INFLUENCE OF COMPETITIVE STRATEGIES ON FIRM PERFORMANCE IN THE TELECOMMUNICATION INDUSTRY: A CASE STUDY OF TELKOM KENYA IN NAKURU EAST SUB COUNTY

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A Research Project Presented to the Institute of Post Graduate Studies of Kabarak University in Partial Fulfilment of the Requirements for the Award of the Post Graduate Degree of Master of Business Administration (Strategic Management)

KABARAK UNIVERSITY

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DECLARATION

This research project is my original work and to the best of my knowledge has not been presented for academic award in any other University or College

Signature: ….. Date…………………………

Paul Kipterer Chumba

GMB/NE/0192/01/18

RECOMMENDATION

To the institute of Postgraduate Studies:

The research project entitled ***"Influence of Competitive Strategies on Firm performance in The Telecommunication Industry: A Case Study of Telkom Kenya in Nakuru East Sub County"*** and written by **Paul Kipterer Chumba** is presented to the Institute of Postgraduate Studies of Kabarak University. We have reviewed the research proposal and recommended it to be accepted in partial fulfilment of the requirement for award of the degree of Master of Business Administration (**Strategic Management Option**).

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DEDICATION

I dedicate this research work to my family who have been so supportive in all endeavours of my education life. I am always indebted to them for their love and knowledge financing. To Kipchumba Arap Metto, a good friend, an admirer of education, a caring father and an inspiration to all who knew him, dad you left so soon to appreciate the fruits of educating your son.

ABSTRACT

The telecommunication sector plays a critical role in communication, contributing to the Gross Domestic Product (GDP), creation of economic opportunities through mobile money agents, facilitating economic activities, facilitating the provision of mobile money and internet services. The firm performance of the telecommunication companies are thus important in Kenya's context. However, comparing the firm performance of Telkom Kenya Limited with other mobile phone service providers, Telkom Kenya Limited has performed relatively low compared to its peers as evidenced by data from communication authority of Kenya. Competitive strategies have been noted as key drivers of firm performance around the world. This study sought to examine the role of competitive strategies on the firm performance of Telkom Kenya. In particular, the study examined the influence of differentiation strategy, cost strategy, and focus strategy on firm performance of Telkom in Nakuru. The study was guided by three theories; Bowman's Strategy Clock Theory, Institutional Theory, and Michael Porter Theory. This study utilized a correlational research design. The target population of this study is 56 Telkom Kenya staff involved in marketing, finance and operations aspects of the Telkom offices at Nakuru East Sub County. The study used the census method in selecting sample members. The sample size of the study is therefore 56 Telkom Kenya staff based in Nakuru East Sub County offices. The study used structured questionnaires for the purposes of the data collection process. A pilot study was undertaken in Naivasha offices of Telkom Kenya. The validity of the instrument in this study was examined using the content validity of the instrument. Reliability of the research instrument in this study was examined using the Cronbach alpha coefficient. Data was coded into the SPSS software in preparation for data analysis. The data from the questionnaire was analysed using descriptive and inferential statistics. The statistics to be undertaken include frequencies, chi-square, and linear regression analysis. The competitive strategies were found to have positive correlations amongst themselves. The study achieved a correlation coefficient R of 0.945 indicates that there is a strong and positive correlation between the independent variables (competitive strategies) cumulatively and the dependent variable (firm performance). The results of this study indicate that the achieved coefficient of determination stood at 0.894 indicating that the competitive strategies influenced 89.4% of the change in the firm performance. In respect to the influence of the differentiation on the firm performance, the results indicated the achieved results of Beta (β_1) = 0.304, t = 5.886, and Sig= 0.000 indicating a positive statistical significance between the differentiation and firm performance. In respect to the influence of the cost strategy on the firm performance, the results indicated that the achieved results of Beta (β_2) = .449, t = 9.427, and Sig= 0.000 indicated that there was a positive and statistically significant relationship between cost strategy and firm performance. In respect to the influence of the focus strategy on the firm performance, the achieved results of Beta (β_3) = .302, t = 6.516, and Sig= 0.000 indicated the presence of statistically and positive relationship between focus strategy and firm performance. These results indicated that cost strategy had the most significant influence on the firm performance at Telkom Kenya followed by focus strategy, and differentiation strategy respectively. The study recommended that the competitive strategies such as focus strategy, differentiation strategy and cost strategy should be implemented continuously by the organization. The study further recommends that Telkom Kenya as a firm should place its emphasis on cost strategy as it had the most influence on the firm performance at the organization followed by focus strategy, and differentiation strategy respectively.

Key Words: *Competitive Strategies, Firm performance, Focus Strategy, Differentiation Strategy, Cost Leadership*

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ABREVIATIONS AND ACRONYMS

ANOVA	:	Analysis of Variance
CCK	:	Communication Commission of Kenya
FTG	:	France Telecom Group
GDP	:	Gross Domestic Product
MNP	:	Mobile Number Portability
MTN	:	Mobile Telephone Network
NACOSTI	:	National Commission of Science, Technology and Innovation
SACCOs	**:**	Savings and Credit Cooperatives
SPSS	:	Statistical Packages for Social Sciences

OPERATIONAL DEFINITION OF TERMS

Competitive Strategies:	The distinctive approach that a firm intends to use with a view of having an advantage over its rivals in respect to attracting customers and defending against competitive forces (Revathi & Aithal, 2018). This definition was also adopted for this study
Cost Strategy:	A strategy to achieve cost reduction in an organization and passing the same to the client (Mahdi, Abbas, Mazar, & Shaju, 2015). This definition was also adopted for this study.
Differentiation Strategy:	A strategy that an organization pursues with an aim of developing and marketing unique services and products for its diverse target markets (Chaouachi, 2016). This definition was also adopted for this study.
Focus Strategy:	The identification of the market segments where the organization can have competitive advantages over its competitors (Mahdi, Abbas, Mazar, & Shaju, 2015). This definition was also adopted for this study.
Firm performance:	The degree of the achievement of the organizational objectives (Abdi & Sasaka, 2017). This definition was also adopted for this study.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

A competitive strategy is one of the key things influencing firm performance in diverse sectors. According to Mohamed and Gichinga (2018) competitive strategies refers to the distinctive approach that a firm intends to use with a view of having an advantage over its rivals in respect to attracting customers and defending against competitive forces. Similar to Mohamed and Gichinga (2018), Revathi and Aithal (2018) perceives competitive strategies as the manner in which a company can distinctively gain a competitive edge over other companies. Kasongo, (2019) indicates that competitive strategies can be divided into the cost leadership, product differentiation and focus strategy. According to Chesire and Kombo (2015) cost leadership influences firm performance through reduction of economic-related costs such as production , marketing and distribution costs relative to peers. Cost leadership can be achieved through cost efficiencies, cost reduction and cost control over other aspects (Niyigena & Warren, 2016). On the other hand, the differentiation strategy is a strategy that an organization pursues with an aim of developing and marketing unique services and products for its diverse target markets (Chaouachi, 2016). This conceptualization of differentiation strategy is similar to Huldah (2018) who perceive differentiation strategy as creation products considered unique to the market. The differentiation strategy can impact on the firm performance of an organization through gaining of market share. Finally, Mahdi, Abbas, Mazar, and Shaju (2015) indicates that the focus strategy refers to the identification of the market segments where the organization can have competitive advantages over its competitors. In this context, the organization serves a niche market distinguished be geographical area or specific unique needs or traits (Mahdi *et al*., 2015).

Due to the importance of the telecommunication sector, the firm performance of the sector is key to diverse stakeholders across the globe. According to Khalid, Ahmed, Tundikbayeva, and Ahmed (2019) firm performance relates to a set of measurement that evaluates and convey value to both the internal and external stakeholders of an organization. Abdi and Sasaka (2017) simply conceptualizes firm performance as the degree of the achievement of the organizational objectives. On the other hand, Okeke, Onuorah, Onyekwelu, and Nwajei (2019) indicates that firm performance can be examined in terms of financial performance (profits, return on assets, return on investment, etcetera.); market performance (sales, market share, etcetera.); and shareholders returns (total shareholder return, economic value added, etcetera.). This view on the metrics of firm performance was also in concurrence with those (Vito, Higgwe, & Mekuri-Ndimele, 2019). Diverse metrics have been used to measure firm performance in telecommunication sector including customer experience, brand image, customer loyalty, number of subscribers, market share, geographical coverage, diversity of services, and pricing aspects amongst others (Sirapracha & Tocquer, 2012; Hsu, 2018; Kamau, 2018).

The telecommunication industry plays a critical role in the communication between individuals. According to Khan, Ahmed, Ibrahim, and Shahid (2012) telecommunication refers to the transmission of signs, signals, messages, words, writings, images and sounds through wire, radio, optical or other electromagnetic systems. Telecommunication has also been simply defined as the communication over distance through a telephone (Paulrajan & Rajkumar, 2011). Amongst the importance of the telecommunication sector is the contribution of the sector to the Gross Domestic Product (GDP) of a country through creation of employment opportunities and facilitation of communication aspects. Venkatram (2012) indicates that the telecommunication industry acts as a facilitator of economic activities in diverse sectors thus contributing towards GDP. The telecommunication sector has also been integral in facilitating provision of mobile banking and mobile based lending as provision of internet services to its clients. These aspects have been noted to spur economic activities, introduced convenience and improved the quality of life generally.

1.1.1 Global Perspectives of Competitive Strategies and Firm performance in the Telecommunication Industry

The performance of telecommunication players is of critical importance to diverse stakeholders in both developing and developed countries. In Thailand, Sirapracha and Tocquer, (2012) noted that customer experience, brand image and customer loyalty were key indicators of firm performance in telecommunication industry. On the other hand, Ramalingam, Karim, Piaralal, and Singh (2015) noted that in Malaysia the number of mobile service providers was used to measure the firm performance of the telecommunication sector. In this context, Ramalingam *et al*., (2015) noted an increase in the mobile number service providers from about 3 million subscribers in 1999 to about 20 million subscribers in 2006. This represented an over 600% growth in subscriber numbers. Similar to Sirapracha and Tocquer (2012), Hsu (2018) in Taiwan noted that corporate image, customer satisfaction, and customer loyalty were key indicators of firm performance of telecommunication sector. Focusing on the telecommunication industry in Indonesia, Natasaputra and Kusumastuti (2017) notes that the sector is extremely competitive in nature. The country has eight telecommunication industry players making the sector to be extremely competitive in nature. In this context, the firms have adopted diverse competitive strategies in order to improve on their organization performance. Amongst these strategies is the focus strategy that seeks to establish the quantity and quality of the services provided by the telecommunication firms (Natasaputra & Kusumastuti, 2017).

In Sri Lanka, the telecommunication industry continues to face diverse firm performance levels. In this context, Newton and Ragel (2017) indicates presence of increased competition amongst the five mobile service providers that is Dialog, Airtel, Mobitel, Hutch and Etisalat. Amongst the key firm performance concerns for the telecommunication sector include customer switching service providers, market share and customer loyalty aspects (Newton & Ragel, 2017). Comparing the Indian and Chinese telecommunication markets, Venkatram (2012) indicate that these firms face similar firm performance challenges related to number of subscribers, technology innovation aspects, and government regulatory concerns. In Pakinstan, Khan (2014) noted increased growth in the sector was measured through improvement of the mobile service providers.

In Europe, various telecommunication firms have had diverse firm performance aspects. In Croatia, the country has over four million mobile services subscribers served by three mobile services providers that is Hrvatski, A1, and Tele companies. The Hrvatski has the largest market share at above 45% share. On the other hand, Portugal has over thirteen million mobile phone subscribers served by three telecommunication firms. These three firms include Meo, Vodafone, and Nos (Newton & Ragel, 2017). The Meo telecommunication firm has the largest market share at 7.7 million subscribers thus having over 50% of the market share. In Russia, there are seven telecommunication firms serving a population of over 240 million subscribers (Natasaputra & Kusumastuti, 2017). The Mobile TeleSystems has the largest market share in the country (Natasaputra & Kusumastuti, 2017). In the United Kingdom, a market of about 92 million subscribers is served by four telecommunication firms, that is Everything Everywhere, O2, Vodafone, and three other telecommunication firms. The Everything Everywhere telecommunication firm has the largest market share (Natasaputra & Kusumastuti, 2017).

1.1.2 Regional Perspectives of Competitive Strategies on Firm performance in the Telecommunication Industry

The Nigeria telecommunication industry is an extremely competitive sector. According to Nwakanma *et al*., (2018) indicates that Nigeria has amongst the largest telecommunication sectors across the globe. The country was estimated to have 149.2 million subscribers and contributed 9.1% of the country's GDP. The sector faces challenging firm performance due to high competition amongst the players and introduction of Mobile Number Portability (MNP). These factors have impacted on the telecommunication industry firm performance as measured using service quality, network coverage, and prices for the provided services .

In Somalia, Abdi and Sasaka (2017) examines the firm performance of the Hormuud telecommunication company in terms of geographical reach of its services, employee numbers, shareholders and diversity of services offered. In this context, Abdi and Sasaka (2017) notes that Hormuud telecommunication company that was established in 2002 in Mogadishu has expanded to five thousand employees, over four thousand Somali businessmen have invested into the company and it has diversified its services. Amongst the services offered include Mobile service, landlines and mobile linked internet services (Abdi & Sasaka, 2017). The company has also greatly increased its geographical reach for its services.

Still in Somalia, Mohamed (2018) noted that the telecommunication industry in the country is extremely competitive. This is due to the high number of telecommunication sector players with the country having six main mobile service providers including Hormuud Telecom, Telecom Somalia, Telesom, Somafone, Nationlink, and Golis Telecom (Mohamed, 2018). The many players in the telecommunication sector in Somalia led to the price wars in the sector leading to the lower financial performance of the sector. Amongst the competitive strategies that the telecommunication sector engaged in included cost leadership strategy, differentiation strategy and focus strategy (Mohamed, 2018).

On the cost leadership strategy, Mohamed and Gichinga (2018) noted that amongst the aspects that were considered in Somalia included low prices for services, production cost, develop new products, reduction of operations costs and economies of scale. Similar to Abdi and Sasaka (2017), Mohamed and Gichinga (2018) examined firm performance in the telecommunication sector in terms of customer satisfaction, customer retention, customer loyalty, operational efficiency, and company profitability aspects. Olu-Egbuniwe and Maeyouf (2019) indicates that the firm performance of telecommunication industry was of importance in Libya. In Rwanda, there is a nascent telecommunication sector in the country with four telecommunication players that is Tigo, MTN Rwanda, Rwandatel and Airtel Rwanda enjoy diverse firm performance in terms of market share, profitability and provision of innovative products (Kule, Ntawiha,& Zenom, 2016).

In Egypt, four mobile telecommunication firms that is Vodafone, Orange, Etisalat, and We telecommunication firms serve the about 99 million telecommunications subscribers. Vodafone as a market leader was estimated to have over 38 million subscribers. In Ghana, the largest telecommunication firm is MTN Ghana with other telecommunication firms being Vodafone, Tigo, Airtel, Glo and Expresso Telecom.

1.1.3 Local Perspectives of Competitive Strategies and Firm performance in the Telecommunication Industry

The firm performance of telecommunication sector in Kenya has received scholarly attention from diverse scholars. Amongst the noted firm performance challenges in telecommunication sector in Kenya include service quality (Odhiambo, 2015; Obambo, 2013), customer satisfaction (Obambo, 2013), market share (Mwancha & Ouma, 2017), customer relationship (Karanja, 2013), and profitability (Mbesa & Kihara, 2017) amongst other aspects. The industry sector regulator in Kenya continue to document various firm performance changes across the year. For the 2018/2019 period, Communications Authority of Kenya (2019) notes a growth in mobile phone subscribers with a margin of 2.4% between July and September of 2018. This also led to the growth of mobile phone services penetration by a margin of 2.3% for the same period. Safaricom PLCs' market share for mobile subscriptions dropped by 1.2 per centage points during the quarter to stand at 64.2 per cent whereas Airtel Networks Limited gained 0.9 percentage points to post a market share of 22.3 percent(Communications Authority of Kenya, 2019).There was also noted growth in mobile money agents and users during the period under review. A marginal increase in number portability was also noted for the period.

1.1.4 Telkom Kenya

Telkom Kenya was established in 1999 through its incorporation under the companies act (Cap 486) with its operations commencing from 1st of July of the same year. At its incorporation, the company had acquired a license from the then Communication Commission of Kenya (CCK) to operate telecommunication services under the provisions of Kenya Communications Act of 1998 (Kamau, 2018). The company at that point was a state corporation with Government of Kenya (GoK) owning up to 100% shares. The Government of Kenya was in 2007 to offload 51% stake of the company to France Telecom Group (FTG) through strategic partnership with the firm (Nyambu, 2013).From fifth of November, 2015 the company changed ownership in favour of Helios Investment partners at 60% and government of Kenya at 40%. There is also a planned merge with airtel Kenya. This enabled the company to make investment in its systems and networks.

Telkom Kenya has various firm performance dynamics. According to Communication Authority of Kenya (2019), the market share for Telkom by September 2018 was 9.0 % which was up from 8.8% market share in Jun 2018 and 8.2% market share in September 2017. In terms of Pre-Paid and Post-Paid Mobile Subscriptions as per September 2018, Telkom Kenya Limited had 4,188,517 Pre-Paid and Post-Paid Mobile Subscriptions. There was a marginal increase of 4.8% in the number of subscriptions from 3,995,365 subscriptions in July 2018. According to Communication Authority of Kenya (2019), the market share for Telkom by September 2018 was 9.0% as compared to 22.3% market share by Airtel Kenya Limited and 64.2% market share for Safaricom Public Limited Company. However, this was up from 8.8% market share in June 2018 and 8.2% market share in September 2017. In terms of Pre-Paid and Post-Paid Mobile Subscriptions as per September 2018, Telkom Kenya Limited had 4,188,517 Pre-Paid and Post-Paid Mobile Subscriptions against 10,413,732 subscriptions for Airtel Kenya Limited and 29,943,641 subscriptions for Safaricom Public Limited Company for the same period. There was however a marginal increase of 4.8% in the number of subscriptions from 3,995,365 subscriptions in July 2018. In regard to mobile money transactions, Telkom Kenya Limited' *T-Kash* carried out 104,833 transactions valued at Ksh. 197,106,156 while its competitors Safaricom Public Limited Company (*M-Pesa*) and Airtel Kenya Limited (Airtel Money) did 575,660,251 and 4,628,370 transactions valued at Ksh. 1,585,729,101,317 and Ksh. 1,153,142,919 respectively for the period between July 2018 to September 2018 (Communications Authority of Kenya, 2019). The subscriber base of Telkom Kenya has since grown into 4.2 million members as at May 2019 way below the market leaders at 31Million.

Table 1.1: Performance Metrics of Telecommunication Industry in 2018

	Telkom	Airtel Kenya	Safaricom
Market Share	9.0%	22.3%	64.2%
Subscriptions	4,188, 157	10,413, 732	29,943,641
Mobile Money Transactions	104,833	4,628,370	575,660,251
Mobile Money Transactions Value	Ksh. 197,106,156	Ksh. 1,153,142,919	Ksh. 1,585,729,101,317

1.2 Statement of the Problem

The telecommunication sector play a critical role in communication, contributing to the Gross Domestic Product (GDP), creation of economic opportunities through mobile money agents, facilitating economic activities, facilitating provision of mobile money and internet services (Paulrajan & Rajkumar, 2011; Nwakanma *et al*., 2018; Venkatram 2012). The firm performance of the telecommunication companies is thus important in Kenya's context. However, comparing the firm performance of Telkom Kenya Limited with other mobile phone service providers, Telkom Kenya Limited performs lower than its peers in the market do according to data from Communication Authority of Kenya (Communication Authority of Kenya, 2019). Competitive strategies have been noted as key drivers of firm performance around the world. This study seeks to examine the role of competitive strategies on the firm performance of Telkom Kenya in Nakuru.

1.3 Purpose of the Study

The general objective of this study is to examine the influence of competitive strategies on firm performance of telecommunication industry with a focus on the Telkom Kenya in Nakuru East Sub County, Kenya.

1.4 Objectives of the Study

The study was guided by the following research objectives;

i) To examine the influence of differentiation strategy on the firm performance of Telkom in Nakuru, Kenya .

ii) To establish the influence of cost strategy on the firm performance of Telkom in Nakuru, Kenya .

iii) To establish the influence of focus strategy on the firm performance of Telkom in Nakuru, Kenya.

1.5 Research Hypotheses

The following research hypothesis was used to guide the study;

H_{01}: There is no statistically significant influence of differentiation strategy on the firm performance of Telkom in Nakuru, Kenya.

H_{02}: There is no statistically significant influence of cost strategy on the firm performance of Telkom in Nakuru, Kenya.

H_{03}: There is no statistically significant influence of focus strategy on the firm performance of Telkom in Nakuru, Kenya.

1.6 Justification for the Study

A telecom firm plays an important role in communication, contribution to GDP, employment creation, and development of telecommunication infrastructure in Kenya. Telkom Kenya has one of the lowest market share according to data from communication authority of Kenya. This performance is in respect to the subscription base, market share, and quality of service amongst other aspects. Competitive strategies have been noted as key driver of firm performance around the world. The study sought to examine the role of competitive strategies on the firm performance of Telkom Kenya with emphasis of Nakuru East Sub County.

1.7 Significance of the Study

This study was of great significance in both practice and policymaking. The study provided a manual for differentiation strategies in telecommunication industry with a view of improving performance of the telecommunication companies. This study was useful in guiding the formulation of cost strategies by firms in the telecommunication industry. Findings on the influence of focus strategy on the firm performance was useful in guiding telecommunication companies to concentrate on its market segment and offer products that competitively satisfy the needs of their market segment. The findings and recommendations from this study are useful by the Communication Authority of Kenya in facilitating development of the information and communications sectors in Kenya. The Authority can also utilize the results from this study in managing competition within the telecommunication sector by regulating retail and wholesale tariffs for communications services. The findings of this study is useful in academia and research. In respect to this, academicians and future researchers have a basis for their investigations.

1.8 Scope of the Study

The study was carried out in Telkom offices in Nakuru town and therefore defining the geographical scope of the study. The study focused on four variables, namely; differentiation strategy, cost strategy, focus strategy and firm performance, and therefore the content scope of the study. The study was carried out for a period of six months starting from May 2019 after the proposal defense. The study utilized a proposed budget of Ksh. 76,800.

1.9 Limitations of the Study

The study had challenges due to the unwillingness of some respondents to fill in the provided questionnaire for fear of reprisals from their employer. This was resolved through advising the respondents on the strict use of the collected data and information and guaranteeing them of anonymity. The busy business schedules for the target respondents also was a challenge. This was mitigated through prior arrangements to meet and spending the least time with the respondents.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review for the study. It covers the empirical literature review, theoretical literature review and the conceptual framework.

2.2 Review of Literature

Empirical literature review refers to a collection of studies such as scientific experiments, surveys and research studies on a subject matter. It refers to observations, findings and conclusions achieved from research work rather than theories and systematic logic (Shirish, 2012). This study focuses on studies on competitive strategies and organization performance from diverse contexts. In this section, the study specifically reviewed studies on differentiation strategy, cost strategy, focus strategy and firm performance. This was done in order to understand the contribution of previous studies in the subject area of the current study and identify research gaps to be filled with the current study.

2.2.1 Differentiation Strategy on the Firm performance

The effect of development of a unique product or service that customers find better than the alternatives offered by competitors have seen studies by different scholars in different contexts (Holmberg & Jönsson, 2016; Oteki *et al*., 2015). In a study that sought to examine the relationship between product differentiation and financial performance of telecommunications firms in Kenya, Namusonge *et al*., (2018) discussed various aspects of product differentiation. The study gathered information for the study from 145 respondents from the three top telecommunications firms in Kenya, namely; Safaricom, Airtel and Telkom. The study revealed that product development practices included using subcontractors and suppliers in product development, prepared for products roll early enough and also resolved production issues quickly as well as articulating product designs in early stages of production. The study concluded that there was a positive relationship between product differentiation and financial performance of the telecommunication firms. These findings are echoed by Greenstein and Mazzeo (2016) who found out that differentiated products resulted to high demands of the products by telecommunications firms in United States of America. Namusonge, *et al*, (2018) recommended scaling up of products to fit market needs and demands.

Product differentiation strategies are also geared towards attracting, retaining and maintaining customers for continuous profitability. In respect to this, Akingbade (2017) carried out a study in Nigeria to examine the role of competitive strategies in improving telecommunication profits. Using survey research design, the study collected data using structured questionnaires from 125 respondents from Media houses in Lagos State. The study concluded that product differentiation led to improved profits in the media houses through improvement of customer satisfaction, retention and loyalty. These findings are in line with those by Chelimo (2014) who found out that the level of product differentiation affected the choice of products offered by firms in the telecommunication industry in Kenya. The study recommended the use of ethical product differentiation strategies in consideration of culture of the customers.

Competitive strategies in the midst of stiff competition in the telecommunication industry have been seen to guarantee survival in the market. Kyengo (2016) carried out a study to examine among other objectives, the influence of differentiation in products on performance of telecommunication industries in Kenya. Using descriptive research design, the study found out that telecommunications firms employed differentiation strategies in terms of design and controls, quality systems, many unique and superior products. These differentiation strategies was found to improve on profitability, return on investment, new product introduction, market share, product quality, annual earnings and improvement in employee skills. These finding concur with the findings by Ogake (2017) who found out that telecommunication firms in Kenya differentiated its products and services from their rivals and this improved the performance of the firms in terms of customer satisfaction and retention rate as well as employee skills.

Differentiation strategies may also involve engaging highly skilled staff, quick delivery timelines and maintaining high innovation adoption with an aim of reducing rate of customer defection (Kamau, 2015; Mfwaya, 2013; Nwaeke, Harcourt, Benaiah, & Harcourt, 2017). In line to this, Mohamed (2018) carried out a study in Mogadishu in Somalia to examine the effect of differentiation strategies on firm performance. Mohamed (2018) adopted descriptive research design to meet the study objectives. It was established that differentiation strategies such employing skilled personnel, high degree of innovation, introducing unique products, quick service delivery and creating a first-mover advantage resulted to improvement in customer satisfaction, retention and loyalty as well as increased operational efficiency profitability of the firms. Kireru *et al.*,(2016) concur with these findings by noting that differentiation strategies have a positive and significant relationship with performance metrics of banks.

2.2.2 Cost Strategy and Firm performance

Cost strategies are aimed at reducing the level of competition in the market and this can be achieved thorough economies of scale as observed in diverse studies in the telecommunication industry (Kamau, 2015; Möller, 2015). Focusing on how business strategies affect the performance of telecommunication organizations in Lagos in Nigeria, Onyeaghala and Odiba (2019) conceptualized cost leadership in terms of economies of scale, low prices of raw materials and cheap labour. The study used survey research design and sampled 103 top managers from two top telecommunication firms in Nigeria. The study revealed that the telecommunication firms used adhered to strict cost control measures as well as using standard operation procedures. It was also reported that there was strict procurement policies with close supervision. These aspects led to low cost of operations and production and therefore the firms achieving cost leadership. It was in this respect concluded that there was a significant relationship between cost leadership and organization performance whose findings are supported by Buul and Omundi (2017). Buul and Omundi (2017) observed that there was a positive relationship between cost leadership strategies and firm performance.

Exploiting all sources of cost reduction through price reduction in all activities of the production and supply chain can be used as cost strategy in telecommunication sector. Using descriptive research design, Baroto, Madi and Abdullah (2017) carried out a study to examine among other factors the effect of cost leadership in performance of telecommunication firms in Kenya. The study established that the telecommunications firms engaged in vigorous pursuit of cost reductions, tight cost and overhead control and cost minimization in areas such as sales force, and advertising. The study concluded that cost strategy was related to the long-term performance of organization in the telecommunication industry. Mutisya (2013) in a study on competitive strategies adopted by telephony companies in Kenya observed that cost leadership was a determinant of performance the firms and there for consistent with the findings by Baroto *et al*., (2017).

Cost leadership was also examined in respect to its influence on performance of telecommunication firms by Gathinji (2014). The study adopted a descriptive survey design and collected data using semi-structured questionnaires. The study observed that low cost leadership was adopted by 21% of the firms as a competitive strategy. It was further established that there was a positive relationship between cost leadership and performance of telecommunication firms in Kenya. In agreement to this, Onyango (2017) in a study on cost leadership in petroleum industry observed that there existed a positive relationship between cost leadership and performance of the firms. Onyango (2017) recommended reduction of advertisement to reduce the cost of marketing and therefore achieving cost leadership.

Different scholars to affect the performance of firms in diverse sectors have identified cost reduction and cost leadership (Holmberg & Jönsson, 2016; Mfwaya, 2013; Nwaeke *et al*., 2017; Rotich & Anyango, 2018). Using descriptive research design, Rotich and Anyango (2018) in a study on competitive strategies adopted by Safaricom Public Limited Company to gain competitive advantage concluded that cost leadership though reduction of operational costs affected the level of performance of the company. These findings are consistent with the findings by Kyengo (2016) who noted that cost leadership in terms of low-cost manufacturing, process innovations, economics of scale and low learning curve benefits resulted into improved performance of firms in telecommunication industry. The study recommended the telecommunications firms in Kenya to continuously keep evaluating their cost leadership since the market is highly dynamic.

2.2.3 Focus Strategy and Firm performance

Knowing market strategy segment and offering products and services that competitively satisfy its needs has been viewed as a major contributor to competitive advantage of firms in different contexts (Možný, 2017; Mutisya, 2013; Onyeaghala *et al*., 2018). Baimwera (2018) carried out a study to examine the influence of competitive strategies adopted by petroleum companies on the performance aspects of the companies. One of the competitive strategies that the study focused on is the customer focus. The data for the study was collected using semi structured questionnaires from 52 managers. The study concluded that there was a positive relationship between focus strategy and firm performance. The findings are in agreement with those by Gathinji (2014) who noted that there was a significant relationship between market focus strategy and financial performance of mobile telecommunications firms in Kenya. The study recommended development of superior customer service, offer services not offered by competitors and introduction of new products and services in the market.

Concentrating on the market niche and being able to satisfy the needs for the market niche as been seen to improve the performance of organizations by different scholars (Chelimo, 2014; Greenstein & Mazzeo, 2016; A. Kamau, 2015; Onyango, 2017). Using a sample size of 93 respondents from telecommunication firms in Nigeria, Akintokunbo (2019) examined the effect of market focus strategy on the performance of the telecommunications firms in Harcourt Port. The study revealed that there was a significant and positive relationship between the market focus strategy and performance of the sampled telecommunications firms. The study however differ with the findings by Kyengo (2016) who found out that market focus aspects such as customized services to niche market, better service attributes to niche and market segmentation did not significantly affect the performance of telecommunication firms in Kenya. The study by Akintokunbo (2019) recommended firms to only concentrate with a small portion of the market segment in order to achieve high levels of customer satisfaction.

In Somalian context, a study by Mohamed (2018) sought to find out among other factors the effect of market focus strategies on the performance of telecommunication companies using descriptive research design. The study revealed that the telecommunication companies sampled in the study had chosen specific market segments to enable the companies to deliver high quality products and services. The study concluded that there was a positive and significant relationship between market focus and firm performance whose results are supported by Kamau (2015). Kamau (2015) revealed that concentrating on specific products from a specific market segment improved the quality of services and products and hence improving the performance of telecommunication firms in Kenya.

Focusing on market characteristics in the telecommunication industry may have an effect on the performance of firms. For example, in a study on competitive strategies by telecommunication industries in Nigeria, Nwaeke *et al*., (2017) observed that offers and tailor made products and services improved the customer's satisfaction and also increased market share. The study further indicated that telecommunication firms in Nigeria focused on products offered by its competitors to guide in product and service differentiation. This concurs with the findings by Njoki (2018) who noted that production of products designed to meet specific needs of a market niche in a manner to attract different income level clients affected the performance of SACCOs' in Kenya. The study recommended the SACCOs' to focus on the ever-changing needs of customers in the market in order to provide adequate satisfaction to their customers.

2.3 Theoretical Framework

The study was guided by three theories; Bowman's Strategy Clock Theory, Institutional Theory, and Porter's generic strategies.

2.3.1 Bowman's Strategy Clock Theory

Bowman and D'Aveni, (1995) conceptualized strategy clock theory to explain how a company can provide specific products needed by their customers in order to achieve competitive advantage for their customers. The theory states that organizations can be able to achieve competitive advantage by offering their customers what they need more effectively than competitors do. According to the proponents of the theory, customers make decision to purchase the available products and services in the market depending on time value for money in their expenditure. Customers' strike a balance between what is the price charged on a service or a product and their perceptions of value or benefits of the product. In this context, if the products and services offered by different sellers in the market are perceived to have same benefits, customers will consider the service or products that are priced lower. In respect to this, the customer views cheap products to have value for money (perceived added value) when other factors are held constant (Akingbade, n.d.).

Bowman's Strategy Clock Theory proposes eight price strategies of gaining competitive advantage in a market. The first strategy concentrates on price sensitive market segment. In this route is escribed as the no frills strategy. It is a combination of the low price, and low perceived benefit. The customers in such a market cannot afford expensive products and services and therefore are contented with low quality products for low prices as opposed to high quality products for high prices. In respect to this, for a business to use this model for sustainably, the business must make high volumes of sales (Kyengo, 2016). The second strategy focuses on offering products and services of the same quality as those offered by the competitors in the market but at a lower price. This method is short-term and aim to make more sales but at a risky price. It can be viewed as a price war that aim to eliminate competitors in the market (Oteki, Nolega, Oloko, & William, 2015).

The third price strategy seeks to provide goods and services at the same price as the competitors in the market but at slightly higher quality standards. The sustainability of this strategy is based on the ability to satisfy customer needs, while having a cost advantage that permits offering products and services at low(Mohamed, 2018). The fourth rice strategy seeks to offer goods in the market at the same price as competitors but adding some uniqueness in the products in order to increase the perceived benefit for the products and services. The increased perceived added value mat result to high preference of services and products offered and also increase the market share. Alternatively, the uniqueness in the products and services must attract higher prices and improve the performance of the organization. In the context of this study, telecommunication firms in Kenya can either introduce new and innovative products and services that are able to attract more customers leading to higher market share (Onyeaghala, Odiba, Hyginus, & Maria, 2018).

The fifth price strategy seeks to provide high perception of benefit for products and services and then charge higher prices than the rest of products in the market. In this strategy, the customers are only interested in the perceived benefits of the products offered and not their prices. In respect to this, the services and products may command some premium charges but they may not necessary have more value for money that the alternatives provided in the market (Kyengo, 2016). The sixth price strategy seeks to increase the price of the product that are offered in the market without increasing the value of the products. In respect to this, customers buy same product (same value of products) as offered by the other companies but at a higher price. This is subject to price acceptance in the market. If the market accepts the increase in price, then the company enjoys higher profitability than peers do. However, this is not sustainable due to market forces (Baroto, Madi, & Abdullah, 2017).

2.3.2 Institutional Theory

Oliver developed this theory in the year 1991 to explain how institutional environment affects the development of structures in the organization. In this context, institutional environment refers to rules, norms, and routines that are used to guide the operations of the institutions. According to the theory, the institutional values adopted by an organization acts as a framework of differentiation of products and services. In respect to this, technologies and innovations made can only be adopted in the organization if and only if the innovations are supported by the already set rules, norms, and culture in the organization (Baroto *et al*., 2017).

Different organizations have different institutional norms and rules and therefore they may adopt different strategies in conformity to the institutional environment (Onyango, 2017). In a competitive market, managers create and adopt innovations that are in conformity to the institutional rules and regulations to achieve legitimacy in the business. In respect to this, an organization with flexible institutional environment may be maybe able to adopt differentiation strategies without illegitimating the process. This may create a competitive advantage to the firm but at the same time exposing the form to risks of sustainability. Therefore, the differentiation is balanced with both conformity and legitimacy in order to achieve a competitive advantage (Kireru, Ombui, & Omwenga, 2016).

In the context of this study, telecommunication firms have rules and norms embedded in its operations. The rules guide the way the firm adopts strategies in the market. Managers of these firms only adopt the strategies that do not violate the set standards and routines (Greenstein & Mazzeo, 2016). Due to homogeneity of the institutional culture of different telecommunication firms, the firms adopt differentiation strategies that are unique to the telecommunication firm. This creates a competitive advantage of the firms in the telecommunication industry. The differentiation strategies may be in terms of design and controls, quality systems, or many unique and superior products (Oteki *et al*., 2015). Therefore, institutional theory was relevant in guiding the current study to examine the influence of differentiation strategy on the firm performance of Telkom in Nakuru.

2.3.3 Porter's Generic Strategies

This theory was developed by Michael Porter in 1985 to explain how organizations attain cost leadership and product differentiation by focusing on a relevant and a specific market niche. The theory is divided into cost focus and differentiation focus. In this context, cost focus emphasizes on cost-minimization within a focused market while differentiation focus is concerned in strategic differentiation within a focused market. In cost leadership, firms aim at reducing costs of delivering products and services. It involves charging low costs while making profits (Kay, 2014). According to Michael Porter, cost leadership is achieved through charging the lowest price possible in the market. In the context of telecommunication industry, firms are able to attain cost leadership if few are able to access capital needed to invest in technology that will bring costs down, very efficient logistics and a low-cost based (labor, materials, facilities), and a way of sustainably cutting costs below competitors (Porter, 1985).

Differentiation focus on the other hand involves providing products and services that are different from the ones offered by the competitors in the market. Možný (2017) asserts that for an organization to achieve product differentiation, the organization should be in a position to invest in good research, development, innovation and have the ability to deliver high-quality products or services. Using, focus strategies, companies concentrate on particular niche markets. By understanding the dynamics of that market and the unique needs of customers within it, a company is able to develop low-cost or well-differentiated and tailor-made products for the market (Chen & Liu, 2018). This strategic focus results into good customer service which lead to strong brand loyalty amongst their customers. This makes the particular market segment less attractive to competitors and hence good performance of the organization (Holmberg & Jönsson, 2016).

In the context of this study, telecommunication firms' focus on strategic focus aspects such as customized services to niche market, better service attributes to market niches and market segmentation. Other firms invest in research and innovations in order to develop unique products that are attractive in the market. This aspect creates a competitive edge for the firm and assures survival in a highly competitive sector. Therefore, the theory is highly applicable in the context of strategy focus (Möller, 2015). In this study, the theory was used to guide in the study in examining the influence of focus strategy on the firm performance of Telkom in Nakuru.

2.4 Conceptual Framework

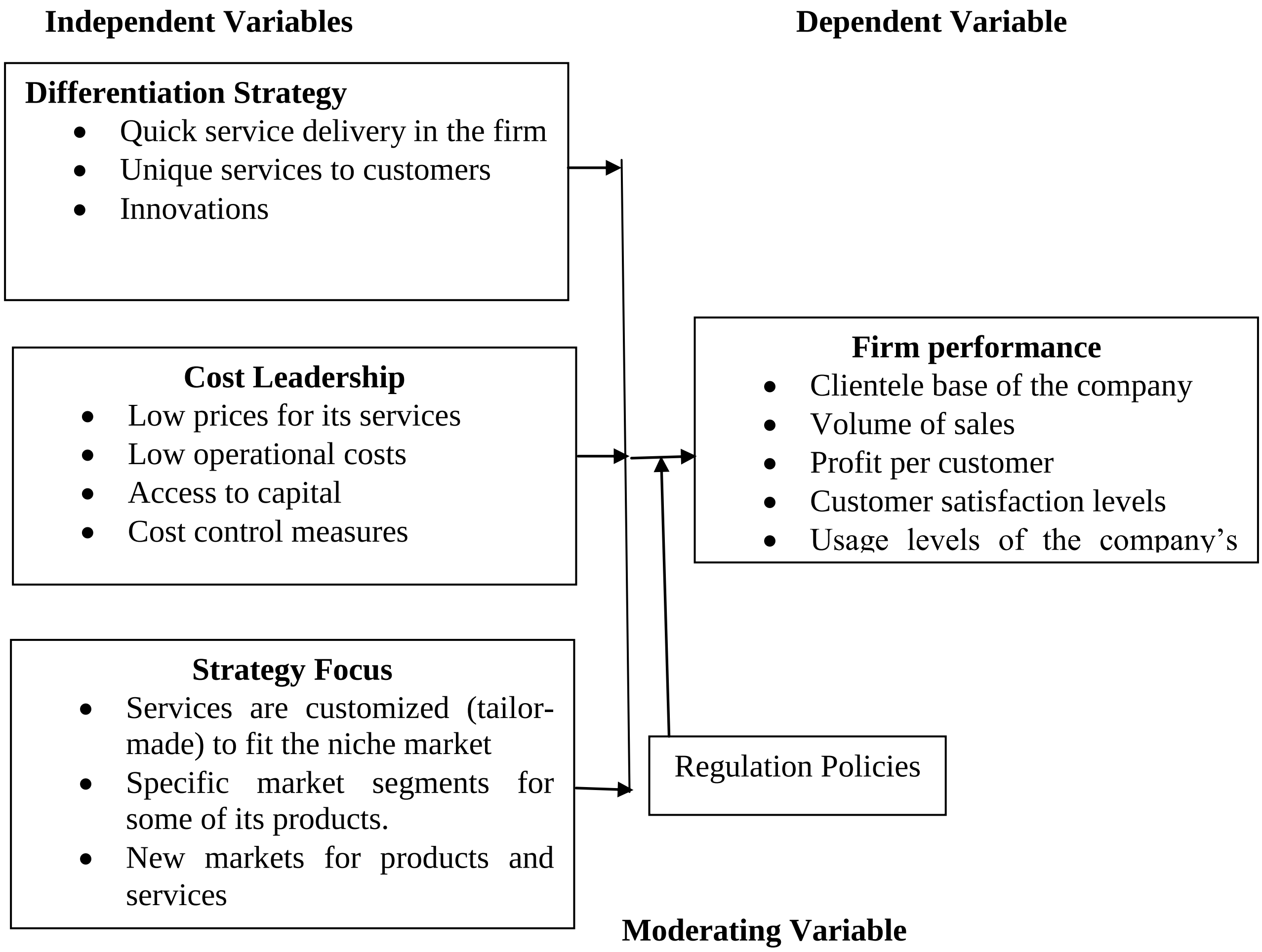

Figure 2.1: Conceptual Framework

2.5 Critique of Existing Literature Review Relevant to the Study

The reviewed literature presents some weaknesses from methodology and conceptual issues. Akingbade (2017) carried a study in Nigeria to examine the role of competitive strategies in improving telecommunication profits. The study however gathered information from low cadre job levels and failed to collect data from managerial team of the telecommunication firms. Therefore, the validity of the information may be questionable for low cadre employees may not fully understand product differentiation aspects very well. Baroto, Madi and Abdullah (2017) carried out a study to examine among other factors the effect of cost leadership in performance of telecommunication firms in Kenya. The study however used a small sample size and therefore the results may not be fully generalizable to a large population.

Baimwera (2018) carried out a study to examine the influence of competitive strategies adopted by petroleum companies on the performance aspects of the companies. However, this study examined only one aspect of competitive strategy, that is, customer service. This implies that the study had a narrow scope and therefore its results could not be widely used for decision-making. Using a sample size of 93 respondents from telecommunication firms in Nigeria, Akintokunbo (2019) examined the effect of market focus strategy on the performance of the telecommunications firms in Harcourt Port. The sample size used is considered small and therefore hindering the generalization of study variables.

2.6 Summary of Reviewed Literature

Study Author	Study Findings
Namusonge *et al*., (2018)	In respect to differentiation strategies, Namusonge *et al*., (2018) concluded that there was a positive relationship between product differentiation and financial performance of the telecommunication firms.
Akingbade (2017)	The study concluded that product differentiation led to improved profits in the media houses through improvement of customer satisfaction, retention and loyalty.
Kyengo (2016)	The study found to improve on profitability, return on investment, new product introduction, market share, product quality, annual earnings and improvement in employee skills.
Mohamed (2018)	The study established that differentiation strategies such as employing skilled personnel, high degree of innovation, introducing unique products, quick service delivery and creating a first-mover advantage resulted to improvement in customer satisfaction, retention and loyalty as well as increased operational efficiency profitability of the firms.
Baroto, *et al*., (2017)	The study concluded that cost strategies was related to the long-term performance of organization in the telecommunication industry
Gathinji (2014)	The study established that there was a positive relationship between cost leadership and performance of telecommunication firms in Kenya.
Baimwera (2018)	The study concluded that there was a positive relationship between focus strategy and firm performance.
Akintokunbo (2019)	The study revealed that there was a significant and positive relationship between the market focus strategy and performance of the sampled telecommunications firms.

Mohamed (2018)	In Somalian context, the study concluded that there was a positive and significant relationship between market focus and firm performance
Nwaeke *et al*., (2017)	In Nigeria, the study indicated that telecommunication firms in Nigeria focused on products offered by its competitors to guide in product and service differentiation.

2.7 Research Gaps

The study has identified several research gaps that the current study seeks to fill. In a study that sought to examine the relationship between product differentiation and financial performance of telecommunications firms in Kenya, Namusonge, Mukulu and Mokaya (2018) discussed various aspects of product differentiation. The study gathered information for the study from telecommunications shops in Nairobi while the current study focused on Telkom shops in Nakuru County and therefore a contextual research gap that the current study seeks to fill. Akingbade (2017) carried a study in Nigeria to examine the role of competitive strategies in improving telecommunication profits. Since the study was done in Nigeria that has different market structures from Kenya, carrying out a study in a Kenyan context helped to fill this contextual research gap.

Mohamed (2018) carried out a study in Mogadishu in Somalia to examine the effect of differentiation strategies on firm performance. Telecommunication industry in Somalia differs significantly from the one in Kenya and therefore the results obtained from Somalia could not be generalizable to Kenya and hence a need for another study in Kenyan context. Using descriptive research design, Onyango (2017) in a study on cost leadership in petroleum industry observed that there existed a positive relationship between cost leadership and performance of the firms. However, the study was done in the petroleum industry and therefore the need to carry out a study on cost leadership in telecommunication industry.

Using descriptive research design, Rotich and Anyango (2018) carried out a study on competitive strategies adopted by Safaricom Public Limited Company to gain competitive advantage. The study was done in Safaricom Public Limited Company while the current study was done in Telkom Kenya and therefore a contextual research gap. In a study on competitive strategies by telecommunication industries in Nigeria, Nwaeke *et al*., (2017) observed that the offer of tailor made products and services improved the customer's satisfaction levels and increased market share. Telecommunication industry may vary from country to country and therefore there is need to carry out a study in Kenyan context.

CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter focuses on the methodological aspects of the study. The location of the study is also discussed in this chapter. The population of the study was clearly described and the numbers of such population clearly indicated. The sampling methods used to derive the sample size as well as how the individual sampling members was selected. The chapter examines the instrumentation of the research study including its piloting, validating and testing of reliability aspects. The data collection procedure, data analysis and ethical consideration processes was examined in this chapter.

3.2 Research Design

This study utilizes descriptive research design. According to Vienna and Schlick (2012), a descriptive research design seeks to provide objective descriptions of the research phenomenon in this context the firm performance of Telkom and the factors influencing it. In this context, the descriptive research design was used since the study sought to describe the influence of competitive strategies on the firm performance of the Telkom Kenya. Additionally, the study examines the influence of the focus, differentiation and cost advantage strategies on the firm performance of Telkom Kenya. The research design is also suitable in the context that the researcher will not manipulate any of the variables but only seek to determine if there is any influence between the variables and the strength of such influence if it exists.

3.3 Location of the Study

The study was undertaken in Nakuru East Sub County. Telkom Kenya has its regional offices for the rift valley in Nakuru East Sub County along Moi Road. Telkom Kenya offices are located near Sebs restaurant and opposite Kenya Power limited. The organizational has two sets of offices in this location where there is a retail shop for retail sales of its products and services. The office block also holds the back-end offices for regional operations and management aspects of the organization.

3.4 Population of the Study

The target population refers to a set of people with similar traits that distinguishes them from the others and possess knowledge of the research phenomenon (Jonker & Pennink, 2010).

The target population of this study was 56 Telkom Kenya staff involved in marketing, finance and operations aspects of the Telkom offices at Nakuru East Sub County. In this context, the target population of this study was 56 Telkom Kenya staff located at Nakuru East Sub County offices. The choice of this population of the study is based on the fact that these staff undertake management tasks such as finance, marketing and human resources management and are likely to be knowledgeable on the firm performance aspects of the organization and are going to be informative on the needs of this research.

3.5 Sampling Procedure and Sample Size

The census method was utilized in this study. The census method refers to the picking of all members of the target population to be included in the study due to the small size of the target population. In this study all the members of the target population was used in the study. The sample size of the study is therefore 56 Telkom Kenya staff based in Nakuru East Sub County offices.

3.6 Instrumentation

The study uses the structured questionnaires for the purposes of the data collection process. The structured questionnaire was used due to various reasons. The structured questionnaire produced quantitative data that was easy to analyze using Statistical Packages for Social Sciences (SPSS). The use of structured questionnaire for data collection was also cost efficient. The method is also time efficient and produces standardized responses hence ease of comparison of responses from different respondents (Lavrakas, 2008). The structured questionnaire was composed of five sections. The first section was composed of demographic characteristics while three sections constituted of the independent variables and one section on the dependent variable. For both the independent and dependent variables, five point likert scale based was used for the study.

3.6.1 Pilot Study

A pilot study was undertaken in this study. A pilot study refers to a small-scale study that is undertaken before the main study in order to test validity, reliability and ensure that the logistical aspects are taken into consideration (Wanjohi, 2014). The pilot study was undertaken in Naivasha offices of Telkom Kenya since organizational structure for Naivasha was similar to that of Nakuru. This is informed by the fact that the two Telkom offices have similar traits in respect to the firm performance of Telkom and are located in the same region and above all, they both are in cosmopolitan towns. This aspect is critical since Jonker and Pennink (2010) notes that a pilot study should be undertaken in similar conditions as the final study.

3.6.2 Validity of the Instrument

The validity of the instrument refers to the ability of the research instrument to measure what it intends to measure (Lyons & Doueck, 2010). The validity of the instrument in this study was examined using content validity of the instrument. The content validity examines on whether the set questions are adequate in form to address the research phenomenon. This was undertaken through use of the research supervisors and senior Telkom officials. This category of people looks through the questionnaire and advice the researcher as to whether the questionnaire is adequate in form. The researcher then amended the questionnaire after validation by the supervisors and the Telkom officials.

3.6.3 Reliability of the Instrument

The reliability of the study refers to the ability of the data to be replicated over a period of time or across different respondents. The reliability of the research instrument in this study was examined using the Cronbach alpha coefficient. The Cronbach alpha coefficient checks on the internal consistency of the questions measuring a latent variable such as those measured through Likert based questionnaire. The study used a threshold of 0.7 Cronbach alpha coefficient for reliability of the study. This is a threshold as indicated by (Wyk, 2015).

3.7 Data Collection Procedure

The data collection procedure commenced upon successful defense of research proposal, corrections of arising issues from the defense and subsequent issuance of data collection authority from graduate school. The researcher used the University issue data collection authority to apply for a research permit from National Commission of Science, Technology and Innovation (NACOSTI). After the issuance of NACOSTI permit, the researcher also sought authority from Telkom management to collect data from their organization. The individual respondents was explained the purpose of the research through a consent letter. The data was collected through a drop off and pick up later self-administration method in which the questionnaires were distributed to the respondents to be picked up at a later date that is mutually agreed with the respondents.

3.8 Data Analysis

The data analysis process started from the completion of the data collection phase. The data was coded into the SPSS software in preparation for data analysis. The questionnaire was analyzed using the descriptive such as frequency distributions and inferential statistics were undertaken using chi square and the linear regression analysis. The frequencies indicated the proportion of respondents that have chosen a particular option in a structured questionnaire. The chi square was used to check on whether the independent variables are associated with the dependent variable while the regression analysis was key in checking the influence of independent variable on dependent variable. The data was presented in tables due to the ease of use of the tables for purposes of data collection. The regression model that was used in the study was as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where;

Y = Firm performance of Telkom Kenya

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$= Model coefficients

X_1 = Differentiation Strategy

X_2= Cost Strategy

X_3 = Focus Strategy

ε= Estimate of Error

3.9 Ethical Considerations

The ethical consideration of the study was ensured through use of consent statement for the respondents and the securing of NACOSTI permit for the data collection. The researcher obtained an authorization letter from the management of Telkom Kenya to undertake the research within the institution. The consent statement of the study provides the purpose of the study, the rights of the respondents, and the measures undertaken by the researcher to protect their identity and right to willingly participate in the study. A formal request to the management of Telkom Kenya was done to seek consent to carry out the research in the firm's branch in Nakuru.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter examines the data analysis, presentation and the discussion of the findings in respect to the competitive strategies and firm performance aspects. The data was analyzed using the descriptive statistics such as frequency distributions, and chi square while the multiple linear regression analysis and correlational analysis were utilized for the inferential statistics. The t test was used for the purposes of hypothesis testing.

4.2 Response Rate

The target population of the study was 56 Telkom Kenya staff located at Nakuru East Sub County offices and therefore 56 questionnaires were distributed to the respondents. The response rate results were provided in Table 4.1 below.

Table 4.1: Response Rate

Distributed Questionnaires	Returned Questionnaires	Response Rate
56	46	82.1%

Out of the 56 distributed questionnaires, 46 questionnaires were returned thus achieving a response rate of 82.1%. According to Lyons and Doueck (2010) a response rate of above 80% is deemed sufficient for the study. Therefore, the achieved response rate was deemed adequate for the study. The study had utilized the drop off pick up later strategy for the purposes of enhancing the response rate of the study.

4.3 Demographic Characteristics

The demographic characteristics of the study were examined using the gender distribution, age of the respondents and the length worked at Telkom Kenya. The results of these demographic characteristics are presented in Table 4.2, Table 4.3, and Table 4.4 respectively.

4.3.1 Gender Distribution

The respondents were asked their gender and the results were displayed in Table 4.2 below.

Table 4.2: Gender Distribution

	Frequencies	Percentage
Male	25	54.3%
Female	21	45.7%
Total	**46**	**100%**

The results of Table 4.2 indicated that 54.3% of the members were male while 45.7% of the members were female. This can be attributed to the firm being in the technology field which has been mostly a male dominated field.

4.3.2 Age Distribution

The age distribution of the respondents were examined and the results displayed in Table 4.3 below.

Table 4.3: Age Distribution

	Frequencies	Percentage
Below 25 Years	0	0%
25-34 Years	12	26.0%
35-44 Years	20	43.4%
45-54 Years	14	30.6%
Above 55 years	0	0%
Total	**46**	**100%**

The results indicated that 26.0%, 43.4%, and 30.6% of the respondents were in the age group of 25-34 years, 35-44 years, and 45-54 years respectively. The results thus revealed that a majority of the respondents were between 35-44 years of age. The study noted that a large proportion of the employees at Telkom Kenya were relatively old. This demonstrated that the employees would less tech savvy in nature leading to challenges in adoption of new strategies required to competitively advantaged.

4.3.3 Length Worked at Telkom

The researcher was also interested in the length of time worked at Telkom and the results are presented in Table 4.4 below.

Table 4.4: Length Worked at Telkom

	Frequencies	Percentage
Below 1Year	5	10.8%
1-2 Years	8	17.3%
Above 3 Years	33	71.9%
Total	46	100%

The results indicated that a majority of the respondents at 71.9% had worked within Telkom for over 3 years compared to 17.3% who had worked for less than two years. This showed that a majority of the respondents had a wealth of experience at Telkom.

4.4 Influence of Differentiation Strategy on Firm performance

The study examined the descriptive statistics for differentiation strategy and the results presented in Table 4.5.

Table 4.5: Descriptive Statistics of Differentiation Strategy

	Strongly Disagree Freq N %	Disagree Freq N %	Undecided Freq N %	Agree Freq N %	Strongly Agree Freq N %	Chi-Square Value	P Value
There is quick service delivery in the firm	2 4.3%	4 8.7%	5 10.9%	28 60.9%	7 15.2%	38.136	<0.05
The firm offers unique services to customers	1 2.2%	6 13.0%	7 15.2%	31 67.4%	1 2.2%	22.131	<0.05
The firm offers superior services to its customers	0 0.0%	5 10.9%	16 34.8%	21 45.7%	4 8.7%	34.419	<0.05
There is high degree of innovations	3 6.5%	1 2.2%	18 39.1%	23 50.0%	1 2.2%	15.001	>0.05
There is continuous improvement in firm's services	0 0.0%	5 10.9%	15 32.6%	24 52.2%	2 4.3%	23.441	<0.05

The differentiation strategy was examined using five indicators that is quick service delivery, firm offering unique services to customers, firm offering superior services to customers, high degree of innovations, and continuous improvement in firm's services. The study results indicate that in respect to the quickness of the service delivery in the firm a majority of the respondents (60.9%) were in agreement that the firm provided quick services. This is in contrast to the 4.3% and 8.7% of the respondents who chose strongly disagree and disagree respectively. The chi square test was used in this variable and across these study results to test the hypothesis that the specific indicator and the dependent variable are independent (have no relationship) or not.

The achieved chi square results of χ^2 =38.136, $p< 0.05$ indicated that there was a relationship between the quickness of service delivery and firm performance at Telkom Kenya. These results are in agreement with other available literature on the variables. In this context, Sakwa and Oloko (2014) assert that quick service provides opportunity for appealing to a wider range of customers and improves on the referral aspects. These aspects further lead to improvement in firm performance. These views are further asserted by Akhtar, Zameer, and Saeed (2014) who noted that provision of quick services have an influence on the firm performance amongst diverse firms.. The relationship between firm offering unique services and firm performance achieved chi square results of $\chi2$ =22.131, $p< 0.05$ which indicates that there is a relationship between the two variables. A cumulative majority of 69.6% of the respondents who strongly agreed and agreed that the firm offered unique services further evidences this. The role of unique services on the firm performance has been empirically found by various scholars including Oyoolo and Bett (2017), Kaliappen (2014), and Adhiambo (2018) amongst others. In this context, Oyoolo and Bett (2017) indicates that unique services influences improvement in firm performance through leading to higher customer loyalty levels. Kaliappen, (2014) further notes that unique services may lead to superior services and higher customer satisfaction levels leading to improved firm performance.

When asked on whether Telkom offered superior services to its customers, 10.9%, 34.8%, 45.7%, and 8.7% of the population disagreed, were undecided, agreed and strongly agreed respectively. These results thus indicated that a cumulative percentage of 54.4% of the respondents agreed and strongly agreed respectively. These results led to the achieved chi square results of $\chi 2 = 34.419$, $p < 0.05$ indicating lack of independence between Telkom offering superior services to its clients and the firm performance of the firm. The relationship between superior services and firm performance is asserted by Mohammed, Gichunge, and Were (2017) who noted that superior services built competitive advantages amongst the firms leading to firm performance. The views of Mohammed *et al*., (2017) were consistent with those of Mazidi, Amini, and Latifi (2014) in their study who found that superior services improved on firm performance through customers' satisfaction, customers' loyalty, brand image, return on assets (ROA), sales growth, market share and overall competitive position.

The role of high degree of innovation at the firm was also examined. The achieved results indicated that 6.5%, 2.2%, 39.1%, 50.0%, and 2.2% of the respondents were strong disagreement, disagreement, undecided, agreement and strong agreement in respect to the metric respectively. The chi square results of $\chi 2 = 15.001$, $p > 0.05$ indicated that there was no association between high degree of innovation and firm performance of Telkom Kenya. The study further examined the presence of continuous improvement in the firm's services and its relationship with the firm performance at Telkom Kenya. The Chi Square test of independence indicated that there was no independence between the continuous improvement in the firms' services and firm performance due to the chi square results of $\chi 2 = 23.441$, $p < 0.05$. This was attributed to a high percentage of 52.2% of the respondents who were agreement that there was continuous improvement of the firm's services. The findings of this study on the relationship between continuous improvement and firm performance are consistent with those found in other studies including Kiprotich, Njuguna, & Kilika (2018), Shukla (2016), Tunji (2013) amongst others. In this context, Kiprotich *et al*., (2018) noted a statistically significant relationship between the continuous improvement and performance through improvement of services, and processes within an organization.

4.5 Influence of Cost Strategy on Firm performance

The descriptive statistics of the influence of cost strategy on the firm performance was examined and the results presented in Table 4.6 below.

Table 4.6: Descriptive Statistics of the Cost Strategy and Firm performance

	Strongly Disagree Freq N %	Disagree Freq N %	Undecided Freq N %	Agree Freq N %	Strongly Agree Freq N %	Chi-Square Value	P Value
The firm charges lower prices for its services	0 0.0%	4 8.7%	17 37.0%	20 43.5%	5 10.9%	13,988	>0.05
The firm reduces its operational costs	2 4.3%	6 13.0%	24 52.2%	12 26.1%	2 4.3%	17.226	<0.05
The firm reduces its marketing costs	1 2.2%	7 15.2%	9 19.6%	23 50.0%	6 13.0%	21.435	<0.05
The firm always procures its products from the lowest services providers	3 6.5%	5 10.9%	12 26.1%	21 45.7%	5 10.9%	17.614	<0.05
The firm adheres to strict cost control measures	1 2.2%	6 13.0%	19 41.3%	19 41.3%	1 2.2%	14.356	>0.05

The cost strategy was examined using five indicators that of charging of lower prices for its services, reduction of operational costs, reduction of marketing costs, procurement of products at the lowest services providers, and adherence to strict cost control measures. In respect to the firm charging the lowest prices for its services and association with the firm performance, the achieved chi square results revealed that $\chi 2$ =13,988, p>0.05. This achieved chi square results indicated that there was no relationship between firm charging the lowest prices for its services and association with the firm performance at 5% level of significance. A huge number of respondents who cumulatively strongly disagree and disagree at 17.3% compared to those cumulative agreed and strongly disagreed at 30.4% further evidences these results. The results of this study are inconsistent with those found in other studies. Kairanya and Bett (2018) had indicated that charging of lower prices may lead to improved firm performance through gaining of price leadership hence higher sales volumes as well as undercutting of the competitors' profitability. Mita, Ochie'ng, and Mwebi (2017) notes that the ways in which firms have been able to cut costs is through cost efficiency in non-priority areas.

The association between reduction of the operational costs and firm performance of Telkom Kenya was examined in the study. The achieved chi square results of $\chi 2$ = 17.226, $p<0.05$ indicated a statistically significant relationship between reduction of operational costs and firm performance at Telkom Kenya. This was further evidenced by the achieved frequency distribution for the respondents that indicated 4.3%, 13.0%, 52.2%, 26.1%, and 4.3% who strongly disagreed, disagreed, were undecided, agreed and strongly agreed respectively. A statistically significant relationship between the firm reducing its marketing costs and firm performance was observed due to the achieved chi square results of $\chi 2$ = 21.435, $p<0.05$. These results were further evidenced by over half of the respondents at 63% of the respondents indicating cumulatively that they agreed and strongly agreed that the firm was reducing its operational costs. In the context of the role of reduction of operational costs on firm performance, Gure (2018) indicate that lower operational costs leads to competitiveness of the firm that is manifested in its lower prices and or higher profit margins in its operations. In respect to the firm procuring its products from the lowest services providers, 6.5%, 10.9%, 26.1%, 45.7%, and 10.9% of the respondents strongly disagreed, disagreed, were undecided, agreed and strongly agreed respectively. The chi square results of $\chi 2$ = 17.614, $p<0.05$ showed that there was a statistically significant relationship between the firm procuring its products from the lowest services providers and firm performance. A statistically significant relationship between firm adherence to strict cost control and firm performance was not observed. This was demonstrated by 2.2%, 13.0%, 41.3%, 41.3% and 2.2% of the respondents who strongly disagreed, disagreed, were uncertain, agreed, and strongly agreed respectively.

4.6 Influence of Focus Strategy on Firm performance

The study also undertook descriptive statistics of the focus strategy on the firm performance and the results displayed in Table 4.7 below.

Table 4.7: Descriptive Statistics of the Focus Strategy

	Strongly Disagree Freq N %	Disagree Freq N %	Undecided Freq N %	Agree Freq N %	Strongly Agree Freq N %	Chi-Square Value	P Value
Services are customized (tailor-made) to fit the niche market	1 2.2%	6 13.0%	15 32.6%	13 28.3%	11 23.9%	40.104	<0.05
The firm has chosen specific market segments for some of its products.	4 8.7%	3 6.5%	19 41.3%	18 39.1%	2 4.3%	21.744	<0.05
The firm focuses on products offered by its competitors to guide in product and service differentiation.	3 6.5%	2 4.3%	17 37.0%	19 41.3%	5 10.9%	41.047	<0.05
The firm carries out market analysis to determine the services to offer	2 4.3%	5 10.9%	14 30.4%	13 28.3%	12 26.1%	20.986	<0.05
The firm identifies new markets for its products and services	0 0.0%	2 4.3%	15 32.6%	15 32.6%	14 30.4%	29.803	<0.05

When asked on whether services are customized (tailor-made) to fit the niche market, 2.2%, 13.0%, 32.6%, 28.3%, and 23.9% of the respondents strongly disagreed, disagreed, were uncertain, agreed and strongly agreed with the metric. The results further indicated that there was a statistically significant relationship between services customization and firm performance due to chi square results of $\chi2 = 40.104$, $p<0.05$. This is consistent with the findings by Njenga (2017) who indicated that customization of services improved on the performance of the organization. This was due to the customers being able to get services and products that are suited for their specific needs. In respect to the firm choosing specific market segments for some of its products, the achieved results indicated that a cumulative percentage of 43.4% of the respondents agreed and strongly agreed with the indicator. This was further evidenced by the observed statistically significant relationship between firm choosing specific market segments for some of its products and firm performance at the achieved chi square results of $\chi2 = 21.744$, $p<0.05$.

The results on the influence of the market segments on the firm performance is consistent with other studies that have examined the two variables. Amongst these studies include Odongo (2018) who noted that the focusing on a specific market segment enables the organization to pursue market oriented goals. In this context, the choosing of a specific market segment may enable the organization to operate in the market where it is competitive and dedicate its resources towards the achievement of its organizational goals in that market. Kartawinata and Wardhana (2015) further notes that the focusing on the specific market segments enables the organization to focus on markets that may have unique needs that are not being satisfied in the market. The respondents were further asked on whether the firm focuses on products offered by its competitors to guide in product and service differentiation. In respect to this question, 6.5%, 4.3%, 37.0%, 41.3%, and 10.9% of the respondents indicated their strong disagreement, disagreement, were undecided, agreement and strong agreement respectively.

The study further found that there was a statistically significant relationship between the firm focusing on the products offered by its competitors to guide in product and the firm performance of the Telkom firm. This was due to the achieved chi square results of $\chi2 = 41.047$, $p<0.05$. The study was further interested on whether the firm carries out market analysis to determine the services to offer. The achieved statistical results indicated that 4.3%, 10.9%, 30.4%, 28.3%, and 26.1% of the respondents strongly disagreed, disagreed, were uncertain, agreed and strongly agreed with the metric respectively. The study further noted that there was statistically significant relationship between the firm carrying market analysis to determine the services to offer and firm performance of Telkom firm. This was due to the achieved chi square results of $\chi2 = 20.986$, $p<0.05$.

Finally, the study further observed a statistically significant relationship between identification of new products and services with firm performance due to the achieved chi square results of $\chi2 = 29.803$, $p<0.05$. This was further illustrated by 4.3%, 32.6%, 32.6%, and 30.4% of the respondents who disagreed, were uncertain, agreed and strongly agreed respectively with the metric. These findings were similar to those by Mohamed and Gichinga (2018) who noted development of new products improved firm performance. On the focus strategy, Mohamed and Gichinga (2018) noted that amongst the aspects that influenced firm performance included company having specific market segment, competitive pricing and focusing on new products.

4.7 Firm performance

The firm performance of Telkom firm was examined using five indicators that is the clientele base of the company, volume of sales, profit per customer, customer satisfaction levels and usage levels of the company's products. The results of the descriptive statistics were presented in Table 4.8 below.

Table 4.8: Descriptive Statistics for Firm performance

	Strongly Disagree	**Disagree**	**Undecided**	**Agree**	**Strongly Agree**
	Freq N %	Freq N %	Freq N %	Freq N %	Freq N %
Clientele base of the company	3 6.5%	5 10.9%	9 19.6%	20 43.5%	9 19.6%
Volume of sales	1 2.2%	1 2.2%	14 30.4%	23 50.0%	7 15.2%
Profit per customer	2 4.3%	7 15.2%	16 34.8%	19 41.3%	2 4.3%
Customer satisfaction levels	4 8.7%	7 15.2%	15 32.6%	17 37.0%	3 6.5%
Usage levels of the company's products	5 10.9%	6 13.0%	13 28.3%	16 34.8%	6 13.0%

The study found that in respect to the improvement in the clientele base of the company,6.5%, 10.9%, 19.6%, 43.5% and 19.6% of the respondents strongly disagreed, disagreed, were uncertain, agreed, and strongly agreed respectively. In respect to the volume of sales in the firm, a cumulative percentage of the 65.2% strongly agreed and agreed that the competitive strategies included the volumes of sales. On whether the competitive strategies influence the profit per customer at Telkom, 4.3%, 15.2%, 34.8%, 41.3%, and 4.3% of the respondents strongly disagreed, disagreed, were uncertain, agreed and strongly agreed respectively. The study further found that a cumulative percentage of 43.5% of the respondents were in agreement that competitive strategies influenced customer satisfaction levels at Telkom Kenya. Finally, in respect to the usage levels of the company as a result of the competitive strategies 10.9%, 13.0%, 28.3%, 34.8%, and 13.0% of the respondents strongly disagreed, disagreed, were uncertain, agreed, and strongly agreed respectively on the strategies leading to firm performance.

4.8 Correlational Analysis

The correlational analysis of the study were undertaken and the results displayed in Table 4.9 below.

Table 4.9: Correlations

		Differentiation	Cost	Focus	Firm performance
Differentiation	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	46			
Cost	Pearson Correlation	0.118*	1		
	Sig. (2-tailed)	0.034			
	N	46	46		
Focus	Pearson Correlation	0.469**	0.408**	1	
	Sig. (2-tailed)	0.001	0.005		
	N	46	46	46	
Firm performance	Pearson Correlation	0.642**	0.692**	0.851**	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	46	46	46	46

**. Correlation is significant at the 0.01 level (2-tailed).

The achieved results for correlational relationship between differentiation and cost strategies were r = 0.118, Sig = 0.034, and P Value <0.01. The achieved results indicated that there was a positive correlational relationship between differentiation and cost strategies that was found to be statistically significant at 1% level of significance. The differentiation and focus strategies correlational relationship achieved results were r=0.469, Sig=0.001, P Value< 0.01. The achieved results for the differentiation and focus strategies indicates there was statistically significant correlational relationship between the strategies that was positive in nature. The achieved correlational analysis results between differentiation and firm performance were r=0.642, Sig=0.000, P Value <0.01. These results indicated that there was statistically significant relationship between the variables at 1% level of significance and the relationship was positive in nature. The observed results of r=0.408, Sig=0.005, P Value < 0.01 for the relationship between cost and focus strategies indicated that there was a positive and significant relationship between the variables at 1% level of significance. The correlational relationship between cost strategy and firm performance were r=0.692, Sig=0.000, P Value < 0.01. These results thus indicated the presence of a statistically significant relationship between the variables. The relationship between focus strategy and firm performance were r=0.851, Sig=0.000, P Value < 0.01.These results indicated the presence of a statistically significant relationship between the variables at 1% level of significance.

4.9 Regression Analysis

The regression analysis was undertaken for the study. According to Kothari (2004) the purpose of the multiple linear regression analysis is to make a prediction about the dependent variable based on its covariance with all the concerned independent variables. In this context, the regression analysis was undertaken with a view of examining the manner in which the competitive strategies had an influence on the firm performance at Telkom Kenya. The first results out of the three different set of results that were examined under the multiple regression analysis provided the model summary of the results that are presented in Table 4.10.

Table 4.10:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945[a]	.894	.886	.14684

a. Predictors: (Constant), Focus, Cost, Differentiation

The results of Table 4.10 presented the multiple linear correlation coefficient (R) and the coefficient of determination (R Square) that were of interest to this study. The multiple linear correlation coefficient R of 0.945 indicates that there is a strong and positive correlation between the independent variables (competitive strategies) cumulatively and the dependent variable (firm performance). The coefficient of determination was also examined. According to Walpole, Myers, Myers, and Ye (2012) the coefficient of determination indicates the proportion of variance in the dependent variable that is accounted for by the independent variables simultaneously. The results of this study indicate that the achieved coefficient of determination stood at 0.894. This indicated that the proportion of the variance (or change) in firm performance that can be attributed to the competitive strategies stood at 89.4% with the difference of 10.6% of the variance in performance as a result of other factors not in the model. According to McDonald (2008) a high coefficient of determination that is close to one indicates a high relationship between the independent variables and the dependent variable. In the context of the current study, a high coefficient of determination was achieved between competitive strategies and the firm performance that indicated a high relationship between the two variables. This was due to the achieved coefficient of determination of 0.894 that was close to one. These results are consistent with other scholars' findings on the high variation of the firm performance because of the competitive strategies. These studies include Sheikh and Kimencu, (2017) who found an R Square of 0.660; Korir (2018) who found a coefficient of determination of 0.682; Kago *et al.*, (2018) who found a coefficient of determination of 0.898; Kinyungu and Ogollah (2017) who found a coefficient of determination of 0.656. The archived results and the existing literature in diverse studies thus indicate that competitive strategies account to high variation of performance of at least 65% and above.

The predictive capacity of the regression model or that the model is good fit for data was tested using the f test and the results presented in Table 4.11 below.

Table 4.11: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.601	3	2.534	117.509	.000[b]
	Residual	.906	42	.022		
	Total	8.506	45			

a. Dependent Variable: Firm performance
b. Predictors: (Constant), Focus, Cost, Differentiation

According to Momeni, Pincus, and Libien, (2017), the f test is undertaken using the null hypothesis that all the beta coefficients in a multiple linear regression are equal to zero against an alternative that at least one beta coefficient is not equal to zero. Therefore, in this study, the f test of the study was tested using the following hypothesis;

H_o: $\beta_1 = \beta_2 = \beta_3 = 0$ where β_1, β_2, and β_3 are beta coefficients for differentiation, cost and focus respectively.

H_1: At least one β_i is not equal to zero where i=1, 2, 3

Since the f test was being undertaken at 5% level of significance, the decision rule was to reject the null hypothesis if the p value is less than 0.05 (5%). The results in Table 4.11 indicates that $F(3, 42) = 117.509$, Sig =0.000 (p value<0.05) therefore leading to the rejection of the null hypothesis. The f test revealed that at least one of the beta coefficients of the independent variables is not equal to zero (and thus is a predictor of the dependent variable) led to the examination of the beta coefficients and the results presented in Table 4.12.

Table 4.12: Coefficients[a] of the independent variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.139	.208		.668	.508
	Differentiation	.304	.052	.337	5.886	.000
	Cost	.449	.048	.522	9.427	.000
	Focus	.302	.046	.406	6.516	.000

a. Dependent Variable: Firm performance

The results presented in Table 4.12 presents the regression coefficients, t statistics and achieved p values that are of interest to this study. According to (Miller, Acton, Fullerton, & Maltby, 2002), the regression coefficients also known as beta coefficients provide the amount of change in the dependent variable that is as a result of unit change in the specific independent variables with the other variables kept constant. The unstandardized regression coefficients were thus used in this study to examine the influence of the specific competitive strategy on firm performance. On the other hand, Tharenou, Donohue, and Cooper (2007) indicate that the standardized beta coefficients (e.g., data that have been converted to z scores with a mean of zero and a standard deviation of one) should be used for making a comparative analysis of the effect of the independent variables on the dependent variable. The standardized coefficients were thus used in this study to make the comparative influence of the competitive strategies on firm performance. Finally, the t test and its associated p values were used for the purposes of testing the research hypothesis of the study. According to Tharenou *et al*., (2007) a statistically significant regression coefficient indicates that the relationship between the specific independent variable and the dependent variable is significant different from zero in the population.

In respect to the influence of the differentiation on the firm performance, the results in Table 4.12 indicated the achieved results of Beta (β_1) = 0.304, t = 5.886, and Sig= 0.000. This achieved result indicates that due to a beta coefficient of 0.304 for differentiation, a unit increase of differentiation was associated with a positive increase on the firm performance to the magnitude of 0.304. The positive influence of the differentiation strategy on firm performance that was observed in this study is consistent with other studies examining the two variables such as Sheikh and Kimencu (2017), Kasongo (2019), Arasa and Githinji

(2014) and Isaboke (2018) amongst others. The study was also interested with whether differentiation had a statistically significant influence on the firm performance. The tested hypothesis to achieve this was as follows;

> **H_{01}:** There is no statistically significant influence of differentiation strategy on the firm performance of Telkom in Nakuru, Kenya.

The t test static was used for testing the hypothesis (H_{01}) at 5% level of significance which achieved t = 5.886, and Sig= 0.000. Since the hypothesis was tested at 5% level of significance, the decision rule for the study was reject null hypothesis for p value less than 0.05 (5%). In the context of this study, since the p value is less than 0.05, a conclusion was made to reject the null hypothesis. Therefore, differentiation has a statistically significant influence on the firm performance of Telkom Kenya. The results of statistically influence of differentiation strategy on firm performance is similar to other empirical studies such as Atikiya, Mukulu, Kihoro, and Waiganjo (2015), Kasongo (2019), Arasa and Githinji (2014) and Isaboke (2018) amongst others. This effect of the differentiation strategy on the firm performance can be attributed to various aspects. According to Arasa and Githinji (2014) differentiation strategy enables the company to offer unique services that serve to provide the company with a competitive edge. The views of Arasa and Githinji (2014) were further echoed by Farah, Munga, and Mbebe (2018) who indicated that the companies pursuing differentiation strategies are able to offer unique product characteristics hence achieving sales volumes or higher profit margins and hence improvement in firm performance. Akinbola (2019) further argues that differentiation strategies creates customer loyalty leading to further improvement in firm performance. Thus the statistically significant influence of the differentiation strategy on the firm performance can be attributed to unique services and products, customer loyalty, and improvement in the sales volumes.

In respect to the influence of the cost strategy on the firm performance, the results in Table 4.12 indicated the achieved results of Beta (β_2) = .449, t = 9.427, and Sig= 0.000. This achieved result indicates that due to a beta coefficient of 0.449 for cost strategy, a unit increase of cost strategy was associated with a positive increase on the firm performance to the magnitude of 0.449. This positive influence of the cost strategy on the firm performance is consistent with empirical literature on the variables. Similar results include those by Chepng'etich and Kimencu (2018), Mutinda and Mwasiaji (2018), Kinyuira (2014), and Isaboke (2018) amongst others. The study was also interested with whether cost strategy had a statistically significant influence on the firm performance. The tested hypothesis to achieve this was as follows;

> **H_{02}:** There is no statistically significant influence of cost strategy on the firm performance of Telkom in Nakuru, Kenya.

The t test static was used for testing the hypothesis (H_{02}) at 5% level of significance which achieved t = 9.427, and Sig= 0.000. Since the hypothesis was tested at 5% level of significance, the decision rule for the study was reject null hypothesis for p value less than 0.05 (5%). In the context of this study, since the p value is less than 0.05, a conclusion was made to reject the null hypothesis. Therefore, cost strategy has a statistically significant influence on the firm performance of Telkom Kenya. The statistical significant relationship between cost strategy and organization performance is collaborated by other studies examining the two variables. Other studies that have observed statistical significance between cost strategy and firm performance include Oyoolo and Bett (2017), Mwangi and Ombui (2013), Kyengo (2016), Sheikh and Kimencu (2017), and Chepng'etich and Kimencu (2018) amongst others. The influence of the cost strategy on the firm performance can be attributed to diverse aspects. According to Naftali (2017) in his study, the cost strategy influences firm performance through achievement of cost leadership. This ensures that the company automates its services and products in order to achieve economies of scale and hence improve on the sales volumes of their services. The theme of economies of scale as the means in which cost leadership influences firm performance is further explored by Mbai, Ngui, and Ndiao (2018) in their study. In this context, (Mbai et al., 2018) noted that the achievement of economies of scale is one of the main ways in which cost strategy influenced firm performance. On the other hand, Panwar, Nybakk, Hansen, and Pinkse (2016) in their study found that cost strategy influenced performance through economies of scale, cost control, tight costs, and cost reduction amongst other aspects.

In respect to the influence of the focus strategy on the firm performance, the results in Table 4.12 indicated the achieved results of Beta (β_3) = .302, t = 6.516, and Sig= 0.000. This achieved result indicates that due to a beta coefficient of 0.302 for focus strategy, a unit increase of focus strategy was associated with a positive increase on the firm performance to the magnitude of 0.302. The study was also interested with whether focus strategy had a statistically significant influence on the firm performance. The tested hypothesis to achieve this was as follows;

> **H_{03}:** There is no statistically significant influence of focus strategy on the firm performance of Telkom in Nakuru, Kenya.

The t test static was used for testing the hypothesis (H_{03}) at 5% level of significance which achieved t = 6.516, and Sig= 0.000. Since the hypothesis was tested at 5% level of significance, the decision rule for the study was reject null hypothesis for p value less than 0.05 (5%). In the context of this study, since the p value is less than 0.05, a conclusion was made to reject the null hypothesis. Therefore, focus strategy has a statistically significant influence on the firm performance of Telkom Kenya. The statistically significant influence between focus strategy and firm performance found in this study is consistent with other results in the same variable such as Mbithe and Kilika (2017), Farah *et al.*, (2018), Mita, Ochie'ng, and Mwebi (2017), and Ogeto, Matwele, and Omari (2016) respectively. According to Justinian (2015) focus strategy can influence firm performance through emphasis of marketing of specific services and products. This view is further discussed by Batista, Lisboa, Augusto, and Almeida (2016) who noted that the focus strategy influences firm performance through either pursuing a narrow segment through either cost focus or differentiation strategy in order to become competitive in this segment. The views by Batista *et al.*, (2016) were further underscored by Karanja and Were, (2017) who noted that in the focus strategy, a firm targets a specific segment of the market. The firm can choose to focus on a select customer group, product range, geographical area, or service line.

Using the observed regression coefficients for differentiation strategy, cost strategy, and focus strategy the following multiple linear regression model was achieved;

$Y = 0.304X_1 + 0.449X_2 + 0.302X_3$

Where;

Y = Firm performance of Telkom Kenya

$\beta_0, \beta_1, \beta_2, \beta_3$, = Model coefficients

X_1 = Differentiation Strategy

X_2= Cost Strategy

X_3 = Focus Strategy

Based on Tharenou, Donohue, and Cooper (2007) indication that the standardized beta coefficients should be used for making a comparative analysis of the effect of the independent variables on the dependent variable, these coefficients were used for that stated purpose. In this context, the achieved standard beta coefficients for differentiation, cost strategy and focus strategy stood at 0.337, 0.522, and 0.406 respectively. These results indicated that cost strategy had the most significant influence on the firm performance at Telkom Kenya followed by focus strategy, and differentiation strategy respectively.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter examines the summary of findings, conclusions of findings and recommendations of the study.

5.2 Summary

The summary of findings examines the different ways in which the competitive strategies influence the firm performance. The summary of the findings is therefore based on the specific objectives.

5.2.1 Influence of Differentiation Strategy on Firm performance

The differentiation strategy had been examined using five indicators that is quick service delivery, firm offering unique services to customers, firm offering superior services to customers, high degree of innovations, and continuous improvement in firm's services. The study revealed that there was a statistically significant relationship between the quickness of service delivery and firm performance at Telkom Kenya. This was attributed to quick service providing opportunity for appealing to a wider range of customers and improves on the referral aspects. These aspects further lead to improvement in firm performance. The relationship between firm offering unique services and firm performance was statistically significant indicating that there was a relationship between the two variables. A majority of the respondents were in agreement that the firm offered unique services. This was attributed to the unique services influencing improvement in firm performance through leading to higher customer loyalty levels. The unique services to superior services and higher customer satisfaction levels leading to improved firm performance. The study results further revealed lack of independence between Telkom offering superior services to its clients and the firm performance of the firm. This was attributed to superior services leading to competitive advantages amongst the firms and hence improvement in firm performance. The superior services improved on firm performance through customers' satisfaction, customers' loyalty, brand image, return on assets (ROA), sales growth, market share and overall competitive position. The study noted lack of association between high degree of innovation and firm performance of Telkom Kenya. The study further examined the presence of continuous improvement in the firm's services and its relationship with the firm performance at Telkom Kenya. In respect to the influence continuous improvement on the firm's services, the study found that there was no independence between the continuous improvement in the firms' services and firm performance.

5.2.2 Influence of Cost Strategy on Firm performance

The cost strategy was examined using five indicators that of charging of lower prices for its services, reduction of operational costs, reduction of marketing costs, procurement of products at the lowest services providers, and adherence to strict cost control measures. In respect to the firm charging the lowest prices for its services and association with the firm performance, the achieved results indicated there was no relationship between firm charging the lowest prices for its services and association with the firm performance. The results of this study are inconsistent with those found in other studies which noted that charging of lower prices may lead to improved firm performance through gaining of price leadership hence higher sales volumes as well as undercutting of the competitors' profitability. The achieved results of the study indicated a statistically significant relationship between reduction of operational costs and firm performance at Telkom Kenya. A statistically significant relationship between the firm reducing its marketing costs and firm performance was observed due to the achieved chi square results. In the context of the role of reduction of operational costs on firm performance, the study noted that lower operational costs leads to competitiveness of the firm that is manifested in its lower prices and or higher profit margins in its operations. A statistically significant relationship between firm adherence to strict cost control and firm performance was not observed.

5.2.3 Influence of Focus Strategy on Firm performance

The results on the focus strategy on the firm performance revealed diverse relationship aspects of the study. The study found that there was a statistically significant relationship between services customization and firm performance. This was attributed to the customization of services improving on the performance of the organization. This was due to the customers being able to get services and products that are suited for their specific needs. The study observed a statistically significant relationship between firm choosing specific market segments for some of its products and firm performance. This was attributed to organization focusing on a specific market segment enabling it to pursue market oriented goals. The study noted that the firm focusing on the products offered by its competitors to guide in product and service differentiation. The study further found that there was a statistically significant relationship between the firm focusing on the products offered by its competitors to guide in product and the firm performance of the Telkom firm. Finally, the study further observed a statistically significant relationship between identification of new products and services with firm performance. This was attributed to noted development of new products improving on firm performance.

5.3 Conclusions

The study concluded that there was a strong and positive correlation between the independent variables (competitive strategies) cumulatively and the dependent variable (firm performance). The coefficient of determination was also examined. The study further found that the proportion of the variance (or change) in firm performance that can be attributed to the competitive strategies stood at 89.4% with the difference of 10.6% of the variance in performance as a result of other factors not in the model. The study concluded that differentiation had a positive and statistically significant influence on the firm performance aspects. In respect to the influence of the cost strategy on the firm performance, the study found that cost strategy was associated with a positive increase on the firm performance. The study also concluded that focus strategy had a positive and statistically significant influence on the firm performance of the Telkom in Nakuru, Kenya.

5.4 Recommendations

The following are the recommendations of the study:

5.4.1 Policy Recommendations

The study recommended that the competitive strategies such as focus strategy, differentiation strategy and cost strategy should be implemented continuously by the organization. The study further recommends that Telkom Kenya as a firm should place its emphasis on cost strategy as it had the most influence on the firm performance at the organization followed by focus strategy, and differentiation strategy respectively. The study thus in terms of policy the Telkom management should emphasize on cost, then differentiation and then focus strategies in their policies on the competitive strategies.

5.4.1 Suggestions for Further Studies

The study recommends for further studies the role of competitive strategies and the government moderating effect in providing competitive advantages to Telkom Kenya as an organization.

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APPENDICES

Appendix I: Cover Letter

School of Business and Economics
Kabarak University
NAKURU

May 2019

Dear Respondent,

<u>RE: DATA COLLECTION FOR RESEARCH PROJECT</u>

I am student at Kabarak University pursuing a Master of Business Administration - Strategic Management at the Nakuru town campus. I am currently conducting a research in partial fulfilment of the requirements for the award of the degree of Master of Business Administration – Strategic Management. The title of my research is "**The Influence of Competitive Strategies on Firm performance in the Telecommunication Industry: A case study of Telkom Kenya in Nakuru East Sub County**

I kindly request you to fill the attached questionnaires. All the information that you will provide was treated with utmost confidentiality and was used only for the purpose of this research.
Thank you for your assistance.
Yours faithfully,

Paul Kipterer Chumba
Researcher

Appendix II: Questionnaire

INSTRUCTIONS

Please answer the following questions using one of provided answers. Do not write your name in any section of this questionnaire for your identity is defined as anonymous in the research.

SECTION I: BACKGROUND INFORMATION

1. Gender

   Male [ ] Female [ ]

2. Age bracket

   Below 25 years [ ] 25-34 years [ ] 35-44years [ ]

   45-54 years [ ] 55 years and above years [ ]

3. For how long have you worked in the Telkom Kenya Limited?

   Below 1 year [ ] 1-2 years [ ] Above 3 years [ ]

SECTION II: DIFFERENTIATION STRATEGY INDICATORS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items was scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	Statement	5	4	3	2	1
4.	There is quick service delivery in the firm					
5.	The firm offers unique services to customers					
6.	The firm offers superior services to its customers					
7.	There is high degree of innovations					
8.	There is continuous improvement in firm’s services					

SECTION III: COST STRATEGY INDICATORS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items was scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	**Statement**	**5**	**4**	**3**	**2**	**1**
9.	The firm charges lower prices for its services					
10.	The firm reduces its operational costs					
11.	The firm reduces its marketing costs					
12.	The firm always procures its products from the lowest services providers					
13.	The firm adheres to strict cost control measures					

SECTION IV: STRATEGY FOCUS INDICATORS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items was scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	**Statement**	**5**	**4**	**3**	**2**	**1**
14.	Services are customized (tailor-made) to fit the niche market					
15.	The firm has chosen specific market segments for some of its products.					
16.	The firm focuses on products offered by its competitors to guide in product and service differentiation.					
17.	The firm carries out market analysis to determine the services to offer					
18.	The firm identifies new markets for its products and services					

SECTION V: FIRM PERFORMANCE INDICATORS

The questions in this section are based on five point Likert scale running from strongly disagree (SD) to strongly agree (SA). The items was scored as follows; strongly Disagree=1, Disagree=2, Undecided=3, Agree=4 and Strongly Agree=5. Use the Likert scale to answer the following questions.

No	**Does Competitive Strategies improve;**	**5**	**4**	**3**	**2**	**1**
19.	Clientele base of the company					
20.	Volume of sales					
21.	Profit per customer					
22.	Customer satisfaction levels					
23.	Usage levels of the company's products					

THE END

Appendix III: University Approval Letter

KABARAK UNIVERSITY

Private Bag - 20157
KABARAK, KENYA
http://kabarak.ac.ke/institute-postgraduate-studies/

Tel: 0773 265 999
E-mail: directorpostgraduate@kabarak.ac.ke

BOARD OF POSTGRADUATE STUDIES

15th July, 2019

The Director General
National Commission for Science, Technology & Innovation (NACOSTI)
P.O. Box 30623 – 00100
NAIROBI

Dear Sir/Madam,

RE: PAUL KIPTERER CHUMBA- REG. NO. GMB/NE/0192/01/18

The above named is a Master of Business Administration (MBA) student at Kabarak University in the School of Business & Economics. He is carrying out research entitled ***"Influence of Competitive Strategies on Organization Performance in the Telecommunication Industry: A Case Study of Telkom Kenya in Nakuru Central Business District, Kenya".*** He has defended his proposal and has been authorized to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide him with a research permit to enable him to undertake his research.

Thank you.

Yours faithfully,

Dr. Betty Jeruto Tikoko
DIRECTOR, POSTGRADUATE STUDIES

Kabarak University Moral Code
As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)

Appendix IV: Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **687224**

Date of Issue: **09/September/2019**

RESEARCH LICENSE

This is to Certify that Mr.. PAUL CHUMBA of Kabarak University, has been licensed to conduct research in Nakuru on the topic: INFLUENCE OF COMPETITIVE STRATEGIES ON ORGANIZATION PERFORMANCE IN TELECOMMUNICATIONS INDUSTRY - A CASE OF TELKOM KENYA NAKURU CENTRAL BUSINESS DISTRICT for the period ending : 09/September/2020.

License No: **NACOSTI/P/19/253**

687224

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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