

**THE RELATIONSHIP OF COMPETITIVE STRATEGIES AND FIRM
PERFORMANCE IN THE MOBILE TELECOMMUNICATION
SERVICE INDUSTRY: A CASE OF SAFARICOM KENYA LIMITED.**

BY

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**A Management Research Project Report Submitted in Partial Fulfillment
of the Requirements for the Degree of Master of Business Administration
(MBA), School of Business, University of Nairobi,**

2010

DECLARATION

I declare that this research project report is my original work and has never been submitted anywhere for a degree or qualification of the same in any other university or institute of higher learning.

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This research paper has been submitted for examination with my approval as the University supervisor.

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DEDICATION

I dedicate this project to my parents for the role they played in making me what I am today, my family of wife Pamela, daughter Cecilia and sons Serphan and Griffin for their moral support all through and ever being there for me, not forgetting my brothers and sisters.

ACKNOWLEDGEMENTS

Special acknowledgements to The Almighty God for the life i live, my supervisor Alex Jaleha for his support and unselfish guidance on this project, my classmate Gordon Ombae for being resourceful and encouraging and all the respondents who spent their time to complete the questionnaires.

ABSTRACT

The study sought to examine the relationship of competitive strategies and firm performance in Safaricom Kenya limited. The study was guided by the following specific objectives: (i) to determine the competitive strategies adopted by Safaricom Limited; and (ii) to establish the relationship between the competitive strategies used by Safaricom Limited and its performance. A review of the relevant literature was undertaken in order to eliminate duplication of what has been done and provide a clear understanding of existing knowledge base in the problem area. The literature review is based on authoritative, recent, and original sources such as journals, books, thesis and dissertations.

A case study design was used to undertake the study. The population of the proposed study was the Safaricom top revenue drivers' employees, namely consumer sales and retail departments. The respondents included Chiefs, Head of departments, Senior Managers, Regional and Area Managers. A semi-structured questionnaire was used to collect primary data from the respondents. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. Data pertaining to the adoption of competitive strategies and the link between the competitive strategies and organizational performance were subjected to a factor analysis to test whether the strategic practices naturally group into the various competitive strategies.

The findings also show that the strategies adopted by Safaricom Kenya Limited so as to cope with the competitive environment include vigorous pursuit of cost reductions; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name

identification; targeting a specific market niche or segment; and providing specialty products/services. The findings also show a significant relationship between the strategies adopted by Safaricom Kenya Limited and its performance with respect to the following objective performance indicators: total revenue growth, total asset growth, net income growth and market share growth.

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ABBREVIATIONS AND ACCRONYMS

CCK	Communication Commission of Kenya
GSM	Global System for Mobile Communication
M-PESA	Mobile Phone Money Transfer
PAT	Profit After Tax
PBT	Profit Before Tax
SPSS	Statistical Package for Social Sciences

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The challenges of the business environment in the 1990s, characterized by fragmented markets, increased competition, rapid technological changes, shifting regulatory frameworks and a growing dependence on non-price competition have forced many businesses to more closely scrutinize their competitive strategy. Porter (1985) argues that firms create competitive advantage by conceiving new ways to deliver superior value to customers. Innovation is a key source of competitive advantage and can occur at any stage of the value chain, however, the literature and research in this regard is biased towards technological innovation.

The increased competition has been further fuelled by communication and liberalisation of the major world economies. This has reduced the world into a global village as far as business transactions are concerned and as a result, organisations are facing stiff competition from both local and foreign competitors. In order to compete and survive in the competitive environment, different organisations are adopting different strategies. Organisations are therefore implementing various competitive strategies to achieve a sustainable competitive advantage and enhance their survival in an industry.

1.1.1 Concept of Strategy

“The essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match”. (Porter, 1996). According to Porter a company must choose its activities in different ways than its competitors in order to deliver a unique set of

value to its customers. Thompson et al, (2007) observed that strategy is a long term plan of action designed to achieve a particular goal, most often “winning”. Strategy is essential because there is not only one ideal position in the market. If there were, operational effectiveness would be enough for the company to succeed but even operational effectiveness is not enough for the company to survive when it reaches a certain point. The company therefore needs a strategy that leads to sustainable advantage in order to differentiate itself otherwise there will be a risk of being copied. Trade-offs is important in order to stay competitive. If a company wants more of something it has to choose less of something else. Strategy is therefore also choosing what not to do.

Porter (1980) argues that a firm can achieve a higher level of performance over a rival in one of two ways: either it can supply an identical product or service at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation. In the former case, the firm possesses a cost advantage. In the latter, the firm possesses a differentiation advantage. In pursuing cost advantage, the goal of the firm is to become the cost leader in its industry or industry segment.

Pearce and Robinsons (2007) observed that a firm must be able to accomplish one or more activities in its value chain activities – procuring materials, processing them into products, marketing the products, and distributing the products or support activities in a more cost effective manner than that of its competitors or it must be able to reconfigure its value chain to achieve a cost advantage. On the other hand, differentiation by a firm from its competitors is achieved when it provides something unique that is valuable to buyers beyond simply offering a

low price (Porter, 1985). He argued that effectively implementing these generic strategies required total commitment and supporting of the organization. If a firm attempts to pursue both at the same time, it will result in inferior performance, so-called, “stuck in the middle” (Porter, 1980).

1.1.2 Competitive Strategies

It is discussed by Porter (1983) that every company has a competitive strategy; either it is official or unofficial to the market. It is a plan for how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors, this must lead to a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage) or deliver benefits that exceed those of competing products (differentiation advantage), thus a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Porter, 1985). Competitive advantage becomes core when it is sustainable and thus the realization of sustainable competitive advantage. Sustainable competitive advantage is an advantage that enables business to survive against its competition over a long period of time.

Research by Kim, Nam and Stimpert (2004) found that firms employing only one of Porter’s generic strategies outperformed companies that applied elements from different strategies into their company. Companies who tried to achieve two or more different strategies at the same time also failed to perform at their best. They concluded that integrated strategies combining elements of cost leadership and differentiation will result in higher performance than cost leadership or differentiation do individually. But still, as Porter wrote, stuck-in-the-middle has to be avoided; the integrated strategy is to be seen as a new generic strategy. Figure 1.1 below presents the

traditional classification of competitive strategies. (a) Classification of competitive strategies with focus embedded; and (b) competitive strategy as a continuum.

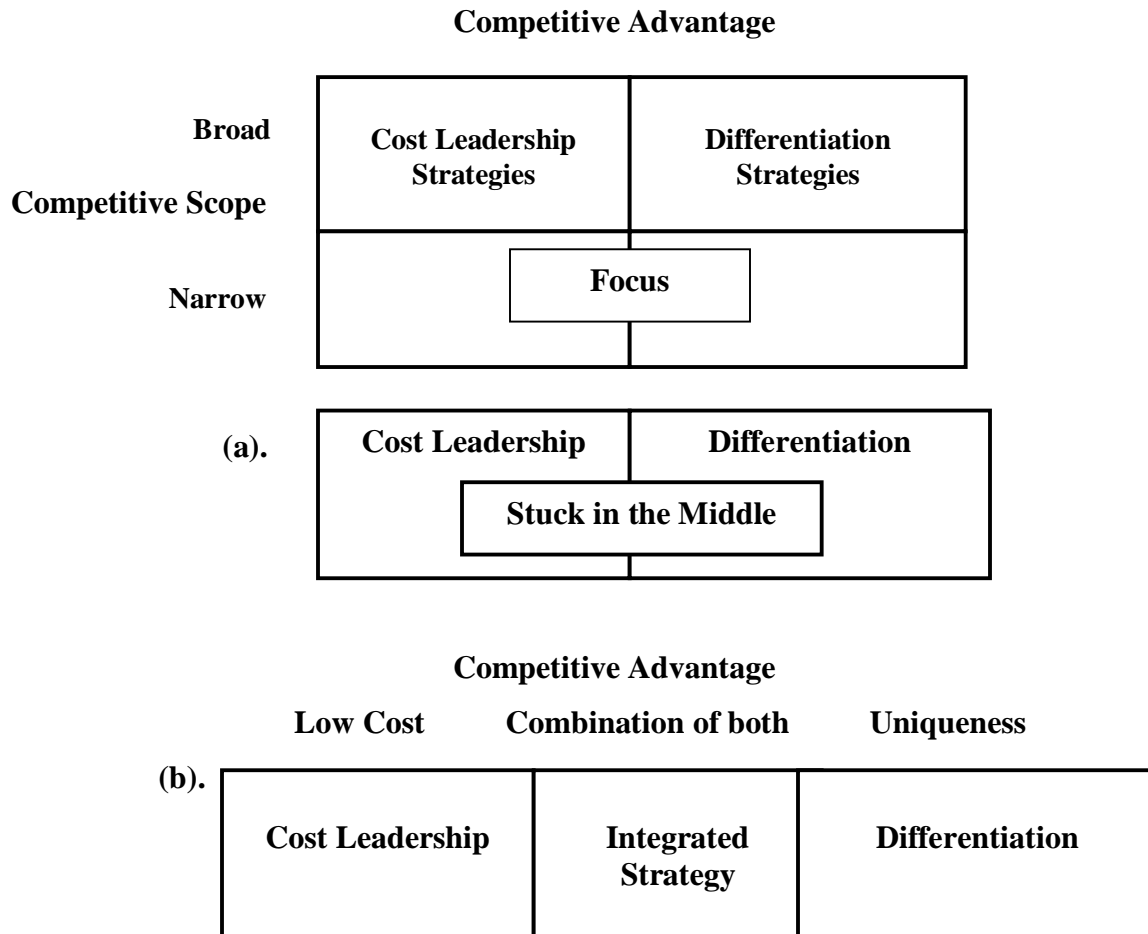


Figure 1.1: Classification of competitive strategies

Source: Kim *et al.*, (2004).

Pearce and Robinson (2007) recognized the three levels of strategy: Corporate, Business, and Functional or Operational level. The corporate level strategies define the Vision, Corporate goals, Philosophy and Culture of the firm. They include decisions on: overall goals of the firm, the types of business the firm is involved in, the way in which business will be integrated and managed (Porter, 1980). The business level strategies bridge corporate and functional strategies

with decisions including plant location, market segmentation, geographical coverage and distribution channels, thus broadly it covers the mission, business goals and competencies. The functional level strategies are concerned with the implementation thus are short term, low risk and quantifiable. They include decisions on information systems, research and development, manufacturing, finance, marketing and human resources. A lot of focus is laid on business and functional strategies since it is where resources are mobilized and strategy is implemented by converting broad plans into the concrete, incremental actions and results of specific units and individuals (Pearce and Robinson, 2007)

1.1.3 Firm Performance

Powers and Hahn (2004) looked into whether or not there are any links between competitive methods, generic strategies and firm's performance. Their article showed that in financial businesses a cost leadership strategy did perform better than differentiation and focus. However, those, which have chosen differentiation and focus, performed better than the company that was stuck-in-the middle. Day and Wensley (1998) also say that choosing a strategy based on the positional advantage in the market will make a firm successful, because it is dependent upon which resources are available to them.

The focus of this study was to look into what strategies Safaricom Kenya Limited, a Kenyan mobile phone operator is implementing in order to enhance firm performance. The study seeks to investigate if competitive strategies, among them, the generic strategies which Porter developed are applicable in such an industry as the telecommunication sector. The analysis for the study will be based on work done by other strategists who can help get a broader picture of the theories on the subject to complement Porter and also criticize his strategies.

1.1.4 Mobile Telecommunication Industry in Kenya.

There are four mobile telephone companies in Kenya, Safaricom Limited (Safaricom), Zain Kenya Limited (Zain), Orange Telkom Kenya Limited (Orange) and Essar Kenya Limited (Yu) offering cell-phone services. These operators had a combined subscription base of 19.4 million in December 2009, representing a penetration rate of close to 50 per cent per 100 inhabitants, 99% of the subscribers were on the pre-paid tariff and the mobile signal covered 85 per cent of the population and 34 per cent of the land mass (Communications Commission of Kenya, 2009). Increased competition in the mobile telecommunications market has witnessed a reduction of on-net call charges to Kshs 2.12 per minute down from Kshs 6.33 in September 2010, fuelling growth in intra-network traffic. At the moment in this industry's voice market, Safaricom takes \$6 in ARPU (Average Revenue Per User), Zain takes \$4 and Telkom \$1.8 (The Daily Nation April 27th 2010, Weekly Business Magazine pg 11).

Figure 1.2 below presents the data on mobile service penetration in Kenya as at December 2009.

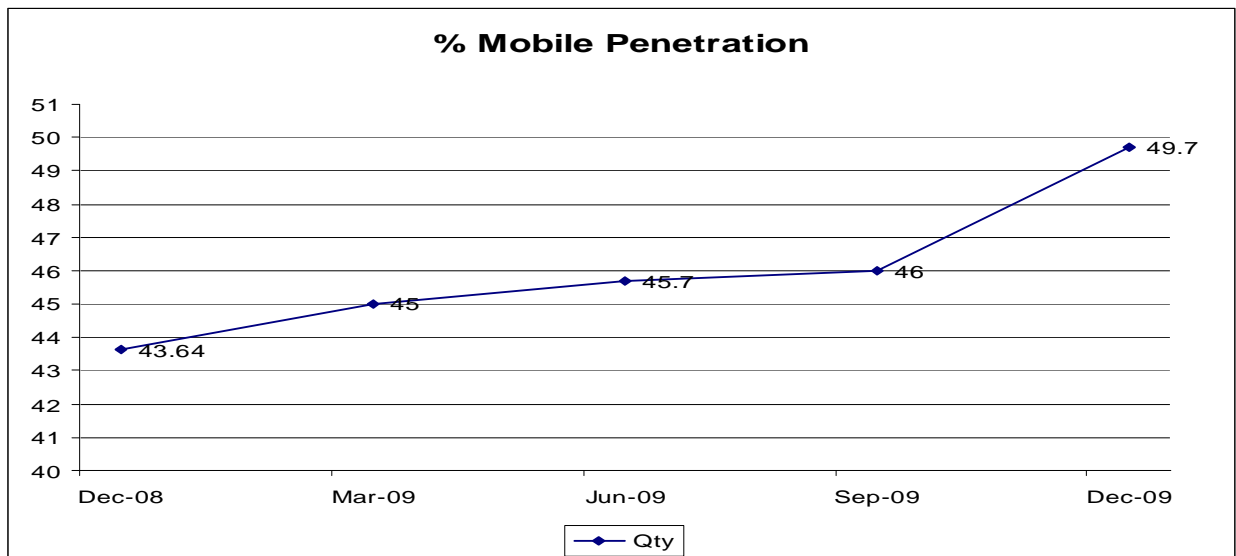


Figure 1.2: Mobile Service Penetration

Source: CCK, Operators' Returns (2009).

Safaricom is the leading Mobile Telephone Operator in Kenya. Over the last 9 years, Safaricom has experienced a massive rise in its subscribers, from a mere 17,000 subscribers in 2000 to an amazing growth of over 15 million subscribers in June 2009 (www.safaricom.co.ke). It was registered in 1997 as a fully owned subsidiary of Telkom Kenya Limited. In May 2000, Vodafone Group Plc, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company, and in early 2008 the government shed 25% of its shareholding to the public through an initial public offers to raise 50 billion shillings.

Founded as Ken cell Communications Limited after the liberalization of the Telecommunications Industry in Kenya and currently re-branded from Celtel to Zain, Zain is a fully private GSM (Global System for Mobile Communication) operator and was awarded the second GSM License to operate a GSM Network in Kenya by the Communications Commission of Kenya (CCK). Initial focus during the transition from Kencell to Celtel was on cost- efficiency. Zain both reinvested internally generated cash and took up additional borrowing through a US\$357 Million on network (www.zain.co.ke). Competition has been protracted and to be cost effective Zain declared 150 staff redundant on 1st April 2009. Zain has witnessed a change of name for the third time to Bharti Airtel after Indian Telecoms tycoon Sunil Bharti paid \$10.7 billion to buy Kuwait-based Zain's Africa assets.

Telkom Kenya was established as a telecommunications operator under the Companies Act in April 1999, (www.telkomkenya.co.ke). Following its privatization in 2007, France Telecom bought 51% shares in Telecom Kenya gaining majority control and establishing the trade name Orange. In France Telecom's full year financial results for 2009, Telkom Kenya returned a Sh10

billion loss (The Daily Nation April 27th 2010, Weekly Business Magazine pg 10). Telkom Kenya has customer base of 1.75 million subscribers and has so far concentrated on voice and data.

Indian telecommunications firm, Essar Group, assumed majority shareholding in Essar Telecom Kenya after buying out Econet Wireless Kenya and thereby assuming 80% control and started trading in the name “Yu”. Econet Wireless’s history had been full of ups and downs. It was for long a byword for delays, lengthy court cases and shareholder disputes that were part of the build-up to its eventual launch last year. Essar Limited announced in September 09 that their customer base had grown to 600000 subscribers within one year of operation and had target 2 million by March 2010, (www.essar.co.ke). The company has so far concentrated on voice and data products.

1.1.5 Safaricom Kenya Limited

Safaricom headed by a Chief Executive Officer, has adopted a divisional structure having 11 divisions: Commercial, Technical, Customer Care, Risk, Finance, Corporate affairs, Human Resources, Supply Chain, Investor relations and New Products with a Chief Officer as the head of each division, (www.safaricom.co.ke). Through its Information Technology Division, Safaricom has heavily invested on innovation that supports and advances the mission of the company. It has the goal of empowering the staff members through the use of technology - any time, any place, anywhere, committed to providing innovative services and solutions that meet customers' evolving needs. This is to be achieved by: creating a technology-assisted working

environment, where technology is widely available, appropriate, and transparent to the users and creating a technology environment that promotes user self-sufficiency, (www.safaricom.co.ke).

Safaricom is a leading provider of converged communication solutions and with its countrywide network, it is able to provide broadband high-speed data to its customers through its 3G network, Wimax and fibre. With this efficient technology the company has always come up with successful products and services including: Per second billing, 'M-PESA' (Mobile phone money transfer), "Sambaza" (airtime transfer), Voice Mail, Get it 411, ATM top up, Flash back service popularly known as 'Please Call Me', BONGA points where subscribers earn redeemable points as they use the network, Pay Bill Services, "Okoa Jahazi" where subscribers get airtime on credit to pay later, "Sikiza tunes" where subscribers can choose their phone ring back tunes. These products have been seen to largely act as a counter strategy to rising competition and have also played a major role in accelerating its growth, (www.safaricom.co.ke)

The company was also the first to come up with the lowest denomination voucher cards of ksh 5 and 10 with dynamic tariffs and low calling rates in a bid to cater for the low disposable income groups. Safaricom has established Retail and Customer Care Centers in all the major towns in Kenya to provide customers with quality products backed by reliable warranty, provide face to face customer care to the subscribers, set Retail Service and Product standards, and give opportunity for feedback from customers, (www.safaricom.co.ke). This has enhanced its competitive edge.

Safaricom announced a strong financial performance for the year 2009-2010 with a revenue turnover of 83.961billion representing a 19.1% growth from the previous year, out of which

Voice contributed 63.405b, Sms 5.191b, M-pesa 7.556b, Mobile and fixed data 2.997b and acquisition revenue 3.661. The company posted a PBT (Profit Before Tax) of 20.967b and PAT (Profit After Tax) of 15.148b . The subscriber base also hit a record of 15.79 million representing 78.3% of the mobile users in the country, with other companies Zain owning 5.6%, Orange Kenya 5.6%, Essar Telecom Kenya 5.4%. (Safaricom Limited Audited Results for the period ended 31st march 2010). The company's strategy for the year 2010 will be cost control, enhancing mobile and fixed data growth, expansion of products under the Mpesa service and maintaining the number one market position (www.safaricom.co.ke)

1.2 Statement of the Problem

The primary objective of managers for profit seeking organizations is to maximize the performance of the firm over time. Organizations are environment dependent and environment serving and they are in a constant two-way interaction with the environment. Environment change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive (Ansoff and McDonnell, 1990). In February 1999, The Communications Commission of Kenya (CCK) was established by the Kenya Communication Act, 1998, to license and regulate telecommunication, radio communication and postal services. In March 2010 the Government gazetted five (5) new rules to aid in the regulation of the communications sector by the Communications Commission of Kenya (CCK). Further to these the CCK ordered for the sim card registration of all mobile phone users from June 2010 and went further in September to reduce interconnectivity fee from Kshs 6.33 to Kshs 2.12 per minute.

A number of Studies related to competitive strategies have been done in Kenya including but not limited to: Ochako (2007), who investigated the strategic issue management practices by mobile telephone companies operating in Kenya; Muthangya (2007), strategic response to competitive environment: a case of Safaricom. It established that in response to competitive environment, Safaricom adopted the 3 Porter's generic strategies among others; Olunga (2007), response of Safaricom limited to changes in the telecommunication industry in Kenya. The study established that Safaricom responded to the changes by investing in new market driven products and adoption of the most appropriate distribution channels; Rumba (2008), strategic responses by mobile phone companies in Kenya to environmental changes. The study indicated the implementation of various competitive strategies, among them cost-leadership and differentiation. It is evident from these studies that competitive strategies are aimed at bettering performance but there is a gap for this linkage. Therefore there is need to bring out the effect of the various competitive strategies on firm performance.

This study focused on the relationship of competitive strategies and firm performance, more so in the telecommunications sector in Kenya. It attempted to bridge the existing gap by seeking answers to the following research questions:

- (i) What are the competitive strategies adopted by Safaricom Kenya Limited?
- (ii) What is the relationship between the competitive strategies used by Safaricom Kenya limited and the firm's performance?

1.3 Objectives of the Study

The study was guided by the following objectives:

- (i) To determine the competitive strategies adopted by Safaricom Kenya Limited

- (ii) To establish the relationship between the competitive strategies used by Safaricom Kenya Limited and its performance.

1.4 Importance of the Study

This study sought to raise ideas and issues in the hope that the various stakeholders and persons directly addressing issues related to competitive strategies and performance in various organizations will continue the discussion. It did not presume to offer a prescription for the ideal measures to be employed by the stakeholders so as to reverse the trends. Specifically, the findings of this study, it is hoped, will be beneficial to various key stakeholders as discussed in the subsequent sections.

1.4.1 The management of Safaricom Limited

The management of Safaricom Limited will gain a better understanding of the competitive strategies the firm has adopted, the relationship between the competitive strategies used by the firm and performance, and the challenges faced by the firm in implementing the adopted strategies. On the basis of the findings of the study, the management of Safaricom Limited will implement corporate strategies from an informed position.

1.4.2 The Government

The Mobile Telecommunication Industry is vital to the economic growth of the country. It aids trade, source of revenue to the government through taxation and it also offers employment opportunities to the citizens. The Government is charged with the responsibility of ensuring protection to both the industry players and the citizens. On the basis of the findings of this study,

the Government will make informed decisions when formulating policies and investing in the telephone mobile service sector.

1.4.3 Communications Commission of Kenya

Communication Commission of Kenya (CCK) is charged with the responsibility of regulating the telecommunications sectors and enforcing the relevant government policies. CCK will acquire insight into the involvement of telecommunication service providers in competitive strategies and accommodate it in their policies where applicable.

1.4.4 Academicians and researchers

The symbiotic relationship between competitive strategies and organizational performance will have been an explored concept. The academic world should definitely consider the enormous potential of this strategic intersection. The study will make a significant contribution to the growing body of research on competitive strategies. The findings may also be used as a source of reference for other researchers. In addition, academic researchers may need the study findings to stimulate further research in this area and as such form a basis of good background for further researches.

CHAPTER TWO: LITERATURE REVIEW

2.1 Competitive strategies

2.1.1 Porter's Five Forces Model

In his book "Competitive Advantage", Porter claims that companies competing in a given industry must fulfill many different activities that form cost and create value for the buyers. By using the competitive strategy, a company targets to position itself in a sustainable and profitable position against the forces shaping the industry. (Porter, 1985)

2.1.1.1 The Structural Analysis of Industries

The main variable determining a firm's profitability and competitiveness is the attractiveness of an industry. There are five forces defining the rules of the competition in an industry: the entry of new competitors, the threat of substitutes, the bargaining power of buyers, the bargaining power of suppliers, and the rivalry among the existing competitors. Since these affect the prices, costs, and investments required, the industry profitability is a total function of them. The constitution of the industry may change as the change in the structure converts the overall and relative importance of the forces. (Porter, 1985)

2.1.1.2 Intensity of Rivalry

It has been claimed that rivalry depends on more than one factor; one of them is the industry concentration. A larger number of firms will enhance the rivalry as firms will struggle to capture market share to be leader serving the same customers and resources. Slow market growth induces firms to fight for expanding market share aggressively; "High fixed costs" is another

factor that leads to increase in rivalry; thus firms endeavor to sell large quantity of product or service with lowest unit of costs; “Low switching costs” is the paramount element to increase rivalry, as if a customer freely switches from one product to another; it shows that there is a greater struggle to capture customers; A low level of product differentiation is associated with higher levels of rivalry. High exit barriers head pressure on firms to enter in and exit due to high cost on abandoning the product (Porter, 1985).

2.1.1.3 Pressure from Substitute Products

In Porter's model, the price change of substitute products immensely affects the demand on the product. In addition, if the product is price-sensitive, switching to other products is expected to be fast. Therefore, the threat of substitute products restrains the profit generated from industry by putting a lid on the prices for which the product/service in the industry is available (Porter, 1985).

2.1.1.4 Potential Entrants

The potential entrants in an industry enhance the level of competition for capturing market share, thus creating threats for existing companies. Strength and effect of threat is closely related to the entry barriers for given industry as increase of entry barriers will induce the decrease in the threat coming from new entrants. The roots of entry barriers are required capital investments for initiating a business, accessibility of raw materials and distribution channels, requirements posed by economies of scale and product/service differentiation (Porter, 1985)

2.1.1.5 The Buyer Bargaining Power

The buyer bargaining power improves if many suppliers are competing for the same product and therefore buyers can switch from one supplier to another easily, especially for the undifferentiated products. Another factor that enhances the buyer power is to purchase the products in large quantities from one supplier. Thereby, buyers with strong bargaining power can ask for suppliers to reduce the price, raising service or goods quality with better terms and conditions (Porter, 1985).

2.1.1.6 Supplier Bargaining Power

The supplier bargaining power exists if the demand for product is higher than the supply, also the existence of fewer suppliers in certain industry triggers more power to exert over buyers. However, availability of substitutes for the suppliers' products immensely affects the supplier power. Suppliers can gain and enhance their power through offering highly differentiated products, or creating unique products. (Porter, 1985).

2.1.2 Porter's Generic Competitive Strategies

Strategy is an essential part of any effective business plan. Porter (1985) asserts there are basic businesses strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Karnani, 1984; Miller and Friesen, 1986; White, 1986; Hill, 1988). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a

competitive advantage (Parker and Helms, 1992; Kippenberger, 1996; Surowiecki, 1999; Ross, 1999).

COMPETITIVE SCOPE	Broad	Cost Leadership Strategies	Differentiation Strategies
	Narrow	Cost Focus Strategies	Differentiation Focus Strategies

Figure 2.1: Porter’s Concept of Generic Competitive Strategies

Source: Reed, 2002, p.98.

2.1.2.1 Cost Leadership

One of Porter’s generic strategies is cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987; Anon, 1998; Cross, 1999; Hyatt, 2001; Davidson, 2001). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). Porter (1985) purports only one firm in an industry can be the cost leader (Venu, 2001; Sy, 2002) and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt,

2001). The leader then is somewhat insulated from industry wide price reductions (Porter, 1980; Malburg, 2000; Hlavacka *et al.*, 2001). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a firm lowers prices too much, it may lose revenues (Cross, 1999).

2.1.2.2 Differentiation

Differentiation is also one of Porter's key business strategies (Reilly, 2002). When using this strategy, a company focuses its efforts on providing a unique product or service (Porter, 1996; Cross, 1999; Hlavacka *et al.*, 2001). Since the product or service is unique, this strategy provides high customer loyalty (Porter, 1985; Cross, 1999; Hlavacka *et al.*, 2001). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. Aaker (1984) further argues that a differentiation strategy is often but not always associated with a higher price because it usually makes price less critical.

2.1.2.3 Focus

The focuser firm chooses a specific segment or group of segments in the industry. A firm that does not have an overall competitive advantage optimizes its strategy in order to serve the needs of the target segments and achieve a competitive advantage in them. Cost focus and differentiation focus rely on the differences of the given segment from the other segments in the industry, i.e. differences in cost behavior or the unique needs of a segment. It means that tailoring the activities to a specific segment exclusively which is not served properly by broadly-targeted competitors. However, sometimes firms choose to create separate business units under the same corporate entity. (Porter, 1985).

2.1.2.4 Combination

An organization may also choose a combination strategy by mixing of the aforementioned generic strategies. For example, a firm may choose to have a focused differentiation strategy. This means the organization has a unique product offered to a targeted market segment. An organization may also choose to have a focused cost-leadership strategy. In this instance, an organization would use a cost leadership strategy targeted to a specific market segment. There is much debate as to whether or not a company can have a differentiation and low-cost leadership strategy at the same time (Helms *et al.*, 1997). Porter felt differentiation and cost-leadership were mutually exclusive (Helms *et al.*, 1997). However, research shows this is not the case (Buzzell and Wiersema, 1981; Hall, 1983; Phillips *et al.*, 1983).

2.1.3 Ansoff Growth Strategies: Product/Market Matrix

The Ansoff Product/Market Growth Matrix is a marketing tool created by Igor Ansoff and first published in his article "Strategies for Diversification" in the Harvard Business Review (1957). The matrix allows marketers to consider ways to grow the business via existing and/or new products, in existing and/or new markets. There are four possible product/market combinations and this matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

2.1.3.1 Market penetration (existing markets, existing products)

Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use

more of your product/service, with advertising or other promotions. Market penetration is the least risky way for a company to grow.

2.1.3.2 Product development (existing markets, new products)

A firm with a market for its current products might embark on a strategy of developing other products catering to the same market (although these new products need not be new to the market; the point is that the product is new to the company). Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive.

2.1.3.3 Market development (new markets, existing products)

An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. Again, the market need not be new in itself; the point is that the market is new to the company.

2.1.3.4 Diversification (new markets, new products)

Is the most risky of all the four growth strategies since it requires both product and market development and may be outside the core competencies of the firm and has often been referred to by some as the “suicide cell”. However diversification may be a reasonable choice if the high risk is compensated for by the chance of a high rate of return.

2.2 Competitive Strategies and Firm Performance

There are several researchers who have empirically investigated the impact of Porter's generic strategies on the performance of companies. Dess and Davis (1984) examined the performance effects of generic strategies based on a sample of non-diversified manufacturing firms. They found that those firms can be classified into four clusters based on the strategies they adopt: cost leadership, stuck in the middle, focus, and differentiation. In terms of sales growth, the four groups were found to be significantly different from one another. The focus cluster was found to have the highest sales growth, followed by cost leadership, differentiation, and stuck in the middle clusters. In terms of return on total assets, the performance difference was not significant among the four groups. While the highest return was evident in the cost leadership group, the lowest was evident in the focus groups.

Powers and Hahn (2004) examined the performance impact of generic strategies in banking. Their study indicated that banks fall into five clusters based on the type of strategy they used: general differentiation strategy, focus strategy, stuck in the middle, cost leadership strategy, and customer service differentiation strategy. They found that, overall firms employing a strategy perform better (in terms of return on assets) than ones that are stuck in the middle. The performance of cost leadership followers was significantly higher than that of stuck in the middle firms. However, other strategy followers could not gain significant performance advantage over the stuck in the middle group.

2.3 Firm performance measures

While researchers may not always agree on the best strategy, or strategy combination, most if not all, support the long-term benefits of strategic planning for the successful performance of an organization or business unit. However, measuring the performance of a company is challenging. Researchers (Buckley *et al.*, 1988; Littler, 1988; Day and Wensley, 1988) disagree about how to both define and operationalize performance. Most studies on organizational performance use a variety of financial and non-financial success measures.

2.3.1 Financial Measures

Researchers employ financial measures such as profit (Saunders and Wong, 1985; Hooley and Lynch, 1985; Baker *et al.*, 1988), turnover (Frazier and Howell, 1983), return on investment (Hooley and Lynch, 1985), return on capital employed (Baker *et al.*, 1988), and inventory turnover (Frazier and Howell, 1983).

2.3.2 Bench marking

It is important to determine how a firm compares with its industry competitors when assessing firm performance (Dess and Robinson, 1984). Benchmarking is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries. Dimensions typically measured are quality, time, and cost. Improvements from learning mean doing things better, faster and cheaper. It involves management identifying the best firms in their industry, or any other industry where similar processes exist, and comparing the results and processes of those studied (the "targets") to one's own results and processes to learn how well the targets perform and, more importantly, how they do it.

2.3.3 The Balanced Score Card

Originated by Drs. Robert Kaplan (Harvard Business School) and David Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance. The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It suggests that we view the organization from four perspectives, and to develop metrics, collect data and analyze it relative to each of these perspectives:

2.3.3.1 The Learning & Growth Perspective. In the current climate of rapid technological change, knowledge workers must be in a continuous learning mode. Metrics can be put into place to guide managers in focusing training funds where they can help the most. In any case, learning and growth constitute the essential foundation for success of any knowledge-worker organization. Kaplan and Norton emphasize that 'learning' is more than 'training'; it also includes things like mentors and tutors within the organization, as well as that ease of communication among workers that allows them to readily get help on a problem when it is needed

2.3.3.2 The Business Process Perspective. This perspective refers to internal business processes. Metrics based on this perspective allow the managers to know how well their business

is running, and whether its products and services conform to customer requirements (the mission). These metrics have to be carefully designed by those who know these processes most intimately; with our unique missions these are not something that can be developed by outside consultants

2.3.3.3 The Customer Perspective. Customer focus and customer satisfaction are important in any business. These are leading indicators: if customers are not satisfied, they will eventually find other suppliers that will meet their needs. Poor performance from this perspective is thus a leading indicator of future decline, even though the current financial picture may look good. In developing metrics for satisfaction, customers should be analyzed in terms of kinds of customers and the kinds of processes for which we are providing a product or service to those customer groups.

2.3.3.4 The Financial Perspective. Kaplan and Norton do not disregard the traditional need for financial data. Timely and accurate funding data will always be a priority, and managers will do whatever necessary to provide it. But the point is that the current emphasis on financials leads to the "unbalanced" situation with regard to other perspectives. There is perhaps a need to include additional financial-related data, such as risk assessment and cost-benefit data, in this category. In conclusion, even though the impact of competitive strategies on firm performance has been discussed for a long time, empirical tests in this regard are scarce. Most of the past literature presents conceptual arguments and statistical evidence to describe the impact of competitive strategies on telecommunication service providers, its potential to revolutionize business activities, benefits achieved by organizations, and barriers faced by organizations in implementing competitive strategies into organizations

CHAPTER THREE: RESEARCH METHODOLOGY.

3.1 Research Design

A case study design was used to undertake the study. Yin (2004) describes a Case Study as an empirical inquiry of a modern phenomenon looking into a real-life situation; especially in the event that the divide between the two are not obvious and there exists multiple sources of evidence. A case study generally aims to provide insight into a particular situation and often stresses the experiences and interpretations of those involved. It may generate new understandings, explanations or hypotheses. However, it does not usually claim representativeness. Therefore, researchers using case studies should be careful not to over-generalize. Case studies involve collecting empirical data, generally from one or a small number of cases. It usually provides rich detail about those cases, of a predominantly qualitative nature (Yin, 2004).

3.2 Data Collection

Primary data was collected using a questionnaire with both closed and open ended questions. The questionnaire was self administered through personal interviews with the Chiefs, Head of Departments, Senior Managers, Regional and Area managers of Safaricom. Closed ended questions were presented on a Likert type scale. The Likert type scale, commonly used in business research was applied because it allows participants to provide their perceptions and opinions both in terms of direction (positive or negative) and intensity (degree of agreement or disagreement). The ratings were on a scale of 1 (lowest or least important) to 5 (highest or most

important). Additionally secondary data related to Safaricom was also explored namely the financial results.

In order to satisfy the objectives of the study, a two section questionnaire was provided to the respondents. Section one captured the respondents' background information and section two listed the various possible generic strategy practices and the respondents asked to tick (✓) as appropriate, the extent to which they have adopted each of the strategies and part two where respondents were also asked to tick (✓) to what extent the adopted strategies have contributed to the performance of the organization along a five-point scale.

3.3 Data Collection Procedure

The questionnaire was pre-tested on a small number of respondents who were selected on a judgmental basis. The questionnaires were emailed to the managers with a letter of introduction, explaining the purpose of the study. In addition, the researcher made telephone calls to the respective respondents to further explain the purpose of the study and set a time frame for the completion of the questionnaires. The respondents were given a period of one week to complete and return the questionnaires.

3.4 Data Analysis and Presentation

The Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. The SPSS was preferred because of its ability to cover a wide range of the most common statistical and graphical data analysis. The collected data from the questionnaire and secondary sources was systematically organized in a manner to facilitate analysis. The data pertaining to profile of the

respondents and the organizations was analyzed using content analysis. Cooper and Schindler (2005) states that content analysis may be used to analyze written data from experiments, observations, surveys and secondary sources.

For purposes of the proposed study descriptive statistics were used in the analysis of the data. In order to determine the relationship between Porter's Generic Strategies and firm performance, correlation and regression analyses was undertaken. Measures of central tendency (mean scores and percentages) and measures of dispersion (range, variance and standard deviation) were computed as appropriate. In addition, graphs were also used. The information was presented and discussed as per the objectives.

CHAPTER FOUR: FINDINGS AND DISCUSSION

4.1 The competitive strategies adopted by Safaricom

In order to meet the first objective of the study, “to determine the competitive strategies adopted by Safaricom”, the respondents were provided with a listing of possible strategic practices used by organization and asked to indicate the extent to which their respective work stations used each of the listed strategic practices. The responses are summarized and presented below.

Table 4.1: Vigorous pursuit of cost reductions

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Somehow	7	22.6	22.6		
Much	12	38.7	38.7		
Very much	12	38.7	100.0		
Total	31	100.0		4.16	0.779

The findings in table 4.1 above show that vigorous pursuit of cost reductions is one of the competitive strategies used by Safaricom, as indicated by (22.6%) of the respondents indicated “somehow”, (38.7%) of the respondents indicated “much” and (38.7%) of the respondents indicated “very much”.

Table 4.2: Providing outstanding customer service

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	1	3.2	3.2		
Somehow	1	3.2	6.5		
Much	4	12.9	19.4		
Very much	25	80.6	100.0		
Total	31	100.0		4.71	0.693

The findings in table 4.2 above indicate that provision of outstanding customer service is one of the competitive strategies adopted by Safaricom, as indicated by (3.2%) of the respondents who indicated “somehow”, (12.9%) of the respondents indicated “much” and (80.6%) of the respondents indicated “very much”.

Table 4.3: Improving operational efficiency

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	1	3.2	3.2		
Somehow	3	9.7	12.9		
Much	11	35.5	48.4		
Very much	16	51.6	100.0		
Total	31	100.0		4.35	0.798

Findings in table 4.3 above show that improving operational efficiency is one of the competitive strategies adopted by Safaricom, as indicated by (9.7%) of the respondents who indicated “somehow”, (35.5%) of the respondents indicated “much” and (51.6%) of the respondents indicated “very much”.

Table 4.4: Controlling quality of products/services

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	1	3.2	3.2		
Somehow	1	3.2	6.5		
Much	14	45.2	51.6		
Very much	15	48.4	100.0		
Total	31	100.0		4.39	0.715

Findings in table 4.4 above show that controlling quality of products/services is one of the strategies adopted by Safaricom to remain competitive, as indicated by (3.2%) of the

respondents, whose response was “somehow”, (45.2%) of the respondents indicated “much” and (48.4%) of the respondents indicated “very much”.

Table 4.5: Intense supervision of frontline personnel

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Somehow	7	22.6	22.6		
Much	18	58.1	80.6		
Very much	6	19.4	100.0		
Total	31	100.0		3.97	0.657

The findings in table 4.5 above show that intense supervision of frontline personnel is one of the strategies adopted by Safaricom, as indicated by (22,6%) of the respondents who indicated “somehow”, (58.1%) of the respondents indicated “much” and (19.4%) of the respondents indicated “very much”.

Table 4.6: Developing brand or company name identification

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	2	6.5	6.5		
Somehow	2	6.5	12.9		
Much	7	22.6	35.5		
Very much	20	64.5	100.0		
Total	31	100.0		4.45	0.888

Findings in table 4.6 above show that developing brand or company name identification was adopted by Safaricom, as indicated by (6.5%) of the respondents whose response was “somehow”, (22.6%) of the respondents indicated “much” and (64.5%) of the respondents indicated “very much”.

Table 4.7: Targeting a specific market niche or segment

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	3	9.7	9.7		
Somehow	7	22.6	32.3		
Much	12	38.7	71.0		
Very much	9	29.0	100.0		
Total	31	100.0		3.87	0.957

Findings in table 4.7 above show that Safaricom adopted the targeting of specific market niche or segment in order to remain competitive, as indicated by (22.6%) of the respondents whose response was “somehow”, (38.7%) of the respondents indicated “much”, and (29%) of the respondents indicated “very much”.

Table 4.8: Providing specialty products/services

Response	Frequency	Valid Percent	Cumulative Percent	Mean score	Standard deviation
Very little	1	3.2	3.2		
Somehow	2	6.5	9.7		
Much	15	48.4	58.1		
Very much	13	41.9	100.0		
Total	31	100.0		4.29	0.739

The findings in table 4.8 above show that provision of specialty products/services is one of the strategies adopted by Safaricom in a bid to remain competitive. The responses show that whereas (6.5%) of the respondents indicated “somehow”, (48.4%) indicated “much” and (41.9%) indicated “very much”.

4.2 Relationship of competitive strategies used by Safaricom and its performance.

In order to meet the second objective of the study, “to establish the relationship between the competitive strategies used by Safaricom and organizational performance”, the respondents were asked to indicate the extent to which each of the strategies adopted had contributed to Safaricom’s performance. The responses are summarized and presented in table 4.10 below.

Table 4.9: Relationship of competitive strategies used by Safaricom and its performance

Strategic practices used		Very much	Much	Somehow	Very little	Somewhat enough	Mean score	Standard deviation
Vigorous pursuit of cost reductions	Frequency	9	12	7	3	0	3.87	0.957
	Percentage	29.0	38.7	22.6	9.7	0.0		
Providing outstanding customer service	Frequency	13	15	2	1	0	4.29	0.739
	Percentage	41.9	48.4	6.5	3.2	0.0		
Improving operational efficiency	Frequency	6	18	7	0	0	3.97	0.657
	Percentage	19.4	58.1	22.6	0.0	0.0		
Controlling quality of products/services	Frequency	20	7	2	2	0	4.45	0.888
	Percentage	64.5	22.6	6.5	6.5	0.0		
Intense supervision of frontline personnel	Frequency	16	11	3	1	0	4.35	0.798
	Percentage	51.6	35.5	9.7	3.2	0.0		
Developing brand or company name identification	Frequency	15	14	1	1	0	4.39	0.715
	Percentage	48.4	45.2	3.2	3.2	0.0		
Targeting a specific market niche or segment	Frequency	12	12	7	0	0	4.16	0.779
	Percentage	38.7	38.7	22.6	0.0	0.0		
Providing specialty products/services	Frequency	25	4	1	1	0	4.71	0.693
	Percentage	80.6	12.9	3.2	3.2	0.0		

The findings in table 4.9 above are as presented below:

4.2.1 Vigorous pursuit of cost reductions

The findings show that vigorous pursuit of cost reductions contributed to Safaricom's performance, as indicated by (22.6%) of the respondents whose response was "somehow", (38.7%) of the respondents indicated "much", and (29%) of the respondents indicated "very much".

4.2.2 Providing outstanding customer service

The findings show that provision of outstanding customer service contributed to Safaricom's performance. The responses show that whereas (6.5%) of the respondents indicated "somehow", (48.4%) indicated "much" and (41.9%) indicated "very much".

4.2.3 Improving operational efficiency

The findings show that improving operational efficiency contributed to Safaricom's performance, as indicated by (22,6%) of the respondents who indicated "somehow", (58.1%) of the respondents indicated "much" and (19.4%) of the respondents indicated "very much".

4.2.4 Controlling quality of products/services

The findings show that controlling quality of products/services contributed to Safaricom's performance, as indicated by (6.5%) of the respondents whose response was "somehow", (22.6%) of the respondents indicated "much" and (64.5%) of the respondents indicated "very much".

4.2.5 Intense supervision of frontline personnel

The findings show that that intense supervision of frontline personnel contributed to Safaricom's performance, as indicated by (9.7%) of the respondents who indicated "somehow", (35.5%) of the respondents indicated "much" and (51.6%) of the respondents indicated "very much".

4.2.6 Developing brand or company name identification

The findings show that developing brand or company name identification contributed to Safaricom's performance, as indicated by (3.2%) of the respondents, whose response was "somehow", (45.2%) of the respondents indicated "much" and (48.4%) of the respondents indicated "very much".

4.2.7 Targeting a specific market niche or segment

The findings show that targeting of specific market niche or segment contributed to Safaricom's performance, as indicated by (22.6%) of the respondents indicated "somehow", (38.7%) of the respondents indicated "much" and (38.7%) of the respondents indicated "very much".

4.2.8 Providing specialty products/services

The findings show that provision of specialty products/services contributed to Safaricom's performance, as indicated by (3.2%) of the respondents who indicated "somehow", (12.9%) of the respondents indicated "much" and (80.6%) of the respondents indicated "very much".

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents conclusions drawn from the research findings and the recommendations for practice and for further studies.

5.2 Conclusions

Findings of the study show that the strategies adopted by Safaricom so as to cope with the competitive environment include vigorous pursuit of cost reductions and improving operational efficiency – The finding is in line with one of cost leadership strategies, cost leadership. According to Porter (1987), Anon (1998), Cross (1999), Hyatt (2001) and Davidson (2001), this strategy focuses on gaining competitive advantage by having the lowest cost in the industry. Malburg (2000) asserts that in order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy. Malburg further argued that the organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage.

Findings of the study also show that the strategies adopted by Safaricom so as to cope with the competitive environment include providing outstanding customer service; controlling quality of products/services; developing brand or company name identification; providing specialty products/services; and intense supervision of frontline personnel. This finding is in support of differentiation strategy, which is one of Porter's key business strategies. According to Porter (1996), Cross (1999) and Hlavacka *et al.* (2001), when using this strategy, a company focuses its

efforts on providing a unique product or service. Since, the product or service is unique; this strategy provides high customer loyalty. Aaker (1984) argued that product differentiation fulfills a customer need and involves tailoring the product or service to the customer, which allows organizations to charge a premium price to capture market share. Aaker further argued that a differentiation strategy is often but not always associated with a higher price because it usually makes price less critical.

Further, the findings of the study show that the strategies adopted by Safaricom so as to cope with the competitive environment include targeting a specific market niche or segment, which is in line with one of Porter's business strategies, the focus strategy. In this strategy, the focuser firm chooses a specific segment or group of segments in the industry. According to Porter (1985), a firm that does not have an overall competitive advantage optimizes its strategy in order to serve the needs of the target segments and achieve a competitive advantage in them. It means that tailoring the activities to a specific segment exclusively which is not served properly by broadly-targeted competitors.

The findings also show a significant relationship between the strategies adopted by Safaricom in Kenya and the organization's performances with respect to the following objective performance indicators: total revenue growth, total asset growth, net income growth and market share growth.

5.3 Limitations of the Study

The scope of the study could be a limiting factor in that only Safaricom participated in the study out of the four major mobile telephone service providers, namely Safaricom, Zain, Yu, and

Orange. The findings may thus not be representative of the whole population of the mobile telephone service providers. However, the sampling technique used ensured that each respondent had a non-zero chance of being selected to participate in the study.

Though the researcher was determined to undertake the study to completion within the given time frame, various constraints were encountered like issues of finance and time factor. The time allocated for data collection may not have been sufficient to enable the respondents complete the questionnaires as accurately as possible, considering that they were at the same time carrying out their daily duties and priority is of essence. The data collection tools were supposed to be administered to only the sampled respondents, however, this was practically not possible as some of them delegated this request since they were either too busy or were away on official duties.

The competitive nature of the mobile telephone service providers in Kenya also meant that some of the information sought was of confidential nature and could not be divulged for fear of giving a potential competitor an upper hand. The respondents were however re-assured that all information provided would be treated confidentially.

5.4 Recommendations

5.4.1 Recommendations for policy and practice

In view of the findings of the study, the following strategies are recommended for adoption by Safaricom in order to cope with the competition: Adoption of vigorous pursuit of cost reductions, provision of outstanding customer service, improving operational efficiency, controlling quality of products/services, intense supervision of frontline personnel, development of brand or

company name identification, targeting a specific market niche or segment, and providing specialty products/services. The more of the stated strategies the telephone service providers adopt, the more competitive they will be.

5.4.2 Recommendations for further research

The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future researches. The following areas of further research are thus suggested: Whereas the current study focused on competitive business strategies and firm performance in the mobile telephone service industry in Kenya, future studies should seek to establish whether the same strategies are applicable to other sectors of the economy. Further studies should also focus on the challenges faced in implementation of the competitive strategies and the possible mechanisms that could be employed to overcome the challenges.

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APPENDIX I: QUESTIONNAIRE

This questionnaire has been designed to collect information from Chiefs, Heads of Departments, Regional and Area Managers of Consumer Sales Department and Retail departments of Safaricom countrywide and is meant for academic purposes only. The questionnaire is divided into two sections. Please complete each section as instructed. Do not write your name or any other form of identification on the questionnaire. All the information in this questionnaire will be treated in confidence.

SECTION I: BACKGROUND INFORMATION

1. Name of the department (Optional) _____

2. For how long have you been in current position? (Tick as appropriate)
 - (a) Less than 1 year
 - (b) 1 to 5 years
 - (c) 6 to 10 years
 - (d) 10 Years and above

3. How many full time employees does the section have? (Tick as appropriate)
 - (a) Less than 25
 - (b) 26 to 50
 - (c) 51 to 75
 - (d) 76 to 100
 - (e) 101 and above

4. For how long have you worked in the organization? (Tick as appropriate)
 - (a) Less than 1 year
 - (b) Between 1 and 5 years
 - (c) Between 6 and 10 years
 - (d) Between 11 and 15 years
 - (e) 16 years and above

SECTION II: THE RELATIONSHIP OF COMPETITIVE STRATEGIES AND FIRM PERFORMANCE - SAFARICOM.

6. Competitive strategies used by Safaricom

Listed below are possible strategic practices used by organizations. With respect to your department, indicate the extent to which each of the listed strategic practice is used. (Tick as appropriate)

Strategic practices used	Response				
	Very much (5)	Much (4)	Somehow (3)	Very little (2)	Somewhat enough (1)
Vigorous pursuit of cost reductions					
Providing outstanding customer service					
Improving operational efficiency					
Controlling quality of products/services					
Intense supervision of frontline personnel					
Developing brand or company name identification					
Targeting a specific market niche or segment					
Providing specialty products/services					
Others (Specify)					

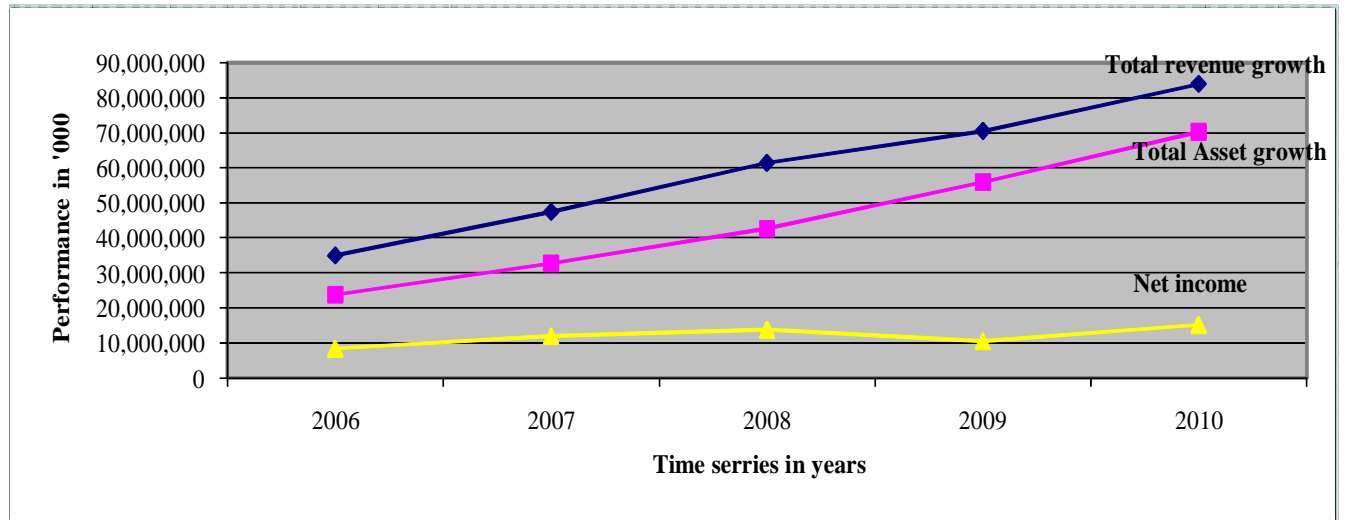
7. Relationship of competitive strategies used by Safaricom and its performance.

From the listed below strategic practices used by organizations, indicate the extent to which each of the practice has contributed to Safaricom’s performnace. (Tick as appropriate)

Strategic practices used	Response				
	Very much (5)	Much (4)	Somehow (3)	Very little (2)	Somewhat enough (1)
Vigorous pursuit of cost reductions					
Providing outstanding customer service					
Improving operational efficiency					
Controlling quality of products/services					
Intense supervision of frontline personnel					
Developing brand or company name identification					
Targeting a specific market niche or segment					
Providing specialty products/services					
Others (Specify)					

APPENDIX II: PERFORMANCE OF SAFARICOM OVER THE LAST 5 YEARS

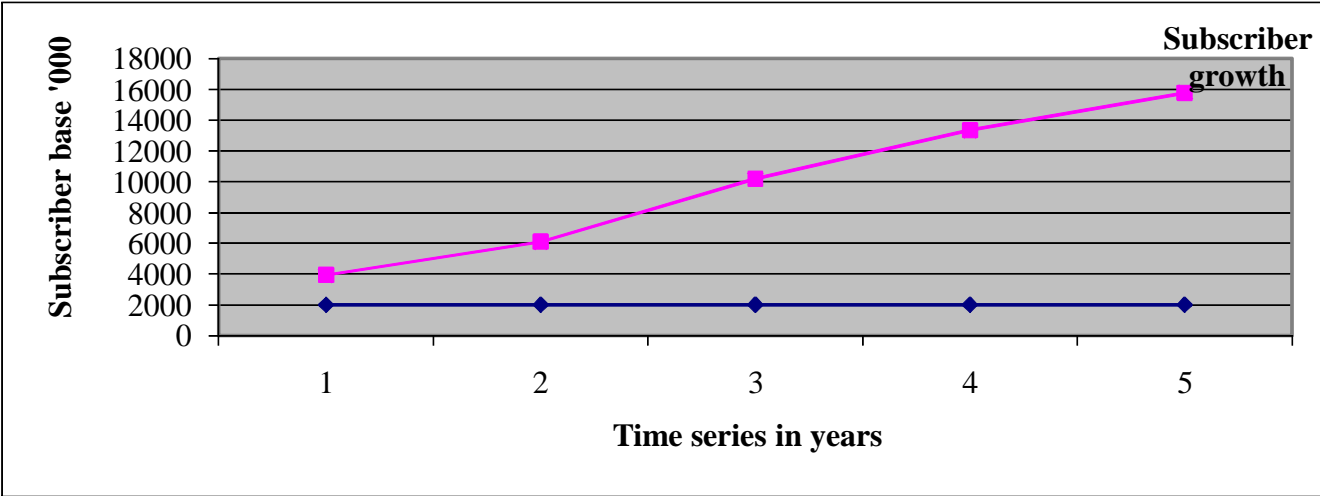
Performance/Year	2006	2007	2008	2009	2010
Total revenue growth	34,970,000	47,440,000	61,360,000	70,480,000	83,900,000
Total Asset growth	23,770,000	32,790,000	42,640,000	55,900,000	70,300,000
Net income	8,430,000	12,010,000	13,850,000	10,540,000	15,150,000



Performance of Safaricom over the last 5 years (Total revenue growth, total assets growth and Net income – ‘000)

Source: Safaricom Ltd, 2010

Performance/Year	2006	2007	2008	2009	2010
Subscriber growth	3,940	6,100	10,200	13,360	15,790



Safaricom Subscriber growth ('000) over the last 5 years

Source: Safaricom Ltd, 2010