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COMPETITIVE STRATEGIES AND PERFORMANCE OF FIRMS IN THE TELECOMMUNICATION INDUSTRY IN KENYA

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ABSTRACT

The telephony sector played a critical role in communication, contributed to the Gross Domestic Product (GDP), created economic opportunities through mobile money agents, facilitated economic activities, and provided mobile money and internet services. The firm performances of the telecommunication companies were thus important in Kenya's context. The study sought to explore the competitive strategies and performance of firms in the telecommunication industry in Kenya. The objectives of the study were as follows: focus strategyand innovation on the performance of firms in the telecommunication industry in Kenya. To achieve the set objectives, the study developed research hypotheses and statistically tested them at $\alpha = 0.05$. The study was hinged on theories such as Porter's Competitive Business Strategy Typology and Miles and Snow typology. It adopted a descriptive research design and used both qualitative and quantitative approaches. The study examined a population of six telecommunication companies in Kenya, employing simple random sampling to select 384 employees in these firms who were directly involved with competitive strategies and the performance of firms in the telecommunication industry in Kenya. The research employed both qualitative and quantitative analytical methods. Qualitatively, the study utilized regression analysis, while quantitative data underwent analysis involving percentages, frequencies, means, and standard deviations, with the assistance of SPSS software. Regression analysis was also applied to establish the relationships between variables. Regarding focus strategy, the study found that focus strategy is statistically significant in explaining performance of firms in the telecommunication industry in Kenya ($\beta = 1.466$, $P = 0.000$). This indicates that focus strategy positively and significantly relates with performance of firms in the telecommunication industry in Kenya. The findings also suggest that improvement in focus strategy would lead to an increase in performance of firms in the telecommunication industry in Kenya by 1.466 units. Finally, the study found that innovation is statistically significant in explaining performance of firms in the telecommunication industry in Kenya ($\beta = 1.058$, $P = 0.000$). This indicates that innovation positively and significantly relates with performance of firms in the telecommunication industry in Kenya

Key Words: Focus Strategy, Innovation, Competitive Strategies and Performance of Firms in the Telecommunication Industry

Background of the Study

Rapid development of internet and information technology has driven telecommunication organizations into the era of new competitive business environment (Chong & Wong, 2017). In the 21st Century telecommunication companies must effectively master information to remain competitive in an increasingly global market; tremendous business opportunities have been created because of liberalization of global communications thereby presenting opportunities for mergers. Strategy choices are critical for the successful implementation of these mergers in Kenya and thus the reason to examine how this process has been undertaken in the Kenyan context.

Thompson and Strickland (2015) on their part, define competitive strategies as consisting of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Walker (2015) avers that competitive strategies must grow out of sophisticated understanding of rules of competition that determine an industry's attractiveness. Lester (2019) on his part argues that competitive strategies enable a firm to define its business today and tomorrow and determine the industries or markets to compete in. Jonsson and Devonish (2019) further recognize that firms that have properly planned and applied competitive strategies have a tendency to have higher performance than those that do not.

According to Porter (1985), the major focus of competitive strategy is a firm's relative position in an industry which indicates whether its profitability is above or below industry average. Competitive strategies are formulated and developed with the purpose of assisting firms in performing various activities differently from its rivals (Zott, 2014).

Raduan, Jegak, Haslinda and Alimin (2015) further affirm that a business that does something that is distinctive and difficult to replicate has competitive advantage and is likely to be more profitable than its rivals. Factors such as strategic types, adoption of new technologies, quality products among others have also been considered to have important influence on superior performance of firms. Over the years, business strategies have been found to have direct influence on firm's competitiveness and growth performance (Sandlberg,2016). To this effect, a number of competitive strategy frameworks have been proposed and empirically tested (Hayes & Schmenner, 1978; Miles & Snow, 1978; Wheelwright, 1978; Porter, 1980; Spanos & Lioukas, 2001; White, 2014) among others. Porter's (1980) generic strategy framework is the most notable one in terms of achieving superior performance and has significantly contributed to development of the strategic management literature and serves an excellent starting point for the framework proposed in this study.

According to this framework, a business maximizes performance either by striving to be the low cost producer in an industry or by differentiating its line of product or services from those of other businesses. However, the results obtained in previous research are far from conclusive. Some authors (Dess & Devis, 1984; Hall, 1980; Hambrick 1983; Kim & Lim, 2018) found many of the most profitable firms having either low cost or differentiated position which supports Porter's position. Others have found that Porter's generic strategies do not represent ways to achieve a higher performance and that hybrid strategies are the ones entailing improved performance (Gopalakrishna & Subramanian, 2001; Spanos, Zaralis & Lioukas, 2016).

Porter (1981) also examined the linkage between environment and organization performance and discovered that the environment is the primary determinant of organizational performance. According to Ilesanmi (2017), an organization must be in touch with its external environment to be successful overtime. There must be a strategic fit between what the environment wants and what the firm has to offer as well as what the firm needs and what the environment can provide.

Telecommunication firms are vulnerable to changes in their operating environment in many ways and these have great consequences on their operation. As a result of this vulnerability

telecommunication firms are required to be proactive and able to formulate and adopt appropriate competitive strategies that will enable them to overcome the competitive challenges they experience in the environment they operate in. Competitive strategy helps a firm to gain a competitive edge over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunity available in the market and will automatically fail.

The strategic fit between competitive strategies and innovation as one of the environmental aspect is argued to have significant effect on firm performance. Auh and Menguc (2017) define innovation as a situation where an enterprise operates in a market characterized by a high number of competing enterprises, thus limiting potential for growth opportunities. According to Porter (1980) innovation is an important determinant of firm profitability in a given industry.

The level of innovation determines a firm's choice of strategic actions and responses. Competition exists in the telecommunication sector in Kenya due to the high advertising, price wars and frequent product launches experienced. Whilst innovation is acknowledged to have effect on firm profitability, scanty attention has been paid to it by researchers in Kenya.

Statement of the Problem

Telecommunication firms are struggling to achieve the desired level of performance in the modern highly competitive markets. Regardless of the several strategies they adopt, not all companies in the telecommunication industry have been able to achieve the level of performance that they expect. Notably, the performance of different firms exhibit significant differences with some firms performing exceptionally while some are almost leaving the market. It is worth noting that the basic goal of every company is organizational efficiency. This is because organizations can only grow and progress through performance (Waema, 2017).

It is important for firms in an industry to develop competitive advantage over its competitors. For some time now, Safaricom seems to have developed this advantage over its rivals like Airtel Networks Kenya Limited, Telkom Kenya Limited (Orange), Finserve and most recently the Equitel money platform of Equity Bank Limited. This is evident from the fact that Safaricom has posted exemplary results compared to its competitors for the last five years. In the year 2016, for example, Safaricom had a net profit of Kshs. 38.104 Billion (Safaricom Limited Annual report, 2022).

The aim of competitive strategy is to achieve sustainable competitive advantage (Coyne, 1986; Stalk & Lachenauer, 2016). The results obtained in previous research are far from conclusive. Some authors (Dess & Devis, 1984; Hall, 1980; Hambrick 1983; Kim & Lim, 1988) found many of the most profitable firms having either low cost or differentiated position which supports Porter's position. However, others have checked that Porter's generic strategies do not represent ways to achieve a higher performance well (Dawes & Sharp, 1996; Parker & Helms, 1992) and that hybrid strategies are the ones entailing improved performance (Gopalakrishna & Subramanian, 2001; Spanos, Zaralis & Lioukas, 2016). There is therefore need to progress research to add knowledge in this area. The current study is thus undertaken to advance knowledge in this area.

Studies on competitive strategies have also been conducted by a number of scholars in Kenya. For instance, Warucu (2017) looked at competitive strategies employed by commercial banks. Kiptugen (2015) carried out a research on strategic responses to a changing competitive environment in the case study of Kenya Commercial Bank. Mbwayo (2015) focused on the strategies applied by commercial banks in Kenya in anti-money laundering compliance programme. Gathoga, (2018) in his study focused on competitive strategies used by

commercial banks in Kenya. Kimotho, (2018) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. Murage, (2018) focused on competitive strategies in the petroleum industry. Waiganjo (2017) focused on effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. Whereas the cited studies focused on competitive strategies and how they are implemented in various organizations, the studies were majorly case study. The current study used survey research design and others for example Waiganjo (2018), used competitive strategy as a moderating variable and used Schuler and Jackson (1987) elements of competitive strategies. The current study utilized competitive strategy as independent variables and tested Porter's generic competitive strategies.

Liberalization in the telecommunication industry in Kenya has opened avenues for multi players within the industry and as a result competition for the same market share has increased. Such players are government though ministry of ICT and CAK, service providers, equipment vendors, contractors, infrastructure companies etc. The mobile service sector in particular has experienced pressure from the government to lower their service rates. In addition technology is changing rapidly forcing the organizations to update accordingly by constantly investing in costly infrastructure. For example the organizations that were previously on 2G technologies have had to upgrade to 3G, through to 4G and now 5G. This creates a problem since the return on investment on the infrastructure is not realized by the time a new technology comes to market. Such a problem prompts organizations in the mobile service sector to find ways of maximizing their profits in order to survive in the industry where revenues are diminishing these methods thus lead to price war amongst the telecommunication industry.

In Kenya, Ongache (2015) ought to identify the competitive strategies being adopted by Airtel Kenya Limited to tackle competition, and the challenges experienced in applying the strategies although the study failed to established how consumer behavior influence pricing strategies. Similarly, Njoroge (2015) study established the competitive strategies that Telkom Kenya (Orange) was adopting to gain competitive advantage and increase its profits in the long run. There are other researchers who have also looked at the influence of different competitive strategies on consumer purchase decision in different contexts but few have focused on the influence of competitive strategies on consumer purchase decision in the telecommunication sector in the Kenyan context especially Safaricom. In that regard, this study accessed the competitive strategies on performance among telecommunication industry in Kenya?

General Objective

The general objective of the study was to determine the effect of competitive strategies on performance of firms in the telecommunication industry in Kenya.

Specific Objectives

i. To find out the effect of focus strategy on the performance of firms in the telecommunication industry in Kenya
ii. To determine the effect of Innovation on performance of firms in the telecommunication industry in Kenya

LITERATURE REVIEW

Theoretical Literature Review

Resource-based View Theory

The origin of resource based view can be traced back to earlier research of Seiznick (1957), Penrose (1959) among other researchers. The emphasis on this school of thought was on the importance of resources and its implication for the firm performance.

This theory simply emphasizes the idea that an organization must be seen as a bundle of resources and capabilities to create value and therefore gain competitive advantage (Barney, 1991). The resource-based view further posits that firms can achieve overall competitiveness and performance if they possess tangible or intangible resources that are valuable, rare, inimitable and non-substitutable.

These four characteristics of resources describe what Barley (2017) considers strategic assets that, if properly mobilized build and sustain a firm's competitive advantage and improve its performance. According to Barney (1991), enterprises in the same sector can be heterogeneous in respect to their own resources and as resources are not perfectly transferable among enterprises, the heterogeneity and the consequent competitive advantage achieved could be durable over time. However, resources and capabilities are not valuable on their own and are essentially unproductive in isolation Newbert (2018). As such, Newbert contends that the key to attaining a competitive advantage is by exploitation of a valuable resource-capability combination. This view is further supported by Bitar and Hafsi (2017), who opine that resources and capabilities are sources of competitive advantage, but they do not necessarily contribute to competitive advantage.

However, despite the increased literature devoted to use of RBV. The theory has its own critics. According to Hedman and Kalling (2016), this theory is criticized for neglecting the obstacles to dynamics and managements. Chan et al. (2016) similarly criticizes the theory for its implicit assumption of static equilibrium yet competitive advantages stem from developing current capabilities that are highly effective in responding to the organizational environment.

For firms to attain competitive advantage in this competitive environment, they need to provide value to customers. This value can be derived from either cost advantage, service or differentiated products. Resource-based theory therefore, focuses on the relationship between a firm's internal resource stability and the ability to stay competitive through its strategy formulation. Resource-based view theory (RBV) has also been extended by Grant (1991) to encompass competitive strategy.

According to Grant, Resource-based View Theory links competitive strategies and capabilities to value creation. He posits that not only do capabilities need to be considered as the base to develop competitive strategy but they also need to be renewed and maintained by strategist. Hence RBV is important to understand value may stem from strategic alignment of resources and competitive strategies. In developing their competitive strategies the telecommunication industry in Kenya may pay attention to the resources existing within the firm so as to be able to create value for its customers.

Miles and Snow Typology

This theory was founded by Miles and Snow in 1978. It is one of the most frequently empirically proven classifications (Peng et al., 2004). Its usefulness has been demonstrated by numerous studies confirming the basic assumptions of the proposed model in the area of strategic management and strategic marketing (Moore, 2015; Andrews et al., 2016; Pleshko & Nickerson 2018).

According to Sumer and Bayraktar (2016), Miles and Snow proposed four strategy types which include; defenders, prospectors, analyzers and reactors that a firm can employ to compete in the industry. The typology proposes that firms develop relatively stable patterns of strategic behaviour that is compatible with perceived environmental conditions. Defenders focus on improving the efficiency of their existing operations by becoming more successful in existing markets with existing products, with the lowest level of uncertainty compared to other strategic types. Companies using this strategy maintain internal focus by concentrating on a narrowly defined product-market domain.

Prospectors always search for new market opportunities and analyzers show some characteristics of both prospectors and defenders. They try to achieve efficient production for current lines and at the same time emphasize the creative development of new product lines. They achieve competitive advantage by company entering markets with new products, by being innovative and by quickly embracing new technologies. The company maintains external focus on constantly adapting to market changes, but with a possible significant loss in operational efficiency.

On the other hand, reactors have no systematic proactive strategy. They react to events as they occur. Miles and Snow contend that the prospector, defender and analyzer styles are capable of leading to competitive advantage within the industry. However, they caution that the reactor style is often a manifestation of a poorly aligned strategy and structure therefore, unlikely to lead to competitive advantage.

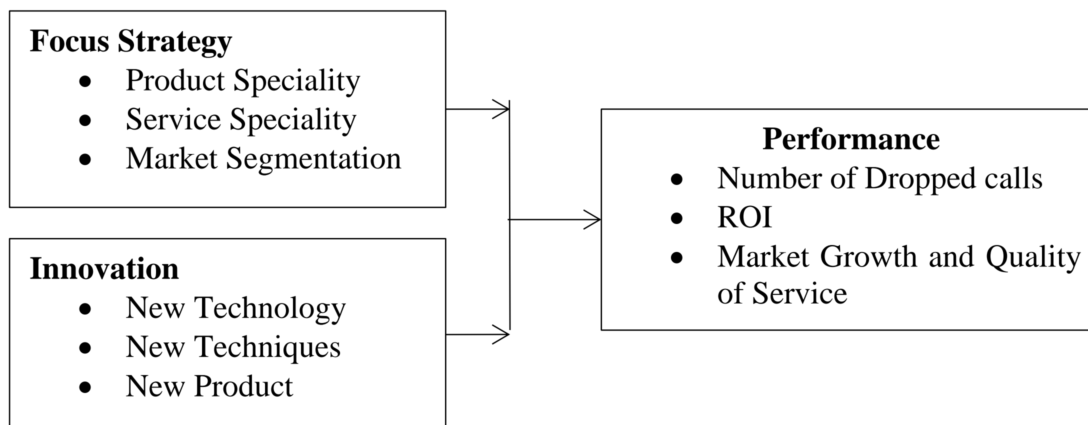
The authors believe that companies develop their adaptive strategies based on their own perception of the environment in which they compete. According to Hitt et al., (2001), modern researchers have undoubtedly recognized a great usefulness of Miles and Snow's strategic typology which results precisely from the requirements of the increasing dynamism, complexity and unpredictability of the environment a modern manager has to face.

Conceptual Framework

A conceptual framework forms a simplified familiar structure, which is meant to help gain insight into a phenomenon that one needs to explain (Orodho, 2019). Conceptual research is that related to some abstract ideas or theory. It is generally used by philosophers and thinkers to develop new concepts or to reinterpret existing ones, the conceptual literature concerning the concepts and theories and explain how the variables relate (Kothari, 2019).

Figure 2.1 Conceptual Framework

Independent Variables **Dependent Variable**



Focus Strategy

According to Porter (2015), focus strategy implies pursuing specific market segments through overall cost leadership and or differentiation as opposed to engaging in the whole market. It involves, first, market segmentation and then specialization in the chosen segment which is useful in gaining competitive advantage. The firm can choose to focus on a selected customer group, product range, geographical area or service line (Darrow et al., 2015). Focus is based at growing market share through operation in a niche market, in markets not attractive to or overlooked by larger competitors.

A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Focus strategies are most efficient when customers have distinct preferences and when the niche has not been pursued by rival firms (David, 2016).

The disadvantage of this strategy is that it may put an organization in danger if the focused segment is too small to be economical, or if it declines. The focus strategy differs from the other strategies in one aspect. While in the differentiation and cost strategies wide fractions of customers are being appealed to, the firms that follow a focus strategy prefer to appeal to a certain geographical area or a certain fraction of customers. To capture those markets, firms may use cost focus or differentiation focus strategy.

Different cost structures in different market segments allow a firm to use cost focus strategy. Meanwhile, different market segments also have different wants and needs; therefore, a firm takes the opportunity by designing products or services to satisfy customer wants and needs in a specific market segments. The focus on costs can be difficult in industries where economies of scale play an important role. There is also an evident danger that the niche may disappear over time, as the business environment and customer preferences change Lynch (2013).

According to recent scholars, the success in any of these strategies is achieved through having effective and clear objectives. However, others also argue that firms cannot succeed by only employing a single strategy and that the success currently experienced is due to effective application of multiple strategies notably low cost in addition to differentiated services or products. It is worth noting that Porter (1980) has been criticized in relation to the dynamics of the generic strategy framework.

Grimm (2015) as well states that one problem with Porter’s framework is that it tends to view industries as in equilibrium and competitive advantage as sustainable. However, today’s environment is fast changing and dynamic. Companies need constantly to reassess their strategic position and adapt their strategies. Thus, some scholars have argued that using Porter’s framework with the purpose of committing in the longer term may lead firms to a poor position with lower than average performance. Abidin et al., (2016) also warn that focus strategy will hinder the firm movement if they have a vision to internationalize their firms.

Innovation

According to Cote (2022), Innovation is the process of creating a new product or improving an existing one to meet customers’ needs in a novel way. She further explained that innovation s come in three forms, sustaining innovation which involves a business providing higher quality products continuously. low-end disruption comes about when a new product enters the market through the bottom chain providing a product substitute with low profits, Innovation • Product development • Product Functionality • Product diversification Marketing Innovation • Product placement • Product promotion • Product pricing Sustainability • Return on investment • Market share • Innovation Business model Innovation • Customer segment • Value proposition • Revenue stream Process Innovation • New technology • New Techniques • Delivery system 15 and new market disruption involves creating a new segment in an existing market and moving upmarket, gradually rendering the incumbent products obsolete.

Companies innovate their products to increase business efficiency and show the type of strategy they have chosen to pursue. In today's atmosphere of intense competition, businesses must adopt strategies geared at creating new items in response to customer demands. Innovation seeks to draw in new customers. A shorter product life cycle compels businesses to embrace cutting-edge tactics designed to innovate their products. Innovative products initially encounter less rivalry, which helps them generate significant profits. One of the main elements that contribute to an organization's success is innovation. (Kariuki 2014). Guthre (2021) says that Innovation in a product refers to improvements in the product's capacity, functionality, appearance, feel, and overall user experience.

A tangible enhancement can be a real product, while an intangible one might be software or services. Innovation aids businesses in maintaining their market relevance as well as long-term growth and improvement. Innovation is regarded as crucial to a business's long-term success. She further argues that businesses that constantly introduce new products into the market, are at an advantage of earning higher profits, driving expansion through opening new market opportunities and tapping into a new customer segment. (Guthrie 2021). Innovation strategies are majorly driven by advances in technologies, ever-changing customer tastes and preferences, shortening item cycles, and expanding rivalry (Koech and Kiptoo, 2019). Innovation involves intensive research and Development, therefore, the returns from the product should be able to exceed the expenditure on research and development. A product must either be entirely new or greatly improved in terms of its components, substance, intended application, software, and user-friendliness to qualify as innovative. Innovation is also regarded as a change in design that materially alters the intended purpose or attributes of the product.

Empirical Review

Tehrani (2013) discusses the impact of five types of competitive strategies (product differentiation, low cost, marketing differentiation, focus product differentiation, and focus low cost) on prominent performance among sixteen segments of high-tech industries in the US and EU. The results indicate that the relationship between competitive strategy and performance depends on the geographies the firm operates in, since US firms that adopt product differentiation, low cost, and focus product differentiation had superior performance than others while in Europe, only the low cost firms outperformed other firms.

Kaya (2014) examined the relationship among advanced telecommunication technologies (AMT), competitive strategies, and firm performance. The study, which was conducted in telecommunication firms, located in Gaziantep, revealed that AMT use and adoption of differentiation strategy are both positively and significantly influential on firm performance. Another significant finding is that implementation of a dual strategy (combination of cost leadership and differentiation) as having a positive impact on performance especially when AMTs use is higher. Yasar (2015) in his research on effect of competitive strategies on firm performance on Gaziantep carpeting sector found that there is no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry. The result however, suggested that in order to improve firm performance and get sustainable competitive advantage in global markets, competitive strategies should be used resolutely and cost and differentiation strategies implemented simultaneously by decision-makers.

A study by Allen et al., (2017) of 101 Japanese Managers investigated current strategic syntheses and the degree to which Japanese management is embracing “The Porter Prize” in Japan. They concluded that Japanese companies mainly apply cost leadership, and to a lesser degree employ a product differentiation strategy, and none of the emerging strategic factors appeared to represent a focus strategy. In addition, Allen et al., (2017) claim that some firms reported using strategic practices that fit into multiple strategic factors as few real world organizations implement pure strategies.

Similarly, various studies have been carried out on competitive strategies across different contexts and sectors in Kenya. Mutunga and Minja (2014) focused on competitive strategies that firms adopt in the Kenyan beverage industry. The results indicated that 56.2 per cent of the firms embraced duo strategies of cost leadership and differentiation simultaneously while 25 per cent were exclusively on cost leadership and 18.8 per cent were exclusively using differentiation.

In his study of implementation and effects on performance of large private sector firms in Kenya, Waweru (2008) found that there were three strategic groups of low cost leaders, differentiators and duo strategists in the proportion of 1:3:6. Warucu (2016) evaluated competitive strategies employed by commercial banks that participate in clearing house. The

study found that focus and product differentiation are some of the major strategies that the banks have employed in their quest to outdo each other. Similarly, Kiptugen (2016), in his case study of KCB, looked at the strategic responses to a changing competitive environment and established that proactive rather than reactive strategies such as research on changing customer needs and preferences form the basis of its strategic planning.

George (2018) examined the relationship of competitive strategies and firm performance in the mobile telecommunication service industry. The findings revealed that the strategies adopted by Safaricom Kenya Limited so as to cope with the competitive environment included vigorous pursuits of cost reduction; providing outstanding customer service; improving operational efficiency; controlling quality of products/services; intense supervision of frontline personnel; developing brand or company name identification; targeting a specific market niche or segment; and providing specialty products/services. The findings also revealed a significant relationship between the strategies adopted by Safaricom Kenya Limited and its performance with respect to the following objective performance indicators used: total revenue growth, total asset growth, net income growth and market share growth.

Waiganjo (2018) looked at the effect of competitive strategies on the relationship between strategic human resource management and firm performance of Kenya's corporate organizations. The study revealed that business performance will improve when HR practices mutually reinforce the choice of competitive strategy. The study further revealed that organizations that coordinate their business strategy and HRM practices achieve better performance. Karanja, (2015) did a survey of competitive strategy of real estate firms on perspective of Porter's general model. The study findings were that firms in different industries adopt different competitive strategies which are unique in each context. Murage, (2016) focused on competitive strategies in the petroleum industry and found that service stations used differentiation as a way of obtaining competitive advantage.

RESEARCH METHODOLOGY

Research Design

Research design is the outline, plan or scheme that was used to generate answers to research problem (Cooper and Schindler, 2017). This study adopted descriptive research design in order to provide a framework or examine current conditions, trends and status of events. Descriptive research was used here because it describes how specific variables relate with trends or phenomenon. It is easy to analyze and in most cases can enable researcher to single out how a variable or factor or individual subject related with the issue to be determined in the hand. According to Cooper and Schindler (2017) such a study is concerned with findings can who, what, where, and how of the relevant phenomenon.

Target Population

Mugenda and Mugenda (2016) refers to target population as the entire group of individuals, events or objects having common observable characteristics to which the research needed to generalize the result of the study. Chara & David (2015) defines population as the aggregate of all cases that conform to some designated set of specifications. These scholars agree that a target population is the whole set of units from which the survey data is to be used to make inferences. The unit of analysis and unit of observation are important measures that explain the subjects and objects under study. For the purpose of this study the unit of analysis was all the staff directly related to issues of strategy formulation of the five telecommunication companies in Kenya. The unit of observation included board members, management and the administrators of these telecommunication companies the unit of observation was regarded as homogenous when it comes to strategy issues.

Table 3.1: Target Population

Name of Mobile Phone Operator	Market Share	Number of Employees
Safaricom	65.4	10321
Airtel Kenya	21.4	3377
Telkom Kenya	8.9	1404
Equitel Kenya	4.3	678
Finserve	0.11	17
Total	**100**	**15782**

Source: CCK 2022

Sample Size and Sampling Technique

The sample size of 384 respondents was derived from the target population using Fishers sample size determination formula. The sample size is derived as shown in the Table 3.2 basing on a table for determining Sample size for a given population size generated by Chatfield (2018). This can also be compared to the formula by Kumar (2019). Since the study population is less than 10, 000, the total sample size is determined by use of Mugenda and Mugenda (2012) as effective for social sciences, for samples less than 10,000. The Fisher's formula was used to determine the appropriate sample size of this study. This is because the target population consists of a large number of units (Manly & Alberto, 2016; Kline, 2015; Bryne, 2016). Based on the total population of 15,782 a sample size was determined using Fisher's formula since the target population consists of a large number of units (Brymann, 2016). The researcher assumes 95% desired level of confidence, which is equivalent to standardized normal deviate value of 1.96, and an acceptable margin of error of 5% (standard value of 0.05).

$n = z^2pq/e^2 = 384$; (which was proportionately distributed across the population of 3738)

Where: n = the desired sample size (if target population is large)

z = the standard normal deviate at the required confidence level.

P = the proportion in the target population estimated to have characteristic being measured.

q = 1-p d = the level of statistical significance set.

Assuming 50% of the population have the characteristics being measured, q=1-0.5

Assuming we desire accuracy at 0.05 level.

The Z-statistic is 1.96 at this level.

Therefore $n= (1.96)^2(.5)\ (.5)/\ (.05)^2 =384$. The 384 sampling units was distributed to the conveniently identified population using the simple random sampling technique using the formula;

$$n_i = \left(\frac{N_i}{N}\right)n$$

Table 3.2: Sample Size

Category	Population (N)	Sample(n)
Safaricom	10321	251
Airtel Kenya	3377	82
Telkom Kenya	1404	34
Equitel Kenya	678	16
Finserve	17	1
Total	**15782**	**384**

Source: CCK 2022

Pilot Study

These can be pointed out as a beginning step in researcher where the researcher often samples a small population in the entire study to assist in the analysis to see whether the study is worth being done and also help in planning for the main study (Mugenda and Mugenda, 2016). A pilot study was done to identify elements of study population and unit of analysis. During the study, draft questions was pre-tested to remove ambiguity and achieve high degree precision. A pilot study is conducted with 4% - 10% of the sample population (Creswell & Clark, 2017). Thus, the pilot study comprised of 38 respondents that is 10% of the sample size. During pre-testing, the researcher had thorough discussions on questionnaires with 38 respondents in order to identify flaws, limitations, or/and other weaknesses in the research instrument so as to allow revisions and or adjustments in good time prior to conducting field work

Data Processing and Analysis

Quantitative data was analyzed through descriptive statistics and inferential statistics which enabled meaningful distribution of scores or measurement using indices and statistics. According to McClave and Sincich (2016), descriptive statistics utilize numerical and graphical methods to look for patterns in a data set to summarize the information revealed in a data set and to present the information in a convenient form.

The main descriptive statistical analysis used included mean, percentages, standard deviation and frequencies to cater for the likert scales that had been used in the study. According to Orodho (2018), the advantage of descriptive statistics is that they enable the researcher to use one or more numbers (for example mean and standard deviation) to indicate the average score and variability of scores of a sample. Inferential statistics was used to analyze relationship between variables. This was done through correlation and regression analysis.

Pearson product moment of correlation was used to determine the effect of competitive strategies on performance of Telecommunications firm while linear multiple regression analysis was used to explain the extent to which competitive strategies, that is, cost leadership, differentiation and focus strategies (independent variables) explained variation in Telecommunications firm performance (dependent variable).

Standard F-test was used to test the overall combined effect of the independent variables on performance and where the p-value was greater than 0.05, it was concluded that there was no significant effect and cannot be used to explain the variations in the dependent variable.

ANOVA, the test inbuilt in the multiple regression analysis tests was used to determine whether the model works in explaining the variable relationships. If the p-value was greater than 0.05, it implied that none of the independent variables predict, the dependent variable, thus implying that the model does not work. Where the p-value was less than 0.05, it implied that the model works and therefore, establishing a significant relationship between the study variable.

Before testing the fit of the model, multicollinearity analysis was performed to establish the possibility of a collinearity problem of the predictor variables having some explanatory power over each other. This was assessed using correlation matrix. Pallant (2015) argues that a value of 0.8 or 0.9 shows that there is a relation of multi-collinearity between two variables. However, no multicollinearity was noted as all the variables had correlation coefficient of less than 0.80.

RESEARCH FINDINGS AND DISCUSSION

Descriptive Analysis

The study gives the findings on the specific objectives of the investigation in this section. The scale for the likert scale questions was 5 with 1 strongly disagree, 2 disagree, 3 somewhat disagree, 4 agree, and 5 strongly agree. Means and standard deviations were used to interpret the results, with a mean of 0-1.4 implying that the respondents strongly disagreed, 1.4-2.4

implying that they disagreed, 2.5-3.4 implying that they were neutral, 3.5-4.4 implying that they agreed, and 4.5-5 implying that they strongly agreed.

Focus Strategy

The third objective of the study was to investigate the influence of Focus Strategy on performance of firms in the telecommunication industry in Kenya. Respondents were therefore asked to give their level of agreement with various statements on differentiation strategy. The findings are presented in Table 1. On the statement "The leadership style shows equal attention to all functional-level concerns" 2.0% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 11.6% of the respondents neither agreed nor disagreed to the statement, 30.7% of the respondents agreed to the statement whereas 53.0% of the respondents strongly agreed to the statement, with a mean of 4.30 and standard deviation 0.922.

On the statement "leaders are exceptional in motivating employees to increase" 5.6% strongly disagreed to the statement, 7.2% of the respondents disagreed to the statement, 5.6% of the respondents neither agreed nor disagreed to the statement, 53.8% of the respondents agreed to the statement whereas 27.9% of the respondents strongly agreed to the statement, with a mean of 3.91 and standard deviation 1.058. On the statement "Effective leadership is key to successful strategy execution, 5.6% strongly disagreed to the statement, 27.1% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 27.5% of the respondents agreed to the statement whereas 20.7% of the respondents strongly agreed to the statement, with a mean of 3.31 and standard deviation 1.229.

Regarding the statement "Senior executive management have a significant impact on the strategies and performance.", 10.4% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 41.8% of the respondents agreed to the statement whereas 25.9% of the respondents strongly agreed to the statement, with a mean of 3.70 and standard deviation 1.188.

Table 1: Focus Strategy Frequencies

Focus Strategy	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Mean	Std. Dev.
The leadership style shows equal attention to all functional-level concerns.	2.0	2.8	11.6	30.7	53.0	4.30	0.922
Leaders are exceptional in motivating employees to increase.	5.6	7.2	5.6	53.8	27.9	3.91	1.058
Effective leadership is key to successful strategy execution.	5.6	27.1	19.1	27.5	20.7	3.31	1.229
Senior executive management have a significant impact on the strategies and performance.	10.4	2.8	19.1	41.8	25.9	3.70	1.188

The findings agree with Owegi, and Aligula (2017) who established that managements in the private sector in Kenya were using Differentiation strategy to run their organizations and generate profits.

Innovation

Respondents were therefore asked to give their level of agreement with various statements on Innovation. The findings are presented in Table 2.On the statement "The leadership style shows equal attention to all functional-level concerns" 2.0% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 11.6% of the respondents neither agreed nor disagreed to the statement, 30.7% of the respondents agreed to the statement whereas 53.0% of the respondents strongly agreed to the statement, with a mean of 4.30 and standard deviation 0.922.

On the statement "Leaders are exceptional in motivating employees to increase" 5.6% strongly disagreed to the statement, 7.2% of the respondents disagreed to the statement, 5.6% of the respondents neither agreed nor disagreed to the statement, 53.8% of the respondents agreed to the statement whereas 27.9% of the respondents strongly agreed to the statement, with a mean of 3.91 and standard deviation 1.058. On the statement "Effective leadership is key to successful strategy execution", 5.6% strongly disagreed to the statement, 27.1% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 27.5% of the respondents agreed to the statement whereas 20.7% of the respondents strongly agreed to the statement, with a mean of 3.31 and standard deviation 1.229.

Regarding the statement "Senior executive management have a significant impact on the strategies and performance.", 10.4% strongly disagreed to the statement, 2.8% of the respondents disagreed to the statement, 19.1% of the respondents neither agreed nor disagreed to the statement, 41.8% of the respondents agreed to the statement whereas 25.9% of the respondents strongly agreed to the statement, with a mean of 3.70 and standard deviation 1.188. On the statement "The Company considers the skills and experience of employees before hiring them" 21.9% strongly disagreed to the statement, 29.1% of the respondents neither agreed nor disagreed to the statement, 39.0% of the respondents agreed to the statement whereas 10.0% of the respondents strongly agreed to the statement, with a mean of 3.15 and standard deviation 1.284.

Table 2: Innovation Frequencies

Innovation	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree	Mean	Std. Dev.
The leadership style shows equal attention to all functional-level concerns.	2.0	2.8	11.6	30.7	53.0	4.30	0.922
Leaders are exceptional in motivating employees to increase.	5.6	7.2	5.6	53.8	27.9	3.91	1.058
Effective leadership is key to successful strategy execution.	5.6	27.1	19.1	27.5	20.7	3.31	1.229
Senior executive management have a significant impact on the strategies and performance.	10.4	2.8	19.1	41.8	25.9	3.70	1.188
The company considers the skills and experience of employees before hiring them .	21.9	-	29.1	39.0	10.0	3.15	1.284

Correlation Analysis

Correlation analysis was used to establish the strength and direction of the relationship between dependent and the independent variables. If the variables are not related, then that would mean that the correlation coefficient is zero. The closer the correlation coefficient was to 1, the greater the relationship, whereas the closer the correlation coefficient is to 0, the weaker the relationship (Hair et al., 2020). The correlation strengths was interpreted using Cohen and Cleveland decision rules where 0.1 to 0.3 indicate weak correlation, 0.3 to 0.5 indicate moderate correlation strength and greater than 0.5 indicate a strong correlation between the variables.

Table 3: Correlation Analysis

		Performance	Focus strategy	Innovation
Performance	Pearson Correlation	1		
	Sig. (2-Tailed)			
	N	351		
Focus Strategy	Pearson Correlation	.698**	1	
	Sig. (2-Tailed)	.000		
	N	351	351	
Innovation	Pearson Correlation	.702**	.325	1
	Sig. (2-Tailed)	.047	.147	
	N	351	351	351

The findings further showed that focus strategy is seen to have a strong positive and significant relationship with performance of firms in the telecommunication industry in Kenya (r=0.698, p=0.000). Since p-value was less than 0.05, the relationship between the two variables was consider to be significant. The finding that focus strategy has a strong positive and significant relationship with the performance of firms in the telecommunication industry in Kenya.

Finally, Innovation had strong positive relationship with performance of firms in the telecommunication industry in Kenya (r=0.702). The relationship between the two variables was significant since the p-value obtained (0.000) was less than the selected level of significance (0.05). The finding that Innovation has a strong positive relationship with the performance of firms in the telecommunication industry in Kenya is consistent with previous research that emphasizes the importance of policy innovation and adaptation to improve organizational performance (Damanpour & Schneider, 2016).

Regression Analysis

Multiple regression analysis was used to determine to determine the influence of competitive strategies and performance of firms in the telecommunication industry in Kenya.

Model Summary

Model summary is used to determine the amount of variation in the dependent variable that can be explained by changes in the independent variables. This study used model summary to test the amount of variation in performance of firms in the telecommunication industry in Kenya as a result of changes in Differentiation strategy, focus strategy, innovation and Cost leadership strategy. Table 4.16 presents the findings obtained.

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.883[a]	.780	.754	.41075

a. Predictors: (Constant), Focus strategy, Innovation
b. Dependent Variable: Performance

The predictive power of the model was determined using coefficient of determination (R^2). The model summary results in Table 5 show that the R-squared is 0.780 which suggests that 78% of all variation in performance of firms in the telecommunication industry in Kenya are explained by changes in differentiation strategy, focus strategy, Innovation and Cost leadership strategy. The remaining 22% suggests that there are other factors that can be attributed to variation in performance of firms in the telecommunication industry in Kenya that were not discussed in this study. Correlation coefficient (R) shows the relationship strength between the study variables. From the findings the variables were strongly and positively related as indicated r= 0.83.

Analysis of Variance

The significance of the model was ascertained by undertaking an analysis of Variance. This study tested significance at 95% confidence interval which means that a statistics of below 0.05 is significant. The outcomes are presented on Table 5

Table 5 ANOVA Test

ANOVA[a] Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.775	2	4.944	29.302	.000[b]
	Residual	5.568	348	.169		
	Total	25.343	350			

a. Dependent Variable: Performance
b. Predictors: (Constant), Focus strategy, Innovation

From the analysis of variance (ANOVA), the study found out that the regression model was significant at 0.000 which is less than the selected level of significance (0.05). Therefore, the model was significant, meaning, data was ideal for making a conclusion on the population parameters. The F calculated value from Table 5 was greater than the F critical value from the f-disribution tables (29.302 > 2.693), an indication that focus strategy and innovation significantly influences performance of firms in the telecommunication industry in Kenya. The significance value was less than 0.05 indicating that the model was significant in predicting performance of firms in the telecommunication industry in Kenya.

Coefficients of the Regression Model

Table 6 shows the results for coefficients that show the extent and nature of relationship among the variables.

Table 6: Beta Coefficients for the Study Variables

Coefficients[a] Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.058	0.313		3.3510	0.001
	Focus strategy	1.466	0.174	0.8351	8.425	0.000
	Innovation	1.058	0.313		3.3510	0.001

a. Dependent Variable: Performance

Table 6 shows the coefficients of the regression model that were obtained. The regression model is specified as follows:

$$\mathbf{Y = 1.058 + 1.466X_1 + 1.058X_2 + e}$$

Regarding focus strategy, the study found that focus strategy is statistically significant in explaining performance of firms in the telecommunication industry in Kenya (β = 1.466, P = 0.000). This indicates that focus strategy positively and significantly relates with performance of firms in the telecommunication industry in Kenya. The findings also suggest that improvement in focus strategy would lead to an increase in performance of firms in the telecommunication industry in Kenya by 1.466 units. The findings thus agrees with Hooi, Lean, and Lin (2019) that focus strategy had a significant impact on the financial performance of Malaysian banks.

Finally, the study found that innovation is statistically significant in explaining performance of firms in the telecommunication industry in Kenya (β = 1.058, P = 0.000). This indicates that innovation positively and significantly relates with performance of firms in the telecommunication industry in Kenya. The findings also suggest that improvement in innovation would lead to an increase in performance of firms in the telecommunication industry in Kenya by 1.058 units. This agrees with Ayodele, Adetiloye, and Aderibigbe (2019) that innovation had a significant impact on the financial performance of Nigerian banks.

CONCLUSION AND RECOMMENDATION

Conclusions

The research findings shed light on the predominant use of the cost leadership strategy within telecommunications organizations, illustrating its multifaceted implementation across various operational aspects. These companies strategically reduce operational expenses, aim to provide services across a wide market at competitive prices, and defend their existing product offerings. Their competitive edge is maintained through strategies such as competitive pricing, development of market-aligned products, and efficient knowledge utilization from previous production cycles, pursuit of economies of scale, and the delivery of high-quality services at competitive prices in strategic locations. The study's comprehensive analysis reveals that these strategies collectively contribute to marked improvements in organizational performance, notably influencing critical performance indicators such as cost efficiency, customer retention, salary competitiveness, profitability, and the transformation of product growth.

However, while the research offers valuable insights into the competitive strategies employed by telecommunications firms in Kenya, there are some points that merit critique. Firstly, the study presents these strategies as predominantly adopted, but it does not provide a detailed examination of the challenges, drawbacks, or limitations associated with their implementation. Understanding the potential downsides and obstacles faced by organizations in pursuing these strategies would provide a more balanced perspective. Additionally, the study could benefit from a deeper exploration of the specific market conditions and regulatory factors that may influence the effectiveness of these strategies, as external factors can significantly impact a firm's ability to execute its chosen strategies. Lastly, it would be valuable to explore the long-term sustainability and adaptability of these strategies in the face of evolving industry dynamics and technological advancements, as these factors can reshape the competitive landscape over time. In summary, while the research offers valuable insights into competitive strategies, a more comprehensive and critical analysis of their practical implications and potential challenges would enhance its overall impact and relevance.

Recommendations

The research provides a set of recommendations for policy formulations based on its findings and conclusions. One key recommendation is the continued investment in the development of distinctive products by telecommunication companies in Kenya. This aligns with the study's identification of distinct market positions achieved by these companies through unique goods and services. However, while the recommendation emphasizes product development, it lacks specificity regarding the nature of innovation and differentiation, leaving room for ambiguity.

A more concrete suggestion could involve encouraging research and development efforts targeted at addressing specific gaps in the market or exploring emerging technologies that could set these organizations apart.

Furthermore, the recommendation to undertake aggressive marketing initiatives to sustain competitiveness and alter customer perceptions about pricing is sound. However, the study could have delved deeper into the specifics of effective marketing strategies, such as digital marketing, customer segmentation, or branding, to provide actionable guidance for companies in the telecommunication sector. Additionally, the suggestion to benchmark against successful service industry firms is valuable but could benefit from more in-depth analysis of the particular strategies and practices that have proven successful in other industries and how they can be adapted to the unique context of the telecommunications sector in Kenya. A more detailed exploration of best practices and their applicability would enhance the practicality and impact of this recommendation. Overall, while the recommendations offer useful guidance, they could be further refined and expanded to provide a more comprehensive roadmap for telecommunication companies seeking to strengthen their competitive position in the market.

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