

THE ROLE OF STRATEGIC MANAGEMENT IN IMPROVING COMPETITIVENESS OF MOBILE TELECOMMUNICATION COMPANIES IN KENYA

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ABSTRACT

The telecommunication industry in Kenya today is characterized by one dominant firm seating pretty at the top of the market, and the other two firms struggling perennially to get into the market or expand their market share. The mobile telecommunication industry in Kenya is an oligopoly, with only three firms sharing the market. The industry today is characterized by an ever changing operating environment. There is stiff competition among the major players as each seeks to establish itself in the market which is best exemplified by the current cut throat advertisement of products and services among the telecommunication companies. This coupled with other factors such as advancement in technology, change in the communication needs of the consumer; has heralded the introduction of a number of new products into the market. The objective of this study was to determine the role of strategic management in improving competitiveness of mobile

telecommunication companies in Kenya. Specifically, the study was guided by four objectives namely: effects of infrastructure, partnership, market share and how corporate social responsibility affects competition in the mobile telecommunication companies in Kenya. This survey adopted a descriptive research design approach. The population of this survey was six thousand two hundred (6200) employees currently working in different mobile telecommunication centers. The figure included all the employees (Safaricom, Airtel and Orange), working in these mobile telecommunication companies. This study utilized questionnaires as the main data collection instrument. Data collected was qualitative and it was analyzed by descriptive analysis techniques. SPSS was used to facilitate this analysis. To obtain inferential statistics, regression equation was used to test the specific research objectives.

Key words: strategic management, competitiveness, telecommunication

1.0 INTRODUCTION

Telecommunication sector has been growing rapidly around the world, service revenues reaching \$1216 billion at the end of 2004. The speed and size of growth differs in various parts of the world. Africa, Oceania and Asia have shown substantial increase over the last years compared to other parts of the world. The growth of telecommunication service revenues in less developed countries is particularly due to the increase contribution of mobile subscribers, the numbers of subscribers have been increasing since the year 2000 to report an annual growth rate of 82 percent for mobile subscribers compared with 12 percent growth for fixed line subscribers (Gough, 2005).

Mobile telephony has become the most important mode of telecommunication in developing continents, Africa being no exception. In the last ten years the ICT community has witnessed an explosive growth of mobile telephony. Mobile phones have become the first communication technology having more users in Developing Countries than in the developed ones. In particular,

looking at the mobile subscriber numbers, Africa is showing the highest growth rate worldwide. At the end of 2007 the number of mobile users in Africa had gone beyond 225 million, double the number registered just two years before and almost ten times with respect to 2000 and with respect to the number of fixed-lines (Aker & Mbiti, 2010).

In Kenyan, deregulation of the communications sector was initiated by the 1998 Kenya Communications Act (KCA). The KCA repealed the Kenya Posts and Telecommunications Act and provides the current framework for regulating the communications sector in Kenya. The Act unbundled Kenya Post and Telecommunications into five separate entities including Telkom, the fixed line operator; the Postal Corporation of Kenya (Posta); the regulator, the Communications Commission of Kenya (CCK) - now Communications Authority of Kenya; and the National Communications Secretariat (NCS). It also created an Appeals Tribunal for the purposes of arbitration in cases where disputes arise between parties under the KCA. (Waema, 2007).

For the past two decades, strategy formulation has been widely regarded as the most important component of the strategic management process – more important than strategy implementation or strategic control. However, recent research indicates that strategy implementation, rather than strategy formulation alone, is a key requirement for superior business performance (Kaplan & Norton, 2000). There is growing recognition that the most important problem in the field of strategic management is not related to strategy formulation, but rather to strategy implementation and that the high failure rate of organizational initiatives in a dynamic business environment is primarily due to poor implementation of new strategies adds (Flood, Carrol, Gorman, & Eds, 2000). Furthermore, if the formulators of strategy are not intimately involved in its implementation, then the plan may not work (Ogolla, 2013). This suggests that organizations could

be having very good strategies that could give them a niche against its competitors, but they fail at implementation.

Safaricom Ltd is the lead firm with a subscriber base of 78.3%, followed by Airtel 10.6%, while Orange and Essar Telecom (Yu) have 5.6% and 5.4% respectively (Mativu, 2012). This presents a tilted playing ground. It is against this background that this study sought to determine the role of strategic management in improving competitiveness of mobile telecommunication companies in Kenya.

2.0 LITERATURE REVIEW

2.1 Effects of infrastructure on competitiveness of mobile telecommunication companies

A modern telecommunication infrastructure is important for domestic growth and used to connect domestic market of commodities as well as credit with international commodity and financial markets, this would develop the smooth flow of foreign investment, positive value of net exports, increase the value addition in GDP of an economy, etc. With the advancement of telecommunication services, a new market mechanism, low cost structure and expanded value chain of firms is possible, on the other hand in developing countries, the average price of agricultural commodities is high in the areas where there is telephone facilities available than the areas where there is no facilities to communicate (Zahra, Azim, & Mahmood, 2011).

Global system for Mobile communication (GSM) and Code Division Multiple Access (CDMA) are two prevalent mobile communication technologies. They both divide the finite Radio Frequency spectrum among multiple users. GSM mobile systems are in 900MHz and 1800MHz band. The 900MHz band has greater transmission characteristics thereby enabling lower capex cost for

expansion of coverage area, as the number of towers and the base stations required would be lesser than in the 1800MHz band (Nasit, 2012). GSM is preferred over CDMA in the market.

Network providers become more attractive to customers when they are able to deliver a critical mass of connected customers and content providers. The critical mass, in turn, allows the network providers to exploit scale economies and develop and market viable features that make the network more valuable for these customers (Chan-Olmsted & Jamison, 2001)

HO₁ there is no significant relationship between the effects of infrastructure on competition in the mobile telecommunication companies in Kenya

2.2 Effects of Partnership on competitiveness of mobile telecommunication companies

Partnership constitutes a special thing since it influence the notion of competition between value creations in a supply chain. Competition amongst partnership will only work if they are integrated into such a chain or network. Each partner can make a contribution to the competitive advantage of the entire network. To determine a suitable partner for integration into value creating supply chain requiring a partnership-based coordination form requires different aspects to be considered. The first is the degree of specific investments. This represents the level of economics of scale of the potential partner. The greater of the economies of scale the less attractive an exclusive value creating partnership. The advantage of 'exclusive' means excessive loss of scale advantage. Second, the quality of differences between considered supplier and its competitor. If differences exist, it is a potential partner that will be able to make a significant contribution to the competitive advantage of value creation in supply chain integration. If there are no quality differences the argument in favor of exclusive integration is no longer conclusive. The third aspect is problems of revenue compensation. If the candidate of business partner supplied the value creation in supply

chain, the same as market as well, they must be willing to abandon this business otherwise the contribution of the competitive advantage supply chain will reduce. The potential business partner has an interest in assigning as much overhead cost as possible to the related product or service. If the revenue is allocated in the basis when the stability of value creating amongst partnership is decreasing, there is no potential for an objective revenue distribution (Anatan, 2014).

HO₂ there is no significant relationship between the effects of Partnership on competitiveness of mobile telecommunication companies

2.3 Effects of Market Share on competitiveness of mobile telecommunication companies

Bargaining theorists broadly define bargaining power as the capacity of a party to produce an output (e.g. a favorable price settlement) on its own terms. The focal party's bargaining power vis-à-vis an opponent increases as the opponent's costs of disagreement increases or its costs of agreement decreases. Therefore, the focal firm's bargaining power represents all kinds of effective forces behind the bargaining process that induce the opponents to agree on the party's terms. In the center of the concept of bargaining power lies the capabilities (or resources) of a bargaining party to punish or sanction others. These capabilities are in the form of the resources that can either damage others (offensive capabilities) or enable the focal party to block any damage attempted by the opponent (defensive capabilities) (Wagitu, 2011).

When market power is more or less evenly distributed, all the moves taken by a party tend to be followed by counter attacks of the same or greater magnitude by opponents. When the market power is evenly distributed among the firms, "self-enhancement biases" are likely to occur. Each party tends to overestimate its own control over its behavior and to de-emphasize the role of others' influence in the bargaining process since each one prefers to view itself as independent

and self-reliant. In other words, when market power is symmetrically distributed, each party tends to ignore the other's influence in the competitive process (Porter M. , 1991).

HO₃ there is no significant relationship between the effects of Partnership on competitiveness of mobile telecommunication companies.

2.4 Effects of Corporate Social Responsibility(CSR) on competitiveness of mobile telecommunication companies

How much a company engages in corporate social responsible activities is determined a lot by ethical stance that the organization has embraced and how this is aligned with the organization's strategy. The society forms an integral part of the organization through the contribution it gives as a source of human resources, raw materials, investors and customers (Johnson, Scholes, & Whittington, 2011). By organizations giving back to the society it has found immense reciprocation of goodwill from it that is tangible and quantifiable. For instance Coca Cola East Africa teamed up with various NGO's representatives and planted thousand trees in Kenya's Mau forest area to rehabilitate Kenya's biggest water catchment (Napuyopui Mara river area) and this has led to creation of brand loyalty by its customers who find it difficult to switch to a competitor. Organizations are free to choose which area they would prefer to make a difference in. Human beings relate a lot to what they can see and with this knowledge some of the multinationals in the food and beverage industry in Kenya have taken full advantage of this and created a competitive advantage.

HO₄ there is no significant relationship between the effects of Corporate Social Responsibility(CSR) on competitiveness of mobile telecommunication companies.

3.0 METHODOLOGY AND DATA ANALYSIS

3.1 Research Design

This survey adopted a descriptive research design approach. The major purpose of descriptive research design is to describe the state of affairs as it is, at present, according to (Mungenda & Mungenda, 2003). Descriptive survey is a process of collecting data in order to answer questions concerning the current status of the subjects in the survey. The primary use of descriptive statistics was to describe information or data through the use of numbers (create number of pictures of the information). The population of this survey was the six thousand two hundred (6200) employees currently working in different mobile telecommunication centers.

3.2 Sample and Sampling Technique

The sample size is worked out to be 361 for this study, which were distributed proportionally among the three mobile service providers; 0.48, 0.12, 0.40 Safaricom, Airtel and Orange respectively. The survey adopted a questionnaire as the only data collection tool. The questionnaires had two sections. The first part was intended to acquire the demographic profile of the respondents, while the second section contained a set of attitude statements. The purpose of the set of attitude statements was to determine the level of agreement or disagreement using a five-point Likert scale. The use of the questionnaire enhanced the collection of quantitative data. The survey required primary data which was collected using the structured questionnaire. The survey used a questionnaire primarily due to the practicability and applicability to the research problem. The questionnaire contained a mix of open-ended and closed-ended questions. Questionnaires were pretested and pilot paper was used to test the validity and reliability of data collected using the questionnaire. According to (Orodho, 2009) validity is the degree to which a test measures what it purports to be measuring. On the other hand (Mugenda & Mugenda, 2003) affirm that

validity is the degree to which result obtained from analysis of data actually represents the phenomenon under survey. To enhance the validity of the instruments a pilot survey was conducted in order to assess the clarity of the items administered so that the instruments found to be inadequate would either be modified or disregarded completely; with an aim of improving the quality of the instruments and its validity.

The study selected a pilot group of 5 individuals from the sample size of the staff working in the Mobile Telecommunication industry to test the reliability of the research instrument. The pilot survey allowed for pre-testing of the research instrument. The clarity of the instrument items to the respondents necessary so as to enhance the instrument's validity and reliability. The aim was to correct inconsistencies arising from the instruments, which ensured that they measure what is intended. The pilot data was not to be included in the actual survey.

3.4 Data Processing and Analysis

The survey generated quantitative data due to the nature of the instrument that was adopted which consisted of both semi-structured questionnaires and observation techniques. The questionnaires were coded to each set to give an easy guide to grouping the information. The collected data was processed and it involved grouping the data into classes of different departments, merging data from various smaller classifications to bigger classifications.

In this survey, the following regression equation was used to test the specific research objectives;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon:$$

Where Y = Competitiveness of mobile telecommunication companies,

X₁ = Infrastructure

X_2 = Market Share,

X_3 = Partnership,

X_4 = Corporate Social Responsibility,

B_0 = Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of determination and

ε = Error term.

The results from the survey were compared with the results in the literature review from which inferences were drawn and conclusions and recommendations made based on the results of the descriptive and inferential statistics on which the data was subjected to.

4.0 STUDY RESULTS

The study adopted a multiple linear regression model to establish the relationship between strategic management and competitive performance of telecommunication companies in Kenya resulting in the model below;

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	T	P<0.05
1	0.91	0.83	0.825	1.43		
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta		
	(Constant)	3.27	0.501		6.529	0.000
	Infrastructure	0.01	0.041	0.01	0.0243	0.041

Market share	0.136	0.025	0.125	0.5.43	0.023
Partnership	-0.018	0.027	-0.018	-0.666	0.027
CSR	0.019	0.013	0.02	1.42	0.014

The resultant model resulted in the regression equation hereby given.

$$y = 3.270 + \beta_1 * 0.01 + \beta_2 * 0.136 - \beta_3 * 0.018 + \beta_4 * 0.09$$

The intercept is 3.27 when all other factors are assumed to be at constant value zero. Further to which the model showed that all the factors were relevant to the model for each factor had a significance level of value less than 0.05 i.e. 0.041, 0.023, 0.027 and 0.014 respectively. Thus all the factors were significant at 95% confidence interval.

This means that a change in the drivers of strategic management has a strong and effect on competition in the telecommunication industry .The table above displays the regression coefficients of the independent variables. The results indicate that Infrastructure, Market share, Partnership, CSR are statistically significant in explaining competition.

Infrastructure is positive and significantly related to competition (B=0.010, p value=0.041). This implies that an increase on infrastructure by one unit leads to an increase in competitiveness by 0.010 units.

Market share is positive and significantly related to competition (B=0.136, p value=0.023). This implies that an increase on Market share by one unit leads to an increase in competitiveness by 0.136units.

Partnership is negative and significantly related to competition ($B=-0.018$, p value= 0.027). This implies that an increase on partnership by one unit leads to a decrease in competitiveness by -0.018 units.

CSR activities were also positively and significantly related to competition ($B=0.019$, P value= 0.014). This implies that an increase adoption of CSR activities by one unit leads to an increase in competition by 0.019 units. The study findings revealed that there was a significant relationship between Market share in improving competitiveness of mobile telecommunication ($p=0.023$), between Corporate social responsibility and improving competitiveness of mobile telecommunication ($p=0.014$), Infrastructure and improving competitiveness of mobile telecommunication ($p=0.041$) and Partnership and improving competitiveness of mobile telecommunication ($p=0.027$).

5.0 TESTING OF HYPOTHESIS

The study tested the hypothesis identified in the study and computed the following results;

HO₁ There is no significant relationship between the effects of infrastructure on competition in the mobile telecommunication companies in Kenya. The study revealed that infrastructure has an impact on their companies' competitiveness as data analysis shows that it is positively related to competition (p value= 0.041). therefore accept the null hypothesis

HO₂ There is no significant relationship between the Effects of Market Share on competitiveness of mobile telecommunication companies. The finding revealed that market share contributes positively to their companies' competitiveness (p value= 0.023). Data also shows that the other variables contribute to it positively. This shows that every aspect of competition in telecommunication industry work to grow its market share.

HO₃ There is no significant relationship between the effects of Partnership on competitiveness of mobile telecommunication companies. The finding revealed that partnership boost well their companies' competitiveness. It is though negative and significantly related to competition (p value=0.027). This implies that an increase on partnership by one unit leads to a decrease in competitiveness by -0.018units. This implies that the identification of good partnerships and good market segmentation is important as it influence the performance.

HO₄ There is no significant relationship between the Corporate Social Responsibility(CSR) and competitiveness of mobile telecommunication companies. The finding revealed that CSR activities contribute positively to their companies' competitiveness. It is positively relationship to competition (P value =0.014). This implies that an increase adoption of CSR activities by one unit leads to an increase in competition by 0.019units.

6.0 DISCUSSION

From the literature review, when network providers invest in proper infrastructure like in the case of GSM and CDMA they are able to increase their coverage. This makes them more attractive to customers as they are able to deliver more content and also cover a larger mass. This has made the 2 companies become unmatched in terms of competition (Chan-Olmsted & Jamison, 2001).As depicted by (Porter M, 1991), when market power is evenly distributed the move taken by the opponent parties is followed by attacks of the same or greater magnitude. However, when the market share is unevenly distributed the companies with the largest market share tend to ignore the other's influence in the competition process as they have the competitive advantage. This shows that there is a general agreement from respondents that partnership contribute to the competitiveness of the telecommunication companies as (Chan-Olmstead & Jamison, 2001) also postulates; since the early 1990's there have been multiple mergers all-over the world in the

telecommunication industries. The nature of competition globally in the telecom industry seems to focus around most market activities that aim at gaining competitive advantage through strategic combination of resources and presence in multiple products and geographical areas. By organizations giving back to the community they have found immense reciprocation of goodwill from it that is tangible and quantifiable. Human beings relate a lot with what they can see and with this knowledge some of the multi-national companies in the food and beverage have invested in CSR to create a competitive advantage (Porter and Kramer, 2008).

7.0 CONCLUSION

The study found out that there is a significant relationship between strategic management and competitive performance of telecommunication companies in Kenya. It is therefore utmost importance for the strategic management team to be involved in company decisions as they are the ones who make the most important decisions on the various firms they head. It is upon them to assess and advice on strategic partnership, infrastructural investments, target & retention of markets and choice of corporate social responsibility.

Various telecom companies have tried to come up with different products for example mobile banking, set-boxes and even pay bill services. Further companies have invested heavily in infrastructure a case in point is Safaricom. The various players in the telecom industries have over the years participated in CSR activities and we have seen them especially in women empowerment activities, education and even during unfortunate occurrence of tragedies. They have further partnered with banks, hospitals and other service providers in order to reach out to the masses. Despite them wanting to offer better services, the main aim for telecommunication companies should be to reach out to the masses and hence increase their market share which in turn impacts on their competitive advantage.

Competitiveness in the telecommunication industry is driven by the market share. It is therefore crucial for firms to engage in activities that lead to market share growth. They should also try to lock their market with good retention strategies. Further, the regulator should also give incentives on infrastructure investment. This will bring all companies to par as this kind of investments very expensive. Telecom companies should also diversify on the product range they offer for instance venture into other areas the way Safaricom has ventured into set boxes. This will ensure that they maximize on their resources as well as profits and market share. Of importance would also be to train staff and mainly the strategic team on the importance of embracing new technologies for example the slim sims and also to adopt market innovative strategies to boost their market share.

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