MOBILE TERMINATION RATES REGULATION AND COMPETITIVE STRATEGIES OF THE TELECOMMUNICATION COMPANIES IN KENYA

BY

MUTWIRI ANNE NKIROTE

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:………………………………….. Date:…………………………………

MUTWIRI ANNE NKIROTE

D61/63422/2011

SUPERVISOR'S DECLARATION

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

Signature……………………………….….Date………………………………….

Dr Zachary Bolo Awino, PhD.
Senior Lecturer,

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

I dedicate this project to my loving husband Dennis Kimathi, family and friends. Your support, love, patience, encouragement, sacrifice and prayers have transformed my dreams to the success of this degree. May God keep and bless you abundantly

ACKNOWLEDGEMENTS

First, my sincere gratitude goes to Our Almighty Father who by His grace I was able to do and complete this study. This far the lord has brought me, it has been a challenging project and I thank God for his mercies. In addition, I would also like to thank the individuals who have contributed to the successful completion of this project.

Second, for the development and production of this work I feel a deep sense of gratitude to my supervisor Dr. Zack B Awino for his patience, support knowledge, encouragement and demanding journey. I would wish to extend my gratitude to my employer and my colleagues at work for their unwavering support and encouragement.

My further appreciation also goes to all my family and friends for their support throughout this demanding journey. I would wish to extend my gratitude to my employer and my colleagues at work for their unwavering support and encouragement.

I would also like to appreciate the respondents at the four mobile phone service providers for making time to give feedback on the questions which went a long way in ensuring that the project was insightful on completion.

TABLE OF CONTENTS

LIST OF TABLES

ABSTRACT

The prices that mobile telephone operators charge other network operators to terminate calls on their network have become a highly contentious issue among regulators worldwide. The objective of this study was to investigate effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya. This study used cross-sectional research design and was quantitative. The target population of the study was the telecommunication industry in Kenya. Since the population of the study was small, the study included all the target population into the study hence a census study. The main instrument for data collection was structured questionnaires that allowed for uniformity of responses to questions. Descriptive statistics including frequencies and percentages, mean and standard deviation were used for comparison. Most of the respondents disagreed that Government regulation of termination rates increased their market share. Further, the respondents agreed that Government regulation of termination rates increased our competitiveness. The respondents strongly agreed Government regulation of termination rates increased enabled them to restructure their tariffs. The respondents further disagreed that Government regulation of termination rates increased the level of customer satisfaction with their services. Most of the respondents' agreed that Government regulation of termination rates increased the level of customer satisfaction with their services. The study concludes that Government regulation of termination rates do not increased the organizations competitiveness, financial performance, and do not enabled the companies to attract more customers to their networks. It further concludes that Government regulation of termination rates do not increased organizations market share and operating expenses. This study therefore recommends that the governments should impose regulations that enhance the performance of the businesses while ensuring that their operational cost does not increase and that organizations ought to rethink their position on the Kenyan market, came up with innovative ways to improve the strength of their network, develop and diversify their products and develop scenario plans to deal with the sudden changes.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Competitive strategy as defined by Porters (1980) is the search by firms to exclusively find favorable business competitive position in an industry. Porter emphasis upon innovation and upgrading as central to the creation and sustaining competitive advantage amongst firms. Competitive strategy is a quest for superior performance through establishing competitive advantage over rival firms. Rothschild (1984) defined competition as successfully providing superior value of products to customers. The competitive strategy may be explicit or implicit. The strategy may have been developed explicitly through a planning process, or it may have evolved implicitly through the activities of the various functional departments of the firm. The emphasis on strategic planning today in firms is the explicit process of formulating competitive strategy to ensure that the policies of functional departments are coordinated and pointed at some common set of objectives or goals. Eventually, this will enable the firm achieve its overall vision and mission set by the top management.

This study was grounded on two theories that include: Systems theory that provides managers with metaphors, terminology and explanations about how organizations function and the competitiveness theories. The specific environments in which organizations operate are very competitive throughout the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates. First, firms within an industry or strategic group may be heterogeneous with respect to the strategic resources they control. Second, since these resources may not be perfectly mobile across firms, heterogeneity can be long lasting. In the resource based models, competitive advantage is said to reside in the inherent heterogeneity of immobile strategic resources which businesses control.

Commerce commission of New Zealand (2005) described Mobile termination rates as the fees mobile phone companies charge other carriers to terminate calls on their network. The prices that mobile telephone operators charge other network operators to terminate calls on their network have become a highly contentious issue among regulators worldwide (Sikiti, 2011). There is not a standard method of mobile termination charges among countries, with some only regulating those for fixed-to-mobile calls, and others requiring mobile networks to apply a single regulated termination charge regardless of where the call originates. Mobile termination form a significant input cost in providing the retail service of fixed to mobile and mobile to mobile telephone services (Crandall and Sidak, 2004).

In Kenya the regulation of mobile termination rates by the Communications Commission of Kenya (CCK) commenced in 2007 and reviewed in 2010 when the Commission issued the determination No.2 of 2010, which now included SMS services (COFEK, 2012). CCK determination no 2, 2010." Interconnection is considered a critical tool to the proper functioning of a competitive communications market in Kenya. This is recognized in the Act, which requires network facility providers and network service provide to provide other licensees with the interconnection on request at any technically feasible location".

The mobile termination rate in Kenya has dropped significantly over the last few years, form a high of Kshs. 4.42 to Kshs, 2.21 in July 2010, to Kshs. 1.14 that it currently stands at today (COFEK, 2012). A result of this reduction retail price competition in the mobile voice intensified resulting in a reduction of prices. Moreover mobile operators intensified their efforts to grow other avenues of revenues and value added services in order to remain competitive. The reduction in termination rates has also led to increase in mobile penetration in Kenya as the service is now more affordable resulting in a larger potential customer base for the service provider.

1.1.1 Concept of Strategy

Strategy is depicted as a set of beliefs on how a firm can achieve success (woods and Joyce, 2003). Arguably strategy is the main route to attain corporate goals and objectives, leading to enhanced long-term performance. Strategy is a multi dimensional concept and various authors have defined strategy in different ways. Thompson and Strickland (2007) define strategy as the match between an organization's resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish. Quinn (1980) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. The purpose of strategy will be provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007).

Ansoff (1999) views strategy in terms of market and product choices. According to his view, strategy is the "common thread" among an organization's activities and the market. Johnson & Scholes (1998) define strategy as the direction and scope of an organization that ideally matches the results of its changing environment and in particular its markets and customers so as to meet stakeholder expectation. According to Jauch and Glueck (1984), strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

1.1.2 Competitive Strategies

Competitive strategy comprises of all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). Porter (2008) stated that the goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against industry competitive forces or can influence such forces in its favor. For a firm to develop a competitive advantage within the Industry it must analyze and understand the five forces that shape the industry competitive environment as was defined by Michael Porter. Porter (2008) identified the five forces as entry of new players, threat of substitution, bargaining power of buyers, bargaining power for suppliers and rivalry among current competitors. These analyses of the competitive forces reflect the fact that competition goes beyond the established players in an industry. Government has a hand in influencing some if not all of these forces through regulation.

Porter (2008) cited that "Government at all levels must be recognized as potentially influencing many if not all aspects of industry structure both directly and indirectly" (p28). Over the last few years changes in government regulation have played a significant role in shaping how firms develop their competitive strategies. Porter (2008) believed that government could affect the position of an industry through regulations, subsidies and various other means. He also believed that government through regulation could also influence industry growth and cost structure. Therefore, for the any competitive strategy to be successful, the firm must analyze how present and future government policy at all levels influences the industry structure.

1.1.3 Competitiveness and Mobile Termination Rates

The organizational competitiveness is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Plessis, 2007). The focus of attention in performance has been mainly on financial measures but some scholars have proposed a broader performance construct of 'business performance' to incorporate non-financial measures such as market share, customer satisfaction and new products among others. Roehm and Sternthal (2001) proposed four possible types of measurement for organizational performance name1y: outcomes (turnover, absenteeism, job satisfaction); organizational outcomes (productivity, quality, service); financial accounting outcomes (return on assets, profitability) and capital market outcomes (stock price, growth, returns).

In Kenya, the telecom industry is highly competitive and characterized by aggressive pricing and marketing strategies and rapid deployment of new technologies. Ngobia (2004) indicates that mobile telecommunications operators compete for customers principally on the basis of services offered, price, marketing skills, quality, reliability and coverage area. As market saturation approaches, the focus of competition will likely shift from customer acquisition and customer retention to innovations in products and services offered. Competition among the operators, unification of the licenses and the application of new technologies in mobile market segment has witnessed diversification of services by the operators, reduced tariff rates and increased affordability of communication services by a large population. Understanding sources of competitive advantage has become a major area of research in the field of strategic management. Not only must managers be aware of environmental forces and changes, they must also manage the organization resources to take advantage of opportunities and counter threats (Thompson, 1997).

The almost oligopolistic state of the telecommunications market has encouraged stiff competition among the companies as evidenced in the different strategies being employed to increase the number of subscriber's e.g. aggressive marketing and subsides to customers like discounted airtime, fairly priced hand sets and lines among others has seen the subscriber base increase tremendously (Ng'ang'a, 2007). Therefore, it's evident that major factors of competition in this industry have revolved around building subscriber base as opposed to retention of quality client as argued by Ngobia (2004).

The increase in mobile penetration can be attributed to increase in the number of mobile operators, increased mobile coverage and availability of low denomination calling cards. Industry rivalry is manifested by changing prices, improved product differentiation and innovation and creative use of distribution channels. In the modern world of globalization, Safaricom limited has been able to keep pace with the global mobile telecommunications market by having strategic business associations, which help in meeting the dynamic challenges of the modern mobile telecommunications in the world (Kenya Telecommunications Report, 2010). Its strategic association with the world leaders in mobile telephony has created a niche in the Kenyan market (Safaricom Report, 2010). As a consequence, the ever changing market, the telecommunication companies in Kenya have opted to engage in innovative strategies in order to enhance their competitiveness.

In Kenya, termination rates were reduced towards the cost of an efficient operator, and retail price data have been tracked for the period of regulatory intervention. The reduction in mobile termination rates in August 2010 led to an immediate reduction of retail prices, allowing smaller operators to compete with dominant operators (Stork, 2011). As a result of this reduction in termination rates, new entrants that need to gain market share are more likely to pass through termination rate savings to their subscribers, in particular since this brings their off-net prices closer to the on-net prices of dominant operators thereby sparking competition for market share (Stork, 2011). As of 1st July 2012, the termination rate was at Kshs. 1.15 and is poised that by 1st July 2013, the termination rates would reduce further to Ksh. 0.99.

1.1.4 Government of Kenya Telecommunication Regulations

Until 1999, when the government launched the telecommunications sector reform government involvement in the telecommunications sector was purely characterized as a monopoly through the Kenya Posts and Telecommunications Corporation (KPTC). These reforms introduced competition within the market segment and disbanding of the KPTC (Institute of Economic Affairs, IEA, 2002). The need for reform and liberalization was driven by external pressures, such forces included the structural adjustment program (SAP) instituted by the World Bank and the International Monetary Fund. This required the government adoption of a policy framework paper titled "Economic Reforms 1996-1998 (Njiraini, 2007).

The CCK is the regulatory authority of the communications sector in Kenya. CCK's initial mandate through the Kenya communications act of 1998(KCA, 1998) was the regulation for the telecommunications, postal services and the management of the country's radiofrequency spectrum. However, due to rapid changes and developments in the communications sector the traditional distinctions between the telecommunications, Information Technology and broadcasting areas has become increasingly blurred. The government in January 2009 enacted the Kenya Communications (Amendment) Act, 2009. This enhanced the regulatory scope of CCK transforming it into a converged regulator (CCK, 2012).

The regulation of mobile interconnection rates for mobile and fixed voice services commenced in 2007 through Interconnection Determination No.1 dated 22nd February 2007. The period between 2007 and 2010 witnessed significant market developments in the sector that included the licensing of two new mobile operators that is, Essar Telecoms and Telkom Kenya Limited and the landing of the undersea cables. This period also recorded a significant number of new subscribers as well as an increase in data volumes. As a result, the commission undertook a detailed network Cost study in 2010 with the objective of developing a new interconnection framework that promotes competition, operational efficiency of the firms and growth of the industry.

The Communications Commission of Kenya (CCK) issued the Interconnection Determination No 1 of 2007 following a telecommunications network cost study done in 2006 by Analysys UK in accordance with the Communications Act of 1998. The determination prescribed a glide path to bring down the termination rates towards the cost of an efficient operator with the final reduction in March 2009. Cost of termination is traffic and technology sensitive and falls with increasing volume and new technologies. A second cost study was subsequently commissioned by CCK in 2010 and conducted by Analysys UK in the first half of 2010. This second cost study and sector wide consultations led to Interconnection Determination No 2 of 2010.

1.1.5 Telecommunication Industry in Kenya

In the 21st Century, the telecommunication industry has evolved to become the fastest growing, competitive and the most vibrant industry in Kenya. Since the liberalization of the telecom sector in 1999, the Kenyan mobile sector has been witnessing tremendous development on the back of increasing competition among operators and investments in telecom infrastructure and 3G services. The mobile telephone technology entered the Kenyan market in the year 2000 with the award of GSM license by the government to

Safaricom and later to Airtel; former Kencell to Celtel to Zain Kenya. Two other operators namely Orange Kenya and Essar Telecom (trading as YU) have since joined the mobile telephone market. By the end of 2010, the number of mobile subscribers in Kenya had reached almost 22.9 million representing a penetration rate of around 63 percent. This is mainly after the introduction of the Mobile phone services in the year 2000. Safaricom and Airtel (then Kencell) were the first companies to venture into this business. The last decade has seen the birth of Essar's Yu and Orange companies in this industry.

In August year 2010, Airtel Kenya trail blazed the local mobile phones tariff scene with a pioneering reduction by more than 50% of its call rates to Kshs.3 across all networks for both its prepaid and post-paid customers. The move by Airtel Kenya validated a pledge made by Bharti Airtel CEO (International) and Joint Kenyan Managing Director, promising to provide more affordable services while deepening the firm's network coverage to include the rural population and enhancing the digital experience through 3G across the continent through year 2010. As a result of this reduction in termination rates, new entrants that need to gain market share are more likely to pass through termination rate savings to their subscribers, in particular since this brings their off-net prices closer to the on-net prices of dominant operators thereby sparking competition for market share (Stork, 2011). As of 1st July 2012, the termination rate was at Kshs. 1.15 and is poised that by 1st July 2013, the termination rates would reduce further to Ksh. 0.99. The company was keen to end its early association with the more moneyed corporate class. This has consequently increased the competition among these companies which has had a positive effect on the consumer. For instance, calling costs have decreased in comparison to five years ago. In addition, the companies have had to become more innovative in order to survive and be relevant in the market. This has seen the introduction of Mobile phone money transfer, mobile phone bill payments, mobile phone banking, and many other services that have revolutionized the way we carry out business in Kenya.

1.2 Research problem

The general business environment has become more volatile, unpredictable and very competitive as the effects of globalization and internationalization of firms continue to manifest themselves. The increasing competition that companies are facing today means that rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers with the view that as the operating environment changes, a more pronounced transformation of the business landscape lies ahead (Ansoff, 1990). Therefore, strategy is vital to the adaptation of the changing business environment.

The mobile industry is among the fastest growing industries in the Kenya. According to the Communications Commission of Kenya (CCK), by the end of 2010 there were 22 million registered mobile cell phone subscribers with a projected growth rate of 9.5% per annum. The penetration rate of mobile phones in Kenya is 63%. With all these statistics it is no wonder that it has generated a lot of attention from the public and private sectors. The industry has several players who contribute to its growth. There is mobile industry the regulatory body, the Communications Commission of Kenya , the mobile service providers- Safaricom, Airtel, Orange and Yu, the Value Added Services (VAS) companies, the businesses using mobile commercial products and of course the customers. For the past decade Safaricom has been the most dominate phone service provider with an average of 80% of the market belonging to them. In the year 2011, termination rates were reduced towards the cost of an efficient operator, and retail price data have been tracked for the period of regulatory intervention. The reduction in mobile termination rates in August 2010 led to an immediate reduction of retail prices, allowing smaller operators to compete with dominant operators (Stork, 2011). Another study by Hurkens and Lopez (2012) examined the effects of mobile termination rate regulation in asymmetric oligopolies in Spain. It was established that lowering termination rates lowers profits of all networks and improves consumer and total surplus. Harbord and Steffen (2010) looked at the welfare analysis of regulating mobile termination rates in the United Kingdom with an Application to the Orange/T-Mobile Merger and found that reducing MTRs broadly increases social welfare, consumer surplus and networks' profits.

Locally, Dulo (2006) conducted a study on telecommunication regulation in Kenya using a case of generic reforms due to convergence in Information Communications Technology. The study mainly focused on how new technologies and new business models adopted by telecommunications firms presented a challenge to the regulator. A similar study by Okwachi (2009) on the effectiveness of state regulation of the insurance industry in Kenya focused on the extent to which the state had succeeded in regulating the insurance industry in Kenya. Mutungi (2010) carried out a study on the influence that telecommunication industry liberalization had on Safaricom. A study by Matara (2011) on competition aspects in regulation of the insurance industry in Kenya focused on the role that insurance regulation played in the influencing competition in the insurance industry. This study found that the insurance regulation in Kenya was weak and could therefore not influence competition. The study therefore, sought to fill the knowledge gap in understanding how government regulation of mobile termination rates has influenced the competitive strategies adopted by telecommunication companies in Kenya. The study sought to answer one research question: How has mobile termination rates regulation influenced the competitive strategies adopted by telecommunication companies in Kenya?

1.3 Research objective

The objective of this study was to investigate effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya.

1.4 Value of the study

This study would important to the policy makers in the mobile communication industry as they would be able to know for certain the role of termination call rates play in shaping the operations of mobile service providers and the exhibited levels of competition on the market. The results would contribute to a better understanding on how effective the termination rates regulation are important in promoting fair play in the industry.

Further, the study would be important to telecommunication companies' managers as it would help them understand the effects of termination rates regulations on their operations and performance. The termination rates play a key role in determining the pricing of calls terminating in the competitors' network. This would help them strategize on how to price the calls from their networks terminating in the competitor's networks.

The results of this study would also be important to researchers and scholars, as it would form a basis for further research. The scholars would use this study as a basis for discussions on competitive strategies adopted by mobile phone companies in respond to regulation of termination charges in Kenya's mobile phone service industry. The study would also be a source of reference material for future researchers on other related topics; it would also other academicians who undertake the same topic in their studies.

The study would also be important in extending the theories governing open systems because there is no one organization that exists in a vacuum, all organizations are influenced and also influence the environment in which they operate. Therefore, this study would extend the theories of open system by explaining how mobile phone service providers are affected by their operating environment. Through the findings of this study, other firms would learn how to improve the competitiveness of their firms in order to ensure that outperform their competitors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.2 Theoretical Perspective

Systems theory provides managers with metaphors, terminology and explanations about how organizations function. It has dominated as a framework for managerial behavior and organizational analysis. The rational systems perspective focuses on structure as a significant tool for the efficient achievement of organizational goals. It emphasizes the role of management in deciding such structures and determining the specific goals that are to be achieved. Hence, the focus is on formal structures, the specificity of goals, and the formalization of rules and roles. Open systems reflected the belief that all organizations are unique in part because of the unique environment in which they operate and that they should be structured to accommodate unique problems and opportunities.

Environmental influences that affect open systems can be described as either specific or general. The specific environment refers to the network of suppliers, distributors, government agencies, and competitors with which a business enterprise interacts. The general environment encompasses four influences that emanate from the geographic area in which the organization operates. The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems. The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity.

Another relevant theory for this study is the competitive theory. Early literature on the theories of trade between nations provided the basis for competitiveness theory. It alluded to the development of sustainable competitive advantage well before its time. Competitiveness theory evolved from the traditional trade theories, fundamentally 'The effect of the Wealth of Nations' Adam Smith in 1776 (later translated in 1937), which was revolutionary. In his book Adam Smith disputed the then existing philosophy Mercantilism view on trade which suggested that trade was a zero sum game in which a trade surplus of one country is offset by a trade deficit in another country. Smith in his argument viewed trade as a positive sum game in which all trading partners can benefit if countries specialized in the production of goods and services in which they had absolute advantage. This came to be known as the theory of absolute advantage.

Competitiveness theories proposed some kind of advantage as enabling a country gain more out of international trade. The same is true for the firm. If sustainable superior performance (which equals sustainable competitive advantage) is to be achieved a firm must differentiate itself. Alderson (1937) hinted at a basic tenet of sustainable competitive advantage, that a fundamental aspect of competitive advantage is the specialization of suppliers to meet the variations in buyer demand. Later Alderson (1965) recognized that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. He stated that differential advantage might be achieved through lowering prices, selective advertising appeals and/or product improvement and innovations. While these concepts lay the core foundation for firms in moving toward sustainable competitive advantage, the intense nature of competition today requires that firms be more innovative and entrepreneurial in their strategy planning than just lowering prices or improving existing products. The most important question then would be how then can companies build sustainable competitive advantage?

The term "sustainable competitive advantage" emerged when Porter (1985) discusses the basic types of competitive strategies that a firm can possess (low cost or differentiation) in order to achieve a long run sustainable competitive advantage. In his book Competitive Advantage: Creating and sustaining superior performance, Porter explains the requisite approach to business success. Sustainable competitive advantage means sustainable superior performance. He goes ahead to state that structural conditions of an industry as proposed in his 5 Forces model determine average industry performance. Relatively strong competitive position and performance of a particular firm in an industry derives from two types of competitive advantage i.e. low costs and differentiation (Porter 1980). The two approaches are not however alternatives because even when competition is based on differentiation, costs still do matter.

Porter's approach suggests that differentiation and cost leadership seek competitive advantage in a broad range of market or industry. By contrast differentiation focus and cost focus strategies are adopted in a narrow market industry. Differentiation involves selecting one or more criteria used by buyers in a market and then positioning the business uniquely to meet those criteria. The strategy involves charging a premium for the product – often to reflect higher production cost and extra value added features provided for the consumer, e.g. Priority Banking at Standard Chartered Bank (K) Limited and Premiere Banking at Barclays Bank of Kenya Limited.

For cost leadership strategy, the objective of the firm is to become the lowest cost producer in the industry. If achieved the selling price can at least equal (or nearly) the average for the market then the lowest cost producer will enjoy the best profits. A strategy usually associated with large scale business offering standard products. Cost focus strategy is for businesses that seeks a lower cost advantage in just one or a smaller number of market segments. The product will be basic-perhaps a similar product to the high priced and featured market leader – but acceptable to sufficient customers. Porter's approach however raises fundamental questions; why does the successful firm not buy the unsuccessful firm and teach it how to minimize costs? Why does the successful firm not sell its expertise in cost reducing to less successful firms? Why does the successful firm not cut its prices and drive its competitors out of business? Why does the unsuccessful firm not hire the executive in charge of cost drivers from the successful firm? (Porter, 1985).

2.3 Competitive Strategies

Porter (1996) argues that competitive strategy is "about being different." He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value." In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his earlier book, Porter defines competitive strategy as "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there." Thus, Porter seems to embrace strategy as both plan and position.

Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition. Aaker (1992) asserts that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time.

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). 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 (Hlavacka *et al*., 2001). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999).

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. Advantages of focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs.

Kombo (1997) in a study on the motor industry notes that firms had to make substantial adjustments in their strategic variables in order to survive in the competitive environment. The firms introduced new techniques in product development, differentiated their products, segmented and targeted their customers more and improved customer service. Karanja (2002) observes in a study of real estate firms in Kenya that increase in the number of players has led to increased competition. The most popular type of competitive strategy was on the basis of focused differentiation. Firms tended to target certain levels of clients especially the middle and upper class who resided in certain targeted estates.

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices.

Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantages. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions. Other competitors may imitate the technology leading to firm's loss of its competitiveness.

In a study of competitive strategies applied by telecommunication firms, Gathoga (2001) concludes that these firms had adopted various competitive strategies, which included delivery of quality service at competitive prices and at appropriate locations. The firm also engaged in product differentiation by creating differentiated products for different market segments. Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (whether real or not). This may be through superior product design, technology, customer service, dealer network or other dimensions (Mintzberg, 1988)..

The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the five forces that determine the state of competition in an industry. Price increases from powerful suppliers can be passed on to customers who are willing to pay. Buyers have only one source of supply. Brand loyalty protects from substitutes. Brand loyalty is also a barrier to new entrants. The risks to differentiation strategy include limitation due to production technology. The 'shelf life' of differentiation advantage is getting shorter and shorter. Customer tastes may also change and wipe out the competitive advantage (Gathoga, 2001).

2.4 Competitiveness and Competitive Advantage

The competitiveness of a firm depends on a core structure in which the organizations that carry out traditional functions, such as manufacturers and intermediate wholesalers and retailers, are integrated, and on the selection of outsourcing partners that share values and that are oriented to long-term close cooperation. Relational competitiveness facilitates long-term cooperation, joint planning of operations strategies, shared information and knowledge and continuous improvement to consolidate the market position that will enable firms to reduce transaction costs (Dyer and Singh, 1998).

Corbett and Van Wassenhove (1993) state that a firm's competitiveness has price, place and product dimensions. Oral and Ozkan (1986) also suggested that competitiveness is a function of the firm's mastery of the industry, its cost superiority and potential within the relevant economic environment. This implies a need for both an internal and external consideration of competitiveness. Porter defines competitive advantage as the ability of a company or industry to make products that provide more value to the customer than competing products. This leads to both greater sales and higher profits (Porter, 1985). He also introduced a generic value chain model that comprises primary activities, namely inbound logistics, operations, outbound logistics, marketing and sales and services which are supported by firm infrastructure, human resource management, technology development and procurement.

Investigations of competitive performance can be grouped in two categories. Researchers in the first category emphasize economic indicators and use statistics which reflect economic growth. They provide a number of economic indicators and rank the countries accordingly. Researchers in the second category investigate the effects of each individual factor on competitive performance, based on the determinants introduced by Porter (2002). For a firm to achieve a sustainable competitive advantage, it must be competitive.

Porter (1980) noted that competition in an industry continually works to drive down the rate of return on invested capital toward the competitive floor rate of return, or the return that would be earned by the economists "perfectly competitive" industry. Blunck (2006) identified the measures of competitiveness at the industry level to include "overall profitability of the nation's firms in the industry, the nation's trade balance in the industry, the balance of outbound and inbound foreign direct investment, and direct measures of cost and quality at the industry level. Blunck (2006) further explained that the success of the firms could be due company specific factors or nation specific factors.

Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialised expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics: it provides access to a wide variety of markets; it increases perceived customer benefits and; it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Thompson & Strickland, (2002) argue that competitive advantage enjoyed by a firm has a three stage life cycle consisting of: build up period where strategic moves are successful in producing competitive advantage; benefit period where fruits of competitive advantage are enjoyed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was be used to carry out the survey, what informed the selection of the research design, why the population was selected ,the sampling method used, the data collection instrument, how data was analyzed and data interpretation.

3.2 Research Design

This study used cross-sectional research design and was quantitative. Cross sectional survey is a type of descriptive research design involving the collection of information from any given sample of the population element once (Ngechu, 2004). Mugenda and Mugenda (2003) noted that a survey attempts to collect data from members of a population and describes phenomenon by asking individuals about their perceptions, attitudes, behaviour or values.

Cross-sectional research design was chosen because it appeals for generalization within a particular parameter. The data obtained was able to be standardized to allow easy comparison. Moreover, it explored the existing status of two or more variables at a given point in time. This design enhanced a systematic description that was accurate, valid and reliable as possible regarding effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya.

3.3 Population of the Study

Target population in statistics is the specific population about which information is desired. According to Bryman and Bell, (2003) a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated.

Mugenda and Mugenda (2003) define a target population as group of individual to which the researcher would like to generalize her results from. It comprises of all potential participants that can make up the study group. The target population of the study was the four telecommunication industry in Kenya. These included Safaricom, Airtel Network Kenya Limited, Telkom Kenya limited and Essar Telecom Kenya Limited. Because of the small number of firms, all of them were included in the study hence a census.

3.4 Sampling

According to Adèr, Mellenbergh & Hand (2008) sampling is an important aspect of data collection. Sampling is that part of statistical practice concerned with the selection of an unbiased or random subset of individual observations within a population of individuals intended to yield some knowledge about the population of concern especially for the purposes of making predictions based on statistical inference.

Kombo and Tromp (2006) define a sample as a finite part of a statistical population whose properties are studied to gain information about the whole sample. The population of this study was four telecommunication companies operating in Kenya. However, since the population of the study was small, the study included all the target population into the study hence a census study. The study targeted corporate communications managers because of their key involvement in strategy formulation and implementation. The questionnaire were administered using a drop and pick later method in order not to inconvenience the respondents owing to their busy schedule. For those who wanted to respond on soft, a soft copy of the questionnaire was send to them through their mailing addresses.

3.5 Data collection

Both primary and secondary data was used to collect data. According to Mugenda and Mugenda (1999), primary data is data the researcher collects while secondary data refers to data from other sources. Primary data is considered more reliable and up to date. The main instrument for data collection was structured questionnaires that allowed for uniformity of responses to questions. The questionnaire is a fast way of obtaining data as compared to others instruments (Mugenda & Mugenda, 1999). Questionnaires give the researcher comprehensive data on a wide range of factors. Both open-ended and closed-ended questions were used. Questionnaires allow greater uniformity in the way questions are asked, ensuring greater compatibility in the responses.

The particular officers to participate in the study were the departmental managers of the four mobile service providers in Kenya. The study targeted business development managers from each organization. These officers were selected upon because of their key role in the marketing of the products on behalf of their companies.

In total, the study targeted four respondents using a questionnaire. In developing the questionnaire two broad categories of questions were considered, namely: structured and unstructured questions. According to Field (2005), structured questions are usually accompanied by a list of all possible alternatives from which respondents select the answer that best describes their position. Questions were constructed so as to address specific objectives and provide a variety of possible responses. Unstructured questions give the respondent freedom of response which helps the researcher to gauge the feelings of the respondent.

3.6 Data analysis

The completed questionnaires were first edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The data was split down into different aspects of strategic change implementation aspects and organizational competitiveness. This offered a systematic and qualitative of the study objectives.

To help generalize the findings the collected data was grouped using percentages and measures of central tendency. Descriptive statistics including, cross-tabulation, frequencies and percentages, mean and standard deviation were used for comparison. Chi-Square technique was used to establish association challenges and change programme implementation among the selected county assemblies.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of the data on effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya. This chapter presents the findings of the study and discussions on the findings. The finding was intended on answering the study's research questions. Data collected was collated and reports were produced in form of tables and figures and qualitative analysis done in prose.

4.2 Response Rate

The study analyzed the number of respondents against those who were targeted for data collection. The findings were as shown in the Table 4.1.

Table 4.1 Response Rate

Response	Frequency	Percentage (%)
Filled in questionnaires	4	100
Total	**4**	**100**

Table 4.1 illustrates the response rate of the respondents that participated in the survey. The study targeted 4 respondents (business development managers) at the four mobile service providers in Kenya in collecting data on effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya. All the respondents completely filled in and returned the questionnaires contributing to 100% response rate. This response rate was reached due to the data collection procedure,

where the researcher personally administered questionnaires and made clarification to the respondents where necessary as waiting respondents to fill in, kept reminding the respondents to fill in the questionnaires through frequent phone call and picked the questionnaires once fully filled.

4.2.1 Number of years in operations

The study sought to establish the the number of years the company has being in operation.The findings are presented in the Table 4.2.

Table 4.2: Number of years in operations

Years in operation	Frequency	Percent
4-7 years	3	75.0
Above 10 years	1	25.0
Total	4	100.0

Table 4.2 illustrates working duration of the respondents within the telecommunication companies in Kenya. From the findings 25.0% of the respondents had worked in the telecommunication companies for over 10 years while as 75.0% had worked for a period of 4-7years as per each case. This implies that most of the respondents of this study had worked for many years thus they were conversant of the information that the study sought from the organization and the information is reliable.

4.2 Mobile Termination Rates Regulation

Under mobile termination regulation, the study reviewed the effects of mobile termination rates on competitive strategies. The findings are presented below.

4.2.1 Effects of Mobile Termination Rates Regulation on Competitive Strategies

The study sought to establish effects of mobile termination rates regulation on competitive strategies in the company To achieve this, several statements were proposed on which the respondents were required to indicate that extent with which they agreed with each. The study then computed mean and standard deviations based on the five point likert scale used. The findings were as illustrated in the Table 4.3 below:

Table 4.3 gives a summary of the respondents' level of agreement on statements relating to effects of mobile termination rates regulation on competitive strategies adopted by telecommunication firms in Kenya. Majority of the respondents disagreed that the Government regulation of termination rates increased their competitiveness as shown by a mean score of 2.2500. The researcher requested the respondent to indicate their level of agreement on the statement on whether Government regulation of termination rates enabled the companies to attract more customers to their networks. To this query, most of the respondents were neutral as shown by mean score of 2.5000. Further the respondents' disagreed that Government regulation of termination rates enabled their companies to increase their financial performance as depicted by a mean score of 2.2500.

Most of the respondents disagreed that Government regulation of termination rates increased their market share as shown by a mean score of 2.0000. Further, the respondents agreed that Government regulation of termination rates increased our competitiveness as shown by a mean score of 3.2500. The respondents strongly agreed Government regulation of termination rates increased enabled them to restructure their tariffs as indicated by a mean score of 3.7500.

Table 4.3: Mobile Termination Rates Regulation

Mobile Termination Rates Regulation	Mean	Std. Deviation
Government regulation of termination rates increased our competitiveness	2.2500	1.25831
Government regulation of termination rates enabled us attract more customers to our network	2.5000	1.00000
Government regulation of termination rates enabled us increase our financial performance	2.2500	1.25831
Government regulation of termination rates increased our market share	2.0000	.81650
Government regulation of termination rates increased our competitiveness	3.2500	.50000
Government regulation of termination rates increased enabled us to restructure our tariffs	3.7500	1.25831
Government regulation of termination rates increased the level of customer satisfaction with our services	2.2500	.50000
Government regulation of termination rates brought about high competition	3.0000	.81650
Government regulation of termination rates increased our operating expenses	2.7500	.95743
Government regulation of termination rates made us to rethink of our position on the Kenyan market	3.0000	1.41421
Government regulation of termination rates made us improve the strength of our network	3.5000	1.29099
Government regulation of termination rates made us to diversify our products in order to cope with the market	3.7500	1.25831
Government regulation of termination rates extent the range of rewards on our loyalty schemes	2.2500	.50000
Government regulation of termination rates made us develop more new products for our customers	2.2500	1.25831
Government regulation of termination rates made us develop scenario plans to deal with the sudden changes	3.2500	.95743

The respondents further disagreed that Government regulation of termination rates increased the level of customer satisfaction with their services as shown by a mean score of 2.2500. Most of the respondents' agreed that Government regulation of termination rates increased the level of customer satisfaction with their services as depicted by a mean score of 3.0000. The respondents agreed that Government regulation of termination rates increased their operating expenses as shown by a mean score of 2.7500. Further, the respondents agreed that Government regulation of termination rates made them to rethink of their position on the Kenyan market as shown by a mean score of 3.0000.

Further the respondents strongly agreed that Government regulation of termination rates made them improve the strength of their network as depicted by a mean score of 3.5000. The respondents strongly agreed that Government regulation of termination rates made their companies to diversify their products in order to cope with the market as depicted by a mean score of 3.7500. The respondents disagreed that Government regulation of termination rates extent the range of rewards on their loyalty schemes as shown by a mean score of 2.2500. The respondents also disagreed that Government regulation of termination rates made us develop more new products for our customers as depicted by mean score of 2.2500. Further, the respondents strongly agreed that Government regulation of termination rates made us develop scenario plans to deal with the sudden changes as depicted by a mean score of 3.2500. These findings show that government regulation of termination rates greatly affect the competitiveness of mobile phone service providers.

4.3 Effect of Government Regulation of Termination Rates on Performance

The study sought to establish the extent of the effect of government regulation of termination rates on performance of organization. The findings are presented in the table below.

Table 4.4: Effect of Government Regulation of Termination Rates on Performance

Extent of the Effect of Government Regulation of Termination Rates	Frequency	Percent
Great extent	2	50.0
Moderate extent	2	50.0
Total	4	100.0

The researcher was inquisitive to determine the extent to which Government regulation of termination rates affected the performance of the organizations. Table 4.4 summarizes the findings of the result. 50.0% of the respondents agreed to a great extent that Government regulation of termination rates affected the performance of their organizations while another 50.0% agreed to a moderate extent. This implied that the impact of Government regulation of termination rates on the telecomunication industry was great.

4.4 Discussion of Findings

The study established that mobile termination rates regulations affected the competitive strategies by mobile phone service providers. The respondents indicated that government regulation of termination rates increased firms' competitiveness, enabled the companies to attract more customers to their networks, enabled companies to increase their financial performance, increased their market share for companies, increased our competitiveness.

Increased the level of customer satisfaction with their services, increased the level of customer satisfaction with their services and increased their operating expenses too. These findings show that Government regulation of termination rates made the operating environment very competitive for the mobile service providers. These findings are consistent with the argument by Corbett and Van Wassenhove (1993) who states that a firm's competitiveness has price, place and product dimensions. Competitiveness is a function of the firm's mastery of the industry, its cost superiority and potential within the relevant economic environment. Government regulation of termination rates changed the business environment hence making the business environment very competitive. The study further established that government regulation of termination rates affected the performance of mobile service providers to a great extent.

The study further established that Government regulation of termination rates do not increase organizations market share, do not increased the level of customer satisfaction with their services, operating expenses. These findings are inconsistent with the argument of Hurkens and Lopez (2012) who examined the effects of mobile termination rate regulation in asymmetric oligopolies in Spain. It was established that lowering termination rates lowers profits of all networks and improves consumer and total surplus. Harbord and Steffen (2010) looked at the welfare analysis of regulating mobile termination rates in the United Kingdom with an Application to the Orange/T-Mobile Merger and found that reducing MTRs broadly increases social welfare, consumer surplus and networks' profits.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary of the data findings on effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya, the conclusions and recommendations. The chapter consists of the summary of findings, conclusions, recommendations and area for further research.

5.2 Summary

This study aimed at investigating the effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya. From the study findings majority of the respondents had worked in their organizations for over ten years.

Majority of the respondents disagreed that the Government regulation of termination rates increased their competitiveness as shown by a mean score of 2.2500. The researcher requested the respondent to indicate their level of agreement on the statement on whether Government regulation of termination rates enabled the companies to attract more customers to their networks. To this query, most of the respondents were neutral. Further the respondents' disagreed that Government regulation of termination rates enabled their companies to increase their financial performance.

Most of the respondents disagreed that Government regulation of termination rates increased their market share as shown by a mean score of 2.0000. Further, the respondents agreed that Government regulation of termination rates increased our competitiveness as shown by a mean score of 3.2500. The respondents strongly agreed Government regulation of termination rates increased enabled them to restructure their tariffs as indicated by a mean score of 3.7500. The respondents further disagreed that Government regulation of termination rates increased the level of customer satisfaction with their services as shown by a mean score of 2.2500.

Most of the respondents' agreed that Government regulation of termination rates increased the level of customer satisfaction with their services as depicted by a mean score of 3.0000. The respondents agreed that Government regulation of termination rates increased their operating expenses as shown by a mean score of 2.7500. Further, the respondents agreed that Government regulation of termination rates made them to rethink of their position on the Kenyan market as shown by a mean score of 3.0000.

Further the respondents strongly agreed that Government regulation of termination rates made them improve the strength of their network as depicted by a mean score of 3.5000. The respondents strongly agreed that Government regulation of termination rates made their companies to diversify their products in order to cope with the market as depicted by a mean score of 3.7500. The respondents disagreed that Government regulation of termination rates extent the range of rewards on their loyalty schemes as shown by a mean score of 2.2500. The respondents also disagreed that Government regulation of termination rates made us develop more new products for our customers as depicted by mean score of 2.2500.

5.3 Conclusion

The study sought to investigate the effects of mobile termination rates regulation on competitive strategies adopted by telecommunication companies in Kenya. In relation to this objective, the study concludes that Government regulation of termination rates do not increased the organizations competitiveness, financial performance, and do not enabled the companies to attract more customers to their networks and increased their financial performance.

The study further concludes that Government regulation of termination rates do not increased organizations market share, do not increased the level of customer satisfaction with their services, operating expenses, made organizations rethink of their position on the Kenyan market, made them improve the strength of their network, develop and diversify their products and develop scenario plans to deal with the sudden changes.

The study finally concludes that Government regulation of termination rates affected the performance of the organizations to a great extent. This was largely because government regulation of termination rates affected the market forces of demand and supply hence changing the market dynamics.

5.4 Recommendation

This study established that Government regulation of termination rates do not increased the operating expenses of the organizations. This study therefore recommends that the governments should impose regulations that enhance the performance of the businesses while ensuring that their operational cost does not increase.

The study further established that Government regulation of termination rates do not increased organizations market share, do not increased the level of customer satisfaction with their services, operating expenses, This study therefore recommends that organizations ought to rethink their position on the Kenyan market, came up with innovative ways to improve the strength of their network, develop and diversify their products and develop scenario plans to deal with the sudden changes.

5.5 Limitation of the Study

The study faced both time and financial limitations. First, the respondents were reluctant to provide data fearing that the information requested would be used for other purposes other than academic purposes. In order to assure them that the data requested would be used for purely academic purposes, the researcher carried with her in order to confirm that the data would be used for academic purposes only.

The duration that the study was to be conducted was limited hence exhaustive and extremely comprehensive research could not be carried on effects of mobile termination rates on competitive strategies adopted by telecommunication companies. The study, however, minimized these by administering questionnaires only to the respondents who were involved in strategy formulation and implementation which saved time as well as financial costs.

5.6 Areas for Further study

The study suggests that further research should be done on impacts of other rules and regulations imposed by government on the telecommunication sector and their impacts on the performance of the companies in that sector as well as other sectors.

The study further suggests that future research be done on the effects of termination rates on customer satisfaction. Following the regulation of termination rates, calling rates were reduced drastically. This may have affected the level of satisfaction among customers.

5.7 Implications on Policy, Theory and Practice

The telecommunication sectors should use the study to understand the effects arising from the Government regulation of termination rates on their performances. Players in the telecommunication sector should get insight from the study on benefits as well as the constrain arising from various rules and regulations imposed hence and how to deal with them.

The Government and policy makers should get insight from the study on the impacts of the regulations imposed to telecommunication companies on their competitiveness. This study should enable policy makers to make policies that enhance the competitiveness of communication sectors.

The academicians and scholars should use the study as a basis upon which further studies on mobile termination rates regulation. The findings should contribute to professional extension of existing knowledge on effects of regulations governing strategy formulation and implementation in organizations.

In theoretical foundations, this study has established that organizations are greatly affected by the environment in which they operate. The mobile phone service providers in Kenya affected by the developments in their operating environment in the form of regulations of mobile phone termination rates. Following the regulations, there was a shake up in the market as firms moved to improve their competitiveness through adjustment of calling rates. This sparked rivalry as companies sought either to maintain or grow their market share. This implies that organizations have got to be very careful with the way in which their competitors make strategies. This is largely because the strategies developed and implemented by a competitor can greatly influence an organization's development.

REFERENCES

Ansoff I., (1990), *Implementing Strategic Management*, Prentice Hall, New York

Blunck, F. (2006), What is Competitiveness? *Journal of management review*, Vol. 56 (9): 751-782

Chandler, A.D. (1962), *Strategy and Structure: Chapters in the History of the American* , Cambridge: Industrial Enterprise, MIT Press.

Cleevely, D. D. and Walsham, G, (1998). *Interim Report on Modelling the Role of Telecommunications within Regions of Kenya*. Working Paper, Department of Electrical Engineering, University of Cambridge, England.

Colin, W. (2004). *Strategic Management* Edition illustrated Publisher Palgrave Macmillan.

Crandall, R. W. and Sidak, J. G. (2005). Should Regulators Set Rates to Terminate Calls on Mobile Networks? *Yale Journal on Regulation*, 21, 32-46

Drucker P.F., (1987), *The Frontiers of Management*, Heinemann, London

Dyer, J. and Singh, H. (1998), The rational view: cooperative strategy and sources of interorganizational competitive advantage, *Academy of management review*, Vol. 23 (4): 660-679

Corbett, C. and Van wassenhove, I. (1993), Trade-Offs? What Trade-Offs? Competence and Competitiveness in Manufacturing Strategy, *California Management Review*, Summer, 107–122.

Gathoga, D. (2001), Responses by commercial banks in Kenya to increased competition, Unpublished MBA project, University of Nairobi.

Godard, P. (1994) Africa and Science: *The Availability of Computer Communications, Telecommunications and Development in Africa*, eds. B.A. Kiplagat and M.C.M. Werner. Amsterdam: IOS Press.

Grant, R. (1995), *Contemporary Strategy Analysis*, Blackwell, Cambridge, MA.,

Harbord, D. and Steffen, H. (2010): Welfare Analysis of Regulating Mobile Termination Rates in the UK (with an Application to the Orange/T-Mobile Merger). *Economic Journal,* vol. 119: 270-307.

Hurkens, S. and Lopez A. L. (2012). The Welfare Effects of Mobile Termination Rate Regulation in Asymmetric Oligopolies: The Case of Spain. *Journal of Telecommunications*, Policy, 36: 369-381

International Telecommunications Union, African Telecommunications Indicators. Geneva: International Telecommunications Union, June 1993.

Johnson and Scholes (2003) Title Exploring Corporate Strategy Edition 6, Illustrated Publisher Pearson Education, Limited, 2003.

Johnson, G, and Scholes, K (2003), *Exploring Corporate Strategy* – Text and Cases, Prentice-Hall, Hemel Hempstead,

Karanja, P. (2002), Competitive Strategies of Real Estate Firms: The Perspective of Porter's Generic Model, Unpublished MBA research project, University of Nairobi, Nairobi, Kenya

Kenya Post and Telecommunications Corporation. Annual Reports and Accounts. Nairobi, Kenya, 1990.

Mintzberg, A. (1988), *Strategic Management*, New York: McGraw Hill

Mintzberg, H. (1991). Learning 1, planning: reply to Igor Ansoff'", *Strategic Management Journal,* Vol. 12 pp.463-6.

Mintzberg, H. (1994). *The rise and fall of strategic planning*. New York: Macmillan, Inc.

Mulugua, R. (1994). *Financing the Development of Rural Telecommunicaitons*: The Kenyan Experience," Telecommunications and Development in Africa, eds. B.A. Kiplagat and M.C.M. Werner. Amsterdam: IOS Press.

Okundi, P. O. and Evans, (B.G. 1975). *"Afrosat: Proposals for an African Domestic Satellite Communications System."* Paper presented at the International Conference on Satellite Communications Systems Technology. London, April 1975.

Okundi, P. O., Arthur W. O. and James K. Kibombo. (1983). *"Rural Telecommunications Development in East Africa*." Proceedings of the International Telecommunications Exposition INTELCOM 77, Vol. 1.

Oral, M. and A. O. Ozkan, (1986), An Empirical Study on Measuring Industrial Competitiveness, *Journal of the Operational Research Society,* Vol.37, No.4, pp.345-356.

Dedham, Massachusetts: Horizon House Internatio nal, 1977.Robert J., Jeremy J. Warford and Bjorn Wellenius. Telecommunications and Economic Development. Baltimore, Maryland: The Johns Hopkins University Press.

Pearce A. J. (2007) *Strategic Management: Formulation, Implantation and Control*, 10th Edition, McGraw hill, International Ed, London.

Pearce, J. A. and Robinson, R.B. (2001) *Strategic Management: Strategy Formulation and Implementation.* Third Edition, Richard D. Irwin Inc

Pearce, R. (2000), *Relocation and developmental progress*, University of Bath, Bath, unpublished paper,

Porter, M. (2008) *Competitive Advantage Creating And Sustaining Superior Performance,* New York: Free Press.

Prahalad C.K., Hamel G., (1990), Core Competency Concept, *Harvard Business Review*, May –June 1990, p. 64,

Rainer, F. and Kazem C. (1994) *Defining competitiveness a holistic approach, Management Decision,* Vol. 32 No. 2, 1994, pp. 49-58,.

Sikiti, W. M (2011). The impact of lowering mobile termination rates in South Africa. Unpublished MBA Thesis, North-West University

Telecommunications Union, Yearbook of Common Carrier Telecommunication Statistics. 21st edition. Geneva: International Telecommunications Union, 1994.

Thompson A. and Strickland A.J., (2007). *Crafting and Executing Strategy: Text and Readings.* 15th edition, New York: McGraw Hill Companies

Troy, M. (2002). *Below The Surface Lies A Discount Core*, DSN Retailing Today, Vol. 41 No.7, pp.57.

Tyler, Michael and Charles Jonscher. (1982) *The Impact of Telecommunications on the Performance of a Sample of Business Enterprises in Kenya*." Case Study No. 18, ITU-OECD Project "Telecommunications for Development." Geneva: International T elecommunication Union, January.

Wellenius, Bjorn, Peter A. Stern, Timothy E. Nulty and Richard D. Stern, *Restructuring and Managing the Telecommunications Sector:* A World Bank Symposium. Washington, DC: The World Bank, 1989.

APPENDICES

Appendix 1: Questionnaire

SECTION A: GENERAL INFORMATION

1. Name of the Organization: ____

2. Number of years in operations

Below 3 years [ ] 4-7 years [ ] 8-10 years [ ]

Above 10 years [ ]

SECTION B: EFFECTS OF MOBILE TERMINATION RATES REGULATION

Below is some of the effects of mobile termination rates regulation on competitive strategies adopted by telecommunication firms in Kenya. Please indicate your level of agreement with each as regards your company (use the scale 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree)

Statement	1	2	3	4	5
3. Government regulation of termination rates increased our competitiveness					
4. Government regulation of termination rates enabled us attract more customers to our network					
5. Government regulation of termination rates enabled us increase our financial performance					
6. Government regulation of termination rates increased our market share					
7. Government regulation of termination rates increased our competitiveness					
8. Government regulation of termination rates increased enabled us to restructure our tariffs					
9. Government regulation of termination rates increased the level of customer satisfaction with our services					
10. Government regulation of termination rates brought					

about high competition					
11. Government regulation of termination rates increased our operating expenses					
12. Government regulation of termination rates made us to rethink of our position on the Kenyan market					
13. Government regulation of termination rates made us improve the strength of our network					
14. Government regulation of termination rates made us to diversify our products in order to cope with the market					
15. Government regulation of termination rates extent the range of rewards on our loyalty schemes					
16. Government regulation of termination rates made us develop more new products for our customers					
17. Government regulation of termination rates made us develop scenario plans to deal with the sudden changes					

18. To what extent did Government regulation of termination rates affect the performance of your organization?

Very great extent [ ]
Great extent [ ]
Moderate extent [ ]
Little extent [ ]
No extent [ ]

Appendix 2: List of companies

1. Safaricom Limited
2. Airtel Networks Kenya Limited
3. Essar Telecom Kenya Limited (Trading as YU Brand)
4. Telkom Kenya Limited (Trading as Orange Brand)

Source: (CCK, 2013)

Appendix 3: Letter of Data Collection from the University of Nairobi

Appendix 4: Letter Confirming Data Collection – Telkom Kenya

Appendix 5: Letter Confirming Data Collection – Essar Telecom Kenya

Appendix 6: Letter Confirming Data Collection – Safaricom Limited

Appendix 7: Letter Confirming Data Collection – Airtel Kenya Limited