



COMPETITIVE STRATEGIES AND BUSINESS PERFORMANCE OF TELECOMMUNICATION INDUSTRIES IN PORT HARCOURT

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ABSTRACT

Strategy is a set of actions a firm intends to carry out in order to achieve its long term goals. The study empirically examines the influence of Competitive Strategies on Business Performance of Telecommunication Industries in Port Harcourt. The study adopts a survey research design with a sample size of 80. Data was analyzed using the Spearman Rank Correlation Coefficient with the aid of SPSS. Among the findings was that the measures of competitive strategies (cost leadership, differentiation, focus) have a strong and positive significant relationship with profitability. The paper concludes that competitive strategies have a very strong association with business performance of telecommunication industries in Port Harcourt and recommends the regular adoption of cost leadership and focus strategies by telecommunication industries as it leads to increase in profitability.

KEY WORDS: *Competitive Strategies, Business Performance, Profitability*

INTRODUCTION

Nowadays, the business world have become diverse and ever changing; to survive, the business owners need to build and sustain competitive advantage. Competitive advantage is achieved through the strategic management of resources, capabilities, and core competences, as well as the firm's responsiveness to opportunities and threats in the external environment. McGee & Tanya (2014) opines, resources are the starting point of competitive strategy and are the inputs required to produce a product or service.

The Nigeria telecommunication sector is the largest segment of information and communication sector, this sector has evolved over the years to an oligopolistic market structure (a small number of firms having the magnitude of market share). The leading players are Modern Telecommunication Network (MTN) a South-African based multinational company with market share of

37.21%; Airtel an Indian based multinational telecommunication company, Globacom (GLO) a Nigerian multinational company and 9 mobile (formally called Etisalat).

Strategies are set of actions a firm intends to take in order to attain its long-run goals; it is a match between an organization's resources, skills, opportunities and the purposes it wishes to accomplish (Thompson & Strickland, 2008). In the words of Barney (2007), a firm is said to have a competitive advantage when it implements a value creating strategy. A firm's relative position within its industry shows the level of the firm's profitability, this is further displayed through its competitive advantage (Porter 1998).

The telecommunication sector has been evolving for about 18 years now, recording uninterrupted growths as well as disruptions, due to ever changing innovations. These innovations are offering flexible convenience to Nigerians, even kids

are enjoying the evolution of the telecommunication industry.

Recently, there has been an increased intensity of competition in all business areas; this has further led to greater attention in analyzing different competitive strategies application (Enida et al, 2015). The measurement of performance plays an essential role in initiating and monitoring a strategic plan; it provides avenues for the managers to evaluate whether the firm's objectives are achieved or not (Luliya et al, 2013). However, of all the studies evaluated above, none empirically evaluated the concept of competitive strategies and business performance of telecommunication industries in Port Harcourt. This creates a gap which this study seeks to fill.

PROBLEM STATEMENT

The telecommunication industry is one of the most challenging of the emerging industries in Nigeria, its challenges ranges from multiple taxes, heavy levies on Internet Communication Technology infrastructures, scarcity of forex, destruction of fiber lines etc. (punch.ng.com).

The fierce price competition among telecommunication operators on their voice and internet data has led to contraction in the sector revenue over time. The telecommunication industry are facing low consumer purchasing power, current movements and recent loss of global investors.

AIM OF THE STUDY

The aim of this study is to examine the relationship between competitive strategies and business performance of telecommunication industry in Port Harcourt.

THEORETICAL FRAMEWORK

Porter's Model

Strategy originates from the Greek word "Stratego" which denotes a plan to outdo ones enemies through effective use of resources. The theoretical underpinning for this study is the porter's generic competitive strategy. In 1980, porter proposed three generic competitive strategy (cost leadership, differentiation and focus) for outperforming other firms in a particular industry. He explains that these strategies are essential part of

effective business plan in which a firm can adopt to gain a competitive market position. Porter further posits that a firm can perform best by choosing one strategy on which to concentrate. Porter's model of competitive strategy is considered in this study because of its popularity, well defined structure, clarity, simplicity and generality.

STUDY VARIABLES AND MODEL SPECIFICATION

The study adopted Competitive Strategies (CS) as independent variables with its measures as Cost Leadership (CL), Differentiation (D) and Focus (F) while Business Performance (BP) was adopted as the dependent variable measured with Profitability (P).

FUNCTIONAL RELATIONSHIPS

This study reiterate its aim to establish functional relationship between the measures of predictor and criterion variables. For the purpose of this study, we developed a model specification to aid the functional relationships as follows:

$$BP = f(CS)$$

$$CS = (CL, D, F)$$

$$BP = (P)$$

Where: BP = Business Performance

CS = Competitive Strategies

CL = Cost Leadership

F = Focus

D = Differentiation

P = Profitability

DEFINITION OF TERMS

Competitive Strategy: is the positional advantage the firm occupies that ensures its success.

Business Performance: is the ability of a firm to satisfy the desires of its major shareholders.

Cost Leadership: this is the achievement of sustainable competitive advantage by reducing and controlling cost.

Differentiation: is the development of a unique product or service.

Focus: this is the strategy in which the firm aims to serve the customers in a narrow market segment.

Profitability: is the firm's ability to generate income.

CONCEPTUAL / OPERATIONAL FRAMEWORK

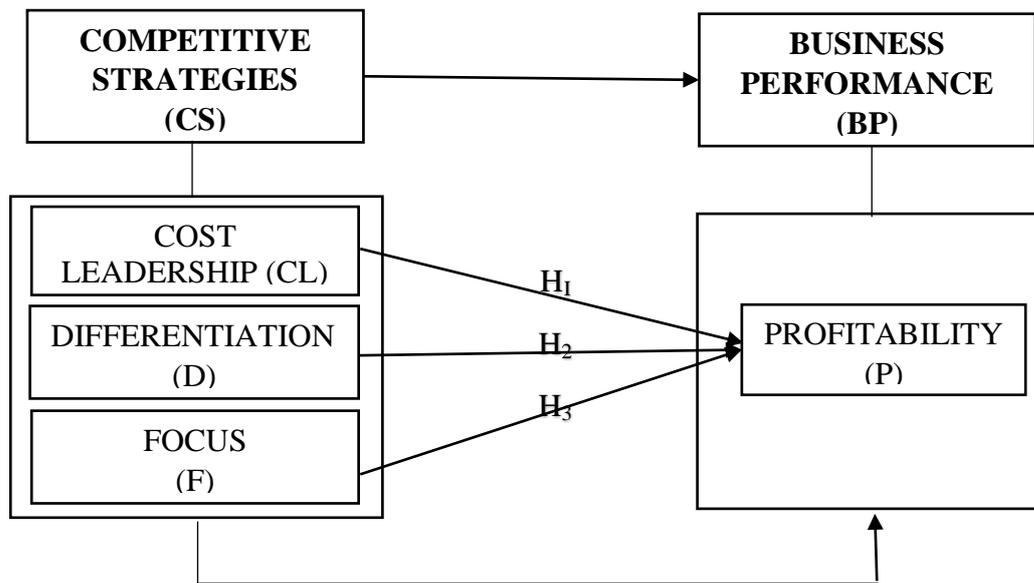


Fig 1: Conceptual and operational framework

Source: Desk Research, 2019.

RESEARCH HYPOTHESES

H₀₁: There is no relationship between cost leadership and profitability of telecommunication industries in Port Harcourt.

H₀₂: There is no relationship between differentiation and profitability of telecommunication Industries in Port Harcourt.

H₀₃: There is no relationship between focus and profitability of telecommunication industries in Port Harcourt.

LITERATURE REVIEW

Competitive strategy

Competitive strategy creates access to opportunities and threats in the external environment through preemptive and reactive strategies (McGee & Tanya, 2014). Porter (1985) argued, by pursuing the differentiation, cost leadership or focus strategies, businesses can attain tremendous and enduring competitive advantage over its rivals. The ability of a firm to outperform its competitors dwells largely on its ability to take advantage of market activity trends, capturing premium pricing, introduction of new products, etc. (Ghemawat, 2002). In the words of Reeves & Routledge (2013), choosing a strategy based on the positional advantage a firm occupies, ensures its success as it depends on the resources available to the firm.

Cost Leadership Strategy

According to Power and Halm (2004), cost leadership provides a statistically significant performance advantage, it is an integrated set of

actions taken to produce goods or services with quality features, which are sold to customers at reduced cost to ensure superior profitability (Luliya & et al, 2013).

In the words of Rilaka (2013), cost leadership strategy emphasizes efficiency by producing volumes of standardized product where the firm is able to take advantage of economies of scales and experience curve effects. Low input cost involves locating operations close to materials and cheap labours.

Porter (1985) claims, cost leadership strategy entails the process through which the firm is able to produce or distribute goods and services at a lower cost than competitors within the same industry.

Differentiation Strategy

This entails an integrated set of actions taken to produce goods that customers perceives as being different in ways that are unique; these specialty is associated with design, brand image, technology, network and customer service (Ritika, 2013). Johnson et al., (2011) indicated, differentiation strategy consist of uniqueness in doing something that is sufficiently valued by customers in order to ensure price premium. To ensure a successful differentiation strategy, the firm needs high quality products, good research, development and innovation (Porter, 1998).

Focus Strategy

This strategy entails the firm concentrating on a selected target market by this, the firm hopes to gain a competitive advantage through

effectiveness rather than efficiency. Porter (1985) posits, focus strategy is employed when it is not appropriate to apply the cost leadership or differentiation strategies.

BUSINESS PERFORMANCE

Barney (2007) opines, business performance refers to how efficiently and effectively a firm utilizes its resources in generating economic outcomes; measures of business performance are profit, return on investment (ROI), sales turnover, product improvement, etc (Laura et al., 1996).

PROFITABILITY

Profitability is the firm’s ability to generate income, a business that is highly profitable is able to reward its owners with large returns on their investments. According to Ehrhardt & Brigham (2011), profit means different things to various stakeholders, to financial managers, profit is the test of efficiency; to business owners, it is a measure of the worth of investment; to creditors,

the margin of their safety; to a country, profit is an index for economic processes.

METHODOLOGY

The population of this study consists of a conveniently selected top and middle level managers of the four selected telecommunication firms (MTN, Airtel, Glo and 9mobile) operational in Port Harcourt. A sample of eighty (80) was conveniently selected for this study; that is twenty (20) from each of the telecommunication firms. Data was analyzed using Spearman Rank Correlation Coefficient with the aid of Statistical Package for Social Science (SPSS) version 20.

DATA ANALYSIS AND PRESENTATION

Decision Rule: Reject null hypothesis (H_0) if $PV < 0.05$ and $\rho > 0$. But accept H_0 if otherwise.
 0.1 and above= positive relationship
 -0.1 and above= Negative relationship

Table1: Showing the Relationship between Cost Leadership and Profitability

Correlations			Cost Leadership	Profitability
Spearman's rho	Cost Leadership	Correlation Coefficient	1.000	.763
		Sig. (2-tailed)	.	.000
		N	80	80
	Profitability	Correlation Coefficient	.763	1.000
		Sig. (2-tailed)	.000	.
		N	80	80

*. Correlation is significant at the 0.05 level (1-tailed).

Table 2: Showing the Relationship between Differentiation and Profitability

Correlations			Differentiation	Profitability
Spearman's rho	Differentiation	Correlation Coefficient	1.000	.578
		Sig. (1-tailed)	.	.000
		N	80	80
	Profitability	Correlation Coefficient	.578	1.000
		Sig. (1-tailed)	.000	.
		N	80	80

*. Correlation is significant at the 0.05 level (1-tailed).

Table 3: Showing the Relationship between Focus and Profitability

Correlations			Focus	Profitability
Spearman's rho	Focus	Correlation Coefficient	1.000	.881
		Sig. (1-tailed)	.	.000
		N	80	80
	Profitability	Correlation Coefficient	.881	1.000
		Sig. (1-tailed)	.000	.
		N	80	80

*. Correlation is significant at the 0.05 level (1-tailed).

Discussion of Findings

Table 1, 2 and 3 above reveals a spearman rank correlation coefficient of 0.763, 0.578 and 0.881 with probability value (PV) = 0.000 respectively. These results shows that the measures of competitive strategies (cost leadership, differentiation, focus) have a strong and positive significant relationship with profitability of telecommunication industry in Port Harcourt; however, differentiation has a positive relationship but not as strong as cost leadership and focus as seen in table 2 above. Therefore, we reject the null hypotheses 1, 2 and 3, then accept the alternate hypotheses which states that cost leadership, differentiation and focus have a significant relationship with profitability of telecommunication industry in Port Harcourt.

The findings further indicates that the adoption of cost leadership, differentiation and focus strategies by telecommunication industries would increase their profit margins leading to enhanced business performance. This outcome agrees with Porter (1985), where he stated that, by pursuing the differentiation, cost leadership or focus strategies, businesses can attain tremendous and enduring competitive advantage over its rivals.

CONCLUSION

The study concludes that competitive strategies have a very strong association with business performance of telecommunication industries in Port Harcourt.

RECOMMENDATION

The regular adoption of cost leadership and focus strategies by telecommunication industries as it leads to increase in profitability; in order to achieve the firm's competitive advantages resulting in effective business performance.

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