLD, to provide name service for all dot ke and ensure that the database is secure and stable, to allow Internet Corporation for Assigned Names and Numbers (ICANN), to access dot ke zone files and registration continuously and maintain a KeNIC website at all times with all the registration information, meet all its financial obligations to ICANN, comply with all global ICANN Internet policies and help in their development (KeNIC Institutional Assessment Report 2012).

KeNIC's membership is made of Board Members and Associate Members (www.kenic.or.ke). The current KeNIC membership comprises of a good cross-section of the Kenyan Internet community and the Government. KeNIC's Board members were drawn from the Communications Commission of Kenya (CCK),
Computer Society of Kenya (CSK), Kenya Information Society (KIS), Kenya Education Network (KENET), and Nationwide Taskforce on Electronic Commerce, the Government, and the Telecommunications Service Providers of Kenya (TESPOK). The East African Internet Association (EAIA) was incorporated as an associate member (KeNIC Strategic Plan 2011-2013).

KeNIC has grown from two thousand domains in year 2002 to the current twenty four thousand domains. The main competitors of KeNIC are the generic domains such as dot com, dot net and dot org among others provided by VeriSign to the local internet service providers in Kenya. In the recent past ICANN has made a decision to license other domain managers such as dot Africa, dot East Africa which pauses threats in terms of competition to KeNIC. Some of these registries such as dot connect Africa are already being established in Kenya which pauses a great threat of competition to KeNIC hence a need to employ competitive strategies to respond to the same.

1.2 Research Problem

The business environment is characterized by many different organizations competing on different bases and levels, some of which are closer to a particular organization and some more remote depending on the degree of substitution of the products or services that they offer. It is inevitable for managers in any organization to get full understanding of the competing forces in their industry or sector in order to develop competitive strategies to respond accordingly which will determine the likely success or failure of their particular organizations. Today’s business environment is dynamic, complex and continually changing (Brown, Squire and Blackmon, 2007). Changes in the business environment and moves by competitors erode the competitive position of
an organization which, in turn, responds by countermoves hence any competition moves through cycles and any competitive advantage is temporary.

Kenya Network Information Centre (KeNIC), operates in an extremely competitive environment, with the main competitors being the generic domains such as dot com, dot net and dot org. However, since its inception in 2002, the organization has continuously grown, with more and more organizations joining the dot ke domain, despite the presence of the aggressive competitors. KeNIC is a non-profit organization whose mission is to promote, manage and operate the delegated .ke ccTLD in the interest of the Kenyan Internet community and being mindful of the global Internet community interest in consistent with ICANN policies. Thus, it has necessitated the study of the competitive strategies that the organization has adopted, to cope with the fierce competition in the industry.

A number of studies have been done on competitive strategies but under different contexts. Wacuka (2007) conducted a study on the competitive strategies adopted by the car dealers in Nairobi. On the other hand, Khadijah (2011) conducted a study on the competitive strategies employed by Mumias Sugar Company to develop competitive advantage. Ondieki (2011) too conducted a study on the competitive strategies adopted by small mobile telephone providers, a case study of Airtouch connections.

Although these studies have focussed on competitive strategies adopted by various firms, their findings may not be generalised to this study due to the fact that manifestation of one industry cannot be generalised to other firms due to the unique
competition and internal manifestation of firms. There was need to carry out a study in Kenya Network Information Centre specifically to understand the nature of competition, strategies employed, challenges in implementation of these strategies and how to respond to these challenges. What competitive strategies has KeNIC adopted to cope with competition in the ICT industry?

1.3 Research Objectives

The objectives of this study were to;

i. Establish the competitive strategies adopted by KeNIC to cope with competition in the ICT industry.

ii. Determine the challenges that KeNIC faces in implementing the competitive strategies.

1.4 Value of the Study

The study contributed in theory building in the area of competitive strategy by testing whether the practices stipulated in literature can be applied in KeNIC. In addition, the study came up with a various challenges that KeNIC faces in implementing the competitive strategies, hence it attempted to validate and test the theoretical perspectives that inform the challenges of adopting competitive strategies by organisations. The findings of this study concurred with Porter’s generic strategies and Ansoff product market growth strategies in that KeNIC has been adopting these competitive strategies. Therefore, findings of this study were useful in providing additional information to current and potential scholars on strategy and identified areas for further study.
Secondly, the findings of this study helped in informing the policy makers in the ICT industry in regulating the industry to enhance healthy competition and also in assessing the contribution of KeNIC in promoting economic development and growth of the industry. This expanded their knowledge in the ICT sector and in particular domain management business.

Thirdly, the findings of the study enlightened the management of KeNIC on developing competitive strategies and helped to identify the various challenges that were impeding the implementation process. The study further gave recommendations to key decision makers at KeNIC on how they can ensure success in adopting the competitive strategies chosen by mitigating the challenges. The findings of the study also provided managers in the industry with information on various competitive strategies employed by KeNIC that have been successful.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter sets out the conceptual framework and the theoretical orientation of the study. It examines scholarly literature on the key concepts of the proposed research, which is competitive strategies and challenges of implementing the same. It also brings into perspective various theoretical models developed by different scholars to provide a backdrop for the arguments and counter arguments that inform the theories driving this research.

2.2 Concept of Strategy

Strategy is a fundamental management tool in any organization and a multidimensional concept that various authors have defined in various ways. Mintzberg and Quinn (1996) define strategy as a pattern of or plan that aligns goals, policies and actions into a cohesive whole. They further contend that a good strategy enhances outcomes through marshalling of resources, unique posturing, leverage of competencies and an awareness of environmental and cognizance of intelligent opponent. Aosa (1992) affirms that strategy is creating a fit between the external characteristics and the internal conditions of an organization to solve a strategic problem. Chandler (1962) defines strategy as the determination of the basic long term goals and objectives of an organization and the adoption of resources necessary for carrying out the goals. The essence of strategy lies in creating tomorrow's competitive advantage faster than the rate at which the competitors mimic the ones you currently possess. Following the resource based view of strategy, strategy is about exploiting the strategic capability of an organization, in terms of its resources and competencies,
to provide competitive advantage and/or yield new opportunities (Johnson and Scholes, 2010).

For strategy to be successful there must be a fit between strategy and the following; organizational structure, organizational skills and competencies, budget allocations, internal policies, procedures and support systems, the rewards structure and the corporate culture (Thompson and Strickland, 1992). A company’s strategy is partly shaped by management analysis and choice and partly by the necessity of adapting and learning by doing it. A winning strategy must fit the firm’s external and internal situation, build sustainable competitive advantage and improve company performance (Thompson and Strickland, 1992).

A company’s strategy ought to be closely matched to industry and competitive conditions. It should also capture a company’s best growth opportunities and defending against external threats to its well being and future performance. One of the most pivotal strategy shaping internal considerations is whether a company has or can build the core strengths or competencies needed to execute the strategy proficiently (Thompson and Strickland, 1992). Strategy involves the decisions that an organisation has to make in order to achieve competitive advantage over its rivals. It consists of competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organizational performance.
Competition refers to the rivalry between two or more businesses to gain as much of the total market sales or customer acceptance as possible (Brescian, 2007). Competition is a complex phenomenon that is manifested not only in other industry players, but also in form of customers, suppliers, potential entrants and substitute products and services. Competition helps to maintain reasonable prices, provides consumers with new and improved products, and results in a wide selection of products. In a competitive situation, customers make choices on the basis of their perception of value for money, the combination of price and perceived product or service benefits (Johnson and Scholes, 2002). Competition exerts pressure on firms to be proactive in order to stay ahead of its rivals and to formulate successful competitive strategies to deal with threats and harness opportunities in the environment. Firms that do not respond effectively to increased competition are not likely to succeed in business (Porter, 1996). Competition occurs because the resources are scarce, opportunities are rare and the dominant players in the market are many.

Competition brings about several challenges to organizations. As competition increases, pesky competitors may become involved in predatory pricing, copying their competitor’s product line, or using aggressive marketing techniques or guerrilla warfare strategies. The more the number of businesses offering similar goods or services there are, the higher the intensity of competition within the industry and vice versa (Lynch, 2003). There are various ways that a firm can respond to competition depending on uniqueness of the market that it is serving. It may respond by developing new uses for their current products through modifications to suit their current market needs or they may enter new markets with similar products. These
could be markets they are currently not serving, or new geographical markets. They could also develop new products which mean expanding their current portfolio and spreading the risk across many products. Such products can be directed to markets currently covered by the firm. For a firm to succeed in responding to competition, it has to assess its capability since different firms are unique, as far as, capability is concerned (Thompson and Strickland, 1992). The most significant model for analyzing the nature of competition in an industry is Porter’s five forces model. This model captures the significant elements of the competition in an industry namely; rivalry among firms, threat of new entrants, threat of substitutes, bargaining powers of buyers and bargaining power of suppliers.

2.4 Competitive Strategies

Walker (2004) defines a competitive strategy as a long term initiative devised to assist an organization to attain a competitive advantage over its rivals. He further contends that, a competitive strategy is habitually used in advertising campaigns through a discrediting of its competitors’ products or services in a subtle way. Competitive strategies are significant to companies that compete in heavily saturated markets, providing numerous alternatives to customers. Porter (1980) further champions that competitive strategy is concerned with how a company can gain a competitive advantage through a distinctive way of competing. There are various competitive strategy typologies that have been put forth by various scholars. These include: Porter’s (1985) generic strategies; Ansoff (1990) Product/ Market growth strategies; Miles and Snow (1978) strategic orientations and Pearce and Robinson’s (1997) grand strategies.
Porter (1985) proposed three generic strategies by which an organisation could achieve competitive advantage namely; overall cost leadership, differentiation and focus strategies. Porter’s generic competitive strategies form a business tool which helps strategists understand how the position of a company within its industry can be directly related to the strategy it employs.

In cost leadership strategy, firms aim to maintain the lowest average cost in the industries in which they operate as compared to their rivals (Porter, 1985). Low-cost leaders depend on some fairly unique capabilities to achieve and sustain their low-cost position. These capabilities include having secured suppliers of scarce raw materials, being in a dominant market share position or having a high degree of capitalization (Pearce and Robinson, 2011). Low cost producers usually excel at cost reductions and efficiencies. They maximise economies of scale, implement cost cutting technologies, stress reductions in overhead and administrative expenses, and use volume sales to propel themselves up the earning curve. Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, workforce dedicated to low cost production, reduces sales force and reduced costs on marketing, helps an organization to maintain a low cost base.

Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers the customers’ sensitivity to prices. It is defined as Differentiation is the creation of products and services regarded as unique in the industry. Differentiation is aimed at the broad market that involves the creation of a products or services perceived to be unique throughout the industry.
(Pearce and Robinson, 2011). Organizations may differentiate in various methods such as; new technology, brand image, design, dealers, network, customer service and the number of features. The risk associated with differentiation strategy is imitation by competitors, change in customer tastes and increase in selling price of product due to extra cost incurred in adding unique features on a product to achieve differentiation (Lynch, 2003). There is little point in striving to be different if competitors can imitate readily; there is need for sustainability of the basis of advantage.

In a niche/focus strategy, firms identify a segment in the industry in which there is a gap, and tailors its strategies to satisfy the needs of the niche (Porter, 1985). The firm using the focus strategy typically seeks to gain competitive advantage through product innovation and/or brand marketing rather than efficiency (Lynch, 2003). A focus strategy should focus market segments that are less vulnerable to substitutes or areas where competition is weakest to earn above average returns on investment. A firm pursuing a focus strategy is willing to service isolated geographic areas; to satisfy the needs of customers with special financing, inventory or servicing problems.

2.4.2 Ansoff Product Market Growth Strategies

Ansoff’s growth share matrix or product market model offers four strategic choices to achieve the growth objective. These are; market penetration strategy, market development strategy, product development strategy and diversification strategy (Ansoff, 1990). An organisation pursuing a market penetration strategy seeks to gain more market share with its current products in their current market. Market development strategy entails developing new markets for the current market Product
development strategy entails developing new products in the current markets and diversification strategy entails developing new products for new markets:

The Ansoff product/market growth matrix provides a simple way of generating four basic alternative directions for strategic development. An organisation typically starts with its existing products and markets. According to the matrix, the organisation basically has a choice between penetrating still further within its existing sphere; moving by developing new products for its existing markets or by bringing its existing products into new markets; or taking the most radical step of full diversification, with altogether new markets and new products (Johnson and Scholes, 2010). The Ansoff product/market matrix explicitly considers growth options and growth is rarely a good end in itself.

2.4.3 Miles and Snow’s Strategy Typology

Miles and Snow (1978) identified four archetypes of how firms address product-market strategy decisions. Prospectors continuously seek to locate and exploit new products and market opportunities. Their primary capability is innovation in product and market development. Defenders attempt to seal off a portion of the total market to create a stable set of products and customers. They invest heavily in the development of a system for the most efficient production of goods and services. Analyzers occupy an intermediate position between the two extremes and simultaneously seek to minimize risk and maximize the opportunity for profit. Thus, they follow prospectors into new product market domains after their viability has been demonstrated, while protecting a stable set of products and customers. A key capability of analyzers is flexibility, the capability to respond rapidly as new opportunities become apparent. A
fourth type, the reactor, does not have a consistent response to the product-market problem. Walker and Ruekert (1987) further synthesized these topologies of product behaviour by discriminating between low cost defenders and differentiated defenders.

Miles and Snow classify firms within a given industry into four groups, i.e. defenders, prospectors, analyzers and reactors, depending on how a firm responds to the three major problems facing the firm (entrepreneurial, engineering, and administrative problems). Defenders have a limited range of products and focus on efficiency and process improvement; Prospectors have a broad market/product domain and tend to lead change in the industry; Analyzers fall between the above two groups and are likely to follow a second-but-better strategy; Reactors have no consistent strategy and they merely respond passively to environment pressure.

Miles and Snow's (1978) typology classifies firms into four distinct groups, i.e. defenders, prospectors, analyzers and reactors, based on how a firm responds to three major problems facing it, i.e. entrepreneurial, engineering, and administrative problems. According to them, the entrepreneurial problem defines an organization's product-market domain; the engineering problem focuses on the choice of technologies and process for production and distribution; and the administrative problem involves the formulization, rationalization and innovation of an organization's structure and policy processes Miles et al., (1978).

2.4.4 Pearce and Robinsons' Grand Strategies

Grand strategies are also called master or business strategies and they provide basic direction for strategic actions (Pearce and Robinson, 1997). They are basis of
coordinated and sustained efforts directed towards achieving long term business objectives. They can be defined as a comprehensive general approach that guides a firm's major action because they indicate the time period over which long term objectives are to be achieved. The fourteen principal grand strategies are: concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, concentric diversification, and conglomerate diversification, turn around divestiture, liquidation, joint ventures, strategic alliances and consortia (Pearce and Robinson, 1997). A firm can employ either one or several grand strategies depending on the range of products it provides or the customer groups it serves.

Vertical integration is when firm's grand strategy is to acquire firms that supply it with inputs such as raw materials for production or customers for its outputs such as warehouses for finished products. A firm may choose either backward or forward integration depending on its particular objective. The reason for choosing a backward integration is the desire to increase the dependability of the supply or quality of the raw materials used as production inputs. The main rationale for concentrated growth strategy, also known as market penetration or concentration strategy is that the firm thoroughly develops and exploits its expertise in a delimited competitive arena (Pearce and Robinson, 1997). A firm employing this strategy builds on its competence and it achieves competitive edge by concentrating in the product market segment it knows best.

Market development consists of marketing present products, often with only cosmetic modifications, to customers in related market areas by adding channels of distribution
or by changing the content of advertising or promotion. This strategy allows firms to practice a form of concentrated growth by identifying new uses for existing products and new demographically, psychologically, or geographically defined markets. Concentric diversification represents distinctive departures from a firm's existing base of operations, typically the acquisition or internal generation of a separate business with synergistic possibilities counterbalancing the strengths and weaknesses of the two businesses (Johnson, Scholes and Whittington, 2011). It involves the acquisition of businesses that are related to the acquiring firm in terms of technology, markets, or products. Conglomerate diversification is whereby a large firm plans to acquire a business because it represents the most promising investment opportunity available.

Divestiture strategy involves the sale of a firm or major component of a firm. When retrenchment fails to bring the desired turnaround or when a non-integrated business activity achieves unusually high make value strategic managers often decide to sell the firm. The underlying rationale of grand strategy of innovations is to create a new product life cycle and thereby make similar existing products obsolete (Pearce and Robinson, 1997). This strategy therefore differs from the product development strategy of extending an existing product's life cycle. Horizontal integration strategy is based on growth through the acquisition of one or more similar firms operating at the same stage of the production – marketing chain. Such acquisitions eliminate competitors and provide the acquiring firm with access to new markets. Turnaround strategies is applied by a firm to survive and recover in order to fortify its distinctive competencies when it starts experiencing declining profits as a result of economic recessions, production inefficiencies, and innovative breakthroughs by competitors.
This may involve either cost reduction or asset reduction or both of them (Pearce and Robinson, 1997).

Liquidation involves a firm being sold in parts or occasionally as a whole for its tangible asset and not as a going concern. The managers of a firm choose this strategy in order to minimize losses of all firm's stock holder. Faced with bankruptcy, the liquidating firm usually tries to develop a planned orderly system that will result in the greatest possible return and cash conversion as the firm slowly relinquishes its market share (Pearce and Robinson, 1997). Joint ventures are applied when two or more capable firms lack a necessary component for success in a particular competitive environment. Strategic alliances are distinguishable from joint ventures because the companies involved do not take an equity position in one another. In most instances, strategic alliances are partnerships that exist for a defined period during which partners contribute their skills and expertise to a cooperative project.

2.5 Challenges of Implementing Competitive Strategies

Even while competitive strategies lead to competitive advantages, many firms still find it extremely challenging to adopt a competitive strategy. Organizations exist in extremely turbulent environments, which call for the management's ongoing efforts to improve the strategy (Johnson, Scholes and Whittington, 2008). It is essential that before a competitive strategy is adopted by a firm as winning strategy, it passes three tests namely; the goodness of fit test, the competitive advantage test and the performance test (Thompson and Strickland, 1992).
In adopting competitive advantage, firms are usually faced with a number of challenges. When a business is market-led, its activities will be dictated by the market, it will at all times attempt to meet the needs of the market with little reference to internal strengths. This will mean high cost of market research to understand the market and constant internal change as the needs of the market are to be met, this may cause a serious challenge since the future of the market is unpredictable.

The management of every organization has got the challenge to ensure that the strategy is well matched to the company’s situation, both internal and external, as well as, its own capabilities and aspirations. Managers have also to deal with the challenge of ensuring that the strategy that they adopt leads to sustainable competitive advantage. Usually, the bigger the competitive edge that a strategy helps build, the more powerful and effective it is. Finally, the managers have to ensure that they craft and execute strategies that boost the company’s performance. There are two kinds of performance that are most telling; gains in profitability and gains in the company’s long term business strength and competitive position (Thompson and Strickland, 1992).

Another challenge of implementing the competitive strategies by an organization is the Icarus paradox Miller (1990). The paradox states that one's greatest asset that causes success, could eventually cause failure. He explains that many organizations become so excited by their early success that they believe more of the same effort is the way to future success. As a result, an organization becomes so specialized and inner directed that it loses sight of market realities and the fundamental requirements for achieving competitive advantage.
However rewarding a strategy may seem, it is the challenge of the management to ensure that the firm has the ability to implement them in terms of budget, human resource and other capabilities. The management has to also ensure that the strategy fits in the context of the company fully to ensure its success. The challenge to match the company’s strategy to competitive conditions is the management’s major challenge. A company is well advised to pass on a particular market opportunity unless it has or can acquire the resources to capture it (Thompson, Strickland and Gamble, 2008).

Without easy access of factors of production an organization can face major challenges in the application of competitive advantage strategies. Porter (1990) states that there could be challenges in applying competitive advantage strategies because of lack of factor or endowments. He agrees with the basic economic theory in stressing those basic factors of production which include: land, labour, capital, raw materials), and advanced factors such as technological know like managerial sophistication and physical infrastructure, can determine how well an organization is able to apply competitive advantage strategies.

Developing a competitive strategy in itself is not enough. For competitive strategy to lead to success the implementation process must be supported by decisions regarding the appropriate organisational structure, resources, leadership, organisational culture and reward system. Just as the strategy of the organisation must be matched to the external environment, it must also fit the multiple factors responsible for its implementation internally (Bateman and Zeithaml, 1993). As was further observed by David (1997), successful strategy implementation must consider issues central to its...
implementation, which include; organisational culture, management commitment, leadership, organisational structure, resources and capacity

It is therefore essential that the management carefully scan the environment in which the business operates and craft a strategy that fits in its context. Failure to do this may result to adoption of a strategy which fails to match the organizations, context, hence, not competitive. A competitive strategy must always fit into the external and internal realities of the firm (Thompson, Strickland and Gamble, 2008).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents the methodology that was used to carry out the study. This entailed the research design, data collection and data analysis. The research design explains how the study was carried out which employed a case study which involves looking intensely at an individual or small participant pool, drawing conclusions only about that participant or group and only in that specific context. Data collection explains how the data was collected which formed the blueprint of this study. The data analysis explains how the data were analyzed to arrive at the findings of the study.

3.2 Research Design
The study was conducted using a case study research design. It was carried out at KeNIC to determine the competitive strategies adopted to cope with competition in the ICT sector and the challenges faced in adopting these strategies.

The design was considered the most suitable as it allowed detailed and intense analysis of the subject which is not possible with other methods. A case study allows the researcher to obtain the internal information from the experienced employees. According to Kothari (2004), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study.
3.3 Data Collection

Both primary and secondary data were used in conducting this research. The primary data were collected through an interview guide. The interview guide was developed with open ended questions to enable the researcher to collect qualitative data. The researcher booked appointments with the study respondents prior to the interview and in some cases emailed the interview guide to them to facilitate preparation. The respondents of the study included Chief Executive officer, the Finance Manager, the Chairperson of the Finance Committee of the board, the human resource manager, the chairperson of the human resource committee of the board, the technical manager, the chairperson of the technical committee of the board, the marketing manager and the chairperson of the marketing committee of the board.

Secondary data refers to data that has already been collected by someone else for a different purpose to yours, affirms Kumar (2005). The study used internal records of KeNIC in various departments to extract the secondary data. These included the strategic plan report for the three year period 2011 to 2013 which provided data on the competitive strategies that the organisation was pursuing and the institutional assessment report which identified the obstacles in adopting the competitive strategies. The organisational website also provided more information on the history of the organisation. The secondary data was useful in the clarification of the research question as it complemented the primary data.
3.4 Data Analysis

The data collected in this study was analyzed through conceptual content analysis. Cooper and Schindler, (2003) describes content analysis as a technique for objective, systematic, and qualitative description of the manifest content of communication. Mugenda and Mugenda (2003) assert that the main purpose of content analysis is the study of existing information in order to determine factors that explain a specific phenomenon. Content analysis was employed in data analysis as the data collected was qualitative in nature.

The completed interview responses were edited for completeness and consistency after which data were processed. This involved thorough reading, editing, cleaning up of the interview notes and summarising for clarity. Analysis of data collected was compared with the theoretical approaches and documentations cited in the literature review. The data were obtained from the various management team members and directors and compared against each other in order to confirm consistency and to get more revelation on the issues under study.
CHAPTER FOUR
DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter outlines the analysis of data obtained and the findings of the study. The study adopted personal interviews to collect the data, which was recorded by way of writing with some of the interview guides sent by e-mail to some respondents prior to the scheduled interview to facilitate preparation. Probing was also employed to gather more information during the interviews. The study intended to address two objectives: to establish the competitive strategies adopted by KeNIC to cope with competition in the ICT industry; to determine the challenges that KeNIC faces in implementing these competitive strategies.

The study targeted the senior management who were drawn from the four departments of the organisation and the directors representing each committee of the Board of directors. These included the Chief Executive officer, the Finance Manager, the Chairperson of the Finance Committee of the board, the Human Resource manager, the Chairperson of the human resource committee of the board, the Technical manager, the Chairperson of the technical committee of the board, the Marketing manager and the Chairperson of the marketing committee of the board.

According to the findings seven of the respondents interviewed had worked at KeNIC for over five years while the other two had worked for KeNIC for two years. The respondents hence had experience and aptitude owing to the years they had worked in the organisation. The purpose of this analysis was to represent the participation of employees on the criteria of work experience, since employees with many years of
experience in the organisation under study tend to have much information about it and this have a positive impact on the value of information they provide.

The collected data were analyzed and interpreted in line with the objectives using content analysis. This involved the analysis of meaning and implication emanating from respondents information coupled with documented data regarding the study.

4.2 Competition

The liberalization of the ICT industry and specifically in the domain management services has led to cut throat competition between the players in the provision services. The customers are looking for diversity and stability in the services provided thus a company needs to align its services and products to suit the needs of its target market. Stability, availability and uniqueness of service are what determine the attractiveness of a firm’s offering to the customer in this sector. KeNIC faces stiff competition from other domain providers and especially the recently licenced companies such as DotConnectAfrica which are providing domains representing the whole of Africa region without geographical limitations. As a result of ICANN licensing other companies to provide domains there is the threat of more unique registries coming up such as those representing counties and cities such as dotNairobi, dotKisumu etc which will pause more competition for KeNIC.

KeNIC is a closed registry which means that only companies with local legal registrations can be licensed to be KeNIC dealers. To promote the utilization of the dotKE, it has been deemed necessary to increase the market base beyond the Kenyan borders.
The Chief Executive Officer pointed out that KeNIC is planning to invite foreign companies to apply for dealership in order to sell the domains globally in order to penetrate other markets other than local. The respondents pointed out that other registries such as South African which provides dotZA have been penetrating in the Kenyan market hence creating more competition for KeNIC hence to counter this KeNIC requires to open up the registry to foreign registrars. The respondents also pointed out that other generic domain name providers such as Verisign which manages and sells dotcom, dotnet and dotorg enjoy economies of scale as they have been in the business for long and are viewed by the local market as being more global and international than other domains providers.

4.3 Competitive Strategies Adopted by KeNIC

From the findings, it was apparent that KeNIC underwent very turbulent times due to licensing of other generic top level domain providers by ICANN and as such devised and implemented a multiple of strategies to counter the effects of the price wars that saw the company record deficits. The competitive strategies adopted by KeNIC were identified as follows: low cost strategy, differentiation strategy, focus strategy, market development and product development strategy. All these have been implemented successfully in the last two years as detailed herein below.

4.3.1 Low cost strategy

The Chairperson of the Finance Committee of the Board and the Finance Manager pointed out that the company adopts low cost strategy although they offer similar products. KeNIC having been in a dominant market share position in Kenya has been able to employ the strategy of lowest cost provider for some of its domain brands as it
enjoys the monopoly of providing the Kenyan unique identity on the internet. This has been made possible by the fact that at inception KeNIC invested in high capacity and best quality servers and systems whose capacity is huge enough to accommodate millions of domains yet at the moment they have registered only thirty thousand (30,000) domains. This means that the extra capacity can be utilized without incurring significant additional cost hence they have launched new domain brands such as dotme targeting personalities, dotmobi targeting mobile content providers at Kshs 500 as compared to the competitor domains which are priced at Kshs 1,000 and above. The company practices low cost strategy through tight control of costs and overheads, minimization of operating expenses, reduction of input costs and tight control of labour costs. For example it has also succeeded in implementing this strategy by cutting cost of domain management such as personnel cost whereby it has automated most of its systems hence reducing manual interventions in its daily operations.

The results indicates that the company has a strategy for cost reductions in all aspects of business which they have achieved through reduction of wastages in recycling used envelopes for internal communications, using email as their main form of communication where possible, holding teleconferences instead of having one on one meetings especially for Board meetings and international IT meetings, streaming their Annual general meetings online to avoid having many stakeholders attending physically, switching off their lights during the day to minimize costs and using machine for preparing beverage to avoid employing additional staff.

The company does not make a virtue out of low cost product features because over emphasizing it may make the customers view the company's product as being of low
value especially in the Kenyan market. The results indicate that the company has outsourced some of their services to further cut on cost, after undertaking an analysis on cost of purchasing versus outsourcing so that to concentrate on its core business. The services which they have been outsourced include office messenger, cleaning services, transport services and internal audit services.

4.3.2 Differentiation Strategy

The concept of differentiation focuses on firms making products that appear different from their competitors so that to earn competitive advantage over others. Since domains are the same in terms of ensuring presence on the internet, domain providers have to invent ways of differentiating themselves so that they can attract customers. This involves making a product slightly different from other similar products by varying certain features. The finding on implementation of this strategy was that the company has developed various categories of domains that are unique compared to their competitors. These include domains targeting information sellers, personalities, mobile content providers and different categories of academic institutions which are infodotke, medotke, mobidotke and acdotke respectively. In addition the results of the study indicated that in the last one year KeNIC has implemented the dispute resolution policy and procedures in which it acts as a mediator in dispute resolution that involve dotke domains a service that is not available with the generic domain providers such as dotcom. This service ensures that disputes relating to dotke domains are resolved out of court at a low charge to the customers unlike the time and cost they would have incurred if they opted for court settlement.
The findings indicated that the company has achieved competitive advantage over its rivals because of its ability to create barriers by building customer and brand loyalty through ensuring service availability, providing 24/7 service by investing in online sale and payment system and ensuring physical presence whenever needed which is not provided by its competitors. The company has also ensured that the employees are always trained so as to improve service delivery and at the same time invested in several links to ensure 100% uptime. Currently keNIC has access Kenya and Telkom Kenya providing the data link for redundancy purposes to ensure that in case one of them is out of network the other one is available. The Technical Manager also pointed out that the company is in the process of acquiring fibre connection before the end of the year as part of its infrastructure upgrade plan. This is in line with keeping up with technology development and will ensure more reliability of its services.

The company also engages in corporate social responsibility so as to give back to the society and also to create customer loyalty hence they refer to it as corporate social investment. For example the Chairperson of the technical committee of the Board pointed out that KeNIC is involved in the Konza City project with the Ministry of Information and Communication in which it plans to have data centres where they will be providing value add services to their customers and also they plan to invest in an ICT hub at the city centre to provide new developers with the facility to test their programmes and software at no cost.
4.3.3 Focus Strategy

The respondents indicated that the company focuses only on local market in order to compete effectively with other companies. This strategy ensures that the company analyzes only the local market dynamics which could be inhibiting their competitiveness. The company also being private public partnership entity has the protection of the Government in that it is the only provider of Kenyan country code top level domain and other companies have to be licensed by ICANN to provide the top level domains. The company has segmented the local market according to various categories depending on their characteristics and needs: limited liability companies which purchase codotke domains; non governmental organizations which buy ordotke domains; government bodies which buy godotke domains, academic institutions such as colleges, primary schools and secondary schools which buy scdotke and acdotke domains.

The findings indicated that the company had realized there is a gap in provision of domains that are specifically for personalities hence developed a brand which suits this market. In addition the company is working with the Ministry of education to provide domains to both primary and secondary schools in the whole country at subsidized price since it has become inevitable for this market to be online as schools are required to register their students for final exams online. The company’s mandate is to ensure all citizens of Kenya are online and therefore, they take into consideration all customer segments that are within online reach.

The results on the company focus strategy depends upon the costs being minimal and profits being high, untapped markets, opportunistic markets where there is potential
for growth and sustainability, mandate of the company and the usage in areas that have not been thought about before. The results indicate that the strategy being adopted by KeNIC depends upon careful analysis in order to ensure success of the strategy.

4.3.4 Product Market Growth Strategies

The results of the study indicated that KeNIC employs both market development and penetration strategy as there is still a very high market potential in the country. The strategy is to collaborate with organizations such as Google, Kenya ICT Board and even Government who are investing in ICT infrastructure that way creating more markets in other areas which are not within the cities hence creating new markets. In addition KeNIC has undertaken various marketing initiatives both above and below the line to create awareness on the need of citizens to protect their Kenyan identity on the internet by purchasing dotke domains instead of domains offered by their competitors which are generic hence attracting competitor customers.

The results of the study also indicate that KeNIC has employed product development strategy in which they have developed new products to target the current markets through innovation. For example it has developed other domains that target the same market and created awareness to inform its customers that they need to secure all their identities on the internet. As a result, some companies have purchased more than thirty domains each for the various second levels and for their different brands. For example you will find that Safaricom Ltd has registered Safaricom.co.ke, safaricom.or.ke, saficom.co.ke, safcom.or.ke, mpesa.co.ke, mpesa.or.ke among other domains.
4.4 Challenges Faced in Implementing the Competitive Strategies

This section attempted to address the second objective of the study which was to determine the challenges of implementing competitive strategy at KeNIC. A number of challenges were explicitly identified by the respondents and others were identified from the secondary data such as the strategic plan, institutional assessment review report and the Minutes of the Board as published in the KeNIC website. The challenges identified were: bureaucracy; finances; structure; corporate governance, ineffective coordination and sharing of responsibilities and inexperienced staff to market the services on offer.

Both the Marketing Manager and the Chairperson of the marketing committee of the Board indicated that financial constraints were a major challenge in implementing the competitive strategies developed. For example it was pointed out that the marketing plan which had identified how the various brands of domains needed to be marketed and advertised could not be implemented as a result of budget constraints. The Chief Executive Officer pointed out that, KeNIC is locally incorporated, registered and managed as a private public partnership limited by guarantee. Its capital base is limited as it is does not receive any funding from the exchequer despite the 50% stake for the government. The guarantee from its members over the years as remained at Kshs 100,000 of which most of its members do not contribute as there is no framework on implementing the same; hence its source of revenue is only dot KE domain management. This has limited its capacity to undertake large scale projects for its growth and expansion. Even after the strategies have been identified and agreed for implementation, funding required to realize the same is not available, or is delayed to be availed or partially availed. This compromises the effectiveness and efficiency
in implementing the chosen strategy. "This is monster KeNIC has to contend with most of the times in its daily operations and in competing in this liberalized environment". CEO

The Finance Manager pointed out that bureaucracy was another challenge that impeded the implementation of the competitive strategy. She pointed that the Directors of KeNIC were non executive and also drawn from different organisation in the ICT sector hence they have very diverse opinion on any strategy. She mentioned that as a result of the lean management team most of the stages in strategy implementation require Board approval which meet quarterly hence leading to further delays in implementation. There are many protocols to be followed for any Board paper to be approved which determines the inception of the implementation of the particular strategy. Once a strategy is chosen timeliness and the speed with which it is implemented determines its success or otherwise as the competitors are also working around the clock in identifying new opportunities to outcompete each other in the market.

Most of the Chairpersons of the various committees of the Board interviewed pointed out that the lean organisational structure of KeNIC was an impediment in competitive strategy implementation. Due to the urgency required in strategy implementation this lean structure paused a challenge in strategy actualization. They pointed out that the full time employees of KeNIC who were only ten were so stretched and overwhelmed on what needed to be done to the extent that not much was achieved on time as expected. For example it was commented that the product development strategy was
not backed up with the required marketing and advertising strategy on time due to inadequate personnel.

The Human Resource manager pointed out that ineffective coordination and sharing of responsibilities which was attributed to the lean structure as discussed above was a major challenge in implementation of the competitive strategies. She pointed out that the few staff members were overwhelmed on what require to be done and be done urgently. They suffered burnout and as such coordination and proper sharing of responsibilities was hampered. The net result was some form of disjointed efforts in the execution and implementation of strategy. The personnel were thinly spread such that not enough effort was put where it was required and this hampered the supervision of the implementation process. Other challenges included poor training for the workforce, mismatch between strategy and structure and poor bottom up as well as top bottom communication. Organisational politics also played a role as indicated by some respondents. In some instance the respondents indicated that some promotions not awarded on merit which affected performance.

The Chairperson of the human resource committee observed that there was high staff turnover in Chief Executive Officer position. It was pointed out that the Chief executive Officer had been changed four times within the four years of the two strategic plans; hence the current Chief Executive Officer was not involved in developing the strategic plan which paused a challenge in the implementation process of the strategies identified. This information was also supported by information from the internet as discussed by stakeholders as an issue of concern about KeNIC.
The respondents from the marketing division pointed out the marketing department had been dormant for quite some time due to lack of resource allocation, hence many new and diversified products proved to be a big challenge to the newly employed sales executives. This meant that they had not developed the confidence to use new digital technologies for marketing such as facebook, twitter to market the services and to face new markets with a new set of products or services away from what was available in the market before. It also meant more time was needed to train the sales executives about these new marketing techniques and services. Time was not available to train them and the different strategies adopted would at times confuse them.

All the members of management identified external environmental turbulence and the uncertainty of the future as a challenge to competitive strategy implementation. For example the Communication Act provided for KeNIC to be licensed so that to introduce more competition at the second levels. This had caused a lot of uncertainty on when the Communication Commission of Kenya was going to implement this and how it was to be implemented. In addition the Chief Executive Officer pointed out that there was uncertainty on how the new government was going to handle issues related to keNIC after the election in year 2013 as KeNIC is a Public Private partnership kind of organisation.

4.5 Discussion

The first objective of the study was to establish the competitive strategies adopted by KeNIC to cope with competition in the ICT sector. Findings from the study indicate that KeNIC has been employing various competitive strategies which have led to its
success despite the stiff competition that it faces as a result of liberalization of the sectors. This is in concurrence with Johnson and Scholes (2002), that customers make choices on the basis of their perception of value of money, the combination of price and perceived product or service benefits. Hence any organisation has to craft competitive strategies to ensure they meet these expectations of their customers in a better way than competitors otherwise they will not survive the turbulent business environment.

The study established that KeNIC was employing the three competitive strategies as per Porter (1985) of differentiation, cost leadership and focus. These were adopted interchangeably and integrated depending on the product or brand that was being marketed or the market segment that was being targeted. KeNIC has been employing various ways of cutting costs in order to ensure that they can price their product as low as possible as long as their costs of operations are maintained at lowest cost. In view of this, the study established that the organisation was outsourcing most of its services that are not core to the organisation such as transport, messenger and internal audit so that to cut costs. KeNIC depends on some fairly unique capabilities such as the partial monopoly status hence being in a dominant market share position to achieve and sustain their low cost position as discussed by Pearce and Robinson (2011). This has ensured that it succeeds in adopting and sustaining the cost leadership strategy.

KeNIC has also embraced differentiation strategy which it adopts for specific product lines. For differentiation strategy to be successful as propagated by Porter (1985) the organization should create customer and brand loyalty. KeNIC has been able to
succeed in this by building on the campaign “are you a Kenyan, are you dotke). This
is to ensure that all the citizens of Kenya purchase Kenyan country code top level
domains despite the price as this shows they are unique and loyal to their country. The
findings established that the organisation had created certain very unique brands for
domains such as those representing personalities, mobile content etc that were not
available with other domain name providers. The features of these domain brands
were more unique and not easily imitable as they would have value add services in
liason with webdesigners and content developers to sell the domains as a package in
addition to those other services.

KeNIC also engages focus strategy by identifying market segments in which there is
gap and tailors products to satisfy the needs of that niche. The findings show that
most domain name providers have ignored providing domains specifically for
academic institution hence KeNIC established this gap and developed domains brands
accordingly. In order to meet the need of this market, KeNIC developed dotac
domains for example UON.AC.KE to cater for this market. In line with this KeNIC
has partnered with Ministry of education and Kenya ICT Board to have all schools in
the country acquire dotke domains to ensure they are online. This is being realised so
far after the Ministry made it compulsory for candidates for both primary and
secondary schools to register for their exams online. KeNIC on the other hand has
reduced the price of these domains for this particular market by half and ensures
innovation for this brand by providing a package for domain, website and email. This
is in concurrence with Lynch 2003 that a firm seeking to gain competitive advantage
through this strategy must be innovative and focus on markets that are less vulnerable.
The Product/market growth strategies as propagated by Ansoff (1990) are also employed by KeNIC by creating new markets and also new products for the current market. The results of the study show that KeNIC engages market penetration strategy by creating more awareness of their current products in the current market in order to convert the customers of the generic domain name providers to purchase Kenyan domains. As discussed above KeNIC has been working with Kenya ICT Board to support towns in rural areas to have internet hence creating new market for the dotke domains. This is in line with market development strategy. In its product development strategy it was established as discussed above that KeNIC has over the years been developing unique domain brands that are not available with other generic domain providers. For example KeNIC has developed domains targeting personalities that are not provided by other domain name providers. The study further established that KeNIC had consciously avoided the Pearce and Robinson’s strategy of forward and backward integration as they felt that this would lead to spreading its butter too thin and also competing with its dealers.

The second objective was to establish the challenges faced by KeNIC in implementing the competitive strategies. It was established that there were several challenges both internal and external to KeNIC that had impeded competitive strategy implementation process. Financial constraints were one of the major challenges that were facing the organisation as most of the strategies requires huge budgets for successful implementation which was not forthcoming. Bureacracy in implementation process had delayed implementation of the strategies hence as dicussed earlier if a strategy is delayed competitors will imitate it. It was found that most of the decisions had to be approved by the Board of directors which would meet only quarterly hence
delaying the whole process. The turnover in Chief Executive Officer position who is a leader in strategy development and implementation also paused a big challenge. It was established that the this position had fallen vacant four times within four years leading to stagnation of competitive strategy implementation.

Other challenges identified were inexperienced staff in marketing departments as it was quite new and also lack of coordination as a result of the lean structure which led to employees being overstretched. External factors such as the implementation of Communications Act which provided for licensing of KeNIC by the communication Commission of Kenya also paused a major challenge. This is because there was uncertainty on how the 50% stake of the government would be handled and how the change in governance would affect KeNIC. As propagated by Thompson, Strickland and Gamble (2008) a competitive strategy must fit into the external and internal realities of the firm. The management of KeNIC may have not considered these challenges as a major predicament to implementation of competitive strategies which really affected the performance.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction
This chapter provides a synoptic wrap up of the issues raised in the preliminary chapters of the study. It summarizes the core findings of the research and provides a succinct discussion of both the theoretical and practical implication of the study. This chapter also concludes the entire study by revisiting the research objectives earlier stated and determining the extent to which they have been achieved. It also provides recommendations for further studies and highlights some of the limitations that were experienced by the researcher at different stages of the study.

5.2 Summary of Findings
The study established that KeNIC was facing stiff competition from both established and new competitors including Verisign which provides generic domains (international domains) being the major competitor. Others included DotConnectAfrica, Coza and the other country registries such as Nominet. The study also established that the level of international competition was very high compared to that of local competition. The reason for this was found to be ranging from market liberalization, globalization, technological advancement and also the fact that KeNIC only competed in the local market while enjoying local monopoly in dotKE domains management.

The study also established that KeNIC was employing competitive strategies in coping with competition. This was based on the understanding that for firms to cope with industry competition, such as the one currently being experienced by KeNIC, the
management of such firms has to come up with both offensive and defensive strategies. In other words, the ability to craft and implement effective competitive strategies would be of paramount importance to KeNIC given the prevailing business environment characterised by cut throat competition. It was found that almost all of the respondents mentioned differentiation, cost leadership, focus and product market growth strategies, and while down playing the importance of downward and forward integration as they felt that this would mean spreading their butter too thin. The reasons for using these strategies include the issue of market liberalization that heralded new players with new products being inevitable.

The findings indicated that the challenges that KeNIC was facing in adopting the competitive strategies included; financial constraints when it comes to financing the various strategies which leads to delays in implementation. In additions bureaucracy, staff turnover and inexperienced staff pause a major challenge as the implementation process is delayed by various procedures and protocols that have to be followed.

5.3 Conclusion

Based on the objectives and the research questions it was possible to conclude that KeNIC adopted various competitive strategies to cope with competition in the ICT sector. It can be concluded that generic competitive strategies of differentiation, cost leadership and focus as advanced by are Porter’s (1985) were given much prominence with some respondents mentioning Product/Market growth strategies as advanced by Ansoff as another to gain competitive advantage by KeNIC.
It was also possible to conclude that there exist various challenges in implementation of the competitive strategies at KeNIC. These challenges included; financial constraints in financing projects, bureaucracy, staff turnover, inexperienced staff, ineffective coordination and sharing of responsibilities organisational politics, external factors such as regulation of the industry. From these challenges it can be concluded clearly the management needed to scan the environment in which KeNIC operates both internally and externally to be able to craft the appropriate competitive strategies to avoid mismatch between the strategy and organisational context as advanced by Strickland and Gamble, (2008).

5.4 Recommendations for Policy and Practice
The study sought to determine the competitive strategies adopted by KeNIC to cope with competition in the ICT sector and the challenges in implementation of these competitive strategies. The findings from the study have an implication on policy and practice. The study findings imply that for an organisation to survive in a competitive environment it has to employ competitive strategy. In addition since an organisation exist in an environment change is inevitable hence it has to exercise organisational learning in order to succeed in competitive strategy implementation.

From the research findings the researcher recommends that KeNIC’s management should consider the issue of change management in the organisation. This is to ensure that the employees are able to embrace and accept change that is always constant in a competitive environment that KeNIC was not used to before. KeNIC should also consider taking full advantage of the competitive advantage it has over its competitors as it has a well established registry and the protection from the government as a
monopoly of providing the country code top level domain. It should also consider giving budget allocations to those strategies that are proved to be most effective and reduce the bureaucracy in order to speed up competitive strategy implementation process. Considerable investment on research and development is another factor that needs to be given more weight in order to develop products that suits its market.

The study also revealed that when implementing competitive strategies organizations face challenges brought as a result of both internal and external factors. It is very important that for all factors are considered before an organisation decides on the direction to take to achieve competitive strategy. This is because organisations exists in environment that is turbulent and as discussed on strategies such as differentiation, the success depends on how hard it can be imitated. The longer an organisation takes to implement it, the easier it becomes for competitors to imitate.

5.5 Limitations of the Study

A major conceptual limitation in this study can be attributed to the fact that the researcher concentrated on the particular subject matter ie. Competitive strategy hence the findings can only be interpreted within that concept and not any other. Therefore one cannot make conclusions on other issues basing such as strategic planning, corporate governance etc basing on the findings of this study. The challenges faced may only be considered within competitive strategy implementation yet other factors may explain how the organisation may be mitigating these factors.

A contextual limitation emanates from the fact that the findings of this study may not be generalised to other sectors and/ or organisations because the unique
manifestations of different sectors and/or organisations. The internal manifestations of other sectors and organisations is different from the ICT sector and KeNIC in particular hence from a contextual standpoint the current study fails to demonstrate whether other companies in the sector face similar challenges and whether they adopt the same strategies.

Finally, the study findings accuracy was limited to the extent to which the respondents were honest in responding to questions. Given the sensitive nature of the data collected, there may have been likelihood of answering questions in a certain way so as to avoid giving away crucial and confidential strategic secrets that may be imitated by competitors.

Since data collected was by use of interview guides, there were challenges in securing interview appointments with those to be interviewed. This meant that the process of data collection took longer than expected, thus delaying the completion of the project. Some interviewees were too busy and had very little time to spare for the interviews; this meant that the interviewer did not ask some interviewees all the questions in the interview guide. In some instances, there was also limited time to further probe the interviewees as they had very busy schedules.

5.6 Suggestions for Further Research

Since the researcher focused only on KeNIC, it is not possible to generalise the findings of the study to other CCTLDs or organisations within the ICT sector. The competitive strategies adopted by KeNIC may be different from any other organisation of similar nature or in the same sector. It is suggested that a further research should
be conducted to focus on other organisations in the ICT sector so as to obtain more comprehensive findings that can be generalised.

A further research should be conducted on the issue of change management within KeNIC. This was an issue that was found wanting within KeNIC and was among the issues that may be affecting performance of KeNIC. This can be attributed to the fact that most of the challenges in implementation of the competitive strategies were related to human resource hence there is a probability that the employees of KeNIC are not ready for the changes happening in the organisation as a result of the turbulent environment.
REFERENCES


KeNIC, (2012). Institutional Assessment report

KeNIC, (2011). Strategic plan


www.kenic.or.ke.
APPENDICES

Appendix 1: Self Introductory Letter to KeNIC

Mary Gatune Mbengi,
P.O.Box 1461-00606,
Nairobi.
20th September 2012

Mr. Sammy Buruchara,
Chief Executive Officer,
KeNIC,
P. O. Box 1461-00606
Nairobi.

Dear Sir,

RE: PERMISSION TO COLLECT DATA IN YOUR ESTABLISHMENT

I am a University of Nairobi Masters of Business Administration (MBA) in the School of Business. I am conducting a research study as part of my course work assessment titled “Competitive strategies adopted by Kenya Network Information centre”.

I wish to request that you allow me to conduct data in your company. The data gathered and results shall be used strictly for academic purposes. A copy of the final project shall be availed to you on request.

Yours sincerely,

Mary Gatune Mbengi
Appendix II: Interview Guide

1. What position do you hold at KeNIC
2. How many years have you worked at KeNIC
3. What is your main responsibility in the organisation
4. What is the level of competition in the ICT industry and especially in domain management
5. What is the geographical coverage of your operations
6. What are your major cost elements and how does your firm minimize them to enhance profitability?
7. Are customers sensitive to changes in the prices of your products?
8. How many companies deal with domain business in Kenya and which ones do you consider to be your major competitors?
9. How do you create unique image of your firm to your customers?
10. What threats arise from substitute products offered by your competitors?
11. How flexible is KeNIC in transacting day to day business compared to its competitors?
12. What could you consider as your major business lines and are they different from your competitors?
13. Do you target a particular group of customers for your products?
14. How do you ensure that your customers retain their loyalty to your firm?
15. How can you rate your response to customer complaints or queries coupled with your customer service?
16. Do your customers still buy from your firm even if the prices are higher than your competitors? If yes, why do you think this is the case?
17. In the event that you have a unique product to what extent do you charge a premium price. Briefly explain

18. What are the challenges KeNIC is facing in responding to competition in the domain management business?
Executive Summary

Kenya Network Information Centre was set up in 2002 and its mandate is to manage and operate the .Ke ccTLD. KeNIC developed a strategic plan in 2011. The KeNIC Board sought to investigate how they would effectively achieve their mandate and mission. KeNIC commissioned ZappKaas Consulting to undertake an institutional assessment. KeNIC's objective in carrying out this exercise was to: better identify organizational priorities as well as institutional shortcomings; improve organizational effectiveness in achieving its mission; demonstrate a higher degree of professionalism internally and externally and adhere to good corporate governance practice; improve documentation and monitor institutional progress according to benchmarks; highlight areas for organizational learning and improvement; revisit and review the effectiveness of strategic plan; and increase its ability to undertake strategic alliances.

The review was conducted for the period January 2006 to February 2012 and involved the review of: the Strategic Plan 2011-2013; KeNIC systems and processes; KeNIC's organization structure; KeNIC stakeholder review and KeNIC corporate governance. In their approach and methodology the consultants reviewed background documents which were internal and external to KeNIC; The consultants conducted face to face interactions with: KeNIC staff, former staff of KeNIC; KeNIC's current
stakeholders- these were defined as organizations represented by KENIC’s current board membership; the Permanent Secretary in the Ministry of Information and Communication Mr. Bitange Ndemo PHD, CBS; members of KENIC’s Board committees; and with individual board members. In undertaking the assessment; and forming recommendations the consultants used various management diagnostic frameworks and corporate best practise as indicated in each section. The consultants prepared a draft report which was presented to the full Board on 10th of April 2012.

The consultants identified the following challenges at KENIC: The Strategic Plan lacked internal alignment and was therefore difficult to operationalize; Key competencies needed to deliver on KeNIC’s mandate were lacking; the systems and processes were not responsive to the organization’s mission and lacked best practise; organizational culture at KeNIC was not conducive to business performance; there was lack of alignment in key Board instruments hence inconsistencies in operations;

Based on the findings, the following recommendations were made:

1. Review the strategic plan to make it SMARTER and include pertinent chapters that were missing; Align the budget, organizational structure and systems to the Strategic plan

2. Develop a marketing strategy for ease of implementation of the strategic plan.

4. Review board charter and align it to the Memorandum and Articles of association and corporate best practise. Review KeNIC's stakeholders and bring on board, stakeholders who will add value to KeNIC and support it deliver on its mandate.

5. Define and embed a positive organization culture that is conducive to business performance and address issues hindering staff engagement.