

ANALYSIS OF FACTORS INFLUENCING EFFICIENT VALUE CHAIN  
MANAGEMENT STRATEGIES IN THE DEALERSHIP  
TELECOMMUNICATIONS INDUSTRY: A CASE OF SELECTED FIRMS IN  
NAIROBI

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## DECLARATION

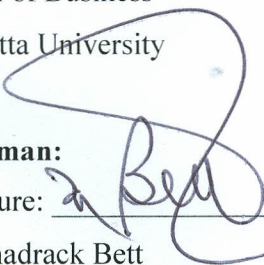
I hereby declare that this research project is my original work and has not been presented for examination in any other University or institution.

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## **DEDICATION**

This work is dedicated to my mother, M/s Fatma Abeyd Anyanzwa and to the loving memory of my Father, Mr. Daniel Eshuchi Anyanzwa, their struggles and sacrifices molded me into the person that I am.

## **ACKNOWLEDGEMENT**

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## **ABSTRACT**

It is the goal of almost every privately owned company to increase profitability. This is essentially achieved through two ways: reducing the cost base and increasing revenue. The paradox is that by cutting of costs in the short term it often results in a reduction in revenue earning ability in the longer term. In the same manner, a drive to increase revenue in the longer term often results in an increase in costs in the short term. This study analysed the factors influencing efficient value chain management strategies thus enabling firms to identify both the areas of huge cost that make little or no contribution to business performance and the prospects for opportunity that were worth financing. The study employed descriptive research design. Stratified random sampling techniques were utilized to identify the target population. The researcher made use of both secondary and primary data where the data collection instrument used was questionnaires which were mostly structured or closed ended. Some elements of open ended questions were used to give a greater depth of response. Document analysis was also effectively utilised. The study will show that human resource management, infrastructure, technology development and procurement are variables influencing efficient value chain management strategies in the Dealership telecommunication industry. In particular human resource management was ranked first of the four variables by a majority of respondents while procurement was ranked last.

## DEFINITION OF TERMS

Airtel – Airtel Kenya Ltd

CCK – Communication Commission of Kenya

Churn – Lines that were previously connected but are now unconnected/ deadlines

KRA – Kenya Revenue Authority

R & D – Research & Development

Safaricom – Safaricom Ltd

Sim Cards – the subscription connectivity line also known as Simex/ Lines

Orange – Telkom Kenya Ltd

Telecom Operators – Telecommunication Companies such as Safaricom Ltd, Telkom

Kenya Ltd, Airtel Kenya Ltd & Essar Ltd

Telecom Dealerships – Authorised Dealership companies

Yu – Essar Telecom Kenya Ltd

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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Value management is the application of established techniques to help define and refine business needs, delivery strategy and the best value concept by setting customer objectives/ values and determining success criteria for the business or project. “Value Management is an organized effort directed at analyzing the functions of goods and services to achieve those necessary functions and essential characteristics in the most profitable manner.” (Kaufman, 2004, p.7). According to Jones and George (2007) Value chain management strategies are concerned with the development of a set of functional level strategies that support a company's business-level strategy and strengthen its competitive advantage.

The BP oil disaster in April 2010 that led to the flow of oil spill for over three months off the Gulf of Mexico in the USA, the Bernard Madoff Wall Street scandal (ran from 1970's to 2008) in the NASDAQ stock market that ran the largest ever ponzi scheme in history and the financial scandal at the Vatican Bank in 2010 all point to the failure and inability of global managers in carrying out well defined value management processes. They point to a scenario where the managers opted to cut various costs in order to increase revenue thus leaving the organisations exposed to inherent disasters and fraud. This easy wins approach is founded in the belief that the people working at the point of delivery are responsible for wasting resources and can be encouraged to produce more revenue while utilizing less resources. The result of this is often a permanent effort to drive down costs by reducing what those at the central hierarchy of an organisation consider to be waste. In the short term, this often produces savings sufficient to satisfy immediate demand but in the longer term it actually diverts attention away from the real issues/problem. According to Macharia Kihuro (2010, August 31) the BP crisis in particular exposed the soft underbellies of companies that largely rely on environmental regulations and laws set by the authorities. These according to Macharia should only serve as a bare minimum but risk-management-conscious organisations must go further. This rings true in the Telecommunications industry where mobile Operators and internet service providers scale high costs, unpredictable levels of churn and losses therefore ending up resorting to adoption of

tough cost cutting measures. Airtel Kenya in 2011, for example, transferred all customer care staff to an Indian business outsourcing firm, Spanco. It also outsourced network functions to Nokia Siemens and IT work to IBM. Telkom Orange outsourced its technical work to ZTE Company and cut costs further through several faces of staff rationalization and re-engineering that saw hundreds of employees exit the company since the acquisition by a French Consortium. Safaricom Ltd optimised its corporate structure and slashed costs associated with data transmission, base transceiver construction and general expenditure (Esmond Shahonya November 2011).

Regionally, dominant companies from South Africa such as Castle Lager and Iburst Africa have consistently failed to break into the East African region. This has a lot to do with the failure in value chain management strategies due to lack of understanding in the challenges brought about by the intercultural and organisational structural differences of the two regions. Locally, Uchumi Supermarkets has been a real success story with the turnaround from receivership to a fully profitable business. The current CEO Mr. Jonathan Ciano had been burning the midnight oil crafting and successfully carrying out value chain management strategies to rescue Uchumi, which had been written off by many after it was placed under receivership on June 1, 2006, during the tenure of the South African manager John Masterten-Smith. In May 2011, Uchumi was relisted in the Nairobi Stock Exchange, thus showcasing how value chain management strategies can turn around companies. (Githinji Patrick, 2011, May 25).

The ability to successfully carry out value chain management strategies is therefore one of the most valuable of all managerial skills. In organisations today this requires moving from a largely intellectual exercise to the concrete realities of tactical choices, tradeoffs, conflicts, obstructions, misunderstanding and even errors. The Telecom Dealers are not an exemption. The focus of the study was on these Dealers who account for the bulk of the Telecom revenues. The environment in which the research problem occurred was highly competitive with the entrant of new and nimbler players in the industry. This was therefore a case study of the selected firms within the Telecom Operators' Dealership network who account for the bulk of this revenue and virtually control the whole Telecommunication industry.

### 1.1.1 Telecommunications Industry

The Telecommunications industry can be broadly divided into the voice & data subsectors. Voice comprises of both fixed and mobile telephone lines. Data comprises of short messages services (SMS), mobile money transfer and provision of internet in the form of Edge, 3G, Wimax or Fibre connectivity. The Telecommunications industry is currently composed of Safaricom Ltd, Essar Telecom Kenya Ltd, Telkom Kenya Ltd and Airtel Kenya Ltd. The key strength of Safaricom Ltd, the most successful of the four, has been having as a backbone 450 Dealer companies who accounted for 90% of its total revenue in the year 2010. Due to this success factor the same trend is replicated by the other Telecoms Operators thus we have Airtel Kenya with 86 Dealers, Orange Telkom with 56 Dealers and Essar Yu with 20 Dealers as of the close of the year 2010. As of June 2011 the following was the market share of Mobile Subscriptions per Operator. (CCK 2011)

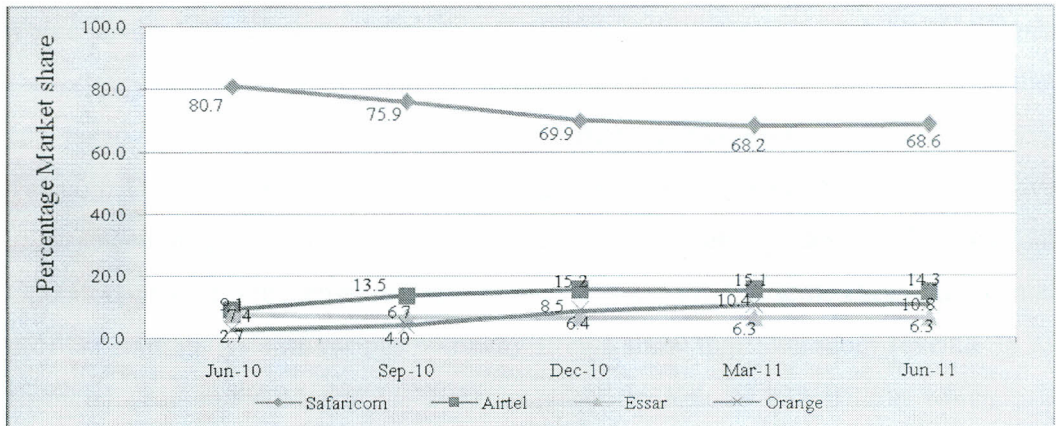
**Table 1.1: Mobile Subscriptions per Operator**

Name of operator	Jun-11	Mar-11	Dec-10	Sep-10	Net additions over Mar-11 (3mths)	Net additions over Dec-10 (6mths)	Net additions over Sep-10 (9mths)	Annual net additions (12mths)
Safaricom	17,353,186	17,205,123	17,451,325	16,714,548	148,063	-98,139	638,638	1,112,617
Airtel	3,614,619	3,817,589	3,792,404	2,977,696	-202,970	-177,785	636,923	1,780,276
Essar Telecom	1,582,947	1,584,501	1,591,700	1,465,832	-15,540	-8,753	117,115	90,849
Telkom Orange	2,729,016	2,613,489	2,133,462	875,592	115,527	595,554	1,853,424	2,176,722
<b>Total</b>	<b>25,279,768</b>	<b>25,220,702</b>	<b>24,968,891</b>	<b>22,033,668</b>	<b>59,066</b>	<b>310,877</b>	<b>3,246,100</b>	<b>5,160,464.00</b>

Source: CCK, Operators' Returns 2011

“In the mobile market segment, Safaricom Limited continued to be the Operator with the largest market share followed by Airtel Networks Kenya Limited, Telkom Kenya Limited and Essar Telecom Kenya Limited. The evolution of the market shares of the four mobile Operators in the mobile market segment is shown in Figure 1.1.” (CCK 2011)

**Figure 1.1: Percentage Market Share per Operator**



Source: CCK, Operators’ Returns 2011.

The relationship between the Telecoms market share and the Dealers’ strength can be clearly demonstrated through Table 1.2 that compares the Telecom Operators market share in terms of mobile subscription and its percentage of Dealership companies (CCK & Company filings 2011).

**Table 1.2: Mobile Subscription Market vs. No. of Telecoms Dealers**

Name of Operator	Jun-11	%	No of Dealers	%
Safaricom	17,353,186	69%	450	74%
Airtel	3,614,619	14%	86	14%
Essar Telecom	1,582,947	6%	20	3%
Telkom Orange	2,729,016	11%	56	9%
Total	25,279,768	100%	612	100%

In the Telecommunications industry the Dealers bear the largest brunt of investment risks and the associated rewards thus making the study critical as they are the backbone of the industry. There is an obvious symbiotic relationship between the number of Dealers, their value chain management strategies, the market share and the success of the parent telecommunication company. The key aim of this study was therefore to look at the concept of value chain as practically utilised by the Telecom Dealers in giving a competitive advantage, with the aim of creating and sustaining superior performance, for their parent Telecom companies.

## 1.2 Statement of the Problem

Value chain management strategies are useful in outsourcing business decisions. Understanding the linkages in the chain leads to optimal make-or-buy decisions that can result in either a cost advantage or a differentiation advantage (Porter, 1985). Telecom Dealers have value chain management strategic plans however they have experienced huge loss of revenue and declined profitability despite the Telecom Operators making substantial increase in revenues and even in some cases exponential profits. An analysis of various company filings show that Safaricom revenue in its financial year ended March 31, 2011 increased to Ksh 94.832 Billion which is a 12.9% increase as compared to March 31, 2010 which stood at Ksh 83.961 Billion and Ksh 70.480 Billion in the year ended March 31, 2009. Safaricom Ltd after tax profit remained impressive at Ksh 13.159 Billion in March 2011 a decline of only 13.1% compared to Ksh 16.2B in March 2010 and Ksh 10.6B in 2009. According to Jevans Nyabiage (2010, July 9) in the year 2009 Airtel Kenya then known as Zain Kenya incurred a reported a loss of only US \$46.6 million. This compared favourably with a loss of Ksh 7.1 billion reported in the year 2008. According to Macharia Kamau (2011, March 3) Telkom Kenya reported a decline of revenues to 95 million in the 12 months to December 2010 from 97 million in 2009. This is a decline of only 2 million shillings. As a result of the Telecom price wars, Dealers had a massive decline in their profits in the year 2010; the assumption would have been that since they generated 90% of the business then a fall in their profits would automatically result in a fall in the Telecoms profits by the same proportion. This was not the case.

This research therefore focused on four critical factors to be investigated; infrastructure, human resource management, technology development and procurement aspect of the Dealers in the Telecommunications industry. Not enough studies have been conducted in and outside Kenya on the Telecommunication industry and value chains predominantly because of the relative short history of the industry that really gained a foothold in Kenya less than 10 years ago. Earlier studies focused on factors affecting customer loyalty such as customer satisfaction and the switching barrier (Gerpott, Rams, & Schindler, 2001). Hildago et al. (2007) and Kaplinsky (1998 & 2000) focused only on the global aspects of value chain. Fromma, I. and Dubónb, J.A. (2006) researched in value chain management strategies in the

agriculture sector. Altenburg, T. (2007) examined the implications of increasing coordination and globalization of value chains for pro-poor growth in developing countries. Koskey Wanyoike (1997) concentrated on the impact of organisational development management strategies on working conditions and performance. The research gap here was the limited focus on value chain management strategies in the Telecommunications sector and this is what the researcher filled. We thus did not know which specific differences existed regarding value chain strategies in the Dealership Telecommunication industry. In order to assess the factors influencing efficient value chain management strategies in the Dealership Telecommunication industry the researcher reviewed the Michael Porters Value Chain Strategy theory which acted as the foundation of the study. This clearly was an interesting opportunity for future research. The purpose of this study was therefore the analysis of factors influencing efficient value chain management strategies in the Dealership Telecommunications industry: a case of selected firms in Nairobi.

### **1.3 Objectives of the Study**

#### **1.3.1 General Objective**

To analyse the factors influencing efficient value chain management strategies in the Dealership Telecommunications industry.

#### **1.3.2 Specific Objectives**

The specific objective of the study was:

1. To determine how human resource management affects value chain management strategies.
2. To investigate how infrastructure influences efficient value chain management strategies.
3. To examine how technology development affects value chain management strategies.
4. To identify how procurement shapes efficient value chain management strategies.

## **1.4 Research Questions**

The researcher was guided by the following research questions:

1. How does human resource management affect value chain management strategies?
2. How does infrastructure influence efficient value chain management strategies?
3. How does technology development affect value chain management strategies?
4. How does procurement shape efficient value chain management strategies?

## **1.5 Significance of Study**

### **1.5.1 Kenya Revenue Authority**

This study will assist the Kenya Revenue Authority (KRA) in addressing the raised concern over the loss of billions of shillings as a result of revenue decline in the Telecommunications industry as a result of the ongoing price wars in the sector.

### **1.5.2 Treasury**

The study is significant to the Treasury which is likely to lose additional billions of shilling it receives from its 35% shareholding in Safaricom Ltd and 49% shareholding in Telkom Kenya.

### **1.5.3 Communication Commission of Kenya**

The study will enable the Communication Commission of Kenya (CCK) formulate regulations that are deemed fair to all industry players as it seeks to regulate tariffs, interconnection, mobile number portability, anti-dominance legislation and a private public partnership for 4G licensing.

### **1.5.4 Central Bank of Kenya**

The study will further assist the Central Bank of Kenya (CBK) as it implements the Finance Act of 2009 which amended the Banking Act to enable the use of third party agents by banks to offer banking services and thus compete with the M-Pesa mobile money transfer system offered by Safaricom Dealers and those of the other Telecoms such as Yu- Cash, Orange Money and Airtel Money transfer systems.

### **1.5.5 Future Researchers**

The study will be also useful to other future researchers who seek to study a similar research. The general public will be keen to read this study for their information purposes and to reflect on the social responsibility of the industry.

### **1.5.6 Telecom Shareholders**

The study will be significant to the shareholders of Essar Telecom, Airtel Kenya & Telkom Kenya who are particular concerned on the companies going concern as the companies are trading in the red. The shareholders of the market leader, Safaricom, would be more concerned on the going concern of the company specifically due to the drop in share price and the fact that the company's shares are still trading at a lower rate than the initial public offer (IPO) price.

### **1.5.7 Telecom Operators**

All Telecom Operators will find this study useful, the market leader Safaricom would particularly digest this study to maintain its market leadership while the rest of the Telecoms would find this study useful in trying to gain market leadership.

### **1.5.8 Telecom Dealerships**

Lastly the Telecoms Dealerships who account for the bulk of the Telecom Operators' revenue would be the largest beneficiaries to this study, in particular they will be interested in finding ways, through this study, of safeguarding their long term interests with the Telecom Operators.

## **1.6 Scope of the Study**

This study focuses on the analysis of the factors influencing efficient value chain management strategies in the Dealership Telecommunications industry. The study restricts itself to the Dealers who have offices in Nairobi, Kenya. The total population of Dealerships in the Telecoms industry is 612 as of the year 2010 (Safaricom - 450, Airtel Kenya - 86, Telkom Kenya – 56 and Essar Telecom - 20). (Company Filings & Websites, 2011)

## **1.7 Assumptions of the Study**

It was assumed that no new legislation by the industry regulator including the Mobile Number Portability platform launched on April 2011 will significantly impact on the future value chain management strategies of the Dealerships in the Telecom industry. The study assumed that the threat of the proposed reduction of interconnectivity rate from the current Ksh 2.20 to Ksh 1.44 will neither affect the market leadership position nor the subscriber market equilibrium, specifically because of the Presidential directive suspending its implementation in order to safeguard the interest of local investors. It was presumed that the SIM card registration process and the Finance Minister's proposal, on the Presidential directive of 2009, to make it mandatory for mobile Operators to register new SIM cards before activation will not significantly shift the market share nor will the levying of 0.5% of the Telecom Operators' annual gross turnover to the Universal Service Charge. Lastly it was assumed that the interviewees will answer all questions truthfully and to the best of their knowledge.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Theoretical Literature**

##### **2.1.1 Definition of Value Chain**

The term 'Value Chain' was first used by Michael Porter in his book "Competitive Advantage: Creating and Sustaining superior Performance" (1985). Porter termed the larger interconnected system of value chains the "value system." He went further to elaborate that a value system includes the value chains of a firm's supplier (and their suppliers all the way back), the firm itself, the firm distribution channels, and the firm's buyers (and presumably extends to the buyers of their products, and so on).

##### **2.1.2 Definition of Value Streams**

Value Streams were introduced in Michael Porter's book but were explained more clearly by James Martin in his 1995 book, *The Great Transition*, which pulls together the many issues, models, and methods for transforming the traditional old-world organisation into a value-creating enterprise. Martin uses value stream, rather than process, to define the end-to-end stream of activities that deliver particular results for a given customer (external or internal). The 2004 book, *Enterprise Business Architecture*, by Ralph Whittle and Conrad Myrick, provides a common reference model by defining the business strategy, governance, organisation, business functions, then establishes a baseline that links strategy and results by defining which organisations perform those functions. This book provides a consistent classification of all the tasks, activities, functions and processes into value streams.

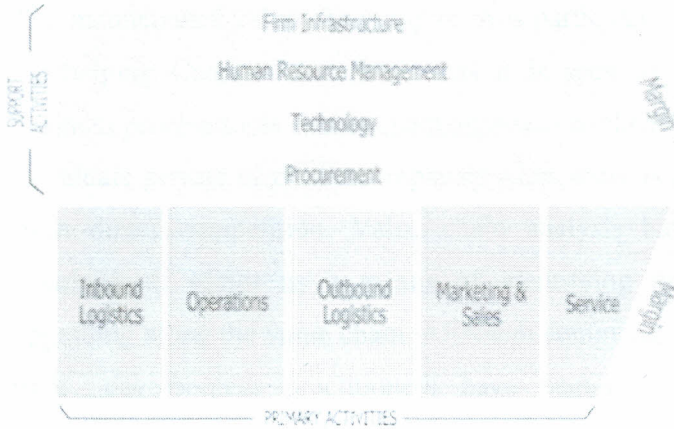
##### **2.1.3 Theoretical Literature on Value Chain**

The value chain analysis, which is the focus of this study, describes the activities the organisation performs and links them to the organisation's competitive position. It is in the forefront of management thought as a powerful analysis tool for strategic planning. The simpler concept of value streams, a cross-functional process which was developed over the next decade, had some success in the early 1990s. Value Chain Analysis or Value Stream Mapping are both useful tools for working out how you can create the greatest possible value for your customers, as well as your best route to profit maximization. It is important to also note that dealing with restructuring value

chains has changed considerably due to the decades of growth in electronic commerce leveraging the internet. Value chain analysis describes the activities within and around an organisation and relates them to an analysis of the competitive strength of the organisation. Therefore, it evaluates which value each particular activity adds to the organisations products or services. This idea was built upon the insight that an organisation is more than a random compilation of processes, machinery, equipment, people and money. Only if these things are arranged into systems and systematic activities, will it become possible to produce something for which customers are willing to pay a price. Porter argues that the ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage.

A value chain is therefore a chain of activities for a firm operating in a specific industry. The business unit is the appropriate level for construction of a value chain, hence the researcher's focus on selected firms in the Telecommunications industry and not the divisional level or corporate level. The key requirements for value chain are: Coordination and collaboration; Investment in information technology; Changes in organisational processes; Committed leadership; Flexible jobs and adaptable, capable employees; A supportive organisational culture and attitudes. The value chain categorizes the generic value-adding activities of an organisation. According to Porter (1985) primary activities and support activities can be distinguished. Primary activities are directly concerned with the creation or delivery of a product or service. The "primary activities" include: inbound logistics, operations (production), outbound logistics, marketing and sales (demand), and services (maintenance). Each of these primary activities is linked to support activities which help to improve their effectiveness or efficiency. The focus for the study will be the "support activities" which include: administrative infrastructure management, human resource management, technology (R&D) and procurement. The linkages are about seamless cooperation and information flow between the value chain activities. This is diagrammatically shown in Figure 2.1.

**Figure 2.1: Value Chain**



An industry value chain can be seen as a physical representation of the various processes that are involved in producing goods (and services), starting with raw materials and ending with the delivered product (also known as the supply chain). The French Physiocrat's Tableau économique is one of the earliest examples of a value chain. Wassily Leontief's Input-Output Tables, published in the 1950s, provide estimates of the relative importance of each individual link in industry-level value-chains for the U.S. (Leontief, 1970).

The value-chain concept has been extended beyond individual firms. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter terms this larger interconnected system of value chains, the "value system" (Porter, 1985). The study therefore sought to exploit the upstream and downstream information flowing along the value chain, where the Dealers in the Telecommunications industry may try to bypass the intermediaries thus creating new business models or in other ways create improvements in their value system.

#### **2.1.4 Importance of Value Chain Analysis**

Value chain analysis has been utilised in many industries; it has been particularly successfully in large Petrochemical Plant Maintenance Organisations to show how work selection, work planning, work scheduling and finally work execution can

(when considered as elements of chains) help drive lean approaches to maintenance. The maintenance value chain approach is particularly successful when used as a tool for helping Change Management as it is seen as more user friendly than other business process tools. Value chain approach could also offer a meaningful alternative to value private or public companies when there is a lack of publically known data from direct competition. Value chain analysis has also been employed in the development sector as a means of identifying poverty reduction strategies by upgrading along the value chain. Although commonly associated with export-oriented trade, development practitioners have begun to highlight the importance of developing national and intra-regional chains in addition to international ones (Recklies, 2001).

The value chain model is a useful analysis tool for defining a firm's core competencies and the activities in which it can pursue a competitive advantage. A firm may create a cost advantage either by reducing the cost of individual value chain activities or by reconfiguring the value chain. Once the value chain is defined, a cost analysis can be performed by assigning costs to the value chain activities. Porter identified ten such cost drivers related to value chain activities: Economies of scale; Learning; Capacity utilization; Linkages among activities; Interrelationships among business units; Degree of vertical integration; Timing of market entry; Firm's policy of cost or differentiation; Geographic location; Institutional factors. A firm develops a cost advantage by controlling these drivers better than its competitors (Porter, 1996). A cost advantage also can be pursued by reconfiguring the value chain. Reconfiguration means structural changes such as a new production process, new distribution channels, or a different sales approach. For example, FedEx structurally redefined express freight service by acquiring its own planes and implementing a hub and spoke system.

A differentiation advantage can also arise from any part of the value chain. For example, procurement of inputs that are unique and not widely available to competitors can create differentiation, as can distribution channels that offer high service levels. A differentiation advantage may be achieved either by changing individual value chain activities to increase uniqueness in the final product or by reconfiguring the value chain as was the case with Safaricom mobile money transfer

platform M-Pesa. Porter identified several drivers of uniqueness: Policies and decisions; Linkages among activities; Timing; Location; Interrelationship; Learning; Integration; Scale; Institutional factors. Many of these also serve as cost drivers. Differentiation often results in greater costs, resulting in tradeoffs between cost and differentiation. There are several ways in which a firm can reconfigure its value chain in order to create uniqueness. It can forward integrate in order to perform functions that once were performed by its customers. It can backward integrate in order to have more control over its inputs. It may implement new process technologies or utilize new distribution channels. Ultimately, the firm may need to be creative in order to develop a novel value chain configuration that increases product differentiation. This was the case with Safaricom when partnering with One Com, CISCO and Seven Seas Technologies, similarly with Airtel partnering with Spanco, Nokia Siemens and IBM. Because technology is employed to some degree in every value creating activity, changes in technology can impact competitive advantage by incrementally changing the activities themselves or by making possible new configurations of the value chain. Various technologies are used in both primary value activities and support activities. To the extent that these technologies affect cost drivers or uniqueness, they can lead to a competitive advantage (Porter, 1985).

### **2.1.5 Systems View of Value Chain Analysis**

From the above arguments value chain activities are not isolated from one another. Rather, one value chain activity often affects the cost or performance of other ones. Linkages may exist between primary activities and also between primary and support activities. Interrelationships among business units form the basis for a horizontal strategy. Such business unit interrelationships can be identified by a value chain analysis. Tangible interrelationships offer direct opportunities to create a synergy among business units. The cost of coordination, the cost of reduced flexibility and organisational practicalities should be analysed when devising a strategy to reap the benefits of the synergies. A firm may specialize in one or more value chain activities and outsource the rest. The extent to which a firm performs upstream and downstream activities is described by its degree of vertical integration. A thorough value chain analysis can illuminate the business system to facilitate outsourcing decisions. To decide which activities to outsource, managers must understand the firm's strengths

and weaknesses in each activity, both in terms of cost and ability to differentiate. A firm's value chain is thus a part of a larger system that includes the value chains of upstream suppliers and downstream channels and customers. Linkages exist not only in a firm's value chain, but also between value chains. While a firm exhibiting a high degree of vertical integration is poised to better coordinate upstream and downstream activities, a firm having a lesser degree of vertical integration nonetheless can forge agreements with suppliers and channel partners to achieve better coordination. Clearly, a firm's success in developing and sustaining a competitive advantage depends not only on its own value chain, but on its ability to manage the value system of which it is a part (Porter, 1996).

## **2.2 Empirical Literature**

Earlier studies focused on factors affecting customer loyalty such as customer satisfaction and the switching barrier (e.g. Colgate Dick & Basu, 1994; Gerpott, Rams, & Schindler, 2001; Lee & Cunningham, 2001; Jones, Mothersbaugh, & Betty, 2002). Customers experiencing a high level of satisfaction are likely to remain with their existing providers and maintain their subscription. However, according to some research, customer satisfaction, while positively influencing customer loyalty, is not always a sufficient condition and in some cases, fails to produce the expected effect. Hence, these researchers suggest that it is necessary to analyse other potentially influential factors. It is in this context that the concept of the switching barrier was proposed (Jones, Mothersbaugh, & Betty, 2002). Further, it has been demonstrated that the switching barrier plays the role of an adjustment variable in the interrelationship between customer satisfaction and customer loyalty. In other words, when the level of customer satisfaction is identical, the level of customer loyalty can vary depending on the magnitude of the switching barrier (e.g., Colgate & Lang, 2001; Jones et al., 2002; Lee & Cunningham, 2001). The significance of customer loyalty is that it closely relates to the company's continued survival, and to strong future growth. Hence, for a company to maintain a stable profit level when the subscription level has reached the saturation point, the market is mature and competition is fierce, a defensive strategy which strives to retain existing customers is more important than an aggressive one, which expands the size of the overall market by inducing potential customers (Fornell, 1992; Ahmad & Buttle, 2002).

According to Colgate and Lang (2001), switching in financial services occur due to three main problem areas; service failures, pricing problems and denied service. In their perspective, the studies in respect of defection in retail banking have been very few and such studies also have not made any attempt to understand the complete process of defection. Empirical evidence was drawn from 694 banking customers in two different countries and the results of the study indicated that problems with pricing had the most important impact on switching behaviour. In contrast, customers tended to complain more often about service failures prior to exiting the firm. Dick and Basu (1994) give attention to the appropriate measure of attitude. To be chosen, a brand must be liked more than alternatives and therefore the attitude measure should be relative. Supporting this, Mägi (1999) found that attitude to the store was more closely associated with store loyalty when it was measured as a relative concept. Switching costs also deter switching in mobile Telecommunications according to Caruana, 2004; Gerpott, Rams, & Schindler, 2001; Serkan, Gökhan, & Öemer, 2005. Unlike positive factors such as service quality, which entice customers to stay by enhancing attitudinal loyalty, switching costs manifest as effective inconveniences and penalties to produce ‘captive’ loyalty (Patterson & Smith, 2003). There are, however, downsides associated with switching barriers and their use as a retention strategy. Jones, Mothersbaugh, and Beatty (2000, p. 269) caution against using negative switching barriers because such actions will “fail in the long run particularly when (1) dissatisfaction is ongoing rather than temporary, and (2) the nature of the switching barriers are such that customers feel entrapped.” Drawing on reactance theory Brehm & Brehm (1981), Bendapudi and Berry (1997) further suggest that such customers may attempt to break free from the constraints by searching for alternatives and leave as soon as they find alternatives. Thus, constrained customers are more likely to monitor for and be receptive to competitive offers.

Other researchers such as Gereffi (1994), Hildago et al. (2007) and Kaplinsky (1998 & 2000) have focused only on the global aspects of value chain. Gereffi and Korzeniewicz (1994) focused on global commodity chains and emphasised on internal government structure of supply and demand which distinguished between producer-driven and buyer-driven chains and on the role of diverse lead firms in setting up global production and sourcing systems. The primary focus is analysis of the

international trading system and the increasing economic integration of international production and marketing chains. Within these chains there are important inequalities in power which affect the ways in which integration takes place and who benefits. Gereffi (1994 & 1995) identified four dimensions: the input-output structure of the chain; the territory it covers; its governance structures which affect barriers to entry and coordination within the chain; the local, national and international institutional framework which shape the conditions under which key agents incorporate subordinate agents through their control of market access and information. In recent research, Hidalgo et al. (2007) and Hausmann et al. (2007) recognize the central role that structural transformation plays in development. They argue that not all activities have the same consequences for a country's growth prospects. The growth stories of Asian countries such as South Korea and Singapore suggest that these countries succeeded because they managed to change the productive structure of their economies. Countries that have failed are the ones that have not been able to engineer this process and are stuck in the production and export of a relatively narrow range of goods that are unsophisticated. Hausmann and Klinger (2006) investigate the process by which countries are able to diversify their export mix. They argue that a country's ability to foray into new products depends on whether the set of existing capabilities can be easily redeployed for the production and export of new products. In other words, development is path-dependent. In an increasingly globalizing economy and due to the increasing accession of firms from developing countries as a result from their governments' export oriented strategy, competition in markets of traditional manufactured products has become highly competitive. In response to this wave, firms from high income economies tend to consolidate core-competence and delegate labour-intensive activities to partners in developing countries where labour cost is much lower. This sourcing trend, in turn, pulls in an increasing number of producers from developing countries to work as suppliers for sourcing firms. These industrial niches have become more and more intensified, raising the fear of immiserising industrial growth (Kaplinsky, 1998). Immiserising growth arises when an increase in economic activity is associated with a fall in real living standards. The increased economic activity may be reflected in greater inputs of labour (people; labour hours), capital, land or any other resources which have an opportunity cost. Kaplinsky and Readman (2000) find the existence of immiserising growth in a furniture sector where there are a number of countries that have experienced growing export volumes and

falling aggregate receipts. (Borrus et al 2000) focus was on the international production networks in multinational corporations which act as global networks.

Some researchers concentrated on value chain strategies in the manufacturing industry. Too many enterprises from low labour cost economies are compressing into the manufacturing stage, leading to the price and profit squeeze in manufacturing. Schmitz (2006, p. 563) summarised that there have been too limited information on whether other nodes of the value chain (such as logistics, design, marketing) offer higher returns than manufacturing.

There are also some researchers who concentrated more in value chain management strategies in the agriculture sector. e.g. Fiter, R. and Kaplinsky, R. (2001) applied value-chain analysis to an agricultural commodity which is in the process of significant change in final product markets and hypothesised that similar trends can be observed in other agricultural-based value chains. Fromma, I. and Dubónb, J.A. (2006) study was to analyze how small coffee farmers were integrating themselves in the value chain. They showed that there is evidence that small producers and exporters in developing countries can insert themselves successfully in global scale agricultural value chains. Van Wagenberg, C.P.A., Schepers, H.E., and Wijnands, J.H.M. (2005) combined agronomic, sociologic and economic insights of the organic value chain from farmer to consumer.

Other researchers such as Altenburg, T. (2007) examined the implications of increasing coordination and globalization of value chains for pro-poor growth in developing countries, and identified strategies and interventions for value chain development in ways that contribute to economic growth and poverty reduction. Some researchers have shown that the private sector in developing countries is constrained by manifold factors that are not part of the regulatory business environment – lack of entrepreneurial, managerial and technical skills, deficient infrastructure, weak financial systems, low levels of innovation and specialisation, and lack of international exposure, among others (Altenburg / von Drachenfels 2007 & 2008)

Value chain approaches have been utilised by development practitioners and researchers alike to capture the interactions of increasingly dynamic (and complex) markets in developing countries and to examine the inter-relationships between diverse actors involved in all stages of the marketing channel (Kaplinsky, 2000; 2004; Dolan and Humphrey, 2000; Fitter and Kaplinsky, 2001; Ponte, 2001; Schmitz and Knorringa, 2000; Giuliani et al., 2005; Bair and Peters, 2006; Pietrobelli and Saliola, 2008). We were also alerted on inequities in power relationships based on the governance of the supply chain and highlighted potential points of entry (and exclusion) for smallholders (Dolan and Humphrey, 2000; Hess, 2008). Others found that value chain analysis can play a key role in identifying the distribution of benefits of actors in the chain. That is, through the analysis of value-added within the chain, one can determine who benefits from participation in the chain and which actors could benefit from increased support or organisation. This is particularly important in the context of developing countries (and agriculture in particular) given concerns that the poor are vulnerable to the process of globalization (Kaplinsky and Morris, 2001). Lastly researchers such as Koskey Wanyoike (1997) dwelt on the impact of organisation development and management strategies on working conditions and performance in institutions of higher learning.

The research gap here was the limited focus on value chain management strategies in the Telecommunications sector and this is what the researcher proposed to fill. We thus did not know which specific differences exist regarding value chain strategies in the Dealership Telecommunication industry. In order to assess the factors influencing efficient value chain management strategies in the Dealership Telecommunication industry the researcher reviewed theories which acted as the foundation of the proposed study such as the Michael Porter's value chain strategy. Specifically the research focused on the four support activities; firms infrastructure, human resource management, technology development and procurement. This was linked with the primary activities; inbound logistics, operations, marketing-sales and service. This clearly was an interesting opportunity for future research.

## **2.3 Factors Influencing the Value Chain Management Strategies**

### **2.3.1 Human Resources Management**

According to Porter (1996) the human resource management encompasses employee recruiting, hiring, training, development and compensation. The factors that influence human resources management therefore shall include recruitment, selection, orientation and training procedures. The employee promotion policies and their relating reward systems that motivate and challenge employees are also influential. Another factor to be considered is the adequacy of the work environment as this has a direct bearing on absenteeism and the human resource capital turnover. The influence and acceptability of the organisation to employee unions and how well stable is the relation between the employees and other external partners such as suppliers is also an important factor. Of importance also is the level of employee motivation, job commitment and job satisfaction. Lastly is the degree of active participation of both the managers and the technical personnel in running the organisation professionally.

### **2.3.2 Infrastructure**

Porter (1996) clarified that the infrastructure of the firm consists of the organisational structure, control systems and company culture. Factors that influence infrastructure will therefore include the capacity of the organisation to identify potential external opportunities and threats, the effectiveness of the strategic planning in accomplishing organisational goals and how adequately are the value chain activities coordinated and integrated throughout the organisation. Other factors influencing infrastructure are the ability of the organisation to obtain relatively low cost funds for capital expenditure and working capital from external sources. The effectiveness of the information systems in supporting strategic and operational decisions making affects the infrastructure, so does the adequacy of the information systems in providing timely and accurate information on general environmental trends and competitive conditions. Lastly the relation between the organisation and external partners such as tax collecting authorities, business associations and the general desired corporate public image are a determinant factor influencing the organisation infrastructure.

### **2.3.3 Technology Development**

The third aspects are factors that influence technology development. These include the success of research and development (R&D) activities in product/ process innovations and the relationships between the R&D employees and other departments. How well the R&D department meets critical deadlines, the quality of the research facilities, general training and qualification of the R&D staff and lastly the effectiveness of the organisation's culture in encouraging creativity and innovation all affect and influence technology development. "Because technology is employed to some degree in every value creating activity, changes in technology can impact competitive advantage by incrementally changing the activities themselves or by making possible new configurations of the value chain" (Porter, 1996).

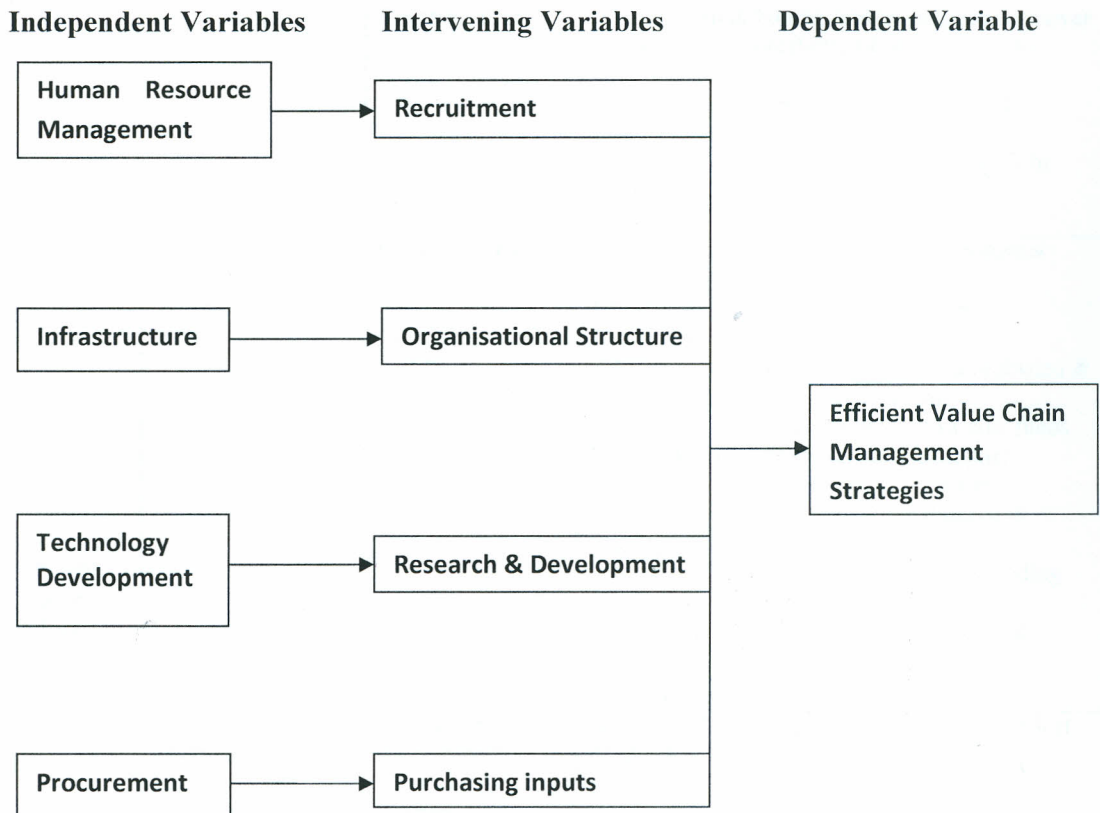
### **2.3.4 Procurement**

Porter (1996) envisioned that procurement includes purchasing inputs such as materials, supplies and equipment. The factors that influence procurement will therefore include the ability of the organisation in obtaining alternate resources, the timely efficiency of procuring resources, the current adequacy of existing procurement channels and the acceptable levels of quality of procured goods/ services. Other factors that influence procurement are the efficiency and effectiveness of the organisations procedures in procuring large capital expenditures resources, the criteria used in deciding lease- versus- purchase decisions and lastly the stability of long term relationships.

## 2.4 Conceptual Framework

The conceptual framework illustration for the independent and dependent variable is shown in Figure 2.2.

**Figure 2.2: Conceptual Framework**



**Table 2.1: Variable Operationalisation**

	VARIABLE	INDICATORS	MEASUREMENT
Efficient Value Chain Management Strategies	Human Resources Management	Recruitment Hiring Training Development Compensation	Effectiveness of recruitment, selection, orientation & training procedures Adequacy of employment promotion policies Effectiveness of rewards systems in motivating & challenging employees Adequacy of work environment Absenteeism & human resources capital turnover Influence & acceptability of organisation to employee unions Stability of relation between employees & external partners Degree of active participation of managers in running the organisation professionally
	Infrastructure	Organisational structure Control systems Company culture	Capacity of organisation to identify potential external opportunities & threats Effectiveness of strategic planning in accomplishing organisational goals Adequacy of value chain activities coordinated & integrated throughout organisation Ability of organisation to obtain low cost funds for capital expenditure & working capital Effectiveness of information systems in supporting strategic & operational decision making Adequacy of information systems in providing timely & accurate information Relation between organisation and external partners General desired corporate public image
	Technology	Research & development	Ability of R & D department in meeting critical deadlines
	Development	Product innovations Process innovations	Quality of research facilities Training & qualification of R & D staff Effectiveness of organisation's culture in encouraging creativity & innovation
	Procurement	Purchasing inputs: Materials Supplies Equipment	Ability of organisation to obtain alternate resources Timely efficiency of procuring resources Current adequacy of existing procurement channels Acceptable levels of quality of procured goods/ services Efficiency of organisational procedures in procuring large capital expenditure resources Criteria used in deciding lease - versus - purchase decision Stability of long term relationships

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

The researcher analysed relevant academic journals and ensured that the research design linked the data collected and the conclusions to be drawn to the initial questions of the study. The research design provided a conceptual framework and an action plan for getting from questions to a set of conclusions. Initial review of Porter's Value Chain theory and understanding of what was being studied was necessary before any field contacts; the complete research design embodies a theory of what was being studied. A search for Porter's theoretical propositions that could be elaborated to cover study questions, propositions, unit of analysis, data-proposition links and criteria of interpretation was done. Reviewing literature and field study was followed by construction of the design / conceptual framework. The preliminary theory was used as a template with which to compare the characteristics and empirical findings from the study. The selected study reflects the characteristics/problems identified in the underlying theoretical propositions and conceptual framework. The level of generalization of this study results was equal to the appropriately developed preliminary theory / study design.

#### **3.2 Target Population**

The population of this study was the 612 Dealership companies who represent the bulk of the Telecom Operators' revenues. Safaricom had 450 Dealers, Airtel Bharti 86 Dealers, Orange Telkom 56 Dealers and Essar Yu 20 Dealers as of the close of the year 2010. (Company Filings & Websites Year 2011)

#### **3.3 Sampling Frame**

The sampling frame to be derived from the population of 612 Dealers was 10%. This provided a sample size of 60 Telecoms Dealers. The sample size of 10% was applied across the individual population of each Telecoms Operator thus giving the best stratified sample fit as illustrated in Table 3.1.

**Table 3.1: Sampling Frame**

	<b>POPULATION</b>	<b>SAMPLE</b>
SAFARICOM	450	45
AIRTEL KENYA	86	8
TELKOM KENYA	56	5
ESSAR TELCOM	20	2
TOTAL	612	60

### **3.4 Data Collection**

The researcher used multiple sources of evidence. The study used questionnaires that were administered by the drop and later pick method. Additional sources of collecting evidence were documents and archival records. To encourage the richness and depth required for this research the target audience was only Directors and the main principal running the business such as General Managers, Finance Managers, Operations Managers and Chief Accountants.

### **3.5 Data Analysis & Presentation**

Data collected was both quantitative and qualitative. Quantitative data was analysed using descriptive aspects while qualitative data was analysed using content analysis. The researcher relied on two general analytic strategies, which helped to choose among different techniques, these are relying on theoretical propositions and developing a case description. Analytic techniques used as part of the general strategy was pattern matching (explanatory / descriptive) and explanation-building (mainly explanatory). Data collected is presented using tables and charts.

## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

The chapter presents a detailed analysis of the research findings and the results of the data collected from the field. Questionnaires were the major sources of data for this study. All questionnaires were administered to the Head Offices in Nairobi. Out of the 70 questionnaires administered, 60 questionnaires or 86% were returned of which was quite representative. The findings are presented in the order of specific objectives and are geared towards answering the research questions.

**Table 4.1 Questionnaire Response Rate**

Questionnaire response	Frequency	Percentage
Returned	60	86%
Not returned	10	14%
Total	70	100%

Source: Survey Data (2012)

#### 4.2 Background Information

The Dealers were asked to indicate the position held in the Dealership company, the Telecom Operator, gender, age, experience in Dealership industry, business sales revenue turnover, location of head office and whether they belonged to a Dealers association. The response is shown below.

##### 4.2.1 Position Held in Dealership Company

The researcher asked the Dealers the position they held in the company which they are stationed. The results of the responses are summarised in Table 4.2.

**Table 4.2: Distribution According To Position**

Position	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Managing Director	10	-	2	-	12	20%
Director	6	-	-	5	11	19%
Chief Accountant	-	4	-	-	4	7%
General Manager	12	2	-	-	14	24%
Operations Manager	4	-	-	-	4	7%
Finance Manager	12	2	-	-	14	24%
Total	45	8	2	5	60	100%

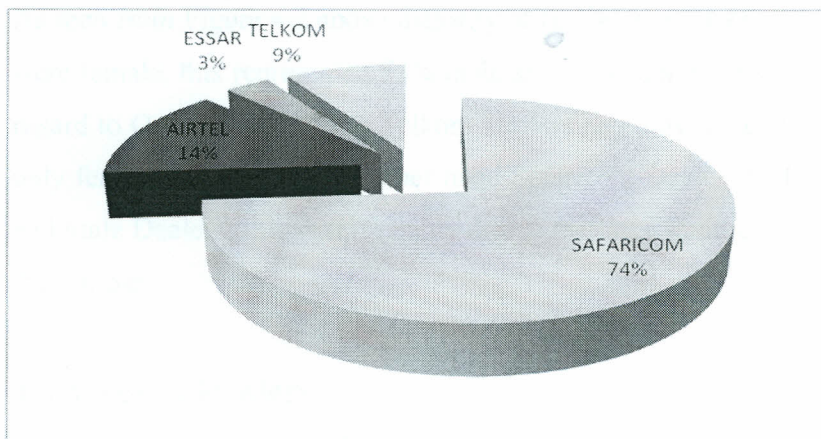
Source: Survey Data (2012)

The data collected and analysed in Table 4.2 shows that majority of Dealers are General Managers or Finance Managers standing at 24% each. This is closely followed by Managing Directors at 20% and Directors at 19%. Chief Accountants and Operations Managers both take 7% each. This analysis indicates that many Dealers are Managers as opposed to being either the Managing Director or Director.

#### 4.2.2 Telecom Operators

The Dealers were asked to indicate their Telecom Operator. The Dealers by Operator are shown in Figure 4.1 below.

**Figure 4.1: Distribution according to Telecom Operator**



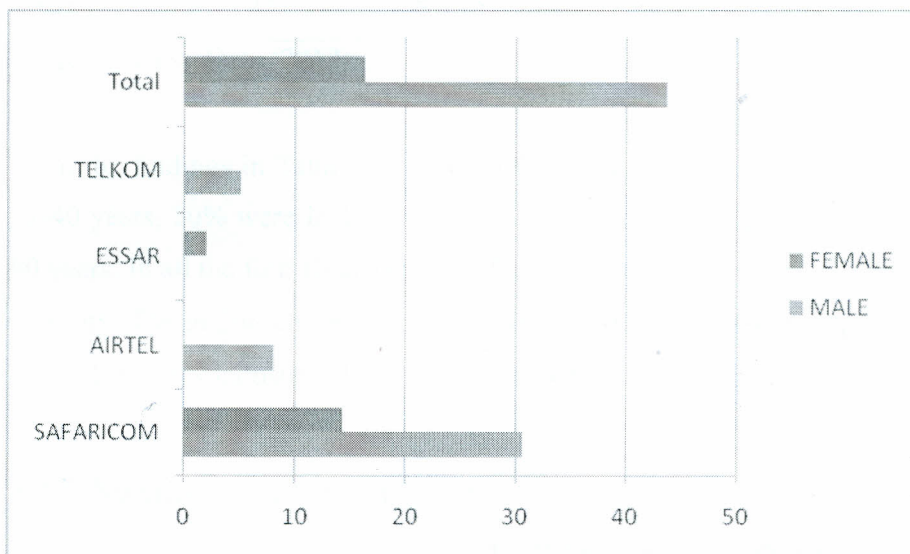
Source: Survey Data (2012)

According to Figure 4.1, 74% respondents were from Safaricom, 14% from Airtel, 9% from Telkom and 3% from Essar. Number wise this represented 45, 8, 5 and 2 Dealers per Operator respectively. The findings are in line with the sample frame that was used for this research.

### 4.2.3 Gender

The Dealers were asked to indicate their gender. The Dealers by gender are shown in Figure 4.2 below.

**Figure 4.2: Distribution of Dealers according to Gender**



Source: Survey Data (2012)

As seen from Figure 4.2 above majority of respondents at 44 were male while only 16 were female, this represented 73% male and 27% female respondents respectively. In regard to Operators, Airtel & Telkom Dealers had only male Dealers while Essar had only female Dealers. On the other hand Safaricom Dealers had a mix of both female and male Dealers; this was probably due to the large number of Safaricom Dealers in the sample.

### 4.2.4 Age of Dealers

The researcher wanted to find out the Dealers age and so they were asked to indicate their age. The responses are summarised in Table 4.3.

**Table 4.3: Age Distribution**

Years	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Under 21	-	-	-	-	-	0%
21-30	12	-	-	-	12	20%
31-40	25	4	2	5	36	59%
41-50	6	4	-	-	10	17%
51-60	2	-	-	-	2	3%
Over 60	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

From the findings in Table 4.3 above, 59% of the Dealers were in the age bracket of 31-40 years, 20% were in 21-30 years, 17% were in 41-50 years and 3% were in 51-60 years. In all the four Dealerships by Operator the age group 31-40 years formed the majority. The major reason behind this distribution could be attributed to the maturity of the Telecoms industry which is just over a decade old.

#### 4.2.5 Number of Years in Service

The researcher asked the Dealers to indicate the length of time they have been in the Dealership industry and the responses are shown in Table 4.4 below.

**Table 4.4: Distribution of Respondent's Period in Dealership Industry**

Years	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Under 1	-	-	-	-	-	0%
2-4	2	4	2	5	13	22%
5-7	25	3	-	-	28	46%
8-10	18	1	-	-	19	32%
Over 10	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

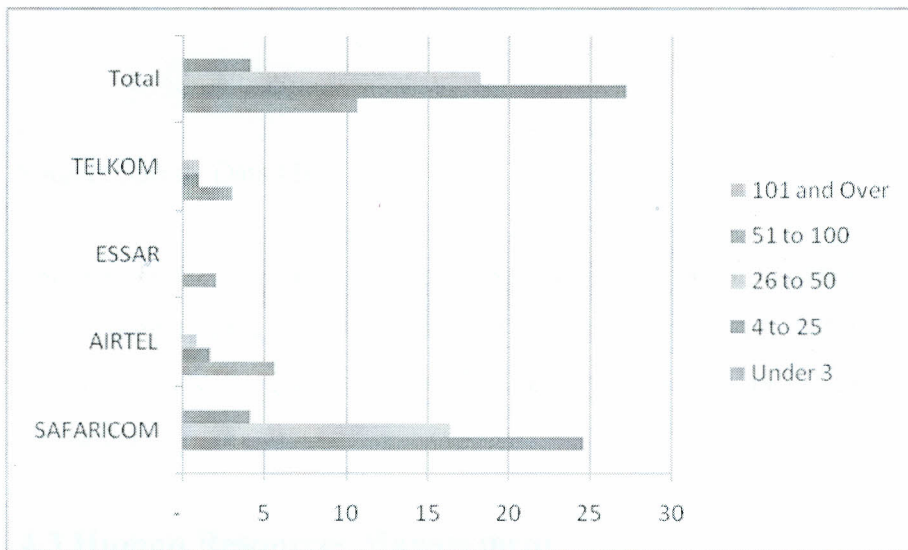
Source: Survey Data (2012)

From the findings analysed in Table 4.4, 46% of the Dealers have between 5 and 7 years experience in the Dealership industry, 32% have between 8 and 10 years in service and 22% have between 2 and 4 years in employment. No respondent had less than 1 year or more than 10 years in the Dealership industry. This perhaps indicates the decade or so of existence of the Telecom industry and supports the earlier findings on age distribution.

#### 4.2.6 Dealership Monthly Turnover

The researcher asked the Dealers to indicate their monthly sales turnover in Kenya Shillings. The Dealers were asked to indicate their category amongst the five category bands. The data collected is analysed in Figure 4.3.

**Figure 4.3: Distribution of Monthly Sales Revenue/ Turnover**



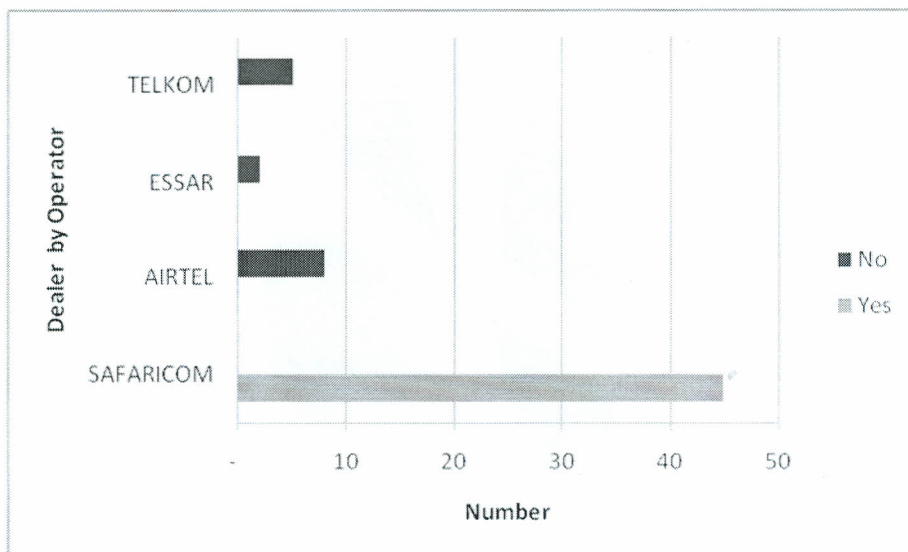
Source: Survey Data (2012)

The data in Figure 4.3 above shows that 27 Dealers do a turnover of between Ksh 4-25 Million, this represents 45%, 18 Dealers or 30% do between Ksh 26-50 Million, 11 Dealers or 18% do under 3 Million while only 4 Dealers or 7% do between Ksh 51-100 Million. No Dealers were doing over Ksh 100M, this perhaps was indicative of the vicious price wars and undercutting within the Dealers industry.

### 4.2.7 Distribution of Membership in an Association

The researcher asked the Dealers to indicate whether they belonged to a Dealers Association. The data collected is analysed in Figure 4.4 below.

**Figure 4.4: Distribution of Membership in a Dealers Association**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.4 above shows all Dealers of Safaricom were members of an Association while the Dealers of Airtel, Essar & Telkom were not. This could be due to the smaller number of Dealers in the last three Telecom Operators.

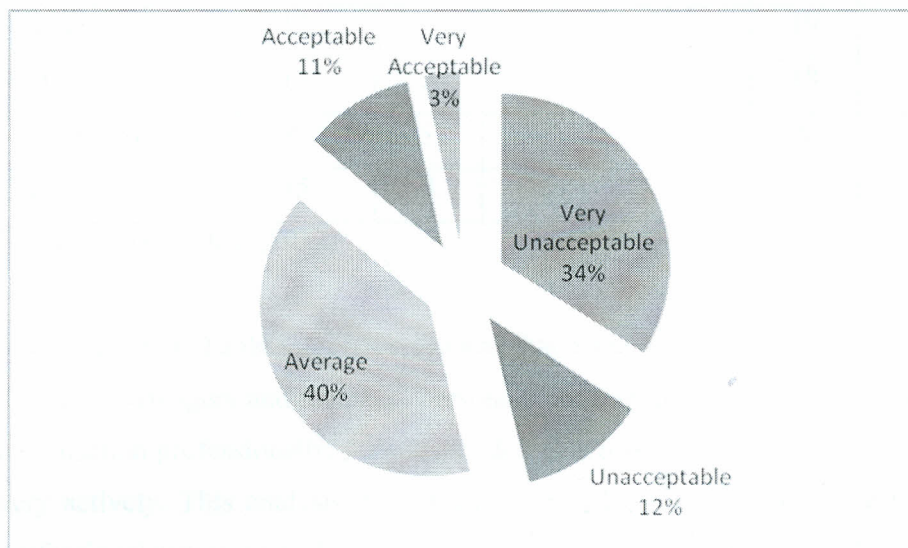
### 4.3 Human Resources Management

In order to capture the influence of human resources management, the researcher asked the Dealers questions on the effectiveness of recruitment, selection, orientation and training procedures, the adequacy of employment promotion policies, effectiveness of rewards systems in motivating and challenging employees, adequacy of work environment, absenteeism and human resources capital turnover, influence and acceptability of organisation to employee unions, stability of relation between employees/ external partners and lastly was the degree of active participation of managers in running the organisation professionally.

### 4.3.1 Union Organisation

The researcher asked Dealers on how acceptable they were to their employees being in a union-organisation. The results are displayed in Figure 4.5 below.

**Figure 4.5: Distribution of Employees in Union Organisations**



Source: Survey Data (2012)

The analysis in Figure 4.5 above shows that 40% of the Dealers gave response as average to having unionized employees, 34% as very unacceptable, 12% as unacceptable, 11% as acceptable and 3% as very acceptable. The big percentage of those against unions might be reflective of the fear of Dealers of the influence of Unions in running their business. Potentially therefore Dealers need to harness and address an adaptable approach to unions for their own benefit in order to influence value chain strategies.

### 4.3.2 Professional Running of Organisations

The researcher asked the Dealers to indicate how actively their managers and technical personnel professionally run their organisation. The results are shown in Table 4.5.

**Table 4.5: Firm Professional Run by Managers & Technical Personnel**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inactively	-	-	-	-	-	0%
Inactively	14	2	-	-	16	27%
Average	12	4	1	2	19	32%
Actively	12	2	1	3	18	30%
Very Actively	6	-	-	-	6	10%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The findings in Table 4.5 above showed that a majority of dealers at 32% indicated that their managers and technical personnel participation was average in running the organisation professionally, 30% responded as actively, 27% as inactively and 10% as very actively. This analysis indicates that most Dealerships have invested in hiring professional managers and technical personnel. This is an indicator of the general raise in human resource managerial and technical level expertise required to run Dealerships in the industry and is therefore an effective measurement of human resources management as a factor influencing efficient value chain strategies.

### **4.3.3 Recruitment, Selection, Orientation and Training**

The researcher asked the Dealers on the adequacy of procedures on recruiting, selecting, orienting and training employees. The results from the responses are analysed in Table 4.6.

**Table 4.6: Recruiting, Selecting, Orienting & Training Employees Procedures**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	2	-	-	2	3%
Inadequate	-	4	-	-	4	7%
Average	18	2	1	2	23	39%
Adequate	25	-	1	3	29	48%
Very Adequate	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

From the findings in Table 4.6 above, 48% responded as adequate the procedures of recruiting, selecting, orienting and training employee, 39% as average, 7% as inadequate while at the two extremes of very inadequate and very adequate as 3% each. These findings can be construed to prove that recruiting, selecting, orienting and training are indicators of human resource management as a factor influencing efficient value chain management strategies.

#### 4.3.4 Employee Promotion Policies

The researcher asked the Dealers to indicate on the adequacy of their employee promotion policies. The responses was analysed into a scale as shown in Table 4.7.

**Table 4.7: Employee Promotion Policies**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	4	1	-	-	5	8%
Average	33	6	1	2	42	70%
Adequate	8	1	1	3	13	22%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

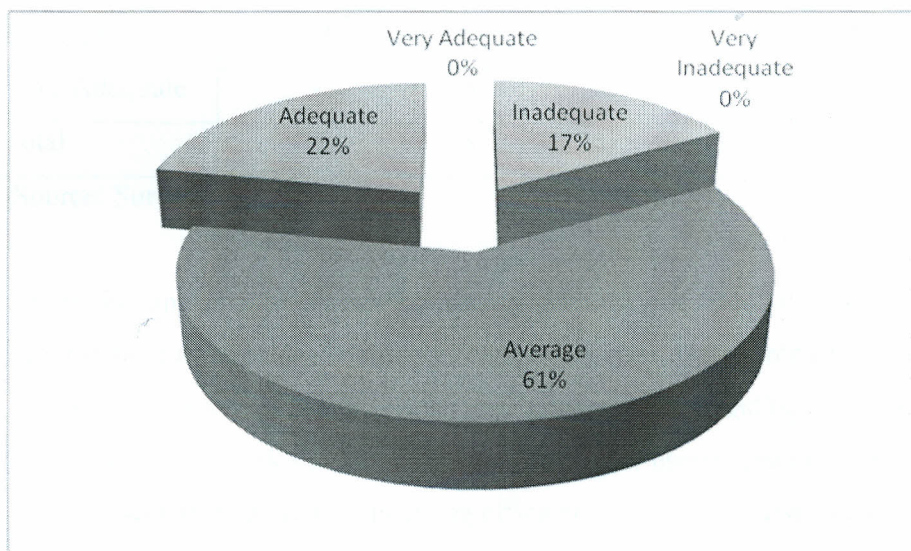
Source: Survey Data (2012)

From the analysis in Table 4.7, 70% of the Dealers responded that their employee promotion policies as average, 22% as adequate and 8% as inadequate. This could be indicative of the opportunity to build on the human resource management policies in the Dealership industry. This finding further supports the latter two on professional running of organisations and the influence of recruitment as an intermediary variable influencing efficient value chain strategies.

### 4.3.5 Reward Systems

The Dealers were asked to rate their reward systems for motivating and challenging employees. Figure 4.6 below shows the percentages of the Dealers response.

**Figure 4.6: Reward Systems for Motivating & Challenging Employees**



Source: Survey Data (2012)

The findings summarised in Figure 4.6 above shows that 61% of Dealers gave response as average on their reward systems motivating and challenging employees, 22% as adequate while 17% as inadequate. This is indicative of the opportunity in human resource management as a tool for motivating and challenging employees. The findings are a reflection that since recruitment is an important intermediary variable affecting value chain strategies then it goes to pass that majority of Dealers are keen to ensure that they are able to maintain their recruited staff through having adequate reward systems.

### 4.3.6 Work Environment

The researcher asked the Dealers to classify the adequacy of their work environment in minimizing absenteeism and keeping turnover at reliable levels. Table 4.8 shows the frequencies and percentages.

**Table 4.8: Work Environment in Minimizing Absenteeism & Keeping Turnover at Reliable Levels**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	-	-	-	-	-	0%
Average	16	-	1	-	17	29%
Adequate	29	2	1	1	33	54%
Very Adequate	-	6	-	4	10	17%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

From the analysis in Table 4.8 above, 54% of the Dealers classified the work environment as adequate in minimizing absenteeism and keeping turnover at reliable levels, 29% as average and 17% as very adequate. The findings further suggest that the adequacy of work environment is an important measurement in human resources management as a variable influencing efficient value chain management strategy.

### 4.3.7 Telecom Operator's Employee Reward Systems

The researcher wanted to know whether the Telecom Operator's employee reward system enhanced accomplishment of the Dealers organisational goals. Table 4.9 shows these results.

**Table 4.9: Telecom Operator’s Reward Systems Enhances Accomplishment of Dealers Organisational Goal**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	-	-	-	2	2	3%
Disagree	2	-	-	3	5	8%
No Opinion	12	-	-	-	12	20%
Agree	31	7	1	-	39	65%
Strongly Agree	-	1	1	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The findings in Table 4.9 above show that a majority of Dealers at 65% responded as agree in the Telecom Operator’s reward systems enhancing accomplishment of their organisational goals, the findings closely matches that on Dealers reward systems for motivating and challenging their own employees hence an important measurement of human resource management in influencing value chain strategies.

#### **4.3.8 Telecom Operator’s Employee Turnover & Absenteeism**

The researcher wanted to know whether the Telecom Operator’s employee turnover & absenteeism has not affected the Dealerships. Table 4.10 below shows these results.

**Table 4.10: Telecom Operator’s Employee Turnover & Absenteeism not affecting Dealership Business**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	6	-	-	-	6	10%
Disagree	33	2	1	-	36	60%
No Opinion	6	4	1	3	14	24%
Agree	-	2	-	2	4	7%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

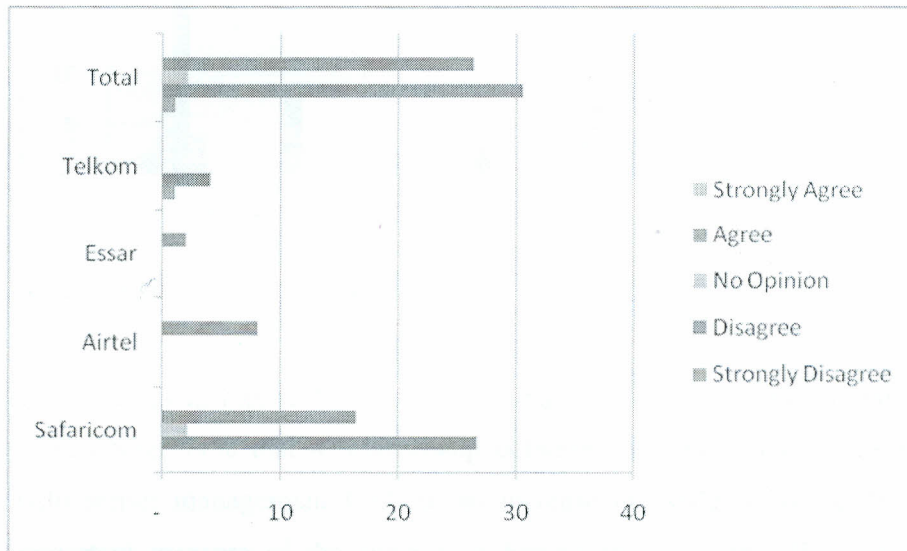
Source: Survey Data (2012)

The findings in Table 4.10 show that 60% of the Dealers responded as disagree. The analysis shows that a relationship does exist between the Telecom Operators' employee turnover & absenteeism and the growth of the Dealership business and is therefore an important measurement of the human resource management in influencing efficient value chain strategies.

### 4.3.9 Telecom Operators Professional Management Training

The researcher wanted to know if the Telecom Operators adequately provide Dealer staff with professional management training. The results are tabulated in Figure 4.7

**Figure 4.7: Professional Management Training provided by Telecom Operators to Dealer Staff**



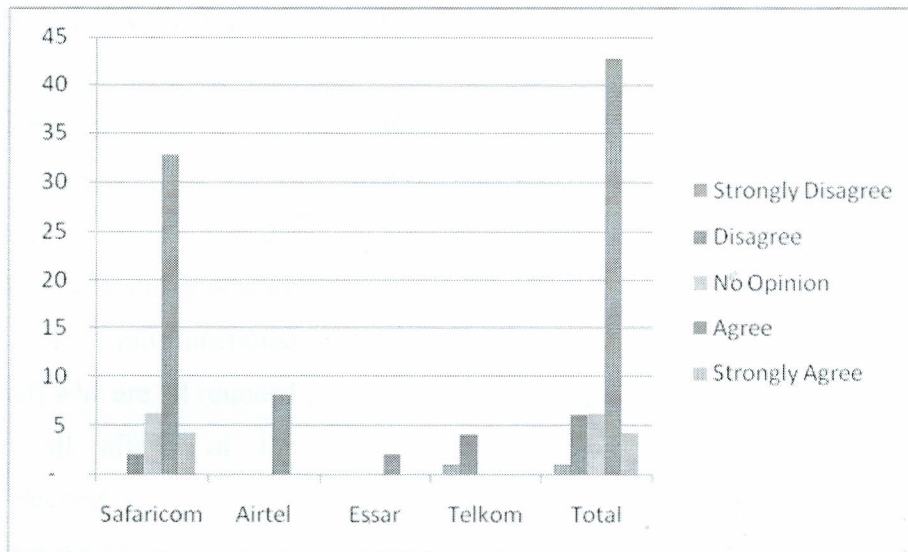
Source: Survey Data (2012)

The findings in Figure 4.7 above show that a majority of Dealers representing 51% gave response as disagree and 44% as agree. The analysis shows there exists further opportunities for training in the Dealership industry which matches closely with the finding on Dealers employing professional staff to run their business. This is therefore a pointer to human resource management as a measurement of efficient value chain strategies.

### 4.3.10 Telecom Operators Interaction with Senior Management

The researcher queried on the Telecom Operators interaction with the Dealers' senior management to establish if this leads to an increase in the Dealership bottom line. The results are tabulated and available in Figure 4.8 below.

**Figure 4.8: Telecom Operators Interaction with Senior Management Leads to an Increase in Dealer's Bottom Line**



Source: Survey Data (2012)

The findings in Figure 4.8 above show that a majority of Dealers response as agree representing 71% that a relationship between the Telecom Operator's interactions with senior management leads to an increase in Dealer's bottom line. This is an important measure of the success of human resources in influencing value chain strategies.

### 4.3.11 Improving Telecom Operator's Human Resource Management

The researcher asked for recommendations to improve the Telecom Operator's human resource management. The results are tabulated in Table 4.11.



**Table 4.11: Improving Telecom Operators' Human Resource Management**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Recruit staff who have been previously Dealers since they understand the situation on ground	12	-	-	-	12	20%
Hire professional & competent staff	20	-	-	-	20	34%
No Comment	4	-	-	-	4	7%
Involve Dealers in the hiring & training of staff	2	-	-	-	2	3%
Ensure multifunctional staff who are all rounded in all affairs of the Telecoms	2	-	1	2	5	8%
Improve reward systems - Staff remuneration	-	6	-	-	6	11%
Get interactive staff who are willing to listen/ empathise with Dealer issues// sort out problems and build on Customer relations / team building	4	2	1	3	10	16%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The findings in Table 4.11 show that 34% of the Dealers recommended hire of professional and competent staff, 20% preferred staff hired to have been previously Dealers, 16% wanted staff who could empathise with them, 11% preferred improving

of reward systems, 8% recommend having multifunctional staff while 3% wanted Dealers to be involved in the hiring process.

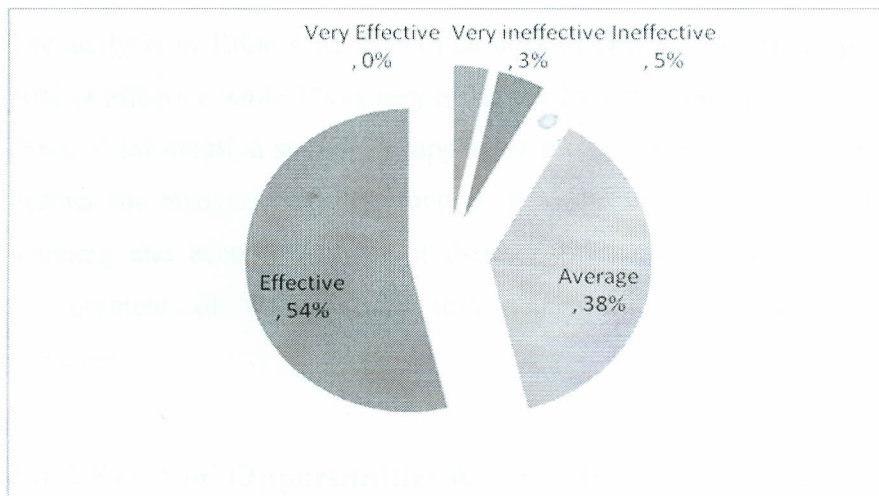
#### 4.4 Infrastructure

In order to capture the influence of infrastructure, the researcher asked questions on the organisational structure, control systems and company culture. Further questions were raised on the capacity of the organisation to identify potential external opportunities & threats, effectiveness of strategic planning in accomplishing organisational goals, adequacy of value chain activities coordinated & integrated throughout organisation and ability of the organisation to obtain low cost funds for capital expenditure & working capital. Further queries were on the effectiveness of information systems in supporting strategic & operational decision making, adequacy of information systems in providing timely & accurate information and lastly in the relation between the organisation and external partners.

##### 4.4.1 Strategic Planning

The researcher asked the Dealers on how effectively their strategic planning facilitated and enhanced the accomplishment of their organisational goals. The results are tabulated in Figure 4.9.

**Figure 4.9: Strategic Planning Facilitating & Enhancing Accomplishment of Dealers Organisational Goals**



Source: Survey Data (2012)

The analysis in Figure 4.9 shows that a majority of Dealers at 54% response as effective, the analysis suggests a possible link between the Dealers strategic planning and accomplishment of their organisational goals and therefore infrastructure being a critical variable in influencing efficient value chain management strategies.

#### 4.4.2 Information Systems – Strategic & Operational

The researcher asked the Dealers on the effectiveness of their information systems in supporting strategic and operational decision making. The results are tabulated in Table 4.12 below.

**Table 4.12: Dealer Information Systems in Supporting Strategic & Operational Decision Making**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very ineffective	-	-	-	-	-	0%
Ineffective	-	-	-	-	-	0%
Average	31	6	1	2	40	67%
Effective	12	2	1	3	18	30%
Very Effective	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The analysis in Table 4.12 shows that 67% of Dealers indicate response as average, 30% as effective while 3% as very effective. This response shows a relationship of the Dealers' information system in supporting strategic and operational decision making. Further the analysis could be supportive of the link between the Dealers strategic planning and accomplishment of their organisational goals and therefore a good measurement of infrastructure influencing efficient value chain management strategies.

#### 4.4.3 External Opportunities & Threats

The researcher asked the Dealers on the adequacy of their organisation in identifying potential external opportunities and threats. The results are tabulated in Table 4.13.

**Table 4.13: Identifying Potential External Opportunities & Threats – Adequacy of Dealerships**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	-	-	-	-	-	0%
Average	10	6	2	1	20	33%
Adequate	35	2	-	2	38	64%
Very Adequate	-	-	-	2	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The analysis in Table 4.13 above shows that a majority of Dealers at 64% indicated response as adequate. This analysis points to a possibility that due to the vicious price wars which characterise the industry, all Dealers have put in place measures to identify potential external opportunities and threats. Their control system is an indicator of infrastructure being a variable influencing efficient value chain strategy.

#### 4.4.4 Value Chain Coordination & Integration

The researcher asked the Dealers to comment on the adequacy of the value chain activities being coordinated/ integrated throughout their Dealership. The results are tabulated in Table 4.14.

**Table 4.14: Value Chain Activities Coordinated/Integrated Throughout Firms**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	-	-	-	-	-	0%
Average	20	4	-	2	26	44%
Adequate	23	4	2	3	32	53%
Very Adequate	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

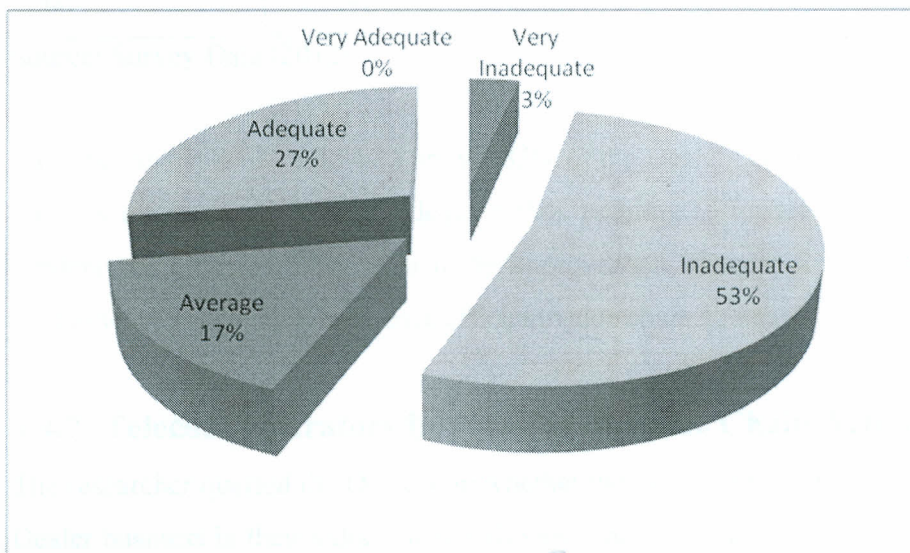
Source: Survey Data (2012)

The analysis in Table 4.14 shows that 53% of Dealers indicated response as adequate, 44% as average and 3% as very adequate. This study reveals that value chain activities are integrated/ coordinated throughout the Dealerships and that Dealers are cognisant of it being a measure of efficient value chain strategies.

#### 4.4.5 Low-Cost Funds for Capital Expenditures & Working Capital

The researcher asked the Dealers on the adequacy of obtaining relatively low-cost funds for capital expenditures and working capital from external sources. The results are displayed in Figure 4.10.

**Figure 4.10: Capacity to Obtain Relatively Low-Cost Funds for Capital Expenditures & Working Capital from External Sources**



Source: Survey Data (2012)

The analysis in Figure 4.10 shows that a majority of Dealers at 53% gave response as inadequate and 3% as very inadequate. The analysis points to a room for improvement in obtaining relatively low-cost funds for capital expenditures and working capital from external sources. This area could therefore be a key aspect to be focused on by the Dealers in order to influence their value chain management strategies.

#### 4.4.6 Public Image

The researcher asked Dealers to rate their public image of being a responsible corporate citizen. The results are tabulated and classified in Table 4.15 below.

**Table 4.15: Distribution Public Image of Being a Responsible Corporate Citizen**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	-	-	-	-	-	0%
Average	37	8	2	4	51	85%
Adequate	8	-	-	1	9	15%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

From the analysis in Table 4.15 above, 85% of the Dealers classified the relationship level as average and 15% as adequate thus pointing to an area of concern to the Dealers and an opportunity area to be improved on in order for this infrastructure component to adequately influence efficient value chain strategies.

#### 4.4.7 Telecom Operators Integration of Value Chain Activities

The researcher queried the Dealers on whether the Telecom Operators have integrated Dealer business in their value chain activities. The results are tabulated and classified in Table 4.16.

**Table 4.16: Telecom Operator Integrates Dealers in its Value Chain Activities**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	-	-	-	-	-	0%
Disagree	4	-	-	3	7	11%
No Opinion	33	1	-	2	36	60%
Agree	8	7	2	-	17	29%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

From the analysis in Table 4.16 above, 60% of Dealers being the majority gave response as no opinion and 11% as disagree. This could be a pointer in the lack of coordination between the Telecom Operators and the Dealers value chain activities. This finding is an indicator that more needs to be done to ensure that Dealers are integrated in the Operator's value chain strategy in order for infrastructure to influence efficient value chain strategies.

#### 4.4.8 Telecom Operators Provision of Low Cost Funds

The researcher asked the Dealers to rate whether the Telecom Operators adequately provide them with low cost funds for capital expenditure & working capital. The results are tabulated and classified in Table 4.17 below.

**Table 4.17: Distribution on Telecom Operators Provision of Low Cost Funds for Capital Expenditure & Working Capital to Dealers**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	4	-	-	-	4	7%
Disagree	20	2	-	5	28	46%
No Opinion	6	4	-	-	10	17%
Agree	14	2	2	-	18	30%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

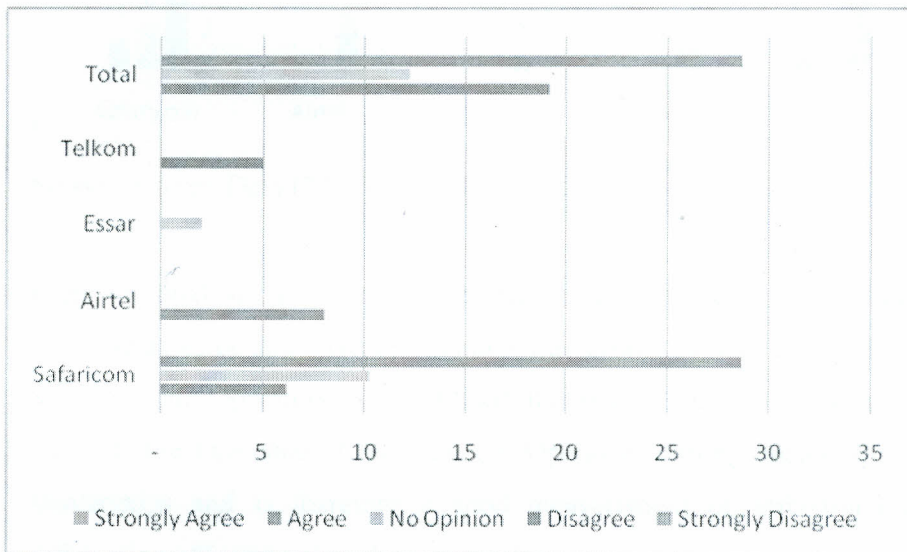
Source: Survey Data (2012)

From the analysis in Table 4.17, 46% of Dealers gave response as disagree and 7% as strongly disagree. This finding supports the latter one on the lack of Telecom Operators integrating value chain strategies with the Dealers. This measurement therefore points to an opportunity area for the telecommunications industry.

#### 4.4.9 Telecom Operators Reliance on Dealers Information System

The researcher asked the Dealers to rate their Telecom Operators' adequacy in utilising the Dealer information system to make their decisions. The results are tabulated and classified in Figure 4.11 below.

**Figure 4.11: Telecom Operators adequately Utilise Dealer Information System to Make Decisions**



Source: Survey Data (2012)

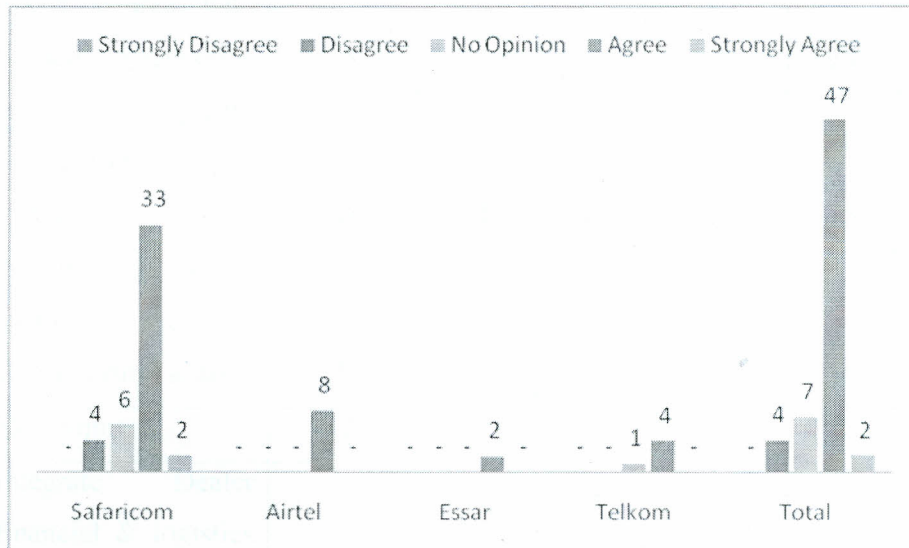
From the analysis in Figure 4.11 above, majority of Dealers representing 48% respond as agreed. This could be further proof of the Telecom Operator's strategic planning enhancing accomplishment of the Dealers goals and that control systems are an indicator of infrastructure as a key variable influencing efficient value chain management strategies.



#### 4.4.10 Telecom Operators Use of Dealers Public Image

The researcher asked Dealers to rate on the Telecom Operators utilising the Dealers public image. The results are tabulated in Figure 4.12

**Figure 4.12: Telecom Operators Fully Utilise Dealers Public Image**



Source: Survey Data (2012)

From the analysis in Figure 4.12 above, 47 Dealers being a majority of 78% gave response as agree and 2 Dealers being 3% as strongly agree. The findings indicate that the Telecom Operators fully utilised the public image of Dealers. This further supports the existence of the Telecom Operators' strong business relation with the Dealerships and is therefore a good measurement of Infrastructure as a factor influencing efficient value chain strategies.

#### 4.4.11 Improving Telecom Operators Infrastructure

The researcher asked Dealers to give recommendation on how to improve the Telecom Operators infrastructure. The results are tabulated in Table 4.18.



**Table 4.18: Improving Telecom Operator's infrastructure**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Improve network add base stations, Focus on areas with limited/ no networks	8	4	-	2	14	24%
Improve call quality & distribution of services	16	4	2	3	25	42%
Put up more Dealer customer services shops in rural areas	16	-	-	-	16	27%
No comment	2	-	-	-	2	3%
Integrate Dealer financial & logistics systems with Telecom Operator systems	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.18 shows that majority of the Dealers at 42% recommend that the Telecom Operators improve call quality and distribution of services, 27% want more Dealer customer services shops put up in rural areas, 24% preferred the improvement of networks and base stations, 3% wanted the integration of financial & logistics systems while 3% had no comment. The findings are a reflection of the importance accorded to infrastructure and that Dealers value it as a variable influencing efficient value chain management strategies.

#### 4.5 Technology Development

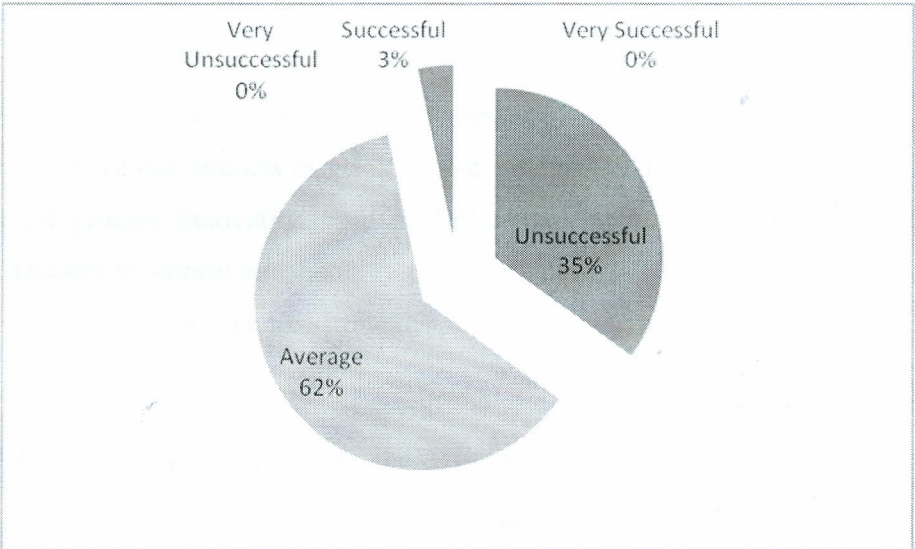
In order to capture the influence of technology development the researcher asked questions on the ability of R & D departments in meeting critical deadlines, the

quality of research facilities, training and qualification of R & D staff and lastly on the effectiveness of organisation's culture in encouraging creativity and innovation.

### 4.5.1 Success of Research & Development Activities

The researcher asked the Dealers on the success rate of their own Research & Development activities in product and process innovations. The results from the responses are analysed in Figure 4.13 below.

**Figure 4.13: Success of Dealers Research & Development activities in Product & Process Innovations**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.13 above shows that majority of the Dealers at 62% gave response as average, 35% as unsuccessful and only 3% as successful. These findings are reflective of the opportunity available for Dealers in improving research and development activities that would further influence efficient value chain management strategies.

### 4.5.2 Technology Development Activities - Meeting Critical Deadlines

The researcher asked the Dealers on the success rate of their technology development activities ability to meet critical deadlines. The results from the responses are analysed in Table 4.19.

**Table 4.19: Technology Development Activities ability to Meet Critical Deadlines**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Always Unable	-	-	-	-	-	0%
Sometimes Unable	-	-	-	-	-	0%
Average	33	8	2	5	48	80%
Sometime Able	-	-	-	-	-	0%
Always able	12	-	-	-	12	20%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.19 above shows that majority of the Dealers at 80% gave answer as average and 20% as always able. This could be proof of the limited success of Dealers own Research & Development activities in product and process innovations and is further indicative of the opportunity available for Dealers to improve technology development activities in order to influence efficient value chain management strategies.

#### 4.5.3 R & D Employees Relations with Other Departments

The researcher asked the Dealers to rate the relationship between their research & development employees and other departments. The results from the responses are analysed in Table 4.20.

**Table 4.20: Relationship between Dealers' Research & Development Employees & other Departments**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	18	-	-	-	18	31%
Average	25	8	2	4	39	64%
Adequate	2	-	-	1	3	5%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.20 above shows that majority of the Dealers at 64% saw as average the relationship and 31% as inadequate. This could be further proof of the limited success of Dealers own research & development activities and further points out to an area of opportunity to be addressed in ensuring that the Dealers research and development becomes a good measurement in influencing efficient value chain strategies.

#### 4.5.4 Research Facilities

The researcher asked the Dealers to rate the quality of their organisation's research facilities. The results from the responses are analysed in Table 4.21 below.

**Table 4.21: Distribution of Quality of Dealers' Research Facilities**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	2	-	-	-	2	3%
Inadequate	29	-	-	-	29	48%
Average	12	8	2	4	26	44%
Adequate	2	-	-	1	3	5%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

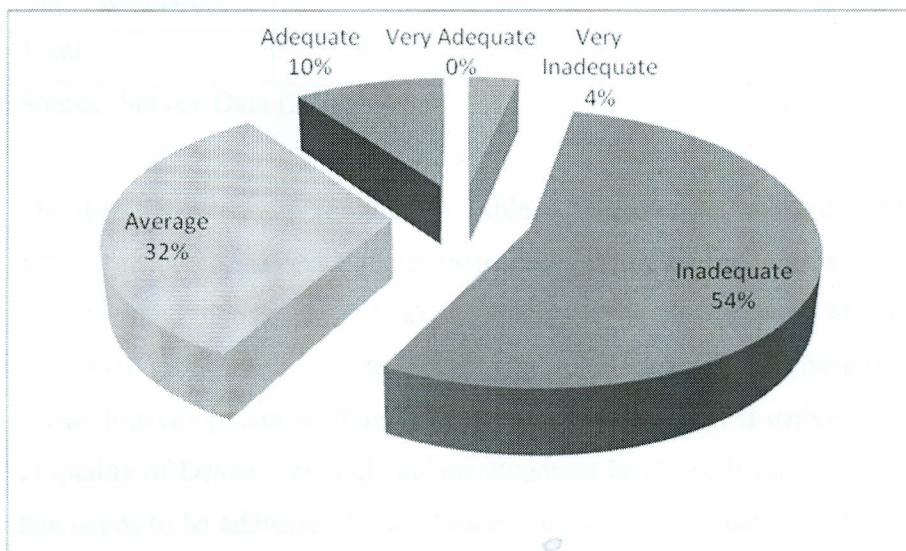
Source: Survey Data (2012)

The data collected and analysed in Table 4.21 shows that majority of the Dealers at 48% responded as inadequate, 44% as average, 5% as adequate and 3% as very inadequate. This could point out as further support to the weakness of the Dealers research & development activities in product and process innovations and therefore an area of opportunity under research and development in influencing efficient value chain management strategies.

#### 4.5.5 Qualification & Training of Dealers R & D Staff

The researcher asked the Dealers to rate on the qualification and training level of their research and development staff. The results from the responses are analysed in Figure 4.14.

**Figure 4.14: Qualification & Training of Dealers Research & Development Staff**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.14 above shows that majority of the Dealers at 54% responded as inadequate, 32% as average, 10% as adequate and 4% as very inadequate. This could further support the earlier findings on the weakness in the quality of Dealers research facilities and points to an area of opportunity for Dealers to use as a measurement of research and development in influencing efficient value chain management strategies.

### 4.5.6 Organisational Culture

The researcher wanted to find out on the adequacy level of the Dealers organisational culture in encouraging creativity and innovation. The results from the responses are analysed and summarised in Table 4.22.

**Table 4.22: Adequacy of Dealers Organisational Culture in Encouraging Creativity & Innovation**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	29	1	-	-	30	50%
Average	14	5	2	1	22	37%
Adequate	2	2	-	4	8	13%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.22 shows that majority of the Dealers at 50% considered as inadequate their own organisational culture in encouraging creativity and innovation, 37% as average and 13% as adequate. This finding supports the analysis on the distribution of qualification and training of Dealers research/development staff and it also supports the earlier distribution on inadequacy of quality of Dealers research and development facilities. It further showcases an area that needs to be addressed by the Dealers in order to adequately influence value chain management strategies.

### 4.5.7 Telecom Operators Technology Development Effect on Cost of Doing Business

The researcher wanted to find out whether the Telecom Operators technology development has led to a decrease in the Dealers cost of doing business. The results from the responses are analysed and summarised in Table 4.23.

**Table 4.23: Distribution of Telecom Operator’s Technology Development Leading to a Decrease in Dealers Cost of Doing Business**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	-	-	-	-	-	0%
Disagree	6	-	-	-	6	10%
No Opinion	6	-	-	3	9	15%
Agree	33	8	2	2	45	75%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.23 above shows that majority of the Dealers response at 75% as agree to their Telecom Operator’s technology development having led to a decrease in cost of doing their business, 15% as no opinion and 10% as disagree. This is therefore an important measurement of Technology development as a variable influencing efficient value chain management strategy.

#### **4.5.8 Telecom Operators Technology Development on Increase in Profits**

The researcher wanted to find if the Telecom Operators technology development has led to increased Dealer profits. The results from the responses are analysed and summarised in Table 4.24.

**Table 4.24: Distribution of Telecom Operators Technology Development to Increased Dealer Profits**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	-	-	-	-	-	0%
Disagree	2	-	-	3	5	8%
No Opinion	6	1	-	1	8	14%
Agree	37	7	2	1	47	79%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

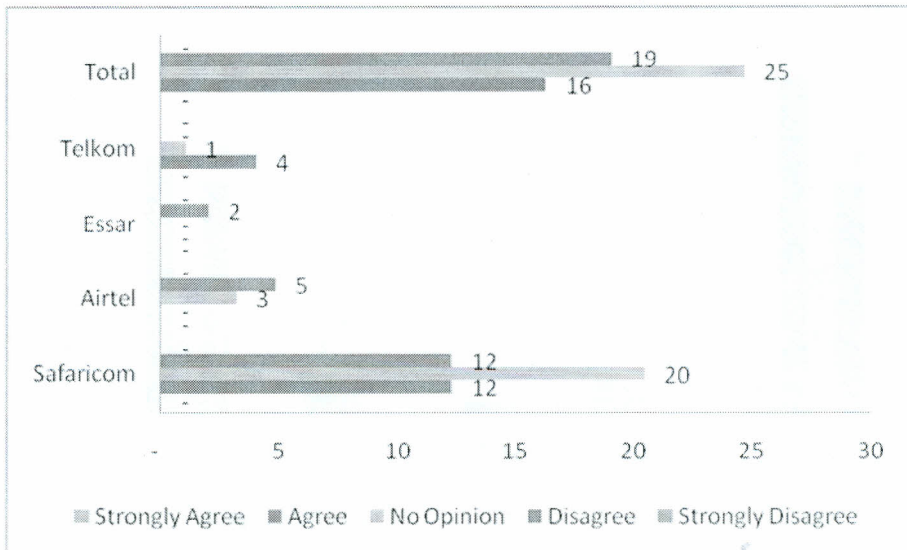
The data collected and analysed in Table 4.24 above shows that majority of the Dealers at 79% respond as agree to their Telecom Operator technology development having led to an increase in Dealer profits. This further supports the initial analysis on distribution of Telecom Operators technology development leading to a decrease in Dealers cost of doing business and is therefore a critical measurement of technical development being an important variable influencing efficient value chain management strategies.

#### **4.5.9 Telecom Operators R & D on Dealers Goals**

The researcher wanted to find out if the Telecom Operators research and development enhances accomplishment of the Dealers organisational goals. The results from the responses are analysed and summarised in Figure 4.15

and summarised in Figure 4.15

**Figure 4.15: Distribution of Telecom Operators Research & Development to Enhancing accomplishment of Dealers Organisational Goals**



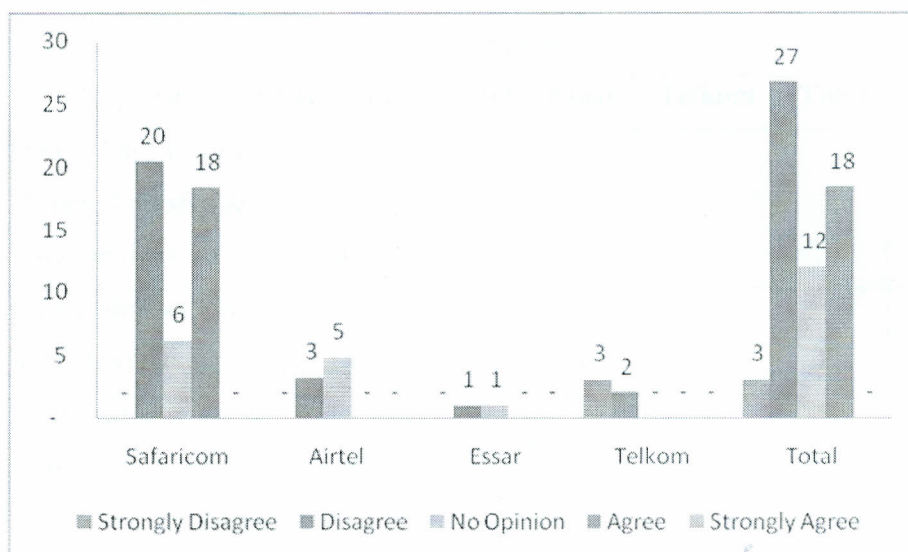
Source: Survey Data (2012)

The data collected and analysed in Figure 4.15 above shows that 25 Dealers being a majority of 41% response as no opinion to their Telecom Operator research and development enhancing accomplishment of their organisational goals, 32% as agree while 27% as disagree. This finding reflects room for improvement in the Telecom Operators' research and development in order for Dealers to have efficient value chain management strategies.

#### 4.5.10 Telecom Operators Feedback for Research & Development

The researcher asked whether the Telecom Operators usually rely on the Dealers feedback for research and development. The results from the responses are analysed and summarised in Figure 4.16.

**Figure 4.16: Telecom Operators Reliance on Dealer Feedback for Research and Development**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.16 above shows 27 Dealers being a majority of 44% response as disagree to their Telecom Operator reliance on Dealer feedback for research and development. This finding could further support the distribution of Telecom Operators research and development in enhancing accomplishment of Dealers organisational goals. The findings are indicative of Dealer feedback being a critical measurement of Technology Development as a variable influencing efficient value chain management strategy.

#### **4.5.11 Improving Telecom Operators Technology Development**

The researcher asked the Dealers on ways that the Telecom Operators technology development can be improved. The results from the responses are analysed and summarised in Table 4.25.

**Table 4.25: Improving Telecom Operator’s Technology Development**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Focus On Mobile Money Transfer & Data Services	4	-	-	-	4	7%
Invest Innovations & Technology	14	7	2	5	29	48%
No Comment	16	-	-	-	16	27%
Address Consumer Needs/ Get Feedback From Consumers	2	-	-	-	2	3%
Get Feedback From Dealers	6	1	-	-	7	12%
Fully Automate All Process	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.25 shows the majority of Dealers at 48% response as invest in new innovations and technology, 27% as no comment, 12% as get feedback from Dealers, 7% as focus on mobile money transfer and data services while 3% each as address consumer needs/ get feedback from consumers and fully automate all process respectively. These findings all point out to the desire of improving technology development in order to effectively influence value chain management strategies.

#### 4.6 Procurement

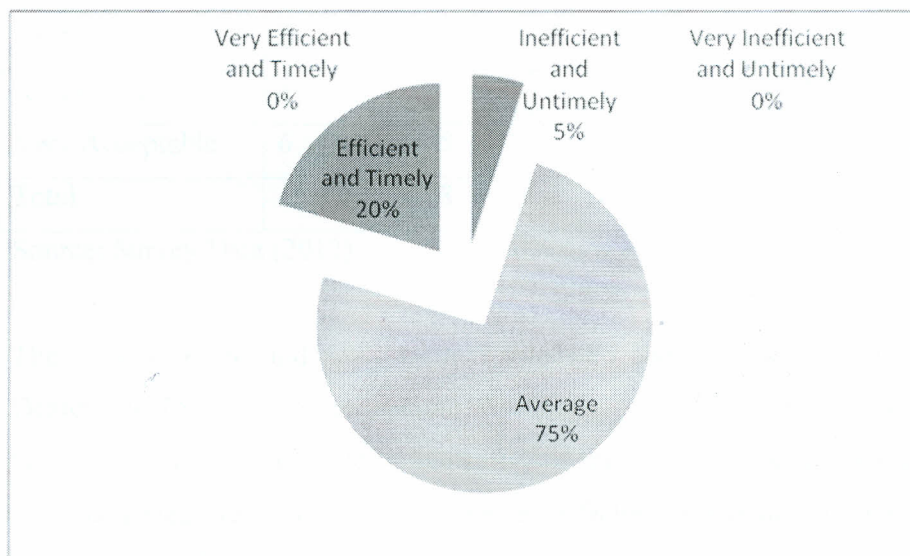
In order to capture the influence of procurement the researcher asked questions on the ability of organisation to obtain alternate resources, timely efficiency of procuring resources, current adequacy of existing procurement channels, acceptable levels of

quality of procured goods/ services, efficiency of organisational procedures in procuring large capital expenditure resources, criteria used in deciding lease - versus - purchase decision and finally on stability of long term relationships.

#### 4.6.1 Fashion of Procuring Resources

The researcher asked the Dealers to rate how efficiently and timely was the fashion of procuring resources from their Telecom Operator. The results from their responses are analysed in Figure 4.17 below.

**Figure 4.17: Efficiency/Timeliness Fashion - Procuring Resources from Telecom Operators**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.17 above shows that majority of the Dealers at 75% find as average the efficiency and timelines in the fashion of procuring resources from their Telecom Operator, 20% as efficient and timely and 5% as inefficient and timely. These points to an area of opportunity for Dealers to improve on procurement efficiency in order for it to influence effectively value chain strategies.

#### 4.6.2 Quality of Goods Procured

The researcher asked the Dealers to rate on the acceptable level of the quality of the goods procured from their Telecom Operator. The results from the responses are analysed in Table 4.26.

**Table 4.26: Distribution on the acceptable Level of Quality of Goods Procured from Telecom Operators**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Unacceptable	-	-	-	-	-	0%
Unacceptable	-	-	-	-	-	0%
Average	2	-	2	-	4	7%
Acceptable	37	3	-	5	45	75%
Very Acceptable	6	5	-	-	11	18%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.26 above shows that majority of the Dealers at 75% rate as acceptable the quality of the goods procured from their Operator. This finding could be indicative of the quality of goods procured being an important measurement of procurement as a factor influencing efficient value chain strategies and also as a potential area of improvement.

#### 4.6.3 Alternate Source for Obtaining Needed Resources

The researcher asked the Dealers to rate on the adequacy of alternate source for obtaining needed resources apart from their Telecom Operator. The results from the responses are analysed in Table 4.27.

**Table 4.27: Distribution of having Developed Alternate Source for Obtaining Needed Resources apart from Telecom Operators**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	2	-	-	-	2	3%
Inadequate	14	-	-	-	14	24%
Average	20	7	-	2	30	49%
Adequate	8	1	2	3	14	23%
Very Adequate	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.27 above shows that majority of the Dealers at 49% rate as average their capacity to have developed alternate source for obtaining needed resources apart from their Telecom Operator, 24% as inadequate, 23% as adequate and 3% as very inadequate. This could be as a result of the long term stability in the relationship between the Dealers and the Telecom Operators and is indeed an area of opportunity to be focused on in order for it to be an effective measurement of procurement as a factor influencing efficient value chain management strategies.

#### **4.6.4 Cost of Goods & Services Bought**

The researcher asked the Dealers to give response on how adequate was the cost of goods and services bought from their Telecom Operators. The results from the responses are analysed in Table 4.28.

**Table 4.28: Rating of Cost of Goods/Services Bought from Telecom Operators**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	6	-	-	-	6	10%
Average	37	8	2	3	50	83%
Adequate	-	-	-	2	2	3%
Very Adequate	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

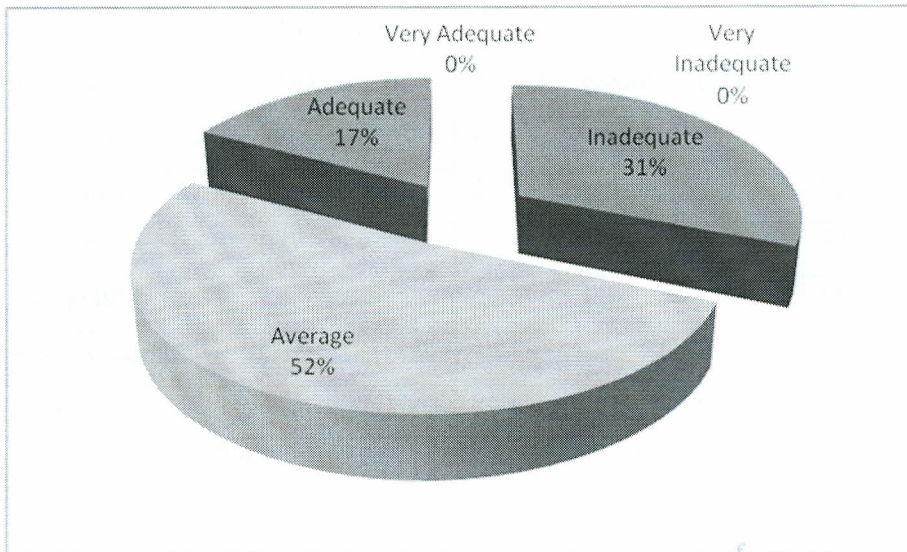
Source: Survey Data (2012)

The data collected and analysed in Table 4.28 shows that majority of the Dealers at 83% rate as average the cost of goods & services bought from their Telecom Operator, 10% as inadequate, 3% each as adequate and very adequate respectively. This could be further support of the distribution on the stability of Dealers and Telecom Operators business relationship and is indicative of the cognizance by Dealers on procurement as a major factor influencing efficient value chain strategies.

#### **4.6.5 Procuring Large Capital Expenditures Resources**

The researcher asked the Dealers on the efficiency and effectiveness of their procedures for procuring large capital expenditures resources such as plant, machinery, vehicles or buildings. The results of the responses are summarised in Figure 4.18.

**Figure 4.18: Distribution of Efficient & Effective Procedures for Procuring Large Capital Expenditures Resources**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.18 above shows that majority of the Dealers at 52% find as average the efficiency and effectiveness of procedures for procuring large capital expenditures resources such as plant, machinery, vehicles or building, 31% as inadequate and 17% as adequate. This could further support the distribution on finding alternate source for obtaining needed resources apart from the Telecom Operators. This is also an opportunity area for Dealers to focus on in order to make procurement a major factor influencing efficient value chain management strategies.

#### **4.6.6 Lease-Versus-Purchase Decisions**

The researcher asked the Dealers on how adequate were their criteria in place for deciding in lease-versus-purchase decisions. The results of the responses are summarised in Table 4.29.

**Table 4.29: Distribution of Criteria in place for deciding in Lease-Versus-Purchase Decisions**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Inadequate	-	-	-	-	-	0%
Inadequate	8	2	-	-	10	17%
Average	29	4	1	3	37	61%
Adequate	6	2	1	2	11	19%
Very Adequate	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.29 shows that majority of the Dealers at 61% find as average on the criteria in place for deciding in lease-versus-purchase decisions, 19% as adequate, 17% as inadequate and 3% as very adequate. This finding could further support the earlier distribution of efficient and effective procedures for procuring large capital expenditures resources. It is also an area worth concentrating on as a measurement to procurement being a variable influencing efficient value chain management strategy.

#### **4.6.7 Long-Term Relationship with Telecom Operator as a Supplier**

The researcher asked Dealers to rate on the long-term relationship with their Telecom Operator as a supplier. The results from the responses are analysed in Table 4.30.

**Table 4.30: Distribution of Long-Term Relationship with Telecom Operators as Suppliers**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Very Unstable	-	-	-	-	-	0%
Unstable	-	-	-	-	-	0%
Average	-	8	2	5	15	25%
Stable	41	-	-	-	41	68%
Very Stable	4	-	-	-	4	7%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.30 above shows that majority of the Dealers at 68% rate as stable their long-term relationship with their Telecom Operator as a supplier. This could be a further support to the rating on how efficiently and timely the fashion is of Dealers procuring resources from their Telecom Operator and is therefore a critical measurement of procurement as a factor influencing efficient value chain management strategies.

#### **4.6.8 Telecom Operators Procurement Procedures**

The researcher asked the Dealers to rate on the Telecom Operators procurement procedures in enhancing accomplishment of Dealers organisational goals. The results of the responses are summarised in Table 4.31.

**Table 4.31: Distribution of Telecom Operator’s Procurement Procedures in Enhancing Accomplishment of Dealers Organisational Goals**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Strongly Disagree	-	-	-	-	-	0%
Disagree	2	2	-	3	7	11%
No Opinion	12	5	-	2	19	32%
Agree	31	2	2	-	34	57%
Strongly Agree	-	-	-	-	-	0%
Total	45	8	2	5	60	100%

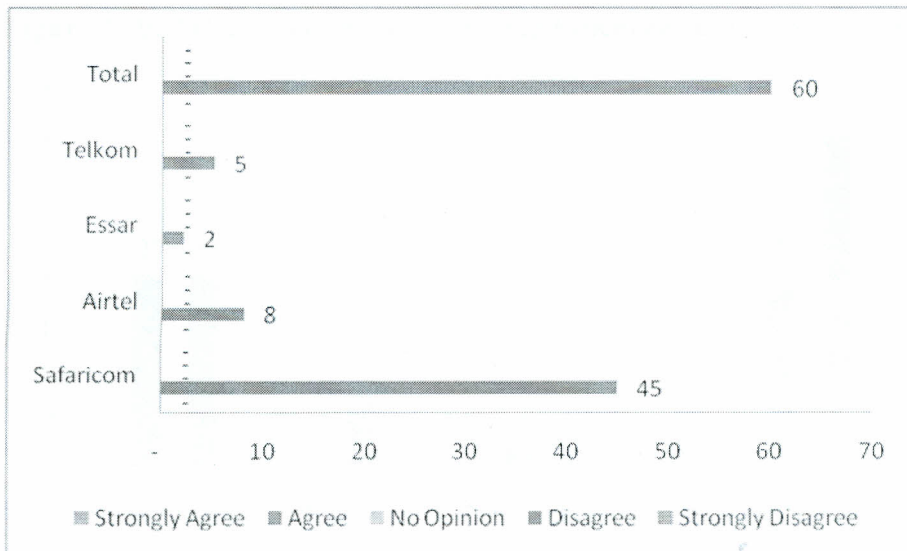
Source: Survey Data (2012)

The data collected and analysed in Table 4.31 shows that majority of the Dealers at 57% gave response as agree, 32% as no opinion and 11% as disagree on their Telecom Operator’s procurement procedures enhancing accomplishment of their organisational goals. This is indicative of a strong measurement of procurement in influencing efficient value chain strategies.

#### **4.6.9 Telecom Operators Shortage of Goods**

The researcher asked the Dealers whether their Telecom Operators shortage of goods has not affected their business. The results of the responses are summarised in Figure 4.19.

**Figure 4.19: Telecom Operator's Shortage of Goods Not Affected Dealer Business**



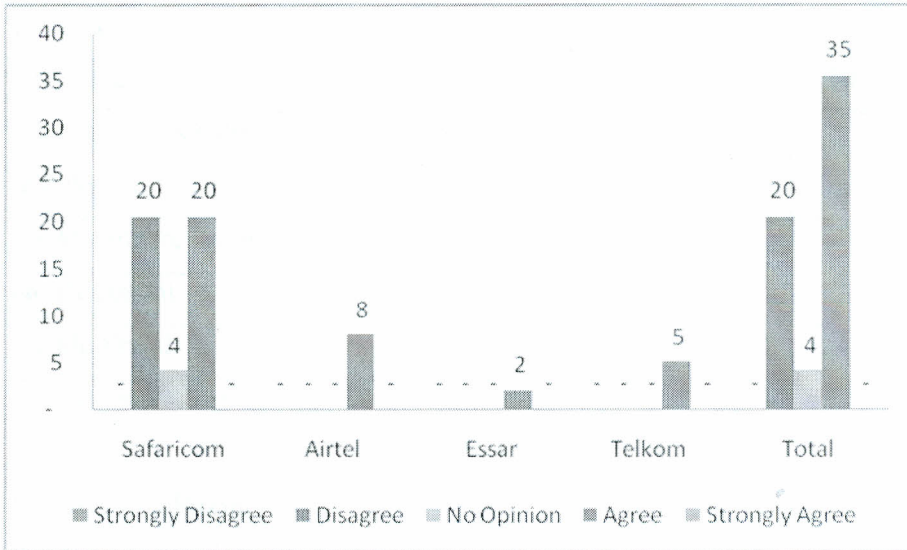
Source: Survey Data (2012)

The data collected and analysed in Figure 4.19 shows that all the Dealers representing 100% gave response as disagree on their Telecom Operator's shortage of goods not affecting their business. This is therefore a key measurement of procurement as a factor influencing efficient value chain strategy. It also supports the earlier distribution of Telecom Operators Procurement Procedures in Enhancing Accomplishment of Dealers Organisational Goals.

#### **4.6.10 Telecom Operators Existing Procurement Channels**

The researcher asked the Dealers to rate on their Telecom Operators existing procurement channels. The results of the responses are summarised in Figure 4.20.

**Figure 4.20: Telecom Operator’s Existing Procurement Channels Are Adequate**



Source: Survey Data (2012)

The data collected and analysed in Figure 4.20 above shows that a majority of Dealers representing 59% gave their response as agree on their Telecom Operator’s existing procurement channels being adequate, 34% as disagree and 7% as no opinion. Therefore this can be deduced as an important measurement of procurement as a factor influencing efficient value chain strategies. It also supports the earlier distribution of Telecom Operators’ procurement procedures in enhancing accomplishment of Dealers organisational goals and that of Telecom Operators shortage of goods not affecting Dealer business.

#### **4.6.11 Improving Telecom Operators Procurement Process**

The researcher asked the Dealers to recommend on how to improve the Telecom Operators procurement process. The results of the responses are summarised in Table 4.32.

**Table 4.32: Improving Telecom Operators Procurement Process**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Provision of Short term credit	29	2	-	-	30	50%
Ensure no stock outs & delays	4	-	-	-	4	7%
Tackle undercutting	4	-	-	-	4	7%
No Comment	4	-	-	3	7	12%
Tackle Fraud	-	-	1	-	1	2%
Professional hiring of staff	-	6	1	2	9	16%
Improve Product Quality especially scratch cards	2	-	-	-	2	3%
Does Not Affect my business at all	2	-	-	-	2	3%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.32 above shows that a majority of Dealers at 50% want short term credit, 16% recommended hiring of professional staff, 12% gave response as no comment, 7% each gave response as ensuring no stock outs and tackling undercutting respectively, 3% recommend product quality improvement and a further 3% felt that the procurement process did not affect their business. The results from this study indicate that procurement is an important variable that influences efficient value chain management strategies.

#### **4.7 Ranking of Value Chain Management Strategies**

The researcher asked the Dealers to rank the following value chain strategies from the highest to the lowest; human resource management, infrastructure, technology development and procurement.

### 4.7.1 Human Resource Management

Dealers were asked to rank human resources management in a scale, with 1 being the highest and 4 the lowest. The results of the responses are in Table 4.33, below.

**4.33: Distribution on Ranking of Human Resources Management**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
1	18	6	2	4	31	51%
2	16	2	-	1	19	32%
3	2	-	-	-	2	3%
4	8	-	-	-	8	14%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.33 above shows that majority of the Dealers at 51% ranked Human Resources Management as first, 32% as second, 14% as fourth and 3% as third in ranking.

### 4.7.2 Infrastructure

Dealers were asked to rank infrastructure in a scale, with 1 being the highest and 4 the lowest. The results of the responses are in Table 4.34, below.

**4.34: Distribution on Ranking of Infrastructure**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
1	12	2	-	1	15	25%
2	16	2	-	3	21	36%
3	12	4	1	1	18	30%
4	4	-	1	-	5	8%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.34 shows that majority of the Dealers at 36% ranked Infrastructure as position two, 30% as three, 25% as one and 8% as position four.

### 4.7.3 Technology Development

Dealers were asked to rank technology development in a scale, with 1 being the highest and 4 the lowest. The results of the responses are in Table 4.35, below.

**4.35: Distribution on Ranking of Technology Development**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
1	12	-	-	-	12	20%
2	2	4	1	1	8	13%
3	23	3	-	1	26	43%
4	8	2	1	3	14	23%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.35 above shows that majority of the Dealers at 43% ranked technology development as position three, 23% as four, 20% as one and 13% as position two.

### 4.7.4 Procurement

Dealers were asked to rank procurement in a scale, with 1 being the highest and 4 the lowest. The results of the responses are in Table 4.36.

**Table 4.36: Distribution on Ranking of Procurement**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
1	2	-	-	-	2	3%
2	10	-	1	-	11	19%
3	8	2	1	3	14	23%
4	25	6	-	2	33	55%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.36 above shows that majority of the Dealers at 55% ranked Procurement as position four, 23% as three, 19% as two and 3% as position one.

#### 4.7.5 Overall Recommendation of Value Chain Strategies

Dealers were asked to give overall recommendations regarding the value chain strategies. The result of these responses are tabulated and classified in Table 4.37 below.

**Table 4.37: Overall Recommendation of Value Chain Strategies**

Response	Frequency				Total	Percentage
	Safaricom	Airtel	Essar	Telkom		
Are all important to Dealerships	18	2	-	-	22	34%
HR is the most important factor	23	2	1	3	26	48%
Technology Development focus grows Dealerships	2	-	-	2	4	7%
Fraud makes value chain strategies unsuccessful	2	4	1	-	7	12%
Total	45	8	2	5	60	100%

Source: Survey Data (2012)

The data collected and analysed in Table 4.37 above shows that majority of the Dealers at 48% rank human resources management as the most dominant value chain

strategy, this further supports the earlier finding that human resource management was ranked first by majority of respondent at 51%. Furthermore 34% consider all value chain strategies as being important, 12% raised concern that fraud will negate any gains made and 7% recommend a focus on technology development for growth to be realized in the Dealership business.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of the study, conclusion, and recommendations. This study sought to answer the following research questions: How does human resource management affect value chain management strategies; how does infrastructure influence efficient value chain management strategies; how does technology development affect value chain management strategies; how does procurement shape efficient value chain management strategies?

#### 5.2 Summary

The broad objective of this study was to analyse the factors influencing efficient value chain management strategies in the Dealership Telecommunications industry. The geographical scope of the study was restricted to Dealers who have offices in Nairobi, Kenya. The total population of Dealerships in the Telecoms industry is projected to be at 612 as of the year 2010 (Safaricom - 450, Airtel Kenya - 86, Telkom Kenya – 56 and Essar Telecom - 20) (Company Filings & Websites, 2011). The researcher used descriptive research design method to determine the factors influencing efficient value chain management strategies in the Dealership Telecommunications industry. By use of questionnaires, the descriptive research design sought to establish the influence of human resource management, infrastructure, technology development and procurement in efficient value chain management strategies. Stratified random sampling technique was used to obtain a sample of 60 Dealers. The researcher used questionnaires to collect data. Data was analysed using descriptive statistics. The results were presented in Tables and Charts.

##### 5.2.1 Background Information

The Telecoms Dealerships are trading partners to the Telecom Operators and account for the bulk of Operator revenues. Majority of the principals running the business are either General or Finance Managers, this is closely followed by Managing Directors and Directors. The bigger proportion of Dealers is from Safaricom Ltd followed by Airtel, Telkom and Essar in that sequence. The sample being a representative sample of the larger Dealer business has at least 27% of respondents as female which is

almost in line with the wider goal of the new Kenyan constitution of having at least 30% representative being female in all positions. The senior managers and executives are mostly between the ages of 31-40 years as a result of mostly young entrepreneurs who joined the Dealership business in the last one decade since the establishment of the telecommunication industry in Kenya. Most Dealers therefore having a working experience of between 5-10 years. Due to the competitive cut throat nature of the business, majority of Dealers have a monthly sales turnover of between 4 and 50 Million shillings. All Dealers of Safaricom were members of a Dealers Association, but all Dealers of Airtel, Telkom and Essar were not a member of an Association. For Safaricom Dealers this is an indicator of the larger number of Dealers' need to form a lobbying and networking forum to articulate their issues.

### **5.2.2 Human Resources Management**

Majority of respondents were against the joining of their staff in unions, this was closely linked with most respondents having managers and technical personnel participating in running professionally the Dealerships. Further, the procedures for recruiting, selecting, orienting and training employees in most Dealerships were found to be adequate. Both the employee promotion policies and the reward systems for motivating and challenging employees was found to be average for majority of Dealers, however the condition for the work environment was adequate in most Dealership and this was critical in minimizing absenteeism and keeping turnover at reliable levels. Majority of Dealers were of the opinion that their Telecom Operator's employee reward system enhanced accomplishment of their organisational goals. Additionally, they also disagreed on their Telecom Operator's employee turnover & absenteeism as not affecting their business. This was supported by the fact that majority of Dealers felt that the Telecom Operator's interaction with their senior management led to an increase in the Dealers bottom line. Most respondents also stated that their Telecom Operator adequately provided their Dealer staff with professional management training. Majority of Dealers recommended that for their Telecom Operator to improve human resource management they ought to focus on hiring professional & competent staff.

### **5.2.3 Infrastructure**

In infrastructure, most respondents indicated that their strategic planning facilitated and enhanced the accomplishment of organisational goals. Although majority of Dealers responded as having an average information system in supporting strategic and operational decision making, most respondents also believed that their organisations could still adequately identify potential external opportunities and threats. This was supported by a majority of Dealers who adequately coordinated/integrated value chain activities throughout their organisations. Of concern was that most respondents could not obtain relatively low-cost funds for capital expenditures and working capital from external sources, they also rated their public image of being a responsible corporate citizen as average. This is a result of the Telecom Operators seizing all the spot light in public relations activities and is vindicated by the fact that most Dealers had no opinion on whether their Telecom Operator had integrated the Dealers business in its value chain activities. Furthermore, most Dealers did not get low cost funds for capital expenditure & working capital from their Telecom Operators. However interestingly, majority of respondents indicated that their Telecom Operator adequately utilised the Dealers information system to make its decisions and furthermore they also fully utilised the public image of their Dealers. Most Dealers recommend that the Telecom Operator improve call quality & distribution of services in order to advance infrastructure as a value chain management strategy.

### **5.2.4 Technology Development**

Most respondents scored as average the success of their own research and development activities in product and process innovations, a similar average trend was seen in the Dealers' technology development activities being able to meet critical deadlines. This was further supported by the average relationship between the Dealers' R & D employees and those from other departments. The quality of the Dealers research facilities, qualification and training levels of the R & D staff and the organisational culture in encouraging creativity and innovation were all found to be inadequate by most respondents. A larger proportion of Dealers were of the opinion that their Telecom Operator's technology development has led to a decrease in their cost of doing business. This is supported by most Dealers indicating that their

Telecom Operator's technology development has led to their increased profits. Majority of respondents however gave a response of no opinion, on whether the Telecom Operator's research and development enhanced accomplishment of their organisational goals, this responses has a direct bearing to the fact that most Dealers believed that their Telecom Operator did not rely on their feedback for research and development. To improve on their Telecom Operator's technology development most respondents recommended that they invest in more innovations & technology.

### **5.2.5 Procurement**

The efficiency and timeliness of the fashion of procuring resources from the Telecom Operators was found to be average by an overwhelming majority of respondents; however a similar majority indicated as acceptable, the level of the quality of the goods procured from the Telecom Operators. Most Dealers had indicted as average their development of alternate source for obtaining needed resources apart from their Telecom Operator. Majority of respondents also felt that: cost of goods & services bought from their Telecom Operator; Dealers procedures for procuring large capital expenditures resources such as plant, machinery, vehicles or buildings; and the criteria in place for deciding in lease-versus-purchase decisions were all average. Most Dealers also had a stable long-term relationship with their Telecom Operator as a supplier. Interestingly though, most respondents had no opinion on their Telecom Operator's procurement procedures having led to an increase in their profits. Dealers further agreed that their Telecom Operator's procurement procedures enhanced accomplishment of the Dealers organisational goals and all Dealers indicated that their Telecom Operator's shortage of goods had indeed affected their business. This finding was closely supported by the fact the most respondents found that their Telecom Operator's existing procurement channels as adequate. A larger majority of respondents recommended that for the Telecom Operator to improve its procurement process then they should make a provision for short term credit to Dealers.

### 5.3 Conclusion

According to Porter (1996) the human resource management encompasses employee recruiting, hiring, training, development and compensation. This study shows that in the case of the Dealer industry, human resources management is ranked as the most important value chain management strategy by a material huge proportion of respondents at 51%. From the analysis of opinions given by the Dealers: distribution of employees in union organisations; the level of professionalism in running the Dealer firms; recruitment, selecting, orienting and training employee procedures; employee promotion policies; reward systems; work environment were all found to be measures of human resources management as being a variable influencing efficient value chain management strategies. Insofar as the Telecom Operators operations were concerned the following were found to be good measures of human resources as a variable affecting value chain management strategies: Telecom Operators employee reward systems; employee turnover & absenteeism; professional management training; interaction with Dealer senior staff.

Porter (1996) clarified that the infrastructure of the firm consists of the organisational structure, control systems and company culture. The study shows that infrastructure is ranked second by 36% of all respondents. From the analysis of the opinions insofar as Dealer operations were concerned the following were found to be measures of infrastructure as a major factor influencing efficient value chain management strategies: strategic planning; information systems both strategic and operational; external opportunities and threats; value chain coordination and integration; low cost funds for capital expenditure and working capital; public image. This compared favourably to the following Telecom Operators operations as key measurement of infrastructure as a variable influencing efficient value chain management strategies: integration of value chain activities; provision of low cost funds; reliance on Dealers' information systems; use of Dealers public image.

The third aspects are factors that influence technology development. According to Porter (1996) these include the success of research and development (R&D) activities in product/ process innovations and the relationships between the R&D employees and other departments. "Because technology is employed to some degree in every

value creating activity, changes in technology can impact competitive advantage by incrementally changing the activities themselves or by making possible new configurations of the value chain” (Porter, 1996). This study concludes that in terms of ranking, technology development comes third with 43% of respondents. From the analysis of the opinions insofar as Dealer operations were concerned the following were found to be measures of technology development as a factor influencing efficient value chain management strategies: success of research and development activities; technology development activities meeting critical deadlines; relationship of R & D employees with other department; quality of research facilities; qualification/ training of R & D staff; adequacy of organisation culture. As far as the Telecom Operators operations were concerned the following were found to be measures of technology development as a variable influencing efficient value chain management strategy: effect of technology development on cost of doing business and increased profits; Operators R & D in accomplishing Dealer goals; reliance on Dealer feedback for R & D.

Porter (1996) envisioned that procurement includes purchasing inputs such as materials, supplies and equipment. The study shows that procurement is ranked last by 55% of respondents. On Dealer operations the following were found to be existing measures of procurement as a variable influencing efficient value chain strategies: fashion of procuring resources; quality of goods procured; alternate source for obtaining needed resources; cost of goods and services bought; efficiency and effectiveness of procedures for procuring large capital expenditure; criteria in place for deciding lease- versus- purchase decision; long term relations with the Telecom Operator as a supplier. In so far as relations with the Telecom Operator was concerned the following were good measures in proving that procurement was an important variable in influencing efficient value chain management strategies: Telecom Operators’ procurement procedure; shortage of goods supplied; adequacy of existing procurement channels.

## **5.4 Recommendations**

This study recommends that in order to improve human resource management the Telecom Operators focus on hiring professional & competent staff. Further it recommends that Operators recruit staffs who have been previously Dealers since they understand the situation on the ground. To advance human resource management as a value chain management tool in the industry, Dealers and Telecom Operators are also advised to hire or train interactive staffs that are willing to listen and empathise with each other's issues. The respondents have pointed out to a general weakness in the manner their problems are addressed and both the Dealers and their Telecom Operators need to build on customer relations and team building activities. Having adequate reward systems for both the Dealer and Telecom Operator employees cannot be overstated. The industry must ensure that they have multifunctional staffs that are all rounded in all affairs of the Telecoms. Since Dealers contribute the bulk of the Telecom Operators revenue, it would also be only fair to involve them in the hiring & training of the Telecom Operator staffs.

The research further recommends that to improve infrastructure, the Telecom Operators must focus on improving their call quality & distribution of services. They should for example invest more in putting up Dealer run customer services shops in rural areas as opposed to opening up their own Telecom Operated retail shops. The industry must also improve network quality and add base stations, however due to the cost implications it might be prudent to first focus on addressing areas with limited or intermittent network. Integrating of Dealers financial & logistics systems with that of Telecom Operator systems is also recommended where various host to host applications with financial institutions can be set up to ensure seamless connectivity.

To improve technology development the research recommends increased investment in innovations & technology. Telecom Operators are advised to engage the Dealers who are on the ground for feedback and brainstorming sessions. The success of the various money transfer systems shows that this is an important area to tap on. The industry must therefore come up with various mobile based application solutions in order to remain relevant in the consumers' eyes. Other areas to be focused on are on Data services especially since Voice revenue has flattened out due to the prevailing

industry wide price wars. Lastly, there is need for both the Dealers and Telecom Operators to address the consumer needs through getting constant proactive consumer feedback.

The Telecom Operators are advised to improve the procurement process by offering both short and long term credit provision to Dealers. The issue of stock outs & delays in Dealers acquiring stock must be resolved. Under cutting and fraud which is the bane of the Dealers telecommunication industry must be tackled head on. This would only be achieved by the Telecom Operators hiring professional staffs that are above board on matters of integrity. Lastly end users of the Telecom/ Dealer's products and services have complained a lot on quality hence the need to improve product quality especially for scratch cards and the general improvement on service delivery.

### **5.5 Areas of Future Research**

This study recommends that further study should be conducted on why there exists a huge discrepancy in feedback from Dealers of different Operators insofar as value chain management strategies was concerned. Also the research further recommends a study on the effects of value chain management strategies between Dealers who are members of an Association and those that are not.

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## APPENDICES

### Appendix: Questionnaire

Instructions: Tick where appropriate

1. What position do you hold in the Dealership company? \_\_\_\_\_
  
2. Kindly indicate for the Dealership you run, which is your Telecom Operator?
  - Airtel ( )
  - Essar ( )
  - Telekom ( )
  - Safaricom ( )
  
3. Kindly indicate below your Gender
  - Male ( )
  - Female ( )
  
4. Kindly indicate your age bracket
  - Less than 21 Years ( )
  - 21 years- 30yrs ( )
  - 31 years- 40yrs ( )
  - 41 years – 50yrs ( )
  - 51 years – 60yrs ( )
  - 61 years and above ( )
  
5. What is your working experience in the Dealership Telecommunications industry?
  - Less than 1 year ( )
  - 2 years to 4 years ( )
  - 5 years to 7 years ( )
  - 8 years to 10 years ( )
  - More than 10 years ( )

6. What is your Dealership's monthly average sales turnover in revenue (Ksh)?

- Less than 3 Million ( )
- 4 Million to 25 Million ( )
- 26 Million to 50 Million ( )
- 51 Million to 100 Million ( )
- 101 Million and above ( )

7. Where is your head office based?

- Nairobi ( )
- Other Towns ( )

8. Are you a member of a Dealers Association in your Telecommunications industry?

- Yes ( )
- No ( )

9. How acceptable are you to your employees being in a union-organisation?

- Very Unacceptable ( )
- Unacceptable ( )
- Average ( )
- Acceptable ( )
- Very Acceptable ( )

10. How actively do your managers and technical personnel participate in running professionally your organisation?

- Very Inactively ( )
- Inactively ( )
- Average ( )
- Actively ( )
- Very Actively ( )

11. Tick the most appropriate response below which best represents your answer to each question

	Very Inadequate	Inadequate	Average	Adequate	Very Adequate
How adequate are your procedures for recruiting, selecting, orienting, and training employees?					
How adequate is your employee promotion policies?					
How adequate are your reward systems for motivating and challenging employees?					
How adequate is your work environment in minimizing absenteeism and keeping turnover at reliable levels?					

12. Concerning the above ways in which human resource management has affected your value chain management strategies, tick the most appropriate response in the following Table.

	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree
My Telecom Operator's employee reward system enhances accomplishment of my organisational goals					
My Telecom Operator's employee turnover & absenteeism has not affected my business					
My Telecom Operator adequately provides my staff with professional management training.					
My Telecom Operator's interaction with my senior management leads to an increase in my bottom line					

13. What would you recommend to improve your Telecom Operator's human resource management?

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14. How effectively does your strategic planning facilitate and enhance the accomplishment of organisational goals?

- Very ineffective ( )
- Ineffective ( )
- Average ( )
- Effective ( )
- Very Effective ( )

15. How effective is your information system in supporting strategic and operational decision making?

- Very ineffective ( )
- Ineffective ( )
- Average ( )
- Effective ( )
- Very Effective ( )

16. Tick the most appropriate response below which best represents your answer to each question.

	Very Inadequate	Inadequate	Average	Adequate	Very Adequate
How adequately can your organisation identify potential external opportunities and threats?					
How adequate are value chain activities coordinated/ integrated throughout the organisation?					
How adequately can you obtain relatively low-cost funds for capital expenditures and working capital from external sources?					
How do you rate your public image of being a responsible corporate citizen?					

17. Concerning the above ways in which infrastructure has affected your value chain management strategies, tick the most appropriate response below.

	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree
My Telecom Operator has integrated my business in its value chain activities					
My Telecom Operator adequately provides me with low cost funds for capital expenditure & working capital					
My Telecom Operator adequately utilises my information system to make its decisions					
My Telecom Operator utilises fully my public image of being his Dealer					

18. What would you recommend to improve your Telecom Operator's infrastructure?

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19. How successful have your own Research & Development activities been in product and process innovations?

- Very Unsuccessful ( )
- Unsuccessful ( )
- Average ( )
- Successful ( )
- Very Successful ( )

20. Have your various technology development activities been able to meet critical deadlines?

- Always Unable ( )
- Sometimes unable ( )
- Average ( )
- Sometime Able ( )

- o Always able ( )

21. Tick the most appropriate response below which best represents your answer to each question

	Very Inadequate	Inadequate	Average	Adequate	Very Adequate
What is the relationship between your Research & Development employees and other departments?					
What is the quality of your organisation's research facilities?					
How much adequately qualified and trained is your research and development staff?					
How adequate is your own organisational culture in encouraging creativity and innovation?					

22. Concerning the above ways in which technology development has affected your value chain management strategies, tick the most appropriate response.

	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree
My Telecom Operator's technology development has led to a decrease in my cost of doing business					
My Telecom Operator's technology development has led to my increased profits					
My Telecom Operator's research and development enhances accomplishment of my organisational goals					
My Telecom Operator usually relies on my feedback for research and development					

23. What would you recommend to improve your Telecom Operator's technology development?

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24. How efficiently and timely is the fashion of procuring resources from your Telecom Operator?

- Very Inefficient and Untimely ( )
- Inefficient and Untimely ( )
- Average ( )
- Efficient and Timely ( )
- Very Efficient and Timely ( )

25. What is the acceptable level of the quality of the goods you procure from your Telecom Operator?

- Very Unacceptable ( )
- Unacceptable ( )
- Average ( )
- Acceptable ( )
- Very Acceptable ( )

26. Tick the most appropriate response below which best represents your answer to each question

	Very Inadequate	Inadequate	Average	Adequate	Very Adequate
How adequately have you developed alternate source for obtaining needed resources apart from your Telecom Operator?					
How adequate do you consider to be the cost of goods & services bought from your Telecom Operator?					
How adequately efficient and effective are your procedures for procuring large capital expenditures resources such as plant, machinery, vehicles or buildings?					
How adequate are your criteria in place for deciding in lease-versus-purchase decisions?					

27. Concerning the above ways in which procurement has affected your value chain management strategies, tick the most appropriate response.

	Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree
My Telecom Operator's procurement procedures has led to an increase in my profits					
My Telecom Operator's procurement procedures enhances accomplishment of my organisational goals					
My Telecom Operator's shortage of goods has not affected my business					
My Telecom Operator's existing procurement channels are adequate					

28. What would you recommend to improve your Telecom Operator's procurement process?

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29. In a scale of one to four, one being the highest and four the lowest, how would you rank the following in influencing value chain strategies?

- Human Resources Management ( )
- Infrastructure ( )
- Technology Development ( )
- Procurement ( )

30. What is your overall recommendation regarding the value chain strategies above?

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