

**IMPLEMENTATION OF TURNAROUND STRATEGY AND  
COMPETITIVE ADVANTAGE OF ERICSSON SUB-SAHARAN  
AFRICA**

**KABUI JACOB MUGO**

**A RESEARCH PROJECT SUBMITTED IN PARTIAL  
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD  
OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF  
NAIROBI**

**DECEMBER, 2018**

## **DECLARATION**

This research project is my original work and has not been submitted for examination in this, or any other University

Signed..... Date.....

JACOB MUGO KABUI

D61/83791/2016

The research project has been submitted for examination with my approval as a University Supervisor

Signed..... Date.....

**PROF. Z. B. AWINO**

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

## **DEDICATION**

This project is dedicated to my whole family for the numerous and untold lessons you have taught me.

## **ACKNOWLEDGEMENT**

To the Almighty God, this achievement is your will. Glory be unto you.

To my supervisor, Prof. Z.B. Awino, thank you for the scholarly advice and moulding into me the intellectual curiosity needed to survive in this.

To Ericsson, thank you for allowing your managers to take time and provide data to me without which, this research would not have been a success.

To my parents, Nathan Kabui and Annah Mumbi, this project would not have been possible without your tremendous support in the previous steps.

To my wife, Mercy Nyambura, you are a strong pillar in my life.

To my daughter and son, Annah Mumbi and Nathan Kabui. Thank you for your patience and understanding during the writing of this project. I hope you grow to read and improve this piece of work.

To my sister, Charity Muthoni, you always follow my footsteps. I am now one corner ahead.

To Maina, you are always there for me.

To all who contributed directly or indirectly in this process, I am deeply indebted.

# TABLE OF CONTENTS

|   |             |
|---|-------------|
| <b>DECLARATION .....</b>  | <b>ii</b>   |
| <b>DEDICATION .....</b>   | <b>iii</b>  |
| <b>ACKNOWLEDGEMENT.....</b>   | <b>iv</b>   |
| <b>ABBREVIATIONS AND ACRONYMS.....</b>                                      | <b>viii</b> |
| <b>ABSTRACT.....</b>  | <b>ix</b>   |
| <b>CHAPTER ONE: INTRODUCTION.....</b>                                       | <b>1</b>    |
| 1.1    Background of the Study.....   | 1           |
| 1.1.1    Turnaround Strategy .....  | 3           |
| 1.1.2    Strategy Implementation.....                                       | 4           |
| 1.1.3    Competitive Advantage .....  | 5           |
| 1.1.4    Turnaround Strategy Implementation and Competitive Advantage ..... | 6           |
| 1.1.5    Telecommunication Industry in Sub-Saharan Africa .....             | 7           |
| 1.1.6    Ericsson Sub-Saharan Africa .....                                  | 8           |
| 1.2    Research Problem.....  | 9           |
| 1.3    Research Objectives .....  | 11          |
| 1.4    Value of the Study.....  | 11          |
| <b>CHAPTER TWO: LITERATURE REVIEW.....</b>                                  | <b>13</b>   |
| 2.1    Introduction .....   | 13          |
| 2.2    Theoretical Foundation .....   | 13          |
| 2.2.1    Resource Based View .....  | 14          |
| 2.2.2    Dynamic Capability .....   | 15          |

|   |   |           |
|---|---|-----------|
| 2.2.3   | Population Ecology Theory .....   | 16        |
| 2.2.4   | Punctuated Equilibrium Model .....  | 17        |
| 2.3   | Signals and Causes of Business Decline .....                                    | 17        |
| 2.4   | Turnaround Strategy Development .....   | 18        |
| 2.5   | Challenges of the Implementation of Turnaround Strategy .....                   | 22        |
| 2.6   | Competitive Advantage in Corporate Organisations .....                          | 23        |
| 2.7   | Empirical Studies and Knowledge Gaps .....                                      | 24        |
| <b>CHAPTER THREE: RESEARCH METHODOLOGY .....</b>                |   | <b>27</b> |
| 3.1   | Introduction .....  | 27        |
| 3.2   | Research Design .....   | 28        |
| 3.3   | Data Collection .....   | 29        |
| 3.4   | Data Analysis .....   | 30        |
| <b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION.....</b> |   | <b>31</b> |
| 4.1   | Introduction .....  | 31        |
| 4.2   | Turnaround Strategy.....  | 32        |
| 4.3   | Competitive Advantage.....  | 33        |
| 4.4   | Factors Influencing the Competitive Advantage of Ericsson.....                  | 35        |
| 4.4.1   | Influence of Structure on Ericsson’s Competitive Advantage.....                 | 36        |
| 4.4.2   | Influence of Resources on Ericsson’s Competitive Advantage.....                 | 37        |
| 4.4.3   | Influence of Rivalry from Competitors on Ericsson’s Competitive Advantage ..... | 38        |
| 4.4.4   | Influence of Environment on Ericsson’s Competitive Advantage .....              | 40        |

|  |  |           |
|--|--|-----------|
| 4.5  | Causes of Ericsson’s Decline .....   | 42        |
| 4.6  | Ericsson’s Turnaround Plan and Implementation .....                                  | 43        |
| 4.6.1  | Ericsson’s Turnaround Strategy Focus .....   | 44        |
| 4.6.2  | Challenges of Ericsson’s Turnaround Implementation.....                              | 45        |
| 4.6.3  | Mitigating the Challenges of Turnaround Implementation Faced by<br>Ericsson.....     | 47        |
| 4.7  | Impact of Turnaround Implementation on the Competitive Advantage of<br>Ericsson..... | 48        |
| 4.8  | Discussion of the Findings .....   | 50        |
| <b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS... 56</b> |  |           |
| 5.1  | Introduction .....   | 56        |
| 5.2  | Summary of findings .....  | 56        |
| 5.3  | Conclusion.....  | 59        |
| 5.4  | Recommendations .....  | 59        |
| 5.5  | Implications of the study .....  | 60        |
| 5.6  | Limitations of the study.....  | 61        |
| 5.7  | Suggestions for further research.....  | 62        |
| <b>REFERENCES..... 63</b>  |  |           |
| <b>APPENDICES..... 72</b>  |  |           |
| <b>APPENDIX I: Interview guide .....</b>                           |  | <b>72</b> |
| <b>APPENDIX II: Student Introduction Letter .....</b>              |  | <b>73</b> |
| <b>APPENDIX III: Similarity Index Report .....</b>                 |  | <b>74</b> |

## **ABBREVIATIONS AND ACRONYMS**

|                |                              |
|----------------|------------------------------|
| <b>EY</b>      | Ernst & Young                |
| <b>PWC</b>     | PricewaterhouseCoopers       |
| <b>IoT</b>     | Internet of Things           |
| <b>WWII</b>    | World War Two                |
| <b>KCC</b>     | Kenya Cooperative Creameries |
| <b>KQ</b>      | Kenya Airways                |
| <b>CEO</b>     | Chief Executive Officers     |
| <b>1G</b>      | First Generation             |
| <b>2G</b>      | Second Generation            |
| <b>3G</b>      | Third Generation             |
| <b>LTE</b>     | Long Term Evolution          |
| <b>5G</b>      | Fifth Generation             |
| <b>RBV</b>     | Resource Based View          |
| <b>PET</b>     | Population Ecology Theory    |
| <b>PEM</b>     | Punctuated Equilibrium Model |
| <b>KPI</b>     | Key Performance Indicators   |
| <b>R&amp;D</b> | Research and Development     |



## ABSTRACT

Ericsson Sub-Saharan Africa was implementing a turnaround strategy after its performance had been declining and its market share either threatened or ceded to competition. This showed there was a problem and the competitive advantage of Ericsson needed to be re-evaluated in line with the turnaround management thus the need for this study. The objective of the study was to establish the effect of the implementation of turnaround strategy on competitive advantage of Ericsson Sub-Saharan Africa. This study was guided by the following theories, resource based view, dynamic capability, population ecology theory and punctuated equilibrium. Based on the nature of the research where an in-depth study was done on one company, the research design selected was a case study. The study employed the use of both primary and secondary data. Primary data was collected through structured interviews using an interview guide conducted on the senior managers in various departments or their equivalents. Secondary data was collected from annual and investor reports since they provide information on strategy and performance, past interviews from accredited media and analysts, Ericsson's strategic plan, industry and regulator reports, and any other publicly available credible sources of information. The method of data analysis was content analysis. From the findings, turnaround was defined as the process through which a previously well performing organisation, that is now faced with decline over a period of time, is lifted back to profitability. For this to happen, the struggling company must identify the causes of decline, acknowledge their existence and resolve to take the necessary actions to reverse the decline. From the findings, there was a positive correlation between the existence of strategic resources and the competitive advantage of an organisation. The more unique the resources are, from those of competitors, the more competitive advantage a firm has. From the findings, there was a positive link between the environment dynamism and the competitive advantage of an organisation. When an organisation is ready and agile enough to adapt to the environment or even strong enough to influence the environment, then it has competitive advantage. From the findings, rivalry with competitors impacts the competitive advantage of an organisation by making an organisation do business at price levels that are not profitable hoping it would help it retain market share. From the findings, there was a positive correlation between the flexibility of an organisation's structure and its competitive advantage. The more flexible the structure is, the more agile and efficient the organisation becomes in meeting customer needs thus the more competitive advantage it attains. From the findings, retrenchment was found to be an effective tool of cost cutting and creating a leaner organisation that matches the declining sales levels and at the same time be lean enough for agility. This leads to savings on operating costs thus improving profitability. From the findings, the replacement of a leader helps in building more trust from the stakeholders thus increasing competitive advantage. This is because the new leader comes with fresh ideas and usually comes with an outside in perspective. From the findings, challenges of the implementation of turnaround strategy can impact negatively on the competitive advantage of an organisation if not well handled. It was concluded that a declining organisation can halt and reverse the decline, then return the organisation to profitability if the causes of decline are identified in time and the necessary actions taken to counter these causes. It was recommended that a firm facing decline should pursue and properly manage the implementation of a turnaround strategy. Since it is the unique resources that contribute to competitive advantage, it was recommended that every organisation that wants to remain competitive should strive to acquire and defend its own unique resources that are not easily replicable by competitors and should not let go of them even in times of decline.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The world is now fast paced and highly dynamic. Organizations strive to survive and failure to be agile enough means getting outpaced and eventually death in business. This makes the organizations' need to be adaptive more pressing than ever before. Turnaround strategies are key components in managing and stabilizing failing or distressed organizations. Chowdhury (2006) advanced that a declining firm requires to turnaround to profitability and this is when it applies a set of actions to reverse the decline that is threatening its survival. Competitive advantage is what makes customers come to your organization and not your competitor. It is what isolates the organization from competitors in the same industry and if competitive advantage is challenged it can lead to the collapse of an organization. Porter (1985) argued that many organizations do not concentrate on competitive advantage in their period of growth and diversification. However, growth doesn't last forever and at some point, an organization may reach its declining stage. This is when the firm starts looking at its core business and works on maintaining or improving its competitive advantage.

A firm's resources drive its growth and performance. This means that the organization requires unique resources to those of the competitors in order to compete effectively. Barney (1986,1991) in their argument for the theory of Resource Based View (RBV) state that a firm may be more profitable by acquisition of its critical resources. David (2011) supported this by arguing that the internal resources are superior to external resources in the creation and sustenance of competitive advantage. The RBV goes well in conjunction with the dynamic capabilities theory that calls for the continuous update of firm's capabilities. Due to the dynamic world, there is need for the organization to be adaptive thus the need to examine the theories of organizational adaptation.

Wheelen & Hunger (2012) explained two theories of organizational adaptation. These are; the Population Ecology Theory which argues that in times of change an organization either dies or is replaced by a new organization suited for the new environment and the institutional theory that calls for organizations to imitate successful ones in order to survive in times of change. Lastly, to understand the changing environment in connection with the organization evolution, the study looked at the Punctuated equilibrium model that helped capture the convergence and reorientation phases as advanced by Tushman & Romanelli (1985).

The telecommunications industry has had its share of ups and downs in the last three decades since the introduction of mobile phone and the growth of communication technology from First Generation (1G) through to the Current Long Term Evolution (LTE), which is also called 4G, and the much awaited 5G. It is an industry that has had many new entrants, many exits and a significant number of turnaround management in the companies. This called for a need to look at the relationship between turnaround strategy implementation and competitive advantage.

Ericsson Sub-Saharan Africa was going through a turnaround management in the form of a restructure. This was despite having been a global leader in telecommunications, a position which had now been taken by its competitors in many segments of the business. The performance of Ericsson had been declining and its market share either threatened or ceded to competition in Sub-Saharan Africa. This showed that there was a problem and the competitive advantage of Ericsson needed to be re-evaluated in line with the turnaround management. This brought up the need for this study on the impact of turnaround strategy implementation on competitive advantage of Ericsson sub-Saharan Africa.

### **1.1.1 Turnaround Strategy**

According to Porter (1996), strategy is where an organization, despite having many other things, concentrates on a few important factors of core competencies, critical resources, and success. It is about adopting best in class practices and adapting to changes in the environment in an agile manner. Thompson & Martin (2005) explained strategy to be a blueprint that an organisation uses to achieve its goals and objectives. This is aligning the present to the future and then committing resources to enable the advancement to the goals thus enabling management to decide on the future of the organization. Johnson, Scholes, & Whittington (2008) described strategy as the direction and scope of an organization over the long term where it configures its resources and competences to achieve an advantage over its competitors.

Strategy helps organizations understand their purpose, destination, and the course to get there. Working without strategy is akin to searching for water in the desert by following mirages. It is the ability of an organization to adapt its strategies to the forces in the environment that determines its ability to survive. Therefore, every organization has to ensure it is agile enough to react and influence the changes through its strategies.

The type of strategy an organization adopts is dependent on the results of the internal and industry assessment of a company. According to David (2011) an organization can reverse declining sales and profitability by regrouping through reduction in costs and assets. It is this strategy that is referred to as either turnaround strategy, retrenchment strategy or reorganization strategy. Therefore, turnaround means the process by which once growing and profitable organizations that are currently faced by declining performance over time use retrenchment and recovery tactics to return to better performance than before. Chowdhury (2006) defined turnaround strategy as a long term set of actions aimed at reversing a crisis threatening the survival of an organization.

### **1.1.2 Strategy Implementation**

This is the process of putting the plans into effect. Kotler (1984) described strategy implementation as the conversion of plans into action by performing the tasks that result to the accomplishment of the desired objectives. David (2011) explained this phase as one involving improvement of efficiency and effectiveness of operations, design of the organization's control system, culture, structure, delivery, and support of products. He further described strategy implementation as the management of forces during action. The approach is dependent on factors such as type and size of an organization.

Katsioloudes & Katsioloudes (2006) described strategic planning as a dynamic process, thus one cannot develop strategies in isolation. Competitors, too, have strategies. This means that an organisation must formulate, implement, and evaluate strategies continuously. This challenge means that in some cases the formulation, implementation and evaluation must be done almost concurrently especially when volatility is too high. Strategic leadership is required to ensure that that any pitfalls are identified and dealt with in a timely manner.

There are many factors that cause the challenges but one common thing about them is their randomness. Some are unforeseen such as disasters while some are beyond the organization such as the macro-economic factors. Also, some are catastrophic in that they can result to the collapse of the organization while others are mild and can be managed quickly and without major impact. Kotter (1996) concluded that many turnaround processes end up with disappointments leaving employees with burnout and frustration, and a lot of wasted resources. Hofer (2002) opined that any use of resources during the turnaround process must be only for productive activities. This is due to the scarcity of the resources and the need to reassess the worthwhileness of every activity towards the success of the turnaround process.

### **1.1.3 Competitive Advantage**

In his formal introduction of the term competitive advantage, Porter (1985) explained it as the core of a firm's performance in a competitive market. He defined its importance in a slow growth market and urges the need for firms to relook into competitive advantage due to many of the firms overlooking it during their period of growth and diversification. He further explained that when an organization can produce products whose value exceeds the costs of production; it has a competitive advantage.

Porter's (1985) use of the term competitive advantage without explicitly defining it meant that different scholars treat it differently in their analyses. For instance, Peteraf (1993) explained competitive advantage to be a firm's superior financial performance while (Barney, 1991; Peteraf & Barney, 2003) viewed it as a firm's attribute. To achieve competitive advantage, firms need to have an edge over rivals and an ability to maintain superior profitability.

Wu (2010) explained that the competitive advantage of a firm comes from its resource capacity. The resource capacity is superior resources, solid relationships and unique capabilities in addition to a mix of actions with good response to the competitive environment. He further proposed two angles from which competitive advantage can be analysed: resource advantage and positional advantage.

David (2011) said competitive advantage is anything a firm can do exceptionally better than its competitors. He further added that a firm can attain sustainable competitive advantage, firstly, by continuously adapting to shocks and changes in the external environment, capabilities within the organization, competencies and resources. Secondly, effective formulation, implementation and evaluation of strategies that capitalize on these factors.

#### **1.1.4 Turnaround Strategy Implementation and Competitive Advantage**

For any organization, the formulation of the strategy is just the beginning. The real test comes in the implementation stage where various challenges arise. If care is not taken, the challenges can push the organization to death. The resource consuming task of converting the actions into plans is what really tests the leadership ability to steer the organization to the desired direction. Beer & Eisenstat (2000) said that many management teams opt to bury differences instead of facing them head on. They further identified six challenges of strategic implementations namely: top-down management style whose focus is administration rather than strategy, conflicting priorities and lack of clarity in strategic intentions, ineffective management and lack of team work among them, poor or complete lack of open communication, weak cross-function coordination, and middle level managers not equipped for top leadership.

Giles (1991) identified poor strategic planning as the main challenge of implementation because what is formulated is not what the organization needs but just the management wish list. Cocks (2010) advanced the view that strategy implementation calls for skills that are unique, creativity, control and feedback mechanisms that are advanced to align strategy and execution.

Since it is the successful implementation of a strategy that determines whether an organization gets to its desired destination, any challenges that are not adequately addressed mean that the destination becomes bleak. Thompson & Strickland (2002) stated that due to the huge investments firms put in turnaround strategies, any failure means pushing the firm further into losses thus weakening its competitive advantage even further.

### **1.1.5 Telecommunication Industry in Sub-Saharan Africa**

This is the industry that helps achieve connectivity in the world through numerous interconnected networks. This is like a humongous machine within which communication happens. The industry players who can be grouped into five broad categories as can be found in Sub-Saharan Africa. The infrastructure vendors who provide the platforms such as Ericsson, Nokia and Huawei; the device vendors who provide the devices that are used within the system such as Apple, Samsung, Huawei, and many other IoT device providers, who sometimes double up as infrastructure vendors; the operators such as Safaricom, Airtel, MTN, Moov and Vodacom who now offer the services to final consumers; the over-the-top providers who are basically the content providers; and finally the retailers and distributors.

The Ernst & Young global telecommunication report (2015), acknowledged the radical changes that have been witnessed in this industry in the past decade which have not spared Sub-Saharan Africa either. Customers have become more data hungry mainly due to the smart phone penetration forcing operators to overhaul their portfolio and pricing. The low prices that the customers demand mean that the operators must negotiate up the value chain and the effects are felt up to the vendors.

As of 2016, the telco industry had seen stagnating growth meaning that they had to result to cost cutting to maintain their profitability. Due to the many digitalization opportunities available, the companies can be innovative to become more efficient to save costs such as offering more services for the same price. Deloitte's (2016) report on telecommunications industry painted a picture of a challenging growth where Internet of Things (IoT) remains the hope with mergers and acquisitions within the telecommunication industry still expected.



### **1.1.6 Ericsson Sub-Saharan Africa**

Ericsson is a telecommunications company that was started in 1876 in Stockholm Sweden. According to its website, Ericsson prided itself to carry 40% of the mobile traffic through its network. In the 2017 annual report, Ericsson stated its business model to be value creation to its customers through industry leadership where it provides high performance, sustainable and cost effective solutions. In the same report, Ericsson identified the challenging global economic conditions, political uncertainty and unrest, and geopolitical risk as factors that affected the demand and pricing of its products while at the same time limits its ability to grow. Ericsson is divided into regions, one of which is Sub-Saharan Africa managed under Market Area Middle East and Africa.

Operations started in Sub-Saharan Africa in the late 1800s when Ericsson still sold phones. Operations were still run from Sweden up until 1994 when Ericsson set up office in Johannesburg to serve MTN. This was after a break since the 1960s when Ericsson halted operations in South Africa in protest of the apartheid regime. There are other offices all over Africa with that work together on Sub-Saharan operations with the leadership team distributed across the different countries Ericsson operates in.

In the late 1990s, the economies slowed yet this is the time Ericsson had just set up shop in South Africa, competition intensified and the Swedish Krona weakened against the dollar resulting to Ericsson global restructure in 1998. Since this restructure, there has been several other restructures; about three in the 2000s and a similar number in the 2010s so far all done in an attempt to turnaround the company back to profitability. The latest restructure was announced in March 2017 by Ericsson's new global CEO, Borje Ekholm, expecting to reduce costs and return Ericsson to profitability. All the restructuring attempts affected Ericsson Sub-Saharan Africa and its operations.

## **1.2 Research Problem**

According to David (2011), turnaround strategy is the process by which once growing and profitable organizations that are currently faced by declining performance over time use retrenchment and other recovery tactics to return to good or better performance than before. A firm can attain sustainable competitive advantage, firstly, by continuously adapting to shocks and changes in the external environment, capabilities within the organization, competencies and resources. Secondly, effective formulation, implementation and evaluation of strategies that capitalize on these factors. Thompson & Strickland (2002) stated that due to the huge investments firms put in turnaround strategies, any failure means pushing the firm further into losses thus weakening its competitive advantage further.

Ericsson Sub-Saharan Africa had been in several restructures since 1998. Between 1998 and 2003 Ericsson was in declining state, even announcing a profit warning in 2001 followed by more than 10 quarters of losses. This was mainly attributed to delay in the 3G technology take-up. After this decline, the boom in 3G saw Ericsson grow up to 2009 when the restructures restarted and since then no full recovery has been made. The latest restructure was announced in March 2017 by Ericsson's new global CEO, Borje Ekholm expecting to reduce costs and return Ericsson to profitability.

Research has been widely conducted on various companies' turnaround strategies and competitive advantage. Arogyaswamy & Yasai-Ardekani (1997) did a longitudinal study on 204 US firms over 8 years. They focused on organizational turnaround through the role of cutbacks, improvements in efficiency, and investment in technology on organizational turnaround and concluded that the cutbacks but must be coupled with improvements in efficiency to be successful.

Curwen (2001) did a longitudinal study of telecommunication companies in the Financial Times 500 between 1997 and 2000 looking at the structural and strategic issues and concluded that companies were more interested in profits rather than size, and thus they must shed off workforce to attain profitability. Evans & Christopher (2013) did a longitudinal study about turnaround success on 101 companies in Thailand concluding that successful companies adopted company reduction, cost and expense reduction and disposal of non-core assets while operation strategies aimed at readjusting internal operations and systems did not work. O’Kane & Cunningham (2014) did 4 in-depth case studies in Ireland on the effect of leadership changes on the initiation of organizational turnaround and turnaround performance. They concluded that expectation management and implementation was the differentiator between success and failure.

Similarly, Mburu (2016) in a case study on Postal Corporation of Kenya concluded that the biggest challenge was a rigid culture but good management was able to overcome this and delivered a successful turnaround. Okwisa, Manana & Gicheru (2016) in their case study on the effect of turnaround strategy on performance of Uchumi Supermarket examined the role of stakeholders in turnaround management and found out that the top management has a high influence on turnaround. Mungai & Bula (2018) in their case study on turnaround strategies and performance of Kenya Airways (KQ) examined which specific turnaround approaches applied on KQ and concluded that any organization undergoing decline should employ cost reduction and financial restructuring. From the above studies, there was no clear link shown between turnaround and competitive advantage thus it is a gap that this study addresses. Also, the studies done by local scholars were all done on Kenyan companies with no operations outside Kenya thus limited dynamics of the operations in multiple countries.

This study aims at expanding the context by looking at multinational organization thus Ericsson is the perfect company to use in this study. Due to the sensitivity of management to context, this study fills the knowledge gaps by answering the question: How does implementation of a turnaround strategy impact an organization's competitive advantage?

### **1.3 Research Objectives**

The objective of this study was to establish the effect of the implementation of turnaround strategy on competitive advantage of Ericsson Sub-Saharan Africa.

### **1.4 Value of the Study**

The findings of this study help management of companies doing turnaround to identify the impact of turnaround on competitive advantage. The study brings out the challenges management expects to face during turnaround strategy implementation. This helps them plan to avoid the pitfalls and utilize the knowledge to create an advantage for the organization. For example, they are able to determine the resources they require, plan them carefully and therefore avoid midway surprises of depleted resources. They are also able to link the activities they undertake during implementation to the effect they have on competitive advantage.

Investors also benefit from the study as they are able to analyse the manner in which an organization is conducting its turnaround strategy implementation process and determine the effect expected on the competitive advantage thus improving their decision making on investments. They are able to exit the unsalvageable organizations in time and enter the promising ones in time too. This is possible through proper linkage of the turnaround strategy implementation and the final effect on competitive advantage.

In academia, scholars and researchers now have a basis to conduct further research and hopefully form a basis to develop future theories that would be applicable in the various organizations globally. This helps them by adding further to the literature available and eventually may aid in coming up with a model that can help organizations that require to undertake turnaround management have the ability to predict the outcome.

This study also helps the stakeholders of Ericsson understand why the turnaround process was needed and how it was being conducted thus fostering confidence in the company. The study also helps Ericsson's management understand the effect of their actions on competitive advantage thus be able to make decisions on the implementation timely to ensure minimum impact. The study also helps bring out a debate among stakeholders as to what can be done to avoid the same happening again. This is through the discussion on the causes of business decline.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

According to Fink (2014) a literature review surveys books, scholarly articles, and any other sources relevant to an area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem being investigated. This helps demonstrate how the study fits in a larger field of study.

In this chapter, discussion is on the theoretical areas in the strategic management concepts of turnaround and competitive advantage. The theories around each concept were evaluated. Also, discussed is how competitive advantage and turnaround strategy intertwine, and how they are affected by the strategy implementation process. Also discussed in this chapter are signals and causes of business decline, the turnaround process and the implementation process including challenges and effect on competitive advantage.

Finally, the knowledge gaps from empirical studies conducted on the topic of turnaround and competitive advantage locally and globally are highlighted. The gaps evaluated were the conceptual, contextual and methodological limitations in the studies. This helped in defining the scope of this study by addressing the gaps identified in the studies.

### **2.2 Theoretical Foundation**

This is the lens through which the research problem is evaluated. According to Grant & Osanloo (2014), without the theoretical foundation, there is no clarity on the vision and structure of a study. They further stated that this is what guides the logical development of the different, yet interrelated sections of literature review.

Eisenhart (1991) explained the theoretical foundation to be that structure which guides research through reliance on formal theories thus it consists of selected theories that guide the researcher's thinking on the research problem as well as concepts and definitions emanating from the theory that are relevant to the research in question. The theories in the literature are those that have been tested and validated by other scholars and generally acceptable in scholarly literature. Merriam (2001) emphasised the theoretical foundation to be the researcher's lens with which to view the world. She explained theoretical foundation to be the structure, frame and scaffolding of a study.

The reason firms do what they do and the strategies they pick has been widely documented in literature. Other researchers have tested and validated theories and found out that competitive advantage and turnaround revolve around a firm's resources and dynamics of the environment. Since this study aimed at finding the link between turnaround strategy implementation and competitive advantage, the study examined theories focusing on a firm's resources and dynamism of the environment.

### **2.2.1 Resource Based View**

Penrose (1959) was among the first scholars to identify the importance of a firm's resources to its growth. Rubin (1973) further added that it is not just the possession of resources that is important but the ability of the firm to convert input to useful output. Warnerfelt (1984) tried to formalize the Resource based view (RBV) by arguing that a firm's performance is driven by both the products and the resources available. Barney (1986, 1991) added that a firm's may be more profitable by acquiring the critical resources it requires in its production. The criticality of a resource is determined by the ability to provide superior value at a given cost or even providing the same value at a lower cost.

Peteraf and Barney (2003) argued that resource based view explains the differentials of performance across firms in a factor-based, efficiency oriented, and firm level approach. David (2011) emphasized the importance and preference of internal resources to external resources in creating and sustaining competitive advantage stating that three groups of resources, physical, human, and organizational, determine the firm's performance. He brought out the main premise of this theory as being the mix, type, amount, and nature of the internal resources that must be the first to be considered in any firm's strategy.

It is the strategic resources that a firm possesses that help it gain better competitive advantage than its competitors, (Karniouchina 2013). Strategic resources help the firm capitalize on opportunities and wade off threats by being non-substitutable, rare, valuable, and difficult to imitate. The resource based view focuses on the firm level thus is a good theory to use where a case study is used. It helped look at the resources Ericsson possesses, both tangible and intangible, and their contribution to competitive advantage and also how they were strategically managed during the turnaround process.

### **2.2.2 Dynamic Capability**

Another theory that has been documented on resources and strategy is the dynamic capability that Teece, Pisano & Shuen (1997) explained to be the endeavours firms go through to acquire and retain wealth. They defined dynamic capabilities as the organization's ability to integrate, build, and reconfigure competences, both internal and external, to face highly erratic environments. Dynamic capabilities, therefore, echo an organization's capacity to accomplish updated and innovative forms of competitive advantage following path dependencies and market positions (Leonard-Barton, 1992).



Karniouchina (2013) defined a firm with dynamic capability as one that can continuously update its capabilities to align with changing environment. Pisano (2015) argued that instead of firms trying to chase after dynamic capabilities they (Teece et al, 1997) had written about, they should focus on understanding the interlink between products competitions and capability creation competition.

This theory fits in this study since it helps look at how the resources of Ericsson have been changing throughout the turnaround process and how they were adapted to match the dynamic environment to develop new capabilities. It explains how different resource bases result in different dynamic capabilities (McKelvie & Davidsson, 2009).

### **2.2.3 Population Ecology Theory**

Wheelen & Hunger (2012) discussed the theories of organization adaptation, which they explained to be the various things organizations do to fit in their environment. For the population ecology theory (PET), they argued that an organization is best suited to the environment it is in, and inertia prevents any change. Thus, in times of change, it can only die or be replaced by a new organization suited in the new environment.

In addition, Wheelen & Hunger (2012) stated the strategic choice perspective by explaining that organizations not only adapt to a changing environment, but can reshape environment because of the rational decisions taken within a firm shape both the firm and industry. Thus, the internal decisions influence the external environment.

When you add the involvement of people at all levels in the strategic decision making to the strategic choice perspective, you get organization learning theory which shows an organization as defensive in its adaptation to change but offensive in application of knowledge. For an organization to become a learning organization, a shift to a structure that allows for a faster adaptation to changes is required.

#### **2.2.4 Punctuated Equilibrium Model**

The last theory the study considered in understanding change in organizations is the punctuated equilibrium model (PEM) which Tushman & Romanelli (1985) described as the evolution of organizations through convergent periods that are punctuated by reorientation. The magnitude is dependent on the stability level of structure, strategy, and processes.

Burnes (2009) underlined the usefulness of the PEM in understanding change in organizations which are complex social systems. PEM is an important model of organizational change where change shows relative stability but short bursts of fundamental change are usually experienced.

Anderson & Tushman (1990) alluded to alternating periods of radical and incremental change. This theory fits in this study because it helped explain the environment in which Ericsson operates characterized by relative stability during the rollout of a certain technology such as 2G, 3G and 4G and then fundamental changes happen when shifting between technologies. For example, from 2G to 3G there was a fundamental change and the same is expected in the shift from 4G to 5G.

#### **2.3 Signals and Causes of Business Decline**

Business decline doesn't just happen overnight. There are usually signs that start to manifest but usually management concentrates on solving the operational problems and dismisses the problems as minor. According to Ropega (2011), business failure comes when management fails to address a critical issue in time either due to delay or incompetence in repair actions leading to organization collapse. This means that at any single time, the management of an organization must be aware of the issues within the firm and how they are being handled to avoid being awoken by company failure news.

Scherrer (2003) concluded that management must identify the causes of decline and implement a good strategy to reverse the decline for the turnaround to be successful. Business failure also results from management failure to control internal activities such as finance, production and distribution which are totally under its control. He added that management, in most times, is not able to match the strategy with the stage of business growth. The biggest challenge is when the business reaches maturity, and declining stage.

Maheshwari, Raina, Chanda & Mehta (2003) noted that firms exist in two eras. One, where there are constrained resources and they end up using excessive control which leads to managerial paralysis and eventually failure. The other era is where they have surplus resources and the management becomes complacent, thus resulting to failure. Therefore, both abundance and decline of resources, if not well managed, results to business decline and failure. For external factors, management foresight is the most important thing to ensure that the firm can react to any adverse external shock (Scherrer, 2003). Looking at the above discussion, Ericsson's management was not able to make decisions quickly enough so as to match their resources use with the changing environment. This led to the decline resulting to the turnaround process.

#### **2.4 Turnaround Strategy Development**

A sustained positive change in a firm's performance with the aim of a predetermined result is what Scherrer (2003) advanced as the definition of a turnaround. Pretorius (2008) noted that for a decline to be effectively reversed, the firm's core problem must be addressed, that is, is it operational or strategic? Bachmann (2009) said that when a firm's competitive advantage is endangered, the need for strategic turnaround arises and the business operations, and the portfolio need to be redefined.

Hopkins (2008) explained that the turnaround approach used must be defined by the cause of the firm's performance decline. He identified two broad causes; those whose performance decline is as a result of industry downturn and those that end up in a weakened strategic position due to entry of new competition. The firms affected by industry decline can lie low by retrenching until the situation normalizes while those affected by new competition need to revamp their strategy (Barker & Duhaime, 1997). Braun & Latham (2012) tried to explain the fundamental questions firms face in their attempt to turn around their performance. Should it shrink, expand, shrink and expand at the same time or do neither? They concluded that a firm's management must ensure a delicate balance between spurring growth and scaling down of the organization.

Pearce & Robbins (1993) identified the two engines of turnaround to be; retrenchment and repositioning. Pearce & Robbins (2008) further defined retrenchment as any activity that leads to reduced costs, assets or boosts operational efficiency. On the other hand, they define repositioning as return-to-growth initiatives that aim at sharpening an organizations competitive edge. Braun & Latham (2012) further supported this by stating that upon an organization decline, the management must strive to stabilize the performance deterioration by retrenchment through cutting costs, laying off employees and selling assets. Repositioning then follows to revitalize the organization by product and market expansions, innovations, and acquisitions.

Braun & Latham (2012) further added that the degree of repositions must equal the retrenchment scope for a turnaround to be effective. Therefore, more severe retrenchments which are usually occasioned by the extent of a firm's resource scarcity, Barker & Mone (1994), calls for more severe repositioning.

Pretorius (2008) came up with a turnaround matrix combining causality and resource munificence to achieve four quadrants namely: performing well, underperforming, distress, and crisis with each quadrant having its own set of strategies that would work best. Boyne (2004) also concluded that despite the many successful turnaround strategies using tactics such as decentralization, better planning, and more human styles of managing human resources, the most effective one is the replacement of the top management including the chief executive officer.

There are different processes that have been put forward by various authors as the framework for a turnaround. Bibeault (1999) envisioned five stages namely: change of management, evaluation of the situation, emergency, stabilization, and the eventual return to normal growth. Slatter & Lovett (1999) expanded the list to come up with seven stages which are: management of the crisis, selecting new management to drive the turnaround, project management, management of stakeholders, developing a business plan, implementing the business plan, and financial restructuring.

Harvey (2011) envisioned six stages but also identified two activities that cut across the six stages. These are managing the stakeholders' relations and getting things done or implementation. The six stages are: recognition of the turnaround need, rapid appraisal of the situation, crisis management and identifying the emergency actions, stabilization, analysis and creating a recovery plan, and finally rehabilitation.

In the first stage of recognizing the need for a turnaround, Bibeault (1999) described it as the moment of truth for the organization and it is the point at which it decides to do fundamental changes. Harvey (2011) stated that the need for this stage is as a result of the organization not identifying the warning signals. This may be triggered by a crisis and recognition may be due to disappointing declining performance.

The rapid appraisal stage helps in knowing the seriousness of the situation and the viability of the organization in the shortest time possible, Harvey (2011). Slatter & Lovett (1999) identified six factors they believed to be the determinants of an organization's viability when they operate collectively. These are: causes of decline, crisis severity, attitudes of the stakeholders, past strategy and organization internal environment, industry and external environment, and the cost-price structure. Bibeault (1999) identified four key principles for a successful turnaround: new management with the necessary powers to make the required changes, viable core operation with a competitive advantage, finances for the turnaround, and a positive attitude plus motivated human resources.

The results of the rapid appraisal stage determine the crisis management and emergency actions stage. Harvey (2011) identified the key factors in this stage two: how severe the situation is and resources (time and money) available to solve it. This is where the new management applies all the powers they must use to decide the new direction of the business. Slatter, Lovett & Barlow (2006) identified the main tasks the leadership must take to be taking control, making tough decisions, maintaining clear and noticeable leadership, deliver faster results, and finally dealing with discord.

Slatter & Lovett (1999) identified the stabilization phase to be the when the short-term future if the organization is secured thus enabling the formulation and implementation of survival plans. Here the company concentrates on cash flow and profitability, operations efficiency, and creating a launch pad for medium-term growth. Predictability and clear communication with stakeholders is key in this stage. Failure to get this stage rights pushes the organisation further back in to losses. Thus, it is important for management not to fall victims to industry criticisms and start aligning long term growth to please the critics before the stabilisation is well settled.

Exhaustive analysis and development of a recovery plan is usually done in the crisis management stage and stabilization stage but the key is to only do it when ready, Harvey (2011). Some very “sick” companies can only be corrected through fundamental, holistic plans, Slatter & Lovett (1999). This should entail a detailed discussion with all the major stakeholders.

Finally, the final stage which is rehabilitation, is where the normalcy returns and development and revenue growth become the focus. To facilitate growth, both in revenue and profit, the firm must market more effectively, add new product lines but only after careful selection, new market development, improvement of customer service and more efficiency in operations and processes (Harvey, 2011).

## **2.5 Challenges of the Implementation of Turnaround Strategy**

Strategy formulation may be easy but when it comes to putting the plans to actions, that is when the real test begins. Literature has been written on these challenges extensively. Giles (1991) identified poor strategic planning as an implementation hindrance because instead of a strategy they just do budgets and management wish lists which are not executable. Corboy & O’Corrbui (1999) identified some challenges such as lack of strategy clarity, lack of buy in from the staff, unclear responsibilities, and failure to acknowledge the challenges as the main obstacles to strategy implementation.

Beer & Eisenstant (2000) explained the six challenges they thought to be the destroyers of strategy implementation as: a top-down management style whose focus is administration rather than strategy, conflicting priorities and lack of clarity in strategic intentions, ineffective management and lack of team work among them, poor or complete lack of open communication, weak cross-function coordination, and middle level managers not equipped for top leadership.

They added that rather than confront differences head on, many teams bury them. Freedman (2003) pinpointed the importance of strategy implementation and listed the pitfalls believed to be deeper thus with more effect as: failure to acquire stakeholder commitment, not understanding implementation progress, resistance by organizations to renew strategy also referred to as strategic inertia, strategic isolation, strategic dilution, impatience, and failure to celebrate the successes leading to initiative fatigue. Koseoglu, Barca, Karayormuk & Edas (2009) conclude that the challenges in the implementation phase are organizational and goes on to give the main ones as follows: Organizational culture incompatibility, lack of cooperation resulting to competing activities, inadequate communication, ineffective coordination, and inadequate information system. Beer (2013) notes that when there is a misfit between the organization and the environment, the senior management do not identify the underlying problems thus becoming a huge implementation hindrance.

## **2.6 Competitive Advantage in Corporate Organisations**

Porter's (1985) use of the term competitive advantage without explicitly defining it meant that different scholars treat it differently in their analyses. For instance, Peteraf (1993) explained competitive advantage to be a firm's superior financial performance while (Barney, 1991; Peteraf & Barney, 2003) viewed it as a firm's attribute.

Wu (2010) examined the three main streams of competitive advantage; the resource based, the activity position and the relational views. He used the stakeholder approach to link the three views and studied the source and durability of competitive advantage but only focusing on Taiwanese firms. Nduta (2012) studied the strategies for developing sustainable competitive advantage and concluded that resources (internal and external) are the key ingredients to competitive advantage.



The real competitive advantage comes from advantages are not easily imitable by competitors. Porter (1985) pointed the need of competitive advantage being entrenched in the structure, culture, resources in an organization by seeking something unique from those of competitors. Also, he advanced the fact that when the activities that bring the competitive advantage are complementary, competitors cannot get any benefits unless they match the whole system. Finally, cost advantage and differentiation can be used to achieve three generic strategies namely: cost leadership, differentiation, and focus.

## **2.7 Empirical Studies and Knowledge Gaps**

Several researchers have looked at the relationship between the implementation of a turnaround strategy and the impact on competitive advantage. Arogyaswamy & Yasai-Ardekani (1997) did a longitudinal observation of 204 US firms over 8 years. They examined organizational turnaround through the role of cutbacks, improvements in efficiency, and investment in technology on organizational turnaround and concluded that the cutbacks on their own do not result to a successful turnaround but must be coupled with improvements in efficiency for them to work.

Curwen (2001) did a longitudinal study of telecommunications companies in the Financial Times (FT) 500. He looked at the structural and strategic issues in telecommunications and concluded that companies were more interested in profits rather than size, and thus they must shed off workforce to attain it. Niekerk (2012) did a case study on the local government turnaround in Free State, South Africa and concluded that political ownership, good leadership and management serious commitment are the key ingredients to a successful turnaround. Evans & Christopher (2013) did a longitudinal study on 101 companies in Thailand whose restructure plans had been approved by Thai Central bankruptcy court between 1999-2002.

He looked at turnaround and concluded that successful companies adopted company reduction, cost and expense reduction and disposal of non-core assets while operation strategies aimed at readjusting internal operations and systems did not work. O’Kane & Cunningham (2014) did 4 in-depth case studies in Ireland on the effect of leadership changes on the initiation of organizational turnaround and its performance concluding that expectation management and implementation were the differentiators. Ukaidi (2016) in a survey research on turnaround strategies and corporate performance on quoted companies in Nigeria examined the turnaround approaches to use and concluded that turnaround as a management tool resulted to positive corporate performance.

Similarly, Kimutai (2010) in a case study on challenges of the implementation of turnaround strategy at Telkom Kenya concluded that failure to keep up with the rate of technological change by not upgrading their infrastructure meant low customer satisfaction thus a huge challenge in turnaround strategy implementation. Kiveu (2013) in a case study on New KCC concluded that the main challenges were political interference, resistance to change and poor leadership. Masinde (2016) in a case study on Kenya Railways Corporation focused on understanding the different strategic operations that can be used on underperforming firms. Mburu (2016) in a case study on Postal Corporation of Kenya concluded that the challenge was a rigid culture but good management overcame this and delivered a successful turnaround.

Okwisa, Manana & Gicheru (2016) in their case study on the effect of turnaround strategy on performance of Uchumi Supermarket examined the role of stakeholders in repositioning and support, training and sensitization, cost reduction strategy, and top management reorganization on turnaround strategies. They found out that top management had a high influence on turnaround results because new top management usually holds stakeholders’ interests high.

Mungai & Bula (2018) in their case study on turnaround strategies and performance of Kenya Airways (KQ) examined which specific turnaround approaches applied on KQ and concluded that any organization undergoing decline should employ turnaround strategies especially cost reduction and financial restructuring.

From the above studies, the link between turnaround and competitive advantage in Ericsson was not yet looked at. None of the studies identified, had a match for the concept, context and methodology to this study. Therefore, this was a gap that this study addressed. Also, all the studies done in Kenya were done on local companies with no operations outside East Africa. The study aimed at expanding the context by looking at a multinational company, Ericsson, that operates globally with the study focusing on Ericsson's operations in Sub-Saharan Africa.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

Kothari (2004) defined research methodology as an approach to systematically unravel a research problem. These are the steps a researcher follows in studying the research problem and the supporting logic. Therefore, research methodology doesn't just consider the research methods but goes further to consider the logic behind the methods used in the research study context, explanation of the reasons a particular method or technique is used thus enabling not just the researcher to evaluate the research results but other researchers too.

The underlying assumptions upon which research is carried out are the research philosophy, (Guba, 1990). According to Wong and Karia (2011) there are two main orientations on research philosophy namely ontology which looks at overall nature of things and then identifying what exists. On the other hand, is epistemology which looks at origin, nature, possibility and human knowledge scope. This issue of research philosophy was very important in this research because part of the data collected was based on human beings who are emotional and responses may vary depending on timing, mood, current happenings creating bias and so forth.

Creswell (2012) assembled four philosophical assumptions. Firstly, there is ontological assumption that looks at the nature of reality. This assumes multiple realities that can only be captured by multiple evidences gathered from different experiences and perspectives. Secondly, there is epistemological assumption which explains how researcher get to know what they know. The participants get as close as possible to the subjects being studied to a level of being able to create subjective evidence.

Thirdly, there is the axiological assumption that looks at the role of values in research. Here, the researchers express their values known in the study and also report their values actively and the biases. Finally, there is the methodology, which is the method used in the process of research.

This study mostly applied two philosophical assumptions. First is the epistemological assumption in that the multiple realities were being expected by interviewing different subjects who have different perspectives and experiences. Second, is the methodological assumption since there were deductions emerging from the researcher shaped by the experience in collecting and analysing the data.

This chapter outlines the research methodology that was adopted in order to achieve the results on the objectives of the study. It includes the research design, the method of data collection, and instruments for data collection and finally the mode of analysis applied to the data collected to arrive at the research findings.

### **3.2 Research Design**

Based on the nature of the research where an in-depth study was done on one company, the research design selected was a case study. According to Gilbert (2008), a case study is an approach where an instance is carefully selected and studied intensively. The 'case' selected is then undertaken through a thorough, in-depth and holistic exploration. (Kumar, 2014). According to Burns (1997), the case must be an entity by itself and must be a bounded system. He further stated that in a case study, the focus is on the individual or idiosyncratic complexity and not on the whole population of cases. Grinnell (1981) explained that a case study is characterized by flexible and open ended data collection and analysis technique.

Yin (2003) advanced the importance of case studies in their unique contribution to the knowledge of individual, organizational, political, and social phenomena. He added that the need of the case study method is the wish to understand intricate social phenomena. He further defined case study as “an empirical inquiry that investigates a phenomenon within its real-life context”. Cooper & Schindler (2006) viewed a case study as a useful tool in analysing information systematically with the end result of accurate conclusions and recommendations. Case study helps the researcher investigate problems within a contextual viewpoint in a deeper and closer manner.

This case study was carried out on Ericsson, a telecommunication company operating globally and was undergoing turnaround management. The study allowed an in-depth analysis of the impact of implementation of turnaround strategy on the competitive advantage of Ericsson.

### **3.3 Data Collection**

The study employed the use of both primary and secondary data. Primary data was collected through structured interviews conducted on the senior managers in various departments or their equivalents. An interview guide that had seventeen questions was used after securing time with the interviewees. The questions were asked in a systematic manner and responses recorded. The target respondents included managers in Human Resources, Finance, Supply, Sourcing, Marketing, Strategy and Operations.

Secondary data was collected from annual and investor reports since they provide information on strategy and performance, past interviews from accredited media and analysts, Ericsson’s strategic plan, industry and regulator reports, and any other publicly available credible sources of information. This data was available in both print and visual form.

The combination of the primary and secondary data collection methods helps reduce the retrospective bias usually common in interviews (March & Sutton, 1997) where managers try to validate causes of decline by reconstruction of past decisions and actions. Without secondary data, the reliability of primary data is left to the assumption that inherent bias doesn't exist within the respondents. Therefore, both primary and secondary data were used in this study to ensure proper coverage of the topic.

### **3.4 Data Analysis**

The method of data analysis was content analysis. Kerlinger (1986) defined content analysis as “a method of studying and analysing communication in a systematic, objective, and quantitative manner for the purpose of measuring variables.” Krippendorff (2004) defined content analysis as the systematic evaluation of a body of images, text, and symbolic matter without necessarily using the author's or user's perspective. According to Cooper & Schindler (2006), when analysing open ended questions, content analysis is best due to its flexibility.

Kothari (2004) stated that content analysis uses categorizations and then these are used to make valid and replicable references from the sets of data available. Mugenda & Mugenda (2003) explained the key aspects of content analysis to be the study of current information to come up with factors explaining certain phenomenon. According to Walliman (2011), in content analysis, key words are coded, counted and categorized by frequency to gauge importance in comparison with other cases.

The results were then used to analyse the impact of turnaround implementation on Ericsson's competitive advantage. The results were then compared to existing literature because the study was using a theory guided data analysis. After analysis, a conclusion was formed which was the basis of the findings of this research.

# **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

## **4.1 Introduction**

This chapter looks at the detailed data presentation and analysis, the results obtained from the analysis and the discussion of the results. The basis of the analysis and interpretation of the results was the objective of the study which aimed at determining the impact of turnaround implementation on competitive advantage of Ericsson Sub-Saharan Africa. This is the chapter in which the data analysis was done with the aim of satisfying this study's research problem.

Primary data was collected through structured interviews administered to managers in various departments within Ericsson Sub-Saharan Africa. An interview guide with a similar set of questions was used systematically on each of the interviewees. Respondents included managers in Human Resources, Finance, Supply, Sourcing, Marketing, Strategy and Operations. The primary data from interviews was complimented with relevant secondary data collected from accredited media with the aim of validating various concepts discussed during the interviews.

With the use of content analysis, various concepts were identified within the raw data from the interviews. They were then categorized under specific concepts through conceptual interpretation and finally coded by hand. It is from these coded aspects that analysis and conclusions were drawn. The results were then compared to existing theory by explaining how they fit into the existing theories. The data was presented in the form of the different classes explained below with focus on turnaround plan, competitive advantage, environment in which Ericsson operates, challenges experienced during implementation and the mitigating actions taken to counter the challenges.



## **4.2 Turnaround Strategy**

The interviewees were asked to explain their understanding of turnaround strategy from their organization's perspective. This was aimed at getting an understanding of the management's understanding of this concept and how they were applying it inside Ericsson sub-Saharan Africa. Since all the interviewees were known to have been with the organisation both during the decline phase and during the turnaround process, they were expected to have a good understanding of the application of the concept in Ericsson sub-Saharan Africa.

The interviewees explained that they understood turnaround to be the process through which the financial recovery of a company is achieved after a considerable time of poor performance. They further stated it as a process aimed at revitalizing the organization with the aim of getting it back to competitiveness. They also explained that turnaround strategy is what guides the day to day operations during the whole process in which the organization tries to change to a better version of itself. The respondents also discussed turnaround as that process, in which painful actions have to be taken now in order to achieve a better tomorrow. The actions include job cuts, reduced spending, divestures, departmental mergers and closures and renegotiation of some business contracts in an attempt to make them profitable.

Ericsson has been a leading company but a combination of many factors including market forces such as reduced operator spending, uncontrolled costs and fierce competition led to a decline in its performance starting in 2014. This went on until 2016 when the then CEO, Hans Vestberg, announced a turnaround plan focusing on cost savings. He would then be soon replaced by a new CEO in 2017, Borje Ekholm, who was brought in to implement the turnaround. In the industry he was being referred to as Ericsson's "turnaround man".

### **4.3 Competitive Advantage**

Interviewees were asked to explain what they understood the competitive advantage of Ericsson to be. This was with the aim of determining what the managers in Ericsson sub-Saharan Africa understood the competitive advantage of their organisation as. They explained that the uniqueness of Ericsson's offerings to its customers is its competitive advantage. They also explained Ericsson's fairness in dealing with stakeholders as a competitive advantage since it creates trust and gives Ericsson an upper hand over its competitors.

Further, leadership in technology was also cited as a competitive advantage for Ericsson. This is something Ericsson has been priding itself about even citing in its website that 40% of the world's telecommunication traffic passes through its networks. Another thing the interviewees explained to be Ericsson's competitive advantage is its Research and Development (R&D) capabilities. This is why even in decline more investment was driven towards it as this secures the future by ensuring Ericsson remains a leader in technology even in years to come. Ericsson's legacy in the telecommunications industry was also cited as a source of its competitive advantage. Being a well-known brand associated with quality and trust gives it an edge over other less known or less trusted competitors. Agility and closeness to customers where response to customer needs is fast and customized was also given as Ericsson's competitive advantage. This is because it helps keep the customers satisfied.

The interviewees explained that the competitive advantage comes from having products that are superior to those of competitors. They cited the much publicized Ericsson Radio System which is a solution that cuts across multiple market requirements. Strategic investments made some years back in particular areas such as research and development have helped give Ericsson an edge over competitors today.

Doing business responsibly has also helped Ericsson secure competitive advantage over its competitors by ensuring that there are well laid policies, processes, compliance programs, code of business ethics and ensuring even the suppliers follow the same code of conduct. This helps build trust with the stakeholders thus creating customer loyalty.

The interviewees explained that different departments had different ways of contributing to Ericsson's competitive advantage. The strategy department does market research and analysis to come up with insights about what customers want and this feeds to research and development in order to keep ahead of competition. The supply department ensures that whatever is sold to the customer in form of material and equipment reaches them in good time and in good condition by producing the equipment in their factories or shipping the equipment sourced from third parties thus ensuring the customer is satisfied as per their order.

In the sourcing department, since 60% of what is sourced is for reselling. They pride themselves with high values for collective valuable sourcing. This is achieved through strict push for adherence on Occupation, Health and Safety (OHS) standards by vendors, requiring material declaration from suppliers to ensure that conflict minerals do not find their way into Ericsson's products and strict audit on vendors for compliance. In the human resources department, they ensure that the resources are well looked after in terms of benefits and right staffing and also ensures that Ericsson is compliant with local labour laws and regulations to avoid fines and penalties. The finance department ensures there is compliance in financial reporting and advises management on investment options to achieve profitability and those that are bleeding the company are identified for divesture. Finally, the operations department is the one that ensures what was sold to the customer is installed as per the requirements. They are the final step in satisfying the customer thus helping build trust in the customer.

Therefore, looking at the responses from the interviewees, it is clear that competitive advantage is what an organisation has that gives it an edge over its competitors. Many factors in an organization contribute to the competitive advantage and are all valid as long as they help in creating more value to the customer thus helping the organization get an edge over competitors. These contributors need to be sustainable over time to be considered as aids for competitive advantage.

#### **4.4 Factors Influencing the Competitive Advantage of Ericsson**

Competitive advantage is a function of many factors. Each organization has its unique factors contributing to the competitive advantage and Ericsson, too, has those unique factors. From the interviews the main aspects that were discussed and their effect on competitive advantage are structure, resources, competition and environment. It was noted that different departments had their own contribution to the overall competitive advantage but their synergy helped better the overall company's edge over competitors.

Under the influence of structure on competitive advantage, the main concentration was on the interdependence of different departments and how their interaction shapes the overall organization direction. This helps bring out how the activities of a department have a ripple effect on the operations of another and eventually on the overall operation of the whole organisation. Under resources, the main focus was on which resources each department controls and their uniqueness compared to those of competitors thus helping identify how they add to the competitive advantage of Ericsson. Looking at competition, rivalry from competitors was discussed and how this affects the operations of Ericsson's business. Finally, since no organisation exists in a vacuum there is a discussion on the environment that helps assess Ericsson's operating environment, its dynamism and how this influences Ericsson's business operations.

This study links the above factors influencing the competitive advantage of Ericsson and how they were all handled during the business operation leading to the turnaround and during the turnaround process. This helps capture the actions taken on each factor during the turnaround and at the same time identify how each affects the competitive advantage of Ericsson sub-Saharan Africa.

#### **4.4.1 Influence of Structure on Ericsson's Competitive Advantage**

The respondents were asked to explain how they felt their departments dependence with other departments within Ericsson sub-Saharan Africa was. This was chosen based on the functional structure of Ericsson where people performing the same type of work are grouped together into departments. They responded that their departments were very dependent on other departments for optimal operation. For example, since the sales department interfaces directly with the customer, other departments depend on it for insight and feedback from customer. Therefore, from the sales department, the strategy department gets market insights, the supply department gets the sales details so that they can actualize on delivering or shipping the customer requirements, the finance department gets insights on current business and future business for proper financial planning, the human resource department gets feedback on future business so as to do proper staff planning, the operations department gets the details of the sale and customer requirements for proper delivery of the services.

Due to their dependence on each other, interviewees explained that in case of one department not working well enough, there are ripple effects on other departments and if this is not solved in time leads to a company crisis. They also felt that since the decision making organ for each department was somewhat independent, there was a likelihood of conflicting decisions especially when the departmental goals are not well aligned to the overall company objectives resulting to silo mentality.

From the above, it is clear that Ericsson's structure, looked at in terms of departments, influences its competitive advantage by way of each department acting like a cog in a gear system. In the turnaround process, there was a lot of merging of departments that worked on similar things with an aim of simplifying decision making and ensuring the interaction among departments is smooth. Communication, whether good or bad, among the departments eventually impacts the final product delivered to the customer. For example, weak communication from the sales department of what the customer needs results in a wrong solution created by the solutions department, wrong material sourced by the sourcing department and shipped by supply department, wrong implementation by the operations team and eventually an unhappy customer thus lowering the competitive advantage of Ericsson.

#### **4.4.2 Influence of Resources on Ericsson's Competitive Advantage**

It is the strategic resources that a firm possesses that help it gain better competitive advantage than its competitors, (Karniouchina 2013). Based on this definition the interviewees were asked whether their departments controlled any form of resources and how unique the resources were from those of competitors. This was with the aim of identifying which resources could be classified as strategic resources thus helping towards the competitive advantage of Ericsson sub-Saharan Africa.

The interviewees were unanimous in that the biggest resource in Ericsson is the workforce. Even though the workforce may be drawn from the same sources as competitors, Ericsson invests more on its workforce, creating a unique resource that helps advance towards excellence in front of the customer. This presence of a highly motivated workforce was impacted during the turnaround as the main focus was cost reduction that led to job cuts. However, the respondents felt that as the turnaround seems to be progressing well, focus on employee wellness has become a focus again.

Further, the interviewees quoted availability of budgets to execute departmental mandates as a major resource in that each department is able to deliver on its mandate with the necessary support availed. To be noted is that availability in this case is not synonymous with abundance. It just means that proper allocation is done to ensure that the critical activities do not stall. The interviewees also explained that Ericsson's technology leadership through its research and development is a superior resource because it gives Ericsson an upper hand in contribution to and shaping of new technologies. For example, Ericsson is at the forefront regarding the shaping of 5G technology just because it invested in research and development early enough and was ready with its superior technology when the need for 5G arose.

It is evident that Ericsson has in its control, strategic resources that help it deliver superior value to its customers than its competitors can. This explains the resources' influence on competitive advantage. When an organization is able to leverage on its strategic resources, it is able to deliver superior value which the customer is willing to pay for at a price that is more than the cost input thus making the organization profitable.

#### **4.4.3 Influence of Rivalry from Competitors on Ericsson's Competitive Advantage**

Ericsson operates in an industry that has many players, both large and small. This means that Ericsson needs to be always ready to adapt to changes fast to get ahead of competitors or fail to be agile and fall behind competitors where it would always be trying to play catch up. The latter is not desirable because most of the resources are consumed trying to match up to competitors instead of value provision to the customer. Ericsson sub-Saharan Africa cannot just wish away the presence of competition and must, therefore, be always ready to counter any actions from competitors that might weaken its competitive advantage.

The interviewees were asked to explain how they felt rivalry with other vendors in the telecommunication industry in sub-Saharan Africa influenced Ericsson's business. This was with the aim of understanding Ericsson's competitive environment and the actions Ericsson is taking to keep ahead of competition. The interviewees responded that there was fierce competition for market share in sub-Saharan Africa mostly from Chinese firms leading to massive price wars. This price war leads to price undercutting which compromises margins and sometimes the quality of service thus eventually the organisation's profitability due to eroded margins and weakens the competitive advantage due to degraded service.

The interviewees also explained that since Ericsson relied on the same supplier base for its components as the competitors, there is bound to be severe competition and due to the international laws of fair competition Ericsson must ensure proper planning to handle peaks during high demands for capacity. Failure to do proper planning here leads to shortage of material on Ericsson's side when there is high demand, in turn causing delays in the implementation of customer projects leading to dissatisfied customers and loss of competitive advantage. This planning must be done better than competitors so that when the competitors face shortages, Ericsson can grab the opportunity to show their value to the customers thus uplift its competitive advantage.

Further, the interviewees explained that the equipment the telecommunication industry currently uses tends to function almost in the same way and when you try to get out of the basics to differentiate oneself, the differentiating factors tend to price you out. This means that the Sub-Saharan market that is very price conscious can be served using commoditised equipment which offers a challenge in differentiating oneself from competition. Therefore, Ericsson must come up with other creative plan to show their value add in the sub-Saharan market.



The sub-Saharan market has its unique needs because while there are customers in other developed markets such as Europe, North America and Asia chasing the latest technologies, 5G in this case, there are other customers mostly in sub-Saharan Africa still struggling to offer the basic coverage with 2G and 3G in other areas. Also within sub-Saharan Africa, we have a few customers who would like to keep up with the latest technology but with limited budgets thus Ericsson needs to have a wider view so as to serve both ends effectively. This lagging behind in terms of technology adoption pushes the main competition to advanced markets such as Europe and North America leaving the fight for sub-Saharan Africa to be just for foot print and market share growth.

#### **4.4.4 Influence of Environment on Ericsson's Competitive Advantage**

Environment is where an organisation operates in. Changes in the environment call for adapting of an organisation's mode of conducting business to remain competitive, failure to which it dies. Also, the speed with which the organisation changes determines the success level because if done too slow, then the results may be the same as those not changing in reaction to the environment shocks at all.

Interviewees were asked to explain how dynamic they felt the environment in which Ericsson operates is and how they felt the dynamism influenced Ericsson's business. This was with the aim of determining how fast changing this environment is and what actions Ericsson takes to counter these changes. The interviewees explained that Ericsson operates in a very dynamic environment characterised by fast changing technology. This is mainly driven by the quest to have faster communication each day. This has been evident since the advent of the mobile phones which has seen the technology grow from 1G to 5G in about two decades. This is why Ericsson invests in research and development to keep ahead and influence the change of environment to its favour when it happens like it is now doing with 5G.

Further, the interviewees explained that Ericsson's business success was reliant on several factors such as the levels of investment by the operators, level of competition and market regulation. All these are factors outside Ericsson's control thus can be considered its external environment. Operators are the customers Ericsson sells to and their combined investment is the maximum combined sales for the vendors. Therefore, a drop in operator investment means less sales available and even if market share doesn't change, the sales drop. Market regulation means more compliance costs and also means the speed with which Ericsson can offer certain products is regulated. For example, 5G is not yet standardised meaning no commercial gains are possible yet. Secondly, the local market regulators in different markets have different regulation that must be followed and issues such as different allocation of frequency for similar tasks in different countries mean that the equipment must be customised per operator thus increasing costs and affecting deployment speed.

Another factor cited by the interviewees is the dwindling macroeconomics of Africa characterised by economic instability thus affecting the cost-price models. The main economies in Africa are struggling with South Africa facing a recession, Nigeria and Angola affected by low oil prices and many others having governance issues. Since Ericsson's customers operate within countries, any economic challenges affect their revenues which in turn affect their investment levels.

The interviewees also felt that stakeholders' actions and inactions contribute to the dynamics on the environment. For example, high workforce attrition in the supplier firms forces Ericsson to keep actions that maintain quality such as audits. Ericsson is answerable in case of any quality degradation and since it doesn't produce all the equipment it sells; it has to rely in third parties over whom Ericsson doesn't have total control.

This dynamism of the environment in which Ericsson operates calls for action to adapt the strategies to match or beat the change. The interviewees explained that the dynamics of the environment have forced Ericsson to be flexible in working with the regulators by helping in policy formulation, undertaking continuous assessment of competition to understand how competitor actions affect their customers to avoid surprise moves by competitors that leaves Ericsson playing catch up.

The interviewees further explained that Ericsson has been made to maintain a high competence level both internally and in its supply chain. Ericsson has to perform actions such as audits to ensure suppliers maintain quality failure to which the low quality trickles down to Ericsson customers thus damaging the reputation and affecting Ericsson's competitive advantage. The cost of doing business increases with all these actions to mitigate the environment changes impact due to expected high compliance levels which may price you out eventually.

#### **4.5 Causes of Ericsson's Decline**

Failure to address the changes in environment, delay in addressing them or even addressing them in the wrong way means there is an impact on business performance. One of the most likely result of delayed or poor reaction is a declining business performance. The interviewees were asked to explain the causes they felt led to Ericsson's performance decline. The aim here was to establish the causes of Ericsson's performance decline leading to the turnaround process. The interviewees explained that the main cause of Ericsson's decline was a natural market cycle in the telecommunication industry where after a large period of investment there is a period of slow down. In the slowdown, telecommunication operators, who are the main Ericsson's customers cut down on investment. With reduced operator investment the available pie reduced leading reduced Ericsson's sales.

The interviewees also explained that Ericsson was not keen on cost control resulting to run away costs. This when combined with an attempt for rapid expansion in a declining market was a definite recipe for decline. The sales were driven down by the normal market cycle of reduced operator investment while profitability suffered due to poor cost control. Ericsson's management was not able to identify the declining market in time and restructure itself to match the cost levels to the reduced sales level.

The interviewees further mentioned that there was lack of accountability in the company where targets placed on employees were not in tandem with the overall objective of the company thus creating silo mentality to the detriment of the company. This means that there were employees who would get good bonuses on measurements that were not adding to the overall value of the company thus creating a false impression on the health of the organisation. The interviewees further felt that Ericsson had complex processes that impacted competitiveness by reducing the agility usually present in a simplified structure. This meant slow reaction to customer needs and in turn losing customer loyalty thus making attempts to keep or increase market share even more difficult.

#### **4.6 Ericsson's Turnaround Plan and Implementation**

After a sustained period of business decline, an organisation must come up with plans to reverse the decline. This is where turnaround plan comes in. Starting in 2014, Ericsson's performance was declining quarter over quarter. This prompted the management led by the then CEO, Hans Vestberg, to announce a restructure plan in 2016. According to the annual and investor reports, this was to focus on reversing the declining sales, improve operating margins and cut costs to improve net profit. This went on and towards the end of 2016 Ericsson announced a new CEO, Borje Ekholm, and tasked him to steer the turnaround.

In sub-Saharan Africa, Jean-Claude Geha replaced Fredrik Jejdling as the new head of the region with the aim of helping realise the ever increasing demand and grow the market share through capture of new markets while fighting competition from the competitors. These changes included cost cutting which was implemented in form of headcount reduction and other operating expenses reducing measures. In 2017, in a global change of structure, the sub-Saharan region was merged with the Middle East region and the head of the new region became Rafiah Ibrahim.

Both at the global and sub-Saharan level, the main drive was to return Ericsson to profitability through a cost out and improved efficiency approach characterised by job cuts, exit from non-profitable contracts, divesture from non-telecom business such as Media. According to the annual reports, the global target for operating expenses reduction was 10 billion Swedish Krona which was to come from all markets. The other action was reduction of company operations to match the demand level. There was a greater push for greater accountability, focus on performance throughout the organisation, adjustment of organisation due to lower sales levels, cost out and reduction of working capital.

#### **4.6.1 Ericsson's Turnaround Strategy Focus**

The interviewees were asked to explain what they felt was the focus of the turnaround undertaken by Ericsson. The aim was to understand which activities Ericsson thought would be the ones to change its dwindling fortunes if well handled. The interviewees explained that cost was the main focus of the turnaround process. They felt that Ericsson's aim was to operate at an optimal level while focusing on areas where the company is strong hoping to achieve success. Ericsson was to reduce its operating expenses to match the declined sales levels and also reduce the cost of sales in order to post a better gross margin.

The respondents further explained that customer centricity was also a key focus of the turnaround process. This is where Ericsson would move closer to the customer and deliver solutions aimed at solving the customers pain points rather than just push products from its portfolio. The interviewees further felt that Ericsson aimed at having selective growth where it would prioritise profitability over growth. They further put across transparency in conducting business as another key priority also mentioning harmonisation of employee incentives such that the incentives are geared towards overall company goals and not silo incentives that, more times than not, end up pulling down the overall organisational goals.

From the 2016 Ericsson's annual report, Ericsson's management felt that to turnaround, there was need for a bigger push for greater accountability, focus on performance throughout the organisation, adjustment of organisation due to lower sales levels, cost out and reduction of working capital. They would lower operating costs by headcount reduction around the world, and intensify reduction of cost of sales to improve gross margin. Transparency in terms of doing business responsibly was also key as this would avoid pullbacks that are usually created on companies when they are under investigations by authorities because any conviction can lead to bans and fines.

#### **4.6.2 Challenges of Ericsson's Turnaround Implementation**

The interviewees were asked to explain their views on what the challenges of the turnaround implementation were. The aim was to understand the challenges Ericsson is undergoing during its implementation of the turnaround strategy. The interviewees explained that one challenge was the tendency to cut costs too much ending with low staff levels in certain markets which affects the operating and selling activities thus affecting future sales. This issue means that there is not enough headcount left to handle the business coming in and this may mean ceding even more ground to competition.

The interviewees also identified change management as another big challenge to the implementation of the turnaround strategy. This where the direction and approach from top management is clear but there is a mismatch at tactical level. They identified the tactical level as the level that is in between top management; where strategy is set and operations level; where the actions are operationalised on a day to day level. Therefore, the strategy set at management level is not properly transferred for operationalising.

The respondents also identified working in silos as another major challenge to the turnaround implementation. Due to different key performance indicators, which are not necessarily aligned to the overall strategy, there is no common focus and each department focuses on what it is being measured on without caring about the effect on the overall company. This results to complex processes creating bureaucracy leading to diminished agility and this results to very slow turnaround time towards customer needs. Another key challenge the interviewees identified is the need for Ericsson to balance between bringing itself out as a leader in 5G technology which means huge spending in research and development and publicity while at the same focusing on cost cutting for turnaround to work.

The respondents noted that one of the approaches to turnaround was exiting non profitable contracts some of which were long term contracts. Therefore, this came with a significant cost and a huge risk of market share loss and there was no guarantee that the customers would let Ericsson keep the profitable contracts only. Also, failure to get good offers for the media business was also another key challenge mentioned as it meant Ericsson had to either sell the business at a throwaway price or keep funding it despite being unprofitable. This also meant that a transaction that was to meant to bring in more money to fund other turnaround operations ended up even demanding more funds thus reducing even further the funds available for the other planned activities.

Finally, pressure from investors to achieve a faster turnaround was also explained to be a big challenge as their dissatisfaction with the turnaround speed meant that the market would also react negatively to the news thus making the turnaround effort even more difficult due to an untrusting market.

#### **4.6.3 Mitigating the Challenges of Turnaround Implementation Faced by Ericsson**

Whenever there are challenges on the implementation of a strategy, the management must strive to address the challenges with the aim of ensuring that the challenges impact the process in the least possible way. Therefore, the respondents, being part of management, were asked to explain the actions they were taking to mitigate the impact of the challenges on the turnaround process. This was with the aim of understanding whether management is concerned about the challenges or they are just wishing them away without any action.

The respondents explained that to counter the challenge of overcutting costs to a point of negatively affecting operations, Ericsson is now exploring ways to grow. This is through cautious growth while maintaining cost focus and only growing where there is guarantee of success. Also, Ericsson is placing itself as a technology leader in the 5G leader by investing more in research and development to ensure that future business is secured. Therefore, the cost cuts are calculated so as not to affect long term stability.

For the challenge of balancing between being a technology leader and cutting costs in turnaround, the interviewees explained that Ericsson is ensuring involvement with regulatory and standard setting bodies to set standards and define the technology trajectory. Thus, Ericsson has been the first in executing the standards tests thus increasing confidence in Ericsson's ability to deliver up-to-date and quality offerings.



The interviewees explained the mitigation of the challenge of bureaucracy to be automation and digitisation. Since bureaucracy results to less agility, it can be addressed through automation of processes to reduce the number of handovers while at the same time increasing efficiency. For example, shipping process can be automated and the customers can track where their material is in real-time. Together with automation, there needs to be the right people in the right place having the right resources.

To counter the change management problem, the interviewees identified continuous improvement with focus on the control part. The control in this case is in the context of the DMAIC change management approach which is a data driven cycle for improving, stabilising and optimising business processes. This is where you are able to make a change stick because after the paradigm shift from change management, one keeps checking if it is working and improving or correcting any deviations.

#### **4.7 Impact of Turnaround Implementation on the Competitive Advantage of Ericsson**

Every action performed at the implementation stage has an impact. In this case, the respondents were asked to explain the impact of the implementation of turnaround strategy on the competitive advantage of Ericsson sub-Saharan Africa. This was with the aim of assessing management's understanding of how their actions during the implementations phase affect Ericsson's competitive advantage.

The respondents explained that by improving profitability through cost cutting, Ericsson is stabilising making it able to take advantage of new opportunities in the market. This leaner company is also able to offer competitive products to its customers thus increasing Ericsson's competitive advantage. Calculated growth is now possible with the right approach where Ericsson only invests where it is sure of success.

The interviewees also explained that from a technology point of view, the market perception on Ericsson has improved due to its investments in the right areas, reducing the base of competition by being more focused than when it was so diversified dealing in multiple areas of service. The focus is being achieved through divestiture of the unprofitable segments of the business. This means that with these right investments in technology, when time comes to commercialise 5G, Ericsson would be ready for the market with the right solutions.

They also identified the impact of doing business responsibly where it increased transparency thereby increasing trust in its stakeholders. This is being achieved through multiple trainings rolled across the organisation focused on matters of doing business responsibly thus reinforcing this on the employees and entrenching it as a culture. This increased trust in stakeholders, customers included, means that it is now easier to do business with Ericsson which can be interpreted to mean increased competitive advantage.

By improving efficiency and agility through automation and digitisation, the respondents noted that Ericsson was able to get closer to the customer, therefore, understanding the customers better thus getting more sales and retention of market share that was dwindling. With this closer relationship with the customer, Ericsson is able to improve its turnaround to customer requirements, offer more competitive costs due to digitisation and automation. The respondents also identified the change in headcount to a leaner, more focused and aligned workforce as a plus in increasing competitive advantage. This is because having seen Ericsson decline, the causes addressed and reversed, the workforce is more cautious in future so as not to get back there. They would always keep the customer first.

#### **4.8 Discussion of the Findings**

This study found out that it is the strategic resources that Ericsson possesses that define its competitive advantage. It showed that Ericsson has multiple strategic resources including the workforce which is differentiated from competitors due to Ericsson's investment in its training, technology leadership made possible through strategic investment in research and development and fund availability achieved through prudent use and strategic allocation to the most important tasks. This is in line with David (2011) in his contribution to Resource Based Theory, who emphasized the importance and preference of internal resources than external resources in creating and sustaining competitive advantage stating that three groups of resources, physical; human; and organizational, determines the firm's performance.

This study found out that Ericsson's structure, in terms of its departments and their interdependence influences its competitive advantage. Each department is like a cog in a gear system which when put together and made to work smoothly ends up giving more output than if each was put on its own. This means that Ericsson puts a lot of effort to make sure each department works optimally and without pulling any other down so as to have a positive impact on the overall working of Ericsson.

It showed that output on some departments becomes the input in some other departments calling for a greater need to ensure that smooth communication is maintained with each other so that there is no breakdown along the chain. This is in line with the strategic choice perspective advanced by Wheelen & Hunger (2012) explaining that organizations not only adapt to a changing environment, but can reshape environment because the rational decisions taken within a firm shape both the firm and industry. Thus, the internal decisions influence the external environment.

This study found out that rivalry with competition influences Ericsson's competitive advantage. Ericsson strived to offer higher value to customers so that they would be willing to pay a higher value than the cost thus leaving a margin for Ericsson. This is what Porter (1985) explained competitive advantage to be. When competition in sub-Saharan Africa comes into play, there ends up price wars such that the costs incurred by Ericsson are not even covered by the price they would need to charge to be cost competitive. This is what calls for Ericsson to go for differentiation strategy as cost leadership in sub-Saharan Africa is so difficult especially with the Chinese competitors.

The study shows another source of competition for Ericsson was because Ericsson and its competitors relied on common suppliers for their materials. This meant that failure to do proper demand planning would lead to periods of shortage thus lowering Ericsson's competitive advantage. If Ericsson didn't adapt quickly to any shocks, it would get replaced by a better suited competitor. This is as explained by Wheelen and Hunger (2012) in their explanation of population ecology theory (PET) where they said that an organisation that doesn't adapt in times of change dies or is replaced by an organisation that is better suited to the new organisation.

This study showed that Ericsson's operating environment was very dynamic due to the fast changing technology industry. This industry was characterised by periods of high investments followed by periods of low investments. This was as explained by Tushman & Romanelli (1985) as the evolution of organizations through convergent periods punctuated by reorientation. The magnitude is dependent on the stability level of structure, strategy, and processes and that is why Ericsson had to adapt to this by taking a turnaround management approach. This was further supported by Anderson & Tushman (1990) who alluded to alternating periods of radical and incremental change.

This study found out the causes of Ericsson decline that culminated to the turnaround. Every failure has a cause as Ropega (2011) explained by saying business failure comes when management fails to take note of a critical issue in time either due to delay or incompetence in repair actions leading to organization collapse. It showed the main cause of decline to be natural market forces pushing operator investments low thus affecting the size of the pie available for Ericsson leading to low sales. This is in line with Scherrer (2003) observation that for external factors, management foresight is the most important thing to ensure that the firm can react to any adverse external shock.

The study showed another cause of decline to be poor cost control. This merges very well with Maheshwari, Raina, Chanda & Mehta (2003) explanation that firms exist in two eras. One, where there are constrained resources and they end up using excessive control which leads to managerial paralysis and eventually failure. The other era is where they have surplus resources and the management becomes complacent, thus resulting to failure. The latter is what led to Ericsson's decline.

The study found out that complex processes and bureaucracy caused Ericsson's decline. As Scherrer (2003) explained, Ericsson's management lacked the foresight to simplify its processes thus when an external shock came, there was no agility to react leading to failure. They were not fast enough in meeting customer requirements as one decision would require so many approvals and by the time it was done, the competitors would be so much ahead thus appearing to be more competent and viewed as providing more value to the customer. This bureaucracy and complexity was complicated by having targets that were not aligned to the overall company direction resulting to each department making decisions that led to their bonuses regardless of whether they were conflicting with another's. This meant there was no unity towards the customer and many delays were experienced due to too much focus on internal processes.

The study found out how Ericsson approached the turnaround process. Ericsson first identified the need for turnaround in 2016 after declining since 2014. This is in line with what Bachmann (2009) said that when a firm's competitive advantage is endangered, the need for strategic turnaround arises and the business operations, and the portfolio need to be redefined. The study showed that Ericsson then identified the approach to use, cost out and efficiency through the identification of the causes of decline. This is just as Hopkins (2008) explained about turnaround approach used which must be defined by the cause of the firm's performance decline. He identified two broad causes; those whose performance decline is as a result of industry downturn and those that end up in a weakened strategic position due to entry of new competition.

Ericsson resulted to shrinking its organisation in form of retrenchments and repositioning of its business as the wave of operator low spend passed. This is supported by Pearce & Robbins (1993) who identified the two engines of turnaround to be; retrenchment and repositioning. Barker & Duhaime (1997) further supported this by stating that the firms affected by industry decline could lie low by retrenching until the situation normalized while those affected by new competition needed to revamp their strategy.

This study found out the challenges Ericsson underwent in its turnaround implementation. There was lack of clarity of the requirements at tactical level which ties with what Corboy & O'Corrbui (1999) identified as main obstacles to strategy implementation. These are lack of strategy clarity, lack of buy in from the staff, unclear responsibilities, and failure to acknowledge the challenges as the main obstacles to strategy implementation. Here Ericsson's improper handover at tactical level meant that the information reaching the operations teams on what to implement on a day to day basis was different from what top management intended.

The study also found the tendency to overcut costs to be a serious one since it left some markets without enough staff to handle customer requirements. This is what Beer (2013) noted that when there is a misfit between the organization and the environment, the senior management do not identify the underlying problems thus becoming a huge implementation hindrance. In this case Ericsson's management was more concerned with cost cutting without looking at the effect on the external environment.

This study found out that working in silos was a challenge to the implementation of the turnaround. This was because each department was pulling towards themselves. This was what Koseoglu, Barca, Karayormuk & Edas (2009) identified in their conclusion that the challenges in the implementation phase were organizational and went on to give the main ones as follows: organisational culture incompatibility, lack of cooperation resulting to competing activities, inadequate communication, ineffective coordination, and inadequate information system.

This study found that Ericsson employed various mitigating factors to counter the challenges faced during the implementation of the turnaround such as ensuring that research and development was still well funded despite the fund constraints. Ericsson also got involved with the industry regulators to be among the first to test the new 5G standards thus creating more confidence in the stakeholders. To counter the challenge of bureaucracy and complex processes Ericsson merged departments that were doing similar work and employed the use of digitisation and automation to simplify the processes. They also ensured that the control process was well handled to reinforce the new ways of working thus ensuring that the employees don't result to the old ways by default. This is in line with what Slatter, Lovett & Barlow (2006) identify as the main task the leadership must take to be: taking control, making tough decisions, maintaining clear and noticeable leadership, deliver faster results, and finally dealing with discord.

This study identified the impact of the turnaround on the competitive advantage. It showed that improved profitability achieved through better cost control added to Ericsson's competitive advantage as this leanness could be passed on to the customer through cost leadership. This is in line with Peteraf (1993) explanation of competitive advantage to be a firm's superior financial performance

The other impact of turnaround on competitive advantage found in this study was the fight to retain technology leadership through investments in research and development. This ensured increased trust by stakeholders thus increasing the competitive advantage of Ericsson. This supported Barney (1991) and Peteraf & Barney (2003) view of competitive advantage as a firm's attribute.

This study identified change of leadership to have an impact on competitive advantage. This is because the new leader comes with fresh ideas and usually comes with an outside in perspective. The market and other stakeholders usually get more confident when it is a new leader handling things because they believe the issues would be dug deep into unlike when the old leader is the one running the turnaround where there might be some cover ups arising in an attempt to avoid taking blame.



# **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter presents the summary of the findings of this study in line with the research objective. The study sought to determine the impact of turnaround strategy implementation of the competitive advantage of Ericsson sub-Saharan Africa. Thus the summary of findings highlighted key issues found against the research objective.

From the findings, a conclusion was derived against the research objective. From the conclusions the researcher was able to give recommendations that would help further support the research objective. This then led to the implications of the study to theory, practice and policy. This was a discussion on how this study impacted each of the named categories.

Finally, the researcher presented the limitations of the study. These are the influences that the researcher could not control and which placed restrictions on the methodology and conclusions. Since the limitations highlighted the weaknesses of the study, this was basis of the suggestions for further research that could be carried to close the gap.

## **5.2 Summary of findings**

From the findings, turnaround was defined as the process through which a previously well performing organisation, that is now faced with decline over a period, is lifted back to profitability. For this to happen, the struggling company must identify the causes of decline, acknowledge their existence and resolve to take the necessary actions to reverse the decline. By the time turnaround is considered, the competitive advantage of an organisation would, usually, have suffered to a level where failure to reverse the decline results to the death of an organisation.

From the findings, there is a positive correlation between the existence of strategic resources and the competitive advantage of an organisation. The more unique the resources are from those of competitors, the more competitive advantage a firm has. Therefore, every organisation must strive to acquire and defend resources that are not easily replicable by competitors and by doing so, and utilising them well to add value to customers, it secures its competitive advantage. That is why Ericsson works hard through investment in research and development to acquire those unique resources. This is evident from the multiple patents Ericsson files each year. Also, Ericsson strives to invest in its staff training so that they become unique thus helping push up its competitive advantage.

From the findings there is a positive link between the environment dynamism and the competitive advantage of an organisation. When an organisation is ready and agile enough to adapt to the environment or even strong enough to influence the environment, then it has competitive advantage. Ericsson strives invest in research and development in readiness for environment changes and works with industry regulators to ensure that it shaped the environment in which it operates. This was so that when new change occurs in the market, Ericsson would be ready to capture the opportunities fast enough.

From the findings, rivalry with competitors impacts the competitive advantage of an organisation by making an organisation do business at price levels that would not be profitable just to retain market share. Ericsson sub-Saharan Africa price wars with its competitors such as Nokia, Huawei and ZTE has left it bruised and struggling for profitability. This is common in such a cost conscious market where the main need is for the basic services thus the differentiation strategy does not work as any attempt to differentiate oneself from competitors ends up pricing you out.

From the findings there is a positive correlation between the flexibility of an organisations structure and its competitive advantage. The more flexible the structure is, the more agile and efficient the organisation becomes in meeting customer needs thus the more competitive advantage it attains. This is why Ericsson simplified its structure and at the same time employed automation to ensure its now agile enough to react fast enough to opportunities.

From the findings retrenchment is an effective tool of cost cutting and creating a leaner organisation that can match the sales levels and at the same time be lean enough to be agile. This leads to savings on operating costs thus contributing to improved profitability. Ericsson reduced its global headcount from 116,281 employees in 2015 to 94,499 employees as at the end of Q3 2018. In Middle East and Africa, where Ericsson sub-Saharan Africa belongs, employees reduced from 5,268 in Q1 2017 to 4,243 at the end of Q3 2018.

From the findings, the replacement of a leader helps in building more trust from the stakeholders thus increased competitive advantage. This is because the new leader comes with fresh ideas and usually comes with an outside in perspective. The market and other stakeholders usually get more confident when it is a new leader handling things because they believe the issues would be dug deeper unlike when the old leader is the one running the turnaround where there might result in some cover ups in an attempt to avoid taking blame.

From the findings, challenges of the implementation of turnaround strategy, can impact negatively on the competitive advantage of an organisation if not well handled. Ericsson was faced with challenges such as over retrenching thus affecting productivity and change management where there lacked willingness to do the paradigm shift.

### **5.3 Conclusion**

The objective of this study was to identify the impact of the turnaround implementation on the competitive advantage of Ericsson sub-Saharan Africa. Based on the research findings and in tandem with existing theory, turnaround had a positive impact on the turnaround of Ericsson sub-Saharan Africa. Ericsson had managed to reverse the decline, return to profitability and was contemplating engaging in calculated growth where its growth investments were only done where there was certainty of success.

It is, therefore, possible for a declining organisation to halt and reverse the decline then return the organisation to profitability if the causes of decline are identified in time and the necessary actions taken to counter these causes. The next step is ensuring a well-managed implementation so that any challenges arising are countered immediately thus having minimal or no effect on the process. Technology leadership and cost control are key for Ericsson even in future.

Different areas within an organisation, individually and collectively, contribute to the competitive advantage of an organisation. Therefore, there must be efforts to effectively manage them and individuals while at the same time looking at their impact when combined together as a system. Ericsson had different departments that did different things and when combined they become one big system called Ericsson. Care must be taken to avoid conflicting goals in the departments.

### **5.4 Recommendations**

This study concluded that an organisation that is facing decline can be rescued and taken back to profitability by use of a turnaround strategy. This was successfully done by Ericsson. It is, therefore, recommended that a firm facing decline should pursue and properly manage the implementation of a turnaround strategy.

This study identified the challenges Ericsson faced in its implementation of the turnaround strategy and the ways in which it mitigated them. Therefore, the research recommended that any organisation doing turnaround implementation should be aware of the possible challenges and be ready to counter them in time because failure to do so pushes it further into losses. Examples of these challenges include over retrenching in an attempt to save costs but ending up impacting the ability to deliver to the customers, having silo mentality where there is no unity of purpose, and poor communication of the strategy especially where it should be broken down into operational goals.

Since it is the unique resources that contribute to competitive advantage, the researcher recommended that every organisation that wants to remain competitive should strive to acquire and defend its own unique resources that are not easily replicable by competitors and should not let go of them even in times of decline. This may mean investing now expecting to get the returns in future just as Ericsson invested in research and development and now had technology leadership within the industry.

### **5.5 Implications of the study**

Turnaround strategy is an influential tool on firms that are keen on competitive advantage. Organisations that adopt turnaround strategies at their declining phases end up doing better than their competitors. This has influence on policy formulation where policy makers can develop policies guiding the saving of the declining firms. This helps the firms understand where to put effort and the pit fall to avoid whenever they are faced with decline. The telecommunications industry regulators, being key players in policy formulation, also set up policies that help guide successful implementation of the turnaround strategies.

This study helps the management of Ericsson see where the decline came from, the pit falls they came across in the implementation of the turnaround strategy and the impact each action had on its competitive advantage. This helps them avoid these in future by identifying the signs of decline and taking corrective actions before it is too late. Other similar companies, can learn from the same and remain alert on any challenges that may lead to decline and correct them at once.

This study helps build onto the literature available on turnaround and competitive advantage. It helps show how the theories such as resource base view, dynamic capability, population ecology theory and punctuated equilibrium theory come into play in solving strategic management problems such as the turnaround strategy and competitive problem discussed in this study. The empirical results add onto those available thus helping in theory building and testing.

### **5.6 Limitations of the study**

These are the influences that the researcher could not control and which placed restrictions on the methodology and conclusions. The first one was time limitation. This was a broad study that needed to be conducted within a short time. The ideal way would have been deep interaction with the managers over a long time to understand the issues in great detail but due to their busy schedules and limited time, this was not possible.

Being a case study, it is not possible to generalise these findings on other firms in the industry. This is because management is sensitive to organisational and environmental factors. The scope and depth of this study was constrained due to limited time and resources used. The selection of top management as interviewees was also a challenge since they were involved in the formulation of strategies and this may have created bias in their assessment of the issues at hand.

Lastly, there was the issue of confidentiality where the respondents would not disclose any information they deemed confidential as this would be against company policy. This meant that some issues could only be discussed in a shallow manner due to their sensitivity. Also, being a huge organisation with management for Ericsson sub-Saharan Africa sitting in different locations, there were logistical challenges in getting them to accept to interviews.

### **5.7 Suggestions for further research**

This study recommends further study on the turnaround and competitive advantage of organisations, preferably over a longer time using cross-sectional survey approach. This helps make the findings more generalizable. This helps compare different organisations and come up with best practices from the best performing organisations.

More study is suggested on the other organisations in the telecommunications industry concentrating on the effects of the different strategies applied by each on their competitive advantage. This may help generalise and come up with a model that is applicable in many companies.

A survey on the implementation of turnaround strategy on the competitive advantage of Ericsson sub-Saharan Africa can be done so that it captures more respondents and the feeling of non-management staff gets incorporated in the results. This helps reduce the retrospective bias usually common in interviews where managers try to validate causes of decline by reconstruction of past decisions and actions.

## REFERENCES

- Anderson, P. & Tushman, M. (1986). Technological discontinuities and organizational environments. *Administrative Science Quarterly*, 31(3), 439-465.
- Arogyaswamy, K. and Yasai-Ardekani, M. (1997). Organizational turnaround: Understanding the role of cutbacks, efficiency improvements, and investment in technology. *IEEE Transactions on Engineering Management*, 44(1), 3-11
- Bachmann, C. (2009). Sustainable performance increase and strategic turnaround management: current corporate restructuring experiences in the Romanian market, *Business Strategy Series*, 10 (6), 331-338.
- Barker, V. L., & Mone, M. A. (1994). Retrenchment: Cause of turnaround or consequence of decline? *Strategic Management Journal*, 15(5), 395-405.
- Barker, V.L. III and Duhaime, I.M. (1997). Strategic change in the turnaround process: Theory and empirical evidence, *Strategic Management Journal*, 18(1), 13-38.
- Barney, J.B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of Management Review*, 11(3), 656-665.
- Barney, J.B. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17, 99-120.
- Beer M, Eisenstat R. (2000). The silent killers of strategy implementation and learning. *Sloan Management Review* 4(4), 29-40.
- Beer, M. (2013). The strategic fitness process: A collaborative action research method for developing organizational prototypes and dynamic capabilities. *Journal of Organization Design* 2(1).



- Bibeault, D. B. (1999). In originally published: New York, McGraw-Hill, 1982 (Ed.),  
*Corporate turnarounds: How managers turn losers into winners! (2nd ed.)*.  
U.S.: Beard Books
- Boyne, G. (2004). A '3Rs' strategy for public service turnaround: Retrenchment,  
repositioning and reorganization. *Public Money & Management*, 24(2), 97-103
- Braun, M. & Latham, S. (2012). Pulling off the comeback: Shrink, expand, neither,  
both? *Journal of Business Strategy*, 33(3), 13-21.
- Burnes, B. (2009). *Managing change: A strategic approach to organisational  
dynamics, 5th ed.* Harlow: Pearson Education Limited
- Burns, R. (1997). *Introduction to Research Methods 2nd ed.*, Melbourne, Longman  
Cheshire
- Chowdhury, S.D. & Lang, J.R. (2006). Turnaround in small firms in USA: An  
assessment of efficiency strategies, *Journal of Business Research*, 36(2), 169-  
78
- Cocks, G. (2010). Emerging concepts for implementing strategy. *The TQM Journal*,  
22(3), 260-266.
- Company facts.* (n.d.) Retrieved June 17, 2017, from  
<https://www.ericsson.com/en/about-us/company-facts>
- Cooper, D.R. & Schindler, P.S. (2006). *Business research methods*. 9<sup>th</sup> Edition Boston:  
McGraw Hill
- Corboy, M. & O'Corrbui, D. (1999). The seven deadly sins of strategy. *Management  
Accounting*, 77(10), 29-33.

- Creswell, J.W. (2012). *Qualitative inquiry and research design: Choosing among five approaches*. Thousand Oaks, CA: Sage.
- Curwen, P. (2001). An analysis of recent structural and strategic issues in telecommunications, *Info*, 3(5), 381-405, <https://doi.org/10.1108/14636690110418064>
- David, F. R. (2011). *Strategic management: Concepts and cases*. Upper Saddle River, NJ: Prentice Hall.
- Eisenhart, M.A. (1991). Conceptual frameworks for research circa 1991: Ideas from a cultural anthropologist; implications for mathematics education researchers. *Proceedings of the 13th Annual Meeting of the North American Chapter of the International Group for the Psychology of Mathematics Education, Blacksburg*, 1, 202-219.
- Evans, R.T., Chitnomrath, T., Christopher, T. (2013). Successful turnaround strategy: Thailand evidence. *Journal of Accounting in Emerging Economies*. 3(2), 115-124.
- EY (2015). *Global-telecommunications-study-navigating-the-road-to-2020*. Retrieved from <http://www.ey.com/gl/en/industries/telecommunications/ey-global-telecommunications-study-navigating-the-road-to-2020>
- Fink, A. (2014). *Conducting research literature reviews: From the internet to paper*. Fourth edition. Thousand Oaks, CA, US: Sage Publications, Inc.
- Freedman, M. (2003). The genius is in the implementation, *Journal of Business Strategy*, 24 (2), 26-31.
- Gilbert, N. (2008). *Researching Social Life*. 3rd ed., London, Sage.

- Giles, W.D. (1991). Making strategy work. *Long Range Planning*, 25 (5), 75-91.
- Grant, C. & Osanloo, A. (2014). Understanding, selecting, and integrating a theoretical framework in dissertation research: Creating the blueprint for your "house". *Administrative Issues Journal Education Practice and Research*, 4(2), 1-18.
- Grinnell, R. J. (1981). *Social Work Research and Evaluation*. Itasca, IL, F.E. Peacock.
- Guba, E. G. (Ed.). (1990). *The paradigm dialog*. Thousand Oaks, CA, US: Sage Publications, Inc.
- Harvey, N. (2011). *Turnaround management and corporate renewal: A South African perspective*. Wits University Press.
- Hofer, C.W. (2002). Turnaround strategies. *The Journal of Business Strategy*, 2, 19-31.
- Hopkins, H.D. (2008). Successful turnaround strategies, *Strategic Direction*, 24(8), 3-5
- Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring corporate strategy*. Harlow: Prentice Hall.
- Karniouchina, E. V., Carson, S. J., Short, J. C. and Ketchen, D. J. (2013). Extending the firm vs. industry debate: does industry life cycle stage matter? *Strategic Management Journal*, 34, 1010–1018. doi:10.1002/smj.2042
- Katsioloudes, M. I., & Katsioloudes, M. I. (2006). *Strategic management: Global cultural perspectives for profit and non-profit organizations*. Burlington, MA: Elsevier Butterworth-Heinemann.
- Kerlinger, F.N. (1986). *Foundations of behavioural research (3rd ed)*. New York: Holt, Rinehart and Winston.
- Kimutai, J.K. (2010). *Challenges of implementation of turnaround strategies at Telkom Kenya limited*. Unpublished MBA project: UON

- Kiveu, C. (2013). *Challenges of implementation of turnaround strategy at the new Kenya Cooperative Creameries (NKCC) in Kenya*. Unpublished MBA project: UON
- Köseoğlu, M.A. Barca, M. Karayormuk, K. Edas, M. (2009). A study on the cause of strategies failing to success. *Journal of Global Strategic Management*, 12(06), 77-91.
- Kothari C.R. (2004). *Research methodology: Methods and techniques*. 2<sup>nd</sup> Ed. New Delhi. New Age International (P) Limited.
- Kotler, P. (1984). *Marketing management: Analysis, planning, implementation, and control*. Englewood Cliffs: Prentice-Hall International
- Kotter, J. (1996). *A force for change. How leadership differs from management*. Free Lelax Global Ltd
- Kumar, R. (2014). *Research methodology: A step-by-step guide for beginners*. 3<sup>rd</sup> Ed. SAGE
- Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal*, Summer Special Issue, 13, 111-125
- Maheshwari, S.K., Raina, B., Chanda, B., Mehta, D.P. (2003) Organizational decline and turnaround management, *Vikalpa*, 28 (4), 83-92.
- March, J.G. & Sutton, R.I. (1997). Organisational performance as dependent variable. *Organisational Science*, 8, 698-706.
- Masinde, A. B. (2016). *Challenges of implementing turnaround strategies at Kenya Railways corporation*. Unpublished MBA project: UON

- Mburu, E.W. (2016). *Challenges of implementation of turnaround strategies and performance of Postal Corporation of Kenya*. Unpublished MBA project: UON
- McKelvie A. & Davidsson P. (2009). From resource base to dynamic capabilities: An investigation of new firms. *British Journal of Management*, 20, 63-80.
- Merriam, S.B. (2001). *Qualitative research and case study applications in education*. Jossey-Bass Publishers, San Francisco.
- Mugenda, O.M. and Mugenda, A.G. (2003). *Research methods, quantitative and qualitative approaches*. ACT, Nairobi.
- Mungai, B.W., & Bula, H. O. (2018). Turnaround strategies and performance of Kenya Airways. *The University Journal*, 1(2), 1-16.
- Nduta, R. (2012). *Strategies for developing sustainable competitive advantage at Sigison Freight ltd, Kenya*. Unpublished MBA project: UON
- Niekerk, T. (2012). Local government turnaround strategy - challenges, constraints and benefits. *Journal of Association of Southern African Schools and Departments of Public Administration and Management*. 20(2), 54-69
- O'Kane, C. & Cunningham. J. (2012) Leadership changes and approaches during company turnaround. *International Studies of Management & Organization*, 42(4), 52-85, DOI: 10.2753/IMO0020-8825420403
- Okwisa, M.D., Manana S.R., Gicheru E.N. (2016). Analysis of turnaround strategies on organization performance: Case of Uchumi supermarket, Kenya. *European Journal of Business and Management*, 8(31),176-190
- Pearce, J. A., & Robbins, D. K. (1993). Toward improved theory and research on business turnaround. *Journal of Management*, 19(3), 613–636.

- Pearce, J. A., & Robbins, K. D. (2008). Strategic transformation as the essential last step in the process of corporate turnaround. *Business Horizons*, 51, 121-130.
- Penrose E. (1959). *The theory of the growth of the firm*. New York: Oxford University Press.
- Peteraf, M. (1993). The cornerstones of competitive advantage: A resource based view. *Strategic Management Journal*, 14, 179-191.
- Peteraf, M., & Barney J. (2003). Unravelling the resource-based tangle. *Managerial and Decision Economics*, 24, 309-323.
- Pisano, G.P. (2015). A normative theory of dynamic capabilities: Connecting strategy, know-how, and competition. *Harvard Business School Working Paper*, No. 16-036
- Porter, M. (1985). *Competitive advantage*. New York: Free Press.
- Porter, M. E. (1996). What is strategy? *Harvard Business Review*, 74(6), 161–178
- Porter, M.E. (1996). *Competitive strategy: Techniques for analysing industries and competitors*. New York, NY: Free Press.
- Pretorius, M. (2008). When Porter's generic strategies are not enough: Complementary strategies for turnaround situations, *Journal of Business Strategy*, 29 (6), 19-28
- Ropega, J. (2011). The reasons and symptoms of failure in SME. *International Advances in Economic Research*, 17(4), 476-483
- Rubin PH. 1973. The expansion of firms. *Journal of Political Economy*, 84, 936–949.
- Scherrer, P.S. (2003). Management turnarounds: Diagnosing business ailments, corporate governance. *The international journal of business in society*, 3 (4), 52-62

- Slatter, S. and Lovett, D. 1999. *Corporate turnaround: Managing companies in distress*. London: Penguin Books.
- Slatter, S., Lovett, D. & Barlow, L. (2006). *Leading corporate turnaround-how leaders fix troubled companies*. John Wiley & Sons Ltd
- Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. *Strategic Management Journal*, 18(7), 509-533.
- Telecommunications Industry Outlook 2017*. (n.d.). Retrieved June 16, 2017, from Deloitte USA website <https://www2.deloitte.com/us/en/pages/technology-media-and-telecommunications/articles/telecommunications-industry-outlook.html>
- Thompson, A.A. & Strickland, A.J. (2002). *Strategic management: Concepts and cases*, Plano, TX: Business Publications.
- Thompson, J.L and Martin, F. (2005). *Strategic management: Awareness and change. Fifth ed.* London, UK: Thomson Learning.
- Tushman, M. L., & Romanelli, E. (1985). Organizational evolution: A metamorphosis model of convergence and reorientation. *Research in Organizational Behaviour*, 7, 171–222.
- Ukaidi, C.U.A., (2016). Turnaround strategy and corporate performance: A study of quoted manufacturing companies in Nigeria. *European Journal of Business and Management*. 8(19), 81-94
- Walliman, N. (2011). *Research methods: The basics*. London: Routledge.
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171-180

- Wheelen, T. L. and Hunger, J.D. (2012). *Strategic management and business policy: Toward global sustainability*. Pearson Prentice Hall
- Wong, C.Y. & Karia, N. (2010). Explaining the competitive advantage of logistics service providers: A resource-based view approach. *International Journal of Production Economics*, 128(1). 52-67
- Wu M. (2010). *The search for sustainable competitive advantage: A stakeholder management perspective*. Unpublished Doctoral Thesis: Massey University
- Yin, R. K. (2003). *Case study research: Design and methods*. Thousand Oaks, Calif: Sage Publications.




## APPENDICES

### APPENDIX I: Interview guide

- i. What is Ericsson's competitive advantage?
- ii. What is the main contributor to Ericsson's competitive advantage?
- iii. How does your department contribute to Ericsson's competitive advantage?
- iv. How dependent or independent is your department from other departments within Ericsson?
- v. Does your department have control on any form of resources? Are they unique from those of competitors?
- vi. How does competition (rivalry) with the telecommunication companies in Sub-Saharan Africa influence your business?
- vii. How dynamic is the environment in which Ericsson operates?
- viii. What is the effect of the dynamics of the environment on Ericsson's business?
- ix. What do you understand by turnaround strategy?
- x. What was the cause of the decline that resulted to the turnaround process?
- xi. What is the main focus of the turnaround strategy implementation?
- xii. What are the challenges facing the current turnaround strategy implementation?
- xiii. As a manager in Ericsson Sub-Saharan Africa, what are you doing to address the challenges identified?
- xiv. What do you feel is the impact of the turnaround strategy implementation on the competitive advantage of Ericsson Sub-Saharan Africa?
- xv. How does Ericsson interact with the external environment?
- xvi. What is the impact of the interaction with external environment on the turnaround implementation?
- xvii. What would you have recommended done differently in the turnaround process?

**APPENDIX II: Student Introduction Letter**

Approved for data at work project



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**

---

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 13<sup>TH</sup> NOV 2018

**TO WHOM IT MAY CONCERN**

The bearer of this letter JACOB MUGO KABUI


Registration No. DG1/83791/2016

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

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

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

Thank you.



**PROF. JAMES M. NJIHIA**  
**DEAN, SCHOOL OF BUSINESS**

**Source: University of Nairobi, 2018**

### APPENDIX III: Similarity Index Report

Processed on: 04-Dec-2018 09:43 EAT  
 ID: 1050250772  
 Word Count: 20720  
 Submitted: 1



IMPLEMENTATION OF  
 TURNAROUND STRATEGY AND  
 COM... By Jacob Mugo Kabui

|                               |                             |    |
|-------------------------------|-----------------------------|----|
| Similarity Index<br><b>8%</b> | <b>Similarity by Source</b> |    |
|                               | Internet Sources:           | 8% |
|                               | Publications:               | 1% |
|                               | Student Papers:             | 4% |

[exclude quoted](#) [include bibliography](#) [excluding matches < 5 words](#)  
[download](#) [refresh](#) [print](#) mode: | quickview (classic) report

1% match (Internet from 22-Nov-2017)

<http://erepository.uonbi.ac.ke>

<1% match (Internet from 08-Nov-2018)

<http://erepository.uonbi.ac.ke>

<1% match (student papers from 04-May-2017)

[Submitted to University of Wales Institute, Cardiff on 2017-05-04](#)

<1% match (Internet from 14-Oct-2014)

<http://gbata.org>

<1% match (Internet from 13-Aug-2014)

<http://mro.massey.ac.nz>

<1% match (Internet from 06-Feb-2017)

<https://espace.curtin.edu.au/handle/20.500.11937/28381>

<1% match (Internet from 22-Feb-2014)

<http://engema.org.br>

<1% match (Internet from 05-Sep-2018)

<http://repository.out.ac.tz>

<1% match (student papers from 26-Nov-2018)

[Submitted to University of Nairobi on 2018-11-26](#)

<1% match (Internet from 03-Sep-2013)

<http://shodhganga.inflibnet.ac.in>



12/4/2018 9:41 AM

Source: University of Nairobi, 2018