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THE EFFECTS OF BUSINESS STRATEGIES ON GROWTH OF MARKET SHARE IN THE TELECOMMUNICATIONS INDUSTRY IN KENYA: A CASE STUDY OF TELKOM KENYA

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Abstract

***Purpose**:* To analyze the business strategies of Telkom Kenya Limited and how this has helped the company gain market share.

***Methodology**:* The study adopted a descriptive research design.

Findings: The results from the study show that the effects of strategies to gain market share have been successful. Strategies such as culture change, retrenchment, product differentiation, product modification, and aggressive marketing campaigns have had a major impact on the market share of the company. Further results show that the strategies at Telkom Kenya positively affect the company profits.

Unique contribution to theory, practice and policy: The findings of this study will benefit a number of interest groups. Foremost, the management of Telkom Kenya Limited as a reference point will benefit from the research and recommendations on areas to improve on. Secondly, the study will benefit managers of other firms who can learn from the TKL case. For academicians, my research will contribute to the general body of knowledge and form a basis for further research on the effects of business strategies on any given industry. Investors, shareholders, suppliers and the general taxpaying public can also gain insight on the company and its strategic position within the mobile industry which can assist them in determining the viability of their investments. Finally, the government can also use the results to monitor how the industry is performing and help it formulate policies and mechanisms that will assist in expanding it in order to improve revenue collections in terms of taxes.

Keywords: *Business Strategy, Market Share, Profits, Mobile Industry, Telcom Kenya*

INTRODUCTION

Background

The business environment within which the mobile sector operates has been very volatile (Pearce & Robinson, 2003). Political anxieties, stiff competition, changing demographics and tastes among consumers, rapidly changing technological innovations and globalization are some of the challenges that this sector faces. Following the strategic success hypothesis advanced by Ansoff and McDonnell (1990), it means then that the organization's strategy and internal capabilities need to keep changing to match the environmental conditions. A brief history of Telkom Kenya shows that the company has not been spared from the volatility and rapid changes within the telecommunication industry.

A brief overview of the Kenyan Mobile competitor landscape shows that in 1993, Telkom Kenya launched Safaricom Limited– a mobile telephone service. Safaricom was later incorporated as a private company in 1997. In 2007, during the privatization of TKL, the government transferred TKL's 60% shareholding in Safaricom to the Treasury and in effect separated Safaricom from Telkom Kenya. At the time, TKL was valued at Ksh50.98Billion. Competition for Safaricom arrived in the form of privately owned Kencell Communications Limited (Later Celtel Kenya and then Zain) in 1999. A third mobile provider Essar, was licensed in November 2008 under the brand name "Yu" to complete the current number of operators competing in the Kenyan mobile industry (Africa Centre For Open Governance, 2011).

Until 2004, Telkom Kenya had enjoyed monopoly of infrastructure for landline services, international services, as well as internet backbone, controlling 100% of the market share in these segments. Telkom Kenya however, had no GSM license and only Safaricom and Kencell were licensed to carry out mobile telephony business. Persistence from development partners, from whom aid was solicited by the Kenyan government to cover the financial shortfalls, pushed the privatization agenda (Africa Centre For Open Governance, 2011). With the looming privatization, Telkom Kenya's strategy was to attract an investor who would take advantage of the monopoly framework and inject capital for expansion in preparation for competition (Institute of Economic Affairs, 2002).

Even with the advent of liberalization in the year 2000, Telkom Kenya continued to benefit from the competition. The other operators had to rely on TKL for leased lines to connect base stations to the switch. The cost of these lease lines was considered to be too high. TKL had exclusivity for Local Access in Nairobi, international services, national long distance, international Very Small Aperture Terminals (VSAT) and internet backbone for five years until 30th June 2004. With this exclusivity, TKL charged other operators interconnection fees for the services. During the exclusivity period, TKL was required to connect 340,000 additional customers. However, changing consumer tastes and aggressive marketing from cellular operators denied the company those customers even though they had the infrastructure to connect them. TKLs growth strategy focused on fixed voice customers and largely ignored data where the company had strategic advantage. There was also no strategic plan for the future to capture the mobile market which was the new emerging solution for voice service (Institute of Economic Affairs, 2002).

In 2007, the Government of Kenya sold 51% of its stake in the country's only fixed line telecommunications Company to France Telecom (FT) for Ksh 26 billion (International Finance Corporation, 2008). Prior to its privatization, Telkom Kenya had faced little or no pressure in the mobile market since Safaricom was one of its departments. With privatization, TKL was forced to fully embrace competition. After privatization and separation from Safaricom, Telkom Kenya launched fixed wireless services based on CDMA technology. Since the CDMA devices were comparable to mobile handsets, customers started using it as a substitute to mobile phones. This move attracted stiff opposition from Safaricom and Celtel who argued that Telkom Kenya was offering mobile services without a license. Since excise duty was only imposed on services offered by operators owning a mobile license, Telkom Kenya was able to offer services at a much lower cost compared to those of the mobile operators. As a result, the Kenyan government formalized an authorization to Telkom Kenya to offer mobile services using both the CDMA and/ or GSM technology (Telcoms, Internet and Broadcast in Africa, 2008).

Statement of the Problem

Being the incumbent operator, and having enjoyed monopoly until the year 1999, it was widely expected that with privatization and change of management, Telkom Kenya would quickly make a turnaround and seize a sizeable market share within this fast growing industry. However, the company is still making losses and required a substantial cash injection in 2012 as part of major restructuring program. Further to this, in January 2013, France Telecom increased its stake in Telkom Kenya to 70% as a consequence of the Kenyan Government not having provided its full portion of 2012 funding (France Telecom - Orange, 2013). Telkom Kenya's market share has been dwindling in comparison to the other operators (Communications Commission of Kenya, 2013) and this has been a source of great concern to the government and the general taxpaying public that has largely shouldered the privatization costs.

When comparing subscriptions for the Financial Year 2011/12 to those of Financial Year 2012/13, recent data from CCK show that three mobile operators recorded increases in the number of subscribers. For the Financial Year 2012/13, Safaricom had a 5.7% increase in subscribers, Airtel increased by 6.2% and Essar 14.8%. Telkom Kenya on the other hand was the only mobile operator to record a negative growth during this period recording minus 31.7% (Communications Commission of Kenya, 2013). This research therefore seeks to understand what business strategies TKL has employed and the impact that these strategies have had in the market share position of Telkom Kenya.

Purpose of the Study

The purpose of the study is to investigate the effects of business strategy on the market share within the mobile industry in Kenya with a focus on Telkom Kenya Limited.

Specific Objective of the Study

This study addressed the following specific objectives:-

- To identify the various strategies adopted by Telkom Kenya Limited to increase market share.

- To identify the effects of the various strategies adopted by Telkom Kenya on market share.
- To evaluate the effects of strategy on profits at Telkom Kenya.

THEORETICAL REVIEW

The study reviewed the porters five forces competitive model.

Porter's Five Forces Competitive Model

The model of the Five Competitive Forces was developed by Porter (1980) in his book ‘‘Competitive Strategy: Techniques for Analyzing Industries and Competitors’’. Since that time it has become an important tool for analyzing an organizations industry structure in strategic processes. According to Porter (1980), a firm develops its business strategies in order to obtain competitive advantage (increase profits) over its competitors. It does this by responding to five primary forces: (1) the threat of new entrants, (2) rivalry among existing firms within an industry, (3) the threat of substitute products/services, (4) the bargaining power of suppliers, and (5) the bargaining power of buyers.

A company assesses these five competitive forces in a given industry, then tries to develop the market at those points where the forces are weak (Porter, 1980). For example, if the company is a low-cost producer, it may choose powerful buyers and sell them only products not vulnerable from substitutes. The company positions itself so as to be least vulnerable to competitive forces while exploiting its unique advantage (cost leadership). A company can also achieve competitive advantage by altering the competitive forces. For example, firms establish barriers to deter new entrants from coming into an industry by cultivating unique or capital-intensive resources that new firms cannot easily duplicate. Firms also increase bargaining power over their customers and suppliers by increasing their customers' switching costs and decreasing their own costs for switching suppliers. The five competitive forces model provides a solid base for developing business strategies that generate strategic opportunities.

METHODOLOGY OF THE STUDY

The study adopted a descriptive research design. This research focused on a target population of 60 which is the total number of senior and middle management staff at Telkom Kenya. Purposive sampling technique was used based on the total population of sixty senior and middle level managers necessarily implying a census. The study collected primary data, which was achieved by use of a questionnaire containing both structured and unstructured questions. Data collected from the study was checked and edited for completeness and consistency. This data was both quantitative and qualitative and therefore both qualitative and quantitative methods of analysis were employed. A content analysis was then performed on the data to allow for an in-depth understanding of issues in the case.

RESULTS OF THE STUDY

Demographic Characteristics

Results showed that majority of the respondents (37.2%) are aged between 26 to 30 years. Additionally, 23.3% of the respondents are between ages 36 to 40 years. Eleven percent of the respondents are aged between 31 to 35 years and 41 to 45 years. Another 11.6% of the respondents are between the ages of 51 to 55%. Results also revealed that majority of the respondents (63%) were male with female employees consisting of 37%. Results also showed that the respondents' level of education. Majority of the respondents (69.8%) are graduates, 25.6% are postgraduates while 2.3% have diplomas and certificates qualification. Further, results revealed that 28% of the received responses were from those working in the department of finance. Respondents from the corporate communications consist of 18.6% of the sample, while 14% were from the business market and orange money department. Employees from the sourcing department represented 11.6%, quality and audit department had 7% respondents and the least respondents, 4.7% were from Marketing and Strategy department. Majority of the respondents (29) were in the managerial position, while 14 of respondents were senior managers of Telkom Kenya Ltd. This results imply that information was sourced from the study's targeted respondents thus the information received is relevant and valid. Majority of the respondents (37.2%) have worked for Telkom Kenya for between 1 and 2 years. Thirty percent of the respondents have worked for Telkom Kenya between 6 and 9 years. Respondents who have worked for 3 to 5 years represented 16.28% with the same percentage having worked for over 14 years. The high percentage of employee who have worked for between 1-2 years imply that the turnover of Telkom Kenya is very high and that is why they have hired new talents recently.

Descriptive Statistics

Strategic Plan

Majority of the respondents indicated that they have strategic plans which are reviewed yearly. Further majority of the respondents indicated that the strategies in the plan are made by employees in the top level management. Results in Table 1 show responses on the strategies adopted by Telkom Kenya Limited. From the table, majority of the respondents agreed that Telkom Kenya engages the various strategies for effective operation; retrenchment, product differentiation, aggressive marketing campaigns, product modification and culture change. The specific percentages are shown in the table 2. These results support those of Pearce and Robinson (1991) who proposed that grand strategies such as innovation, market development, product development, integration, diversification, joint venture, and diversification provide a guide on how the business objectives will be met.

Table 1: Telkom Kenya Strategies

Strategies	Yes
Aggressive marketing campaigns	98%
Product differentiation	86%

Retrenchment	84%
Culture change	81%
Product modification	81%

Political and Legal Factors

Extent of Changes in Political and Legal Factors

Results in Table 2 presents the extent of impact of changes in political and legal environment has on Telkom Kenya Limited. From the table 3 the major numbers of respondents have been added. From the table respondents indicated that taxation as a major impact as represented by 70% of the respondents, 47% reported that labor laws are among the changes that affect Telkom Kenya. Close to eighty percent (80%) of the respondents indicated that licensing has impact, 75% and 61% of the respondents specified that price controls and government stability respectively are among the changes that affect Telkom Kenya Limited. Seventy four percent of the respondents indicated that devolution changes affect the company in a major way. Elections were reported by half of the respondents (51%) to affect the company. Seventy percent of the respondents indicated that integration of East Africa has no impact and if present it is very minimal.

Table 2: Extent of Changes in Political and Legal Factors

Political/Legal Strategies	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Taxation	7%	5%	19%	28%	42%
Labor laws	19%	30%	5%	12%	35%
Licensing	0%	12%	9%	35%	44%
Price controls	0%	0%	26%	19%	56%
Government stability	0%	9%	30%	28%	33%
Devolution	16%	9%	0%	19%	56%
Elections	19%	21%	30%	19%	12%
East African integration	42%	33%	0%	12%	14%

Strategic Responses to Political and Legal Factors

The respondents were asked to indicate their responses to the political and legal changes whose results are displayed in Table 2. Majority of the respondents (81%) indicated that to respond to the changes in political and legal environment, Telkom Kenya limited outsource some of its major operations. Company restructuring, strategies on pricing decisions, product differentiation, targeting marketing and packaging modification are some of the responsive strategies.

The respondents were asked to indicate on the overall the effectiveness of the various strategies on the challenges faced by Telkom Kenya Limited. Results in Table 3 shows the effectiveness of the strategic response identified above. From the table, it is evident that the response towards taxation changes had major impact as indicated by 72% response level. Response to labor challenges was effective as supported by 42% of the respondents. Further, strategic response towards law factor had an average to major as indicated by of 61% respondents. Sixty five

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percent of the respondents agreed that the companies' response towards the challenge of licensing had an average impact. Additionally strategic response towards price controls and government stability had major impact to the company as indicated by response rates of 68% and 54% respectively. Another strategy embarked on devolution elections and promotion of East African integration had an average to above average impact to the company as indicated by a response rate of 54%, 38% and 49% respectively.

Table 3: Effectiveness of Strategic Response

Political and Legal Factors	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Taxation	2%	0%	26%	63%	9%
Labor laws	21%	21%	16%	35%	7%
Licensing	0%	21%	19%	28%	33%
Price Controls	0%	2%	65%	21%	12%
Government stability	23%	0%	9%	61%	7%
Devolution	21%	0%	26%	28%	26%
Elections	21%	5%	37%	33%	5%
East African integration	21%	26%	5%	16%	33%

Technological Factors

Extent of Changes in Technological Factors

Results in Table 4 present the extent of effect of technology factors on Telkom Kenya Limited. The highest two values are added up so that the values indicated herein are arrived at. From the table below, respondents indicated that rate of obsolescence is a major impact as represented by 61% of the respondents. 82% reported that new technology developments are among the changes that affect Telkom Kenya. Eighty six percent of the respondents indicated that the speed of technological changes is an impact that majorly affects operations at Telkom Kenya. Eighty nine percent of respondents indicated that industry focus on technology is a major impact on the company.

Table 4: Changes in Technological Factors

Technology Factor	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Rate of obsolescence	5%	21%	14%	35%	26%
New Technological Developments	0%	0%	19%	47%	35%
Speed of technological changes	0%	2%	12%	51%	35%
Industry focus on technology	0%	6%	6%	40%	49%

Strategic Responses towards Technological Factors

The respondents were asked to indicate the strategic responses to the technology factors displayed in Table 4. Majority of the respondents indicated that strategies include; the company may ensure there is government stability, scaling down or obsolete technology and ensure that the technology is customer oriented. Another strategic response to avoid the challenges that come along with technology is that the company should always anticipate for technology changes. Results in Table 5 present the effectiveness of strategic response to technological factors. Fifty four percent of the respondents reported that the strategic response to rate of obsolescence challenge is effective. Another 54% of the respondents reported that strategic response to new technological development challenge is effective. Fifty four percent of the respondents reported that the response on the speed of technological changes is average in its effectiveness. Sixty one percent of the respondents reported the response on industry focus on technology as effective.

Table 5: Strategic Response to Technological Challenges

Technology Factor	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Rate of obsolescence	2%	7%	37%	42%	12%
New technological developments	0%	0%	47%	54%	0%
Speed of technological changes	0%	7%	54%	40%	0%
Industry focus on technology	5%	0%	35%	47%	14%

Economic Factors Affecting Telkom Kenya Limited

Extent of Changes in Economic Factors

Results in Table 6 present the extent of changes on economic factors has on Telkom Kenya Limited. From the table, the majority (82%) of the respondents reported that disposable income has the most impact on Telkom Kenya Limited. This was followed by 79% of the respondents who indicated that cost of investments is a major impact to the company. Inflation was found to have the third highest economic impact on the company as presented by 77% of the respondents.

Table 6: Extent of Changes in Economic Factors

Economic Factor	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Interest rates	2%	0%	28%	54%	16%
Liberalization	0%	23%	35%	33%	9%
Foreign exchange rates	2%	7%	37%	42%	12%
Business cycles	0%	9%	35%	33%	23%
Disposable income	0%	7%	12%	61%	21%

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Credit availability	2%	0%	35%	35%	28%
Inflation	0%	7%	16%	44%	33%
Economic growth rate	0%	9%	26%	42%	23%
Cost of investments	0%	0%	21%	23%	56%
Consumer spending patterns	0%	0%	44%	35%	21%
Unemployment	2%	14%	16%	42%	26%
Consumer willingness to spend	5%	9%	12%	49%	26%

Strategic Responses to Economic Challenges

Strategic responses provided by majority of the respondents on economic challenges are; product diversification, competitive pricing, change in the organization culture to accommodate the fluctuation in the economy, cost leadership strategies and outsourcing some of the major operations of the company. Further results show that in order to ensure minimal impact of the costs of investments; the company ought to adapt strategic alliance and market concentration strategies. The challenge of consumer spending could also be responded by target marketing, product diversification and investment location.

Results in Table 7 present the effectiveness of strategic response to the economic factors that Telkom Kenya Limited experiences. From the table, 75% of the respondents indicated that strategies aimed at disposable income and costs of investment challenges respectively have had a major impact in Telkom Kenya. This is seen when the above average impact and major impact categories are combined. Strategic responses to address economic growth rate challenges are indicated to have a major impact as presented by a response level of 74%. Seventy two percent of the respondents agreed that response strategies on consumer spending patterns have had a major impact on the overall company market share.

Table 7: Effectiveness of Strategic Responses

Economic Factor	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Interest rates	0%	12%	26%	44%	19%
Liberalization	2%	14%	19%	49%	16%
Foreign exchange rates	5%	16%	19%	49%	12%
Business cycles	2%	9%	28%	54%	7%
Disposable income	0%	14%	12%	54%	21%
Credit availability	0%	21%	21%	42%	16%
Inflation	2%	21%	9%	30%	37%
Economic growth rate	2%	14%	9%	51%	23%

Cost of investments	0%	9%	16%	47%	28%
Consumer spending patterns	0%	5%	23%	35%	37%
Unemployment	5%	19%	28%	33%	16%
Consumer willingness to spend	2%	12%	26%	37%	23%

Competitive Challenges Affecting Telkom Kenya Ltd

Extent of Changes in Competitive Challenges

Results on the extent to which changes in competitive challenges affect Telkom Kenya Limited are presented in Table 8. From the table respondents indicated that direct substitutes have the most competitive challenge impact to the company as represented by 75% of the respondents. This is followed by consumer power of which 64% of respondents indicated to have a major impact on Telkom Kenya Limited. Supplier power was third as represented by 63% of the respondents.

Table 8: Extent of Changes in Competitive Challenges

Competition Factors	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Direct substitutes	2%	0%	23%	61%	14%
Generic substitutes	2%	14%	37%	33%	14%
New entrants	2%	19%	19%	54%	7%
Supplier power	0%	0%	37%	37%	26%
Consumer power	0%	23%	12%	56%	9%

Results in Table 9 below show the effectiveness of the strategic response towards competitive challenges. From the table, it is evident that the responses towards direct substitutes have had an above average to major impact as indicated by 60% response level. Strategic response towards the challenge of new entrants was found to have an above average to major impact as supported by 56% response. Further, strategic response towards supplier power had an above average to major impact as indicated by of 52% respondents. Other factors that were identified by the respondents to cause a challenge in effective strategies include; adverse media publicity which ruins company's image, lack of internal structures and slow adoption of current technology. These results imply that Telkom Kenya takes into considerations strategies in competition which in the long run ends up improving the market share of the company.

Table 9: Strategic Response towards Competitive Challenges

Competitive Factors	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Direct substitutes	5%	7%	28%	51%	9%
Generic Substitutes	0%	16%	40%	33%	12%
New entrants	5%	14%	26%	47%	9%

Supplier power	0%	16%	33%	33%	19%
Consumer power	0%	16%	30%	49%	5%

Market Share

Effects of Business Strategies on Telkom Kenya's Market Share

Results in Table 10 show the extent to which various business strategies impact the market share in TKL. Aggressive marketing was confirmed to have a great impact on market share as supported by a response rate of 72%. Culture change was also confirmed to have a great impact on market share as supported by a response rate of 70%. Product modification was also confirmed to have a great impact on market share as supported by a response rate of 69%. Results also revealed that retrenchment was confirmed to have a great impact on market share as supported by a response rate of 63% while product differentiation revealed a great impact on market share as supported by a response rate of 54%.

Table 10: Business Strategies and Market Share

Business Strategies	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Aggressive marketing campaigns	2%	19%	7%	58%	14%
Product differentiation	14%	21%	11%	35%	19%
Product modification	12%	7%	12%	44%	25%
Culture change	9%	7%	15%	47%	23%
Retrenchment	2%	15%	20%	37%	26%

These findings can be supported by the CAK operational returns for the past three years. The results show that TKL's has overtime realized increase in the number of mobile subscribers, the number of SMSs and the number of mobile data/internet subscribers. (See Table 11, 12 and 13)

Table 11: Telkom Kenya's Market Share – Number of Mobile Subscribers

	Mobile Subscribers						
Financial Year	**Indicator**	**Safaricom**	**Airtel**	**Telkom Kenya**	**Essar**	**Equitel**	**TOTAL**
2014/15	Mobile Subscribers	24,183,903	7,002,464	4,053,111	-	873,643	36,113,121
	Market Share	67%	19.4%	11.2%	0%	2.4%	
2013/14	Mobile Subscribers	21,928,450	5,068,765	2,685,368	2,563,810	0	32,246,393
	Market Share	68%	16%	8%	8%	0%	
2012/13	Mobile Subscribers	20,146,036	5,218,719	2,132,447	3,052,220	0	30,549,422

	Market Share	65.9%	17.1%	7%	10%	0%	

Source: CAK Operators' Returns

Table 12: Telkom Kenya's Market Share – Number of SMSs

	Number of SMSs (in Billions)						
Financial Year	**Indicator**	**Safaricom**	**Airtel**	**Telkom Kenya**	**Essar**	**Equitel**	**TOTAL**
2014/15	No. of SMSs	25.47	1.55	0.34	0.56	0	28.08
	Market Share	92.8%	5.7%	1.2%	0.2%	0.1%	
2013/14	No. of SMSs	23.50	0.73	0.92	0.12	0.00	25.27
	Market Share	96.1%	3%	0.4%	0.5%	0%	
2012/13	No. of SMSs	12.39	0.63	0.07	0.14	0.00	13.24
	Market Share	93.6%	4.8%	0.6%	1.0%	0%	

Source: CAK Operators' Returns

Table 13: Telkom Kenya's Market Share – Mobile Data/Internet Subscribers

	Mobile Data/Internet Subscriptions						
Financial Year	**Indicator**	**Safaricom**	**Airtel**	**Telkom Kenya**	**Essar**	**Equitel**	**TOTAL**
2014/15	No of Subscribers	12,587,207	3,656,924	2,691,935	0	873,643	19,809,709
	Market Share	63.0%	19.0%	14.0%	0.0%	4.0%	
2013/14	No of Subscribers	9,974,377	1,880,644	1,574,168	501,505	0	13,930,694
	Market Share	71.6%	13.5%	11.3%	3.6%	0%	
2012/13	No of Subscribers	9,332,995	1,597,481	795,513	614,016	0	12,340,005

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Market Share	75.6%	12.9%	6.4%	5.0 %	0%

Effects of Internal Factors on Telkom Kenya's Market Share

Results in Table 14 display the extent to which internal factors of the organization impact on the market share. Challenges in cash flow were found to be the greatest challenge as indicated by a response level of 79%. Organizational leadership and structure were also confirmed to have an impact on Telkom's market share. This is presented by response level of 73% and 58% respectively. Fifty eight percent of the respondents indicated that organizational culture has a major impact on the market share of the company.

Table 14: Internal Factors on Market Share

Internal Factors	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Organizational Culture	0%	16%	26%	37%	21%
Organizational Structure	16%	14%	12%	42%	16%
Leadership	5%	0%	23%	47%	26%
Information Systems	0%	5%	54%	14%	28%
Physical Assets	5%	12%	28%	19%	37%
Internal Processes	0%	5%	47%	16%	33%
Human Resources	0%	5%	49%	26%	21%
Cash Flow	0%	5%	16%	42%	37%

Effects of External Factors on Telkom Kenya's Market Share

Results in Table 15 display the extent to which external factors impact on the market share of Telkom Kenya Limited. Competition was found to be the biggest external challenge for Telkom Kenya Limited as indicated by a response level of 71%. Sixty seven percent of the respondents indicated that the political and legal environment poses a major impact on the market share of the company while 62% of the respondents indicated that socio-cultural factors pose a major challenge to Telkom Kenya's market share.

Table 15: External Factors and Market Share

External Factors	No impact	Small Impact	Average Impact	Above Average Impact	Major Impact
Political - Legal	10%	14%	10%	43%	24%
Technological	0%	19%	29%	24%	29%
Economic	0%	14%	29%	52%	5%
Social-Cultural	0%	19%	19%	48%	14%
Physical/Ecological	0%	14%	33%	33%	19%
Competition	0%	10%	19%	33%	38%

The external and internal factors considered most challenging was analyzed qualitatively. From the results, majority of the respondents indicated that the most challenging internal factors were; cash flow, leadership, organizational culture and organizational structure. Most challenging external factors were; competition, political - legal and social cultural environment. Best strategies that the respondents saw effective to reduce the extent of the challenges brought about by the external and internal factors identified above are; proper development of goals and objectives, aggressive marketing, continued investments, technology advancement and ensuring the company follows the law at all times. Further, in order to deal with internal factors the strategies best suited according to the respondents include; training of employees on efficiency, engagement of competence and employing up to date technologies within the organization.

Effects of Strategy on Profits at Telkom Kenya

The study sought to find the effects of the strategies discussed above on profits at Telkom Kenya Limited. Seventy percent of the respondents indicated that restructuring strategy has enabled the company to increase profits. Seventy seven percent of the respondents indicated that cost leadership does not lead to the company gaining a profit advantage. Seventy two percent responses revealed that product differentiation strategy does not lead to value for profit maximization. Through retrenchment of staff the profits of Telkom Kenya have gone higher as represented by 72% response level. Strategic alliances with other companies are indicated to have improved the profits performance of the company as represented by 80% agreed responses. Applied strategies in Telkom Kenya Limited have led to increased profits as shown by an agreed response rate of 72%. These results imply that product differentiation and cost leadership are not effective strategies for profit maximization in Telkom Kenya.

Table 16: Effects of Strategy on Profits

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Disagree
Restructuring strategy has enabled us to increase our profits	7%	7%	16%	40%	30%
Cost leadership leads to the company gaining a profit advantage	21%	56%	14%	7%	2%
Product differentiation strategy entirely adds value to our profit maximization	21%	51%	14%	9%	5%
Through retrenchment of staff our profits have gone higher	12%	7%	9%	44%	28%
Strategic alliances with other companies has improved our profits performance	9%	7%	5%	47%	33%
Applied strategies in our company have led to increased profits	2%	19%	7%	58%	14%

CONCLUSIONS

The study led to the conclusion that Telkom Kenya faces the challenges from the external and internal environment. It is evident that majority of the external challenges are political, technological, economic and socio-cultural. On the other side internal factors affecting market share realization in Telkom Kenya include; organizational culture, structure, leadership challenges, technology, human resources and cash flows.

From the study, it can be concluded that managers of Telkom Kenya are aware of the strategies that can be used to respond to such challenges. From the results, it is evident that strategies such as restructuring, diversification, information systems and technology, culture change, integration, retrenchment, product differentiation, product modification, aggressive marketing campaigns, target market modification, strategic alliances, marketing mix modification, positioning and repositioning, cost leadership, outsourcing and vertical integration are some of the strategies which have had significant impacts on market share of the company.

Effects of Strategies on Market Share

The results from the study shows that the effects of strategies on market share have been positive. Strategies such as diversification, aggressive marketing campaigns, target market modification, strategic alliances, positioning and repositioning strategies and cost leadership, are some of the major strategies that have had significant impacts on market share. The study also found that competition, technology, processes and leadership were the most challenging factors that affected the effectiveness of market share. From the study, the proper development of goals and objectives, aggressive marketing, continued investments, technology advancement and ensuring the company follows the law at all times. Further in order to deal with internal factors the strategies best suited according to the respondents include; training of employees on efficiency, engagement of competence and employing up to date technologies within the organization.

Effects of Strategies on Company Profits

The study concluded that retrenchment of employees and adoption of strategic alliance are the major strategies used to boost company profits in Telkom Kenya limited. Strategic alliances bring in new efficiencies and competitive advantages while at the same time avoiding both market uncertainties and hierarchical rigidities which help the company grow its revenues and market share.

Effects of Strategies on Turnover of Company

The results of this study indicated that implementation of strategies led to improved turnover. This shows that there is a direct relationship between strategic initiatives and performance of Telkom Kenya. Turnover is the primary source of revenue and profitability of a company and therefore strategies targeted at improving sales can lead to better contribution and positive margins from the various strategic business units of Telkom Kenya.

RECOMMENDATIONS

The study provides recommendation to policy and practice. Telkom Kenya’s growth in terms of subscribers, average revenue per user and market share has been growing arithmetically over a period of time. This indicates the presence of a turbulent Telecom's market in Kenya which requires blue ocean type of strategies. Blue ocean strategies require business entities like Telkom Kenya to pursue transformational business strategies which demand exploitation of new markets which are yet to be exploited. It is therefore recommended to Telkom Kenya management to explore new markets or new business segments which are potential for boosting the performance of the company and in return increasing market share, profitability and average revenue per user.

Telkom Kenya ought to develop long term strategy for up to 5 years to be able to defend its competitive advantage in the mobile industry. Competence should be emphasized in the company to avoid the challenge of human resource and leadership. To mitigate the challenge of technology the company should invest more in a research and development department whose objective would be to identify new strategies to cope up with recurring challenges and capitalize changing the market for its advantage.

The study found that Telkom Kenya considers strategic alliances and investment to capture growth area and new opportunities. Therefore the company should ensure operational excellence across the sectors to increase efficiency and to develop incremental and sustained differentiation across product, services and quality. Vertical integration being another strategy that Telkom Kenya applies; it is recommended that the company should adopt convergence strategy to minimize dependency and to remain competitive within industry.

The government on the other hand should flex some of its rules and regulations to enable Telkom Kenya increase its market share. This can be done by allowing the company geographical access to certain areas where it needs establishment.

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