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IMPACT OF COMPETITIVE STRATEGY ON THE PERFORMANCE OF TELECOMMUNICATION FIRMS IN KENYA

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ABSTRACT
This study sought to investigate the impact of competitive strategies on the performance of telecommunication firms in Kenya. The study was guided by the following objectives, to establish the effects of cost leadership on the of telecommunication firms in Kenya, to determine how differentiation affect the performance of telecommunication firms in Kenya, to assess the extent to which market focus affects the performance of telecommunication firms in Kenya. The study was conducted at telecommunication firm's headquarters in Nairobi with targeted 445 respondents. The Respondents comprised of top department managers and board of Directors these firms. Stratified random sampling was used to determine the sample size from various telecommunication sectors. Data was collected using a semi-structured questionnaire administered to the various respondents. Once collected the questionnaire was edited for completeness before being entered into the Statistical Package for Social Sciences Computer Package for Analysis. Both descriptive and inferential statistics were used. After, the analysis the data was presented through the use of various presentation tools. Overall, the study established influence of competitive strategy on the performance of telecommunication firms in Kenya. Specifically, the study established that cost leadership strategy, differentiation strategy and focus strategy made the most positive contribution, among the independent variables investigated, to performance of telecommunications firms in Kenya. The study recommended that telecommunications firms should: embrace leadership strategy, differentiation strategy and focus strategy .The study proposed that a similar study be done in other industries to have an understanding, views and approaches pursued by these economic vehicles which are expected to create more employment for the unemployed Kenyans.

Key Words: *Cost Leadership, Differentiation, Market Focus, Telecommunication Firms*

INTRODUCTION

Strategy is a firm's game plan that enables the firm to create a competitive advantage (Pearce and Robinson, 2000). The firm needs to analyze itself bearing in mind what the competitors are doing. Ansoff and Mc Donnel (1990) define strategy as a set of decision making rules for guidance of organizational behavior. Strategy is thus used as a yard stick to measure a firm's performance and define its relationship with the external environment. The firm operates in an environment that is very turbulent and the changes that take place in an environment greatly influence the business activities. Strategy helps the firm relate to its environment and serves as a guide to the organization on what it is the organization is trying to do and achieve (Johnson and Scholes, 1999).

Mwenda (2007) notes that firms need strategies to enable them overcome the competitive challenges they experience in the environment where they operate. A competitive strategy therefore enables a firm to gain a competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fails. A strategy is therefore a critical factor for success in any market and management needs to craft it carefully to ensure proper fit within the environment within which it is operating. Porter (1998) described competitive strategy as the search for a favorable competitive position in an industry; the fundamental arena in which competition occurs. He further explains that competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to the changes in the environment. According to Porter (1998), competitive strategy is about being different. This means deliberately performing activities differently and in better ways than competitors. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlined the three approaches to competitive strategy these being Striving to be the overall low cost producer, that is, low cost leadership strategy, secondly Seeking to differentiate one's product offering from that of its rivals, that is, differentiation strategy and lastly Focus on a narrow portion of the market, that is, focus or niche strategy. Lester (1989) argued that competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant, (2000) suggested that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets.

Owiye (1999) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage such as: low price, differentiation and customer focus. Competitive strategies will also be important in determining the size or market position it plans to achieve, and its focus and method for growth.

Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (1980) outlines the three approaches to competitive strategy these being ; Striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly, Seeking to differentiate one's product offering from that of its rivals, that is differentiation strategy and lastly ,focus on a narrow portion of the market, that is, focus or niche strategy. Competitive strategies adopted by a firm should result in a competitive advantage. Porter (1996) argues that there are three generic competitive strategies which firms can employ. These are cost leadership, differentiation and focus. This generalization was applied in US firms and can be applied amongst companies in Kenya. Owiye (1999) however, argues that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment, that is, cultural context, in USA is very different from that of Kenya and thus the performances of the respective firms may differ due to many reasons.

Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs (Porter, 1985). Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Competitive strategy is concerned with how a business achieves a competitive advantage in its domain of activities (Johnson, Whittington and Scholes, 2011).

Porter (1996) argues that strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Competitive strategy is concerned with how a company can gain a competing advantage through a distinctive way of competing. Having a competitive advantage is necessary for a firm to compete but what is more important is whether the competitive advantage is sustainable (Kimando, Njogu, & Sakwa, 2012) Competitive advantage on the other hand can be defined as the advantage a firm has over the others in the industry (Poddar and Gadhawe, 2007). Barney (1991) argues that a firm is said to have a competitive advantage when it's implementing a value creating strategy not simultaneously implemented by any current or potential competitors and when this firms are not able to duplicate the benefits of such strategy.

The core of a firm's competitive strategy consists of its external and internal initiatives to deliver superior value to its customers. It includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long term competitive capabilities and market position and tactical efforts to respond to whatever market conditions prevailing at the moment. The competitive aim is therefore to do significantly better job of providing what buyers are looking for, thereby enabling the companies earn a competitive advantage and out compete rivals in the market place.

Globally Most organizations view their performance in terms of effectiveness in achieving their mission, purpose or goals. According to Johnson, Scholes and Whittington (2008) organization have performance targets which focus on the outputs of an organization as a whole or part of the organization, such as product quality, revenues or profits. The performance of an organization is judged, either internally or externally, on its ability to meet its target. (Johnson et al., 2008), states that "Many managers find it difficult to develop a useful set of targets one reason for this is that any particular set of indicators is liable to give only a partial view of overall picture. Some important indicators such as customer satisfaction tend to get neglected because they are hard to measure, leaving the focus on easily available data such as financial ratios.

Kaplan and Norton, (2010) developed the Balanced Scorecard, as a performance measurement system that considers not only financial measures, but also customer, business process, and learning measures . The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and nonprofit organizations worldwide to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. It is a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organizational performance.

There have been significant changes in the Kenyan economy over the past 20 years. These have seen the collapse and closure of some companies due to declining performance. In the telecommunication industry, there has been a significant reduction in performance leading to some multinational telecommunication companies withdrawing from the region. For the companies which still operate in Kenya, they have been forced to adapt to the changes brought about by the poor economic conditions and as such they have been forced to downsize as a strategic move and hence to also modify their marketing strategies in the changing environment.

Kenya's earliest telecommunications connections to the outside world were the submarine cables linking Zanzibar, Mombasa, and Dar-Es-Salaam laid by the Eastern & South African Telegraph Company in 1888. The subsequent history of Kenya's network was one of gradual but sustained expansion. By 1980, there were 73,932 direct exchange lines (DELs) in use in the public telephone network; just over 84% were connected to automatic switching equipment and 75% had direct long-distance dialing or subscriber trunk dialing capability. There were 1,228 telex lines in use and 50 leased data transmission circuits in use.

Kenya's first major earth station came into operation at Longonot northwest of Nairobi in 1970. There are now two such stations at Longonot, each accessing intelsat satellites in the Atlantic Ocean and Indian Ocean, with a third earth station in Nairobi and a fourth in Kericho. However, Kenya's telecommunications and broadband market has undergone a revolution following the arrival of three fiber-optic international submarine cables in 2009 and 2010 - Seacom, TEAMS and EASSy, ending its dependency on limited and expensive satellite bandwidth.

Statement of the Problem

As competition intensifies in the telecommunication sector, players are forced to craft superior strategies that will help them gain a competitive edge against their competitors. A competitive strategy was aimed at establishing a profitable and sustainable position against the forces that determine industry competition (Porter, 1980). Telecommunication industry players in Kenya have been aggressively competing with each other in the recent past. In the process, some have gained competitive advantage over other. We have experienced an enormous growth of Safaricom as well as an exit of Yu from the market. It is worth noting that all these firms are offering similar services under the same environment to the same population. However, some are offering expensive products than other such as Safaricom Call rates differs from her counterparts in the industry.

Due to these disparities in the general performance of these firms, the researcher will be determined to establish the impact of competitive strategies employed by these firms which give them competitive advantage over the others and facilitating competition in the business battlefield. But of even more significance, is whether the generated competitive advantage sustains a competitive position for this particular firm. A sustainable competitive position is one that can be maintained for a significant amount of time even in the presence of competition (Kumar, 2010).

Various scholars have conducted research on competitive strategies employed by various firms. Nakamya (2015) in her study established that Kenya has the biggest formal telecommunication sector in East Africa and that this sector has grown over time both in terms of its contribution to the country's Gross Domestic Product (GDP) and employment. In terms of employment generation, the sector is estimated to employ an average of 13 per cent of the labour force in the Kenyan formal sector. The lucrative nature of the sector has shifted the competition by a storm and they are aggressively adopting various competitive strategies in order to control their market share.

Kapto and Njeru (2014) did a research to examine the strategies adopted by mobile phone companies in Kenya to gain competitive advantage. The study found out that, there existed a strong relationship between strategies adopted by the mobile phone companies to gain competitive advantage, cost leadership and differentiation. This study however did not bring out the impact of these strategies on the performance of these telecommunication firms. On the other hand, these studies have not found the reasons as to why some of these telecommunication firms have decided to exit the Kenyan market. For these reasons, this study is sought to find out the impact of competitive strategy on the performance of these telecommunication firms in Kenyan market.

General Objectives

The objective of the study was to determine the influence of competitive strategy on the performance of telecommunication firms in Kenya. The specific objectives were:

To establish the influence of cost leadership strategies on the performance of telecommunication firms in Kenya

- To determine how differentiation strategies influences the performance of telecommunication firms in Kenya
- To assess the extent to which market focus strategies influences performance of telecommunication firms in Kenya

LITERATURE REVIEW

Theoretical Review

Transaction cost theory

In economics, this theory takes the effort to explain the principles by which a business firm decides how much of each commodity that it sells (its “outputs” or “products”) it will produce, and how much of each kind of labour, raw material, fixed capital good, etc., that it employs (its “inputs” or “factors of production”) it will use. The theory involves some of the most fundamental principles of economics. These include the relationship between the prices of commodities and the prices (or wages or rents) of the productive factors used to produce them and also the relationships between the prices of commodities and productive factors, on the one hand, and the quantities of these commodities and productive factors that are produced or used, on the other.

The various decisions a business enterprise makes about its productive activities can be classified into three layers of increasing complexity. The first layer includes decisions about methods of producing a given quantity of the output in a plant of given size and equipment. It involves the problem of what is called short-run cost minimization. The second layer, including the determination of the most profitable quantities of products to produce in any given plant, deals with what is called short-run profit maximization. The third layer, concerning the determination of the most profitable size and equipment of plant, relates to what is called long-run profit maximization.

The theory in the long run takes in the account the fact that, in production, the entire process need to be cost effective and therefore capturing cost leadership strategy in this case. Cost cutting, relative price of commodities and standardization of products makes the researcher’s focus here. With the objective of establishing the impact of cost leadership strategies on the performance of telecommunication firms, the researcher determined how these firms applied cost leadership strategy and how it impacted their performance.

Resource Based View Theory

The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, 1991).The resource-based view (RBV) is a basis for the competitive advantage of a firm that lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Prahalad, 1996). This The RBV isolates unique resources that are complex, intangible, and dynamic within a particular firm which can be utilized by the firm to gain and sustain competitive advantage (Barney, 1991). The bundles of resources that are distinctive to a firm give it an edge which other firms may not easily copy hence providing sustainability of the competitiveness (Wernerfelt, 1984).

The basis of the RBV is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (Wernerfelt, 1984). The firm's unique resources and capabilities provide the essence of strategy competitive strategy. This is because a firm with diverse and enough resources is likely to produce a variety of quality products or services at an affordable price.

Barney (1991) argues that if all the firms were equal in terms of resources, there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The RBV suggests that competitive advantage and performance results are a consequence of firm specific resources and capabilities that are costly to copy by other competitors. Therefore, in an organization's effort to gain competitive advantage, it is important to establish the resources owned by the company and how such resources can be tapped for that organization's competitive advantage especially in the production of affordable and quality services or products hence the application of cost leadership strategy in this case.

This theory generally argues that the uniqueness of a given resource to a firm makes it able to provide unique services. This makes it easy for the firm to provide unique products and services in comparison to the competitors. This can in the long run help in identifying customer needs thus improving on the innovations on product or services and thus customer experience being realized in this case. The researcher is sought to establish how differentiation strategy affected performance of telecommunication firms, the provision of unique products, innovations and customer experience were assessed on how they impacted telecommunication firm' s performance.

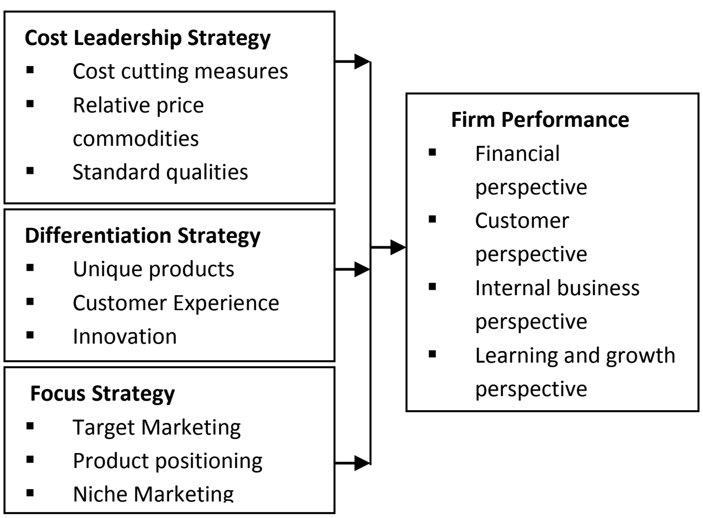
Industrial Organization's Economics Theory

The structure of a market generally is all about how a market is functioning and it is the concept behind the industrial organization theory (Tirole, 1988), rather than the "conversion process, products and costs of an individual organization" (Ramsey, 2001, p. 39). Hence, the Industrial Organization (IO) theory is about how a structure of a market has an influence on the strategy and decision making of a company.

The industrial organization theory puts a focus on the market a company operates in, rather than the company itself (Ramsey, 2001, p. 39). It is reflected in the structure-conduct-performance model, which claims that there is a "causal link between the structure of a market in which a company operates, the organization's conduct and in turn the organization's performance in terms of profitability" (Ramsey, 2001, p. 39). Thus the industrial organization theory focuses on the whole industry and market conditions of a company (Ramsey, 2001) and the central analytical aspect can be used to identify strategic choices, which firms have in their respectively industry (Porter, 1981, p. 609; Teece et al. 1997, p. 511), which includes market focus strategy.

The theory therefore illustrates how the operations firms generally depend on the market structures in which the business is operating in. The market focus finds its way into the theory by putting into consideration the general target market for specific products and services, product positioning and even the market niche. Since the researcher had recognized adverse completion for the market amongst the existing firms, he focused on assessing the extent to which market focus strategies impacted performance of telecommunication firms in Kenya.

Conceptual Framework



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Cost Leadership Strategy

Low cost relative to competitors is the theme running through the entire overall cost leadership strategy and the objective is clearly the overall industry cost leadership. Attaining cost leadership typically aggressive constriction of efficient scale facilities and various pursuit of cost cutting measures, relative price of commodities and provision of standardized qualities.

Differentiation Strategy

Differentiation consists of differentiating the products or services offered by the firm that is, by making them unique. Differentiation may be achieved in various ways for example through design, brand image, technology, features, and customer service and dealer network.

Market Focus Strategy

This is a marketing strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. Focus strategy is usually employed where the company knows its segment and has products to competitively satisfy its needs.

Empirical Review

Cost Leadership Strategy and firm Performance

This is Porter's generic strategies known as cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987, 1996; Cross, 1999). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000). Lower costs and cost advantages result from process innovations, learning curve benefits, and economics of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Porter, 1987). Lower prices lead to higher demand and, therefore, to a larger market share (Helms et al., 1997). As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2001). The leader then is somewhat insulated from industry wide price reductions (Malburg, 2000). The cost leadership strategy does have disadvantages. It creates little customer loyalty and if a firm lowers prices too much, it may lose revenues (Cross, 1999).

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market, (Davidson, 2001). Cost leadership is based on lower overall costs than competitors. Firms that achieve low cost leadership generally make low cost relative to competitors the theme of their business strategy. The firm opens up a sustainable cost advantage over competitors and uses that lower cost as a basis for either underpricing the competitors and gaining a larger market share at their expense or earning a higher profit margin by selling at the going price. A low cost leader’s basis for competitive advantage is lower overall costs than competitors. This requires the firm to: be better than rivals on efficiency and cost control and continuously seek creative and innovative ways of cutting costs. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation. When a firm designs, produces, and sells a comparable product more efficiently than its competitors as well as its market scope is industry-wide, it means that the firm is carrying out the cost leadership strategy successfully (Brooks, 1993).

Differentiation Strategy programs and firm performance

In differentiation strategy, a firm seeks to differentiate its products or services by creating something that is perceived industry-wide as unique

(Porter, 1980). Differentiating approach seeks appropriate and most suitable ways of aligning services and products to meet unique customer requirements. Using this strategy, a firm will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category.

Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique, (Davidow and Uttal, 1989). Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price. This is usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm. To maintain this strategy the firm should have: strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, and incentives based largely on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled, creative people, (Baum and Oliver, 1992). Research within service sector (Phillips and Peterson, 2001) concludes that product differentiation is a common way of differentiating the firm's offerings from those of its competitors. A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product’s unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily, (Porter, 1985). Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation, (Baum and Oliver, 1992).

Focus strategy and firm performance

While some authors assert that there is no clear and consistent definition for niche marketing (Dalgic, 2006), there is broad agreement that is closely related to marketing approach-that first identifies the market and then develops a product for that market (Parris et al., 2006). Shani and Chalasani (1992), defines niche marketing as the process of carving out a small part of the market whose needs are not fulfilled. By specializing along market, customer, product or marketing lines a firm can match the unique needs of the niche. This is consistent with strategic thinking as Stanton et al., (1991) looked at niche marketing as a method to meet customer needs by tailoring goods and services toward small markets. The strategies by which relatively small firms can survive by carving out niche that are too small and therefore not considered worthwhile for mainstream companies to address is also well developed (Hamel and Prahalad, 1990). The process by which these firms identify and occupy this niche is collectively known as niche marketing.

Target marketing, focus marketing, concentrated marketing and micro-marketing are often used as the synonyms for niche marketing (Dalgic and Leeuw, 1994). It is however none of these (Parris et al., 2006). According to Kara and Kaynak (1997), niche marketing takes market segmentaion one step further by creating distinct group of customers. Weinstein (1994) referred to niche marketing as a form of concentrated marketing.

The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market (Porter, 1996). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Martin, 1999). For example, some service firms focus solely on the service customers (Stone, 1995). Focus also is based on adopting a narrow competitive scope within an industry.

METHODOLOGY

A descriptive research design was adopted to describe the state of affairs as it is at present. It was adopted because it would allow the researcher flexibility to generalize research findings to a larger population. The target population was 455 management employees currently working with four major telecommunication firms in Kenya at their head office in Nairobi (CA, 2016). The target population gave reliable information due to high involvement in the marketing strategy implementation in their respective companies. The relationship between firm performance and competitive strategies can be illustrated by the following equation.

$Y=\alpha+\beta_1X_1+ \beta_2X_2+ \beta_3X_3a+\varepsilon$

Where:

Y= Firm performance

α = constant (intercept)

β = slope (gradient) showing the rate at which the dependent variable is changing for each unit change in the independent variable.

X_1= Cost leadership strategy

X_2 = Differentiation strategy

X_3= Focus strategy

ε = Error term

FINDINGS AND DISCUSSION

Cost leadership strategy and performance of telecommunication firms in Kenya.

The study sought to establish the impact of Cost leadership strategy and performance of telecommunication firms in Kenya. Table 1 presented the respondents opinion of indicators for cost leadership strategy.

Table 1: Respondents opinion of indicators for cost leadership strategy

Variable indicator	1.Strongly Disagree	2.Disagree	3. Neutral	4. Agree	5.Strongly Agree
Our firm had greatly employed cost cutting measures	12.6%	6.3%	11.7%	46.8%	22.5%

Our firms offers standardized goods and services to our customers	8.1%	4.5%	2.7%	63.1%	21.6%
My firm compares prices of competitors before setting our product prices	9.0%	13.5%	10.8%	54.1%	12.6%

The study wanted to find the respondents view on whether their firms have employed costs cutting measures, whether they offer standardized goods and services and if they compare competitor prices before setting their own product prices. The results in Table 1 indicated that majority agreed that cost leadership strategy is encouraged in telecommunication firms.

Differentiation strategy and performance of telecommunication firms in Kenya

The study sought to establish the impact of differentiation strategy and performance of telecommunication firms in Kenya. Table 2 presents the respondents opinion of indicators for cost leadership strategy.

Table 2: Respondents opinion of indicators for differentiation strategy

Variable indicator	1.Strongly Disagree	2.Disagree	3. Neutral	4. Agree	5.Strongly Agree
Our innovations is ahead of competitors	8.1%	11.7%	15.3%	42.3%	22.5%
Our firm produces unique products and services to customers	3.6%	18.9%	11.7%	40.5%	25.2%
Our experience in the industry has enabled us to offer differentiated products	8.1%	23.4%	8.1%	44.1%	16.2%
We are pace setters in terms of new products	6.3%	17.1%	6.3%	33.3%	36.9%

The study wanted to find the respondents view on whether their firm innovation was ahead of their competitors, if they offered unique products and services to customers, if their experience has offered differentiated products and if they are pace setters in terms of new product launch. The results in Table 2 indicated that majority agreed, that differentiation strategy is encouraged in telecommunication firms.

Focus strategy and performance of telecommunication firms in Kenya.

The study sought to establish the impact of focus strategy and performance of telecommunication firms in Kenya. Table 3 presents the respondents opinion of indicators for cost leadership strategy.

Table 3: Respondents opinion of indicators for focus strategy

Variable indicator	1.Strongly Disagree	2.Disagree	3. Neutral	4. Agree	5.Strongly Agree
Our company offers products and services to specific target market	6.3%	20.7%	5.4%	34.2%	33.3%
Our company considers nice marketing tot others	11.7%	19.8%	.9%	35.1%	32.4%
Our company uses product positioning as one of her marketing plans	5.4%	6.3%	8.1%	51.4%	28.8%

The study wanted to find the respondents view on whether their firm offered products and services to specific target market, whether they considered niche marketing to others and if their company used product positioning as one of her marketing plans. The results in Table 3 indicated that majority agreed, that differentiation strategy is encouraged in telecommunication firms.

ANOVA RESULTS

Cost leadership

Table 4: Cost leadership ANOVA table

	Pearson Correlation	R Square	F	df1	df2	Constant	b1
Parameter Estimate	.381	.145	18.504	1	109	23.623	.485
Sig.	.000		.000			.000	.000

The ANOVA tests were done on the independent variable and the results obtained in Table 4 showed that the p-values are equal to 0.000, a demonstration that the regression model is statistically significant considering that the p-value is less than 0.05 at 95% level of confidence. The Analysis of variance (ANOVA) results therefore confirms that the model fit is appropriate for this data since p-value of 0.000 is less than 0.05. This implied that there is a significant positive relationship between cost leadership and performance.

Differentiation strategy

Table 5: Differentiation strategy ANOVA table

	Pearson Correlation	R Square	F	df1	df2	Constant	b1
Parameter Estimates	.346	.120	14.829	1	109	30.028	.673
Sig.	.000		.000			.000	.000

The ANOVA tests done on the independent variable and the results obtained in Table 5 showed that the p-values are equal to 0.000, a demonstration that the regression model is statistically significant considering that the p-value is less than 0.05 at 95% level of confidence.

The Analysis of variance (ANOVA) results therefore confirms that the model fit is appropriate for this data since p-value of 0.000 is less than 0.05. This implies that there is a significant positive relationship between differentiation strategy and performance.

Focus strategy

Table 6: Focus strategy ANOVA table

	Pearson Correlation	R Square	F	df1	df2	Constant	b1
Parameter Estimates	.336	.113	13.842	1	109	27.472	.605
Sig.	.000		.000			.000	.000

The ANOVA tests were done on the independent variable and the results obtained in the same Table 6 show that the p-values are equal to 0.000, a demonstration that the regression model is statistically significant considering that the p-value is less than 0.05 at 95% level of confidence.

The Analysis of variance (ANOVA) results therefore confirms that the model fit is appropriate for this data since p-value of 0.000 is less than 0.05. This implies that there is a significant positive relationship between focus strategy and performance.

Table 7: ANOVA Model Summary

	Correlation		ANOVA			Model parameters	
	Pearson Correlation	R Square	F	df1	df2	Constant	b1
Parameter Estimate	.388	.150	19.298	1	109	31.006	.515
Sig.	.000			.000		.000	.000

The ANOVA tests were done on the independent variable and the results obtained in the same Table 7 show that the p-values are equal to 0.000, a demonstration that the regression model is statistically significant considering that the p-value is less than 0.05 at 95% level of confidence.

The Analysis of variance (ANOVA) results therefore confirms that the model fit is appropriate for this data since p-value of 0.000 is less than 0.05. This implies that there is a significant positive relationship between competitive strategy and performance of telecommunication firms in Kenya.

Table 8: The coefficients of the independent variables and the Variance Inflation Factors

Model		Unstandardized Coefficients[a]		Standardized Coefficients[b]		
		B	Std. Error	Beta	T	Sig.
	Cost leadership strategy	.982	.271	.043	3.623	.000
	Differentiation Strategy	.724	.199	.048	3.638	.000
	Focus strategy	.717	.230	.404	3.117	.002

From Table 8, all the unstandardized coefficients for Cost leadership strategy, Differentiation Strategy and Focus strategy are significant at 0.01 level, 2-tailed level of significance since all their p-values are less than 0.01.

CONCLUSIONS AND RECOMMENDATIONS

The first objective of this research focused on the impact of cost Leadership on performance of telecommunication firms in Kenya. From the results, it was established that the correlation between cost leadership and performance was 13.1% of the variability in performance. This implies that there was a statistically significant relationship between cost leadership and performance.

The first objective of this research focused on the impact of differentiation strategy on performance of telecommunication firms in Kenya. The results showed that correlation between differentiation strategy and performance was 64% implying there was strong positive relationship between product innovation and performance. The findings clearly point that differentiation strategy practices enhance competitive advantage and leads to performance.

The first objective of this research focused on the impact of focus strategy on performance of telecommunication firms in Kenya. From the results, it was established that the correlation between focus strategy and performance was 49% implying that there was a moderately strong, positive and significant relationship between the market innovation and performance. The results clearly indicate that if focus strategy can be managed and enhanced its effectiveness can impact on performance.

Conclusion of the study

This study presented the relationship between various competitive strategies and performance of telecommunications firms in Kenya. The study shows the extent and nature of the relationship of cost leadership strategies and performance, differentiation strategies and performance and process focus strategy and performance. The conceptual framework for the study was derived from existing literature. The framework differed from previous studies because it sought to determine the relationship between innovation strategies that relate to cost leadership, differentiation and market focus on the performance telecommunication firms. As a result, a crucial knowledge gap has been addressed.

In conclusion, the study revealed that indeed telecommunication firms compete fiercely on cost leadership, differentiation and market focus. Characteristics of the industry are such that each company intends to outpace the other although the market is led by Safaricom. While technology issues are not considered very important at this stage of competition in the industry, money transfer and M-banking are the frontiers for performance. Competitive Pricing and customer value preposition has been applied mainly by the followers to outwit the leader (Safaricom). Results on these strategies are clear since the study did captured them.

Therefore, investments in this industry need to be carefully thought out so that significant impact can be experienced on targeted areas. Differentiation and market focus strategy are the most important and differentiating attributes of performance in this industry. Collectively, the two forms of strategies provide the gateway to the deviation of performance for the firms.

This study was on the impact of competitive strategy on the performance of telecommunication firms in Kenya. The study specifically studies the different strategies pursued by these telecommunication firms which include; cost leadership, differentiation and market focus. The study opted to find out how the Kenya's telecommunication firm adopt them and their impact on the performance of these firms.

The study found that most of the telecommunication firms have not been able to embrace and exploit market focus strategy. For instance, target marketing, product positioning and niche marketing were noted to be ignored by most of these firms. Product focus strategy however was observed to be a critical tool well performing firms such as Safaricom has been able to embrace and thus giving then an added competitive advantage over their competitors.

Recommendations

The study recommends that telecommunication firms in Kenya should keep abreast with new cost leadership practices and encourage employee knowledge and skill development ranging from low to highly specialized besides the development of hard infrastructure. Telecommunication firms should therefore adopt the new cost leadership changes in the market and absorb them. Thus, they should remain flexible and stay focused to the day-to-day changes of globalization leadership strategies. This is based on the fact that even though most telecommunication firms in Kenya have adopted the use of cost and strategic leadership, a lot still needs to be done.

Telecommunication firms in Kenya should work closely with institutions of higher learning, sponsor research and enhance their research departments so as to embrace differentiation strategy as a response to performance. Even though telecommunication firms in Kenya use technological innovation, more needs to be done to ensure that they remain competitive in the market. These innovations should be patented to minimize copyright infringement thus giving the firms competitive edge in the market. Telecommunication firms should get certification from accredited institutions as a mark of quality for their products, mergers and acquisitions. This will help in improving the quality of the products so that they can remain competitive in the world market.

Telecommunication firms in Kenya should become globally integrated enterprises. Doing their target marketing and product positioning anywhere in the world based on economics, expertise and the right business environment can do this. They should integrate their operations horizontally and globally and have one global supply chain. Thus, instead of looking at their resources in terms of countries and regions, they should manage and deploy them as a global asset. Telecommunication firms in Kenya firms should also adopt their own niche marketing that is responsive to the economic and political demands imposed by the governments that include local testing, registration procedures, pricing and local content rules.

The focus strategy should be adopted by telecommunication firms in Kenya so as to increase profitability and profit growth by reaping the cost reductions that come from economies of scale, learning effects and location economies.

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