Journal of
Business and Strategic Management
(JBSM)

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Journal of Business and Strategic Management
ISSN: 2520-0402 (online)
Vol. 11, Issue No. 9, pp. 1 - 24, 2026
www.carijournals

Competitive Strategies and Performance of Firms in the Telecommunication Industry in Kenya

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Accepted: 11th Oct, 2026, Received in Revised Form: 29th Oct, 2026, Published: 15th Nov, 2026

ABSTRACT

Purpose: The general objective of the study was to determine the effect of competitive strategies on performance of firms in the telecommunication industry in Kenya. This study was anchored on Resource-Based View (RBV) Theory and Innovation Diffusion Theory (IDT).

Methodology: This study used descriptive research design. Target population comprised of all 950 management level employees working with the telecommunication companies in Kenya. This involved all levels of management i.e. senior, middle and low level management staff. The study used Krejcie and Morgan (1970) formula to arrive at the sample size. The study sample size was 282 employees. This research used a questionnaire to collect primary data. A pilot study was carried out on 28 respondents who are sufficient based on Glesne (2019) who stated that 10% of the population is adequate to constitute the pilot test size. Data analysis was done through use of descriptive statistics and inferential statistics. Descriptive statistics included frequency distributions and percentages for categorical variables, as well as measures of central tendency (mean) and measures of dispersion (standard deviation).On the other hand, inferential statistics comprised of correlation analysis and regression analysis. The study results were presented through use of tables and figures.

Findings: The study concludes that cost leadership strategy has a positive and significant influence on performance of firms in the telecommunication industry in Kenya. The study also concludes that differentiation strategy has a positive and significant influence on performance of firms in the telecommunication industry in Kenya.

Unique Contribution to Theory, Policy and Practice: Based on the findings, the study recommends that telecommunication industry in Kenya should strengthen their cost leadership strategy by improving operational efficiency, optimizing resource utilization, adopting cost-saving technologies, and streamlining business processes to reduce operating costs while maintaining service quality.

Keywords: *Competitive Strategies, Cost Leadership Strategy, Differentiation Strategy, Telecommunication Industry*

Background of the Study

The telecommunication industry refers to the sector responsible for the transmission of information over distances through electronic means. It encompasses services and infrastructure that facilitate the exchange of voice, data, images, and video using technologies such as mobile networks, fixed telephone lines, satellite systems, and internet services (Kiio & Sigei, 2025). The industry includes companies that provide mobile communication, broadband internet, data services, and network infrastructure. Telecommunication systems rely on technologies such as fiber optics, wireless networks, and digital switching to enable real-time communication across local and global networks (Kihara & Ngugi, 2024). In modern economies, the telecommunication sector forms a critical component of the information and communication technology (ICT) ecosystem, enabling individuals, businesses, and governments to communicate efficiently and access digital services (Mwaniki & Anene, 2023).

The telecommunication industry plays a vital role in economic development by supporting business operations, innovation, and productivity across various sectors. Efficient communication networks allow firms to coordinate activities, access markets, and engage with customers more effectively (Karama & Linge, 2025). Globally, the sector has experienced rapid growth due to increasing demand for mobile connectivity and internet services. According to the International Telecommunication Union (ITU), global internet usage reached about 5.4 billion people in 2023, representing roughly 67% of the world's population, illustrating the growing reliance on telecommunication infrastructure (Ngugi, 2022). In addition, the industry contributes significantly to national economies through employment creation, investment in infrastructure, and tax revenues. Telecommunication networks also support other sectors such as banking, healthcare, education, and transportation by enabling digital platforms and electronic transactions (Kiio & Sigei, 2025).

Furthermore, the telecommunication industry plays a critical role in promoting digital transformation and social connectivity. Modern communication technologies enable access to online services such as e-commerce, digital banking, e-learning, and telemedicine, thereby improving service delivery and enhancing the quality of life (Kihara & Ngugi, 2024). In many developing countries, mobile telecommunications have been instrumental in expanding financial inclusion through mobile money services. For instance, in Africa, mobile penetration continues to grow rapidly, with the GSM Association reporting that mobile technologies contributed approximately 8% of Sub-Saharan Africa's GDP in 2022 (Mwaniki & Anene, 2023). The expansion of high-speed internet and mobile broadband has also supported the growth of digital economies, enabling businesses to adopt new technologies and operate more efficiently. Consequently, the telecommunication industry remains a key driver of economic growth, innovation, and global connectivity (Karama & Linge, 2025).

Competitive Strategies can be defined as deliberate approaches or plans that a firm adopts to gain an advantage over its rivals in the market. These strategies focus on enhancing a firm's position by optimizing resources, improving efficiency, and creating value that distinguishes the firm from competitors (Zairbani & Prakash, 2025). They encompass decisions related to pricing, innovation, service delivery, market targeting, and operational processes, all aimed at strengthening market presence, achieving sustainable growth, and improving overall performance (Teeratansirikool, *et al*, 2023). Competitive strategies guide organizational actions toward long-term objectives while responding effectively to industry dynamics and customer demands. Competitive strategies can take several forms, each guiding firms toward improved performance and market advantage (Hossain, Kabir & Mahbub, 2021). Cost leadership strategy emphasizes minimizing production and operational costs to offer products or services at lower prices than competitors. It focuses on efficiency, process optimization, and economies of scale to maintain profitability while appealing to price-sensitive customers (Taghipour *et al*, 2020). Differentiation strategy seeks to distinguish a firm's products or services from those of competitors by emphasizing unique qualities such as innovation, superior service, or strong brand image. The focus is on creating perceived value that allows the firm to command premium pricing and build a competitive edge (Akingbade, 2021). This study sought to determine the effect of competitive strategies on performance of firms in the telecommunication industry in Kenya.

The telecommunication industry in Kenya is a dynamic and rapidly evolving sector that plays a critical role in the country's economic growth and connectivity. Major firms such as Safaricom Limited, Airtel Kenya, Telkom Kenya, and Jamii Telecommunications dominate the market, offering services ranging from mobile telephony and internet services to mobile money platforms like M-Pesa (Ngugi, 2022). These firms have significantly contributed to financial inclusion, digital transformation, and the creation of employment opportunities across Kenya (Kiio & Sigei, 2025). According to the Communications Authority of Kenya, mobile penetration in the country reached 116% in 2025, indicating that many users hold more than one SIM card, reflecting intense market competition. The firms are continuously innovating to enhance service delivery, expand network coverage, and introduce value-added services to attract and retain customers (Kihara & Ngugi, 2024).

However, firms in the Kenyan telecommunication industry face several challenges that affect their performance. Market share competition is intense, particularly between Safaricom and Airtel Kenya, with Safaricom holding approximately 63% of the market while Airtel controls around 31%, leaving a small portion for other players (Mwaniki & Anene, 2023). Return on investment (ROI) is pressured by high operational costs, including infrastructure expansion and regulatory compliance fees, which impact profitability. Customer satisfaction is another concern, as issues like network downtime, high data costs, and poor customer service continue to affect consumer perception; for instance, the Communications Authority reported that 42% of

complaints in 2024 were related to service quality (Karama & Linge, 2025). Additionally, technological disruptions and the rapid pace of digital innovation require continuous investment, which can strain resources, particularly for smaller firms. While the industry is a key driver of Kenya's digital economy, telecommunication firms must navigate intense competition, cost pressures, and evolving consumer expectations to sustain growth (Ngugi, 2022).

Statement of the Problem

The telecommunication industry is vital to Kenya's economic and social development, enhancing communication, connectivity, and digital transformation across sectors. By 2023, Kenya had over 67 million mobile subscriptions, reflecting widespread adoption of mobile and internet services (Kiio & Sigei, 2025). The sector contributes significantly to job creation, tax revenue, and innovation in services like mobile money, while supporting banking, education, healthcare, and e-commerce. This makes telecommunications a key driver of economic growth and national competitiveness (Kihara & Ngugi, 2024).

Firms in the telecommunication industry in Kenya face significant challenges related to market share, ROI, and customer satisfaction (Mwaniki & Anene, 2023). The market is highly concentrated, with Safaricom controlling about 62–63% of mobile subscriptions, Airtel at 32–33%, and smaller operators like Telkom holding roughly 4–5%. Safaricom's M-Pesa dominates mobile money with 80% market share, compared to Airtel Money at 17% and Telkom's T-Kash at 3%. Price competition is intense, with call rates averaging KSh 1.5–3 per minute and data costs around KSh 50 per GB, making it difficult for smaller firms to expand and maintain profitability (Karama & Linge, 2025). Challenges with ROI and customer satisfaction also weigh heavily on firms. The sector generated about KSh 339.4 billion in 2023, but companies spend billions annually on infrastructure, including 5G rollout and spectrum acquisition costing over KSh 40 billion (Kiio & Sigei, 2025). Service quality issues persist, with 39.2% of Airtel users reporting call-drop problems, 64.8% citing poor signal coverage, and 41% complaining of slow internet speeds. High customer churn of 12–15% per year for smaller operators, combined with price-sensitive consumers, reduces returns and hampers overall performance, highlighting the constant pressure on Kenyan telecom firms to improve service quality while staying competitive (Kihara & Ngugi, 2024).

Competitive strategies are crucial for telecommunication firms to perform well in a dynamic and competitive market. Various studies have been conducted in different parts of the world on competitive strategies and firm performance. For instance, Kinyungu and Ogollah (2022) assessed on the influence of competitive strategies on organizational performance. Sifuna (2024) researched on effect of competitive strategies on performance of public universities and Kago, Gichunge and Baimwera (2020) investigated on the relationship between competitive strategies and organizational performance of petroleum companies. However, none of these studies focused on cost leadership strategy and differentiation strategy on performance of firms in the

telecommunication industry in Kenya. To fill the highlighted gaps, the current study sought to determine the effect of competitive strategies (cost leadership strategy and differentiation strategy) on performance of firms in the telecommunication industry in Kenya.

Objectives of the Study

General Objective

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

Specific Objectives of the Study

The specific objectives were: -

i. To establish the effect of cost leadership strategy on performance of firms in the telecommunication industry in Kenya
i. To evaluate the effect of differentiation strategy on performance of firms in the telecommunication industry in Kenya

Theoretical Review

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) Theory developed by Jay Barney (1991) is a strategic management framework that emphasizes a firm's internal resources as the primary source of competitive advantage (Singh & Agarwal, 2023). It asserts that the unique combination of a firm's tangible and intangible resources determines its ability to achieve superior performance and sustain long-term success. Unlike approaches that focus primarily on external market conditions, RBV prioritizes the internal capabilities, skills, and assets of a firm as the foundation for strategy formulation (Akingbade, 2021). At its core, RBV theory posits that not all resources are equally valuable. To provide a sustained competitive advantage, resources must possess certain attributes, often summarized as being valuable, rare, inimitable, and non-substitutable (Neneh & Van Zyl, 2024). These characteristics enable a firm to differentiate itself from competitors and reduce the risk of imitation. RBV also highlights the importance of organizational processes and routines that allow a firm to leverage its resources effectively, thereby translating them into performance outcomes (Omondi & Waiganjo, 2022).

Furthermore, RBV emphasizes the strategic management of resources over time. It suggests that firms should continually develop, protect, and deploy their resources to adapt to environmental changes and maintain competitiveness (Muthoni & Kinyua, 2020). This perspective encourages firms to assess the strengths and weaknesses of their internal assets and capabilities systematically, guiding decisions on investment, innovation, and operational efficiency. The theory provides a framework for understanding how internal resources and capabilities drive firm performance and strategic positioning (Singh & Agarwal, 2023). This theory was used to

establish the effect of cost leadership strategy on performance of firms in the telecommunication industry in Kenya.

Innovation Diffusion Theory (IDT)

Innovation Diffusion Theory (IDT) developed by Everett Rogers (1962) is a framework that explains how new ideas, technologies, or practices spread within a population over time. The theory focuses on the process through which individuals or organizations adopt innovations and the factors that influence the rate and extent of this adoption (Waweru & Omwenga, 2021). It emphasizes that innovation adoption is not instantaneous but occurs in stages, often starting with early adopters who influence the subsequent majority groups. IDT highlights the social, communication, and structural mechanisms that facilitate or hinder the diffusion process (Porter & Lee, 2022). The theory identifies several attributes of innovations that affect their adoption, including perceived advantages, compatibility with existing values or systems, complexity, trialability, and observability. These characteristics help determine how quickly an innovation will be accepted within a community (Akinyemi & Olagunju, 2020). Additionally, IDT considers the roles of communication channels, social networks, and opinion leaders in shaping perceptions and promoting the adoption process. The theory provides a systematic approach to understanding why some innovations gain widespread acceptance while others fail to diffuse effectively (Kato & Namusonge, 2024).

IDT also recognizes that adoption occurs at both individual and collective levels. Individual adoption decisions are influenced by personal attitudes, risk perceptions, and knowledge about the innovation, while collective adoption is shaped by organizational structures, cultural norms, and environmental conditions (Muriithi & Wanjau, 2021). The theory thus integrates psychological, sociological, and organizational perspectives to explain the dynamic nature of innovation diffusion. It serves as a foundational framework for analyzing the patterns, timing, and barriers associated with the spread of new ideas across populations (Waweru & Omwenga, 2021). The theory is relevant in evaluating the effect of differentiation strategy on performance of firms in the telecommunication industry in Kenya.

Conceptual Framework

Conceptual framework is defined as a diagrammatical representation that portrays association between dependent as well as independent study variables (Devi, 2019). The conceptual framework which is shown in Figure 1 indicates the relationship between dependent and independent study variables, with independent variables comprising of cost leadership strategy and differentiation strategy while the dependent variable is performance of firms in the telecommunication industry in Kenya.

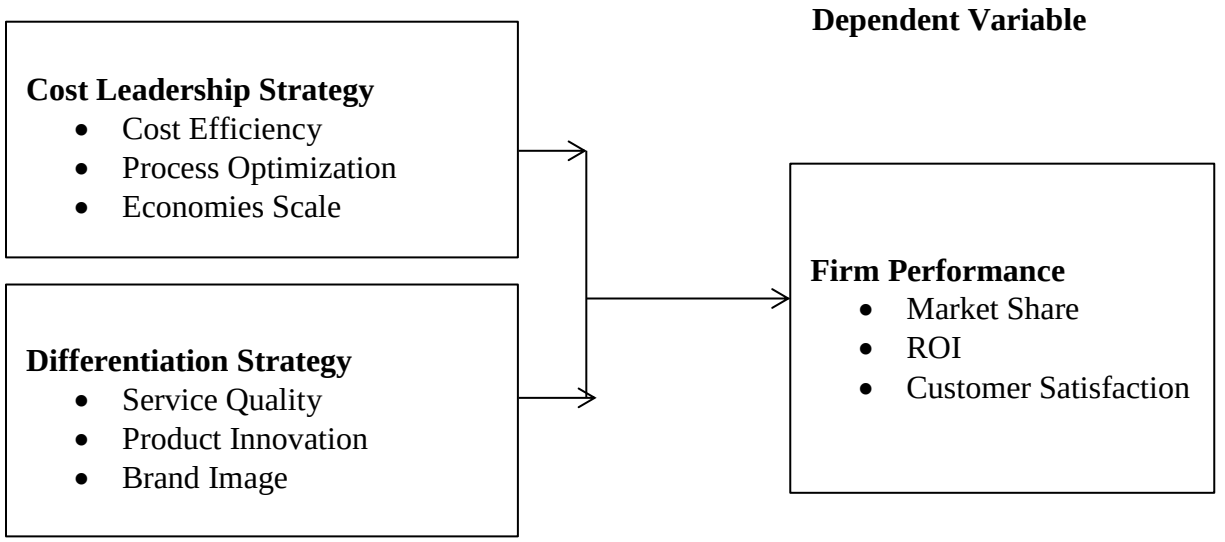


Figure 1: Conceptual Framework

Cost Leadership Strategy

Cost leadership strategy is a business approach focused on achieving the lowest operational and production costs within an industry while maintaining acceptable levels of quality. The primary aim of this strategy is to offer goods or services at lower prices than competitors, thereby attracting price-sensitive customers and increasing market share (Singh & Agarwal, 2023). It involves optimizing all aspects of operations, including supply chain management, production efficiency, labor utilization, and resource allocation, to minimize waste and overhead costs (Akingbade, 2021). By sustaining lower costs, firms can improve profitability even in highly competitive markets, as they can maintain margins while offering competitive prices. This strategy often requires continuous monitoring of costs, investment in cost-reducing technologies, and disciplined management practices to ensure long-term sustainability and competitive advantage (Neneh & Van Zyl, 2024). Cost efficiency refers to the ability of a firm to minimize expenses while maintaining the desired level of output or service quality. It involves careful allocation of resources, reducing unnecessary expenditures, and ensuring that every unit of input contributes maximally to the final output (Omondi & Waiganjo, 2022). Achieving cost efficiency enables firms to operate profitably even under tight market conditions, as lower costs translate directly into higher margins. It requires systematic planning, continuous monitoring of expenditures, and the implementation of cost-control measures across all areas of the organization. By focusing on cost efficiency, firms can strengthen their competitive position by offering competitive pricing without compromising on operational effectiveness (Muthoni & Kinyua, 2020).

Process optimization is the systematic approach of improving the efficiency and effectiveness of organizational processes. It involves analyzing workflows, identifying bottlenecks or redundant steps, and implementing strategies to streamline operations (Singh & Agarwal, 2023). The goal of process optimization is to reduce waste, accelerate production cycles, and enhance overall performance while maintaining quality standards. This requires the integration of technology, data analysis, and continuous improvement methodologies to ensure that processes are both agile and cost-effective (Akingbade, 2021). Effective process optimization can lead to faster decision-making, reduced operational costs, and a more responsive organization capable of adapting to changing market demands. Economies of scale refer to the cost advantages that a firm experiences as it increases production output (Neneh & Van Zyl, 2024). As production scales up, the average cost per unit of output decreases due to the spreading of fixed costs over a larger volume, improved operational efficiency, and greater bargaining power with suppliers. Economies of scale allow firms to lower production costs, enhance competitiveness, and increase profitability (Omondi & Waiganjo, 2022). They can be classified into internal economies, arising from within the firm through improvements in labor productivity, technology, and management practices, and external economies, which occur due to industry-wide growth and shared resources. By leveraging economies of scale, firms can achieve sustainable cost advantages and strengthen their position in the market (Muthoni & Kinyua, 2020).

Differentiation Strategy

Differentiation strategy is a competitive approach in which a firm seeks to distinguish its products or services from those of competitors by offering unique attributes, superior quality, or innovative features that are valued by customers (Porter & Lee, 2022). The strategy focuses on creating perceived or actual added value that justifies a premium price, enhances brand recognition, and fosters customer loyalty. Achieving differentiation often requires investment in research and development, design, marketing, and customer service to ensure that offerings stand out in the market (Akinyemi & Olagunju, 2020). By emphasizing distinctiveness and meeting specific customer needs more effectively than rivals, firms employing a differentiation strategy can build a sustainable competitive advantage and improve overall performance (Kato & Namusonge, 2024). Service quality refers to the degree to which a firm's services meet or exceed customer expectations, encompassing aspects such as reliability, responsiveness, assurance, and empathy. High service quality ensures that customers receive consistent, efficient, and satisfactory experiences, which strengthens loyalty and trust in the brand (Muriithi & Wanjau, 2021). Firms that prioritize service quality are better positioned to retain customers, reduce complaints, and gain a competitive edge in the market. Continuous evaluation, training, and improvement of service delivery processes are essential to maintain high standards and align with evolving customer expectations (Waweru & Omwenga, 2021).

Product innovation involves the development and introduction of new or significantly improved goods or services that offer enhanced features, functionality, or performance. It is a key driver of differentiation, as innovative products can meet emerging customer needs, solve problems more effectively, and create distinct value in the marketplace (Porter & Lee, 2022). Firms that invest in product innovation are able to attract new customers, maintain relevance in competitive markets, and increase revenue potential. The process often includes research, creative design, technological integration, and iterative testing to ensure that innovations align with market demands. Brand image is the perception and reputation of a company or its products in the minds of customers and the broader market (Akinyemi & Olagunju, 2020). A strong brand image communicates trust, quality, and value, influencing customer choices and fostering loyalty. Firms with a positive brand image benefit from enhanced recognition, competitive advantage, and the ability to charge premium prices (Kato & Namusonge, 2024). Building and maintaining brand image requires consistent messaging, marketing, quality control, and customer engagement to ensure that the public's perception aligns with the firm's intended positioning and values (Muriithi & Wanjau, 2021).

Empirical Review

Cost Leadership Strategy and Firm Performance

Singh and Agarwal (2023) conducted a study on the effect of cost leadership strategy on performance of retail firms in India. The study adopted a descriptive survey research design. The target population comprised retail companies operating in major cities in India. Data were collected using structured questionnaires administered to the respondents. The study found that cost leadership strategy significantly improved firm performance by enabling retailers to minimize operational costs and offer competitive pricing to customers. The study concluded that retail firms that effectively adopt cost leadership strategy achieve higher sales growth and improved profitability.

Akingbade (2021) investigated on the influence of cost leadership strategy on performance of commercial banks in Nigeria. The study adopted a cross-sectional survey research design. The target population consisted of commercial banks operating in Lagos State. Data were collected using structured questionnaires administered to the respondents. The study found that cost leadership strategy significantly influenced bank performance by improving operational efficiency and reducing operating costs. The study concluded that banks that adopt cost leadership strategies are able to improve profitability and maintain competitiveness in the financial sector.

Neneh and Van Zyl (2024) researched on the effect of cost leadership strategy on performance of tourism enterprises in South Africa. The study adopted a survey research design. The target population consisted of small and medium tourism enterprises operating within South Africa. Owners and managers of the tourism enterprises formed the unit of observation. Data were

collected using questionnaires administered to the respondents. The study found that cost leadership strategy had a significant positive effect on business performance by enabling tourism enterprises to control operational costs and attract more customers through competitive pricing. The study concluded that adoption of cost leadership strategy enhances performance and sustainability of tourism enterprises.

Omondi and Waiganjo (2022) examined on the influence of cost leadership strategy on performance of domestic airline firms in Kenya. The study adopted a descriptive research design. The target population consisted of domestic airline companies operating in Kenya. The study found that cost leadership strategy significantly improved the performance of domestic airline firms through efficient cost management and improved operational processes. The study concluded that cost leadership strategy plays a critical role in enhancing competitiveness and performance in the airline industry.

Muthoni and Kinyua (2020) assessed on the effect of cost leadership strategy on performance of telecommunication companies in Kenya. The study adopted a descriptive survey research design. The target population comprised telecommunication companies operating in Kenya. Questionnaires were used as the research instruments to collect primary data. The study found that cost leadership strategy had a positive and significant influence on organizational performance by enabling telecommunication firms to reduce operational costs and improve service affordability. The study concluded that effective implementation of cost leadership strategy enhances the competitive position and overall performance of telecommunication companies.

Differentiation Strategy and Firm Performance

Porter and Lee (2022) examined on the effect of differentiation strategy on firm performance among manufacturing firms in India. The study adopted a descriptive research design. The target population consisted of 120 manufacturing firms operating in major industrial regions in India. The unit of observation was senior managers and departmental heads responsible for strategy implementation. The study found that differentiation strategy significantly improves firm performance by enhancing product uniqueness, brand reputation, and customer loyalty. The study concluded that firms that effectively implement differentiation strategies experience improved competitiveness and higher financial performance in the manufacturing sector in India.

Akinyemi and Olagunju (2020) assessed on the influence of differentiation strategy on performance of manufacturing firms in Nigeria. The study adopted a descriptive survey research design. The target population consisted of 95 registered manufacturing firms operating in Lagos State. The unit of observation included senior managers and operational managers in the firms. Questionnaires were used to collect primary data from the respondents. The study found that differentiation strategy had a positive and significant influence on firm performance through innovation, product quality improvement, and brand positioning. The study concluded that

manufacturing firms that adopt differentiation strategies achieve better market performance and increased profitability in Nigeria.

Kato and Namusonge (2024) investigated on the effect of differentiation strategy on performance of small and medium enterprises in Uganda. The study adopted a descriptive research design. The target population consisted of 210 SMEs operating in Kampala City. Data was collected using structured questionnaires distributed to the respondents. The study found that differentiation strategy significantly enhances firm performance through improved product uniqueness, customer satisfaction, and competitive positioning. The study concluded that SMEs that focus on differentiation strategies tend to achieve better growth and sustainability in Uganda.

Muriithi and Wanjau (2021) researched on the influence of differentiation strategy on performance of commercial banks in Kenya. The study adopted a descriptive research design. The target population consisted of 42 licensed commercial banks operating in Kenya. The study found that differentiation strategy positively and significantly influenced the performance of commercial banks through improved service quality, product innovation, and customer experience. The study concluded that differentiation strategy plays a critical role in enhancing competitiveness and financial performance among commercial banks in Kenya.

Waweru and Omwenga (2021) conducted a study on the effect of differentiation strategy on performance of supermarkets in Kenya. The study adopted a descriptive survey research design. The target population consisted of 68 supermarket branches located in major towns in Kenya. The unit of observation included branch managers and departmental supervisors. Structured questionnaires were used as the research instruments for data collection. The study found that differentiation strategy significantly influences supermarket performance through improved product assortment, enhanced customer service, and store uniqueness. The study concluded that differentiation strategy contributes significantly to improved sales growth and market share among supermarkets in Kenya.

RESEARCH METHODOLOGY

Research Design

Kothari (2018) defines research design as an outline of the actual measures, adopted by an investigator for testing the correlation involving dependent variables as well as independent variables. This study used descriptive research design which involved gathering of data that describes events then organizing, tabulating depicting and describing the data. The choice of this research design was influenced by the fact that it enables the researcher to assess the situation in the study area at the time of study. This design is pertinent in “developing the profile of a situation and a community of people by getting complete and accurate information through an interaction between the researcher and the respondent via data collection tools” (Kothari & Garg, 2018).

Van Manen (2016) states that a descriptive research design as a data collection method from which a sample of individuals being investigated using research instruments by use of data collection instrument which has both the closed-ended and open-ended questions, interviews and observations. It is one of the most widely used non-experimental research designs across disciplines to collect large amounts of survey data from a representative sample of individuals sampled from the targeted population.

Target Population

Target population is the entire set of individuals (or objects) having the same characteristics as pointed out in the sampling criteria used for the study (Quinlan, 2019). This study focused on the telecommunication companies in Kenya. According to the communication authority in Kenya there are 5 registered telecommunication companies and they include; Safaricom PLC, Airtel, Telkom Kenya, Finserve, and Jamii Telecommunications. The study targeted management level employees at telecommunication companies in Kenya. Target population comprised of all 950 management level employees working with the telecommunication companies in Kenya. This involved all levels of management i.e. senior, middle and low level management staff.

Table 1: Target Population

Category	Target Population
Senior level management	26
Middle Level Management	120
Low Level Management	804
Total	**950**

Sample Size and Sampling Technique

A sampling frame is a list used to define a study population of interest. The sampling frame defines a set of elements from which a study can select a sample of the target population (Kothari, 2019). The sampling frame for this study was the list of management level employees at telecommunication companies in Kenya. It is from this list that the study sample was selected from.

Sampling as described by Geteria, (2019) is the process of choosing the units of the target population which are to be included in the study in such a way that the sample of selected elements represent the population. The study used Krejcie and Morgan (1970) formula to arrive at the sample size. The selection formula was as follows:

$$n=\frac{N}{1+(N-1)e^2}$$

Where n= the required sample size

N = is the Target Population (950)

e = accuracy level required. Standard error = 5%

Sample calculation

$$n=\frac{950}{1+(949)0.05^2}$$

n=281.6901408

n=282 respondents

According to Mugenda and Mugenda, (2019), a population sample of between 10-30% is enough representation of the characteristics of the target population. As stated by Walpole, and Myers (2019), a sample is derived from a subdivision of the populace that is being reviewed. The sample details elements that are picked from the accessible population. The size of the sample seeks to represent effectiveness, representativeness, dependability plus flexibility of the entire population. The study sample size was 282 employees, which represents 29.7% of the entire population. Stratified random sampling was applied to get the respondents. The study then used simple random sampling to select respondents from each stratum. In simple random sampling, every respondent has an equal chance of participating in the study.

Table 2: Sample Size

Category	Population	Sample Size
Top Management	26	8
Middle Level Management	120	36
Low Level Management	804	239
Total	**950**	**282**

Data Collection Instruments

There are several ways of collecting data which differ considerably in terms of money costs, time and other resources at the disposal of the researcher (Orodho, 2018). The choice of data collection instrument is often very crucial to the success of a research and thus when determining an appropriate data collection method, one has to take into account the complexity of the topic, response rate, time and the targeted population (Mwangi, 2019). Different tools are used to collect different types of data. There is primary data that is collected directly from the respondents; it is information that has never been collected while there is secondary data collection tools that are used to collect secondary data.

This research used a questionnaire to collect primary data. According to Patton *et. al* (2016), a questionnaire is appropriate in gathering data and measuring it against a particular point of view. It provides a standardized tool for data collection. The researcher obtained research permit from relevant authorities required for data collection. Structured and open questions were used to collect primary data from the field. The questionnaires were pilot tested to ascertain the extent to which the instrument is correct and to eliminate ambiguous questions, and improve on validity and reliability

Pilot Study

According to Bashir, (2018), validity refers to the extent to which a test measures what it is supposed to measure and the extent to its truthfulness, accuracy, authenticity, genuineness, or soundness, whether the means of measurement are accurate and whether they are actually measuring what they are intended to measure. The pilot study was carried out on 28 respondents who are sufficient based on Glesne (2019) who stated that 10% of the population is adequate to constitute the pilot test size.

Data Analysis and Presentation

Data analysis in this study involved organizing and interpreting the collected information so that the findings can be clearly understood and effectively communicated (Creswell, 2018). The analysis was conducted using the Statistical Package for Social Sciences (SPSS, Version 25), which facilitated both descriptive and inferential statistical procedures. A coding framework was first developed to guide the entry and structuring of responses from the questionnaires. After verifying the accuracy of the entered data, analysis proceeded in two main stages.

The first stage employed descriptive statistics to summarize and present the basic characteristics of the dataset. This included frequency distributions and percentages for categorical variables, as well as measures of central tendency (mean) and measures of dispersion (standard deviation) for continuous variables. The results were presented in tables and graphs to provide a clear overview of the distribution patterns within the data. Such descriptive summaries offered initial insights into the nature of the responses and highlight key trends (Bryman, 2019).

The second stage involved inferential statistics to draw conclusions and test hypotheses about relationships among variables. Correlation analysis was used to determine the strength and direction of associations, while regression analysis was applied to assess predictive relationships between the dependent and independent variables. These inferential techniques enabled the researcher to generalize findings from the sample to the wider population with an acceptable degree of confidence.

Statistical Model

The multiple regression equation model is illustrated below: -

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ e$

Where:

Y is the dependent variable (performance of telecommunication companies in Nairobi City County, Kenya),

β_0 is the constant (Co-efficient of intercept)

β_1, and β_2 are beta coefficients,

X_1 is Cost Leadership Strategy,

X_2 is Differentiation Strategy while

e is an error term

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Descriptive Statistics Analysis

Cost Leadership Strategy and Firm Performance

The first specific objective of the study was to establish the effect of cost leadership strategy on performance of firms in the telecommunication industry in Kenya. The respondents were requested to indicate their level of agreement on statements relating to cost leadership strategy and performance of firms in the telecommunication industry in Kenya. The results were as presented in Table 3.

From the results, the respondents agreed that the firm minimizes operational costs without compromising the quality of services (M=3.881, SD=0.776). In addition, the respondents agreed that resources are allocated effectively to reduce unnecessary expenses (M=3.862, SD=0.621). Further, the respondents agreed that the firm continuously improves its operational processes to enhance efficiency (M=3.840, SD=0.817).

From the results, the respondents agreed that tasks and workflows are streamlined to reduce time and resource wastage (M=3.828, SD=0.788). In addition, the respondents agreed that bulk purchasing and large network coverage contribute to cost advantages (M=3.814, SD= 0.607). Further, the respondents agreed that expansion of services and operations helps the firm achieve efficiency gains (M=3.804, SD=0.656).

Table 3: Cost Leadership Strategy and Firm Performance

	Mean	Std. Dev
The firm minimizes operational costs without compromising the quality of services.	3.881	0.776
Resources are allocated effectively to reduce unnecessary expenses.	3.862	0.621
The firm continuously improves its operational processes to enhance efficiency.	3.840	0.817
Tasks and workflows are streamlined to reduce time and resource wastage.	3.828	0.788
Bulk purchasing and large network coverage contribute to cost advantages.	3.814	0.607
Expansion of services and operations helps the firm achieve efficiency gains.	3.804	0.656
Aggregate	**3.838**	**0.711**

Differentiation Strategy and Firm Performance

The second specific objective of the study was to evaluate the effect of differentiation strategy on performance of firms in the telecommunication industry in Kenya. The respondents were requested to indicate their level of agreement on various statements relating to differentiation strategy and performance of firms in the telecommunication industry in Kenya. The results were as presented in Table 4.

From the results, the respondents agreed that service delivery is reliable, consistent, and efficient across all customer interactions (M=3.843, SD= 0.723). In addition, the respondents agreed that the firm invests in training and systems to ensure excellent customer service (M=3.831, SD= 0.633). Further, the respondents agreed that innovative solutions are implemented to enhance the customer experience (M=3.817, SD=0.573).

From the results, the respondents agreed that the firm encourages creativity and technology adoption to stay ahead in the market (M=3.803, SD= 0.812). In addition, the respondents agreed that the firm has a strong and positive reputation among its customers and stakeholders (M=3.790, SD=0.593). Further, the respondents agreed that marketing and communication strategies enhance the firm's brand recognition (M=3.787, SD=0.587).

Table 4: Differentiation Strategy and Firm Performance

	Mean	Std. Dev
Service delivery is reliable, consistent, and efficient across all customer interactions.	3.843	0.723
The firm invests in training and systems to ensure excellent customer service.	3.831	0.633
Innovative solutions are implemented to enhance the customer experience.	3.817	0.573
The firm encourages creativity and technology adoption to stay ahead in the market.	3.803	0.812
The firm has a strong and positive reputation among its customers and stakeholders.	3.790	0.593
Marketing and communication strategies enhance the firm's brand recognition.	3.787	0.587
Aggregate	**3.812**	**0.754**

Firm Performance

The respondents were requested to indicate their level of agreement on various statements relating to performance of firms in the telecommunication industry in Kenya. The results were as presented in Table 5.

From the results, the respondents agreed that their services are preferred by a significant portion of the target market compared to competitors (M=3.827, SD=0.681). In addition, the respondents agreed that the firm effectively attracts new customers, contributing to an expanded market presence (M=3.813, SD=0.719). Further, the respondents agreed that investments in network expansion and service improvement leads to measurable financial gains (M=3.777, SD=0.502).

From the results, the respondents agreed that the firm efficiently utilizes financial resources to maximize profitability (M=3.741, SD=0.800). In addition, the respondents agreed that customers are generally satisfied with the quality and reliability of the firm's services (M=3.728, SD=0.610). Further, the respondents agreed that the firm responds promptly and effectively to customer complaints or service issues (M=3.711, SD=0.747).

Table 5: Firm Performance

	Mean	Std. Dev
Our services are preferred by a significant portion of the target market compared to competitors.	3.827	0.681
The firm effectively attracts new customers, contributing to an expanded market presence.	3.813	0.719
Investments in network expansion and service improvement leads to measurable financial gains.	3.777	0.502
The firm efficiently utilizes financial resources to maximize profitability.	3.741	0.800
Customers are generally satisfied with the quality and reliability of the firm's services.	3.728	0.610
The firm responds promptly and effectively to customer complaints or service issues.	3.711	0.747
Aggregate	**3.766**	**0.677**

Inferential Statistics

Inferential statistics in the current study focused on correlation and regression analysis. Correlation analysis was used to determine the strength of the relationship while regression analysis was used to determine the relationship between dependent variable (performance of firms in the telecommunication industry in Kenya) and independent variables (cost leadership strategy and differentiation strategy).

Correlation Analysis

The present study used Pearson correlation analysis to determine the strength of association between independent variables (cost leadership strategy and differentiation strategy) and the dependent variable (performance of firms in the telecommunication industry in Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

Table 6: Correlation Coefficients

		Firm Performance	Cost Leadership Strategy	Differentiation Strategy
Firm Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	221		
Cost Leadership Strategy	Pearson Correlation	.851**	1	
	Sig. (2-tailed)	.000		
	N	221	221	
Differentiation Strategy	Sig. (2-tailed)	.002	.066	
	N	221	221	
	Pearson Correlation	.835**	.117	1
	Sig. (2-tailed)	.001	.089	
	N	221	221	221

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

From the results, there was a very strong relationship between cost leadership strategy and performance of firms in the telecommunication industry in Kenya (r = 0.851, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Singh and Agarwal (2023) who indicated that there is a very strong relationship between cost leadership strategy and firm performance.

The results also revealed that there was a very strong relationship between differentiation strategy and performance of firms in the telecommunication industry in Kenya (r = 0.835, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings are in line with the results of Porter and Lee (2022) who revealed that there is a very strong relationship between differentiation strategy and firm performance.

Regression Analysis

Multivariate regression analysis was used to assess the relationship between independent variables (cost leadership strategy and differentiation strategy) and the dependent variable (performance of firms in the telecommunication industry in Kenya)

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.823	.678	.677	.10129

a. Predictors: (Constant), cost leadership strategy and differentiation strategy

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.678. This implied that 67.8% of the variation in the dependent variable (performance of firms in the telecommunication industry in Kenya) could be explained by independent variables (cost leadership strategy and differentiation strategy).

Table 8: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	65.251	2	32.627	229.768	.000[b]
	Residual	31.047	218	.142		
	Total	96.298	220			

a. Dependent Variable: performance of firms in the telecommunication industry in Kenya

b. Predictors: (Constant), cost leadership strategy and differentiation strategy

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 229.768 while the F critical was 3.037. The p value was 0.000. Since the F-calculated was greater than the F-critical and the p value 0.000 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of cost leadership strategy and differentiation strategy on performance of firms in the telecommunication industry in Kenya.

Table 9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	**(Constant)**	0.280	0.075		3.733	0.000
	cost leadership strategy	0.354	0.093	0.355	3.806	0.000
	differentiation strategy	0.338	0.088	0.337	3.841	0.001

a Dependent Variable: performance of firms in the telecommunication industry in Kenya

The regression model was as follows:

$$\mathbf{Y = 0.280 + 0.354X_1 + 0.338X_2 + \varepsilon}$$

According to the results, cost leadership strategy has a significant effect on performance of firms in the telecommunication industry in Kenya β_1=0.354, p value= 0.000). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Singh and Agarwal (2023) who indicated that there is a very strong relationship between cost leadership strategy and firm performance.

In addition, the results revealed that differentiation strategy has significant effect on performance of firms in the telecommunication industry in Kenya β1=0.338, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings are in line with the results of Porter and Lee (2022) who revealed that there is a very strong relationship between differentiation strategy and firm performance.

CONCLUSION AND RECOMMENDATIONS

Conclusions

The study concludes that cost leadership strategy has a positive and significant influence on performance of firms in the telecommunication industry in Kenya. Findings revealed that cost efficiency, process optimization and economies scale influence performance of firms in the telecommunication industry in Kenya.

The study also concludes that differentiation strategy has a positive and significant influence on performance of firms in the telecommunication industry in Kenya. Findings revealed that service quality, product innovation and brand image influence performance of firms in the telecommunication industry in Kenya.

Recommendations

The study recommends that telecommunication industry in Kenya should strengthen their cost leadership strategy by improving operational efficiency, optimizing resource utilization, adopting cost-saving technologies, and streamlining business processes to reduce operating costs while maintaining service quality. This would enable firms to offer competitive prices, attract and retain more customers, improve market competitiveness, and enhance overall financial and operational performance.

The study also recommends that telecommunication industry in Kenya should strengthen their differentiation strategy by continuously improving the quality, reliability, innovation, and uniqueness of their products and services to distinguish themselves from competitors. This would enable firms to attract and retain customers, enhance customer satisfaction and loyalty, strengthen their competitive position, and ultimately improve overall firm performance.

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