COMPETITIVE STRATEGIES APPLIED BY TELKOM KENYA AND THEIR PERCEIVED EFFECTIVENESS

BY

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DECLARATION

This research project is my original work and it has not been presented for examination to any other university.

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This research project has been submitted for examination with my approval as the university supervisor

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To God almighty, thank you very much for making this possible.

DEDICATION

I dedicate this work to all my family members who instilled in me the importance of education. May this be an inspiration to you all and to generations to come to strive for even greater heights.

ABSTRACT

The success and sustainability of any organization in a competitive environment is determined by its choice of strategy. This case study was an attempt to establish the competitive strategies applied by Telkom Kenya and their perceived effectiveness. Telkom Kenya was established as a telecommunication operator under the Companies Act in April 1999. This was after KP & TC was split into three legal entities namely Telkom Kenya ltd (TKL), postal corporation of Kenya (posta) and the communications commission of Kenya (CCK), Telkom Kenya was issued with licenses in all areas that it is currently operating and that includes providing interconnection facilities to other duly licensed operators.

A case study method was used since it is a sound basis for gathering insight information from the management of the organization on the competitive strategies the organization applied and their perceived effectiveness. The data for the study was primary data collected from ten senior and middle level management of TKL of which the data collected was mainly qualitative in nature and was analysed using conceptual content analysis, as this method is most suitable for analysis of qualitative data. Interview guides were issued to the targeted population and the response rate was 100%

One of the research objectives of this study was to establish the response strategies adopted by TKL to its competitive environment and was found that diversification strategy and marketing and advertising was given much prominence with some respondents mentioning technological advancement as another tool used as a strategy by TKL. Another research objective was to establish the perceived effectiveness of the competitive strategies adopted by TKL and this was found that TKL used the strategies that were most effective as perceived by the respondents. The respondents mentioned diversification and marketing and advertising to have been the most effective although they mentioned marketing and advertising as not being fully utilized by TKL due to financial constraints as budgets allocated to it were not satisfactory.

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LIST OF ACRONYMS AND ABBREVIATIONS

TKL	:	Telkom Kenya Limited
VOIP	:	Voice Over Internet Protocol
GSM	:	Global System for Mobile
CDMA	**:**	Code Division Multiple Access
KDN	**:**	Kenya Data Network
GoK	**:**	Government of Kenya
R&D	**:**	Research and Development
KP&TC	:	Kenya Posts and Telecommunications Corporation
CCK	**:**	Communications Commission of Kenya
VSAT	:	Very Small Aperture Technology
ISDN	:	Integrated Services Digital Network
MI	**:**	Market Intelligence

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

From introduction of telecommunication services in the colonial times up to 1977, the services in Kenya were managed as part of a regional network with neighboring Tanzania and Uganda. In 1977, the East African Community under which the regional telecommunications services operated collapsed and as a result, the Government of Kenya established Kenya Posts and Telecommunications Corporation (KP&TC) to run the services.

A telecommunications policy statement was issued in 1997 that set out the government vision on telecommunications development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing a liberalised telecommunication market. In 1998/99, the government launched the telecommunications sector reform and introduced competition in certain market segments, while at the same time disbanding KP&TC(http://www.cck.go.ke). The cornerstone of the sector reform was a new telecommunication policy and telecommunication laws. The reform had three major components namely: separation of roles in sector management — policy and regulation, creation of a multiple operator environment (liberalization), reduction and eventually elimination of government operational role in the telecommunications sector (privatization).

KP&TC was consequently split into three legal entities, namely Telkom Kenya Limited TELKOM), Postal Corporation of Kenya (POSTA) and the Communications Commission. of Kenya (CCK): The Postal Corporation of Kenya (POSTA), which was established by the Postal Corporation of Kenya Act, 1998, is the public postal licensee with the specific role to ensure universal access of postal services. POSTA would have exclusivity only in stamp provision and private letter boxes but compete in all other segments.

Telkom Kenya Limited was established as a public telecommunications operator under the Companies Act. Consequently, Telkcom Kenya was issued with licenses in all areas that it is currently operating. It had universal access service requirements in its license and was obliged to provide interconnection facilities to other duly licensed operators. The Communications Commission of Kenya would be the regulatory body for the sector and was established by the Kenya Communication Act 1998. The National Communications Secretariat was also formed under the Kenya Communications Act 1998 to serve as the policy advisory arm of the Government on all matters pertaining to the info-communications sector.

1.1.2 Nature of Competitive Environment

The external competition faced by the firm and its business units affects the strategy of the firm, the value of the strategy, and thus the firm's performance. Environmental analysis is therefore not a passive exercise, but rather an active and essential input to strategy developments, helping the firm and its business units identify attractive opportunities and make decisions on where and how to compete.

The drivers of competition are for the most part external to the firm. As the global economy entered the new century, changes were taking place on multiple fronts at a very fast pace. Some of these changes made traditional business models and tools outdated, changing the rules for existing competitors and challenging the assumptions of others, both new and old. Therefore strategy development requires the firm to understand what critical variables are changing, the race at which these changes are occurring, and their likely impact on the firm.

There are obviously many different aspects of the remote environment that can have significant impact on the operation of the firm, its competitors, and its customers. A simple acronym that can assist us in over viewing these aspects is the PESTLE model, so called because it covers the political, economic, social cultural, technological, legal and environmental aspects of the overall business environmental aspects of the overall business environment as briefly explained below.

Political aspects are how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labour law, environmental law, trade restrictions, tariffs and political stability. Political aspects may also include goods and services which the government wants to provide or be provided and those that the government does not want to be provided. Economic aspects include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. For example, interest rates affect a firms cost of capital and therefore to what extent a business grows and expands. Social aspects include the cultural aspects and include health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's products and how that company operates. For example, an aging population may imply a smaller and less-willing workforce vice-versa.

Technological aspects include technological factors such as R & D activity, automation, technology incentives and the rate of technological change. They can determine barriers to entry, minimum efficient production level and influence outsourcing decisions. Environmental aspects include ecological and environmental aspects such as weather, climate, and climate change which may especially affect industries such as tourism, farming and insurance.

Furthermore, growing awareness of the potential impacts of climate change is affecting how companies operate and the products they offer, both creating new markets and diminishing or destroying existing ones. Legal aspects include discrimination law, consumer law, employment law and health and safety law. These factors can affect how a company operates, its costs and the demand for its products.

1.1.3 Telkom Kenya Ltd

Telkom Kenya was established as a telecommunications operator under the Companies Act in April 1999. This was after KP&TC was split into three legal entities namely Telkom Kenya Limited (TKL), Postal Corporation of Kenya (POSTA) and the Communications Commission of Kenya (CCK). Telkom Kenya was issued with licenses in all areas that it is currently operating. It had universal access service requirements in its license and was obliged to provide interconnection facilities to other duly licensed operators. After the split Telkom Kenya remained with 20,000 staff, Postal Corporation 5,000 and CCK 100. Telkom Kenya. was still a government entity and this was a major constraint as it restricted their borrowing. In December 2007 there was partial privatization of Telkom Kenya Ltd. France Telecom SA won an auction for a 51% stake in TKL. This led to the introduction of Orange a GSM wireless to enhance competition within the GSM technology.

Telkom Kenya offers a wide variety of services such as Telkom wireless that is wireless mobile voice. and data service, Telkom ADSL which is Telkom's Asymmetrical Digital Subscriber Line Service (ADSL) it offers broadband internet using the existing telephone infrastructure, Telkom VOIP 888 is Telkom's voice over internet protocol service which routes international calls using IP, corporate VOIP 888 offers a higher quality VOIP service to corporate consumers on post paid. Telkom Direct 000 is international voice service communication. Kenstream is Telkom's Digital Leased Line Service provides point to point connectivity. Kenstream wireless is Telkom's Digital leased line service provided on a wireless platform using broadband wireless access technology. Kensat is Telkom's Very Small Aperture Service (VSAT) which uses satellite technology to deliver service to customers. Safarisat is the satellite phone service it provides voice, fax, data and emergency services. Jambonet is the internet access gateway. Dialpius Services flexible customer controlled services are available to customers connected to digital exchanges, and Integrated Services Digital Network (ISDN). (www.telkomkenya.co.ke)

Tele density is about 0.16 fixed lines per a hundred inhabitants in the rural area and 4 fixed lines per hundred inhabitants in the urban areas. In terms of market penetration, about 4.2% of country households own a telephone line. However, this rate varies considerably: it is 0.1% in remote areas compared with 27.7% for the city of Nairobi. Most of the telephones available in urban areas belong to offices and not households. The company currently has a customer base of about 500,000 customers on both fixed and CDMA wireless with a countrywide presence and 1 million on the GSM.

1.2 Research Problem

An organization's strategy consists of the moves and approaches devised by management to produce successful organization performance. A strategy is thus a management game plan for the business (Thompson et al, 2007). The essence of formulating a competitive strategy is to relate a company to its environment (Porter, 1998). Following the current opening up of Kenyan market by the government, the country has witnessed a fundamental change in the competitive environment, causing a lot of cut throat competition that has necessitated firms to critically choose its competitive response strategies that are effective.

It has always been argued that competition improves the performance of any industry at the same time ensuring quality services to customers; however since the introduction of competition within the telecommunication sector Telkom Kenya has considerably lagged behind in performance. The competitive environment is severe and they are struggling to survive. Telkom Kenya is now facing stiff competition from Safaricom, Airtel (formerly Kencell/Celtel/Zain) and from Econet under the brand name Yu. Currently TKL has a combined 1.8 million subscriber base for its various services including a fixed-line network. 500,000 million of these are mobile subscnbers under the brand name Orange(http://www.cck.go.ke). Safaricom was originally a moribund department of Telkom Kenya, but now it holds the biggest market share of 77% which translates to 15 million subscribers (GoK, 2010). It is one of the largest companies in sub Saharan Africa. This is where Telkom Kenya should have been.

Past studies that has been carried out on similar topics include: Mutugi (2006), who studied responses of micro finance institutions in Kenya to the turbulent business environment. She found out that environmental forces affect the types of products and services developed, positioning and market strategies. Cheluget (2003) carried out a case study on the New Kenya Co-Operative Creameries Ltd on the responses of milk processing firms to turbulence in the macro environment of the dairy industry in Kenya. Omondi (2003) did a case study on Savings & Loans (Kenya) Ltd on responses of mortgage companies in Kenya to threats of new entrants. Omondi found out that Savings

& Loans responded to the competitive situation by restructuring, marketing, adopting ICT and cultural changes. Previous studies on TKL focused mainly on the practice of strategic management at TKL, i.e. strategy formulation, implementation and evaluation processes. Kandie (2001) carried out a study of the strategic responses by TKL in a competitive environment. His findings were that in 2001, TKL was faced with financial, technological, overstaffing, bureaucratic processes and procedures, attitude and culture change, pension liability, planning and strategy challenges. Kandie's approach focused mainly on the internal environment, planning & strategy for TKL. He did not examine the external forces facing the company. In addition, the competitive forces in the Kenya telecommunication industry had not really taken root, since liberalization had just been introduced. No study has yet explored strategic responses of TKL to competitive environment and their effectiveness and this has prompted the researcher to dwell on this topic.

This therefore lead to the following key research questions:-

i. What are the response strategies adopted by Telkom Kenya to its competitive environment?
ii. How effective are the competitive strategies adopted by TKL as perceived?

1.3 Research Objectives

The objectives of this study were:-

i. To determine response strategies adopted by Telkom Kenya to its competitive environment.
ii. To establish the perceived effectiveness of the competitive strategies adopted by TKL

1.4 Value of the Study

The management of Telkom Kenya will be one of the beneficiaries of this research. This is because it will be possible for the board of directors and management to identify areas of weaknesses and strength so as to improve on them. It will also help the management to formulate appropriate business strategies and policies for implementation in the telecommunication industry. Employees of TKL will also benefit because the study will enable them appreciate the effects of technological changes in the telecommunication industry. We can also say that the general public stand to benefit from this study because the researcher hopes that this study will increase their knowledge to enable them understand the vital role played by TKL services in their day to day activities and in the general economy at large. The study will also help other researchers who would want to carry out research on similar topics.

1.5 Scope of the Study

The study was carried out at TKL headquarters in Nairobi. The study aimed at assessing the competitive environment in the telecommunications industry in Kenya and its response strategies by TKL. The study did not cover other Telkom Kenya offices in the country and also other telecommunication service providers. This implies that the results of the study may not exactly reflect what is happening in all offices of Telkom Kenya and in other telecommunication service providers.

1.6 Definition of Key Terms

In the research, the researcher came out with some key terms that were prominently mentioned and requires some thorough definition as below.

1.6.1 Market Intelligence - Market intelligence (MI) is the information relevant to a company's markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics.

1.6.2 Promotion - Promotion involves disseminating information about a product, product line, brand, or company. It is one of the four key aspects of the marketing mix. (The other three elements are product marketing, pricing and place.)

1.6.3 Strategic Alliance - A Strategic Alliance is a formal relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations.

1.6.4 Technology - Technology deals with human as well as other animal species' usage and knowledge of the tools and crafts, and how it affects a species' ability to control and adapt to its natural environment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

A strategy to an organization is amongst other things, a plan of how the organization can achieve its goals and objectives Davies,(2000); Mintzberg, (1996). It is a commitment of present resources to future expectations Drucker, (1999). In every company, there are two independent and simultaneous processes through which strategy comes to be defined, intended or deliberate and emergent strategy-making processes. Intended strategy is conscious and analytical, involving assessments of market structure, competitive strengths and weaknesses, the nature of customer needs, and the drivers of market growth. Strategy in the intended strategy process typically is formulated in a project with a discrete beginning and end.

An emergent strategy is a pattern of action that develops over time in an organization in the absence of a specific mission and goals, or despite a mission and goals. It is the cumulative effect of day-to-day prioritization decisions made by middle managers, engineers, salespeople and financial staff, despite or in the absence of intentions Mintzberg, (1987). Mintzberg and Waters (1985) defined the conceot of emergent strategy as consistency in behaviour, whether or not it is intended.

Realized strategies are at the end, the result of intended and emergent strategies. Mintzberg(1985) suggests that only 10-30 percent of intended strategies is realized. Mintzberg and Waters (1985), separate various kinds of strategies on a five point scale ranging from rather deliberate to mostly emergent.

2.2 External Environment and the Organization

The external environment greatly affects forms strategies options. A strategist must continually monitor the environment and make strategic decisions that keep a firm's strengths aligned with new opportunities and threats in the external environment. Research has demonstrated that firms changing strategy in response to changes in the environment outperform those that maintain current strategies in the face of new circumstances and that firms failing to adjust in a timely fashion may enter a downward spiral from which they do not escape. Forces at work in the external environment are dynamic and include economic, political, technological and social factors Kotler and Armstrong (1990). The external factors influence an organisations device of direction and action and constitute the external environment, which can be categorized as remote, industrial and operating environment.

The changing environment brings about unpredictability in the business. Ansoff and McDonnell (1990) called this responsiveness of the firms organizational capability matched to environmental turbulence. Aosa (1998) noted that environmental turbulence brings about challenges to management. Chandler (1962), Andrews (1987), and Porter (1991) argued that organizations are environment dependent and changes in the external environment shape the opportunities and challenges facing the organisation. An understanding of the environment therefore enables a firm to define its objectives and to develop new strategies that are best suited to cope with the change. According to Porter (1991) the environment is important in providing initial insight that underpins competitive advantages, the inputs needed to act an it, an accumulated knowledge and skills overtime and the forces needed to keep progressing. Environment through its attributes affects both the forms initial conditions and its managerial choices.

Strategy may be defined as the broad program and goals to help an organization achieve success. Strategy is the match between organisation resources and skills the environmental opportunities and risks it faces, and the purposes it wishes to accomplish Schendel and Hofers (1979). The environment is changing rapidly and it is important for an organization to constantly adapt its activities to reflect the new requirements of the environment. Having a strategy therefore enables the organisation to ensure that the operational decisions fit in with its long-term interests. Without a strategy, the operational decisions could have a negative impact on the long-term interests. Without a strategy, the operational decisions could have a negative impact on the long-term objectives of the organisation Bruce and Longdone, (2000).

According to Pearce and Robinson (1997), strategy can be viewed as building defenses against competitive forces or as finding positions in the industry, where forces are weakest. Porter (1980) sees strategies as being all about competition and trying to gain competitive advantage. Strategy can also be viewed as a pattern of actions and resource allocations designed to achieve the goals of the organisation Bateman and Zeithaml (1990).

The main challenge that managers are faced with is to ensure the survival and success of organsations they manage. These organizations can only be successful if they adjust to meet the environmental challenges. The breakdown to do this causes the organisation to experience a strategic problem, which arises out of mismatches between the output of the company and the demands of the market place (Ansoff, 1990). Strategy therefore enables managers to deal with potential problems that may face their organisations (Aosa, 1998). Consequently, strategy is a tool that offers significant help for coping with turbulence confronted by organizations. Strategy requires to be taken seriously or a managerial tool, not only for the firm but also for broad-spectrum social organisations.

Johnson and Scholes (2004) noted that strategic response is concerned with impact of strategy on the external environment, internal resources and competencies and expectations and influence of stakeholders.

2.2.1 Environmental Changes and Challenges

According to Andrews (1987), the environment of a business organisation or that of any other organic entity, is the pattern of all the external condition and influences that affects its life and development. Porter (1985) argues that the global uncertainty in environmental changes increased dramatically in the 1970s, due to fluctuating raw materials prices, swings in financial and currency markets, deregulation, electronic revolution and growth of international competition. Ansoff and McDonnell (1990) argue that, the "industrial revolution" of 1820 to 1900 was extraordinary strategic turbulence period and from 1900 to 1930, the focus was placed on mass production to decrease the unit cost. Drucker (1980) argues that turbulence is irregular, non-linear, erratic, but underlying causes can be analysed, predicted and managed.

Ansoff and McDonnell (1990) further argue that during the twentieth century, environmental changes become more frequent, less predictable and more complex as the speed with which new products and services include the market increased. The changes resulted in exponential growth in products and services, new technologies, new competitors, new consumer attitudes, new dimensions of social control and increasing role of firms in society. Burns (2004) observed that over the last two decades, the magnitude, speed unpredictability and impact of change in new products, processes and services increased as local markets became global, protected or semi-protected markets and industries opened up for competition and public bureaucracies and monopolies transferred to the private sector or adopted market oriented practices.

Collins (1995) articulates that the business world is changing and will continue to do so, but does not stop the search for timeless principles. Cooper and Schindler (2003) argue that dramatic changes experienced in the last two decades have made business organisations evolve from historical economic role to responding to the social and political mandates, and explosive technology innovators in global communications. Thompson et al. (2006) observed that companies find themselves in industry situations characterized by rapid technological changes and short product cycles, new products by rivals and changing customer needs all occurring at once.

The major challenges facing organisations are to identify the opportunities and threat posed by the changing environmental conditions (Porter, 1980); and the major global changes have been the government policy introducing competition and technological evolution Mintzberg et al. (2003); Burns, (2004), Porter, (1985) . Andrews (1987) argues that the environmental influences relevant to strategic decisions are in the industry total business community, the city, state and the world, and categorized as technological, economic, physical, social and political, whereby change is fastest in technology and less rapidly in politics. Johnson and Scholes (2004) and Johnson et al (2006) argue that the broad environment is macro-environment , described by PESTEL framework, categorizing environmental influences in six main types political, economic, social, technological, environmental and legal environments.

According to Kotler (2001), a cultural feature of modern organisation is interdependence, where no one has complete autonomy; employees tied to each others by their work, technology and hierarchy, presenting a special challenge to change process and requires alignment of people. Sengge (2006) observes that the limits of growth and organizational learning often frustrate organizational changes. Drucker (2002) argues that the rapid growth puts environmental strain on business by outgrowing facilities and management capabilities, thus requiring continuous adaptation to changes.

2.2.2 Competition Changes and Challenges

According to Ansoff and MacDonnell (1990), the earlier concept of competition was to dominate or to absorb the competition, not to meet head on in the market place and that the concept of marketing was that the firm which offered standard product at lowest price was to win. Industry has been well drawn and offered growth opportunities, and the inducement to diversify only appealed to adventures firms. Kotler (2003) and Porter (19809) argue that competition includes all the actual and potential rival offerings and substitutes that a buyer might consider and competitors are all companies offering the same products and services or same class of products and services.

Porter (1980) further argues that the relevant environment is very broad, encompassing social and economic forces, but key aspect is the industry in which a firm competes, and the intensity of competition depends on the five competitive forces rivalry among the existing forms, threat of substitute products or services, threat of new entrants, bargaining power of suppliers and bargaining power of buyers, and competitors provide market signals as bluffs, warnings and earnest commitments to actions. Johnson et al. (2006) argue that hyper-competition occurs where the frequency, boldness and aggressiveness by competitors create a condition of constant disequilibrium and change.

According to Porter (1985), competition in an industry is the core of the success or failure of firms, and determines the activities that contribute to performance such as innovations, cohesive culture or good implementation. Competitive strategy is the search for a favorable competitive position that is profitable and sustainable and the choice depends on the industry attractiveness for long-term profitability and competitive position. Competitiveness is about gaining advantage over competitors by offering superior value to customers. The problem is identifying the sources of competition as alteration is usually focused on direct rivals, ignoring other factors influence competitiveness.

Kaplan and Norton (2006) argue that continual search for organizational form is driven by changes in nature of competition and economy and Kaplan (2007) argues that the world is constantly changing or business evolves, new products and distribution channels emerge, requiring changing the people and incentives, tangible resources and operating system. Porter (1985) argues that firms view competitors as a threat and attention centered on gaining share and to prevent entry. But a good competition can strengthen a firms competitive position to yield four strategic benefits, increase competitive advantage; improve industry structure, aid market development and deter entry. Thus competitors are both a curse and blessing, seeing them as a curse, runs the risk of eroding a firm's competitive advantage and the industry structure, therefore a firm should compete aggressively but not in indiscriminately.

Towett (2000) findings on perceived risks on use of mobile telephones among consumers in Nairobi are; performance, social, time loss, financial loss if phone malfunctions or stolen, psychological and physical, and adds that risk reduction strategy is mainly brand image. Odhiambo (2003) findings on study on customer satisfaction for mobile phones in Nairobi are; customer service, assurance, service responsiveness, access, security, product and service features, pricing, service credibility and service equity and fairness. His findings are that customer and managers perceive value differently in most of the service description (quality price, cost-benefit, service availability etc).

2.2.3 Technological Changes and Challenges

According to Porter (1985), technological change is a principal driver of competition, plays a major role in industry structured change and creates new industries and technologies is a greater equalizer, eroding competitive advantage of firms and propelling others to forefront and a diffused technological changes affects each of the competitive forces. Antonia and Ansoff (2004) argue that technology has been the driving force in the 20th century and promises to hold the same or greater importance in the 21st century.

Technological developments are the fastest unfolding and far-reaching in extending or contracting opportunity of an established company, these include the discoveries of service, the related products development, the process improvement and the automation and data processing Andrews, (1987), Mintzberg et al (2003). Drucker (1955) argues that technological changes can turn an organization into loose confederation of functional empires. Drucker (2002) argues that technology has become more important, because customers are changing as distribution systems in relation to technology and competition and the markets are changing faster than ever before. The explosive emergence of internet requires every business to be globally competitive even if it sells goods and services only which local or regional market as the distance barrier is eliminated for worldwide distinction.

Technological changes is a powerful determinant of entry barriers, shifts the bargaining relationship between industry and its buyers and suppliers, alters the nature and basis of rivalry among existing competitor and creates new products or product uses that substitute for others; and broadens on shrinks industry barrier

Porter (1985). In low technology organisation, focus is utilizing and expanding technology whereas in high technology organisation, technology is critical determining factor for future access and high technology turbulence requires cutting edge technology Antonia & Ansoff, (2004).

According to Porter (1985), technology strategy includes choices of technology and to seek technological leadership, whereas the tool for understanding the role of technology in competitive advantage is the value chain, as it affects cost or differentiation in primary and support and activities of a firm. But Johnson and Scholes (2004) argue that technology may be easy to acquire by competitors so is not necessarily a source of competitive advantage but its exploitation is. According to Maina (2004) findings, technology, strategy and government regulations influence the strategic responses of telecommunication organisations in Kenya.

Porter (1985) observes that to avoid obsolesce and promote innovation, a firm must be aware of technological changes that influence industry. Pearce and Robinson (2004) argue that creative technological adaptations result in new products, improvement in new products and marketing techniques and forecasting the path of technological a solution is extremely important in anticipating technological changes and improving a firms position. Harringan (1984) observed that technological innovation is major cause of accelerated evolution and increased demand uncertainty and Drucker (2002) emphasized that "information revolution" of e-commerce is totally unpredicted and unexpected development that is changing the economy, society and politics globally.

2.3 Organizational Responses to Environmental Changes

All organizations operate within an external and internal environment and changing and unpredictable environment generates diversity of ideas and innovations through responses from organizations Johnson & Scholes, (2004). The environmental school of thought is a reactive process not strictly strategic management and is the degrees of freedom organisations use to maneuver through their environments Mintzberg et al.

(2007), and success in business means rapid and intelligent adaptation to outside events Drucker (1955).
In turbulent times the enterprise has to be kept learn capable of taking strain to take up opportunity and unless changed organisation tends to be slack, and avoid unpleasantness Drucker, (1980). Change in the environment necessitates continuous monitoring of company business, lest it falters, blurs, or becomes obsolete Andrews, (1987). Kotler (2007) argues that over the past decades, companies have tried to be better competitors by undergoing many barriers such as total quality management, reengineering, right sizing, restructuring ,cultural change, and turnaround to cope with a new and more challenging market environment but many fail to succeed.

An administrator of a form handles two types of task, when coordinating, appraising and planning its activities:- strategic and tactical decisions, which require implementation by allocation or reallocation of resources in terms of funds, equipment and personnel, where plans can be formulated from below, but resource allocation must be from the top Chandler, (1962). To carry on business, corporations need real assets requiring investment or capital budgeting and financing decisions Pandey, (2003); Brealey and Myers (2004).

The management job is managing of business, managing managers, managing of work and workers, all in short and long term Drucker, (1955). The management providers too complementary activities, strategic activities requiring entrepreneurial behavior, for future potential, and operating activities requiring entrepreneurial behavior, for future potential and operating activities through incremental behavior, concerning existing potential to profit and growth Ansoff & McDonnell, (1990). Strategic management is ambiguous, uncertain, complex, organisation-wide, fundamental and of long-term, and operational management is routine, specific and of short-term Johnson & Scholes, (2004); Johnson et al, (2006). They argue that in today's dynamic world, leaders need to challenge the status quo, create visions of the future and inspire organizational members to want to achieve the visions and managers formulate detailed plans, create efficient organizational structures and oversee day-to-day operations.

Ansoff and MacDonald (1990) observed that environment serving organisations exhibit two major styles of behaviors incremental behavior, to minimize departure from historical behavior, and entrepreneurial behavior which seeks change, and the four primary types of management responsiveness are; operating responsiveness to minimize cost; competitive responsiveness to optimize profits, innovative responsiveness to develop near minimize cost; competitive responsiveness to optimize profits, innovative responsiveness to product or perceive and marketing strategies and; entrepreneurial responsiveness for long-term growth and profitability for continuity.

Drucker (1955) argues that business enterprise has two entrepreneurial functions of marketing and innovation, and Drucker (1964) argues that three tasks for entrepreneurial analysis are; the present business must be effective, its potential must be identified and realized, and it must be made into a different business for a different future. Porter (1980) argues that for organisations facing environmental changes, the key challenges are; the degree of competition; dominated economic features; drivers of change; and key success factors cooper and Schendel (1979) observed that organizations need to identify quality information and to recognize and conduct reliable research to base high-risk decisions.

Chandler (1962) argues that administrative activities are carried through four levels in complex organisations general office of the executive which allocates resources, divisional and departmental levels which deal with one special or professional function in broader scale and the field units with one function as marketing. The strategic or entrepreneurial decisions are made by the entrepreneur, whereas the actions for using resources are operational or tactical carried out by managers. Andrews (1987) argues that, strategy and corporate goals come from the senior general managers and the problems and day-to-day operations are by the subordinates, but for success and suitability, strategy process requires participation at all levels.

Strategy exists at corporate level, the overall purpose and scope of an organisation, division or business level, and departmental level to compete in particular markets Mintzberg et a (2003); Johnson and Scholes, (2004)' De Wit and Meyer, (2004); Johnson et al. (2006). De Wit and Meyer (2004) add a fourth level, the network or the alliances and partnerships. According to Kaplan and Norton (2000), five key principles for building strategy focused organisations are; translate strategy do operational terms, align organization to strategy, make strategy encourages every day job, make strategy continual process, and mobilize change through strong and effective leadership.

2.3.1 Strategic Responses

Strategy is defined as the determination of the basic long-term goals and objectives of an enterprise, and adoption of courses of action and the allocation of resources necessary for carrying out these goods, in view of future market demand and general economic conditions Chandler, (1962). Strategy is the direction and the scope of an organisation over the long-term, which achieves the advantage for organisation through its configuration of its resources within a changing environment and to fulfill stakeholders expectations.

According to Andrews (1987), corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purpose, or goals, produces the principal policies and plans for achieving those goods and defines the business the company is to pursue, the land of economic and plans for achieving those goals and defines the business the company is to pursue the kind of economic and human organisation it is on it intends to be, and the nature of the economic and non-economic contribution it intends to make to shareholders, employees customer and communities and the strategic decision is one that is effective over long period of time. Ansoff and MacDonald (1990) argue that strategic management activity is establishing objectives and goals for the organisation, and maintaining relationship with the environment to enable pursuit of objectives consistent with the capabilities and responsiveness to environmental demands.

According to Kaplan and Norton (2000), strategy as a hypothesis implies movement of an organisation from present position to desirable but uncertain position and is a set of cause and effect relationships that are explicit and testable. It further articulates balanced scorecard framework whereby the vision and strategy are central to the architecture of the framework, and requires activities that are the drivers or near-term objectives, internal processes and learning and growth perspective (lead indicators); and those that create desired outcome or long-term customer and shareholder value proposition and differentiation, financial and customer objectives (lag indicators).

Johnson and Scholes (2004) included in understanding the strategic position of an organization strategic choices of the future and turning strategy into action. According to Pearce and Robinson (2004) strategies management is a set of decisions and actions that result in formulation and implementation of plans designed to achieve the objectives. Colley et al (2002) argue that the strategic planning phase of corporate strategy formulation consists of looking towards the future, providing direction in terms of business the firm chooses to be engaged, and setting appropriate goals and objectives. Thompson et al (2005) argue that the central questions in thinking strategically about company's present circumstances and prospects are; Where are we now? How do we go there?

The design school of thought on strategy formulation proposes a sample model that views the strategy process as one of design to achieve an essential fit between external threat and opportunity and internal distinctive competence Mintzeberg, (1990). Reflecting on strategy process, there is no single school of strategy but different school depending on assumptions and perspectives and strategy can be defined as a plan, a play, a pattern, a position, and a perspective; and is the pattern or plan that integrates an organizational major goals , policies and action into a cohesive whole Mintzberg et al. (2003).

Chandler (1962) argues that formulating strategy, structure follows strategy, however may be slow in periods of rapid expansion, and unless structure follows strategy, inefficiency results. Mintzberg et al (2003) argue that the organisation structures no more follow strategy in the ever changing environment, but the two exist independently, and influence each other; and strategy is developed from three perspective deliberate formulation systematic analysis and emergent formation. Andrews (1987) argues that determination of a suitable strategy begins in identifying the opportunities and risks in the environment of a firm between the internal capacity (strengths and weaknesses) and external situation (of opportunities and threats), the SWOT analysis.

There are four generic approaches to strategy according to Whittington (2001); classical based on the rational planning methods, where profitability is the goal, evolutionary where the environment is too unpredictable and competitive, making long-term plans irrelevant. Systematic linking strategy to the cultures and powers of the social systems. The approaches differ along the outcome of strategy (profit maximization or deviations) and the process (product of deliberate calculations, or emerge by accident, muddle or inertia). The key to success is match strategy to the market and the organizational and social environments. Peters and Waterman (1982) argue in the Mckinsey 7-S framework concept, that intelligent approach to organizing encompasses and treats as independent, at least source variables; structures, strategy, people (staff) management style (leadership) systems and corporate procedures, guiding concepts and shared values (cultures).

Porter (1980) argues that the major strategies decision are vertical integration, capacity expansion, entry and divestment Harringan (1984) argues that vertical integration is the use of outsiders as well as own business units by firm to forge a vertical system for supplying goods, services and capabilities, and alternatives are mix of approaches that change over time within industry condition changer. Whittington (2001) argues that three important types of growth strategy are innovation of new products and services diversification and internationalization by foreign direct investment (FDI) and international joined ventures and alliances.

According to Collins and Montgomery (1995), the resource based view (RBV) of strategy underlying premise is that each organisation possess unique resources that give competitive environment. Porter and Kramer (2006) articulates that the most strategic corporate social responsibility occurs when a company adds social dimension to its value proposition, making social impact integral to overall strategy to benefit society and to the firm. Senge et al (2007) argues that healthy business must include healthy social and environmental systems for its success.

Effective management directs the visions and efforts of all managers towards a common good Drucker (1955). The vision and mission are clear when business starts but over a time the mission may change to take the advantage of new opportunities or to respond to new market conditions. The mission statement is shared with managers, employees, and customers to provide shared purpose, direction and opportunity for the long term John son and Scholes, (2004); Kotler (2004), Pearce & Robinson (2004), Sengge, (2006).

Sengge et al. (2007) articulates that making sense of complex issues like sustainability requires systems, thinking skills and strategic guidelines and organizational metrics must be tailored to the specific people, culture, market, technology and history of the enterprise, Kandie (2001) findings indicated that hate challenges facing Telkom Kenya were; lack of financial resources, technological changes, overstaffing and turnover, bureaucratic process and procedures, poor attitude and culture. Koskei (2003) concluded that the strategy is formulated at Telkom Kenya from the top without much involvement of the lower level staff and strategy implementation failed because of lack of support from the corporate culture and procedures and lack of linkages to strategy formulation.

Porter (1985) in the value chain concept articulates that every firm is viewed as a collection of activities performed to design, produce market and deliver and support its produce, market and deliver, and support its products and services in two categories. Primary activities: - inbound logistics, operations, outbound logistics, marketing and sales and ser vices. Support activities firm infrastructure, human resource management, technology development and procurement. Firm's infrastructure is at times viewed as "overhead," but is powerful source of competitive advantage as in a telephone operating company, where negotiating and maintaining good relation with a regulatory body can be the most important activity.

2.3.2 Operational Responses

The operational strategies are concerned with how the component parts of an organisation deliver effectively the corporate and the business level strategies in terms of resources, processes and people Johnson and Scholes, (2004) Johnson et al (2006). The operation management is concerned with explicitly the present strategic position to achieve objectives, concerting the potential into the actual profit, and matching capacity to the turbulence of the firms environment Ansoff and MacDonnell, (1990).

Innovation concerns things that are done differently whereas operations concerns things that are already being done, Drucker (1986). The middle level general managers are faced with reconciliation between short term and long-term considerations, to transform general strategic directions into operating plans and programs Andrews, (1987). Strategic planning must be augmented by a detailed operational planning system to achieve the desired results for the strategic goals and objectives through implementation Colley et al (2002) and operational effectiveness means performing similar activities better and more efficient than rivals Mintzebrg et al (2003).

Porter and Kramer (2006) articulates that incorporating corporate social responsibility into core business operations, is essential to good citizenship and adds value to the business and the society, and proposes two approaches; the value chain framework or inside out linkages and the diamond framework or outside in linkages Drucker (1955:1980) articulate that political influence requires managers to understand the needs of the politician. Drucker (1982) argues that commercial interest and preparatory know-how must be balanced with public interest when tackling systematic issues, which are larger than individual organisation. accounting to Graham and Bennett (1988) manager need to be politicians and must establish good relations with various stakeholders and contend and a number of situational factors.

The value proposition describes the unique mix of product, price, service, relationships and the image (brand) offers, determines the market segments to which the strategy is targeted and differentiation through three strategy themes of product leadership, customer intimacy and operational excellence Kaplan and Norton, (2000). A company executes its strategy well only if it aligns the strategies of its business units, support function and external partners and establishes an office of strategy management unit at the corporate level Kaplan and Norton, (2005). A management systems is a set of processes and practices to align and control an organisation, and include procedures for planning strategy and operations and best system is one based on balanced scorecard framework Kaplan and Norton, (2006).

Managerial culture emphasizes rationality and control, and a manager is a problem solver, adopts impersonal, passive attitude towards goals imbedded in organisation history and culture Zaleznik, (1992). Leadership management are complementing and both are necessary for success in on increasing complex and volatile business environment. Management is caring with complexity and good management brings degree of order and consistency, leadership by contrast in coping with change Kotler, (2001). Managers not only plan, organize, coordinate and control but are reflective thinkers, and their activities are strongly oriented to action Mintzberg (1990). A managers two specific tastes are, creating a true whole of a firm that a is longer than the firm of its parts and long-range future in all decisions and actions. A manager sets objectives, organizer, motivates and communicates measures and develop people Drucker, (1955).

For the twenty first century corporations to survive in competitive environment, requires effective learning, empowerment and commitment from everyone, communication tools as focus-groups, organizational surveys and management by looking around Argyris, (1994). Real transformation takes time and requires to be tied to a well communicated vision and without short-term wins people will resist change Kottler, (2007). Senge (2006) articulates that the fundamental differences of a learning organisation from traditional authoritarian one is the mastery of basic five disciplines, systems thinking, personnel mastery, mental model, shared vision and team learning. System thinking the "fifth discipline" as the concept that underlies the five disciplines is seeing wholes interrelationships not things and seeing patterns of change not static snapshots.

In generative learning organisation, emphasis is on continuous experimentation and feedback, examining effect of decisions and change of behavior to match rapid environmental changes and challenges. According to Kaplan and Norton (2005), no strategy can be effective unless the people are motivated to learn and trained. Bennis and O'Toole (2005) argue that the strongest force for charge is the business community, but the major challenges is to balance practice and theory to develop interpersonal skills and practical wisdom.

The forecasting of human resources requirements in an organisation is often subdivided into long-range and short-range forecasts and the latter being unavoidable by most firms Flippoi (1984). The most important role in human resources management is increased involvement in developing and implementing strategy as firms competitiveness depends on employees Dessler, (2003). Human resources managemet must be concentrated on a few major opportunities for providing significant business results Drucker, (1964). Succession plan in organisation management level is critical to its success, in a hyper competitive dynamic market (Bennet & Miles, 2006).

According to Miles and Watkins (2007), complementary leadership is common and is institutionalized and the inherent risk can not be avoided in large organisations but can be managed by four pillars of alignments a common vision, common incentives, communications and trust.

Sengge(2006) findings show that investmentl and infrastructure are the most important factors in implementation of projects in telecommunication industry in Kenya, then knowledge and skills, affordability and government policy. Organisations in the industry mostly use retirement benefit scheme and leave allowance as a basis of competitive strategy but employees are not involved in negotiations according to Odhiambo (2003), employees mobile phone industry in Kenya perceive that motivation by increases in incentive pay is linked to performance among sales and technicians and organisations use group and individual incentive.

Pandey et al (2000) the six sigma way concept to achieve and sustain success in the high risk 21st century, articulates six sigma themes as focus on customer, data and facts driven, process focus and improvement, proactive, boundary less collaboration, like for perfection and tolerance for failure. The success factors include: costs reduction, productivity improvement market share growth, customer rention, product cycle time reduction and defect reduction, culture change, product and service development.

According to Hammer (2007), business has embraced process management to achieve improvement by focusing on measuring, and redesigning customer – facing and internal processes. Hammer (2007) argues that companies develop sophisticated strategic measurement systems based on tools such as the balanced score card, key performance indicators, computerized dashboards but success is inhibited by organisation boundaries, use of own point of view, not customer boundaries use of own point of views not customer perspective, measuring only a component of what matters. Kaplan (2000) argues that, factors such as performance appraisal, incentives, and internal competition prevents employees from learning growth and innovation.

Focus of marketing concept is consumer needs, shaped by the environment and the culture, education and experiences. Three elements of strategic framework are marketing segmentation, targeting and positioning Porter (1985), Schiffman and Kanuk, 2004). Consumer research developed as an extension of marketing research to improvement managerial decision making Schiffman and Kanuk, (2004). Objective of brand strategy is to create a business that resonates with customers, avoid competitor strengths and neutralize own weaknesses ; a brand with strong, removable symbol, and a range brand with dynamic vision that creates identity across product classes. Kaplan (2000) in copyright of Maslow theory on hierarchy of needs gave five sets of goals. The basic needs are; physiological, safety, have, esteem and self actualization which change of they are met.

2.3.3 Tactical Responses

Tactical responses are the short duration adaptive, action-oriented realignment that opposing forces use to accomplish limited goals, and the strategic and tactical difference lies primarily in the scale of action or perspective of the leader. A tactic to a chief executive officer may be strategic to a marketing executive officer may be strategic to a marketing head if it determines the viability of the firm Mintzberg et al (2003). Tactical decisions are more involved in ensuring the efficient and steady use of current resources already allocated, dealing with day to day activities for smooth and efficient operations and to coordinate the functional activities to focus on current market depend Chandler, (1962). Tactical adjustments with always be needed bit but are made with the framework of the basic strategic decisions Drucker (1955). According to Johnson and Scholes (2004);and Johnson et al (2005), a big brand need to change right on occasions as during a crisis, or need to change direction vary fast to exploit a window of opportunity, but can be disruptive and in terms of scope, the issue is whether it can occur within the current paradigm current cultural assumptions, as realignment of strategy (as turnaround strategy) rather than a fundamental change which is more of transformational.

Johnson and Scholes (2004) and Johnson et al (2006) further articulates that in a tournament strategy the emphasis is on speed of change and rapid cost reduction and/or revenue generation activities. Sengge (2006) observes that symptomatic interventions and the quick fix solve the problem but only temporarily, whereas a fundamental solution response and weakening symptomatic response require long-term orientation and shared vision to avoid pressure to direct investment into short-term in adaptive learning organisation, employer react to environmental changer that, in adaptive learning organization , employer react to environmental changer with routine and standard responses resulting in short-run solutions. According to Porter (1955), recognizing and accurately reading market signals are significant for developing competitive strategy. The firms are mutually dependent, full the effect of each others mover and react. The competitive move can be offensive responses to improve position, defensive reactions which can be threatening or cooperative to deter competitor, but broke approach is to use supervision resources and capabilities, retaliatory resources and diversionary tactics, to force the outcome skewed toward the interest of the firm.

Porter (1985) further observed that a firm that continuously invest to gain competitive advantage by improving its relative cost position and differentiation will be difficult to challenge successfully, even with vigorously offensive strategy. Sengge (2006) argues that a good limited to defeating a competitor is transitory, and once the vision is achieved, it can easily turn into a defensive posture that rarely calls for creativity and innovation. According to Mintzberg et al (2003), differentiation strategies are price used as image to gain differentiation, support differentiation as selling the product at a special credit, quality to make the product better, design for offering something different.

According to Kotler (2004), tactical responsiveness can be achieved through the marketing plan, which operates at two levels; strategic marketing plan that lays out the target market and the value proposition based on market opportunities and tactical marketing plan that specifies the marketing functions to working together improves corporate performance metrics and creates value for the company and the customer. Drucker (1964) observes that economic results require managers to focus on the number of products, services, customers, markets, distribution channels, end-users that will produce the largest amount of revenue Kaplan and Norton (2000) agues that tactical details for implementing strategy objectives change whereas strategic themes may remain the same in rapidly changing environment to match with opportunities and threats.

According to Odhiambo (2003), due to dynamism in the market in Kenya today, characterized by stiff competition, deregulation and changing customer loyalty, there is need for marketers to cultivate a competitive edge for customer loyalty by enhancing customer satisfaction. The factors of customer dissatisfaction for mobile subscriber in Nairobi are poor network coverage, high pricing and the poor quality of handsets on special offers, among other factors which determine the level of satisfaction such as customer service, product/service features, service reliability, accessibility in terms of distribution, seniority, equity/fairness in terms of promotion, that should be considered while drawing up marketing strategies to realign with the process of the organisation.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology covers the research design for the study, the data collection method and the data analysis method.

3.2 Research Design

A case study method was used since it is a sound basis for gathering insight information from the management of the organization on the competitive strategies the organization is applying as a result of the changes in the competitive business environment and how effective the strategies are perceived. The case study method provides a means of identifying specific respondents who can provide the in-depth information on the challenges posed to the organization by the changes and responses to the changes.

Case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Cooper and Schindler, 2003). Case studies involve in depth, contextual analysis of situations in organizations and understanding and correctly translating the dynamics of changes critical to problem solving and the case studies provide qualitative rather than quantitative data for analysis (Sekaran, 2006).

3.3 Data Collection

The data for the study was primary data collected from the senior management and the middle level management team of Telkom Kenya through interview guides . The target number of respondents to be interviewed was ten, to comprehensively cover all areas of the business organization. These business areas included finance, corporate affairs, IT, marketing and human resource. Under each and every business area or division, two individuals were interviewed so as to add up the number of respondents to ten, i.e. two for each of the five divisions.

The interview guides contained both structured and unstructured questions designed to identify the response strategies adopted by Telkom Kenya to its competitive environment and the effectiveness of such response strategies. The researcher conducted direct, personally administered and telephone interviews and the interview guides were sent through electronic mail by use of internet followed by the direct interviews. Interview guides were administered that were filled by interviewees accompanied by direct interview method for obtaining in-depth information especially on the unstructured questions.

3.4 Data Analysis

The data collected was edited for accuracy, uniformity, consistency and completeness and arranged to enable coding and tabulation before final analysis. The data was then coded and cross tabulation done to enable the responses to be statistically analysed. Frequency tables and content analysis was used to illustrate findings under each variable.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents data analysis, interpretation and discussion of the research findings. The study adopted personal interviews to collect the data, which was recorded by way of writing with some interviewing guides sent by e-mail to some respondents. The study intended to address two objectives; to determine response strategies adopted by Telkom Kenya to its competitive empowerment, and to establish the perceived effectiveness of the competitive strategies adopted by TKL.

The collected data was analyzed and interpreted in line with these objectives using content analysis. This involves the analysis of meaning and implication emanating from respondents information coupled with documented data regarding strategy implementation. This chapter presents the findings of the study with regard to the objectives and discussion of the same under each of the two major section of the interview guide.

4.2 General information

The study achieved a 100% response rate from all the five business divisions targeted, i.e two respondents from each of the following division, finance, corporate affairs, IT, marketing and human resources as in the table below.

Table 4.1

Division	**Respondents' job title**
Finance	- Reporting accountant - Accountant
Corporate affairs	- Corporate affairs manager - Corporate affairs officer
IT	- IT manager - IT assistant
Marketing	- Marketing manager - Marketing officer
Human resource	- Human resource manager - Human resource officer.

Source: Research Data

The duration that the respondents have worked in TKL showed that 30% were between one and three years, 10% were between four and six years, 30% being between seven and nine years while 30% were above 10 years as in the table below.

Table 4.2

Age	**Respondents**	**Percentages**
1-3 years	3	30%
4-6 years	1	10%
7-9 years	3	30%
10 and above	3	30%

Source: Research Data

4.3 Competitive strategies and the perceived effectiveness

4.3.1 Major products offered by TKL to its markets.

From the study, the researcher has found out that TKL offers the following products in the market. GSM and CDMA services, landline services, internet data provision, mobile money transfers, voice over internet protocol (VOIP) and fax services. 100% of the respondents mentioned the GSM and the landline services while a good number mentioned the other products offered by TKL.

4.3.2 TKL'S major competitors in the market

From the outcome of the study, the respondents were able to mention the following as their major competitors; Safaricom, Airtel, Yu and internet services providers like KDN, Access Kenya and Zuku. Some few respondents mentioned commercial banks as their competitors in the money transfer services.

4.3.3 Level of competition faced by TKL from local and international companies.

From the outcome of the study, the researcher found out that all respondents stated that local competition is very high while competition from international companies was low or zero as per most of the respondents. Most of the respondents considered local competition to be high due to various reasons ranging from market liberalization, technological advancement to ranging competitive cost structures of different competitors. Most respondents mentioned competition from international companies to be lower since TKMs major target market is only in Kenya, which other respondents gave reasons of TKL enjoying local monopoly in providing interconnection facilities for other operators.

4.3.4 Competitive response strategies used by TKL

The study revealed that almost all the respondents mentioned both diversification strategy and marketing and advertising strategies as some of the competitive strategies used by TKL. A sized number also mentioned the use of technologies advancements and well established infrastructure as other strategies used by TKL as its competitive strategies. Few mentioned the well established asset base as another strategy for TKL

4.3.5 Reasons why TKL uses the strategies mentioned

Most respondents mentioned diversification and marketing and advertising the reasons being that they were proved to be more efficient and effective than the other strategies. The issues of market liberalization has sufficiently caused more investment on marketing and advertising while diversification okays an important part due to some competitors being well established in some product lines and also reduces products risks. The use of technological advancement was found to be another easier way of market penetration

4.3.6 Perceived effectiveness of the mentioned competitive response strategies

Most respondents perceived diversification and marketing and advertising to be effective. Some respondents though mentioned that TKL has not satisfactorily invested in marketing and advertising thus not taking full advantage of it. Diversification was perceived to have been effective especially due to the onset of market liberalization. Technological advancement was perceived not to have been optimally utilized compared to competitors.

4.3.7 Perceived challenges faced by TKL in it competitive response strategies mentioned.

On a general view point, most respondents mentioned financial challenges as a problem in strategy implementation by TKL. This was for example pointed out in its marketing and advertising strategies where its financial budgets and loss facing constraints. Another challenge widely mentioned was the employee attitude whereby change management was said to be a problem as most employees were retained from the previously fully government owned parastatal.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter addresses the research objectives outlined in chapter one. First, it sought to determine the response strategies adopted by Telkom Kenya to its competitive environment and secondly, it sought to establish the perceived effectiveness of the competitive strategies adopted by Telkom Kenya. The section also covers summary discussions, conclusion, recommendations, study limitations and suggestions for further research made by the researcher.

5.2 Summary Discussion

As a general rule for a firm to exist in a market, it has to have a reason for its existence and this is to be able to offer goods and/ or services to the market in a competitive manner. From the research, it was established that TKL offered a range of products to its market as mentioned, mobile from services (with GSM and CDMA), fixed line from services, internet data provision, mobile money transfers, voice over internet protocol (VOIP) and fax services. Mobile and fixed his services were mentioned to be their major products on offer.

The study revealed that TKL was facing stiff competitors from both established and new competitors entering into the how liberalized market. The respondents mentioned a number of competitors including Safaricom and Airtel being major competitors. Others included Yu and internet service providers like Kenya Data network (KDN), Access Kenya and the newly lounged Zuku. Few of the respondents mentioned commercial banks as their competitors in the money transfer services. The study also established that the level of local competition was very high compared to that of international competition. The reason for this was found to be ranging from market liberalization to technological advancement and also the fact that TKL only competed in the local market while enjoying local monopoly in providing interconnection facilities for other operators.

Another finding from the study was on the competitive response strategies employed by TKL. It was sound that almost all of the respondents mentioned both diversification strategy and marketing and advertising strategies as some of the competitive strategies used by TKL. A sizeable number mentioned the use of technological advancements and well established infrastructure as other strategies used by TKL to compete in the market. The reason for using these strategies include the issue of market liberalization that heralded new players with new products with technological advancements being inevitable.

On the issue of perceived effectiveness, most respondents perceived diversification and marketing and advertising to have been effective. Some respondents though had reservation on marketing and advertising and the issue of technological advancements; with reasons being that enough investment was not being made on marketing and advertising thus a lot of budget limits on it.

Respondents also stated that TKL was not fully embracing the issue of technological advancement to its advantage, compared to its competitors. The major perceived challenges faced by TKL were not fully embracing the issue of technological advancement to its advantage, compared to its competitors. The major perceived challenges faced by the TKL on its competitive response strategies resolved around financial constraint for strategy implementation and the employee attitude who were considered rigid in accepting change due to the retention of most of employees from the former government parastatal.

5.3 Conclusion

The essence of formulating a competitive strategy is to relate a company to its environment (Porter, 1998). It has always been argued that competition improves the performance of any industry at the same time ensuring quality services to customers, however, since the introduction of competition within the telecommunications sector TKL has considerably lagged behind in performance. TKL is how facing stiff competition from Safaricom, Airtel and Yu as established in the research.

One of the research objectives of this study was to establish the response strategies adopted by TKL to its competitive environment and was found that diversification strategy and marketing and advertising was given much prominence with some respondents mentioning technological advancement as another tool used as a strategy by TKL. Another research objective was to establish the perceived effectiveness of the competitive strategies adopted by TKL and this was found out that TKL used the strategies that were most effective as perceived by the respondents. The respondents mentioned diversification and marketing and advertising to have been the most effective though they mentioned marketing and advertising as not being fully utilized by TKL due to financial constraints as budgets allocated to it were not satisfactory.

5.4 Recommendations

Following the current opening up of Kenyan markets by the government, the country has witnessed a fundamental change in the competitive environment, causing a lot of cut throat competition that has necessitated firms to artificially choose its competitive responses strategies that are effective. From the research findings, the researcher recommends that TKL's management should consider the issue of change management in the organization. This is to ensure that employees are able to embrace and accept change that is always constant in a competitive environment that TKL was not used to before. TKL should also consider taking full advantage of the strategies it has over its competitors, this being the fact that it has a well established infrastructure and a monopoly of interconnection services to other operators. It should also consider giving a full budget allocation to those strategies that are proved to be most effective i.e the marketing and advertising strategy is said to be effective yet is not given full resource allocation. This can be achieved by limiting resources on strategies that are considered less effective. Considerable investment on research and development (R & D) is another factor that can never be ignored in a technology–based telecommunication industry.

5.5 Limitations of the Study

One of the noted limitations of the study was lack of seriousness in completing the questionnaire by some respondents as some questionnaires were partly completed. Another limitation of the study was lack of adequate resources so as to extend the research to focus on other TKLs offices that are situated countryside thus limited the scope to only the TKLs Nairobi headquarters. Focusing TKL only out of the many telecommunication operators in Kenya is another form of limitation.

5.6 Suggestions for further research

Since the researcher focused only on TKL and its Nairobi offices, it is suggested that further research should be conducted not only to feature TKLs upcountry officer but also to focus on other telecommunication operators in the county so as to obtain more comprehensive findings.

A further research should also be conducted on the issue of employee attitude and change management within TKL. This was an issue that was found to be wanting within the sleeping giant (TKL) and was among the major issues that made TKL lag behind its peers.

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APPENDIX I: LETTER OF INTRODUCTION TO THE RESPONDENT

University of Nairobi
School of Business
Dept. Of Business Administration
P.O. Box 30197
Nairobi

Dear Respondent,

COLLECTION OF SURVEY DATA

I am a postgraduate student at the University of Nairobi, School of business. In order to fulfill the degree requirements; I am undertaking a management research project on **"*Perceived Effectiveness of the Competitive Strategies Adopted by Telkom Kenya*".**

You have been selected to form part of this study. Therefore, I kindly request your assistance to kindly fill the accompanying questionnaire.

The information provided will be used exclusively for academic purposes and will be held in strict confidence.

Thank you

Yours faithfully

COLLINS CHELIMO	MR. ELIUD O. MUDUDA
STUDENT	SUPERVISOR

APPENDIX II: INTERVIEW GUIDE

Instructions

Please outline your answer in the spaces provided.

General Information

1. How long have you worked in TKL?

2. What is your job title in TKL?

3. Which division are you in TKL?

Competitive Strategies and Their Effectiveness

4. What are the major products offered by TKL to its markets?

5. Who do you think are your major competitors in the market?

   ____

   ____

6. How would you describe the level of competition faced by TKL from local and international companies?

   ____

   ____

7. Describe the competitive response strategies that TKL use.

   ____

   ____

8. Why do you think TKL uses the strategies you have mentioned above?

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____

9. What is your perception on the effectiveness of the above mentioned competitive response strategies?

____

____

10. What are your perceived challenges faced by TKL in its competitive response strategies you mentioned above?

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