

**STRATEGIC RESPONSES BY ZAIN KENYA TO  
EXTERNAL ENVIRONMENT**

**BY: JOSEPH KARANJA MBUGUA**

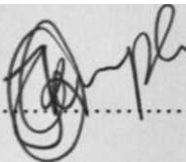
**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN  
PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION,  
SCHOOL OF BUSINESS STUDIES**

**UNIVERSITY OF NAIROBI**

**AUGUST 2009**

## DECLARATION

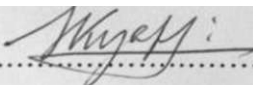
This Management Research Project is my own original work and has not been presented for a Degree in any other University or Institution of higher learning.

SIGNED ..... 

**JOSEPH KARANJA MBUGUA**

**REG NO: D61/P/8455/2003**

This Management Research Project has been submitted for Examination with my approval as The University Supervisor.

SIGNED: ..... 

DATE:

**DR JOHN YABS**

Lecturer

School of Business

University of Nairobi

## **DEDICATION**

This study is dedicated to my daughter Natalia Hope Gathoni Karanja who brings me immense source of joy and fulfillment.

## **ACKNOWLEDGEMENT**

I am deeply indebted to Dr. Yabs for his guidance, patience and insightful input from the commencement of this project to its completion. I wish also to express my appreciation to the School of Business, MBA lecturers without whose enormous contribution in class sessions, this work would have not been possible.

I am also grateful to my wife and my entire family members. Their encouragement, patience and understanding were attributes without which I would not have successfully completed the project.

I have also received support and motivation from several fellow MBA students during class sessions, group discussions and project writing. Their handwork and determination gave me the energy to persevere to the end.

The Staff of Zain Kenya who willingly and heartily expended their time and effort to fill in the questionnaires made it possible for me to come up with the research findings.

Finally and most importantly, I wish to express my deep and heartfelt appreciation to the Almighty God who has graciously made it possible for me to cross the important milestone in my life.

## **ABSTRACT**

The telecommunication industry plays a significant role in the growth of economies all over the world and is seen as the next frontier in the creation of wealth and economic wealth. The objective of this study was to determine the strategic responses adopted by Zain Kenya towards external environment and determine environmental changes facing Zain Kenya.

The study is a case based and utilizes both primary and secondary data collected from the Zain's staff and documents respectively. The study targeted senior managers in the in the various departments and heads of departments to undertake feasibility studies. The primary data was collected using a structured questionnaire that was administered to the target respondent. The data was analyzed using statistical package for social scientist with the help of descriptive statistics and content analysis.

The research revealed that Zain surveys external environment to help make business decisions. All the factors were found to be highly considered when making plan and decisions except for social and cultural trends. Zain managers make arrangements to mitigate the consequences of the challenges caused by economic environment

It was found that strategies adopted by Zain Kenya are reactive and that Zain highly considers the factors before engaging in responses to the external environment. Tendency to centralize decisions to top management is used as the mode of making critical decisions in responding to external environment.

The Chief executive Officer/Managing Director was found to be the champion of identification and implementation of responses to external environment. 76% of the respondents said the business have been turbulent in the last 5 years, 19% said it has been irregular while 5% said it has been relatively stable. When the respondents were asked to state the extent to which the approach to business has impacted on the performance, 67%

said greater extent, 19% said on average, 10% said to small impact while 5% said to no impact

Challenges encountered in the pursuit of the growth strategy were mentioned as: stiff competition and unfair pricing tactics from one dominant player, huge initial capital requirement, frequent change of shareholders and the Chief executive/Managing Director, rapid technological changes, political turmoil, lack of consumer acceptance of the product and services offering, legislation changes, price wars in the industry and frequent staff lay offs affecting productivity and staff motivation.

The findings have implications for the company and policy makers in the telecommunication industry.

## TABLE OF CONTENTS

	PAGE
DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENT.....	iv
ABSTRACT.....	v
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background.....	1
1.2 Statement of Problem.....	7
1.3 Research Objectives.....	8
1.4 Importance of the Study.....	8
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>9</b>
2.1 Empirical Review.....	9
2.2 Strategic Responses.....	9
2.3 Strategic positioning and dynamic capabilities.....	10
2.4 Environment.....	12
2.5 A new model of environmental regulations and firm strategy.....	13
2.6 Government regulation as the force in strategy formulation.....	14
2.7 Performance in a competitive environment.....	15
2.8 Meaning and Importance of International Business.....	16
2.9 Types of Strategies.....	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>28</b>
3.1 Research Design.....	28
3.2 Data Collection.....	28
3.3 Data Analysis.....	28
<b>CHAPTER FOUR: DATA ANALYSIS, INTERPRATATION.....</b>	<b>29</b>
4.1 Quantitative Analysis.....	29
4.1.1 Response Rate.....	29
4.1.2 Gender and Age of the Respondents.....	29
4.1.3 Approaches and Conduct of Business.....	30
4.1.4 Decision Making and External Environment.....	33
4.1.5 Involvement in Strategy Formulation.....	37
4.1.6 Rating of External Factors in Response Strategies.....	39
4.2 Qualitative analysis.....	45
4.2.1 Challenges encountered in the pursuit of the growth strategy.....	45
<b>CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMENDATION.....</b>	<b>48</b>
5.1 Introduction.....	48
5.2 Summary of findings.....	48

5.3	Conclusion .....	49
5.4	Recommendation.....	50
5.5	Suggestions for further research.....	51
	<b>REFERENCES.....</b>	<b>52</b>
	Appendix A: Questionnaire.....	55



## LIST OF TABLES

	PAGE
Table 4.1 Age bracket.....	30
Table 4.2 Approaches to business.....	31
Table 4.3 Extent of consideration.....	33
Table 4.4 Effect of regulation.....	35
Table 4.5 Improvement in business performance.....	36
Table 4.6 Rating of factors.....	39
Table 4.7 Mode of making decisions.....	40
Table 4.8 Champions of responses.....	41
Table 4.9 Study of issues.....	42
Table 4.10 Description of business in last five years.....	43
Table 4.11 Impact of approaches.....	44

## LIST OF FIGURES

	PAGE
Figure 4.1 Gender.....	29
Figure 4.2 Conduct of business.....	32
Figure 4.3 External environment survey.....	32
Figure 4.4 Mitigation arrangement.....	34
Figure 4.5 Changes in regulation policies.....	34
Figure 4.6 Technological changes.....	35
Figure 4.7 Involvement in strategy formulation.....	37
Figure 4.8 Effective in implementation.....	38
Figure 4.9 Response strategies.....	38

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

The telecommunications sector in Kenya made good progress after the unbundling of the Kenya Post and Telecommunications Corporation .The overall government objective for the telecoms sector is to optimize its contribution to the development of the Kenyan economy as a whole by ensuring the availability of efficient, reliable and affordable communication services throughout the country. In the area of telecoms services, the long-term goal is to increase teledensity in the rural areas to 1% by the year 2015 and in the urban areas to 20% by the year 2015

The current Communications Act received presidential assent in December 1998 after being amended twice to remove flaws pointed out by the industry, including providers of services and major users. In December 1999, the unbundling of Kenya Posts and Telecommunications Corporation into three entities took place. They are Telkom Kenya Limited, Postal Corporation, and the Communications Commission of Kenya.

Prior to recent events related to post-election violence, Kenya's recent economic turnaround since 2002 had been well documented. During the last five years the Government implemented key economic reforms and programs to combat corruption leading to an accelerated economic growth rates and a resumption of cooperation with international donors. Rising from a stagnant economy in the 1990s, Kenya's Gross Domestic Product (GDP) grew by real annual rates of 4.9%, 5.8% and 6.1% in 2004, 2005 and 2006 respectively. According to the Central Bank of Kenya, the economy grew by 6.9% in the first nine months of 2007. These gains are attributable to private sector expansion, declining budget deficits, interest rate and currency stability. The key sectors contributing to growth are agriculture, tourism, manufacturing, transportation and communication.

In the rest of the African continent just like Kenya's the telecommunications sector has been doing great progress more than other infrastructure sectors and its growth rate has been steadily improving during the last two decades due to the liberalization process

which most African countries had to forgo in the 90s as a result of international institutions (IMF and World Bank) initiatives. The period of economic reform coincided with the era of convergence between information and communication technologies (ICT) that was going on all around the world. This condition enabled the low-cost diffusion of ICT products and services in developing countries and it saw many of them actively participating especially those of East Asia. The African countries which liberalized their economies to make them more competitive in order to attract foreign investors had to liberalize the telecommunications sector by opening their markets and even by privatizing most of their state-owned companies. These processes have had a huge impact on the telecommunications sector which saw many new operators appearing on the scene providing various services and a new dynamic within African markets which involved African companies doing business on the continent and producing a positive spill-over within the sector and on the growth rate of the economies. The introduction of competition and the economic reform has contributed enormously to the growth of the telecommunications sector which had an effect on the structure of economies traditionally dominated by the agriculture sector.

Telecommunications companies are an essential tool for economic regeneration. Telecoms have a dramatic impact on GDP and lead to an increase in foreign direct investment. Most African policy-makers also recognized that their countries were in need of these reforms to be able to attract foreign investment especially in the infrastructure sector where their continent is lagging behind the developed countries. It has been demonstrated that investment in telecommunication infrastructure in particular has a positive effect on economic growth in many ways. The effects of telecommunication investment lead to growth by increasing the demand for goods and services used in their production; the economic return on these investments are far greater than the return from the investment alone, because there is a direct and an indirect effect on the production (Canning 1999). On the other hand telecommunication services also increase the productivity of the economies in general by facilitating the information flow and by enhancing the communication between buyers and sellers, rural and urban areas and within the industrial sector. Both the fixed costs of acquiring information and the variable

costs of participation in the market are lowered by the improvement of the ICT sector as was argued by Norton (1999). Nandi (2002) mentions that when a telecommunication infrastructure exists in equilibrium idle resources are lower and markets are more efficient than when there is no telecom infrastructure or no equilibrium.

The challenges faced by the makers of telecommunications policy in Kenya are exceptionally demanding. To meet the economic objectives it will be necessary to expand the network, enhance service quality and features, and upgrade operational efficiency and productivity. Kenya has a rapidly expanding economy, but also has one of the world's highest population growth. Kenya will also need to invigorate agriculture and enhance the lives of those in its rural areas to stem the tide of migration into the towns. Kenya's government has responded to these challenges with a market-oriented economic policy which emphasizes openness to the world economy and export-led growth. This policy necessitates a more universal and reliable telecommunications network than would be needed had Kenya attempted a predominantly inward-looking, centrally-directed economic strategy similar to those attempted by some other African countries.

### **Regulatory Framework**

Until October 1998, the Kenya Posts and Telecommunications Corporation Act (the "KPTC Act"), which established the Kenya Post and telecommunications Corporation ("KPTC"), was the only legislative instrument governing the telecommunications sector. The KPTC was given exclusive rights to provide telecommunications services in Kenya. In order to cope with new developments in the industry and to allow for liberalization, the Kenya Communications Act ("KCA act") and the Postal Corporation of Kenya Act ("PCA") were passed to replace the KPTC Act. The KCA was brought into force in a piecemeal fashion, but most of its provisions took effect as of 26 April 1999.

The provisions of the KCA, which repealed the KPTC Act, came into operation with effect from 1 July 1999. This Act was designed to move the telecommunications sector away from the state-controlled framework to one that would allow more efficiency, competition and sector growth. In general, the KCA sets out the rights and obligations of licensees and consumers, as well as principles on "interconnection", public service

obligations and fair competition to ensure protection of consumer and investor interests. For purposes of policy formulation on the other hand, the KCA set up the National Communication Secretariat, whose function it is to advise the Government on the adoption of communication policy.

The KCA introduced the CCK as the regulatory body for the mobile telecommunications market.

### **External Environment**

External environment of a business refers to all those factors that directly influence the working of the business. However, these factors are outside the control of the business.

Pearce and Robinson (1997) state that in order for organizations to achieve their goals and objectives, it is necessary for them to adjust to their environment. The dynamism of the environment implies that the organization has to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt the organization to its environment leads to a strategic problem. Such a problem will be evidenced by a mismatch between what the organization offers and what the market demands.

Considering that performance is the major objective of an organization, it is generally accepted that the structure and decision making in an organization is influenced by environmental complexity and volatility (Miles and Snow 1978; May *et al.* 2000). Furthermore, it is argued that the alignment of strategies of organizations with the requirements of their environment outperform organizations that fail to achieve such an alignment (Chaganti *et al.* 1989; Venkatraman & Prescott 1990; Beal 2000). Environmental scanning is generally accepted as being the first step in the process of aligning strategy with environment (Hambrick 1982; Daft & Weick 1984; Daft *et al.* 1988; Beal 2000). This is because environmental scanning will help the organization to learn more about opportunities for taking competitive advantage and threats referring to its survival (Dess 1987; Bourgeois 1980; Schneider & De Meyer 1991; Lang *et al.* 1997).

However, although environmental scanning is the search mechanism by which managers discover important events and trends outside their organizations" (May *et al.* 2000),

scanning the business environment has been initially defined as the activity of acquiring information about events and relationships in a company's outside environment, the knowledge of which would assist top management in its task of charting the company's future course of action. (Aguilar 1967: 1).

The external environment consist of; competitors, economic system, legal systems, technological systems, social and ethical factors.

Competitors actions affect the ability of the business to make profits, because competitors will continually seek to gain an advantage over each other, by differentiating their product and service, and by seeking to provide better value for money.

The economic system is the organization of the economy to allocate scarce resources. The economy tends to go through periods of faster and slower growth. Businesses prosper when the economy is booming and living standards are rising.

The social system is the fabric of ideas, attitudes and behavior patterns that are involved in human relationships. In particular businesses are influenced by consumer attitudes and behaviors which depend on such factors as the age structure of the population, and the nature of work and leisure.

The monetary system facilitates business exchange. Monetary activity is based around earning, spending, saving and borrowing. Money has been likened to the oil that lubricates the wheels of commerce. Monetary activity involves businesses in a web of relationships involving financial institutions (e.g. banks and building societies), creditors, debtors, customers and suppliers. A key monetary influence for business is the interest rate. Higher interest rates increase business costs and act as a brake on spending in the economy.

The political/legal system creates the rules and frameworks within which business operates. Government policy supports and encourages some business activities e.g. enterprise, while discouraging others e.g. the creation of pollution. The environmental system is the natural system in which life takes place. Increasingly

businesses have become aware of the relationship between their economic activity i.e. making goods and services for profits and the effects that this has on the environmental system.

### **Zain Kenya**

Zain 1 Kenya was launched as KenCell in August 2000 and it initially offered limited mobile services in and around the major towns of Kenya such as Nairobi, Mombasa and Kisumu. It is now the second largest operator in the Kenyan mobile market, offering its services to over 2.1 million mobile subscribers, representing a market share of approximately 18% in a market experiencing just 40% mobile telephony penetration.

Zain Kenya is indirectly owned 95% by Zain ("Celtel International"), and 5% by Sameer Telkom Limited ("STL"), a member of the Sameer Group. It launched commercial operations in August 2000, with the financial support of its two original shareholders, Vivendi Universal ("Vivendi") and STL under the name KenCell Communications Limited ("KenCell").

Zain Kenya which operates a GSM-900 MHz and GSM-1900 and the current Zain Kenya's product and service offering currently includes the following: prepaid and postpaid telephony, national and international calling, voicemail, Short Message Service ("SMS") and Multimedia Messaging Service ("MMS"), blackberry data services, premium call services, 2.5G data offering and one-Network offering.

Zain Kenya recently launched a re-branding exercise to give one unified brand logo, values, proposition and identity to all customers and to position it as a global brand with wider appeal.

In the case of Zain Kenya specifically, the re-branding is being used as an opportunity to re-invigorate the marketing approach and growth strategy and is being integrated with specific marketing initiatives around the product and service offering. As a member of the Zain Group Zain Kenya enjoys knowledge transfer through the migration of best



practice and coordinated support in project management, business development and planning.

## **1.2 Statement of Problem**

An organization's strategy must be appropriate for its resources, environmental circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. Gold, M. (1991). A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. Business enterprises can fail despite 'excellent' strategy because the world changes in a way they failed to understand. Strategy must connect with vision, purpose and likely future trends.

Organizations have to be able to respond effectively to challenges - both problems and opportunities - as they arise. Waverman, L. (2001), the customer has increasing expectations of service standards and availability. In response, organizations are working towards an outward-focused view of the way services should be provided - a fundamental shift from the traditional focus on internal concerns. At the same time, major opportunities for improvement may arise from developments such as new information and communications technologies, and the availability of additional financial resources. In many cases the response to the problem or opportunity will: require the continuous attention of senior management, affect most or all of the organization, have long term implications, require substantial resources, be interconnected with other issues and developments.

Various studies have been carried out to determine how different organizations have responded to changes in the environment. Kathuku (2005) carried out a study on strategic responses by Cooperative Bank of Kenya. Lalampaa (2006) studied the responses by Higher Education Loans Board to the environmental challenges in financing higher education. Kandie (2001) focused on Telkom Kenya limited, Mulema (2004) on Teachers

Service Commission, Migunde (2003) on Kenya Broadcasting Corporation, Mwanthi (2003) on British American Tobacco limited, Kamau (2007) on Kenya Re-Insurance Corporation, Mwangi (2007) on East African Breweries Limited and Munyoki (2007) on Safaricom Limited.

From the review of research that has been done on strategic responses, there seems to be none that focuses exclusively on Zain Kenya. This study therefore seeks to fill this knowledge gap by providing an in depth research on strategic responses to external environment by Zain Kenya.

### **1.3 Research Objectives**

To determine the strategic responses adopted by Zain Kenya towards external environment and environmental changes facing Zain Kenya.

### **1.4 Importance of the Study**

The study will aid various stakeholders: the mobile telephony services providers will obtain details on challenges facing the industry and the details of responses to the challenges. In addition the study will provide the justification to the responses adopted depending on the success obtained.

The study will promote strategic thinking among the managers of the Company when addressing environmental issues affecting the company.

The policy makers will obtain knowledge of the telecommunication industry dynamics and the responses appropriate; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the industry.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Investors can also gain an insight on the company and its strategic position within the environment, which can assist them in determining their viability of their investments.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Empirical Review**

The "five forces model" for industry analysis (Porter, 1980) is now a standard tool used by both academics and practitioners when conducting strategic management studies. In the past decade, this competitive positioning approach has been augmented by the resource-based perspective, which has focused on the accumulation of valuable, knowledge-based assets by individual firms. An integrative synthesis of this work has recently been developed by Teece, Pisano and Shuen (1997) and Teece and Pisano (1998). They have proposed a "dynamic capabilities" approach as the key to strategy development for the modern business firm.

Such an approach focuses on the specific ways in which capabilities are renewed as a response to shifts in the environment relevant to the firm. This new perspective raises two important questions. First, does the standard five forces model adequately include the various actors in the firm's environment to which it must respond, given the complexities of modern business, especially the tendency toward globalization? Second, given the relevant external forces to be included in a strategic positioning analysis, do changes in specific external forces require specific types of shifts in the development and use of dynamic capabilities?

### **2.2 Strategic Responses**

One of the most prevalent questions within strategic management is how firms are able to attain profits that allow them to gain superior competitive performance compared to their competitors. Porter's (1980) model of competitive strategy proposed that a firm's position within an industry was an important factor in attaining competitive advantage. This position is largely influenced by the firm's strategic responses to the continuous environmental changes.

According to Pearce and Robinson (1988) strategic responses are a set of decisions and actions that result into formulation and implementation of plans designed to achieve a

firm's objectives. In order to effectively achieve the firm's objectives these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment. Firm's largely are open systems where there is continuous interaction and interfaces with the external environment. Strategic responses are the strategies that firms take and largely triggered by continuous changes in the external environment. Johnson and Scholes (1997) defined strategy as the direction and scope of an organization over the long term which achieves advantage for the organization over the long term through its configuration of resources within a changing environment to meet the needs of the markets and fulfill stakeholders expectations.

Ansoff and McDonnell (1990) further argue that this can be done firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness; secondly, use of real time response through issue management and thirdly, systematic management of resistance to change during strategic implementation. According to Ross (1996) the firm has to learn, adopt and reorient itself to the changing environment. He postulates that when a discontinuity begins to affect a firm in a turbulent environment, brought about by globalization and trade liberalization for instance, its impact typically remains hidden within the normal fluctuations in performance. Strategic responses are different from operational responses. Byars' 1991 postulate that operational responses are concerned with efficiency of operations. While strategic responses on the other hand affect several areas of operation, require top management decisions and huge financial commitments, are forward looking and affect long term prosperity of the firm and most critical are dependent on the environment.

### **23 Strategic positioning and dynamic capabilities**

Porter's (1980) strategic positioning model builds upon the assumption that five forces determine industry attractiveness, i.e., the potential to earn rents. Three forces represent the "horizontal" competitive relationships, namely the rivalry among competing firms, the threat of new entrants and the threat of substitutes. Two other forces reflect the firm's "vertical" linkages with external actors, namely buyer and supplier power. An interesting

characteristic of the five forces model is that industry structure, at least when used for strategy prescription at the firm level, is viewed as partly endogenous. This means that there is a reciprocal relationship between industry structure and firm behaviour. Entry barriers do not just result from a given industry structure but may be induced or challenged by firms. In this context, the five forces could be seen as the "opportunities-threats" component in a conventional SWOT-analysis (strengths, weaknesses, opportunities and threats).

In contrast, the resource-based view focuses on the "strengths-weaknesses" component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance, Penrose (1999), Rumelt (1994), Barney (2001), and Conner (2001). A resource-based perspective has sometimes also been adopted for purposes of industry-analysis. Industry capabilities are defined as resources that are shared by incumbents but are not available to outsiders. These include trust relations, and specific ways of diffusing and sharing technological knowledge, Foss (1997). An integrative perspective has recently been introduced, Foss and Eriksen (1995), Teece, Pisano and Shuen (1997) and Teece and Pisano (1998). In this, dynamic capabilities (at least implicitly) reflect the firm's ability to respond effectively, on the basis of its internal strengths/weaknesses, to external opportunities/threats. These dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, Teece and Pisano, (1998, p. 193).

Such a Schumpeter-type perspective focuses explicitly on the renewal of competencies and, implicitly, on the achievement of first mover advantages, because the time dimension is critical. Difficult replication by other firms permits a stream of rents to be sustained for a longer time. It is important to recognise that specific, firm level responses to external changes are influenced by path dependencies (e.g., long-term, quasi-irreversible resource commitments). The development of a dynamic capability by a firm

therefore needs to build incrementally upon existing internal processes. Here, external forces must be taken into account, but these result themselves from paths along which the firm has travelled in the past. Bearing this in mind, it would appear that Porter's original five forces model can, at best, be only a partial analytical tool to aid in strategy development at the firm level.

In addition, it is sometimes argued that Porter's industry-level analysis may need to be supplemented with a macro-environmental one. A variety of "intermediate" parameters (in the realm of the social, macro-economic, political and technological environments) can then be analysed, and their implications for the firm determined through their impact on the five forces driving industry competition. However, in some cases, macro-environmental changes can have an immediate impact on the firm, irrespective of their intermediate significance for the five external forces. This holds especially for government regulations. This has already been demonstrated by Rugman and Verbeke (1990, 1998a, 1998b), in areas such as trade and investment decisions and firm level responses to environmental regulation. This analysis is especially relevant for multinational enterprises (MNEs) because their institutional status is defined by the crossing of geographic borders. From a conceptual perspective, the single most important change at the firm level, when establishing foreign operations is being faced with a second sovereign government.

## **2.4 Environment**

The environment can be classified into internal and external environment. The external environment refers to those factors outside the organization's influence but which affect the organization's operations. The external environment presents opportunities which the firm can exploit and poses threats which can hinder the organization's activities. The internal refers to factors within the organization which the organization exercises a great deal of control over and which affect the organization's operations. This presents the organization's strengths and weaknesses. The internal environment therefore constitutes an organization's internal capability which is essential in addressing the external

environment. Pearce and Robinson (1997) argue that in order for organizations to achieve their goals and objectives it is necessary for them to adjust to their environment.

According to Johnson, Scholes and Whittington (2005), an organization exists in the context of a complex political, economic, social, technological, environmental and legal world. The environment changes and affects different organizations differently. Burnes (2004) further argued that there is considerable support for the view that the pace change is accelerating as never before and organizations have to chart their way through an increasingly complex environment. Organizations have to cope with pressures of globalization, rapid changes in technology, rise of e-commerce, situations where customers and suppliers can be both competitors and allies and a change in emphasis from quantity to quality and from product to services.

Furthermore, the Kenyan Government intends to award additional telecommunications licences. A fifth mobile licence is to be issued as part of a second tender for the country's second national operator (SNO) license. The mobile market has grown rapidly over the past few years, with the number of subscribers growing from 2.8 million in September, 2004 to 11.6 million in December, 2007.

## **2.5 A new model of environmental regulations and firm strategy**

First, if government regulation is perceived as having a major impact on the functioning of an industry, then the use of the conventional five forces model would translate this impact into relevant effects on the firm through some or all of the five forces. From a normative perspective, the predicted effects could then lead to a change in firm behaviour if such a change were viewed as beneficial to the firm. The predicted effects would not be viewed as exogenously determined constraints on firm behaviour but as outcomes which, at least in terms of significance to the firm, could be altered by a shift in firm strategy. This also implies that a change in regulation may not only call for a change in the firm's strategy vis-a-vis these conventional market forces, but also a change in strategy toward government itself.

## **2.6 Government regulation as the force in strategy formulation**

Boddeyn and Brewer (1994) have argued that country borders contain resources and institutions which are nation specific, such as national and human factor endowments, market potentials, value systems, etc. Most of these elements can easily be translated into industry and firm level impacts through the use of the forces model. Levitt's (2003) observations on the globalization of markets and Ohmae's (2000) views on the "borderless" world suggest, from a normative perspective, that firms should attempt to bridge and even eliminate such differentials among nations. However, the concept of "state", with a focus on political sovereignty, implies that "generic" models such as the forces model to guide strategy cannot be merely extended to the international business context, Boddeyn and Brewer (2004).

Indeed, it is interesting to observe that Porter (1986) himself, when discussing the concept of generic strategies in the context of global industries explicitly unbundled the "focus" strategy into three sub-strategies : global segmentation, national responsiveness and protected markets, Rugman and Verbeke (1993). The last strategy, especially, builds upon the assumption that government intervention has both an indirect impact on the firm, through the forces and a direct impact. For example, sheltering a domestic industry from international competitors implies that the number of rivals is de facto reduced and the protected firm thereby obtains valuable "breathing space". The forces model is adequate as a tool to analyse the firm level impact of government shelter. However, the creation of shelter may also lead a foreign firm to shift entry modes, e.g. from exports to FDI, irrespective of the shelter's impact on the MNE's market environment. As suggested by Yarborough and Yarborough (2000), government, through defining and enforcing property rights and the rules of competition, substantially affects the functioning of industry and the relationships among market forces. However, it may also have an immediate impact at the firm level, irrespective of what it does at the industry level. Here, the 'enacted environment'-concept (Weick, 1999) prevails.

Boddeyn (1998) has enriched the now dominating paradigm in the field of international business, namely Dunning's (1990, 1998) eclectic paradigm, by adding a political



dimension. He demonstrates the relevance of government both as a key driver of industry competition and as a force to be managed appropriately at the firm level in order to gain competitive advantage. Rugman and Verbeke (2000), following Boddewyn (1998), have used the term 'fourth generic' strategy to describe specific types of firm behaviour aimed at influencing government regulation.

In fact, various strands of international business research demonstrate the need to include government regulation as a separate force driving industry competition, including the dependency models, neo mercantilist models and bargaining models, Brewer (1992). In particular bargaining models figure prominently in the literature, Encarnation and Wells (1995). Several authors, including Kobrin (1990), Poynter (1995) and Yoffie (1993) have described the differential impact of government regulation among industries. In addition, Salorio (1993) has analyzed the diverging strategies of firms vis-a-vis government regulations in terms of the international configuration of their value added activities. Hence, both from a descriptive perspective at the industry level and from a more normative perspective at the firm level, government significantly affect what constitutes an effective strategy.

## **2.7 Performance in a competitive environment**

Firm strategy is the fundamental basis by which firms move towards the preferred position in the framework. (Whitley, 1999) Firms in a competitive institutional environment have two strategic options: firstly, they may compete with rivals through the more traditional market mechanisms, on the basis of elements such as price, product and quality. Such competitive strategies are captured by existing strategy paradigms, such as Porter's (1980) framework. These can generally be referred to as market competition strategies. However, firms opting to compete on such elements must also take into account the competitive edge of their rivals. In addition to this, firms may compete for the benefits of the institutional environment, by aiming primarily to change their position within the framework, (Khanna and Palepu, 1997)

Such strategies are defined as institutional strategies. Firms would therefore follow market competition strategies to maintain their positions within the framework, and institutional competition strategies to move within the framework towards the preferred position. Four types of strategies are available to firms in a competitive institutional environment: Market Competition strategies including Dominant Market Competition and Niche Market Competition, Institutional Competition strategies, including Institutional Competition for Support and Institutional Competition on Governance.

( Langlois et al, 1990)

## **2.8 Meaning and Importance of International Business**

International business has been going through the most fundamental and far reaching process of change of the post war period. It is a change which to greater or lesser extent will ultimately affect companies of all sizes in virtually all markets (Gilligan, 1989), Jeannet et al (1993) has also observed that the increase in globalization has also contributed to re-examining the manner in which they do business internationally. They argue that clear globalization trends are evidenced at three levels: customers, markets, industry and competition. This therefore has forced companies to adopt global strategies for survival.

According to Albaum (1998), companies have had to respond by increasing penetration in the current markets i.e., get extra market share from existing consumer market base, develop new products for existing markets, extend markets i.e. find new users for existing basic offerings or widen activities i.e. find new markets around core activities. This therefore leads to businesses venturing into markets outside their home markets in a process called internationalization.

International market is the practice of all the marketing activities (market intelligence, product development, pricing, distribution and promotion) at home, plus the effort to export product to foreign countries (Terpestra, 1990). International marketing management includes the management of marketing activities that cross the political boundaries of sovereign states. It also includes marketing activities of firms that produce

and sell within given foreign nation if the firm is a part of an organization or enterprise that operates in other countries, there is some degree of influence, guidance, direction, or control of such marketing activities from outside the country in which the international firm produces and sells the product (Albaum, 1998).

Gilligan (1989) explains domestic marketing in terms of a company manipulating a series of controllable variables such as price, advertising, distribution, and product in a largely uncontrollable external environment made up of competitors, cultural values, a legal infrastructure and so on. Gilligan (1989) continues to assert that the unique dimension of international marketing is that in many cases not only do the controllable variables differ significantly between one market and another, but the controllable factors in the form of cost and price structures are also likely to differ significantly between markets. It is these differences that lead to complexities in international marketing. Albaum (1998) differentiates international marketing from the perspectives of changes in important ways in the nature of marketing management, the solution of marketing problems, and the formulation of marketing policies and implementation of such policies.

In a broad sense, Ball (1993) notes that the existence of uncontrollable forces in the external environment is responsible for firms seeking foreign markets. These forces relate mainly to competition, distribution, economy, socio-economic, finance, legal, physical, politics, socio-cultural, labour and technology. Gilligan (1989) has pointed that firms go international because of various reasons that mainly relate to the need to seek for opportunities abroad, increased international, government incentives among others.

It is important to note that international marketing has become so important for many firms in recent years such that its impact upon domestic marketing programmes is becoming increasingly significant. For instance, companies are adopting product development programmes so that the final product can be marketed in as many countries as possible with few, if any, modifications. Both Ford and General Motors, for example, have in recent years pursued the development of "world cars" which are targeted at an identifiable world market segment and modified approach has also been adopted by

Toyota with the Corolla, and Caterpillar with a range of construction and earth moving equipment. The ultimate objective of many companies pursuing such a strategy is the development of a truly global brand, one that is acceptable throughout the world. Terpesta (1990) summarizes global marketing as coordinating marketing activities in multiple markets. Ball (1993) on the other hand simply observes that global marketing attempts to standardize operations worldwide in all the marketing functional areas of product, promotion, and distribution among others.

Gilligan (1989) asserts that international marketing is conducted from two levels. At its simplest level, it involves a firm making one or more marketing-mix decision across national boundaries. On the other hand i.e. the complex level, it involves the firm establishing manufacturing facilities overseas and making what are perhaps the very different mix decisions in a variety of markets. Albaum (1998) adds that international marketing also includes dimensions of the market selection and market entry made strategy.

A further dimension to international marketing is that of the larger and more complex international operation that is multinational marketing management, in other words, how a company effectively coordinates, integrates and controls whole series of national marketing programmes into a worthwhile multinational marketing effort. A primary objective of international marketing effort is to achieve a degree of synergy in the overall operation so that by taking advantage of different exchange rates, tax rates, labour rates, skill levels and market opportunities, the organization as a whole will be greater than the sum of its parts. (Gilligan, 1989).

These sorts of production and sales arrangements have a number of significant managerial implications and call for managers who are capable of operating as international managers, a challenging task which is far broader than that of operating either in a specific foreign country or in a domestic market. According to Terpesta (1990), "the international marketing manager has a three fold responsibility International marketing (marketing across national boundaries); foreign marketing (marketing within

- .n countries) and multinational marketing management (coordinating marketing in tiplc markets)".

- in ct all (1989) have pointed to a wide variety of reasons why firms enter ir itional markets. Among the reasons, cited included the saturation of the domestic rr i.kct whilst opportunities for further growth still exists overseas, foreign competition in ' rncstic markets which leads firms either to seek other less competitive markets or > ' 'n the competition in its home markets, the emergence of new markets, particularly ii the developing world; government incentives to export, tax incentive offered by • -vi (↻) governments to establish manufacturing plants in their countries in order to create the availability of cheaper or more skilled labour, an attempt to minimize the risks or i recession or political instability in one country and a desire to achieve the greater ; >mies of scale which were only possible by moving into foreign markets.

\ ^ 1 .mm (1989) on the other hand categorizes the forces that move firms into international • irkcts into global, international, domestic and company specific forces. Firm factors tn.nnly include company specific advantages, global factors include an enabling ronment, home country factors, include smallness, openness, location and domestic push and host country factors entail largeness, openness and the international pull itself.

.innet (1993) and Ball (1993) note that firms seek international markets for mainly pp◊rtunistic development, following customers abroad, geographic diversification, . ] ion for incremental profit, take advantage of different growth rates of economies, >plotting product life cycle differences, existence potential abroad, defensive reasons (ecting markets, profits and sales), to leverage key success factors abroad.

- c various forces analyzed above therefore, force companies to seek international irkcts in a process called internationalization. Albaum et al (1998) defines , iionalization as a step-by-step process of international business development -ch> a firm becomes increasingly committed to and involved in international business r-erations through specific products in selected markets.

## **2.9 Types of Strategies**

### **2.9.1 The planned strategy**

The planned strategy is clear intentions back by formal control. The leader is the centre of authority with their intentions being very clear and precise and the goal is to transform the intention to collective action with minimum distortion. Programs and systems are built in to the plan to ensure that no one acts in another way then intended. For this type of strategic process to be effective the environment has to be extremely stable or the organization has to be able to predict it with great accuracy. When organizations put large quantities of resources in a mission or project they might not tolerate unstable environment. When they have plan several years ahead and don't allow avoiding behaviour and commit themselves firmly. An example of this can be mining companies.

### **2.9.2 Entrepreneurial strategy**

The second type of strategy there is has tolerance for a little emergent strategy, but is still very much planned. The owner controls the organization tightly and can impose his vision or direction on the organization. This type of strategy is very common in young organizations and in entrepreneurial organizations. The central actor is the one that places the organization were he/she wants to in the world. Compared to the planned strategy the intentions are harder to identify and are less specific, but as long the actors in the organizations respond to the will of the leader the strategy appear to be rather deliberate. Because the strategy comes from a single person there can be sudden changes in it and reformulation isn't unusual. The adaptability of the entrepreneurial strategy is what distinguishes it from the planned one. Visions in the brain of a person are more flexible then articulated ones. The adoption and "emergence" of planned strategies are discouraged by the articulation. Psychologists have shown that articulation of strategy manifests it, impending willingness to change it.

### **2.9J Ideological Strategy**

Vision can be collective - when the members of an organizations share a vision and the members identify so strongly with it that they pursue it as an ideology. This leads to patterns in their behaviour so that clear realized strategies can be identified. Since an

ideological strategy is likely to overtake and become articulated one can see intentions. That is why one can say that this type of strategy is deliberate. These intentions would be viewed as organizational, differing from the entrepreneurial and planned strategy by being embraced by everyone in the organization and not originate from one centre and then being accepted passively. The collective vision makes it harder to change, because all members of the organization have to accept the changes. Moreover, the ideology is rooted in traditions and precedents. Therefore people resist changing it. Mintzberg & Waters has not yet studied any organization dominated by an ideology but such strategies seem to occur in certain organizations describe in the literature.

#### **2.9.4 Umbrella strategy**

For the umbrella organization Mintzberg & Waters relax the condition of tight control over the actors in the organizations and in some cases control over the environment. Leaders have only partial control over the members of the organization and can design the umbrella type of strategy. An umbrella strategy is when there are general guidelines for behaviour, defined boundaries and the other actors in the organization can manoeuvre within them. This means that strategies can emerge within these boundaries. The umbrella strategy can not only be labelled as deliberate and emergent but also "deliberate emergent" in the sense that the central leadership creates conditions which allow strategies to emerge. Like the entrepreneurial strategy there is a certain vision emanating from the central leadership, but in the umbrella strategy don't the ones controlling the vision also control the realization. One example of the umbrella strategy is NASA during the 1960, when they focused their efforts to put a man on the moon. Within this specific target several different strategies emerged, as various technical problems were solved by thousands of different specialists.

#### **2.9.5 Unconnected strategy**

The unconnected strategy is perhaps the most straightforward of all. One part of the organization, a subunit or sometimes even an individual is able to realize its own pattern in its stream of action. Since these unconnected strategies doesn't come from the central leadership or from intentions from the whole organization they can be considered relatively emergent. But for the subunit/individual they clearly can be deliberate or

emergent depending on the prior existence of intentions. Thus the unconnected strategy may be deliberate or emergent for the actors involved but always emergent from the perspective of the organization.

#### **2.9.6 Consensus strategy:**

In this strategy the condition for prior intentions are totally dropped, this type of strategy is clearly emergent. In this strategy different actors converge on the same pattern or theme so that it becomes pervasive in the organizations, without need for central direction or control. The consensus strategy grow out of the mutual adjustment among the different actions as they learn from each other and from their responses the environment and thereby finds a common pattern that works for the organization. This means that the convergence is not driven by intentions by management or by prior intentions shared by the organizations as a whole; rather it evolves around the results of a host of individual actions. Sometimes actors might promote the consensus and try to negotiate others to accept it, but the point is that this strategy comes more from collective actions than from collection intentions. One example of this could be a university that finds itself over the years favoring the sciences over the humanities as its members came to realize that this is where its real strengths lie.

#### **2.9.7 Dominant market competition. (DMC)**

According to Wee, 2001, firms within the same quadrant are not likely to have a difference in comparative power that is large enough to give one firm a significant competitive edge over another. This is because, by definition, comparative power is based on measurement relative to the environmental average. Therefore, as the comparative power of a firm increases, it also pushes up the environmental average, causing a marginal decrease in the comparative power of firms in more preferred quadrants. For this reason, firms, which perceive themselves as being higher or equal in comparative power, are likely to pursue traditional competitive strategies, and not aim to compete on the basis of increasing their comparative power ( Peng & Luo, 2000). These firms follow a strategy of dominant market competition. DMC is a strategic initiative



followed by firms towards taking in a competitive lead in the market, usually through aggressive business tactics.

### **2.9.8 Niche market competition Strategy. (NMQ)**

This is competing on the basis of market performance, in tune with prevailing strategies of market competition, when the firm perceives its comparative power to be lower than that of its competitor. That is, firms may believe that the discrepancy in comparative power between itself and its competitor is such that attempts to increase the firm's level of support or standards of governance may not be efficient in bridging the gap, especially given the resources required for the task. Such firms may also compete based on more traditional strategies, in order to ensure their own survival. Such a firm may attempt to create a niche for itself, rather than compete directly (Whitley, 2002).

### **2.9.9 Institutional competition support (IES)**

Firms aiming to secure the benefits of institutional support, or to specifically increase their comparative power on the institutional support axis are likely to follow a strategy aimed at changing the status quo of support in the competitive institutional environment. According to (Zucker, 1997), firms may attempt to do the latter by reducing the overall levels of support available to all firms. While this may reduce the comparative power of competitors, it is equally detrimental to the interests of the firm in question. Such a reduction of overall institutional support requires commitment of large resources on the part of the firm, and has the effect of reducing the firm's own level of support. In addition to these practical concerns, overall reduction of institutional support may also pose ethical concerns and as such may not be preferred by firms. This is therefore a strategy whereby the firm aims specifically to increase its comparative power by increasing the level of institutional support available to itself distinctly and individually. Firms following an IC-S strategy are Competitive Institutionalism distinguished by activities with high levels of interaction with institutions, such as lobbying, negotiation with institutions, political activism, and formation of alliances.

### **2.9.10 Institutional Competition - Governance. (IC-G)**

Firms competing for the advantages of higher standards of corporate governance, including the indirect benefit of increased institutional support, are distinguished by ongoing internal processes aimed at raising governance standards of the firm. Such firms are said to be following an IC-G strategy. IC-G strategy can be defined, on similar lines as ICS, as a strategy whereby the firm aims specifically to increase its comparative power and reduce the comparative power of its competitors by increasing its standards of corporate governance, distinctly and individually.

Firms aiming to increase their governance standards also have the option, particularly if they enjoy strong institutional support, of trying to reduce the environmental average of standards of governance. This may provide certain benefits in the short-run, for example, by reducing the level of compliance required and following such lower level of compliance, but is likely to be detrimental to the interests of the firm in the longer run. Reducing the environmental average also has the effect of increasing comparative power of other firms in the environment. Such firms may not choose to lower their standards of governance despite the lower levels of compliance required. These competitor firms will enjoy the benefits of high governance standards, such as legitimacy and a positive social image amongst consumers.

### **2.9.11 Opportunistic Strategy. (OS)**

The firm using an Opportunistic Strategy deviates from these plans easily when opportunities occur (Hayes-Roth & Hayes-Roth, 1979; Palatino & Seifert, 1997). Plans are constantly being adjusted. Thus, this strategy is not top-down and systematic. On the other hand, Opportunistic Strategy is not completely driven by the situation as is the Reactive Strategy. It is much more proactive.

### **2.9.12 The Critical Point Strategy. (CPS)**

Zempel (1994) starts out with the most difficult, the most unclear, and the most important point and plans and acts departing from this main point without any planning of other points. Only after solving the first critical point, further steps may be taken.

Thus, one has a clear goal in mind and one concentrates on it and on the main issues of one's tasks - it can be conceived of as main issue-planning.

Reactive, Opportunistic, Complete Planning and Critical Point strategies are differentially geared toward the situation or toward firm's goals (Frese, Stewart & Hannover, 1987). If the firm is oriented toward the situation, there are two opportunities: It can either be reactive to the situation (Reactive Strategy) or can have a multidirectional planning with an emphasis on using opportunities which are proactively searched for (Opportunistic Strategy). If the firm is goal oriented, it can have either a top-down approach using a completely worked out plan (Complete Planning Strategy) or can plan locally for things of particular importance (Critical Point Strategy).

Strategies should be differentially related to success of firms. Frese, van Gelderen and Ombach (2000) found the Critical Point Strategy to be positively related to performance. However, we also assume that this relationship will be modified by the life cycle situation (Kimberly & Miles, 1980) of a firm. Complete Planning and Critical Point Strategies share an emphasis on structure and goal setting. However, for start-up firms the first years are usually fraught with a high degree of uncertainty and the necessity to make quick decisions (Bhide, 1994). Therefore, the Critical Point Strategy will be useful particularly in the early phase of a business when entrepreneurs are constantly working at a high level of load of their processing capacity. Lumpkin & Dess (1996) argue similarly for the superiority of a simple strategy for young firms. In this period a pure Complete Planning Strategy carries costs as it takes time and effort to plan for all sorts of eventualities (Bhide, 1994). Later, there may be advantages to using a Complete Planning Strategy, as it helps dealing with a more complex organization.

### **2.9.13 Firm characteristics as moderators of strategy choice**

Literature suggests that firm strategy is a result not only of the environment, but is also a result of firm structure (Miller, 1998). Firm choice of strategy in the competitive institutional model may be influenced by certain characteristics inherent in the firm. The effects of ownership, size and Research and Development are not conclusive enough to

determine the actual choice of strategy. Nevertheless, they have a persuasive influence on strategy choice, and therefore will moderate the proposed relationships between strategy and performance.

Business families are in themselves strong institutions. For this reason, there is not likely to be a large difference of interest between these firms, and the larger institutional environment. These firms will therefore probably follow a strategy that is consonant with the demands of environmental forces. Like family-owned businesses, financial institutions are also strong institutional forces. When such financial institutions own firms, there is an overlap between ownership interest and institutional interest. These firms are therefore likely to find it advantageous to use comparative power as a competitive edge over other firms and so may follow institutional strategies.

Firms under private ownership are often not in control of a large amount of resources, are often highly dependent on institutions, and must pay heed to the influence of institutions. However, private firms may come together as business groups or form semi-strong institutions themselves. While individual firms are highly dependent on institutions, as business groups, their dependence may be somewhat decreased. Also, having formed a collective, these firms are more likely to negotiate or lobby for more favourable institutional conditions. These firms are therefore likely to follow institutional competition strategies.

The levels of Research and development investment (R&D) investment in firms may also influence their strategy choice. Firms with higher investment in R&D often adopt a longer-term perspective on generating gains. These firms prefer some level of stability, so that they will be well placed to reap the benefits of their investment. Studies show that firms that invest heavily in R&D often pay their executives more in the form of long-term income, to create a common long-term perspective between the firm interests and executive interests (Balkin and Gomez-Meija, 1987; Gomez-Meija, Larraza-Kitana, and Makri, 2003). For this reason, such firms will adopt strategies to maintain equilibrium with the institutional environment. On the other hand, firms with lesser investment in

R&D, by comparison, may have shorter-term perspectives and may be less averse to some amount of in equilibrium with the institutional environment. These latter firms will therefore tend to adopt market competition strategies.

Larger firms have greater access, and control over resources required for conduct of their affairs, and are relatively more independent of institutional support. However, small and medium sized firms are more dependent on institutions for access to resources of various kinds. Small and medium firms, in many economies, also enjoy substantial institutional support in the form of concessions or privileges. Such firms therefore will prefer an institutional competition strategy, to maximize the benefits of their comparative power. Larger firms, however, may tend more towards market strategies.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

The research design was a case study. The case study was chosen because it enabled the researcher to have an in-depth understanding of the behavior pattern of Zain Kenya. A case study is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may be otherwise unclear (Young 1960)

### **3.2 Data Collection**

The data was collected through a structured questionnaire. The structured questionnaire was the primary data collection instrument. The questionnaire was administered to 3 out of 6 Head of Departments heading functional business areas of the company. The functional levels of the company included; Marketing Department, Sales Department, Legal and Compliance Department, Customer Service Department, Corporate Communications Department, Network and Systems Department, Human Resources and Finance Department. The structured questionnaire was also administered to 25 managers across the functional business areas who reports to Heads of Departments. There were 35 managers in this category. These gave a broad representation of the population responsible for the crafting and implementation of corporate and business level strategies. For secondary data, the researcher used the company's annual report and strategic papers.

### **3.3 Data Analysis**

The data collected was edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before statistical analysis (Cooper and Emmy 1998).The data was coded and cross tabulated to enable responses to be statistically analyzed. Descriptive statistics was used by way of tables, percentages, mean scores and frequency distributions. The frequency tables were used for organizing data obtained and to facilitate working out percentages. Mean scores were calculated to indicate changes in the environment and determining the strategic responses by Zain Kenya. Computer aided software (SPSS) was used to carry out data manipulation.

## CHAPTER FOUR: DATA ANALYSIS, INTERPRATATION

### 4.1 Quantitative Analysis

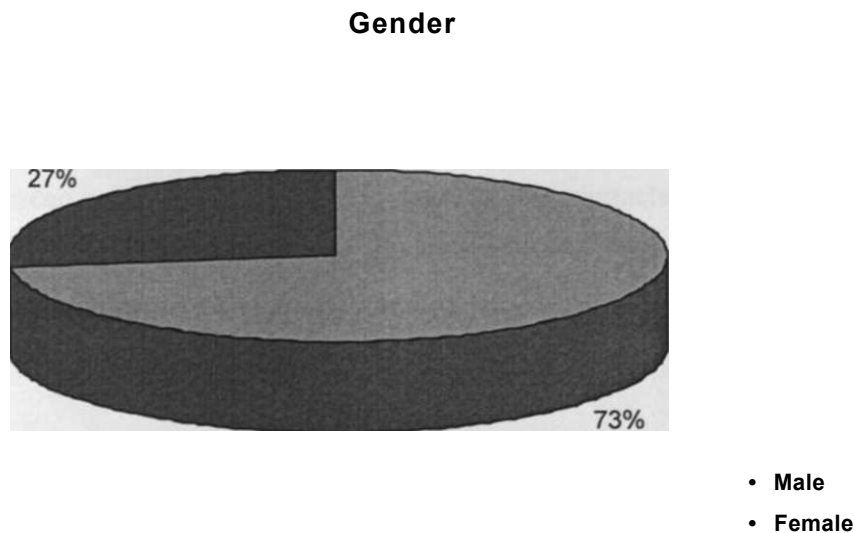
#### 4.1.1 Response Rate

The questionnaire was distributed to 25 senior managers and 3 head of departments out of which 25 were fully completed and gives a response rate of 89%.

#### 4.1.2 Gender and Age of the Respondents

The respondents were asked to state to state their gender and age. It was found out that 73 percent of the respondents were mail while 23 percent were female. This is represented in the figure below:

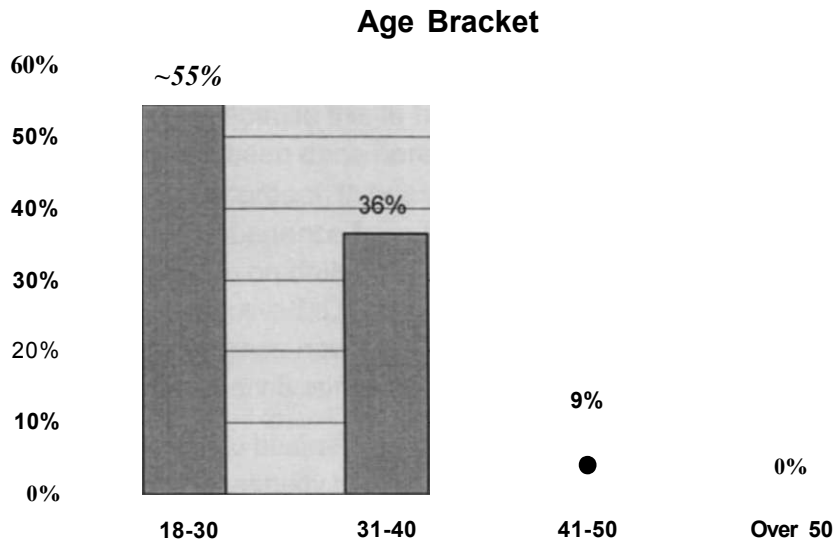
**Figure 4.1 Gender**



Majority of the respondents were male forming 73% while 27% were women

The study also found 55 percent of the respondents are aged between 18-30 years old, 36 percent aged between 31-40 years old and 9 percent between 41-50 years old as shown in the table below:

**Table 4.1 Age bracket**



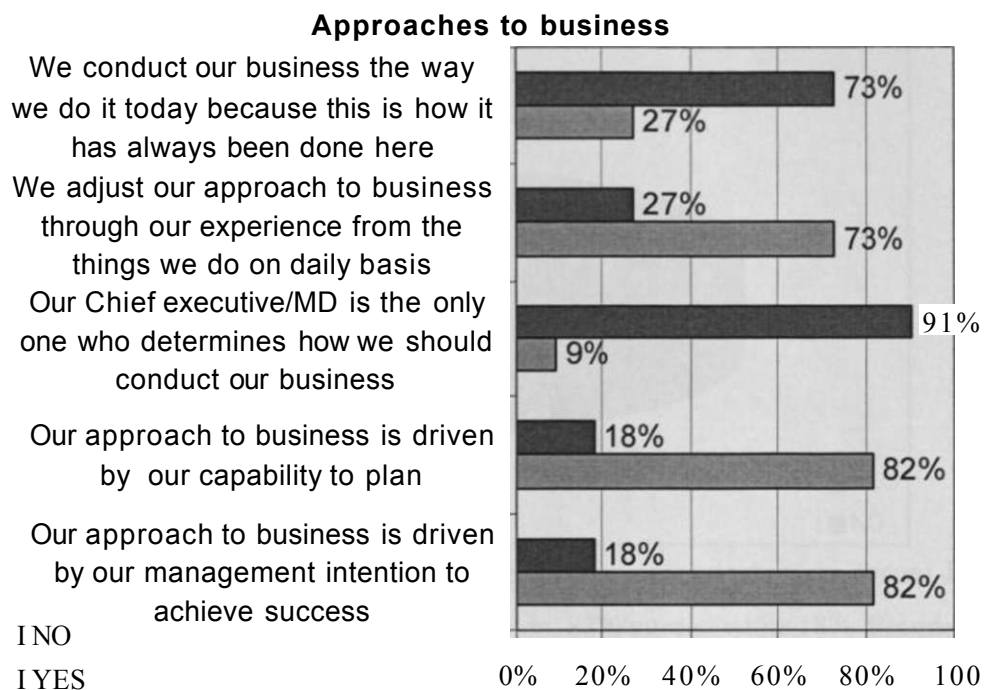
Majority of the respondents were young of between 18-30 years old forming 55%, 36% were between 31 -40 years, 9% were between 41 -50 years.

#### **4.13 Approaches and Conduct of Business**

The researcher sought to know the features that characterize Zain Kenya approach to business and whether there was external survey of the environment in the business decision making. This is illustrated in table 4.2, figure 4.2 and figure 4.3 below:

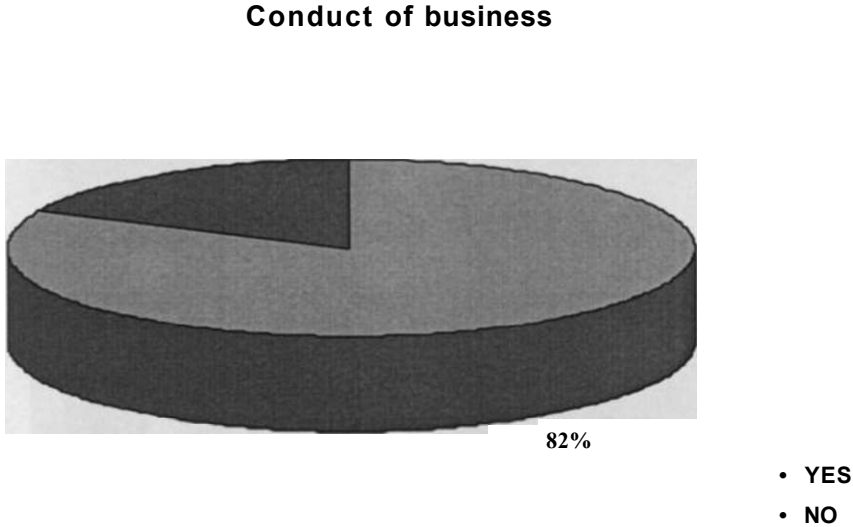


**Table 4.2 Approaches to business**



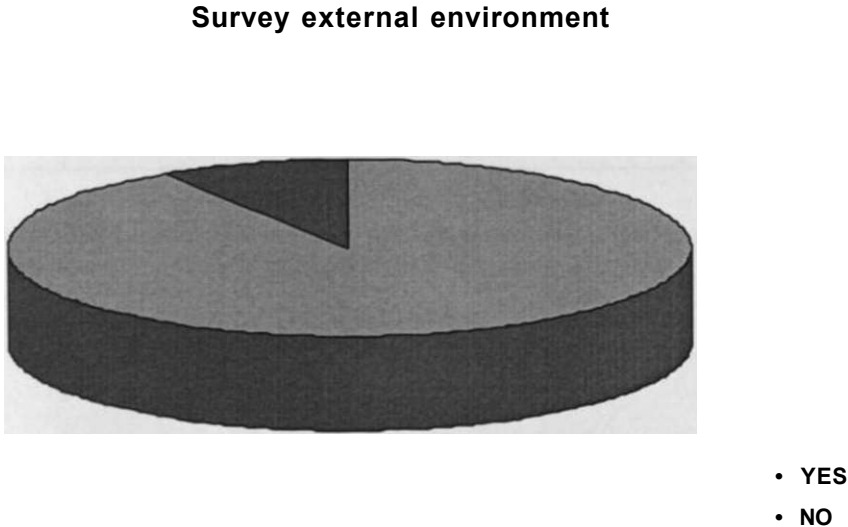
82% of the respondents agreed that the approach to business is driven by capability to plan and management intention to achieve success respectively. 91% disagreed that only the CEO/MD determines how the business should be conducted

**Figure 4.2      Conduct of business**



When the researcher sought to know whether the respondents were forced by external forces to conduct the business the way they do. 82% agreed while 18% disagreed with the statement

**Figure 43      External environment survey**

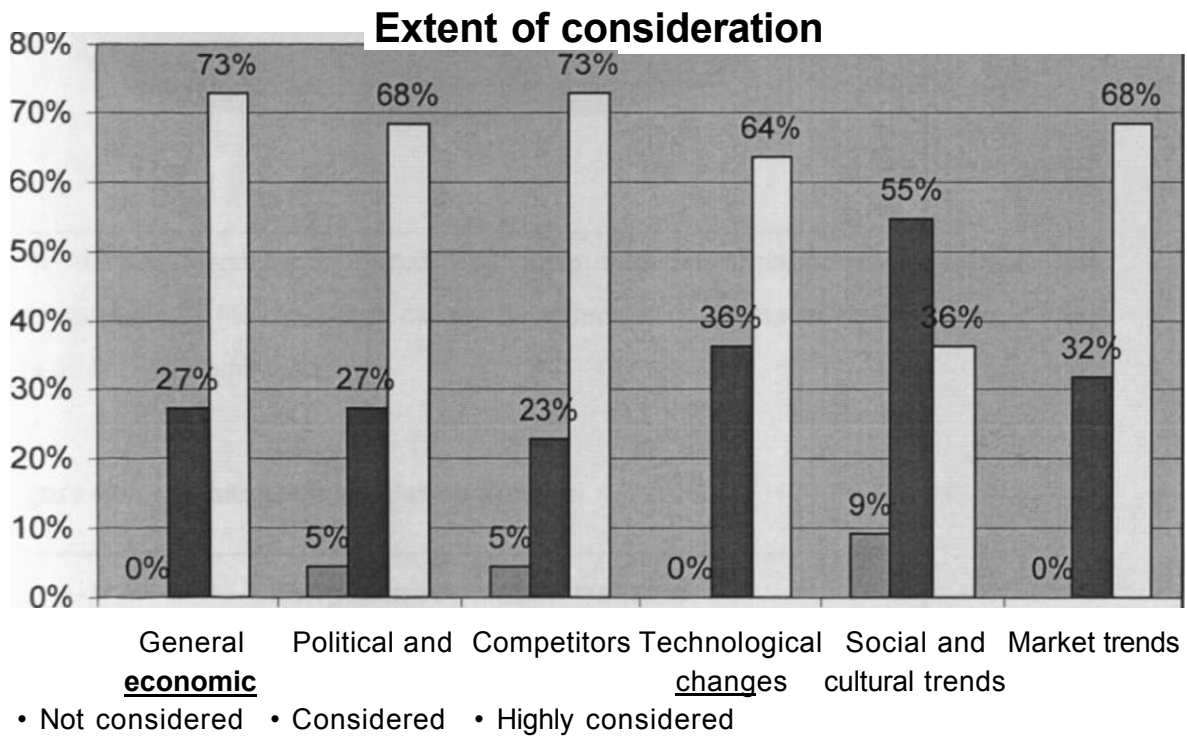


91% of the respondents agreed that they survey external environment to help make business decisions while 9% don't survey

#### 4.1.4 Decision Making and External Environment.

The respondents were asked to state the extent of consideration of external factors in making plans and decisions, whether there arrangement to mitigate on external challenges and whether there was improvement in business performance. This is shown in tables 4.3 , 4.4 and 4.5 and figures 4.4,4.5 and 4.6 below:

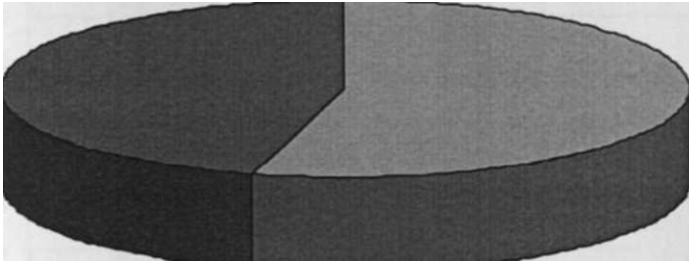
**Table 4J      Extent of consideration**



All the factors were found to be highly considered when making plan and decisions except for social and cultural trends

**Figure 4.4 Mitigation arrangement**

**Mitigation arrangement**

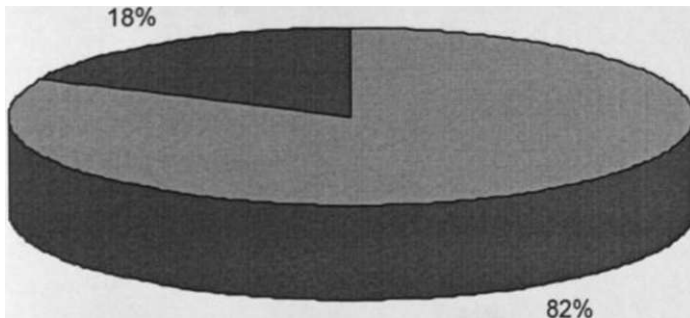


- YES
- NO

55% of the respondents agreed that there was an arrangement to mitigate the consequences of the challenges caused by economic environment while 45% said there was no mitigation arrangement

**Figure 4.5 Changes in regulation policies**

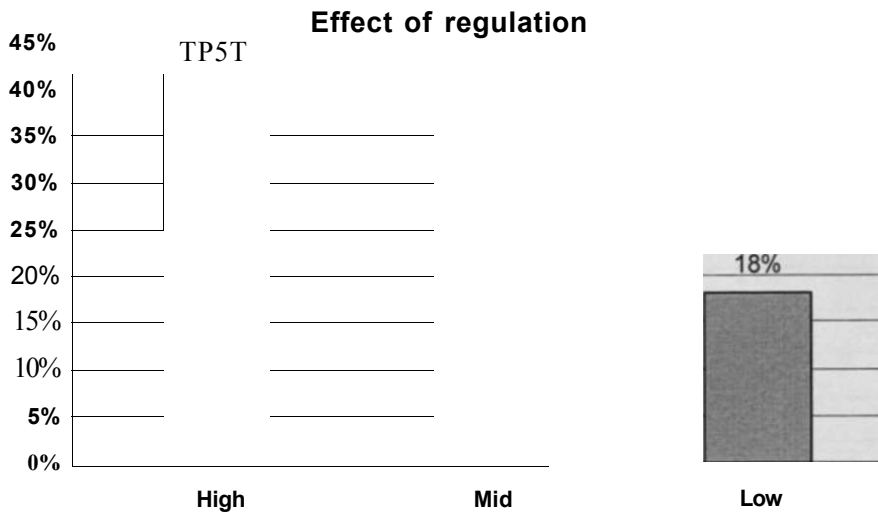
**Changes in regulation policies**



- YES
- NO

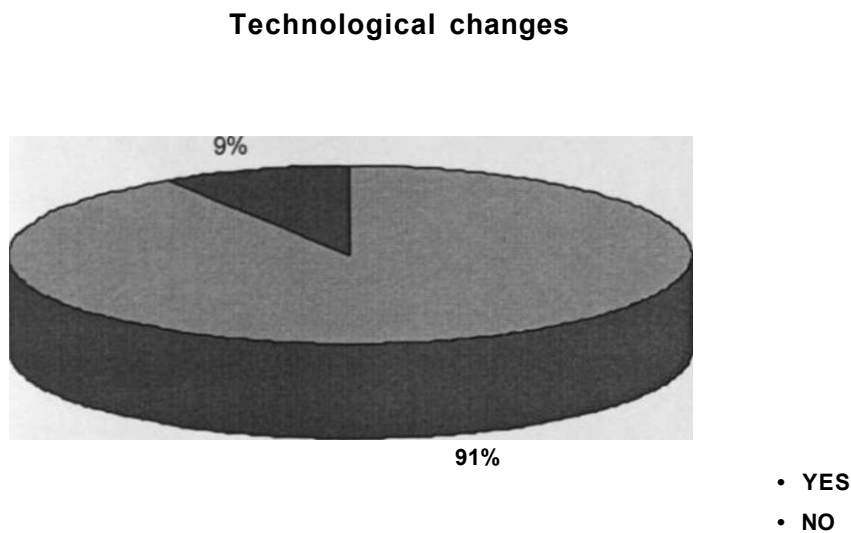
82% of the respondents said there have been changes in the regulation policies that have affected the operations while 18% said there was no change in the regulation policies

**Table 4.4 Effect of regulation**



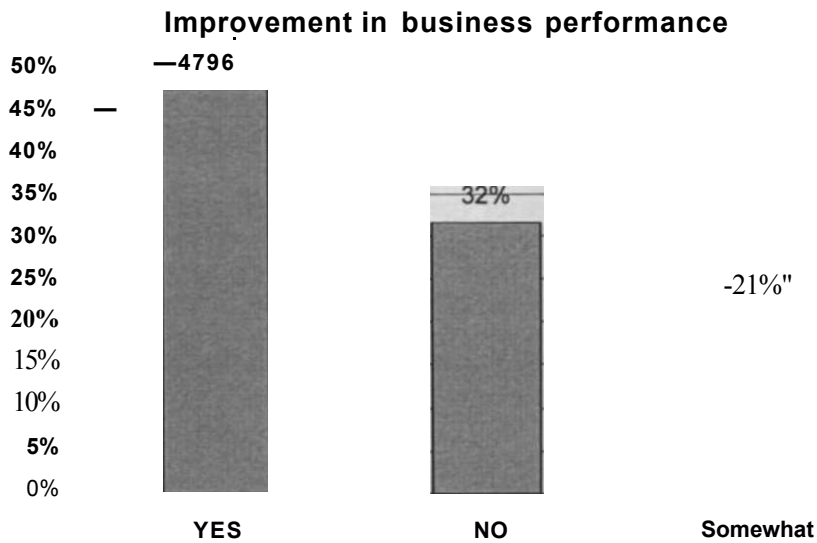
The 82% said there were changes in the regulation, 41% said the regulation changes had a high and mid effect on the business respectively while 18% said the regulation had a low effect on the business

**Figure 4.6 Technological changes**



91% of the respondents said there have been technological changes that have affected the operations while 9% of the respondents said no

**Table 4.5 Improvement in business performance**

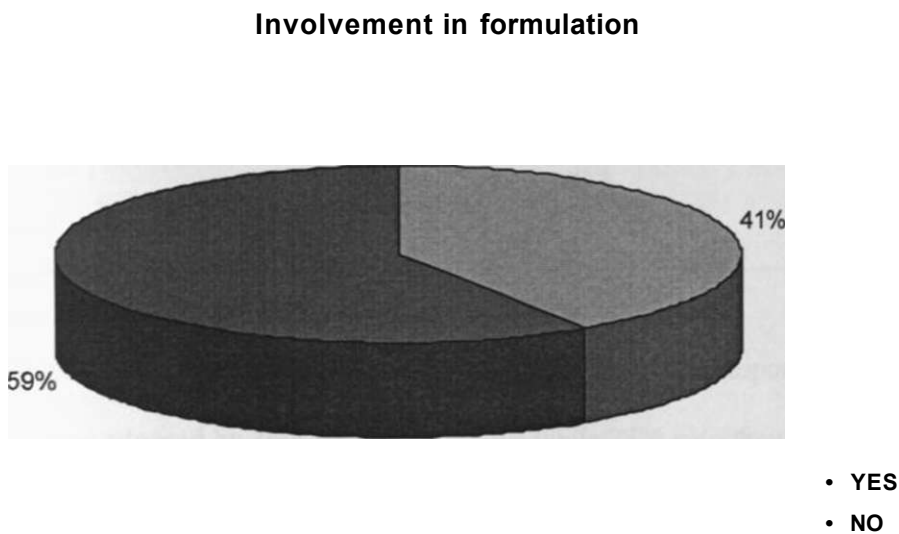


Owing to technological adoption, 47% of the respondents said there have been improvement in business performance, 32% said there have not been improvement while 21% said there have been somewhat improvement

#### 4.1.5 Involvement in Strategy Formulation.

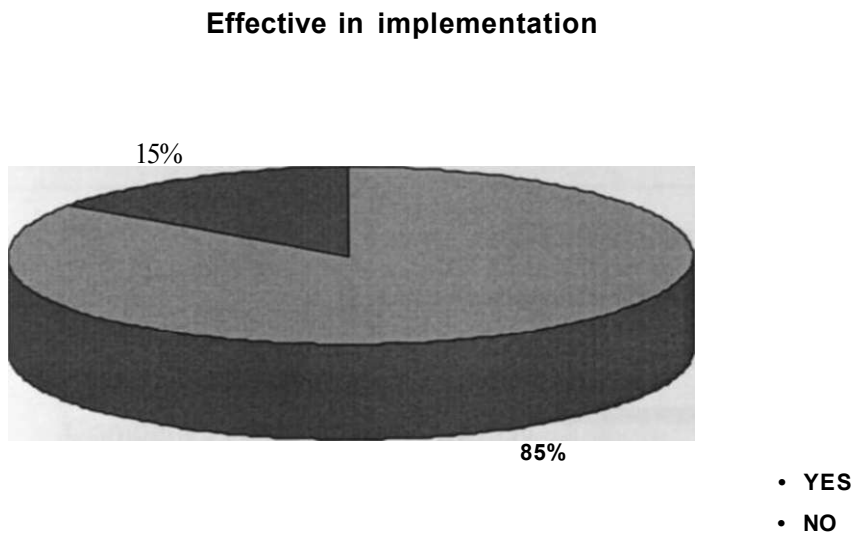
As evident in figure 4.7 below, 41 percent of the respondents claimed that they were involved in the formulation of the response strategies, while the remaining 59 percent claimed that they were not involved in the strategy formulation.

**Figure 4.7 Involvement in strategy formulation**



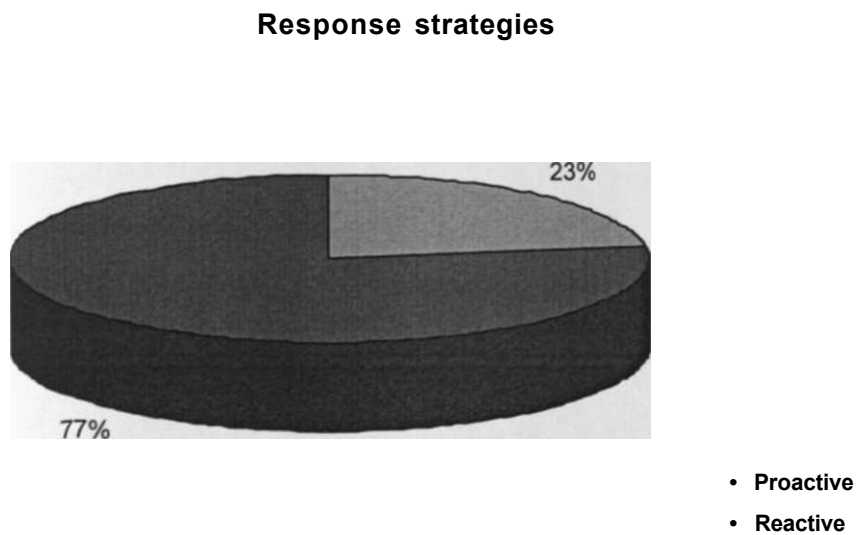
Of the 59% who were not involved in the formulation of strategies, 85% of them said they would have been more effective in the implementation of such response strategies while 15% said they would not have been effective. This is illustrated in figure 4.8 below:

**Figure 4.8 Effective in implementation**



In determining the nature of response strategies 77% of the respondents said the strategies adopted by Zain Kenya is reactive while 23% said they are proactive

**Figure 4.9 Response strategies**

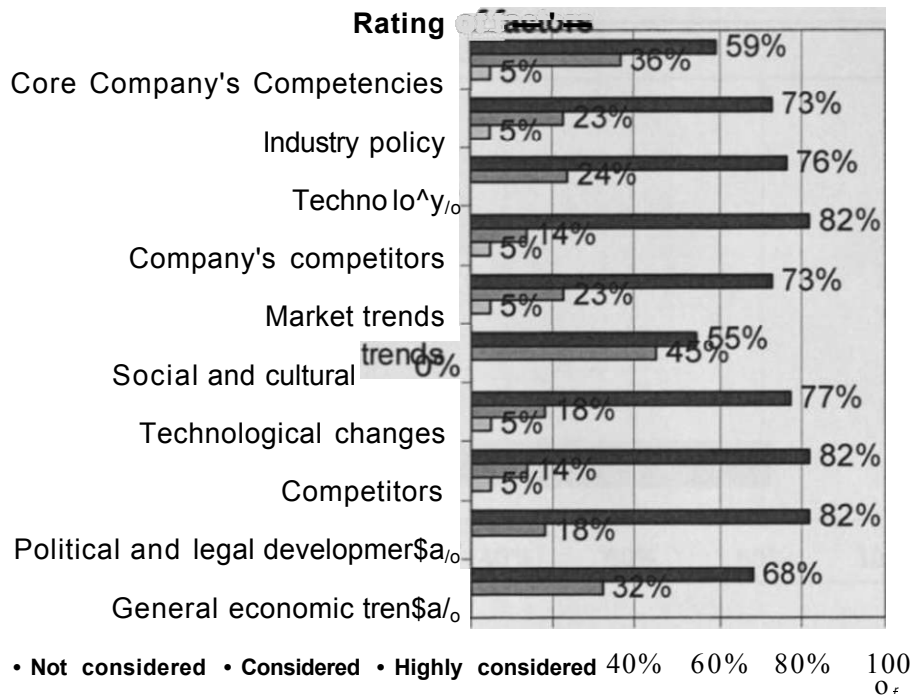




#### 4.1.6 Rating of External Factors in Response Strategies

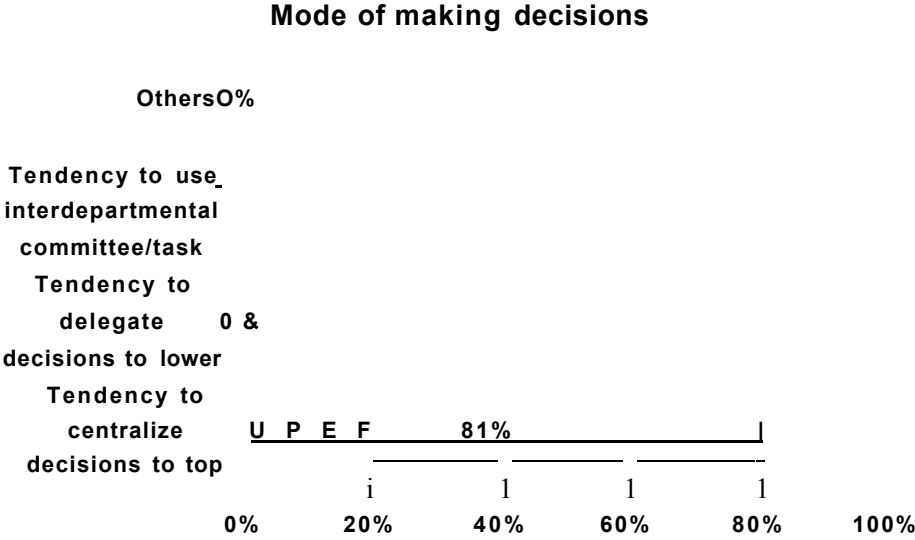
All factors were found to be highly considered before engaging in responses to the external environment as illustrated in table 4.6 below:

**Table 4.6 Rating of factors**



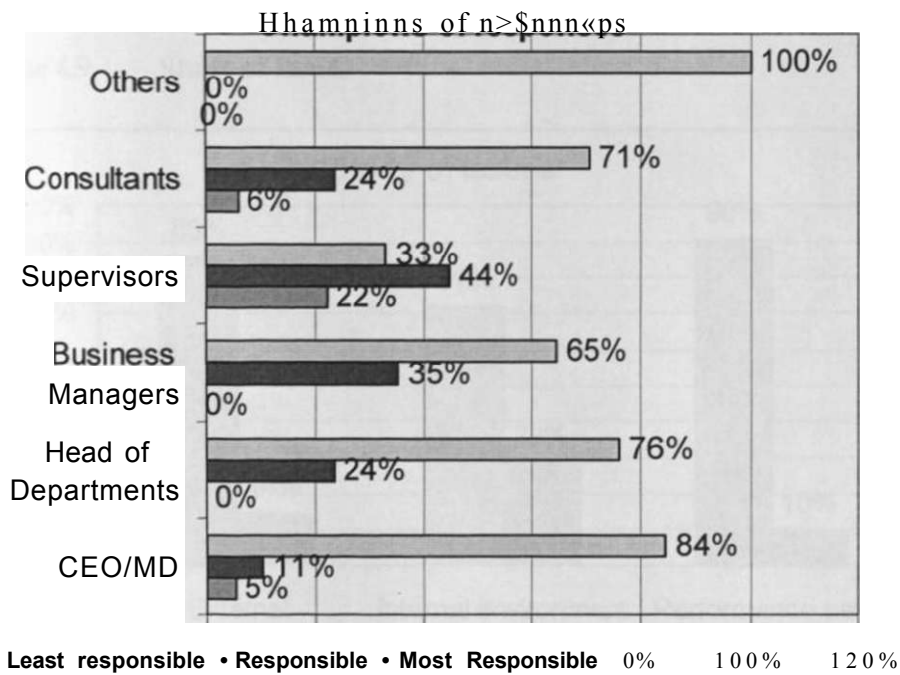
Tendency to centralize decisions to top management was found to be the mode of making critical decisions in responding to external environment with a 81 percent response rate as shown in table 4.7.

**Table 4.7 Mode of making decisions**



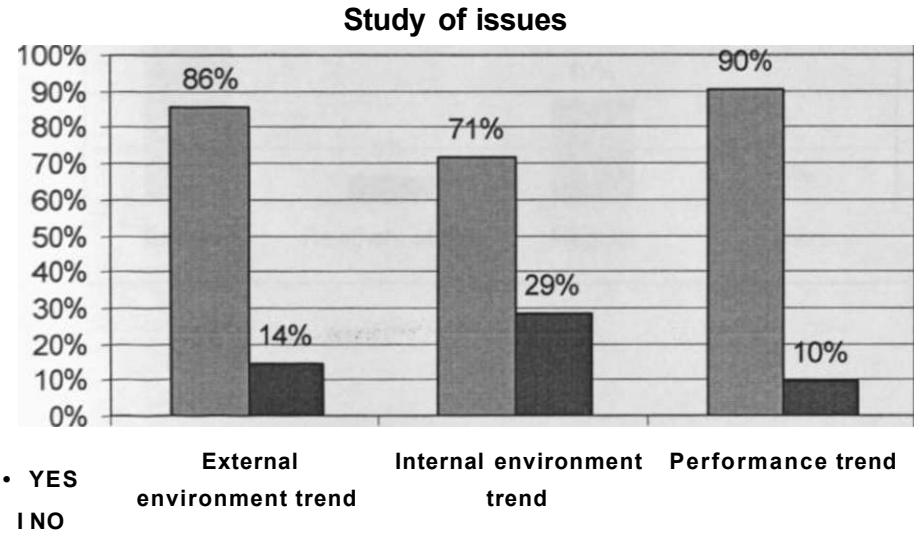
The Chief Executive Officer/ Managing Director was found to be the champion of identification and implementation of responses to external environment at 84%, 76 said head of departments, 71% said consultants, 65% said business managers

**Table 4.8 Champions of responses**



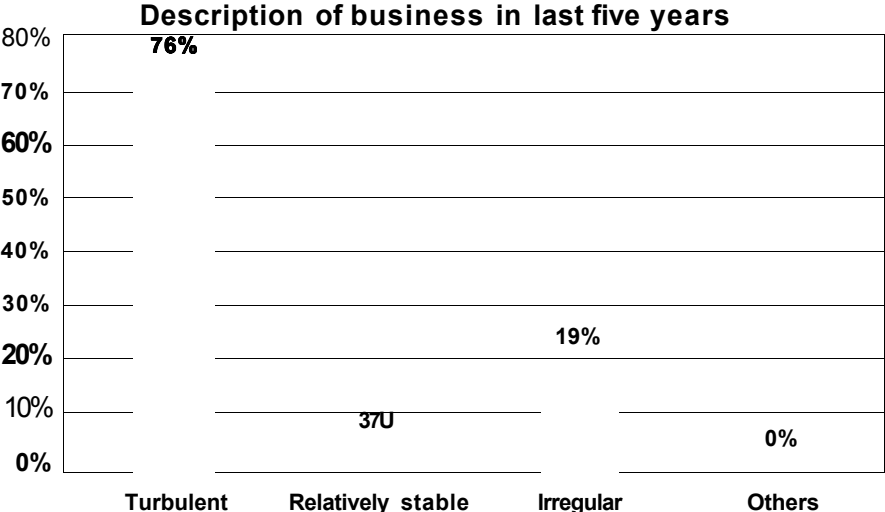
The respondents were asked to state whether study of strategic issue was done where a strategic issue was defined as forth coming development either inside or outside of the organization which is likely to have an impact on the ability to meet company's objectives. As evident on table 4.9 below 90% of the respondents said they study performance trends, which may affect operations areas, 71% said internal environment trends while 86% said external environment trend

**Table 4.9 Study of issues**



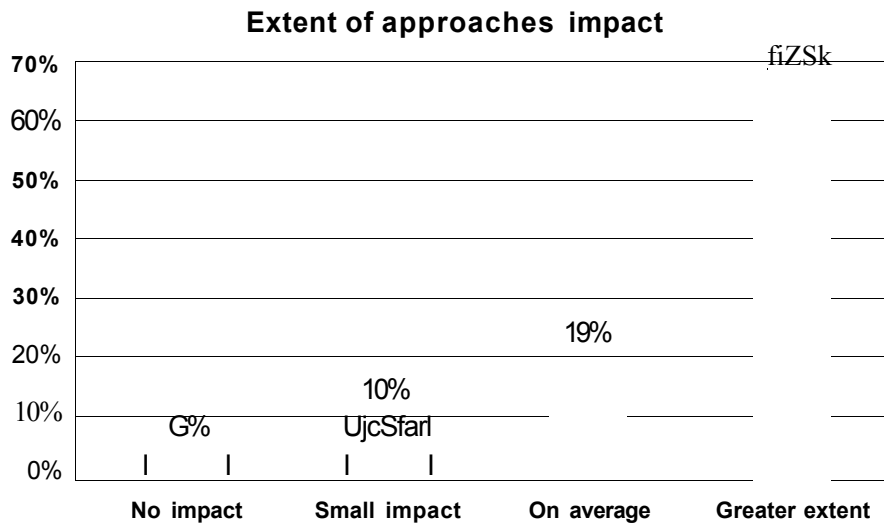
76% of the respondents said the business have been turbulent in the last 5 years, 19% said it has been irregular while 5% said it has been relatively stable

**Table 4.10 Description of business in last five years**



When the respondents were asked to state the extent to which the approach to business has impacted on the performance, 67% said greater extent, 19% said on average, 10% said to small impact while 5% said to no impact

**Table 4.11 Impact of approaches**



## 4.2 Qualitative analysis

### 4.2.1 Challenges encountered in the pursuit of the growth strategy

On what challenges had specifically affected the company from external environment, the respondents listed several of them. One of the major challenges identified by the respondents was competition. Zain Kenya currently commands 18 percent of the market share whereas Safaricom commands 77 percent with the Telkom Kenya and Essar Kenya commanding 5 percent. The respondents identified the nature of competition being influenced by price wars and the dominant player Safaricom engaging in unfair low price offers for calls within Safaricom network thereby encouraging a club effect without these customers having to call other networks. Safaricom calls to other networks were always priced highly. The respondents also identified a lack of customers identifying with Zain products and services which were perceived to be expensive.

The respondents listed the following major response strategies Zain Kenya has employed to mitigate against challenges posed by competition: the company did a major re-branding exercise in August 2008 and launched the Zain brand to connect with consumers and has aggressively offered better and affordable products and services through various market promotions. In the case of Zain Kenya specifically, the re-branding was used as an opportunity to reinvigorate the marketing approach and growth strategy and integrated with specific marketing initiatives around the product and service offering. These have augured well with consumers increasingly identifying with the Zain brand. As a result of this the company was able to increase the subscriber base by one million customers.

The company also increased the range of value added services like mobile transfer solutions named Zap to attract customer and as a retention strategy. Zain Kenya also succeeded in lobbying with Communications of Kenya to regulate the pricing of services by telecom players thereby reducing the unfair pricing strategies employed by competitors and leveling the playing field.

The company also launched a one network solution allowing customers to talk cheaply across countries. The One Network is crucial to Zain's strategy of ensuring that their customers in Africa are connected through one borderless network; an initiative that has not been done anywhere else in the world. Additionally One Network plays a crucial role in helping to promote and boost crossborder trade while driving economic growth in East, Central and West Africa.

The respondents also identified the need for huge capital expenditure required to lay out the infrastructure required to provide communication services as a major challenge. Zain Kenya has responded to these by raising the funding required through the local bond market and a syndication of the major local banks. The company had managed to raise US dollars 250 million to fund capital projects.

Zain Kenya has to-date made an investment of approximately US dollars 539 million in building the national mobile network across the country.

The following are key distinctive features of Zain Kenya's network technology:

- Quality of network - the present network configuration allows Zain Kenya to minimize downtime for subscribers and offer superior standards for communication, indoor coverage in each city covered, and blocking call rates and drop calls that meet international standards, as defined by the International Telecommunications Union ("ITU");
- Scalability and efficiency - the network architecture has been designed to allow the network to accommodate the forecast increase in subscribers. Network engineering, both in terms of architectural design and technology implementation are carried out with the aim of minimizing both capital and operating expenditure; and
- Value Added Services - the network is based on an Intelligent Network ("IN") Platform, which allows Zain Kenya to provide a wide range of value added services to subscribers. The network is capable of General Packet Radio Service ("GPRS") and Enhanced Data rates for GSM Evolution ("EDGE") services. GPRS has been rolled out nationwide and EDGE services have been made



available. This allows provision of enhanced product and service offering through internet services by use of mobile phones.

The respondents identified the December 2007 post election violence as a major source of political risk that caused huge losses in terms of loss of revenues and damage to property. To mitigate against this risk the respondents agreed the company had put in place insurance covers that absorb losses caused by political turmoil.

The study also found out that targeted customers perceived Zain Kenya's product offering as premium and targeting high end users, individuals considered with high net worth and well to do. In line with this the company aggressively launched marketing campaigns and promotional activities aimed at changing this perception and targeting the mass market.

Other challenges identified in pursuit of growth strategies were: frequent changes in shareholders with each bring on new ways of working and strategies, frequent changes in the Chief Executive Officer/Managing Director and frequent staff lay offs affecting productivity and staff motivation.

## CHAPTER FIVE

### CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMENDATION

#### 5.1 Introduction

The ensuing discussion majors on the findings of the study against the backdrop of the objectives this study was designed to achieve..

#### 5.2 Summary of findings

Majority of the respondents were young male forming who agreed that the approach to business is driven by capability to plan and management intention to achieve success respectively. 91% disagreed that only the CEO/MD determines how the business should be conducted. Majority of the respondents were forced by external forces to conduct the business the way they do.

Most respondents agreed that they survey external environment to help make business decisions. All the factors were found to be highly considered when making plans and decisions except for social and cultural trends. 55% of the respondents agreed that there was an arrangement to mitigate the consequences of the challenges caused by economic environment while 45% said there was no mitigation arrangement. Majority of the respondents said there have been changes in the regulation policies that have affected the operations. The 82% who said there were changes in the regulation, 41% said the regulation changes had a high and mid effect on the business respectively while 18% said the regulation had a low effect on the business. Most of the respondents said there have been technological changes that have affected the operations.

77% of the respondents said the strategies adopted by Zain Kenya are reactive while 23% said they are proactive. Most of the factors were found to be highly considered before engaging in responses to the external environment. Tendency to centralize decisions to top management was found to be the mode of making critical decisions in responding to external environment. A majority of 59% answered that they would appreciate and be

more proactive in the implementation of the response strategies if they were involved in the formulation of such strategies.

The Chief Executive Officer/Managing Director was found to be the champion of identification and implementation of responses to external environment. 76% of the respondents said the business have been turbulent in the last 5 years, 19% said it has been irregular while 5% said it has been relatively stable. When the respondents were asked to state the extent to which the approach to business has impacted on the performance, 67% said greater extent, 19% said on average, 10% said to small impact while 5% said to no impact

Challenges encountered in the pursuit of the growth strategy were mentioned as: stiff competition and unfair pricing tactics from one dominant player, huge initial capital requirement, frequent change of shareholders and the Chief executive/Managing Director, rapid technological changes, political turmoil, lack of consumer acceptance of the product and services offering, legislation changes, price wars in the industry and frequent staff lay offs affecting productivity and staff motivation. These challenges can be summarized into competition challenges, economic challenges, social challenges, political challenges and internal challenges.

To deal with these challenges, the company has laid out response strategies to counter and be in sync with the changes in external environment. These strategies are entrenched in Strategic Plan which details out investment strategy, marketing and sales distribution strategies, staff motivation, training and retention strategies, operation strategies and guidelines in order to capture a sizeable market share from the competitors.

### **5.3 Conclusion**

The main objective of the research was to determine the strategic responses adopted by Zain Kenya towards external environment and environmental changes facing Zain Kenya.

The research revealed that Zain surveys external environment to help make business decisions. All the factors were found to be highly considered when making plan and decisions except for social and cultural trends. Zain managers make arrangements to mitigate the consequences of the challenges caused by economic environment

It was found that strategies adopted by Zain Kenya are reactive and that Zain highly considers external factors before engaging in responses to the external environment. Tendency to centralize decisions to top management is used as the mode of making critical decisions in responding to external environment. CEO/MD was found to be the champion of identification and implementation of responses to external environment. Zain business has been turbulent in the last 5 years.

It can therefore be concluded that Zain Kenya has been facing various external challenges as well as internal challenges and various response strategies are employed that touch on raising the funds required for increased investment in technology, diversification of product and services, better pricing of products, cost reduction measures such as staff lay offs, lobbying the industry policy makers to level the playing field, re-branding the company to resonate well with a wider consumer market and staff involvement in the formulation of strategies.

#### **5.4 Recommendation**

For Zain Kenya to succeed in its response to challenges in its external environment, it should desist from frequently changing the Chief Executive Officer/Managing Director and involve all managers in the strategy formulation to give them adequate decision making authority in the implementation of the response strategies. It should also employ the right recruitment and retention strategies and desist from the frequent staff lay offs that has negative impact on productivity.

All the stakeholders in the telecommunication industry should incorporate the findings of this study, especially the identified challenges facing the industry in making their decisions. The most affected areas in the regulatory environment where changes in

legislations and rules are required to level the market playing field and avoid unfair price wars especially since the Kenya telecommunication industry is dominated by one player.

### **5.5 Suggestions for further research**

The communication industry in Kenya is undergoing tremendous changes. Technology has kept on changing and many players have joined the industry with sophisticated cheap products. It is suggested that further research should be carried out focusing on strategic responses to external environment in the communication industry as a whole to be able to gauge the environmental changes facing the industry. Further research can be carried on; sustainability of competitive strategies adopted by telecommunication players in Kenya and industry attractiveness and source of competitive advantage in Kenya telecommunication industry,

## REFERENCES

- Ansoff, I. and McDonnell, E. (1990). *Implanting Strategic Management*. Englewood Cliffs, NJ: Prentice-Hall.
- Johnson, G. and Scholes, K. (1997). *Exploring Corporate Strategy*. England: Prentice-Hall.
- Johnson, G., Scholes, K. and Whittington, R. (2005). *Exploring Corporate Strategy: Text and Cases*. England: Pearson Education Limited
- Pearce, J.A and Robinson, R.B. (1988). *Strategic Management: Formulation, Implementation and Control*. Illinois: Richard D.Irwin Inc.
- Pearce, J.A and Robinson, R.B. (1997). *Strategic Management: Formulation, Implementation and Control*. USA: The McGraw-Hill Companies Inc.
- Burnes, B. (2004). *Managing Change: A strategic Approach to Organizational Dynamics*. England: Prentice-Hall.
- Ross, L.W., Hitchin, D.E and Worley, C.G. (1996). *Integrated Strategic Change: How OD Builds Competitive Advantage*. Addison: Wesley Publishing.
- Porter, M.E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press.
- Byars, L.L. (1991). *Strategic Management: Formulation and Implementation*. Harper Collins Publishers.
- Armbruster, H, Kinkel,S,Lay,G and Maloca, S, 2005, *Techno-organizational innovation in the European manufacturing industry*, European Manufacturing Survey, Bulletin 1, Fraunhofer Institute for Systems and Innovation Research, Karlsruhe.
- Bhide, A., 1994, *'How entrepreneurs craft strategies that work'*, Harvard Business Review, March-April, 150-161
- Cagliano, R, Acur, N and Boer, H, 2003, *manufacturing strategy configurations: stability and trends of change*, presented at EUROMA 2003, Como, Italy.
- DeMeyer, A and Pycke, B, 1996, *Separating the fads from the facts: trends in manufacturing action programmes and competitive priorities from 1986 till 1996*, working paper 96/21
- Dickson, P.H., & Weaver, K.M., 1997, *Environmental determinants and individual-level moderators of alliance-use<sup>1</sup>*, Academy of Management Journal, 40,404-425.

Frese, M., Stewart, J. & Hannover, B., 1987, '*Goal orientation and planfulness: action styles as personality concepts*', *Journal of Personality and Social Psychology*, 52, 1182-1194.

Frese, M., van Gelderen, M.W., & Ombach, M., 2000, '*How to plan as a small scale business owner: psychological process characteristics of action strategies and success*', *Journal of Small Business Management*, 38, forthcoming.

Hart, S.L. & Banbury, C., 1994, '*How strategy-making processes can make a difference*', *Strategic Management Journal*, 15, 251-269.

Hacker, W., 1989, '*On the utility of procedural rules: conditions of the use of rules in the production of operation sequences*', *Ergonomics*, 32, 717-732.

Hayes-Roth, B. & Hayes-Roth, F. 1979, '*A cognitive model of planning*', *Cognitive Science*, 3, 275-310.

Kahneman, D., 1973, *Attention and Effort*, Englewood Cliffs, N.J.: Prentice-Hall

Khanna, T. and Palepu, K. (1997). *Why focused strategies may be wrong for emerging markets*. *Harvard Business Review*, 75(4): 41-49.

Langlois, C.C. and Schlegelmich, B.B. (1990). *Do corporate codes of ethics reflect national character? Evidence from Europe and the United States*. *Journal of International Business Studies*, 21(4): 519-539.

Lee, K.S, Lim, G.H., Tan, S.J. and Wee, C.H. (2001). *Generic marketing strategies for small and medium-sized enterprises - conceptual framework and examples from Asia*. *Journal of Strategic Marketing*, 9(2): 145-163.

Lumpkin, G.T. & Dess, G.G., 1995, '*Simplicity as a strategy-making process: the effects of stage of organizational development and environment on performance*', *Academy of Management Journal*, 38, 1386-1407.

Miller, D. (1988). *Relating Porter's business strategies to environment and structure: analysis and performance implications*. *Academy of Management Journal*, 31(2): 280-308.

Peng, M.W. & Luo, Y. (2000). *Managerial ties and firm performance in a transition economy: The nature of a micro-macro link*. *Academy of Management Journal*, 43: 486-501.

Porter, M., 1980 *Competitive strategy: Techniques for analyzing industries and competitors*, Free press, New York.

Rajagopalan, N., Rasheed, A.M.A., & Datta, D.K., 1993, '*Strategic decision processes: critical review and future directions*', Journal of Management, 19, 349-384.

Ulusoy, G, 2000 moving forward. *Assesment of competitive strategies and business excellence in the Turkish manufacturing industry*, a benchmarking study, TUSIAD Competitive Strategies Series-6, Istanbul.

Ulusoy, G, 2003 *An assessment of supply chain and innovation management practices in the manufacturing industries in Turkey*, International Journal of production Economics, 86,3,251-270.

Voss, C, Hanson, P, Blackmon, K and Oak, B, 1995. *The competitiveness of European manufacturing-a four country study*, Business strategy Review, 6,1,1-25.

Walters, P.G.P. and Samiee, S. (2003). Executive insights: *Marketing strategy in emerging markets: the case of China*. Journal of International Marketing, 10(5): 97-107.

Wan, W.P. and Hoskission, R.E. (2003). *Home country environments, corporate diversification strategies and firm performance*. Academy of Management Journal, 46(1): 27-45.

Whitley, R. (1999). *Competing logics and units of analysis in the comparative study of economic organization*. International Studies of Management & Organization, 29(2): 113-126.

Whitley, R. (2002). *Developing innovative competences: the role of institutional frameworks*. Industrial and Corporate Change, 11: 497-528.

Whybark, D. C and Vastag, G (ed) 1993. *Global manufacturing practices*, Elsevier, Amsterdam.

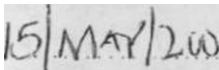
Zucker, L. G. (1977). *The role of institutionalisation in cultural persistence*. American Sociological Review, 42: 726-743.



**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
MBA PROGRAM - LOWER KABETE CAHPUS

UlqilMmc 02#2UM>K2  
iclcjams 'V<<44iy- Nuin.hi  
I c lex 220V5 VaiMfy

P.O (box 31197  
Nn.i.li, Kenya

DATE 

**TO WHOM IT MAY CONCERN**

The bearer of this letter . ^ p ^ ^ fyfMlfc

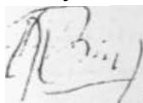
Registration No **tb&l \ (t\&)\ 3**

is a Master of Business Administration (MBA) student of the Univeisily of Nairobi.

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

Hie 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



**QR,w\_njraki**  
**'ffi^RDINATOR, MBA PROGRAM**

*J, "19?*

## Appendix A: Questionnaire

1. Name of Respondent \_\_\_\_\_(Optional)

2. Gender

Male  Female

3. Age

- 18-30 ( )
- 31-40 ( )
- 41-50 ( )
- Over 50 ( )

4. Could you enumerate the challenges you have encountered in the pursuit of the growth strategy

5. To what extent have the challenges affected the implementation of the strategies?

6. Please indicate whether the following features characterize your approach to business by ticking where appropriate.
- a) Our approach to Business is driven by our management intention to achieve success. Yes [ ] No [ ]
  - b) Our approach to business is driven by our capability to plan. Yes [ ] No [ ]
  - c) Our chief executive / Managing Director is the only one who determines how we should conduct our business. Yes [ ] No [ ]
  - d) We adjust our approach to business through our experience from the things we do on daily basis. Yes [ ] No [ ]
  - e) We conduct our business the way we do it today because this is how that it has always been done here. Yes [ ] No [ ]
7. We are forced by external forces to conduct our business the way we do.  
Yes [ ] No [ ]
8. Do you survey external environment to help you make business decisions  
Yes [ ] No [ ]

Indicate the extent to which the following is considered in making business plan and decisions. Rate on a 5-scale where by 1 = not considered to 5 = given prime consideration.

	1	2	3	4	5
<b>a)</b> General economic trends	[ ]	[ ]	[ ]	[ ]	[ ]
<b>b)</b> Political and legal developments	[ ]	[ ]	[ ]	[ ]	[ ]
<b>c)</b> Competitors	[ ]	[ ]	[ ]	[ ]	[ ]
<b>d)</b> Technological changes	[ ]	[ ]	[ ]	[ ]	[ ]
<b>e)</b> Social and cultural trends	[ ]	[ ]	[ ]	[ ]	[ ]
<b>f)</b> Market trends	[ ]	[ ]	[ ]	[ ]	[ ]

9. List the major challenges that have had a major impact on your operations from the economic environment.

10. Did you make any arrangements to mitigate the consequences of these challenges

Yes ( )

No ( )

11. If yes above please indicate the strategies that were adopted to respond to the challenges. Briefly explain

12. Have there been any changes in the regulation policies that have effected your operations?

Yes ( )

No ( )

13. Please rate the extent to which the regulation has effected your operations

High ( )

Mid ( )

Low ( )

14. Indicate any changes that have taken place in your industry due to political climate.

15. Have there been any technological changes that have affected your operations

Yes ( ) No ( )

16. If yes above, briefly indicate the areas technology has taken toll.

17. To respond to the above technological changes what strategies have been put in place to achieve the appropriate changes?

18. Have there been any improvements in business performance owing to this technological adoption?

Yes ( )

No ( )

Somewhat ( )

19. Are you involved in the formulation of any of the response strategies highlighted in any of the above questions?

Yes ( )

No ( )

20. If your answer is NO in the above question, would you be more effective in the implementation of such response strategies?

Yes ( )

No ( )

21. Do you consider the various response strategies adopted by Zain Kenya to be proactive or reactive to the changes in the corporation's external environment?

Proactive ( )

Reactive ( )

22. How can you rate Zain Kenya response in tackling external business issues facing your company?

- a) Very fast (
- b) Fast (
- c) Sometimes (
- d) Do nothing (
- e) Others (

.Briefly explain.

23. How would you rate the following factors before engaging in responses to the external environment?

Rate on a 5-scale where by 1 = not considered to 5 = given prime consideration.

	1	2	3	4	5
a) General economic trends	[ ]	[ ]	[ ]	[ ]	[ ]
b) Political and legal developments	[ ]	[ ]	[ ]	[ ]	[ ]
c) Competitors	[ ]	[ ]	[ ]	[ ]	[ ]
d) Technological changes	[ ]	[ ]	[ ]	[ ]	[ ]
e) Social and cultural trends	[ ]	[ ]	[ ]	[ ]	[ ]
0 Market trends	[ ]	[ ]	[ ]	[ ]	[ ]
g) Company's competitors	[ ]	[ ]	[ ]	[ ]	[ ]
h) Technology	[ ]	[ ]	[ ]	[ ]	[ ]
i) Industry policy	[ ]	[ ]	[ ]	[ ]	[ ]
j) Core Company's Competencies	[ ]	[ ]	[ ]	[ ]	[ ]

24. How can you describe the prevailing mode of making critical decisions in responding to external environment?
- a) Tendency to centralize decisions to top management ( )
  - b) Tendency to delegate decisions to lower management ( )
  - c) Tendency to use interdepartmental committee/task force ( )
  - d) Others (please specify)

25. What structures have been put in place by the company to ensure emerging external business environment issues are captured, analyzed and implemented? Kindly list them down

26. Who champions the identification and implementation of responses to external environment in your company?

(1 denotes least responsible; 5 most responsible)

- |                            | 1   | 2   | 3   | 4   | 5   |
|----------------------------|-----|-----|-----|-----|-----|
| a) CEO/MD                  | [ ] | [ ] | [ ] | [ ] | [ ] |
| b) Head of Departments     | [ ] | [ ] | [ ] | [ ] | [ ] |
| c) Business Managers       | [ ] | [ ] | [ ] | [ ] | [ ] |
| d) Supervisors             | [ ] | [ ] | [ ] | [ ] | [ ] |
| e) Consultants             | [ ] | [ ] | [ ] | [ ] | [ ] |
| f) Others (Please specify) |     |     |     |     |     |

27. Do you normally study issues which may affect your operations areas: (A strategic issue is a forth coming development either inside or outside of the organization which is likely to have an impact on the ability to meet company's objectives)
- a) External environment trend.                      Yes ( )                      No ( )
  - b) Internal environment trend.                      Yes ( )                      No ( )
  - c) Performance trend                                      Yes ( )                      No ( )
  - d) Others (Please specify)

28. How would you describe your business or operating environment within the last five years (Please tick one)?
- a) Turbulent    ( )
  - b) Relatively stable                                      ( )
  - c) Irregular    ( )
  - d) Others (Please specify)

29. To what extent do you think that your approach to business has impacted on your performance?
- No impact [ ] Small extent [ ] on average [ ] greater extent [ ]