

**INFLUENCE OF STRATEGIC CAPABILITIES IN THE  
PERFORMANCE OF TELECOMMUNICATION COMPANIES IN  
NAIROBI COUNTY, KENYA**

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**DECLARATION**

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## Abstract

The telecommunication companies have witnessed tremendous growth in the past seventeen years. This unprecedented growth of the industry was occasioned by the enactment of the Kenya communications act in 1998, which led to the establishment of the then Communications Commission of Kenya (CCK). Its function was to license and regulate telecommunications, radio communication and postal services in Kenya. Together with the clamor by the government to loosen its grip on ownership of state corporations, a more competitive and business oriented telecommunication industry emerged. As a result, a few companies were seen to be dominant and way ahead in terms of revenue and customer numbers. Therefore, the overall objective of this study was to investigate the influence of strategic capabilities on the performance of telecommunication companies in Nairobi, County. Specifically the study was to establish the influence of; global, upper management, product/service, marketing and technological strategic capabilities on the performance of telecommunication companies in Nairobi County. The study population comprised operations, junior management, middle management and senior management staff of the three leading telecommunication companies in Nairobi County (Safaricom, Airtel and Orange). Stratified sampling was used to divide the organizations in the telecommunication industry into three strata, namely; higher turnover organizations, medium turnover organizations and lower turnover organizations. Both secondary and primary data were collected. Secondary data were collected from similar past studies, annual reports and library sources while primary data were collected by use of semi-structured questionnaires. Data analysis was carried by use of the statistical package for social sciences (SPSS) for production of descriptive and inferential statistics. Pearson Correlation Coefficient was used to test the relationship between the independent and dependent variable. The study concluded that capabilities of telecommunication companies in Nairobi County have influence over their performances. The specific capabilities of these companies were identified to be; global, upper management, product/service, marketing and technological strategic capabilities.

## **Abbreviations and Acronyms**

OP:	Organizational Performance
GIZ:	Gesellschaft fuer Internationale Zusammenarbeit
KCB:	Kenya Commercial Bank
EABL:	East African Breweries Limited
OECD:	Organization for Economic Cooperation and Development
HSB:	Hong Kong Shanghai Banking Corporation
R&D:	Research and Development
IDB:	Industrial Development Bank
CMA:	Capital Markets Authority
CEO:	Chief Executive Officer
UKaid:	United Kingdom agency for international development
CAK:	Communication Authority of Kenya
EB:	Equity Bank
RBV:	Resource-Based View
R&D:	Research and Development
USAID:	United States Agency for International Development

## **Operational Definition of Terms**

Strategic Capability	: Organization's capacity to successfully apply strategies that enable it to pull through and increase its value over time
Competitive Advantage	: Firm's ability to maintain profits that stand above the average for its industry
Organizational performance	: An indicator which is used to judge how well a firm has achieved its objective, which is usually reflected in growth in turnover, return on investment, asset growth in profit, increased market share and number of new products.
Organization Capabilities	: It's the ability to manage resources, such as employees, effectively to gain an advantage over competitors.
Telecommunication	: Communication over a distance by cable, telegraph, telephone, or broadcasting.
Resources	: A stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively.
Oligopoly Market	: A state of limited competition, in which a market is shared by a small number of producers or sellers.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Across the world, operators in the telecommunications industry have been grappling with a vicious circle of repeatedly crafting strategies geared towards enhancing performance so as to stabilize profits, gain competitive advantage, satisfy shareholders and invest for the future (PWC, 2013). To achieve these, major world telecommunication operators strive to determine capabilities needed to; gain competitive advantage, seize the most appropriate market opportunities, impose a cost-savings program on noncore activities to finance the buildup of capabilities and organize to maximize speed and flexibility in pursuing the new agenda.

In Africa, for example, the inspired World Bank's management of macroeconomic reforms, which had promoted the modification of the role of the state and sought to build business climate that would promote private investment and private sector development, spurred the rapid growth of the telecommunication sector leading to intense competition and a refocus on organization's strategic capabilities for survival (Marcelle, 2004). Therefore, most telecommunication organizations in Africa are striving to transform into profitable business through a deliberate and strategic deployment of capabilities. These organizations have realized that competitive advantage does not reside in industry structure or the firm's participation in specific strategic groups, but rather in its possession and strategic deployment of unique and difficult to imitate bundles of skills, knowledge and capabilities (Birchall et al., 2005).

Close home in Kenya; the telecommunication industry has witnessed tremendous growth in the past years. This unprecedented growth of the industry was occasioned by the enactment of the Kenya communications act in 1998. As a result the communications commission of Kenya (the current Communication Authority of Kenya) was established in February 1999. Its function was to license and regulate telecommunications, radio communication and postal services in Kenya (Kanyiva, 2014). Together with the clamor by the government to loosen its grip on ownership of state corporations, a more competitive and business oriented telecommunication industry emerged.

In the pursuit for sustainable competitive advantage, Kenyan business organizations in the telecommunication industry are finding that lower costs, higher quality and better customer service are not enough (Njuguna,2012) .These organizations see the role of their internal and external resources as the foundation of their competitive advantage (Grant, 2001). They see advances occurring on several fronts. At the corporate strategy level, theoretical interests in economies of scope and transaction costs have focused attention on the role of corporate resources in determining the industrial and geographical boundaries of the firm's activities (Faulkner, 2002). At the business strategy level, explorations of the relationships between resources, competition, and profitability including the analysis of competitive imitation, the appropriability of returns to innovations, the role of imperfect information in creating profitability differences between competing firms, and the means by which the process of resource accumulation can sustain competitive advantage (Grant,2001).

### **1.1.1 Concept of Strategic Capability**

Strategic capability signifies an organization's capacity to successfully apply competitive strategies that enable it to pull through and increase its value over time (Papulova, 2006). Whereas strategic capability does take into account the strategies organization uses, it focuses on the business's assets, resources and market position, predicting how well it will be able to employ strategies in the future (Papulova, 2006). Protagonists of the resource-based view (RBV) assert that organizational performance will essentially be determined by internal resources that can be classified into three all-encompassing categories: physical resources, human resources, and organizational resources (Kwok, 2008). The RBV further argues that the competitive advantage and superior performance of an organization is explained by the distinctiveness of its capabilities (Pearson, Chapter 2pg 94).

### **1.1.2 The Concept of Competitive Advantage**

When a firm maintains profits that stand above the average for its industry, the firm is said to have gained a competitive advantage over its rivals. The goal of much of organizational strategy is to gain a sustainable competitive advantage (Rothaermael, 2008). Competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it (Dirisu et.al, 2013). In his book, *Competitive Advantage*, Michael Porter identified two types of competitive advantage; cost advantage and differentiation advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation

advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Afande, 2013).

Cost leadership and differentiation may also be attained collectively where cost level is majorly influenced by market share, rather than by service provided, level of technology, product design or other factors. For example; a firm can open up a big market share advantage, in this way; the cost advantages of share in some activities allow the firm to incur added costs elsewhere and still maintain net cost leadership, or share reduces the cost of differentiating relative to competitors (Porter 1998).

### **1.1.3 Organizational Performance**

Experts in a number of fields see Organization Performance (OP) as involving strategic planners, operations, finance, legal, and organizational development. OP is an indicator which is used to judge how well a firm has achieved its objective (Mutie, 2014). An organization can analyze its OP on the basis of efficiency and effectiveness of its goal achievement (Li-An Ho,2008).Andersen (2006) asserts that the concept of effectiveness is a ratio, indicating that two entities are necessary when highlighting and weighing effectiveness (such as return on investment or return on assets). Andersen also refers to effectiveness as the level or degree of goal achievement (i.e. the attainment of profitability goals). In other words, OP is comprised of actual output or results of an organization as compared with the intended outputs (Mutie,2014).

Schermerhorn et al, (2002) sees performance as the achieved quality and quantity of individual or group effort. Lately, OP, effectiveness, and efficiency have become synonymous and are used interchangeably (Hancott, 2005). Hancott further asserts that many indicators have been adopted to measure OP since mid-1900, such as profit growth rate, net or total assets growth rate, return on sales, shareholder return, growth in market share, number of new products, return on net assets, growth in turnover. In 1990, performance measurement incorporates other new indicators, such as return on net assets and return on capital employed. In addition, Steer (1975) reviews 17 models of organizational effectiveness and integrated the contents of these various studies concerning the measurement of OP. After reviewing ten different types of measurement, they generalize the results into three dimensions: financial performance, business performance, and organization effectiveness.

Further, Delaney and Huselid (1996) suggest two ways to assess OP, OP and market performance. The former concerns with product or service quality, product or service innovation, employee attraction, employee retention, customer satisfaction, management/employee relation, and employee relation; the latter concerns with organizational marketing ability, total growth in sale, and total profitability. Tippins and Sohi (2003) propose OP measures on four dimensions: relative profitability, return on investment, customer retention, and total sales growth. Padma et al. (2008) point out that performance indicators of an organization quantitatively represent the various organization- and market-related aspects of its products, services, resources, and productivity (Mutie,2014).

#### **1.1.4 Superior and Low Performing Telecommunication organizations in Kenya**

Telecom Kenya, Kenya's third-largest telecom operator which trades in the name of Orange, had its 2013 revenue decline to Sh9.7 billion (83 million euros) from Sh10.2 billion (86 million euros) in 2012 (Okuttah, 2014). Kenya's fourth mobile operator yu Mobile was granted approval from telecoms industry regulator, the Communication Authority of Kenya (CAK) to sell its business to rivals Safaricom and Airtel (CAK, 2014). In the same year (2013) when Orange revenue declined, Safaricom posted strong financial performance thus delivering impressive results for shareholders. Free cash flow increased by 55% to Kshs 14.51 billion and in line with its dividend policy Safaricom paid out 85.5% of free cash flow as dividend to its investors. This totaled a dividend payout of Kshs 12.40 billion; once again, the largest dividend in corporate Kenya history (Safaricom Annual report, 2013).

There are three key concepts that may define the difference between better and poorer performing Kenyan firms; the first is that organizations are not identical, but have different capabilities; they are 'heterogeneous' in this respect. The second is that it can be difficult for one organization to obtain or copy the capabilities of another. For example, Orange cannot readily obtain the whole of Safaricom's distribution network, its management or its experience (Gichangi, 2011). The third arises from these: if a telecommunication organization is to achieve competitive advantage, it will do so on the basis of capabilities that its rivals do not have or have difficulty in obtaining. In turn this helps explain how some Kenyan telecommunication firms are able to achieve superior performance compared with others. They have capabilities that permit them to produce at

lower cost or generate a superior product or service at standard cost in relation to other Kenyan firms with inferior capabilities (Kiragu, 2014). This study therefore seeks to explain the influence of strategic capabilities on the of telecommunication organizations in Kenya

## **1.2 Statement of the problem**

In Kenya's telecommunication industry, Safaricom, Airtel and Orange are dominant and way ahead in terms of revenue and customer numbers. This trend has a potential of enhancing oligopoly in the market thereby developing substantial market control (Kithaka, 2003). Therefore, these firms have the ability to influence the entire market in all forms. They can create barriers of entry for new entrants, thereby making it difficult for them to get into the business (Park and Taylor, 2006). Such a market structure limits a consumer's freedom of choice as well his ability to benefit from competitive pricing. Creative ideas or plans of small businesses in the oligopolistic market fail to be realized because they cannot overcome the control of major market players (Anderson, 2008). Their realization is only possible when one of the major players adopts it for use. In addition, it does not support a nation's faster economic development (Anderson, 2008).

It's important for the government to strike a balance in ensuring that only those firms that are able to apply strategies that promote effective competition are authorized, while also not imposing excessive regulatory barriers that may then restrict new entrants and thereby inhibit competition, diversity and choice in the market. Such actions or support systems cannot be taken or provided in a telecommunication industry where there are only a few

dominant players without determining the influence of strategic capabilities on performance of such players. Failure to identify the influence of strategic capabilities of the dominant of telecommunication companies implies failure to come up with a regulatory competition policy which may enhance existence of cartels that engage in anticompetitive conduct to more competition, leading to increased barriers to entry, blocking small firms from entering the market and limiting their survival (OCD, 2013). Easy entry into an industry provides a dual benefit to the poor, not only helping them as consumers by putting downward pressure on prices, but by expanding their employment and small business opportunities (OECD, 2013)

While a number of scholars have made efforts to research on the influence of a specific variable (either global strategic capability, upper management strategic capability, product/service strategic capability, marketing strategic capability, technological strategic capability, information system strategic capability or order fulfillment strategic capability) on performance of a firm, to the best of the researcher's knowledge, none of them has researched on the influence of these variables in entirety on performance of one industry in Kenya, to be precise; the telecommunication industry (Wachira et al, 2014, Karanja et al., 2014, Vorhies & Morgan, 2009; Krasnikov & Jayachandran, 2008). This has left a remarkably huge gap since these studies have paid little attention to the influence of all strategic capabilities on firms' performance in the telecommunication industry in Kenya. Therefore, the aforementioned situation calls for a research into the influence that these strategic capabilities in total, have on the performance of telecommunication organizations in Kenya. The fact that the leading giants in the sector

continue to expand day in day out, and Equity bank, another new player in the mobile banking division is exploring other key options within the sector, emphasize the importance of investigation in this area.

### **1.3 Study Objectives**

#### **1.3.1 Overall Objective**

The overall objective of the study was to identify the influence of strategic capabilities in the performance of telecommunication companies in Kenya.

#### **1.3.2 Specific Objectives**

The study sought to achieve the following specific objectives:

- i. To establish the effect of global strategic capability on the performance of the companies
- ii. To determine the influence of upper management strategic capability on the performance of the companies
- iii. To examine the effect of product/service strategic capability on the performance of the companies
- iv. To find out the influence of marketing strategic capability on the performance of the companies
- v. To determine the effect of technological strategic capability on the performance of the companies

#### **1.4 Research Questions**

- i. What is the effect of global strategic capability on the performance of the companies?
- ii. What is the influence of upper management strategic capability on the performance of the companies?
- iii. What is the effect of product/service strategic capability on performance of the companies?
- iv. What is the influence of marketing strategic capability on the performance of the companies?
- v. What is the effect of technological strategic capability on the performance of the companies?

#### **1.5 Significance of the Study**

The research results were found to be very useful to several groups of people in Kenya in several different ways:

First, the results were found to be significant to small firms which would want to enter into industries that are dominated by superior performing firms in Kenya. They would get information on strategic capability that superior performing firms lack and acquire them to enter the market. They would also get information on strategic capability of superior performing firms that can be imitated.

Secondly, the study results were found to be significant in providing information that could be used by Competition of Authority of Kenya in making competition regulations

and laws that would rein on cartels of superior performing firms which want to shield the market from competition.

Thirdly, the study results were found to be significant in developing national entrepreneurship policies for poverty eradication, as they would provide avenues for breaking market entry barriers. Therefore, if the results of the study are adopted by the government, the ongoing entrepreneurship initiatives such as the Uwezo fund and Youth Entrepreneurship Fund would have enhanced impact. This is because it would be easier to get information on industry's strategic capabilities and use it to enter the market.

Lastly, the findings of this study would be useful to future researchers who may want to use it as reference material to their work.

### **1.6 The Scope of the Study**

The study focused on examining the influence of strategic capabilities in the performance of telecommunication companies in Nairobi County. The County is the host of head offices of the leading telecommunication organizations in Kenya. The researcher recruited study respondents from the three leading telecommunication players, namely; Safaricom, Airtel and Orange. This was meant to ensure data was collected only from the population that met the parameters of the study. The researcher collected confidential data by assuring respondents that any information given would be stored and handled with utmost confidence and security.

### **1.7 Limitations of the Study**

The sensitivity of the information the study sought to obtain made it difficult to collect data from the respondents. This was because some people found it difficult to divulge information on their resource abilities and the same applies to organizations. Moreover, with respect to corporate organizations, such information could only be availed by senior executives who tried to limit the amount of information they could give.

In terms of secondary data, such organizations were found to have heavily invested on data security. Therefore, it was somewhat not easy to access their strategic resource information from free sources such as library, websites and journals. However, the researcher overcame the difficulties by reassuring the respondents that the information they gave were to be treated with utmost confidentiality and that they were only to be used for academic research purposes. In some cases, the researcher readily accepted to sign a declaration with the concerned organizations that the information so given would not be divulged to any other third party and would only be used for academic research purposes.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter focuses on review of theoretical, conceptual, and empirical literature along the study's conceptualization. First, the chapter presents literature on theoretical underpinnings of the study followed by conceptual and empirical literature on the influence of strategic capabilities on organizational performance.

### **2.2 Theoretical Foundation of the Study**

Comprehensive reviews of the strategic capabilities research have identified two main theoretical perspectives regarding its relationship to performance (Mwailu & Mercer, 1983 p142; Teece et al. (1997)). These include the resource based view (RBV) of the firm and theory of dynamic capability.

#### **2.2.1 Resource Based View of the Firm**

The currently dominant view of corporate strategy – resource-based theory or resource-based view (RBV) (Jay Barrey, 1991) of firms – is based on the concept of economic rent and the view of the company as a collection of capabilities. The theory states that for a company to achieve competitive edge, its resources should have value, be Rare, inimitable and should be non –substitutable. This view of strategy has a coherence and integrative role that places it well ahead of other mechanisms of strategic decision making. Traditional strategy models such as Michael Porter's five forces model focus on the company's external competitive environment (Dobbs - 2014). Most of them do not attempt to look inside the company. In contrast, the resource-based perspective highlights

the need for a fit between the external market context in which a company operates and its internal capabilities (Akio,2005). In contrast to the Input / Output Model (I/O model), the resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment. "Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment (I/O model), the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The business strategy chosen should allow the firm to best exploits its core competencies relative to opportunities in the external environment. This theory applies to the global strategic capability of a firm in exploiting resource opportunities in non-domestic markets.

When the organization strategic resources achieve uniqueness, that is, have value, are rare, immutable and non – substitutable they are in a better position to achieve competitive advantage and perform better in comparison to other companies in the same industry.

### **2.2.2 The Theory of Dynamic Capability**

This theory refers to the capability of an organization to adapt adequately to changes that can have an impact on its functioning. According to Teece et al. (1997), it refers to the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. It's the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007). Gregory Ludwig and Jon Pemberton (2011), assert that in many industries, changing the entire resource base in response to external changes is simply unrealistic. At the same time,

ignoring external change altogether is not an alternative. This theory applies to upper management capability to engage with the complex task of dynamic capability building in order to facilitate competitive survival in the light of depreciating value of resource bases available within the firm. Dynamic capabilities theory attempts to deal with two key questions; how can senior managers of successful companies change their existing mental models and paradigms to adapt to radical discontinuous change? Ultimately, how can companies maintain threshold capability standards and hence ensure competitive survival?

When senior managers are confronted with the task of building dynamic capabilities, they need to consider sometimes drastic fluctuations in the threshold capability definition standards, making it more and more complex for companies to understand the minimum requirements needed to remain in the game as an industry player. In turn, these fluctuations derive from external change in the macro environments and the total resource sum available in an entire industry.

By adapting to the dynamic changes which are affecting their strategic capabilities, the company will be in a position to perform better than the other companies in the same industry.

## **2.3: Empirical Review**

### **2.3.1 Strategic Capability**

According to Whitehead (2011) strategic capability refers to an organization's ability to successfully employ competitive strategies that allow it to survive and increase its value over time. While strategic capability does take into account the strategies a business uses, it focuses on the organization's assets, resources and market position, projecting how well it will be able to employ strategies in the future. There is no single method or universal metric for measuring or noting strategic capability. Organizations need strategic capabilities which they have or which they will need to develop in order to overcome the competition they face today and in the future. Organizational capabilities have vital consequences on business performance to acquire sustainable competitive advantage (Cemal and Zafer, 2009). Competitiveness has become a fundamental belief and goal that drive an executive behavior; in fact it's an axiom. Remarkably, organizational executives are discovering that competitiveness is achieved from within the organization, from how the organization manages its people and processes (Cemal and Zafer, 2009).

For organizations to compete successfully in an industry, managers in those organizations have to learn about emerging best practices and implement them in their units. An essential part of this process is the development of organizational capabilities by its managers. The development of capabilities in a flexible manner rests on the hands of top management. Such capabilities help firms to manage environmental uncertainty, and consequently enhance firms' performance (Cemal and Zafer, 2009).

There are many dimensions of the firm-level organizational capabilities that organizations use to acquire and maintain sustainable competitive advantage by offering unique goods and services. However, to deliver unique customer valued goods and services, firms attempt to develop three traditional sources of competitiveness. First, to meet customer expectations around low cost, firms attempt to reduce the cost of their products. To lower the cost of building a product, firms need financial capability that translates to customer value and competitiveness. Second, offering diverse product or services, developing customer relationships, or being responsive to market place offers firms a unique strategic or marketing capability and translates to competitive advantage. Third, being able to build new products more efficiently translates to a technological or operational capability (Porter, 1981; 1985; Ulrich, 1987).

Organizational capability integrates and sustains these three capabilities. Organizational capability represents the capacity of the organization itself to change and adapt to financial, unique strategic and technologic transformations (Ulrich, 1987). Financial capability is mostly created by the other resources and capabilities of a firm. Therefore, other than financial, a firm's capability may appear in any of these eight dimensions; global capability, upper management capability, product/service capability, marketing capability, technological capability, information systems capability, order fulfillment capability and external relationship capability. This study therefore seek to determine the influence of the above mentioned capabilities in telecommunication companies, specifically Nairobi County.

### **2.3.2 Organization Performance**

The measurement of performance is the cornerstone of business practice because it assists in evaluation of the achievement of fundamental business goals and sets the scope and direction of possible improvement actions. Measurement of performance is relative depending on the industry a business is in. There is no one acceptable parameter for measuring performance and therefore organizations must identify their own parameters by which to measure their performance (Pearce and Robinson, 1988). Performance assessment can be both qualitative and quantitative which involves an analysis of financial and operational performance in firm (David, 2009). The organization performance construct is probably the most widely used dependent variable in organizational research yet it remains vague and loosely defined (Shields & Shields, 1998). For effective performance measurement, a balanced presentation of both financial and non-financial measures is required since no single measure can provide a clear performance target or focus attention on critical areas of the business (Miller, 1988).

The most common measures of firm financial performance as Bhoelje (1999) puts it include: Profitability, Liquidity, Solvency, Financial efficiency and repayment capacity. (Boehlje et al, 1999) adds that benchmarking is an important aspect in performance measurement and that this can be done by analyzing a firm's past performance, projected performance as well as performance of similar firms. Indicators of efficient operational performance include: improved financial performance, lead time performance, improved responsiveness, customer loyalty, innovation, quality products, and reduction in excess inventory levels and improvements in product/process design. Evaluation of operational

performance of organizations should utilize both financial and non-financial measures, although most organizations have not made use of a balanced framework for financial and non-financial indicators (Kaplan & Norton, 1992).

Telecommunications companies in Kenya are increasingly faced with the challenge to do things but with fewer resources with the overall aim of improving service delivery to the citizens. There is increasing need for Telecommunication companies to devote more resources in the delivery of services and streamlining their operational performance. In pursuing these objectives, telecommunication corporations are faced with enormous operational challenges. The most common challenges include inefficiencies in their operations, budgetary burdens and provision of poor services to the citizens. There is therefore need for Telecommunications in Kenya to find new and innovative ways to reduce costs and streamline their operational performance (Mwaura, 2007). According O'Regan (2006), firms seeking high overall performance would be well advised to ensure that they actively consider their generic capabilities as the basis of their strategic direction. In short, alignment of the generic capabilities and strategic planning is a prerequisite for high performance.

### **2.3.3 Global Strategic Capability**

An important dimension of the organizational capability is the global capability that refers to a firm's boundaries. When a company faces with the complexity of economic and technological change, responsible executives increasingly ask, "What are logical boundaries of our company?" By the globalization, the boundaries between locations,

cultures and markets become more permeable. Market challenge extent all over the world, and to sustain competitive advantage become more difficult. When there are a number of traditional boundaries between companies, its suppliers and customers breaking down companies will operate with speed, flexibility, integration and innovation (Ashkenas, 1995).

Therefore, companies should gain and sustain competitive advantage over the boundaries; at global market place. Global marketing, manufacturing, supply and service capabilities for producers has a growing importance as their customers' increasing requirements for global sourcing. Thus, globalization included as a capability that positively effects on business performance.

#### **2.3.4 Upper Management Strategic Capability**

Strategic decision-making is a distinctive process among the firms. A firm's leaders gather their various businesses, functional and personal expertise to make the choices that shape the major strategic moves of the firm (Eisenhardt & Martin, 2000). Company leadership also plays a particularly strong role in business success with bridging differences in decision-making styles, reconciling control systems, and accommodating reverse payback criteria (Acar, 2006). The firm uses the capabilities developed by resource utilization to manage its environment and perform (Grant, 2001).

The development of capabilities to be flexible rests on the mandate of top management, helps firms manage environmental uncertainty, and tends to enhance firm performance

(Llorens,2005). Business success also relies on the managers' recognition and modification of the organizational condition that is either positive (empowerment, esprit de corps, understanding and commitment) or negative (conflict, resistance and anxiety). Therefore, upper management capability is one of the critical organizational capabilities that influence business performance.

### **2.3.5Product/Service Strategic Capability**

Product and service differentiation has been a key source of competitive advantage (Dirisu, 2013). The importance of product/service capability comes from the difficulty to manage cross-functional teams that have different resources and expertise. The next area of importance is the speed of product introduction. Rapid development of new products and services is an integral component of innovation-based competition (Froehle et al., 2000). Firms' ability to differentiate products (to boost the image of products by attributes other than prices such as superior quality, image or service) or services offers firms a strategic capability. Product/service capability is characterized as unique process that emerges from different functions, resources, skills and expertise of the firm and translates to competitive advantage. Therefore, product/service capability should have positive effects on business financial performance.

### **2.3.6 Marketing Strategic Capability**

In today's dynamic business environment where the basic principles of marketing are changing rapidly parallel to globalization, the most important thing is to measure market reaction. In this dynamic environment, the firms will have to sell high quality for lower prices than their competitors do. Otherwise, the firm could be thrown-out of market if their brand is not the leader or the next follower in that particular market (Acar, 2006). Because of this risk of being thrown-out of market, in many companies the firm abilities serving the marketing and sales within the value chain are unified. Due to that, all of the marketing efforts are integrated within a single functional department for many of the firms. (Celuch et al., 2002).

Marketing capability is defined as integrative processes designed to apply the collective knowledge, skills, and resources of the firm to the market-related needs of the business, enabling the business to add value to its goods and services and meet competitive demands (Day, 1994). Thus, marketing capability is one of the main sub constructs of the organizational capabilities because of its importance of creating value for both customers and firm. This created value translates to competitive advantage in market place. Therefore, marketing capability should have positive effects on business performance.

### **2.3.7 Technological Strategic Capability**

The increasing globalization tendency and thereupon in developing competitive environment is one of the most important factors for the firm to adopt technology. Potential thoughts that form the strategy of technology in a firm can be achieved through the unification of basic capabilities of top managers with the operation strategies of the

firm. A firm's collective ability to build new products more efficiently translates to a technological capability (Acar,2006). Technological capability is some routines by which managers combine their varied skills, know-how and functional backgrounds to create revenue-producing products and services. Today there is an emerging market of technology. A firm's technological assets can be easily sold or bought in that market place. The ownership, protection and utilization of technological assets are clearly key differentiators among firms (Zinc,2003). Therefore, technological capability that includes metallurgy and R&D capabilities is one of the main elements of organizational capabilities that positively effects on business performance.

### **2.3.8 Strategic Capabilities of better performing organizations in Kenya**

According to Ogutu and Nyatichi (2012), most banking institutions in Kenya use differentiation broad focus strategy to gain competitive advantage. This strategy is based on product/service capability of these banks. Most banks have realized that they are in a service industry whereby customers are key to their successes. Specific Strategies applied in broad differentiation included maintaining strong relationship with customers, improved customer service, identifying needs of prospective customers, offering professional service to customers, diversity of bank culture to accommodate customer needs, and other specific strategies that had great impact on customers (Ogutu and Nyatichi 2012),

Abishua (2010) asserts that Equity, the leading local bank by turnover performance, has been using a mix of strategic capabilities to gain competitive advantage in Kenya's banking industry. Using its financial capability, the bank has used business acquisition

strategy to gain competitive advantage in the banking industry. Between March 18 and April 22, 2005, the bank acquired IDB Corporate banking business division for over Kshs. 57.3 Million (Equity Bank Kenya 2006). During the year 2008, the Bank acquired 4.9% more shares at Housing Finance through a rights issue resulting in a total shareholding of 24.9% (Abishua,2010). The bank also acquired 100% stake of Uganda Microfinance Ltd at a value of Kshs. 1,666 Million in what Group CEO James referred to as “the monumental deal fitted hand-in-glove with the Bank’s growth strategy and that the choice of the acquisition and market was critical in the long term strategy. Since the investment by Helios EB, they had been actively engaged in strategically consolidating their dominant banking position in the country and seeking prudent regional entry points” (Equity Bank Kenya 2008). Equity also acquired Juanico Investment Bank so it could get a licence to capitalize in the Kenya Capital Markets Authority (CMA) which was reluctant to issue new licenses (Abishua, 2010).

Equity bank’s marketing strategic capability is seen in the way it has developed products and services that identify the needs cycle and financial resources of its market segments thus carving out a niche market. The Bank’s target market which includes individuals, micro, small and medium enterprises is largely un-banked. The Bank’s planned expansion targets this unexploited market. It is expected that providing financial services to this target market will result in continued growth in terms of business volumes and profitability (Equity Bank Kenya, 2006).

Another Kenyan bank worth noting is the Kenya Commercial Bank Ltd (KCB). KCB Group has over the period continued to build its global capability through its aggressive

regional growth strategy despite the looming global financial crisis. The aggressive regional growth strategy has been accorded support by Top Management through the creation of a Deputy Managing Director position in 2005, in charge of strategy and subsidiaries. The then Deputy Managing Director in 2007 was appointed CEO of KCB. And, this of course paved way for the growth in KCB as he was the one in charge of expansion as Deputy Director and wanted to see his strategies become a success (Mwadime, 2010). KCB now operates in five countries in the region: Kenya, Tanzania, Sudan, Uganda, Rwanda and Burundi. The bank opened a new branch in Burundi by the end of 2012, and will continue with its growth strategy in the Pan-African region. KCB has also invested in the acquisition of hi-tech information and communications technology to enhance its capabilities in information systems. Besides, bank boasts of the youngest Chief Executive Officer of a listed company, a factor that can be attributed to its commitment in enhancing its upper management capabilities.

In telecommunication sector, Safaricom, part of the UK telecommunications giant Vodafone, is the largest operator in the territory, contributing to close to three quarters of the total telecom revenue in 2014 due to its presence in both the mobile and fixed segments. Its unrivaled market share in the mobile segment, which stood at 70% by the end of 2014, sets the foundation of its leadership in the telecom industry. Safaricom has been enhancing its global capability by transforming itself into an integrated service provider through several significant acquisitions and partnerships in the fixed sector over the last few years. Of note are the purchases of WiMAX players One Communications (2008) and Packet Stream Data Networks (2009), and the strategic partnership with Jamii Telecommunications (2009) to gain access to over 1000km of fiber network in metro

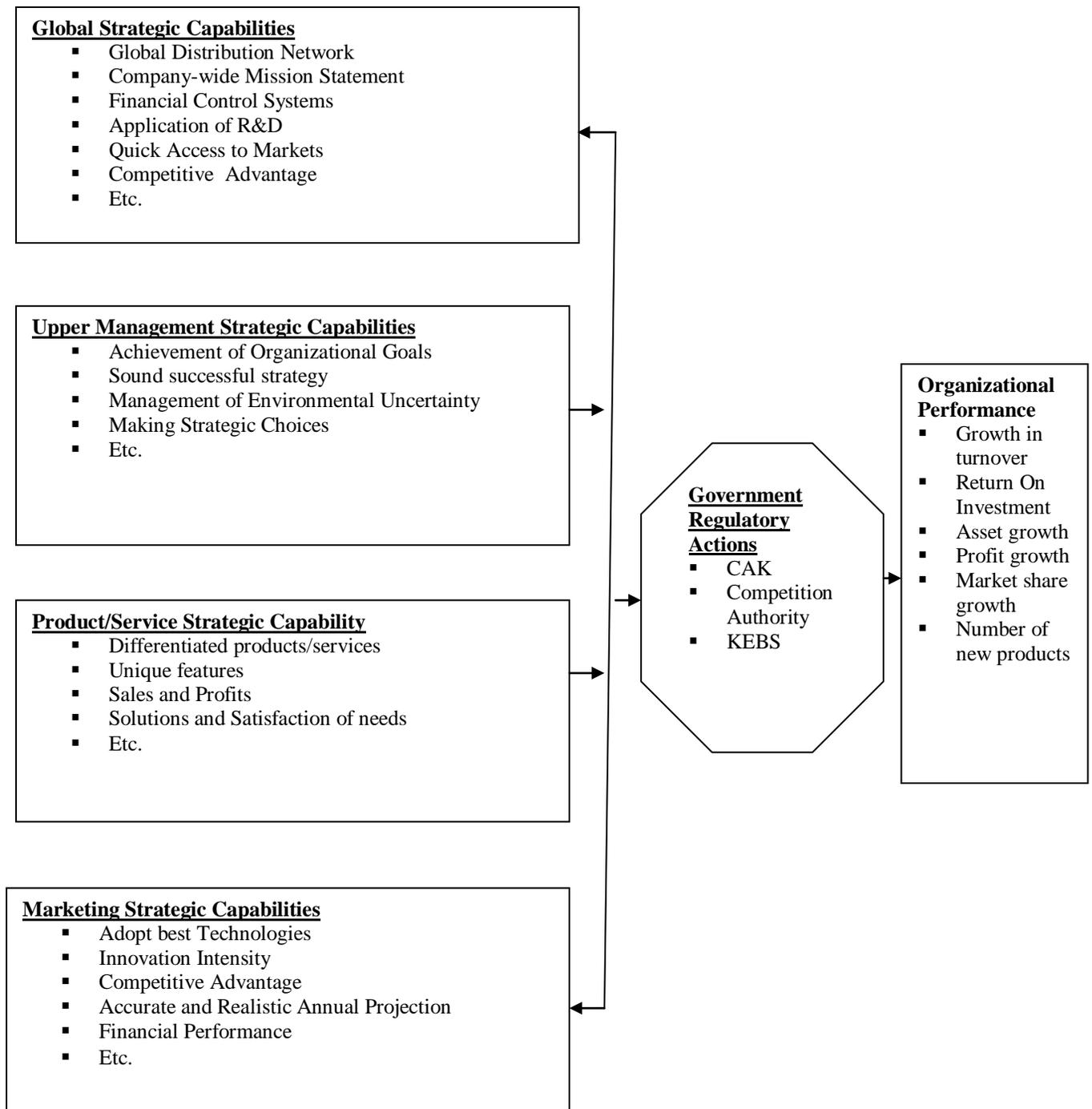
areas such as Nairobi and Mombasa. The arrangements enabled Safaricom to become a major data player, with diversified access points over 3G, fiber and WiMAX platforms. In strengthening its upper management, Safaricom recently made changes that its CEO referred to as 'necessitated by an appreciation that we as a business have become disconnected from our customers' needs at various levels' (Business Daily March 20, 2015). These changes were to enhance Safaricom's proposition to customers based on three pillars, namely superior customer insights, operational excellence in its market execution, and delivery of great products and services.

Safaricom uses different ways to promote its services and products to the market and consumer at large. Some of the ways Safaricom promotes its products to the market include; auditory marketing, celebrity personality, place, price, promotion, product creation, brand alliance, animation, content localization, topology and color and content and structure (Oloko et.al, 2014). East African Breweries (EABL), a giant in the brewing industry not only in Kenya but in the entire region of East Africa, has invested heavily in staff training and development programs because it realized with the increase of the level of competition, it is the internal capabilities that are inimitable that will continue to give the firm the necessary competitive advantage in the market. The organization has also invested in the product research and development and adoption of modern manufacturing technologies that are efficient and environmentally sustainable. EABL has created a unique product quality in the market that is differentiated and they continue to invest heavily in the development of unique products that meet different market segments, a factor that maintained their products differentiation. Over the years, EABL has accumulated global strategic capability through expansions and partnerships; in 2002

East African Breweries Limited (EABL) and SABMiller Plc. affected a share swap of their interests in their subsidiaries: Kenya Breweries Limited and Tanzania Breweries Limited. EABL acquired 20% of the equity of Tanzania Breweries. SAB Miller Plc. acquired a 20% equity stake in Kenya Breweries. The largest shareholder is Diageo Plc. EABL's primary listing is on the Nairobi Stock Exchange, and is cross-listed on the Uganda Securities Exchange and Dar-es-Salaam Stock Exchanges (EABL, 2012). EABL also trade in the new Republic of South Sudan through its appointed chain partners (Kerore, 2013).

## **2.4 Conceptual Framework**

Figure 1 below shows that organizational performance is a function of variable as; global strategic capability, upper management strategic capability, product/service strategic capability, marketing strategic capability and technological strategic capability. The study will try to establish if any or some or all of these capabilities contribute to the performance of the organizations selected for the research. However, the level to which the variables influence performance is dependent on the regulatory policies by the government through the Competition Authority and CAK.



**Independent Variable**

**Mediating Variable**

**Dependent Variable**

Figure 1: Conceptual Framework

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1.Introduction**

This chapter focuses on the methods of data collection and analysis. It highlights the research design, study population, data collection and data analysis

### **3.2. Research Design**

The researcher used stratified sampling to divide the organizations in the telecommunication industry into three strata, namely; higher turnover organizations, medium turnover organizations and lower turnover organizations. From each stratum, the researcher used purposive sampling strategy to select one telecommunication company for the study, ending up with a total of three companies. Further, in the three selected companies, the researcher used purposive sampling to select 40 respondents each from the three selected organizations. Purposive sampling was relevant in this study because the information required could only be obtained from specific cadre of staff, who had access to policy matters of their respective companies. Purposive sampling refers to a non – probability sample that is selected based on features of a population and the objectives of the study (Ashley Crossman, 2017).

### **3.3. Target Population**

Target Population refers to the entire group of individuals or object to which the researcher is interested in generalizing the conclusions (Research council of Norway,2008).

The study population comprised of senior managers and key staff of three leading telecommunication companies in Kenya, namely; Safaricom Ltd, Airtel Kenya Ltd and Orange Kenya. Data was collected from a population of 120 respondents (40 each from the three dominant companies), an implication that 20 respondents each were recruited from the three selected telecommunication organizations.

Table 1: Target Population (Researcher, 2016)

Company	Target Population
Safaricom	40
Airtel	40
Orange	40
Total	120

### 3.4. Sampling

Sampling is the process of selecting units, example people, from a populations of interest so that by studying, we may fairly generalize the result back to the population from which they were chosen (William M.K Trochim, 2006). The researcher divided the organizations in the telecommunication industry into three strata, namely; higher turnover organizations, medium turnover organizations and lower turnover organizations. From each stratum, the researcher used purposive sampling strategy to select one telecommunication company for the study, ending up with a total of three companies.

Further, in the three selected companies, the researcher used purposive sampling to select 40 respondents each from the three selected organizations. Purposive sampling was relevant in the study because the information required can only be obtained from specific cadre of staff, who had access to policy matters of their respective companies.

Table 1: Sample Size (Researcher,2016)

Companies	Population	Sample Size	%Sample Size
Safaricom	40	30	75
Airtel	40	30	75
Orange	40	30	75
Total	120	90	75

### **3.5. Data Collection**

Both secondary and primary sources were collected. Secondary data were collected from similar past studies, annual reports and library sources. The primary data were collected by use of semi-structured questionnaires. A semi structured questionnaire is a mix of unstructured and structured questions. This type of questionnaire was found to be faster; less costly while at the same time it was found to give room for the respondents to give in depth answersto relevant questions. Due to the busy nature of work of the targeted respondents, the researcher used drop and pick method to deliver the questionnaires to the respondents and collected them on agreed date and time.

### **3.6. Data Analysis**

According to Zikmund et al. (2010), data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. Information

were sorted, coded and input into the statistical package for social sciences (SPSS) for production of descriptive and inferential statistics. Pearson Correlation Coefficient was used to test the relationship between the independent and dependent variable.

### **3.7 Validity**

Validity of the instrument which is the accuracy and meaningfulness of inferences (Colin and Julie, 2005) was measured using content validity test. Content validity measures the degree to which data collected using particular instrument represent a specific domain of indicators or content of particular concept.

### **3.8 Reliability**

Reliability is the degree to which an assessment tool produces reliable and consistent result (Colin and Julie, 2005).

The researcher conducted a pilot test of the study tools on staff of the three dominant telecommunication companies (Safaricom, Airtel and Orange) who were not to participate in the study before administering the research tools. Pilot testing was conducted in an attempt to test the reliability of the research tools. The research tool was administered to the respondents who were allowed ample time to respond.

### **3.9 Ethical Issues**

The researcher sought the consent of the targeted respondents to participate in the study while at the same time mitigated potential risks that could be involved in any questioning. All the information collected for the purposes of this study were treated with utmost confidentiality. The researcher also ensured that the results of the study which she considered useful to the respondents were channeled back to them in form of feedback.

## CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

### 4.1 Introduction

This chapter discusses the results of the data collected and analyzed. The results are presented in table format. The section also provides the descriptive statistics, that is, the mean scores and frequencies of the responses while the inferential statistics shows the final regression results of the study.

#### 4.1.1 The Response Rate

Table 3 shows a successful average response rate of 89% among respondents in all the selected telecommunication organizations. Specifically, response rate by organization were as follows; Safaricom 83%, Airtel 93% and Orange 90%. Babbie (2004) declared that returns of 50% or more are worthy to analyze and publish. The high response rate was accomplished due to the simplicity in evaluating the targeted respondents.

Table 2: Response rate per category (Researcher, 2016)

<b>Selected Telecommunication Organizations</b>	<b>SampleSize</b>	<b>Responses</b>	<b>%</b>
Safaricom	30	25	83%
Airtel	30	28	93%
Orange	30	27	90%
Total Target Population	90	80	89%

### 4.1.2 Reliability

The questionnaires were used as items that were to be responded to. For reliability analysis Cronbach's alpha was calculated by application of SPSS. The value of the alpha coefficient ranges from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = Strongly Disagreed, 5 = Strongly Agreed). A higher value shows more reliable generated scale. Nunnally (1978) has indicated 0.7 to be an acceptable reliability coefficient. Table 5 illustrates the results of the reliability analysis. It involved questionnaires from 5 respondents. As the alpha coefficients were all greater than 0.7, a conclusion was drawn that the instruments had an acceptable reliability coefficient and were appropriate for the study.

Table 3: Reliability Analysis (Researcher, 2016)

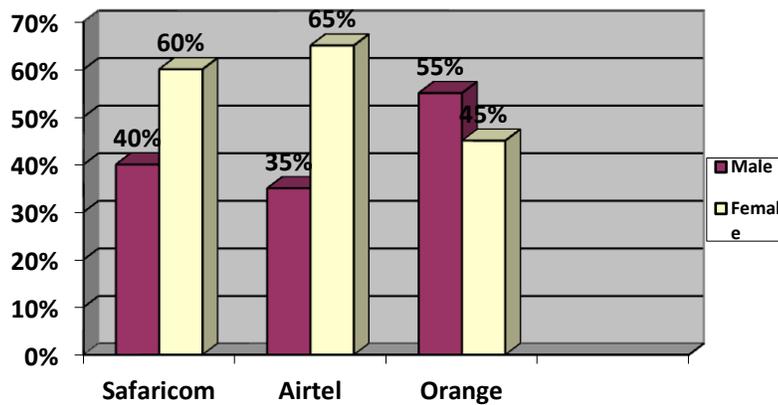
<b>Variable</b>	<b>Cronbach's alpha</b>	<b>No of items</b>
Global Strategic Capability	.7141	12
Upper Management Strategic Capability	.645	41
Product/Service Strategic Capability	.721	26
Marketing Strategic Capability	.678	39
Technological Strategic Capability	.7352	22

## 4.2 Demographic Characteristics of Respondents

This section provides the demographic characteristics of the respondents in terms of their gender, position in employment, and years of service.

Figure 2 shows that majority of the respondents in Safaricom (60%) and Airtel (65%) were female while in Orange majority of the respondents (55%) were male.

Figure 2: Gender (Researcher, 2016)



### 4.2.1 Gender

#### 4.2.2 Age of respondents

As shown in Table 4, 54% of the respondents were of between the ages 29 to 39 years. Interesting to note is that about 65% (11%+54%) were in the age bracket of between 18 to 39 years. Only 25% (11%+14) were in the age bracket of 40 years and above. This is an indication of how keen the Telecommunication companies are in tapping talent from the youth

Table 4: Age of Respondents (Researcher, 2016)

<b>Telecommunication Organization</b>	<b>18-28</b>	<b>29-39</b>	<b>40 – 50</b>	<b>50 and above</b>
Safaricom	4	15	3	3
Airtel	2	18	6	2
Orange	3	10	8	6
<b>Total</b>	<b>9</b>	<b>43</b>	<b>17</b>	<b>11</b>
<b>%</b>	<b>11%</b>	<b>54%</b>	<b>21%</b>	<b>14%</b>

#### 4.2.3 Position of Employment

As shown in Table 5, 39% of the respondents were serving as operations staff, 32% were in junior management level, 18% in the middle level management and only 11% were in senior level management.

Table 5: General response on position of employment (Researcher, 2016)

<b>Telecommunication Organization</b>	<b>Operation staff</b>	<b>Junior Management</b>	<b>Middle Level Management</b>	<b>Senior Level Management</b>
Safaricom	10	7	6	2
Airtel	12	9	4	3
Orange	9	10	4	4
<b>Total</b>	<b>31</b>	<b>26</b>	<b>14</b>	<b>9</b>
<b>%</b>	<b>39%</b>	<b>32%</b>	<b>18%</b>	<b>11%</b>

#### 4.2.4 Years in Employment

Figure 6 indicates that 50% had of respondents had served their respective companies for a period of between 1 to 5 years, 39% for a period of between 6 to 11 years. Only 11% (9%+11%) had served their respective companies for 12 years and above.

Table 6: Years in Employment (Researcher, 2016)

<b>Telecommunication Organization</b>	<b>1 – 5 years</b>	<b>6 – 11 years</b>	<b>12- 17 years</b>	<b>18 – 25 years</b>	<b>Over 25 years</b>
Safaricom	15	8	2	0	0
Airtel	20	8	0	0	0
Orange	5	15	5	2	0
<b>Total</b>	<b>40</b>	<b>31</b>	<b>7</b>	<b>2</b>	<b>0</b>
<b>%</b>	<b>50%</b>	<b>39%</b>	<b>9%</b>	<b>2%</b>	<b>0</b>

#### 4.3 Descriptive Statistics

This section provides the results of the Likert Scale questions. Analysis of frequencies of the responses by use of means and standard deviation are presented herein.

##### 4.3.1 Global Strategic Capability

In general, Table 7 shows that global strategic capability on the performance of telecommunication companies in Nairobi County. This is supported by mean scores of between 4.04 and 4.37, and standard deviations of between 0.712 and 0.832, of the variables under measure, respectively. However global, strategic capability does not to a large extent enable the organization to enhance application of R&D in telecommunication companies in Nairobi County. This is shown by a mean score of 2.11 and standard deviation of 1.013.

Table 7: Global Strategic Capability and Performance

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Global strategic capability enables the organization to have strong global distribution network	27	117	4.33	0.832
Global strategic capability enables the organization to develop company-wide mission statement that is followed closely.	27	115	4.26	0.813
Global strategic capability enables the organization to develop strong financial control systems	27	115	4.26	0.712
Global strategic capability enables the organization to enhance application of R&D	27	57	2.11	1.013
Global strategic capability enables the organization to increase its ability to get to market quickly and force standards since individual country buy-in is not necessary	27	109	4.04	0.808
Global strategic capability enables the organization to gain competitive advantage	27	118	4.37	0.742
Global strategic capability enables the organization to find new markets for its products	27	118	4.37	0.742

### 4.3.2 Upper Management Strategic Capability

As can be seen in Table 8, upper management strategic capability has impact on the performance of telecommunication companies in Nairobi County. This is evident in the following responses and scores; upper management's strategic capabilities help in the achievement of organizational goals and objectives in a competitive landscape (mean of 3.52), upper management's strategic capabilities help the development and implementation of sound and successful business strategy (mean of 3.48) and that upper management's strategic capabilities help the organization in making choices that shape the major strategic moves of the firm (mean of 3.60); all with a standard deviation of between 0.510 to 0.580. With a slightly lower mean score of 2.22 and 2.48, some respondents felt that upper management's strategic capabilities help the organization to manage environmental uncertainty and that upper management's strategic capabilities help in the recognition and modification of the organizational condition.

Table 8: Upper Management Strategic Capability and Performance

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Upper management's strategic capabilities help in the achievement of organizational goals and objectives in a competitive landscape.	27	95	3.52	0.580
Upper management's strategic capabilities help the development and implementation of sound and successful business strategy	27	94	3.48	0.510

Upper management's strategic capabilities help the organization to manage environmental uncertainty	27	67	2.48	0.510
Upper management's strategic capabilities help in the recognition and modification of the organizational condition that is either positive or negative.	27	60	2.22	0.580
Upper management's strategic capabilities help the organization in making choices that shape the major strategic moves of the firm	27	97	3.60	0.501

### 4.3.3 Product/Service Strategic Capability

Generally, the respondents felt that product/service strategic capability influences the performance of telecommunication companies in Nairobi County, as represented by figures in Table 9. In the highest, respondents felt that product /service capabilities enable the organization to produce products with unique features that present value to the customer and that Product /service capabilities enhances rapid development of new products/service. These are represented by means cores of 4.19 and 4.85 and standard deviations of 0.736 and 4.86, respectively.

Table 9:Product/Service Strategic Capability

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Product /service capabilities enable the organization to produce or provide highly differentiated products/service	27	104	3.85	0.818
Product /service capabilities enable the organization produce products with unique features that present value to the customer	27	113	4.19	0.736
Product /service capabilities enable the organization increase sales and profits	27	101	3.74	0.764
Product /service capabilities enable the organization to produce products/services that deliver solutions and satisfy needs of the customer	27	106	3.93	0.550
Product /service capabilities emphasize the benefits above and beyond the product/service features	27	87	3.22	0.577
Product /service capabilities enhances rapid development of new products/service	27	131	4.85	5.729
Product /service capabilities shield the organization's	27	102	3.78	0.801

products/services from  
competition

Product /service capabilities minimizes wastage	27	107	3.96	0.759
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Product /service capabilities reduce cost of marketing	27	98	3.63	0.97
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#### **4.3.4 Marketing Strategic Capability**

In this category, a slight majority of the respondents felt that marketing strategic capability influences performance of telecommunication companies in Nairobi County. These category of respondents specifically felt that marketing strategic capabilities influences innovation intensity in the organization (mean score of 1.67), marketing strategic capabilities build and sustain competitive advantage of the firm (mean score of 2.00), marketing strategic capabilities contribute to better financial performance of the organization (mean score of 1.59). However a strong majority felt that; marketing strategic capabilities enable the organization to build better relationship with its customers and suppliers (mean score of 4.30); marketing strategic capabilities enables the organization to increase sales (mean score of 4.04) and that marketing strategic capabilities enables the organization to adopt the best technologies available. See Table 10.

Table 10:Marketing Strategic Capability

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Marketing strategic capabilities enables the organization to adopt the best technologies available	27	108	4.00	0.734
Marketing strategic capabilities influences innovation intensity in the organization	27	45	1.67	0.679
Marketing strategic capabilities build and sustain competitive advantage of the firm	27	54	2.00	1.00
Marketing strategic capabilities enable the organization to create accurate and realistic annual goals and projection	27	43	1.59	0.797
Marketing strategic capabilities contribute to better financial performance of the organization	27	43	1.59	0.501
Marketing strategic capabilities enable the organization to build better relationship with its customers and suppliers	27	116	4.30	0.780
Marketing strategic capabilities enables the organization to increase sales	27	109	4.04	0.980

#### 4. 3.5 Technological Strategic Capability

As shown in Table 11, majority of the respondents felt that; technological strategic capability simplifies management systems within the organizations(Mean score of 4.04), technological strategic capability leads to mass production thereby reducing unit costs of production(Mean score of 4.29) and that technological strategic capabilities enables the firm to be flexible and respond to the new demands of the customer(Mean score of 4.04). On the other hand, fewer respondents felt that; technological strategic capabilities enhances innovation(Mean score of 1.67),technological strategic capabilities enable introduction of novel products that attract new customers (Mean score 1.59), and that technological strategic capabilities change the rule of competition in the industry(Mean score 1.63).

Table 11:Technological Strategic Capability (Researcher, 2016)

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std Dev.</b>
Technological strategic capabilities simplifies management systems within the organizations	27	109	4.04	0.759
Technological strategic capabilities enhances innovation	27	45	1.67	0.680
Technological strategic capabilities creates competitive advantage by creating barriers that deter entry of rivals	27	57	2.00	1.000
Technological strategic capabilities enable introduction of novel products that attract new customers	27	43	1.59	0.797
Technological strategic capabilities change the rule of competition in the industry	27	44	1.63	0.492
Technological strategic capabilities lead to mass production thereby reducing unit costs of production	27	116	4.29	0.775
Technological strategic capabilities enables the firm to be flexible and respond to the new demands of the customer	27	109	4.04	0.979

### 4.3.5 Organizational Performance

In the overall, as shown in Table 12, respondents overwhelmingly felt that strategic capabilities influence the performance of telecommunication companies in Nairobi County. Specifically majority of them felt that technological strategic capability, global strategic capability and product/service strategic capability, influence the performance of telecommunication companies in Nairobi County (each mean score of 4.44). On a slightly lower majority, other respondents felt that upper management strategic capabilities (mean score of 4.15) and marketing strategic capability (4.33), influence the performance of telecommunication companies in Nairobi County.

Table 12: Organizational Performance (Researcher, 2016)

<b>Statement</b>	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Dev.</b>
Global strategic capabilities contribute organizational performance	27	120	4.44	0.577
Upper management strategic capabilities contribute organizational performance	27	112	4.15	0.718
Product or service capabilities contribute organizational performance	27	120	4.44	0.577
Marketing strategic capabilities contribute organizational performance	27	117	4.33	0.555
Technological capabilities contribute organizational performance	27	120	4.44	0.641

#### 4.4 Inferential Statistics

Inferential analysis was conducted using the Pearson Correlation Coefficient to examine whether there was any significant relationship between the dependent and independent variables.

##### 4.4.1 Pearson Correlation Coefficient

Formula.

$$r = \frac{\sum(X - \bar{X})(Y - \bar{Y})}{\sqrt{\sum(X - \bar{X})^2} \sqrt{\sum(Y - \bar{Y})^2}}$$

Table 13: Pearson Correlation Coefficient (Researcher, 2016)

Variables	R Values	R <sup>2</sup> Values	Comment
Global Strategic Capability	0.1089	0.0119	Positive
Upper Management Strategic Capability	0.1089	0.0119	Positive
Product/Service Strategic Capability	-0.7346	0.5396	Moderate Negative
Marketing Strategic Capability	0.3974	0.1579	Positive
Technological Strategic Capability	0.4048	0.1639	Positive

Table 13 shows that all the variables have positive impact on the performance of telecommunication companies in Nairobi County, a part from product/service strategic capability which has a moderate negative impact (R Values of -0.7346). These findings corroborate that of O'Regan (2006) which asserted that firms seeking high overall performance would be well advised to ensure that they actively consider their generic capabilities as the basis of their strategic direction. In short, alignment of the generic capabilities and strategic planning is a prerequisite for high performance. Pearson Correlation coefficient method was effective in analyzing the above data since it showed

clearly the measure of strength of the association between organization strategic capabilities and its performance. Basim Abbas and Zaki Muhammad (2016), used Pearson correlation coefficient method to carry out a research on the influence of strategic orientation on banks' performance and the important mediating role that competitive advantage played in this relationship. The results of this study indicated that competitive advantage had a direct effect on the performance of the bank, especially the differentiation strategy when introducing a new service to its customers.

## **CHAPTER FIVE:SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the findings, the conclusion and the recommendations. This was done in line with the objectives of the study.

### **5.2 Summary of Findings**

This section presents the findings from the study in comparison to what other scholars say as noted under literature review. This section will be divided into parts as follows: global strategic capability and performance, upper management strategic capability and performance, product/service strategic capability and performance, marketing strategic capability and performance, and technological strategic capability and performance. The last section will be strategic capabilities and performance.

#### **5.2.1 Global Strategic Capability**

The study found that global strategic capability has influence on the performance of telecommunication companies in Nairobi County. This was supported by mean scores of between 4.04 and 4.37, and standard deviations of between 0.712 and 0.832, of the variables under measure, respectively. The findings are in tandem with the results of the study carried out by Skarmeas (2015) which asserted that global strategic capabilities not only help global firms overcome the liability of foreignness, but also help local firms compete against foreign firms, therefore enhancing their performance

### **5.2.2 Upper Management Strategic Capability**

From the findings, it's clear that upper management strategic capability has impact on the performance of telecommunication companies in Nairobi County. This is evident in the following finding scores; upper management's strategic capabilities help in the achievement of organizational goals and objectives in a competitive landscape (mean of 3.52), upper management's strategic capabilities help the development and implementation of sound and successful business strategy (mean of 3.48) and that upper management's strategic capabilities help the organization in making choices that shape the major strategic moves of the firm (mean of 3.60); all with a standard deviation of between 0.510 to 0.580. This result is supported by Llorens (2005) whose study found that the development of other strategic capabilities of the firm to be flexible rests on the mandate of upper management which in turn helps firms to manage environmental uncertainty, and tends to enhance firm performance

### **5.2.3 Product/Service Strategic Capability**

As per the finding of the study, product/service strategic capability influences the performance of telecommunication companies in Nairobi County. In the highest, it was found that product /service capabilities enable the organization to produce products with unique features that present value to the customer and that Product /service capabilities enhances rapid development of new products/service. These are represented by means cores of 4.19 and 4.85 and standard deviations of 0.736 and 4.86, respectively, in the study results. According to Froehle et al.( 2000) product/service strategic capability usually results into the rapid development of new products and services which is an integral component of innovation-based competition for firm's enhanced performance.

Dirisu(2013) further corroborates the study findings by asserting that product and service differentiation is a manifest of product/service capability and which is a key source of competitive advantage, for a firm's better performance.

#### **5.2.4 Marketing Strategic Capability**

The study strongly found that; marketing strategic capabilities enable the organization to build better relationship with its customers and suppliers (mean score of 4.30); marketing strategic capabilities enables the organization to increase sales(mean score of 4.04) and that marketing strategic capabilities enables the organization to adopt the best technologies available. In support of these findings, Saleh(2015) asserts that effective marketing is one of the most important keys to a successful business. Without a proper marketing strategy, customers will never be aware of a business or its location, products, or services. The problem with marketing is that it can actually hurt a business if done incorrectly. Marketing capabilities therefore play a major role in ensuring this does not occur.

#### **5.2.5 Technological Strategic Capability**

Clearly, technological strategic capability influences the performance of telecommunication companies in Nairobi County. This is manifest in the following findings; technological strategic capability simplifies management systems within the organizations (Mean score of 4.04), technological strategic capability leads to mass production thereby reducing unit costs of production (Mean score of 4.29) and that technological strategic capabilities enables the firm to be flexible and respond to the new demands of the customer (Mean score of 4.04).Skarmeas (2015) reinforces these findings

by asserting that technology is a key force influencing the face and pace of business, and how to maintain technological superiority constitutes a central challenge for all organizations

### **5.2.6 Organizational Performance**

In the overall, the study found that strategic capabilities influence the performance of telecommunication companies in Nairobi County. Specifically it was strongly found that technological strategic capability, global strategic capability and product/service strategic capability, influence the performance of telecommunication companies in Nairobi County (each mean score of 4.44). On a slightly lower majority, other respondents felt that upper management strategic capabilities (mean score of 4.15) and marketing strategic capability (4.33), influence the performance of telecommunication companies in Nairobi County. Mithaset.al (2011) supports these findings and adds that strategic capabilities favorably influence customer, financial, human resources, and other organizational effectiveness measures of firm performance.

## **5.3 Conclusion**

### **Global Strategic Capability**

Global strategic capability has influence on the performance of telecommunication companies in Nairobi County. This is because it enables them to find new markets, establish strong distribution networks, develop company-wide mission statement and establish strong financial control systems.

### **Upper Management Strategic Capability**

Clearly, upper management strategic capability has impact on the performance of telecommunication companies in Nairobi County. This is based on the fact that it helps in; the achievement of organizational goals and objectives in a competitive landscape, the development and implementation of sound and successful business and the making of choices that shape the major strategic moves of the firm.

### **Product/Service Strategic Capability**

The study concludes that product/service strategic capability influences the performance of telecommunication companies in Nairobi County. The conclusion is based on the fact that it enables; the organization to produce products with unique features that present value to the customer, rapid development of new products and services and innovation-based competition for firm's better performance.

### **Marketing Strategic Capability**

Marketing strategic capability influences performance of telecommunication companies in Nairobi County. This is because it; enablesthecompanies to build better relationship with their customers and suppliers, increase and enables the companies to adopt the best technologies available.

### **Technological Strategic Capability**

Technological strategic capability has effect on the performance of telecommunication companies in Nairobi County. This is manifest on the fact that it; simplifies management systems within the companies, leads to mass production

thereby reducing unit costs of production, enables the firm to be flexible and respond to the new demands of the customer.

### **Organizational Performance**

In the overall, it's conclusive that strategic capabilities of telecommunication companies in Nairobi County have influence over their performances. Specifically; technological, global, product/service, upper management and marketing strategic capabilities greatly influence the performance of these companies. These capabilities in turn influence customer, financial, human resources, and other organizational effectiveness measures of firm performance

### **5.4 Recommendations**

Telecommunication companies in Nairobi County need to enhance application of R&D in order to increase innovation and improve quality and satisfaction levels their products and services.

Upper management in the telecommunication companies in Nairobi County need to use their strategic capabilities to help their respective companies manage environmental uncertainties so as to be able to recognize and modify their companies' conditions.

There is need for the telecommunication companies in Nairobi County to utilize their market strategic capabilities to influence innovation intensity, build and sustain competitive advantage and to increase financial performance.

Lastly, telecommunication companies in Nairobi County have to utilize their technological capabilities to; enhance innovation,introduce novel products that attract new customers andto change the rule of competition in the industry.

### **5.5 Area for Further Study**

The researcher recommends further studies on the role of technological strategic capability in innovation and improvement of product/service quality, by telecommunication companies in Nairobi County. The researcher finds this area quiet interesting and useful since not much studies have been carried in it, yet it's key to the development of the Telecommunication sector in Kenya.

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## APPENDICES

### Appendix 1: Letter of Introduction

Wanjohi Pauline Wangechi

D53/CTY/PT/28416/2013

C/o Kenyatta University

Nairobi, Kenya.

Dear respondents,

**RE: INFLUENCE OF STRATEGIC CAPABILITIES IN THE PERFORMANCE OF TELECOMMUNICATION COMPANIES IN NAIROBI COUNTY, KENYA**

I am a continuing student of a master's degree in Strategic Management of Kenyatta University. In order to complete my degree, part of my assignment is to carry out a research and provide its findings on the "Influence of Strategic Capabilities in the Performance of Telecommunication Companies in Nairobi County, Kenya". You make part of my sample and your contribution to this research will be helpful. In order to fulfill this, I kindly request you to fill in the attached questionnaire to the best of your knowledge. Your contribution will be vital in understanding the influence of strategic capabilities in the performance of telecommunication companies in Nairobi County, Kenya.

Thank you very much for your cooperation.

Yours faithfully

Wanjohi Pauline Wangechi.

## Appendix 11: Questionnaire

The topic for this research study is; **Influence of strategic capabilities in the performance of telecommunication companies in Nairobi County, Kenya.** It aims at identifying elements of strategic capability that higher performing corporate organizations in Kenya have. The study looks into; global, upper management, product/service, marketing, technological, information system and order fulfillment strategic capabilities.

This questionnaire is to be filled voluntarily and you should not feel coerced to respond to the questions. You are free to decline to fill the questionnaire any time. The researcher would like to assure you that any information given in this questionnaire will be kept confidential. Your cooperation is very important to this study since it will lay-out the elements of strategic capabilities of higher performing organizations in Kenya. As such, the study findings will form a background for government policies that support business growth. Other researchers too might borrow a leaf from this study.

This questionnaire is divided into 8 parts:

- A. Demographic Background
- B. Global Strategic Capability
- C. Upper Management Capability
- D. Product/Service Strategic Capability
- E. Marketing Capability
- F. Technological Capability

**Declaration:** This is an academic research project aimed at establishing the influence of strategic capabilities in the performance of telecommunication companies in Nairobi, County, Kenya. There is no right or wrong answer and any information given will be held in confidence for academic use only. Thank you in advance for taking your valuable time to participate.

**Part A: Demographic Information**

1. Gender of respondent:

- Female ( )
- Male ( )

2. Age of the respondent:

- 18 – 28 years ( )
- 29 – 39 years ( )
- 40 – 50 years ( )
- 50 and above years ( )

3. Position in employment:

- Operation staff ( )
- Junior Management staff ( )
- Middle Management Staff ( )
- Senior Management staff ( )
- Others (Specify): .....

4. Years in employment

- 1 – 5 years ( )
- 6 – 11 years ( )
- 12- 17 years ( )
- 18 – 25 years ( )
- More than 25 years ( )

**5. PART B: GLOBAL STRATEGIC CAPABILITY**

For each of the statements, please indicate the level of agreement or disagreement as shown on the table:

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Global strategic capability enables the organization to have strong global distribution network					
Global strategic capability enables the organization to develop company-wide mission statement that is followed closely.					

Global strategic capability enables the organization to develop strong financial control systems					
Global strategic capability enables the organization to enhance application of R&D					
Global strategic capability enables the organization to increase its ability to get to market quickly and force standards since individual country buy-in is not necessary					
Global strategic capability enables the organization to gain competitive advantage					
Global strategic capability enables the organization to find new markets for its products					

**6. PART C: UPPER MANAGEMENT STRATEGIC CAPABILITY**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Upper management’s strategic capabilities help in the achievement of organizational goals and objectives in a competitive landscape.					
Upper management’s strategic capabilities help the development and implementation of sound and successful business strategy					
Upper management’s strategic capabilities help the organization to manage environmental uncertainty					
Upper management’s strategic capabilities help in the recognition and modification of the organizational condition that is either positive or negative.					
Upper management’s strategic capabilities help the organization in making choices that shape the major strategic moves of the firm					

**7. PART C: PRODUCT/ SERVICE CAPABILITY**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Product /service capabilities enable the organization to produce or provide highly differentiated products/service					
Product /service capabilities enable the organization produce products with unique features that present value to the customer					
Product /service capabilities enable the organization increase sales and profits					
Product /service capabilities enable the organization to produce products/services that deliver solutions and satisfy needs of the customer					
Product /service capabilities emphasize the benefits above and beyond the product/service features					
Product /service capabilities enhances rapid development of new products/service					
Product /service capabilities shield the organization’s products/services from competition					
Product /service capabilities minimizes wastage					
Product /service capabilities reduce cost of marketing					

**8. PART D: MARKETING STRATEGIC CAPABILITY**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Marketing strategic capabilities enables the organization to adopt the best technologies available					
Marketing strategic capabilities influences innovation intensity in the organization					

Marketing strategic capabilities build and sustain competitive advantage of the firm					
Marketing strategic capabilities enable the organization to create accurate and realistic annual goals and projection					
Marketing strategic capabilities contribute to better financial performance of the organization					
Marketing strategic capabilities enable the organization to build better relationship with its customers and suppliers					
Marketing strategic capabilities enables the organization to increase sales					

### 9. PART E: TECHNOLOGICAL STRATEGIC CAPABILITY

	1	2	3	4	5
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Technological strategic capabilities simply management systems within the organizations					
Technological strategic capabilities enhances innovation					
Technological strategic capabilities creates competitive advantage by creating barriers that deter entry of rivals					
Technological strategic capabilities enable introduction of novel products that attract new customers					
Technological strategic capabilities change the rule of competition in the industry					
Technological strategic capabilities lead to mass production thereby reducing unit costs of production					
Technological strategic capabilities enables the firm to be flexible and respond to the new demands of the customer					

**10. PART F: ORGANISATIONAL PERFORMANCE**

Please indicate by ticking (√) the appropriate answer to what extent you agree/disagree with the statements below:

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Global strategic capabilities contribute organizational performance					
Upper management strategic capabilities contribute organizational performance					
Product or service capabilities contribute organizational performance					
Marketing strategic capabilities contribute organizational performance					
Technological capabilities contribute organizational performance					

**Thank you for your time and co-operation.**