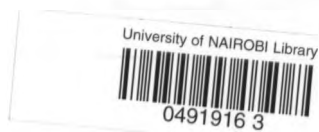


**STRATEGIC POSITIONING IN A LIBERALIZED BUSINESS ENVIRONMENT:
A CASE OF COMTEC GROUP LIMITED IN KENYA**

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requirements for the degree of Master of Business Administration,
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DECLARATION

This project is my original work and has never been presented for academic purposes in any other university.



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Date

This project has been submitted with my approval as university supervisor.



J Maalu

24/10/05

Date

LIST OF ABBREVIATIONS

CCK	Communications Commission of Kenya
Comtec	Comtec Group Ltd
ICT	Information and Communications Technologies
KPTC	Kenya Posts and Telecommunications Corporation
SBU	Strategic Business Unit
SWOT	Strengths Weaknesses Opportunities and Threats

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ABSTRACT

As markets have become more crowded and customers more discerning and varied in their demands and expectations, the targeting decisions facing companies have become more critical. Competitive positioning decisions embrace the identification of the target market(s) and the competitive advantage that will be pursued in serving the target(s). The positioning perspective recognizes that for resources to be leveraged for economic benefit, it requires their application in the market place. It also recognizes if that application is to be sustainable in the face of increasing competition, then competitive advantage must be built on distinctive resources and capabilities.

This study is a practical contribution on how to create competitive positions in the Kenyan liberalized business environment, how they can be defended against competitor encroachment once created and challenges faced in the process. Comtec was used as the context. Data collection was carried out through in-depth interviews with respondents. Information collected was analyzed using content analysis.

From the findings, Comtec has employed a combination of price, quality, innovation, service and tailored positioning strategies. Major challenges encountered include the rapidly changing regulatory environment, scarcity of financial resources and competition from start-ups and established equipment manufacturers who have established regional offices locally in Kenya. Findings indicate that the company's implementation of strategies has greatly been hampered by slowness in management and internal weaknesses. To achieve objectives and measure performance, the company has put in place measures to address the challenges and ensure positive trends.

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CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Strategic Positioning

One theme that guides entrepreneurs as they balance critical resources and blend organizational elements is the search for competitive advantage. If the organization gains advantage, the business will survive. If that advantage is distinctive, the organization will thrive (Bateman & Zeithaml 1993).

Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs (Porter 1998). It is the framework that guides competitive positioning decisions on an organization's marketing, financial management and operating strategies. An effective competitive strategy recognizes the barriers that obstruct the attainment of organizational goals and develops decisions and choices that sidestep them. It is therefore imperative that competitive strategy be proactive and not only responds to the environment but also seek to shape the environment in a firm's favor.

Organizations must therefore structure themselves in response to the characteristics of the environment in which they operate. Thompson & Strickland (1996) notes that knowing where a company is competitively strong and where it is weak is essential in crafting a strategy to strengthen its long-term competitive position. To create a competitive position for a firm, the business environment is defined in the mission statement. It is then segmented into unique strategic business areas and the desirability of competing in each strategic business area is determined based on its attractiveness (relative to objectives) and the future competitive position of the company.

A successful strategy establishes and maintains a distinctive position in the market for an organization and its individual product offerings. Whereas target marketing identifies and selects a potentially fruitful market segment, positioning involves forging a distinctive corporate identity in the prospects' perception. Porter (1998) argues that a firm positions itself in its industry through its choice of either a low cost structure or differentiated product(s). Even while operating in an industry with below average profitability, a firm that is optimally positioned can generate superior returns. This can be attained by leveraging on strengths through cost advantage and/or differentiation in either a broad or a narrow focus.

At the centre of any effective strategic positioning is differentiation. This seeks to emphasize that which is truly unique and valuable to customers that the firm is offering. Successful differentiation strategies grow out of coordinated actions of all parts of a firm (Porter 1998).

Johnson & Scholes, (2002) argues that the strategic position of a firm is concerned with the impact on strategy of the external environment, internal resources and competences, and expectations and influence of stakeholders. The challenge for organizations is to determine which positioning strategy is most appropriate. Organizations must therefore recognize that they cannot be all things to all people and make the difficult decisions regarding where to focus their efforts. A SWOT analysis and a rigorous competitor assessment provides the necessary background information.

Strategic positioning takes time to build and nurture but like any other asset a positioning must be managed. Porter, (1996) argues that strategic positioning is a continuous process

that is often not obvious but requires insight and creativity on the part of managers. The success of an organization is manifested in attaining competitive positions that lead to superior and sustainable performance. Mutua, (2004) in her study on responses to challenging environmental conditions, noted that there are three essential conditions to success. One is that an organization develops and implements an internally consistent set of goals and functional policies that collectively define her position in the market. The second is that this internally consistent set of goals and policies align the organization's strengths and weaknesses with the external opportunities and threats. The third is that the organization's strategy be centrally concerned with the creation and exploitation of its distinctive competencies, the unique strengths that make possible its competitive success (Porter, 1985).

1.1.2 Telecommunications Industry in Kenya

The development of telecommunications has a major importance in the process of the emergence of an information society. The Government of Kenya has in fact recognized that telecommunications plays a pivotal role in the promotion and development of virtually all facets of the economy, besides uplifting the standard of living among its citizens (CCK 2001). It is well recognized that there is a strong link between a solid communications infrastructure and a country's economic prosperity (CCK, 2000).

Once monopolised by the government, the telecommunications industry in Kenya has continually moved towards being the one of the largest, highly competitive and dynamic industry in the country since the enactment of the Kenya communications Act, 1998. The industry is being shaped by several factors e.g. a rapid growth in mobile communications, fast growth of the internet, stagnating revenues from core telephone services, falling prices

and spreading competition, liberalization and privatisation among others. From 1981 to 2001, telephone exchange capacity increased at an average growth rate of 15% per annum. The annual growth rate of the rural component increased from 16.6% in 1981 to 24.3% in 1990. The most outstanding achievement during this period was the expansion of public telephone service. The number of public booths increased from 588 in 1981 to about 10,000 in 2001. Mobile communications industry has witnessed the fastest growth from 350,000 subscribers in June 2001 to over 3 million in December 2004 (CCK, 2001).

The contractor business in telecommunications industry has been greatly affected by the changes in competitive environment. Before liberalization, KPTC was the only source of business. Multinational companies who were only operating sales agency offices in Kenya dominated the contractor business. This is greatly as a result of the limited market size at the time and the heavy resource endowments necessary for smooth operation of a contractor business in telecommunications.

Comtec Group Ltd, a locally owned company, was initially registered as Thige and Associates Consulting Engineers Ltd in 1982. The primary business was Electrical Engineering and Telecommunications consultancy services and sales agency for GPT Ltd of UK, SAIT Delvonics of Belgium and SR Telecom Inc of Canada. The fundamental forces of change that were being experienced in the telecommunications business environment resulting in unprecedented competition made the management realize that their existing strategies and configuration were not serving them well. This saw the establishment of Communications Technologies Ltd in 1988 to focus on the telecommunications market and to have a broader participation in equity.

1994 saw the establishment of SR Kenya Ltd - a joint venture between Communications Technologies Ltd and SR Telecom Inc of Canada. The joint venture company focused on the distribution of SR Telecom products and the provision of engineering and technical services. Meanwhile, Communication Technologies continued with business focusing on specialized data communications services for the carrier market.

The dynamic nature of the industry calls for organizations to be flexible and respond to competitive market changes in an effort to ensure continuous operational effectiveness in the race to stay ahead of competition (Ansoff and McDonnell, 1990). The opening up of the market introduced rapidly changing policies in the regulatory framework that adversely affected operations of contractor business in telecommunications. There were serious erosion on profits resulting from competitive bidding, local companies needed to invest more on capacity building in both technical and marketing capabilities and rigorous competition from start ups with low overhead costs and manufacturers establishing regional offices locally.

These forces led to restructuring of SR Kenya Ltd and Communications Technologies Ltd in 2000. Comtec Group Ltd was registered as a holding company comprised of four strategic business units: SR Kenya (Services) Ltd offering radio planning & engineering services, broadband wireless access solutions, long haul optical/microwave transmission systems; Comtec Services Ltd undertaking design, installation and support of backbone data networks for the service providers/carrier market; Comtec Integrated Systems Ltd as an enterprise market system integrator and network support center while Comtec Training Ltd is a fully equipped facility used by vendor partners to provide in-house and clients training.

A number of studies have been done on the challenges posed by liberalization, strategies adopted to exploit opportunities arising and challenges faced during implementation. A study on strategic responses by Telkom Kenya Ltd undertaken by Kandie, (2001) noted that there was need for public companies to come up with and implement strategies that aim towards being a competitive player in the market. Njau, (2001) in his study on East African Breweries Ltd, noted that a change in competitive position requires organizations to decide on strategies to adopt. Bett, (1995) established that due to economic reforms in Kenya, firms in the dairy industry made substantial adjustments in the strategic variables that include the marketing mix components of product, promotion, place and price. Kombo, (1997) also noted that firms in the motor industry made adjustments by introducing new technologies in product development, differentiation, segmentation and by targeting their customers with improved customers services. These studies among others emphasize the relationship between external competitive environment and the organizations' financial, marketing and operational strategies. There is need however to explore the various strategic positioning strategies that would help locally owned organizations in Kenya cope with the drastic changes in business environment.

1.2 Statement of the Problem

More often than not, the arrival of multinational corporations makes success of local companies very difficult in several sectors of our economy. But local companies often have more opportunities than they think. By better understanding the relationship between their company's assets and the industry they operate in, executives can gain a clearer picture of the options they really have when multinationals come to stay. The issue of making the difficult decisions among new market initiatives can properly be addressed through strategic positioning. It enables an organization to clearly articulate its perceptual

location relative to those of other organizations. The former world of booming market opportunities may be gone but opportunities do exist if a company is strategically positioned for them.

The increased competition requires a firm to clearly rethink its current and desired value propositions as a key element in strategic positioning. The value proposition is the position a firm occupies in the perception of the current and future clients. It tends to define the derived value in the eyes of customers for services offered. In the telecommunications industry, a firm's perceived value is fundamentally a part of its perceived market position.

Comtec being a locally owned company that has overcome the difficult in pre and post liberalization environmental changes in the telecommunications industry draws attention to the need for this study. Strategies adopted to forge the current competitive position and challenges faced during implementation will assist other locally owned businesses in Kenya to understand how to deal with competition in a liberalized economy.

1.3 Objectives of the study

The objective of this study was to establish how Comtec has been able to strategically position herself and maintain competitive advantage in the face of increased competition. Challenges faced in implementation of positioning strategies have been explored.

1.4 Importance of the study

Competitive positioning is the combination of choice of target market and how the firm will compete. However, there has been little theoretical or empirical research focused on how to create competitive positions in the Kenyan telecommunications industry and once created how they can be defended against competitor imitation and encroachment. This

study presents a practical contribution to the understanding of how Kenyan firms can create and nurture strategic positions.

The findings of the study will benefit the following interest groups:

- a) Business fraternity operating in Kenya
- b) Local strategic management researchers and scholars who would like to identify areas for further research
- c) Comtec Group Ltd management who are interested in improving their competitive position in the telecommunications industry
- d) Communications Commission of Kenya in policy formulation.

CHAPTER 2: LITERATURE REVIEW

2.1 Overview

Competitive positioning is a combination of choice of target market i.e. where the firm will compete and competitive advantage i.e. how the firm will compete (Hooley et al 2001). As competition in the business environment increases and customers become more discerning and varied in their expectations, the targeting decisions facing companies become more critical. Competitive positioning decisions embrace the identification of target market or markets, where the firm will compete, the competitive advantage that will be pursued in serving those targets and how the firm will compete. The positioning perspective recognizes that for resources to be leveraged for economic benefit, it requires their application in the market place (Hooley et al 1998). At the same time it also recognizes that if that application is to be sustainable in the face of increasing competition, then competitive advantage must be built around the core distinctive resources or competences of an organization (Johnson & Scholes 2002).

Stabell & Fieldstad (1998) argues that strategic positioning for competitive advantage is an issue of choosing position in terms of product scope, market scope and business value system. This implies that a competitive position must be attained by appropriate actions in terms of scope and in attempts to modify the drivers of cost and value.

Defining positioning strategy starts with a hard-nosed, realistic and creative approach to finding positioning opportunities. Where is your company and product line positioned among competitive companies and products? Where are the holes, niches, and customer needs begging for attention? What highly differentiating creative appeals are available for dominance?

2.2 Creating Competitive Advantage

Porter (1998) suggests two fundamental approaches as routes to creating competitive advantage over competitors: cost leadership and differentiation. In cost leadership strategy, firms seek to make similarly attractive offerings to the market (compared to competitors) but to do so at a relatively lower internal cost. Parity of offering seeks to ensure sales, while the internal focus on efficiency pursues margins that are superior to competitors. The differentiation route seeks to make the offering distinct and different in the market place. The uniqueness provides greater value to customers.

While a number of factors affect costs, there are a number of ways firms can become cost leaders and there can only be one firm in any market that can truly claim to have achieved cost leadership by definition. Pursuing this strategy requires a high degree of internal focus and a resistance to adaptation to market requirements. It is the efficiency rather than an effectiveness route. It fails to give a customer the reason to buy and hence while creating a short-term financial advantage, it does not secure long-term market advantage.

Differentiation embraces the opportunity to add value for the customer and to modify the offering in a manner that will give the customer a reason to buy. It can be a more defensible route to sustainable advantage through creating a market rather than merely internal financial advantage. It can be achieved from lower price levels through to superior technical quality and more elaborate services. Critical to its success as a strategy is the existence or building of the underlying competences and assets required to realize the chosen form of differentiation. Deciding on the basis of differentiation is at the heart of competitive positioning.

Thompson and Strickland (1996) defines the following sources of competitive advantage: Having the best made product in the market, delivering superior customer service, achieving lower costs than rivals, being in a more convenient geographical location, proprietary technology, having a feature and styling with more buyer appeal, shorter lead times in developing and testing new products, having a well known brand name and good quality and providing customer more value for their money than competitors. Achieving a cost advantage entails out managing rivals on efficiency and cost control and/or finding creative ways to cut cost producing activities out of the activity cost chain (Thompson & Strickland 1996)

2.3 Competitive positioning

2.3.1 Introduction

The competitive position a firm chooses to occupy is a combination of its choice of target market and the differential advantage it is seeking to create as a means of securing that market (Hooley et al 1998). It is essentially the combination of benefits or features the target customer receives. This will be a combination of price charged (Porter 1996), quality delivered (Buzzell and Gale 1987), service provided (Berry and Parasuraman 1991), degree of innovation offered (Wong and Saunders 1993), delivery of specific features (Aaker 1991) and degree of customisation (Peppers and Rogers 1993).

Porter (1996) suggested three main ways in which firms can position their offerings in the market. Variety positioning is essentially product centred. It is based on producing a subset of an industry's products or services. The firm selects the types of offerings it can make based on its assets and competences rather than customer requirements and then focuses on those offerings. The danger is that customers may not continue to have a need for services

the firm has capabilities to offer. A firm that neglects to develop its capability and asset profile further runs the distinct danger of being left behind by market changes. Needs based positioning occurs where a firm identifies its target market and then designs its offerings to meet as many of its product related needs as possible. The success of this approach rests with the ability of the firm to develop or acquire the capabilities to cover the wide spectrum of customer needs.

Access based positioning is based on the identification of segments through commonality of accessibility. The basis for this positioning is that of segmenting customers who are accessible in different ways. Although their needs are similar to those of other customers, the best configuration of activities to reach them is different. Access can be a function of customer geography or customer scale-or of anything that requires a different set of activities to reach customers in the best way. This strategy rests on having exploitable assets and competences. However as customer requirements change, those competences may become less significant. The distinguishing feature is the emphasis placed on the resources and following customer needs. Critical is the ability of a firm to evolve her capabilities and assets as markets change so as to retain a match.

Hooley et al (1998) suggested ways in which a firm can position herself based on the six main dimensions of differentiation. The key to creating sustainable competitive positions is to ensure that they are built on the marketing assets and competences of the firm.

2.3.2 Price Positioning

Price communicates to the market the company's intended value proposition of its products or services (Kotler, 2003). A company will therefore set its price for a product or

service in relation to the value derived and perceived by the customer. Selecting the price objective to pursue in terms of where to position a market offering is an important consideration in setting a pricing policy. Companies pursuing survival as a major objective will have overcapacity, intense competition or changing consumer wants. This is a short-term objective and companies pursuing it must learn how to add value or face extinction. On the other hand, companies who want to maximize their market share will pursue higher volumes that will lead to lower unit costs and higher long run profit

Johnson & Scholes, 2002 notes that the key challenge is how costs are reduced in ways that others cannot match such that a low price strategy gives sustainable advantage. Price positioning can be successful where there is a clearly defined price sensitive sector of the market and a firm has a cost advantage in serving that market. It requires strong inside out and spanning capabilities. Effective costs control systems are needed not only within the firm's own operations but also within suppliers. This strategy requires the existence of price sensitive customer segment. Subsequently, price positioning can be successful where there is a clearly defined, price sensitive sector of the market and the firm has a cost advantage in serving that market.

Some firms however deliberately price their products and services more highly than competitors to create exclusivity for their offerings. The competences necessary for high premium positioning to be effective are centred on the ability to create superior or exclusive image that customers are willing to pay a premium to be associated with. Brand assets in particular need to be built through the use of creative promotional campaigns.

2.3.3 Quality positioning

The service quality of a firm is tested at each service encounter (Kotler, 2003). Customers compare perceived service with expected service from past experiences, word of mouth and advertising. Berry and Parasuraman (1991) identified reliability, responsiveness, assurance empathy and tangibles as the five determinants of service quality. Reliability referred to the ability to perform the promised service delivery dependably and accurately. Responsiveness is the willingness to help customers and provide prompt service. Assurance refers to the knowledge and courtesy of employees and their ability to convey trust and confidence. Empathy is the provision of caring, individualized attention to customers while tangibles are the appearance of physical facilities, equipment, personnel and communication materials.

Quality positioning requires effective internal control systems in particular assessment and assurance. Beyond control however, it requires technical competence, particularly in engineering and manufacturing where physical products are produced. Of most importance is the clear view of what constitutes “quality” in the eyes of the customer. This entails the outside-in capabilities of market sensing and customer bonding. Effective supply chain management ensures that inputs are of the required quality and not simply the cheapest available. To customers, quality is manifest through better reliability, durability and aesthetic appearance. Quality positioning can only be viable where customers are prepared to pay for superior quality. It is important to underscore the fact that quality and value are decided by the customers in the market place and not by engineers in the factory or marketing executives in the marketing department.

2.3.4 Innovation positioning

Innovation is the process of creating new and better solutions to customers' problems. Hurly and Hutt (1998) talk of innovation as a process that focuses the effects of both market orientation and learning on performance. Innovation can be seen as the process of the organisation to more closely align it with the market requirements (Damanpour 1991), either as a response to environmental dynamics or as a pre-emptive action to influence the environment. Thus innovation acts as a process both to create and to defend competitive position from imitation or erosion (Desphande et al, 1993).

Where markets are changing rapidly, in particular as a result of technological developments, there may be opportunities to position on the basis of innovativeness or speed to market. The key competences required include excellent new product development skills together with both technical and creative abilities. Innovation may also come in the form of new processes or approaches to market.

In his study of German 'hidden champions', Simon (1996) emphasized their continuous processes of product and service improvement. Constant innovation is shown to be one of the significant characteristics of these world market leaders. By the mid 1990s, however, Japan had moved on. The challenge for many Japanese firms is now believed to be radical and major change, rather than incremental improvement to enable them to compete in the future is the major focus.

2.3.5 Service positioning

The traditional four Ps marketing approaches worked well for goods but additional elements require attention for service businesses (Kotler, 2003). Since most services are

provided by people, the selection, training and motivation of employees can make a huge difference in customer satisfaction. Companies also demonstrate their service position through physical evidence and presentation. On the other hand, service companies can choose among different processes to deliver their service.

Service positioning is based on offering superior service clearly tailored to the needs of the target market. Variations in the nature and level of the service offered, coupled with the differences in requirements across customer groups implies that service positioning can be viable and attractive for more than one company in a market. What is critical in providing superior service are the market sensing skills that can identify what level and type of service is required, customer bonding skills that build closer relationships with key customers, service systems that assist the service providers in delivering service to customers and monitoring skills that can regularly assess customer satisfaction with the level and type of service offered. Selection, training, motivation and service reward to staff are areas that need high priority in firms seeking to establish a competitive edge through service provision.

Services can be differentiated by developing a better and faster delivery system since they are difficult to imitate. A company can position as reliable in their on-time delivery, order completeness and order cycle time. On the other hand a company can position as offering better emergency handling, product recalls and answering enquiries.

2.3.6 Benefit positioning

Products and services are positioned as a leader in a certain benefit proposition. This rests on clearly identifying alternative benefit segments with markets and then focusing on

providing what they want. It is closely related to Porter's (1996) needs- based positioning. Segmenting markets on the basis of benefits customers are seeking can often help identify new market opportunities and suggest ways in which marketing effort can be most effectively targeted.

Positioning on this basis require well-developed competences to identify the benefits customers are seeking and to segment the market into meaningful but commercially viable sectors creatively. Effective new product/service development skills to ensure that the benefits sought are actually delivered to customers through building in the relevant features are a requirement.

2.3.7 Tailored positioning (one-to-one marketing)

The ultimate to targeting and positioning is the attempt to offer products tailored to the requirements of individual customers. Tailored positioning is generally found in service industry where a service can be tailored to the requirements of individual customers. This increases user satisfaction and as a consequence user loyalty in the long term (Billsus et al, 2002)

The important skills for tailored positioning are a combination of competences to enable a firm to identify what the customer wants and establish relationships with customers and competences of flexible production capability. Tailored positioning rests on understanding individual rather than market segments needs and having the flexibility to provide for them at a price the customer is willing to pay. While technology can play an important role in enabling economically viable customization, the process must be market led rather than technology driven.

2.4 Core Organisational Assets and Competences

2.4.1 Market Focused Resources

Strategic positioning deals with acquiring at an early date a tangible or intangible asset, which will later place the company in an advantageous position (Newman et al, 1989). There are strategic choices in terms of how an organization seeks to compete at business level. This requires an identification of bases of competitive advantage arising from an understanding of both markets and customers, and the special competences that the organization has (Johnson & Scholes, 2002). Competitive positions are created through the deployment of competitive advantage generating resources that are matched to the needs of target customer groups.

Market-focused resources are those resources that can create value in the market place. This makes the value chain a necessary tool for analyzing the sources of competitive advantage. The value chain displays total value and consists of value activities and margin (Porter, 1998). Value activities are the physically and technologically distinct activities a firm performs to create products that are valuable to the customers. Margin is the difference between total value and collective cost of performing the value activities. It is therefore important for companies to identify value activities through isolation of activities that are technologically and strategically distinct.

The resources available to an organization underpin strategic capability since it is resources that are deployed into activities of the organization to create competences (Johnson & Scholes, 2002). Since competitive advantage is a major part of the positioning decision, the resources deployed to create competitive advantage directly contribute to the creation of competitive position.

2.4.2 Organisational Culture

Organisational culture is the basic assumptions and beliefs that are shared by members of an organisation that operate unconsciously and define in a basic taken for granted fashion an organisation's view of itself and its environment (Johnson & Scholes, 2002). It sets the backdrop against which strategic decisions are made. A firm, which is closely focused on delivering value to its customers, is likely to make decisions in a different way to one, which is more concerned with short term financial performance.

2.4.3 Organizational assets

Assets are resource endowments the firm has accumulated over time and is now available to deploy in the market to create competitive advantage. Tangible assets can be touched, smelt, heard, tasted and/or seen. They occur as physical assets on the firm's balance sheet. Intangible assets on the other hand do not assume physical shape and often exist in the heads and minds of people e.g. brand names which while existing in printed form, they are essentially intangible assets that only assume value when interpreted by customers to mean "value for money".

Assets can also be grouped on the basis of their main source or origin e.g. financial assets, which can arise from current and past operations. Creating intangible assets e.g. reputation, brand image or knowledge requires capabilities at the individual group and corporate levels.

2.4.4 Company capabilities

These are the abilities of an enterprise to organize, manage, coordinate or undertake specific sets of activities. An organization has two different but complimentary

capabilities. One is management capability, whose role is to identify, plan and guide strategic responses and functional capability, which executes those responses (Ansoff and Mc Donnell, 1990).

Functional capabilities on the other hand are more specifically related to functions or processes within a firm. Outside-in competences are those skills and abilities that enable a business to understand its customers and create closer linkages with them. Inside-out competencies are the internal capabilities of the firm and its employees that might be deployed in the market place to provide better products and services to customers. Johnson and Scholes, (2002) talk of core competences as activities or processes that critically underpin an organization's competitive advantage.

Most companies are not ideally positioned with competitively valuable resources. It is therefore necessary that valuable resources be joined with other resources and embedded in a set of functional policies and activities that distinguish the company's position in the market.

2.4.5 Marketing assets and capabilities

From the marketing perspective, the creation of competitive position is the outcome of deploying a firm's individual resources towards satisfying targeted customers. Sustainability of competitive position will be dependent on the ability to protect the individual resources utilized from competitor imitation together with the ability to protect the competitive position itself (Hooley et al, 2001). While assets are the resource endowments of a firm, the capabilities can be viewed as the glue that binds them together and facilitates their effective deployment in the market place.

2.4.5.1 Strategic marketing capabilities

The earlier a firm can confidently predict the occurrence of a particular scenario, the sooner it can commit to a strategy with accompanying gains in position (Porter 1998). In evaluating market segments, a firm must look at segment's overall attractiveness vis-à-vis the company's objectives and resources.

2.4.5.2 Market sensing capability

This capability assists in the understanding of what is happening in the external environment with respect to demand, customers, competitor and the wider macro environmental change. The specific capabilities include the ability to undertake marketing research and competitor analysis, disseminating the resulting information throughout the organization and ensuring that it is acted on.

2.4.5.3 Market targeting and positioning capabilities

This is the ability to identify alternative opportunities and then select appropriate market targets where the firm's resources and capabilities are aligned with optimum effect. In aligning current resources and capabilities with fast changing markets, market targeting will involve the competences of top management and functional departments.

2.4.5.4 Functional marketing capabilities

Day, 1994 identified three types of marketing capabilities: outside-in, outside-out and spanning capabilities. Outside-in capabilities are the skills and competences of the firm that help it to understand changes taking place in its markets. They also those that enable the firm to operate more effectively in the market place like customer relationship management. Outside-out processes focus on the firm's internal resources and capabilities such as financial management, cost control technology development and integrated logistics. They must be activated by market requirements, competitive challenges, external opportunities and subsequently deployed to create competitive advantage in the market place. Spanning capabilities on the other hand are those skills and competences that serve to integrate inside-out and inside-in capabilities. They typically require both understanding of market requirements and internal competences to be fulfilled. These capabilities include customer order fulfillment, pricing, purchasing, customer service deliver and new product or service development.

Since marketing is the process of profitably matching organizational capabilities to the requirements of chosen customers, prerequisite functional capabilities is classified as customer access, relationship management, product management and new product development.

Customer access capabilities

This is the ability to employ existing channels and/or develop new ones for servicing customers. Customer access includes competence for efficient management of traditional distributional channels. It draws on several organizational and individual competences.

Customer relationship management

The ability to acquire, retain, expand and where necessary delete customers. This helps organizations to move away from just focusing on transactions to building long-term profitable customer relationships. The focus is geared more to highly profitable customers, products and channels (Kotler, 1997).

Product management capability

This is the ability to manage existing products and includes the ability to influence others in the organization where the activities impinge on customer satisfaction and marshalling of resources to deliver customer value.

New product development capability

This is the ability to innovate and develop the next generation of goods and services. Effective product development requires both a customer sensing capability and strong Research and Development skills.

2.4.6 Operational or task marketing capabilities

This is the ability to implement marketing activities such as promotions, public relations, deals, offers and packaging redesign. A great marketing strategy can be sabotaged by poor implementation (Kotler, 2003). According to McKinsey's 7-S framework for business success, strategy, structure and systems are considered as the infrastructure for success. The style requires that company employees share a common way of thinking and behaviour. Skills mean that the employees have the necessary skills to carry out company's strategy. Staffing implies that a company has hired able people, trained them well and assigned them to the right jobs. Shared values require that employees share the same guiding values.

Implementation of strategy requires that firms track results and monitor new developments in the market place. A company's strategic fit with the environment will inevitably erode because market environmental changes faster than the company's 7-S. The key to organizational health is willingness to examine the changing environment and adopt new goals and behaviours.

The main dimensions that Comtec Group Ltd has utilised to position its offerings and the position emphasis that seem most effective was been explored in this study.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research design

In order to carry out a detailed analysis on how to achieve and maintain a competitive position in Kenya's liberalised telecommunications industry, a case study has been carried out. This has provided valuable and focused insights. The approach is aimed at gaining an in-depth understanding on how Comtec has managed to strategically position herself and document the challenges faced.

Comtec Group Ltd was chosen to meet certain criteria that are relevant to the theory underlying the research. Before liberalisation, the company entered into partnership with multinational corporations doing business in Kenya to establish and develop local talent. This is a period when most companies in telecommunications were only having local sales agents and all technical work was carried out by expertise from the country of origin. The company developed to a near monopoly in telecommunication's contractor business during this period. After liberalization, the company geared up itself for competition by realigning their strategies to build an unmatched competitive position as a single source for a complete ICT solution in East and Central Africa.

3.2 Data Collection

Data collected was largely qualitative. The study involved collecting data through in-depth personal interviews with chief executive officer, general managers and managers of the various strategic business units.

3.3 Data analysis

Content analysis was used considering the qualitative nature of data collected through in-depth interviews. Data was broken down into different strategic positioning dimensions, grouped into logical groups and analyzed. This offered a systematic and detailed qualitative description of the objectives of the study.

CHAPTER 4: FINDINGS AND DISCUSSIONS

4.1 Introduction

This study was carried out between March and July 2005. In-depth interviews with 11 managers, 3 general managers and the chief executive officer were conducted. Sessions with the chief executive officer and the general managers were tape-recorded.

Comtec, a locally owned telecommunications service provider, started in 1982 as Thige and Associates Consulting Engineers Ltd. It has evolved over the years to the present configuration comprising four strategic business units: SR Kenya (Services) Ltd, Comtec Services Ltd, Comtec Integrated Systems Ltd and Comtec Training Ltd

Combinations of price, quality, innovation, service and tailored positioning strategies have been employed to forge the current market position that Comtec currently enjoys. Major challenges encountered include the rapidly changing regulatory environment, financial resources and competition from start-ups and established equipment manufacturers who have established regional offices in Kenya. A series of assets and competences have been employed to achieve the current market position as discussed below.

4.2 Price Positioning

Price communicates to the market the company's intended value proposition of its products or services. A company will therefore set its price for a product or service in relation to the value derived and perceived by the customer. This makes selection of the pricing objective to pursue in terms of where to position a market offering a key consideration in setting a pricing policy.

The ICT industry in Kenya and Africa in general is young. The industry is rapidly growing and demand for services far exceeds the supply. Operators have more demand than they can serve and especially in the mobile telephony sector. This makes price an important aspect in contractor business since the telecommunications market has limited investment funding, relative to demand, and there is need to extend to the limit, derived value from every dollar invested.

Comtec has adopted activity based costing for all projects to ensure that the customers enjoy maximum benefit. Actual cost per task is tracked against budgeted costs during project implementation. A customized database for login in new tasks, start date, direct expenditure and person-hours taken to complete is used. This has resulted in reduction of project direct costs for installation and commissioning activities as tabulated below. This is a reflection of reduced wastage directly arising out of the implementation of the activity based costing and control system in the delivery processes.

Description	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Gross Income	2,384,501	1,970,937	2,000,238	1,163,182	1,420,698	2,334,720	4,344,695
Direct Project Expenses	475,211	625,564	417,669	333,757	314,572	489,051	863,674
Percentage of Direct Costs to Gross Income	19.93%	31.74%	20.88%	28.69%	22.14%	20.95%	19.88%

Table 1: Project direct costs

However, competing on a price basis has mainly been used for entry into new markets previously dominated by overseas companies. Comtec has invested in employing and

retaining highly qualified technical staff, tools and test equipment. As a systems integrator, the company has continually sought better discounts from equipment suppliers, cut down on mark-ups and increased customer choice by linking up with suppliers both from the eastern and western trading blocks.

Comtec has failed to maximize her market share by aggressively pursuing higher volumes that would lead to lower unit costs and higher long run profit. Since the ICT industry is highly price sensitive, Comtec is in a position to exploit overcapacity built before market liberalization to discourage actual and potential competition. By making price an intrinsic element of the company's market positioning strategy, Comtec can revise prices based on the market changes, products and market segments without compromising the quality.

The following tabulation for direct, administration and establishment costs clearly shows that the company has high running costs compared to the gross turnover. Respondents identified these costs as the biggest impediment to the success of price positioning strategy in Comtec. Gatharia, (2005), noted that while trying to lower price, Comtec could only do it to a point where quality is not compromised or customer is made to suffer hidden costs.

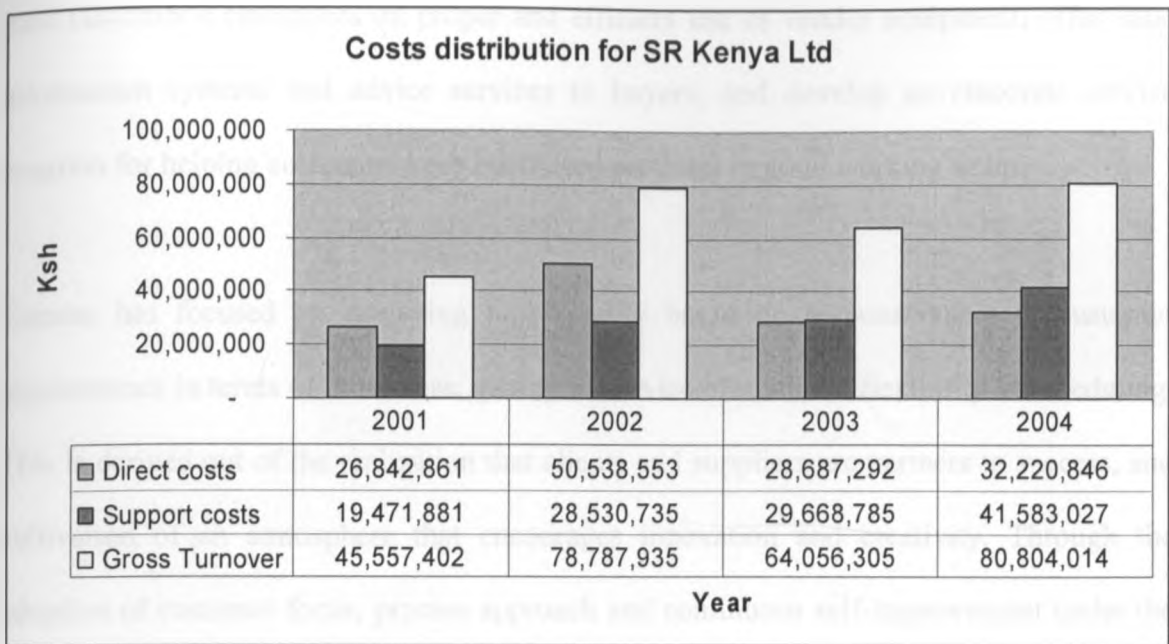


Figure 1: Costs distribution for one SBU in Comtec

Comtec will profit more by using price as a strategic tool other than letting costs or markets determine the price of product or service offerings. There is need for customers to relate price to the value perspective of products or services. The company should offer customized price and service to quality sensitive markets based on segment value, segment cost and competitive situation.

4.3 Quality Positioning

In the service industry, the key to competitive success lies in adding valued services and improving their quality. The main service differentiators include ordering ease, delivery, installation, customer training, customer consulting, maintenance and repair. Liberalization of the ICT industry in Kenya has made it highly competitive. The increased number of highly specialized service providers has ensured that operators are demanding more value for services offered. Contractors must therefore continually improve the delivery process in terms of accuracy and speed; quality of installation services to make goods operational;

train customer's employees on proper and efficient use of vendor equipment; offer data, information systems and advice services to buyers; and develop an elaborate service program for helping customers keep purchased products in good working order.

Comtec has focused on achieving high quality based on responsiveness to customer requirements in terms of timeliness, quality of service offered and flexibility in scheduling. This is derived out of the realization that clients and suppliers are partners to success, and cultivation of an atmosphere that encourages innovation and creativity. Through the adoption of customer focus, process approach and continuous self-improvement under the ISO 9001:2000 quality management system, Comtec has instituted the core values of excellent customer service, integrity and social responsibility. The eight step ISO 9001:2000 quality management system of establishing and documenting a quality system, supporting quality, satisfying customers, establishing a quality policy, carrying out quality planning, controlling the quality system and performance of quality management reviews has been fully implemented. Quality has been measured through the number of non-conformities, customer complaints and satisfaction in meeting delivery schedules, flexibility in operations and quality of final product. Non-conformity is detected through the quality control loops within Comtec or through customer feedback during works acceptance. The focus is to make customers feel that they are getting the best solution and benefit available for what they pay.

Customer Complaints

The number of faults reported by customers on their infrastructure has seen a downward trend reducing from 407 in September 2004 to 140 in 2005 as at 8 August 2005. This reduction is attributed to higher quality of work being done by the organization that results

in reduced failure rates. The "do it right the first" concept has been applied. Customer fault reports are recorded on the Comtec Technical Assistance Centre (CTAC) database.

Repeat jobs

The number of repeat jobs resulting from poor task planning, preparation or execution has been on a downward trend as tabulated below (Table 2).

Description	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Number of tasks	16	15	11	13	11	24	45
Number of repeat jobs	3	0	1	0	6	5	8
Percentage of Repeat jobs to No. of tasks	18.75%	0.00%	9.09%	0.00%	54.55%	20.83%	17.78%

Table 2: Repeat jobs

Respondents indicated that one of the clients introduced new equipment on January 2005 and the learning curve initially affected the number of repeat jobs.

Project Timeliness

The ISO 9001:2000 quality system has improved timeliness in delivery of tasks as tabulated below (Table 3). This also relates to improved project planning and implementation of activities.

Description	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05
Total number of Tasks	16	15	11	13	11	24	45
Tasks completed within budgeted time	13	9	9	10	9	21	42
Tasks completed beyond budgeted time	3	6	2	3	2	3	3
Percentage of task completed within time to number of tasks	81.25%	60.00%	81.82%	76.92%	81.82%	87.50%	93.33%

Table 3: Task delivery timeliness

Non-Conformance

Serious non-conformities arise out of Comtec not delivering tasks to customer's specifications. However, where a customer changes specifications or third party equipment failure occurs, this is classified as a minor non-conformity. As tabulated below the number of serious non-conformities decreased from six to one between January to March 2005 even as volume of tasks implemented rose from 11 to 45 (Table 4).

Description	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-5
Number of tasks	16	15	11	13	11	24	45
Tasks completed with serious non-conformities	1	0	1	0	6	5	1
Tasks completed with minor non-conformities	0	0	0	0	0	0	8
Percentage of serious non-conformity to number of tasks	6.25%	0.00%	9.09%	0.00%	54.55%	20.83%	2.22%

Table 4: Non-conformance to product or service specification

Quality in a service-oriented company is central to the overall success of the organization. However, Comtec must strike a balance between required service quality and the financial ability of the target customers. Quality should be defined based on the customer requirements and their ability to pay.

4.4 Innovation

Innovation is a competitive force with significant strategic implications for individual companies, entire industries and even countries. In attempting to position a firm based on innovation, managers face four key strategy decisions: the scope of markets in which to participate; the levels of commitment to each; the priorities assigned to various innovation activities and the degree of externalization of these activities. The timing of each of these decisions is extremely important and decisions in each category are highly sensitive to the nature and rate of change in technologies, markets and competitive positions. Comtec requires a firm understanding of customers, customer needs and a continuous improvement on delivery modes for what they need to differentiate based on innovativeness.

To improve on the turn around time and reduce time taken trouble shooting faulty equipment, Comtec has invested on a test bench for the whole range of equipment supported. Equipments are always put on the test bench for testing and configuration before it goes to the field for installation and commissioning. A 24 hours help desk where customer requests and complaints are logged in before escalation to relevant departments has also been implemented. In application of ICT, Comtec has invested in an elaborate database system with automated processes in ordering and billing that has reduced new items order cycle from six months to three months over the last financial year ended 31 July 2005. The use of help desk for login of customer requests and eventual logout of resolved problems has helped the management in data collection and management of technical response. This has helped in devising better delivery methods than have seen technical response times significantly improve from 24 hours for critical failures, 48 hours for major breakdowns and 1 week for minor faults in year 2002 to 2 hours for critical failures year 2005 as tabulated below (Table 5).

Description	Response time for network restoration (hours)	Periodic customer progress update (hours)	Faulty items replacement (working days)
Critical failures affecting total network functionality problems resulting to service interruption	2	1	1
Major failures affecting network segments causing functionality problems resulting to service interruption for affected areas	6	2	2
Minor failures with no service interruption	72	24	30

Table 5: Improved response times for technical responses within Nairobi

Comtec has used different pricing structures based on customer specific requirements. Outright purchase has worked well for clients who have the capital to rollout networks. This has been applied for telecommunications service providers like Telkom Kenya Ltd, Uganda Telecommunications Ltd and Safaricom Ltd. Hire or lease purchase has been employed for the enterprise market where the initial capital outlay is prohibitive. Kenya Airways and internet service providers are good examples of clients who benefited from this arrangement. This has ensured that such customers are not left with redundant equipment when technological advances necessitate replacements.

However, Comtec has not adequately invested on business processes that provide information to potential customers and improve on after sales service. These are the main differentiating factors in a fast-changing ICT industry. Quality and price are intertwined and effectiveness can only be measured based on the ability to meet evolving customer requirements at a given cost.

4.5 Service Positioning

To create an edge based on a service and to position as offering superior service to that of competitors, a firm must first understand how customers judge a service, what dimensions are important to them and how they are manifested. Strategies and systems must then be put in place to ensure that the firm delivers superior service. Service positioning cannot be removed from the common understanding of your customers in terms of where they are going, their limitations and how markets will evolve (Gatharia, 2005).

Comtec has embarked on equipping staff with general and project management skills at all levels to effectively serve a large client base. To keep customers at the top in technology

advances, software upgrade for new releases forms part of after sales service package. The company has also developed a customer satisfaction index derived from the service level agreements. This has helped in gauging actual against expected performance through continuous customer feedback and periodic satisfaction surveys. This positioning strategy has also been supported through continuous technological skills upgrade, offering advance replacement of faulty items, extended warranty and goodwill to clients with running accounts. The following tabulation gives an analysis for customer satisfaction survey carried out in July 2005. Such periodic surveys are conducted every six months through the Comtec Technical Assistance Centre (CTAC). They have assisted on regular checks of customer satisfaction and subsequent resolution of internal weaknesses.

Description		No of customers per category		
Level of services offered	Satisfied with services offered (Totally satisfied, neither satisfied nor dissatisfied or totally dissatisfied)	8	5	1
	Compared to six months ago which describes services received (Better, same or worse)	3	4	6
	Timeliness of services rendered	8	4	2
Complaint handling	Have you had cause to complain within the last six months (Yes or No)	9	Not applicable	5
	Satisfied with manner in which complaint was handled (Totally satisfied, neither satisfied nor dissatisfied or totally dissatisfied)	9	1	2
Staff	Staff politeness (Courteous, average or poor)	13	1	0
	Staff knowledge of products and services (Good, average or poor)	13	1	
How likely are you to recommend Comtec as a service provider to others (Definitely, not sure or will not recommend)		13	1	1

Table 6: Customer satisfaction survey for July 2005

To aggressively pursue and progressively reap the benefits of this positioning strategy Comtec need to continuously develop business models that account for the effects of service delivery processes. The roles of customers and service providers in creating and

delivering the services should be integrated. During service encounters, customers judge the value of the service. Service providers at this level require service management skills like technical expertise, cross selling other products and services, and good human interaction.

4.6 Tailored Positioning

The key to tailored positioning is to know the customer. A company will collect customer information and store it in a customer database. This collection of comprehensive information about individual customers or prospects must be current, accessible and actionable for marketing purposes like lead generation, lead qualification, and sale of service or maintenance of customer relationships. A company must not only identify her customers but they must also be differentiated in terms of their needs and value. There needs to be interaction with individual customers to improve learning on their individual needs and build stronger relationships. This will lead to customized products, services and messages to each customer.

Before liberalization, KPTC had a wide client base e.g. individual customer, enterprise market, multinationals and other operators. Any solution sold to KPTC would have a way of spreading to target customers. Thus, tailored positioning was not suitable for the monopolistic Kenyan telecommunications market. After liberalization, CCK licensed two mobile operators, incumbent KPTC started operating as Telkom Kenya Ltd and a host of Internet Service Providers and Wireless Local Loop operators was licensed. This increased the diversity of client base available to Comtec with some markets being very precise in their services and application of ICT. This has forced the company to adopt tailored positioning as a key competitive strength in order to serve industry and customer specific

needs. Comtec has continually provided a real time customer service by developing a relationship with each valued customer through the effective use of individual information. This has enabled the company to customize market offerings, services and programs. Out of 15 proposals, arising out of lead generation from such individualized prospective customer information, six have been qualified and four actualized over the last financial year ended 31 July 2005. Over the last financial year, requests for quotations have mainly been from corporate customers with confidence on Comtec's ability in service delivery, leading to actualization of six out nine requests. Two out of fifteen tenders that the company participated were successful.

Tailored positioning increases user satisfaction and as a consequence user loyalty in the long term. There is need however for Comtec to provide direct access to personally relevant news and collect information about user interests to drive customer relationship management.

4.7 Benefit Positioning

Positioning based on benefits sought by customers is conventionally associated with consumer and business-to-business markets. A company must decide how many benefits to convey in its positioning to target customers. Promoting only one unique selling proposition makes it easier for communication, results in employees being clearer about what counts and makes it easier to align the whole organization with the central positioning. Double or triple benefit positioning could be more distinctive but companies must realize that they risk the danger of disbelief and a loss of clear positioning.

There exists disparity between market needs and what the market can afford. On the other hand, ICT industry needs in Kenya and Africa in general are quickly evolving because of the changes in the regulatory framework that is in the formative stages. This comes at the time when the European and American markets are mature, saturated and with well laid down regulatory framework. These factors, coupled with the poor representation of African interests in the International Telecommunications Union body, have relegated Africa to a net receiver of technology. However, customer needs have constantly evolved because of globalization.

The art of successful positioning hinges on the ability to select a set of attractively priced customer benefit that is valued by the buyer, distinctive in one or more aspects, believable, deliverable and sustainable in the target markets. This makes this positioning strategy expensive to pursue. Since the ICT industry is fast evolving, companies wishing to position based on benefit must clearly evaluate benefits vis-à-vis market requirements. This will significantly reduce the danger of developing and providing benefits that are not relevant to the needs of a fast evolving ICT industry. Comtec has thus avoided aggressively pursuing benefit positioning.

4.8 Assets and Competences

An organisation's core competences provide a basis to build strategies and exploit opportunities in existing and new markets. This is the underlying factor for any firm to outperform competition. Customers' value system is dynamic and hence strategic capability cannot be static. It is therefore important for businesses to ensure that they evolve and build on existing core competences as customer requirements move on.

The fast changing ICT technology and regulatory environment demands that companies derive competitive advantage through having well trained employees. The employees must not only possess the required skills and knowledge, but also need to be reliable, responsive to customer's requests and communicate clearly. On the other hand, customers respond differently to company and brand images. Identity and image need to be distinguished to establish the product's character and value proposition convey the character in a distinctive way and deliver emotional power beyond a mental image. However for identity to work, it must be conveyed through all available communication vehicle and brand contact.

Comtec has created synergy with main suppliers and distributors to remain relevant in market through technology training and skills upgrade. An organizational culture where teamwork is cultivated and customer satisfaction gets first priority has been nurtured. Investment in intellectual capacity building has created a long-term bond and a sense of belonging with employees. This has created a good profile for the company through interpersonal relationships of employees and customers across the market.

4.9 Challenges during Implementation

4.9.1 Regulatory Framework

With liberalization, there was need to protect companies from unfair competition, protect customers from unfair business practices and protect the interests of society from unchecked business behavior. A major purpose of business regulation and enforcement is to charge businesses with social costs created by their products or processes.

With only 5 years as regulator in the industry, Communications Commission of Kenya is still putting together and implementing regulatory frameworks. However, the effects of

globalization have seen demand for services move ahead of regulatory framework in some cases. In other cases, operators are forced to demand for regulatory framework in areas that impact negatively to business operation. Rapidly challenging policies in the regulatory framework as Communications Commission of Kenya keeps abreast with international standardization requirements have made it difficult for network operators to have a clear way forward on their strategic plans. Hence, it has been difficult to invest in capacity building when the future has a lot of uncertainty.

Marketing departments need to actualize the responsibility of identifying significant macro economic changes and seek opportunities arising. Within the rapidly changing liberalized business environment, marketers must closely monitor the political-legal environment since there are many laws regulating business practices and with various special interest groups.

4.9.2 Financial Resources and Capability Gap

Financial resources are of central importance to an organization. It is therefore important to relate business strategies and financial value to shareholders and indeed all stakeholders. On the other hand, resource management and development must be synchronized with an organization's strategies. Employees must clearly be organized for success in strategy implementation in terms of structures, individual roles, processes and relationships.

Before liberalization, the CEO singly handled the marketing function. One to one marketing was sufficient to secure enough business with the monopoly operator. The marketing ball game changed with liberalization and dedicated marketing departments were opened to address diverse customer and market requirements. With respective

general managers directly spearheading the marketing function, a sales and marketing department per SBU was established. The managers in charge of these departments are directly responsible for addressing the diverse customer and market requirements. Although this has provided the necessary impetus, the learning curve and poor implementation in establishment of these departments has caused dismal performance in market sensing, targeting and positioning in the liberalized telecommunications market.

However, there is significant progress in the functional areas of customer access, customer relationship and product management. The management is fully aware of this fact. They attribute the slack to the fact that the company is undergoing a generation transformation where founding entrepreneurs are handing over control to youthful resourceful employees.

4.9.3 Competition

In a liberalized business environment, companies must define competition from the market concept. Competition from companies seeking to satisfy the same customer needs reveal a broader set of actual and potential competitors. Once competitors are identified, a company will seek to identify what each competitor is seeking in the marketplace and what drives each competitor's behaviour.

A big number of Comtec's pre-liberalization projects were large-scale offshore funded contracts. The main focus was on rollout. Post liberalization era introduced the challenge of marketing products in a competitive environment where margins are seriously eroded. There is significant price competition from startups and dominance by manufacturers who were establishing regional offices in Kenya. This has reduced profit margins and hence limited resources are available for investment in assets replacement and training of staff on

new technologies. This has made it mandatory for competition to remain visible in the eyes of management.

The study established that the management has big reaction latency and lacks a clear policy on harnessing of available resources and market targeting. The study established that the company has repeatedly failed to take advantage of available business opportunities after market liberalization. Bureaucracy in decision-making has made the company reactive as opposed to proactive in strategy formulation and implementation. The learning curve as business running shifts from original owners to youthful employees has also ensured that opportunities are not nipped at the bud. This can however be attributed to the lack of necessary investment in the key area of sales and marketing.

The company has however put in place some measures to ensure positive trends are maintained and neglected areas are addressed. The ISO 9001:2000 certification program offers a constant review of processes and their impact on business. On capacity building and skills upgrade, the company offers employees a chance to grow to the highest level in their area of specialization through regular technology based training and long-term company sponsored programs in local universities.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study was carried out as a case study of Comtec group of companies. The company by its history and ownership structure has an inherent role to provide leadership in telecommunications contractor business. The external environment within which the company has operated over the years has changed dramatically since liberalization. Schendel & Hofer, (1979) notes that the purpose of strategy is to provide directional cues to the organization that permits it to achieve its objectives while responding to the opportunities and threats in the environment. The findings of the survey indicate that the company has used a combination of price, innovation, quality, service and tailored positioning strategies in response to increased competition, changing regulatory framework and reduced profit margins.

The findings indicate that the company has not adequately responded to the challenges it is facing from the external environment because of internal weaknesses and reaction latency in management. Porter, (1996) notes that strategic positioning is a continuous process that is often not obvious but requires insight and creativity on the part of managers. Pettigrew, (1996) also notes that strategic managers' task is to have a thorough understanding of the environment they operate in and forge a fit between the strategy and the environment and ensure coherence in the intra-organizational variables as well as maintain consistency with the strategy they have put in place. This implies that Comtec must invest more in strategic marketing, market sensing, targeting and positioning to remain relevant in the fast changing ICT industry.

The long period the management is taking to de-link ownership and management of the company was given as one of the impediments to growth and success. Respondents indicated that Comtec could play a leading role in technology training that is clearly tailored to the training needs of East and Central Africa telecommunications market. On the other hand, the lack of quick entrepreneurial approach to business strategy was given as one factor that has hindered growth in upcoming markets within this region.

Through the introduction of activity based costing and cost control, Comtec has managed to contain direct activity costs to below 20% of the gross income. However, the company would profit more by using price as a strategic tool other than letting costs or markets determine the price of product or service offerings. By offering customized price and service to quality sensitive markets based on segment value, segment cost and competitive situation, Comtec's customers can be in a better position to relate price to the value perspective of products or services. Respondents however cited the failure to reduce to manageable levels the high running costs as the greatest impediments to the success of price positioning strategy.

The respondents indicated that the company is under constant self-evaluation against set key performance indicators that include gross profit margin, turnover, market share, new accounts, staff turnover and customer satisfaction. The generation transformation and successful implementation of ISO 9001:2000 quality management system were given as some of the measures put in place to ensure positive trends are maintained. Findings indicate that timeliness in delivery of tasks has improved from 60% in October 2004 to 93% in March 2005. The number of serious non-conformities decreased from six to one between January to March 2005 even as volume of tasks implemented rose from 11 to 45.

On the other hand the number of faults reported by customers on their infrastructure has seen a downward trend reducing from 407 in September 2004 to 140 in 2005 as at 8 August 2005.

The study established that improved business processes has improved technical response times from 24 hours for critical failures in year 2002 to 2 hours in year 2005. However, respondents indicated that Comtec has not adequately exploited innovative business processes that provide information to potential customers and improve on after sales service. These being the main differentiating factors in a fast-changing ICT industry, Comtec will need to address it and build capacity to meet evolving customer requirements.

Comtec has developed a customer satisfaction index derived out of service level agreements. Periodic surveys conducted every six months through Comtec Technical Assistance Centre have assisted on evaluating customer satisfaction levels and improvement of service delivery modes. Thirteen out of fifteen customers included in a census survey conducted on July 2005 for Comtec's existing customers in Kenya indicated that they are highly likely to recommend the company as service provider to others. The study established that Comtec has not adequately developed business models that account for the effects of service delivery processes.

Findings indicate that Comtec has collected customer profiles and used them for lead generation, lead qualification and eventual sale of services. Out of 15 proposals, arising out of lead generation, six have been qualified and four actualized over the last financial year ended 31 July 2005. However, the study established that Comtec has failed to adequately provide direct access to personally relevant news and collected information about user

interests to drive customer relationship management. This is a key factor in tailored positioning as it increases user satisfaction and as a consequence user loyalty in the long term.

Respondents indicated that Comtec has avoided aggressive pursuit of benefit positioning. The art of successful positioning hinges on the ability to select a set of attractively priced customer benefit that is valued by the buyer, distinctive in one or more aspects, believable, deliverable and sustainable in the target markets. This makes this positioning strategy expensive to pursue for Comtec.

The study established that Comtec has created synergy with main suppliers and distributors to remain relevant in market through technology training and skills upgrade. An organizational culture where teamwork is cultivated and customer satisfaction gets first priority has been nurtured. The company has also investment in intellectual capacity building in an effort to create a long-term bond and a sense of belonging for employees.

Rapidly changing policies in the regulatory framework as Communications Commission of Kenya keeps abreast with international standardization was given as a major challenge to the implementation of strategic plans. It has been difficult to invest in capacity building when the future has a lot of uncertainty. On the other hand respondents indicated that the learning curve and poor implementation in establishment of marketing departments has caused dismal performance in market sensing, targeting and positioning in the liberalized telecommunications market.

The study established that the management has big reaction latency and lacks a clear policy on harnessing of available resources and market targeting. Respondents indicated that the company has repeatedly failed to take advantage of available business opportunities after market liberalization. Bureaucracy in decision-making has made the company reactive as opposed to proactive in strategy formulation and implementation.

5.2 Conclusion

In conclusion, the objective of the study was to establish how Comtec has been able to strategically position herself and maintain competitive advantage in the face of increased competition. Challenges faced in implementation of positioning strategies were to be explored. From the study, it has become apparent that the company has invested in positioning strategies derived from differentiation. Key among them is quality, service and tailored positioning which the company has employed to gain competitive edge over competitors. The main challenges include competition from startups and equipment manufacturers setting regional offices in the lucrative Kenyan telecommunications market. The company has implemented ISO 9001:2000 quality management system and is currently undergoing a generation transformation to ensure continued positive trends. Continuous skills upgrade and functional marketing capabilities are key strengths while strategic marketing, market sensing and targeting is the weakest area in the Comtec's strategic positioning.

5.3 Recommendations for Further Study

Further study is recommended in determination of strategic competences that can make locally owned businesses be more competitive in other sectors of the economy. Studies aimed at relating business leadership, ownership structure and their effects on business

success in Kenyan liberalized business environment will help local entrepreneurs to know and focus on relevant areas.

5.4 Limitations of the Study

The study clearly focused on telecommunications contractor business in Kenya and the findings may not apply to other sectors of the economy. However most factors affecting businesses in a liberalized economy shall apply.

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APPENDIX I: INTERVIEW GUIDE (CEO)

What is the Comtec's strategic intent?

In light of this, where is Comtec and how much is ahead?

We have seen the growth of Comtec over the years. What were the main objectives behind the following moves?

1. Registration of Communications Technology Ltd and the subsequent joint venture with SR Telecom
2. Restructuring
3. Registration of Comtec Group Ltd and the other separate Strategic Business Units

What is your market? What is your current market share?

What are your future target markets?

What opportunities do you see in those markets?

What is the basis for your competitive position?

Who is the potential threat to Comtec? What are you doing about it?

We have witnessed internal recruitment for key positions as opposed to external.

What advantages does Comtec derive from this as it builds its competitive position?

What innovative ways has Comtec used in gaining the current competitive position in the following areas?

1. Market foresight – identifying emerging trends, changing values and competitor strategies
2. Knowledge leverage – making optimum use of available knowledge, expertise and technology

To what extent is Comtec agile in the following areas?

1. Rethinking strategy – review of strategy formulation & implementation
2. Redesigning structure – design of new procedures that yield high performance
3. Reengineering processes – making significant improvements in work processes

Do all stakeholders see Comtec the same way?

Do some customer segments have a less favorable impression of Comtec? How has this impacted on your positioning strategy growth?

Given a chance, what would you have done different?

APPENDIX II: INTERVIEW GUIDE (GENERAL MANAGERS)

What is your SBU's strategic intent?

In light of this, where are and how much is ahead?

What is your market? What is your current market share?

What are your future target markets?

What opportunities do you see in those markets?

What is the basis for your competitive position?

How have you used technology to improve your competitive position?

What are your core competences?

How much synergy is available from the other SBUs

What innovative ways has your SBU used in gaining the current competitive position in the following areas?

1. Market foresight – identifying emerging trends, changing values and competitor strategies
2. Knowledge leverage – making optimum use of available knowledge, expertise and technology

To what extent is your SBU agile in the following areas?

1. Rethinking strategy – review of strategy formulation & implementation

2. Redesigning structure – design of new procedures that yield high performance
3. Reengineering processes – making significant improvements in work processes

Do all stakeholders the SBU the same way?

Do some customer (external/internal) segments have a less favorable impression of your SBU? How has this impacted on your positioning strategy growth?

Given a chance, what would you have done different at SBU & Corporate level?

APPENDIX III: INTERVIEW GUIDE (MANAGERS)

What is your company's (SBU's) strategic intent?

Relative to objectives set for your department, what have you achieved?

What challenges are you facing in pursuit of these goals?

How has your department grown over the last 3 years?

What are your core competences?

What are your weaknesses?

What specific measures exist to overcome these weaknesses?

How much synergy is available within the SBU

How have you used technology to improve your competitive position?

In what ways has your department used the following to achieve its objectives

1. Knowledge leveraged – making optimum use of available knowledge, expertise and technology
2. Redesigning structure – design of new procedures that yield high performance
3. Reengineering processes – making significant improvements in work processes

Do all stakeholders see your department the same way?

Do some customer (external/internal) segments have a less favorable impression of your department? How has this impacted on your objectives achievement?

Given a chance, what would you have done different at department level, SBU & Corporate level