AN ASSESSMENT OF ORGANIZATIONAL FACTORS INFLUENCING THE FINANCIAL PERFORMANCE OF ACCESS KENYA GROUP.

By

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DECLARATION

I declare that this is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Since financial performance is important to the success of any business then improved financial performance in Access Kenya Group provided the main motivation for this study as expenses were seen to be growing much faster than revenues in the five year financial statement analysis of 2008 to 2012. It was therefore, the purpose of this study to assess the organizational factors that influence the financial performance of Access Kenya Group. The key indicators for financial performance being: to determine the awareness of revenue growth opportunities available for Access Kenya Group; to assess the relationship between business expenses and revenue growth for Access Kenya Group and to evaluate whether Access Kenya Group has people capabilities required to implement financial performance. In order, to achieve the stated objectives of the study, a questionnaire containing structured questions was used. It was however, accompanied by probing questions when the need arose for elaboration. The returned questionnaires were first sorted, coded, edited and keyed in the computer using SPSS (Statistical Package for Social Sciences). Considering that the data to be collected was quantitative data, descriptive analysis technique was best suited for data analysis. The conclusions and recommendations of the study were that the organization should maintain a balance between revenue growth and cost reduction. Secondly, it is important to note that customer retention and new products are critical for the organization and this can only be achieved through a detailed grasp of the changing risk profile of the institution which can only be achieved by building quality data and infrastructural investments. It is also increasingly important for Access Kenya Group to understand the regulatory codes emerging at both national and international level as this will assist the business in growing sustainable revenues. Finally, the organization will require to better align the way people work to enable them focus on business objectives, training and skills programmed' to better achieve these objectives, infusing retailing skills and a cultural revolution in the way staff are led, managed, trained, measured and rewarded. For, further study the causes of low market share of Access Kenya Group in rural areas should be looked into considering as it is very popular in Nairobi and other major towns in Kenya. It is also important to look into the impact of regulatory framework on financial performance in future.

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My friends and family know that when I wrote this document it was a communal project. I read sections of chapters to them and invited their comments. Now and then I also asked them to read a chapter or two to give me insights.

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DEDICATION

This research proposal is lovingly dedicated to my families who have been my constant source of inspiration. They have given me the drive and discipline to tackle any task with enthusiasm and determination. Without their love and support this project would not have been made possible.

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LIST OF ABBREVIATIONS

CCK - Communications Commission of Kenya

ICT - Information Communications Technology

NSE - Nairobi Securities Exchange

SPSS - Statistical Package for Social Sciences

OPERATIONAL DEFINITION OF KEY TERMS

Cost reduction is the process used by companies to decrease their expenses and increase their net incomes. Depending on an organizations services or products, the strategies can vary. It is important to note that every decision in the product development affects expenses.

Revenue Growth gives a good picture of the rate at which companies have been able to expand their businesses sales or incomes. All things being equal, stocks with higher revenue growth rates are generally more desirable than those with slower revenue growth rates.

Regulatory Framework is a system of regulations and the means used to enforce them. They are usually established by the government to regulate specific activities. These rules have a structured way of being supported and most of them are recognized by the law.

Revenue Growth Opportunities are advantageous circumstances or chances to expand businesses sales or incomes. These encompass areas like growth of returns on assets, return on investment and growth in sales.

Human resource capabilities are the qualities, and abilities in people management that can be used or developed**.**

Training is the process of acquisition of knowledge, skills and competencies of vocational or practical skills and knowledge to relate to specific useful competencies, with a goal of improving one's capability and performance.

Currency Exchange is the price of one country's currency expressed in another country's currency. In other words, the rate at which one currency can be exchanged for another.

CHAPTER ONE

INTRODUCTION

1.1 Background

Sam and Makor (2011) indicate that the concept of Internet started in the United States of America as a way to curb the persistent military threat emanating from the soviet bloc in the early 1960's. This was done by dismantling the centralized forms of communications and introducing a network like communication system that linked computers together. The suggestion came during the late 1960s to early 1970s by United States of America Defence Ministry based on fears that reliance on centralized forms of communication through very few and large computers may jeopardize their information systems. It was very clear that in case of damage to computers the resultant effect would lead to increasing attack form their opponent.

Today, the internet has become very important in day to day activities of citizens, businesses, and governments for a number of activities beyond communications, these include commerce, education, health care, and social inclusion. The growth of the internet in many arenas has led to the development of many new applications and devices in the best way possible all over the world. In particular, this has led to input of a lot of funding in-order to come up with new high speed access, applications and devices in developing countries with the per annum growth rate in the number of Internet users in Africa being over 33% in the past ten years almost double the rate in Asia and Latin America (each with a growth rate of 17%), and well ahead of the growth rates in Europe (10%) and the United States and Canada (4%) (Kende, 2012).

However, a lot still needs to be done in regards to increase in the amount of broadband (both fixed and mobile) present in developing countries, as major changes have occurred, and these changes have been driven by the internet, and have driven, major change globally of the Internet (Kende, 2012).

(Communications Commission of Kenya, 2012) report notes that growth in Kenya's Internet and Broadband sector has increased in recent years due to better infrastructure, arrival of wireless access technologies and lower tariffs. Its statistics further, put the total number of internet users at seventeen million three hundred thousand combining all mobile and data internet subscribers, terrestrial wireless subscribers, satellite subscriptions, fixed internet connections, fiber optic subscriptions and fixed cable modem users. The sector being dynamic continues to benefit Kenya with its productivity gains. As a matter of fact, it is estimated to account for 13% of growth in Kenya's economy in the past decade. Vision 2030 additionally, targets a Gross Domestic Product growth of 10% per annum, which implies that were this to be achieved Kenya's per capita income would have to double by 2018 therefore one would conclude that for Kenya to improve its per capita income continued growth in revenue and profitability of the telecommunication and technology sector would be relevant (Deloitte, 2011). The Telecommunication and Technology sector has only two firms listed in the Nairobi Securities Exchange (NSE) that is Access Kenya and Safaricom (Nairobi Securities Exchange, 2012).

Access Kenya Group is an Internet technology solutions company which has come a long way since its launch in 2000. In the years 2001, 2002 and 2003 Access Kenya Group grew its revenue by an excess of 200%. These continued in 2004 and 2005 when it recorded top line revenue growth of 100% each year thus placing itself as the top most preferred corporate internet solutions provider in Kenya. In fact, Access Kenya won the top award in Corporate Internet Services for five consecutive years since 2001. Adding to the growth in 2007, the Group managed to add to its business Open View Business Systems Limited Technology Solutions Company with the intention to add the latter's products into the groups' product portfolio which was a strategic move in order to grow Access Kenya Group incomes. In 2013, Access Kenya has been served with a notice of intention for takeover from Dimension data Group Public Limited Company, a limited liability company incorporated in the United Kingdom intending to acquire all the issued shares in Access Kenya Group. The offer can either be successful, withdrawn or rejected by the requisite number of shareholders (Access Kenya Group, 2013).

1.2: Problem Statement

From 2008 financial statements analysis indicate that the expenses of Access Kenya Group are growing faster than revenues. An analysis of Access Kenya Income Statement in the year 2008 to 2009 indicates that revenues have a growth of 32% as compared to selling general and administration expenses which have grown by 48%, interest expense which has grown by 51% and currency exchange losses which have grown by 240%. This being an indication that expense is growing much faster as compared to revenues (Appendix II). Another analysis of Access Kenya Income Statement in the year 2009 to 2010 indicate that revenues have declined by 17% as compared to selling general and administration expenses which have grown by 30.6%, interest expense which has grown by 940% and currency exchange losses which have grown by 1164%. This being an indication that expense is growing much faster as compared to revenues (Appendix III). An analysis of Access Kenya Income Statement in the year 2010 to 2011 indicate that revenues have declined by 2% as compared to selling general and administration expenses which have grown by 20%, interest expense which has grown by 38%

and currency exchange losses which have grown by 35%. This being an indication that expense is growing much faster as compared to revenues (Appendix IV). An analysis of Access Kenya Income Statement in the year 2011 to 2012 indicate that revenues have increased by 9% as compared to selling administration expenses which have grown by 10% and interest expense or net financing costs which have grown by 14%. This being an indication that expense is growing much faster as compared to revenues (Appendix V).

Since financial performance is important to the success of any business then improving financial performance of Access Kenya Group has provided the main motivation for this study as expenses are seen to be growing much faster than revenues in the five year financial statement analysis of 2008 to 2012. It is therefore the purpose of this study to assess the organizational factors that influence the financial performance of Access Kenya Group.

1.3 Objective of the study

1.3.1 General objective

It was therefore the purpose of the study to assess the organizational factors that influence the financial performance of Access Kenya Group.

1.3.2 Research Objectives

The specific objectives are to:

1. determine the revenue growth opportunities available for Access Kenya Group.
2. assess revenue versus cost impact on financial performance of Access Kenya Group.
3. evaluate whether Access Kenya Group has human resource capabilities necessary for financial performance.

1.3.3 Research Questions

The specific research questions are:

1.what are the revenue growth opportunities available to Access Kenya Group?

2. what is the impact of revenue versus growth on the financial performance of Access Kenya Group?

3. does Access Kenya Group has human resource capabilities necessary for financial performance?

1.4 Significance of the study.

The Access Kenya Group owners will be interested to know how to improve financial performance as this will in turn affect the growth and eventually the very survival of the enterprise in the modern day. For the academic community this study will contribute to knowledge and give recommendations for those planning to do further research. The will also seek to increase knowledge on this subject. The management may benefit in assessing whether they use the correct methods of financial management. Stakeholders will benefit as the research will be a source of information for sound decisions in the enterprise. Policy makers will be able to make better policies with the knowledge on how to improve financial performance.

1.5 Scope and limitations of the study.

The survey will target Access Kenya head of departments who make policy decisions and are therefore directly involved in facilitating improved financial performance. In terms of knowledge, the study will revolve around assessing organizational factors that influence the financial performance of Access Kenya Group.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In today's global environment, change rather than stability is the order of the day. Rapid changes in technology, competition and customers' demands have increased the rate at which companies need to alter their plans to achieve certain objectives and structures to survive in the market place. One of the principle reasons businesses fail is their inability to alter and adapt to a new competitive environment because of businesses not being willing to change. Once an organization has been created and task and role relationships are defined, a set of forces is put into operation that makes organization inertia. This is the tendency of businesses to continue to rely on the skills and competencies that made them successful even when those competencies do not match the new competitive environment. Another cause of organizational inertia is conflict and power struggles that occur at the top of an organization as managers strive to influence decision making to protect and enhance their own positions (Hill and Jones, 2001).

Greenberg and Baron (2002), points out that first changes are those that are continuous in nature and involve small shifts in the way businesses operate. These are basically very intentional incremental changes undertaken by businesses. According to Goodstein and Burke (1991), plans to change how to achieve a specific purpose are often referred to as second order changes. These are fundamental transformations where the business totally changes its essential operational structure while looking for a new competitive edge within the market place. Adapting to changing goals and demands has been a timeless challenge for businesses, but the task seems to become even more important. Successful organizational adaptation is increasingly reliant on generating employee support and enthusiasm for proposed changes. Leadership of change belongs to one small group of people typically located at the top of the formal hierarchy. The more rapidly employees in the lower hierarchy can align themselves with instructions from top level employees the more rapidly the desired financial performance can be achieved (Nandler and Tushman, 1990).

2.2 Regulatory Framework of Access Kenya

2.2.1 Freedom of Expression versus Defamation.

Freedom of expression is enshrined in article 33 of Kenya's Constitution and includes the right to seek, receive or impart information and ideas. The right, however, does not extend to propaganda; hate speech, incitement to violence, and advocacy of hatred. Criminal defamation laws with penalties of at least Kenya Shillings 400,000 remain on the books (Government of Kenya, 2009) it awaits to be repealed or amended to conform to Kenya's 2010 constitution. While defamation cases are occasionally brought against journalist in traditional media, jurisprudence is now catching up online with a few legal actions being against internet users in recent years.

2.2.2 Communications Amendment Act

The communications amendment act establishes that any individual who prepares and makes available any offensive information in electronic form commits an offense. It also highlights other forms of actions against the law associated with the use of Information Communication and Technologies. The advocated for punishments include up to Kenya Shillings 200,000 in fines and two year's imprisonment (Government of Kenya, 2011). Many laws such as the 2009 communications amendment act are undergoing internal review and stakeholder consultation. The aim is to change or adjust them in order top bring them in alignment with Kenya's new constitution passed in 2010 (Commission for the implementation of the

Constitution,2012). The freedom of information Bill and ICT sector policy guidelines 2011 are also some of those undergoing internal review (Ministry of Information and Communication, 2012).

2.2.3 Privacy and confidentiality

The right to privacy includes the right not to have information relating to a persons family or confidential matter unnecessarily known as well as the right not to have the privacy of a persons communication infringed. This is a positive step in a digital world where the interactions requiring personal data are more common than before therefore making the need for protection of the person important. This is particularly of importance as careful watch of the internet and mobile phones has become a growing concern in Kenya over introduction of a system aimed to monitor private emails, due to a rise in cyber security threats (Government of Kenya, 2010)

2.2.4 Identity

All mobile phone subscribers are required to register their SIM cards with their service providers. Subscriber registration is the process of recording and confirming personal details of a subscriber by a communications service provider. Such details shall include the phone number, name, date of birth, gender, address, alternative telephone contacts, if available, and number of the identification document used, including the National Identity Card or any other acceptable identification document for example a passport. Subscriber registration is aimed at safeguarding the public against acts of insecurity including the widespread threats posed by terrorism; drug trafficking, money laundering, extortion, fraud, hate messages, and incitement that are now widespread around the world (Communications Commission of Kenya, 2012). This is to put to an end the state of being unknown as the integrity of not being known may not always be guaranteed and that not being known has been used to promote hate speech.

2.2.5 Intellectual Property Rights

Ouma (2008) cites that to a big extent, the Kenyan online community doest not concern itself with intellectual property rights. Content is therefore, shared without any restriction whatsoever. Therefore, many users of the internet share their content through social media freely which in most cases has worked positively by promoting their content to a wider audience. The online community has also been active in producing creative works such as cartoons and caricature commenting on issues affecting the society. Sometimes these works are derived from other rights holders and are largely taken as an artistic expression therefore not many complaints have been recorded by rights holders. What is most interesting to note is that bodies such as The Copyright Board are in the process of revising and updating the law. Hopefully this will follow past trends where there was more effort towards protecting proprietary works. It is also hoped that revisions will also focus on non-proprietary works and public knowledge.

2.2.6 Communications Commission of Kenya

The regulatory body is responsible for making the development of the information, communications and technology sector easier that is broadcasting, multimedia, telecommunications postal services and e-commerce. Its responsibility entails: licensing all systems and services in the communications industry, including telecommunications, postal or courier and broadcasting; managing the country’s spectrum and numbering resources; facilitating the development of e-commerce; approving communications equipment meant for use in this country; protecting consumers right within the communications environment; managing competition in the sector to ensure a level playing ground for all players; regulating retail and wholesale tariffs for communications services and finally managing the universal access fund (communication commission of Kenya, 2013).

2.2.7 Tax Holidays and other financial incentives.

In 2009, the government removed import duty and the 16% value added tax on new mobile handsets and information communication equipment. It also allowed internet providers to offset the expenses of buying fibre optic equipment for twenty years. These agreements have resulted in a considerable going down of expenses to consumers. In 2010, the Kenyan Government received the Prestigious Global System for Mobile Communications Association Government Leadership Award in recognition of its role in extending the advantages of the mobile technology to more consumers through various tax incentives (Syekei and Olweny, 2011).

2.3 *Theoretical Framework*

Wayande (2006), sought to establish the extent to which Ansoff's Growth Strategy had been applied by Internet Service Providers and the challenges they faced in its application. The study examined the four Ansoff's growth Strategies namely: market penetration, market development, product development and diversification strategies. The study was descriptive in nature. The population of interest consisted of all Internet Service providing firms in Kenya which according to a list obtained from Communications Commission of Kenya as at July 2006 numbered 28 firms. Given the small number of firms a census study was conducted. Primary data was collected using a semi-structured questionnaire. The questionnaire was administered to the respondents through drop and pick later method. However in most instances the researcher was available to clarify on issues, not well understood by respondents. Primary data was collected using a semi-structured questionnaire and only 16 firms responded out of the 28 firms.

Data was analyzed using frequencies, percentages, mean scores and standard deviation. Results showed that most firms applied Ansoff’s Growth Strategy with market penetration being the most widely used by Internet Service Providers. Respondent firms applied Ansoff's growth strategies of market penetration to a very large extent, market development to large extent, product development to a moderate extent and diversification to a small extent the respondents stated challenges of its application to include IT piracy, perception of growth strategy, infrastructure, legal framework and lack of organizational IT policy.

Keeru (2011) sought to establish the strategic responses that have been adapted by the internet service providers to address the existing growth of mobile telephony industry and to establish the challenges the internet service providers are facing. The study established that internet service providers should unite and advocate for a better regulatory environment.

The study also established that internet service providers should come together to share infrastructure in order to reduce costs which they can pass down to the consumer or increase their profit margins. The government was also to come in with their policies that enhance sharing of resources in the industry in order to reduce internet cost and improve usage. A questionnaire was used for data collection. The data obtained from the questionnaire was analyzed using content analysis (Keeru, 2011). This study was aimed at explicitly coming up with strategies to grow the internet service provision industry.

Ertimur and Livnat (2003) sought to investigate the reactions of a person who invests on income and cost unexpected changes’ coming before money earned is made public. The findings indicated that a person who invests values more highly a dollar of income that is unexpected than a dollar of costs that are unexpected. Findings further, indicated that these varying market reactions to income and expense due to unexpected happenings differ systematically for growth versus value firms and depend on (a) the fraction of variable to total expenses (b) the relative persistence of sales and costs and © the fraction of operating to total costs. Findings also outlined the significance of interpreting the earnings unexpected change in the context of its sources for example surprise in income or in total costs.

In a study of the effect of people management practices on the amount of money gotten in the business within a certain period of time was looked into all dimensions. The findings was based on a country wide sample of at least one thousand businesses which revealed that these practices had money value and statistically important effect on the amount of money taken into the business (Huselid, 1995).

There was also support for the fact that improved returns in a business would only be possible if High Performance Work Practice existed like careful staff selection and recruitment; rewarding based on incentives and performance of employees; employee participation and training of staff to improve staff skill set and knowledge. As all these contributed to improved financial performance by improving staff morale, reducing exit from a firm, reducing staff idleness and improving retention of employees (Huselid, 1995)

2.4 CONCEPTUAL FRAMEWORK

Figure 2.4 Conceptual Framework

Independent Variables **Dependent Variable**

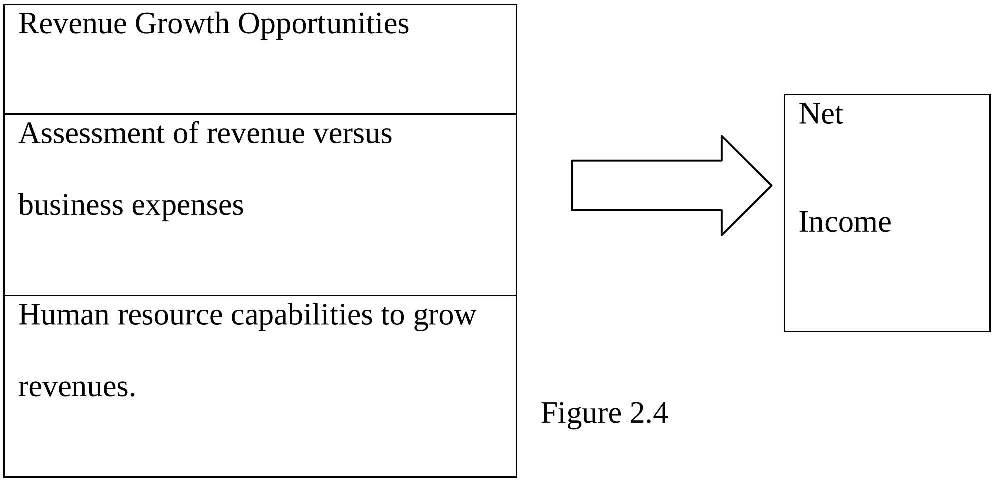


Figure 2.4

Financial factors financial performance

2.5 Revenue Growth Opportunities available to Access Kenya.

2.5.1 Mobile Phone Subscription.

The increasing number of internet users, mobile phone subscribers, and broadcasting stations in 2011 continue to offer growth in the information and communication technology (ICT) sector in Kenya (Techloy, 2012). Further, Mobile phones have become widely available and affordable especially after the country's telecommunications industry regulator, the Communications Commission of Kenya (CCK), was established and two service providers Safaricom and Kencell, were licensed in 1999 (Export Processing Zone Authority, 2005). Communications Commission of Kenya (2012) indicates that as a matter of fact, the mobile phone subscriptions rate in Kenya increased from 60 percent in mid 2010 to 71.3 percent in

December 2011, with 28.1 million mobile phone subscriptions. This was heightened by the growing popularity of mobile handsets as a medium of internet, entertainment, and mobile money transfer. Mobile data or internet subscriptions represent 99 percent of total internet subscriptions, an indication that the mobile handset has become a popular mode of accessing internet. This is an opportunity for Access Kenya as mobile phones are an excellent entry point for customers wanting to have their first taste of the internet. It is also a low cost, simple entry point. As customers become more discerning about the service they require, the guarantees they want and specifically the reliability and customer service, they then move to an improved product (Access Kenya, 2013).

2.5.2 Internet Market Penetration.

Internet markets penetration has increased by 21 percent in the period between 2006 and 2011 (Internet Telecommunication Union, 2011). Much of this growth can be attributed to increases in mobile internet connections, improved internet bandwidth capacity (International Telecommunications Union,2011) and intensified promotions on media applications by mobile operators (Communications Commission of Kenya, 2012). While internet penetration continues to increase across, the country, there is a large difference in access between rural and urban areas. In most urban areas, the rate of access is above fifteen percent, whereas penetration is less than three percent in some rural areas (Communications Commission of Kenya, 2011). The spread of internet to underserved areas is hampered by high operation and maintenance expenses, especially due to the lack of electricity, high license and spectrum fees, limited access to roads, and poor security against vandalism for the infrastructure deployed (Communications Commission of Kenya, 2011). This explains the disproportionately high concentration of internet subscribers in Kenya’s two largest cities, Nairobi and Mombasa.

2.5.3 Pasha Centers.

Both the government and private sector have come together to solve the difference in access to the internet between rural and urban areas through coming up with digital public access similar to cybercafés (Government of Kenya, 2009).Pasha centre's are to be run by business people who acquire knowledge and skills in business and information technology from a certified training program run by the Kenya's Information Communications Board who will also provide funding to business people to develop digital villages that have at least five computers and connection to the internet in each of the existing constituencies in Kenya which are two hundred and ten. The Pasha centre's will be useful in enhancing business skills and knowledge as well as exposing people to world news, they will provide employment to Kenyans and finally enhance provision of government services like National Social Securities Fund (Kenya Information Communications Board, 2010). This is an indication that there is now an opportunity to penetrate the rural market**.**

2.5.4 Customer Retention.

In most cases it is more expensive to acquire a new client as compared to retaining one who has been a client with the organization. The benefits of selling to existing clients include: increased product volume, decreased sales and marketing costs, decreased cost of servicing, and effective channel usage. To expound further on this benefits return on investment in customer retention is more rather than for the acquisition of new customers in fact converting new ones into loyal ones takes more time, effort and expense than is required for current customers. It is also notable that a lot of businesses spend a lot of resources acquiring customers yet not so many may spend the same amount of money on retention strategies. Customer retention strategies would vary from people related, process related, place related and promotion related strategies (Deloitte, 2003). Surely, then the challenge for Access Kenya Group should be to develop existing relationships with customers.

2.5.5 Customer Profitability Analysis

Customer profitability analysis is an expression of the amount of income that a client brings into the business. It can be calculated using various methods including looking at the income that the customer generates and deducting the expenses associated with providing services to the customer. The costs that are calculated should include marketing expenses, expenses from production, packaging logistics and more. Customer profitability is important as it facilitates in knowledge of significant client groups that constitute an organization, knowing the benefit of each client group and then assisting in giving each client group the requirements that are necessary. This information of its clients can assist the business in deciding to retain the customer group, grow its market share or do away with the client group (Brown, 2007). It is therefore important especially for Access Kenya to know its key customer regions so as to know which markets it needs to penetrate, to know if it needs new products to its customers or actually needs to introduce its customers to products of the business they are not using.

2.5.6 ***Trained Labour Force***

The creation of productive and sustainable labour force has remained a central policy priority of the Kenya Government. Therefore, a number of interventions have been formulated and implemented including Constitution 2010 and Vision 2030. Government of Kenya (2010), makes education a right of every Kenyan. Vision (2030), further underscores the usefulness of education in ensuring relevant human and social capital for sustainable development. In particular, the Constitution guarantees every child to free and mandatory basic education. It further provides for access to affordable tertiary education, training and skills development (Government of Kenya, 2010). This has led to the development of many institutions of Higher learning offering different trainings that have different skills and knowledge necessary in development of institutions like Access Kenya.

2.6 Revenue growth versus Cost reduction

Advantages concerning money may be obtained from income growth, expenses going down or both at the same time. As a matter of fact, in a study of managers seeking to obtain a financial return from quality improvement, the authors addressed the issue of quality profitability emphasis through income growth, expenses or both to find out which plan of action was most effective in achieving business objectives. Although the results made it clear that no company can neglect either income growth or expenses going down, the empirical results suggested that firms that adopt primarily an income expansion plan of action perform better than firms that try to stress expenses going down and better than firms that try to stress both income growth and expenses going down at the same time (Rust; Moorman and Dickson 2002).

More than twenty five thousand companies for more than forty years were looked into to identify the core rules for sustained superior performance. Only, three rules were established that make a company truly great these are: better before cheaper in other words, compete on differentiators other than price; secondly income before expenses that is prioritize increasing incomes over bringing down expenses and finally change anything in order to follow rules one and two. This logic supports growth through excellence of product and service which are the most important sustainable competitive posture. Secondly, the rules also support growing a business comes through helping employees become better and then unleashing and enabling them to continually improve processes that drive impressive products and services for customers (Raynor and Ahmed, 2013).

(Deloitte, 2003) study of the European retail financial services landscape and survey of top financial institutions indicated that alone cost reduction does not confer a competitive advantage and thus focus had switched to revenue growth. This created clarity that the ability to grow sustainable revenue streams is important. As a matter of fact recent growth trends showed that share price performance was well correlated with growth in both revenue and operating profits. The critical issue is therefore how this is achieved, rather than why revenue growth is important. This then requires a cultural revolution or organizational change focusing on: the size of the revenue opportunity growth; the primacy of product over process and people capabilities required to implement revenue growth. It also cites that innovative products can be replicated and bettered by the competition. Thus it is far more important to have the processes in place to identify revenue growth opportunities and to support this with sufficiently flexible delivery systems.

(Pandey, 2005) also reveals that a higher operating expense ratio is unfavorable since it will leave a small amount of operating income to meet interest and dividends. The operating expense ratio is a yard stick of operating efficiency, but it should be used cautiously as it is affected by a number of factors, such as external uncontrollable factors, internal factors, employees and managerial efficiency, all of which are difficult to analyze. This ratio is very useful as it should be compared with the ratios of similar firms and the industry average. These usually reveal whether the firm is paying higher or lower salaries to its employees as compared to other firms; whether its capacity utilization is high or low; whether the sales men are given enough commission; whether it is unnecessarily spending on advertisement and other sales promotional activities; whether its cost production is high or low.

2.7 Human resource Capabilities as an avenue for revenue growth

2.7.1 Careful staff selection, training, motivating and rewarding

Youssef (2004)Training and development, motivating service personnel such that an appropriate degree of customer orientation becomes natural, the careful selecting, training, motivating and rewarding of the managers of service personnel such that they set an appropriate example established values and provide rule models; careful monitoring and control of the service offer and the perceived level of customer satisfaction indicated by the purchaser; clearly thought out policies of reward and remuneration to help maintain and encourage a high degree of customer orientation and customer service over long-time periods; this process may also involve the periodic removal of staff exposed o high level of customer contact for physical contact for spiritual and physical refreshment and recovery; maintaining high levels of attentiveness to and empathy to customers will impose stress and strain on over a period of time even for the highest customer service systems and finally it may call for systems of Job rotation to maintain personal enthusiasm and customer care

2.7.2 People as the key to financial performance

There is much talk about people being key assets of the organization. In virtually every organization senior managers and middle managers alike engage in conversations extolling the virtue of better people management. However, the biggest lie told by most organizations is that people are our most important assets. This is total fabrication as they treat people like raw material. Unfortunately, to a large extreme, the observation is accurate. We do not need to be told again and again that people management is critical to business success and the success of initiatives. Nor do we need to be told again and again that people management impacts the bottom line (Fawcett; Rhoads and Burnah, 2004).

Yet despite this we fail to act upon the evidence that companies which report high levels of employee satisfaction and commitment exhibit higher financial performance. It is perplexing to come face to face with this discrepancy between understanding and action. The message is, people are important and we need to manage then as such. The evidence is clear; managing people more effectively improves your business performance (Fawcett; Rhoads and Burnah, 2004).

2.7.3 Passionate commitment to people and culture

Pfeffer (2006), cites that many companies and leaders say they are committed but how many people are truly committed to people? Great companies are acutely aware that success requires long-term commitment to people. People are not just vital to performance of the organization, they are the organization! So try avoiding every next fad that comes your way and constantly focus on the people dimension. Try to examine how the constant barrage of fads affects people. Often fads change direction until organizations and their people stand exhausted and confused lesson: plan your strategies for the long term keeping the people equation constantly in mind. World class companies also understand the power of culture to create consistency of purpose and action, but more than this they understand that they can nurture and manage culture to drive performance. Culture is what people develop amongst themselves. And for a successful culture change to be brought about, the role of people to have the capacity to handle good news and bad news , the simple rule is to use all available media to reach out and build trust relationships with people .

This requires sharing information with your employees and key stakeholders another point, worthy of attention in communications is to remember to treat people in a total sense. Remember they are not just visible side when communicating to create strong and lasting bonds. Forget the often heard saying ‘’let’s keep emotions out of this and deal with things rationally.’’ You cannot ignore the emotional side, because like it or not our emotional state dictates our state (Pfeffer, 2006),

2.7.4 Willingness to accommodate innovation.

World Class companies recognize the need to allow scope for experimentation within the workplace. Tight specifications of work deny the creative element intrinsic to human motivation and satisfaction. Best practice suggests building clarity of goals but allowing the individual to specify precise actions. Hand –in-glove, however is necessary to build a sense of ownership and responsibility (empowerment, as it is often called. Passion is constantly improve –excellent companies imbue in their employees a motto of “never being satisfied”. Their employees constantly search for improvement. Their systems and processes search for and accommodate new ideas from all sources (Berry; Shankar; Parish; Cadwallader and Dotzel 2006).

2.8 Critique

Change in strategy is very important if an organization is going to survive the intense competition in the market place as a result of technology, competition and customer demands (Hill and Jones, 2001; Greenberg and Baron, 2002; Goodstein and Baron ,2002). Internet service providers now increasingly have to operate in a highly regulated environment as Laws like Defamation Act Laws of Kenya, 2009 now apply to the internet (Government of Kenya, 2009).

Additionally, even bodies like the Communications Commission of Kenya are now present to facilitate the development of the information communications and technology sector in Kenya (Communications Commission of Kenya, 2013). The regulatory framework however, present in Kenya poses a challenge to the successful growth of the Information and Communications Technology Sector therefore Internet service providers are encouraged to lobby for better regulatory framework (Keeru, 2011). Regulatory framework was however not of key focus in this study but it is not something to be ignored as cited.

Existing literature further indicates that that a variety of growth opportunities exist for Access Kenya group for instance market penetration, market development, product development and diversification strategies (Wayande, 2006). Mobile phone subscription, internet market penetration, Pasha Centers, customer retention, customer profitability analysis and trained labour force are also cited by existing literature as opportunities for revenue growth (Access Kenya 2013; Internet Telecommunication, 2011; Kenya Information Communications Board, 2010; Deloitte, 2011; Brown, 2007; Government of Kenya, 2010).

In terms of business success based on the revenue growth existing literature seems to suggest that benefits do exist from revenue growth, cost reduction or the application of both cost reduction and revenue expansion. However, it is emphasized that more focus should be placed on revenue growth as compared to cost reduction (Rust et al. 2002; Raynor et al., 2013; Deloitte, 2003). Pandey (2005) however, reveals that expenses are not to be totally ignored as for instance a higher expense ratio is unfavourable as it may leave a small amount of operating income.

For an organization to become successful it also needs to focus on the competitive advantage that it can derive from its human resources. The various facets of human resources include careful staff selection, training, motivating and rewarding, also a high level of job satisfaction, passionate commitment to people and a willingness to accommodate innovation by promoting experimentation are also very critical (Youssef, 2004; Fawcett et al., 2004; Pfeffer, 2006; Berry et al, 2006).

Various methodologies have been used by researchers. These include: content analysis which refers to a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends (Keeru, 2011). Descriptive analysis technique has also been used which is particularly useful in quantitative data as it involves organizing data, tabulating and describing data using charts, percentages, mean scores and standard deviations (Wayande, 2006).

2.9 CONCLUSION

It is important for employees to participate in planning and implementing a strategy as they are better able to understand the reasons for the strategy. Uncertainty is reduced and self-interests and social relationships may be less threatened. Having had an opportunity to express their own ideas and to assume the perspective of others, such employees are more likely to accept change gracefully (Griffin, 1984).

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter sought to explain the research design, target population for the study, data collection instrument, data collection procedures and finally data analysis technique necessary in coming up with the impact of financial factors on the financial performance of Access Kenya. The main aim being to come up with the best methodology for addressing the objectives of: revenue growth opportunities for Access Kenya Group, the relationship between expenses and revenue and the human resource capabilities that would influence financial performance of Access Kenya Group.

3.1 Research design

Cooper and Schindler (2003) assert that descriptive research involves gathering data that describes events, then organizes, tabulates, depicts, and describes the data collection. This was useful in describing various aspects of phenomenon being studied. The Research was a descriptive research design which was carried out on Access Kenya Group to assess the impact of financial factors on the financial performance of Kenya.

3.2 Target population.

The target population was thus all the fifty Access Kenya head of departments who make policy decisions and are therefore directly involved in financial performance strategies. This was a census survey as all the heads of department were included in the study, due to the manageable numbers involved that is there were only fifty managers involved. The population was thus small and feasible to undertake a census.

3.3: Data Collection instrument and Data Collection Procedures

3.3.1 Data Collection instrument

In order to achieve the stated objectives of the study, a questionnaire containing structured questions was used to collect data. Probing questions were asked when need arose to allow for elaboration. Supplementary questions were asked or other questions omitted where the situation so required. It was introduced to all the head of departments. The questionnaire was deemed ideal for the study as it was helpful in eliciting or collecting primary data. The questions were constructed to generate data and answer specific research objectives of the survey.

3.3.2 Data Collection Procedures

Primary data was collected using questionnaires which were administered by the researcher through dropping and picking at a later date. However in most instances the researcher was available to clarify on issues, not well understood by respondents. Secondary data was also assessed from Access Kenya Financial Statements in order to establish the relationship between business expenses and the financial performance of the business.

3.4 Data analysis

The returned questionnaires were first sorted, coded, edited and keyed in the computer using SPSS (Statistical Package for Social Sciences).Considering that the data collected was quantitative data, descriptive analysis technique was best suited for data analysis. Descriptive statistics summarized data and described the sample. Data was presented using charts, graphs and tables.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

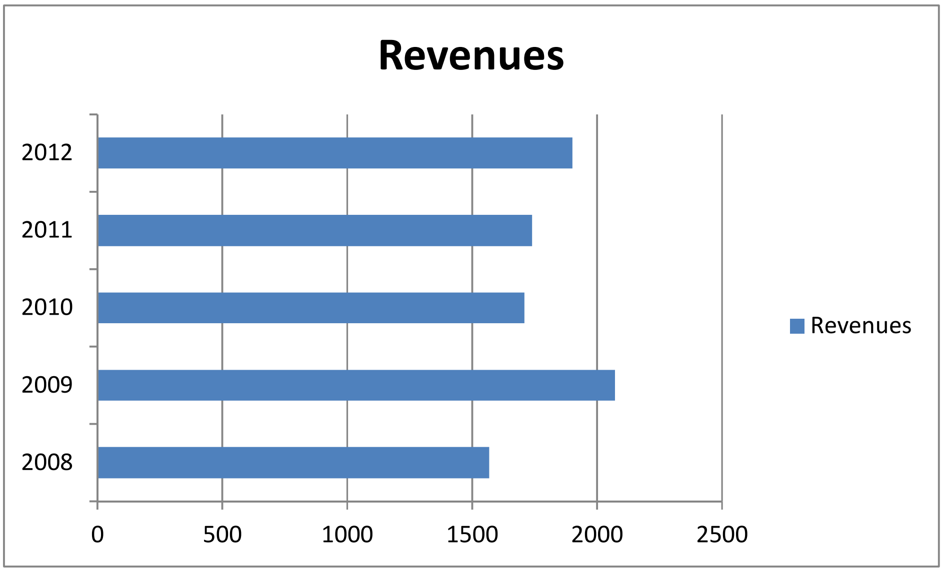
4.1 Introduction

This chapter sought to analyze the research findings from the primary data collected from the staff of Access Kenya limited. The purpose of the study was to evaluate the impact of financial factors on the financial performance of Access Kenya Group. The objectives were concerning the revenue growth opportunities, the relationship between business expenses and financial performance and the human resource capabilities that would facilitate revenue growth. The study further obtained secondary data from the financial statements of Access Kenya Limited for the five year period ending 31st December 2012. The research findings are hereby presented using tables, charts and graphs to enable an easier interpretation of the information. A total of thirty eight questionnaires were returned out of the fifty questionnaires issued an indication of seventy six percent response rate.

4.2 An Analysis of the relationship between business expenses and revenue

The study sought to establish the trend of revenue growth within the period and found out that the revenue has been between 1.5 billion and 2billion with the lowest being 1.568 billion in 2008 and the lowest being 2.07 billion in 2009. However in 2010 the company registered a significant drop in revenue to 1.708 billion after which an upward trend can be clearly observed in the subsequent years with the highest being in 2012 where revenue of 1.9bn was realized as illustrated in Figure 4.1 below.

Figure 4.1 Revenue Trend



Source: Financial Report (2008-2012)

This shows that a drop in the level of revenue was only witnessed in the year 2010. All the other years recorded a marginal increase in the revenues of the organization.

4.2.1 Cost of Sales

The study sought to also establish the behavior of cost of sales across the period and noted that since the year 2009 the cost of sales has been decreasing significantly from a record high of 53% in 2009 to a mere 17% in 2012. This can be attributed to the increased penetration, organizational adoption and the market acceptance of technology in doing business. This has enabled the company lower its cost of doing business which has seen an increase in its profits. Table 4.1 below shows the trend of profit across the period.

Table 4.1 Cost of Sales

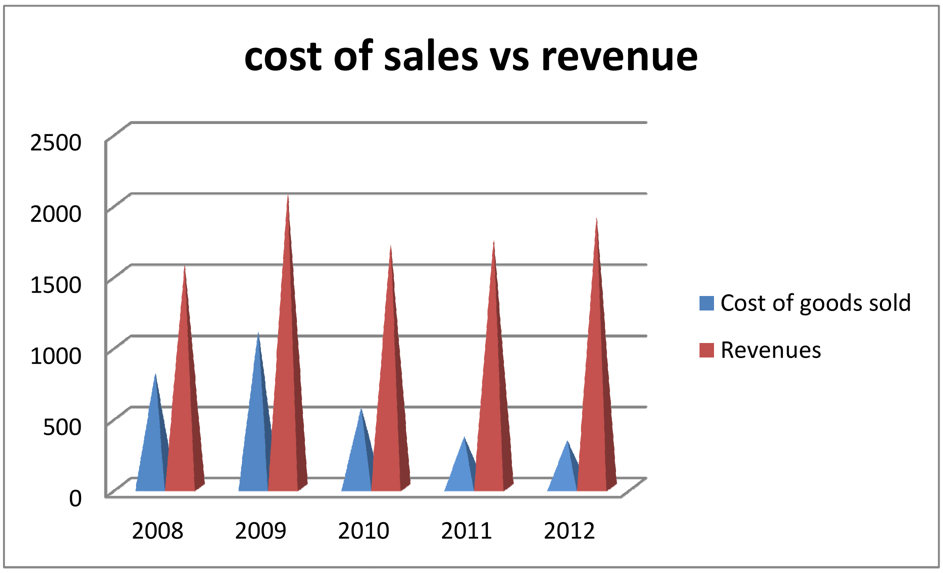
	2008	2009	2010	2011	2012
Cost of Goods Sold	803.1	1097.3	558.9	357.5	330.3
Revenues	1568	2070.3	1708.7	1738.9	1900.6
Percentage	51%	53%	33%	21%	17%

Source: Financial Report (2008-2012)

4.2.2 Cost of Sales versus Revenue

The study further analyzed the trend of revenues in respect to the cost of sales and realized that as revenues were increasing marginally the costs of sales were falling, increasing the gross profit margin of the firm across the period under review as shown in Figure 4.2 below.

Figure 4.2 A Trend Analysis of Cost of Sales

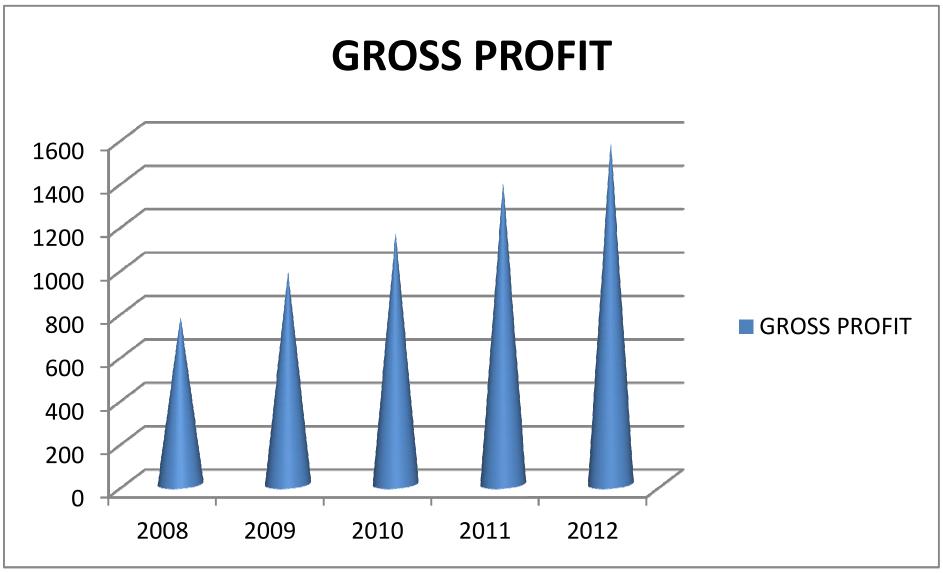


Source: Financial Report (2008-2012)

4.2.3 Gross Profit

The study sought to establish the trend of the gross profit and found out that the gross profit for the period has been increasing steadily over the period under review. This can be attributed to a consistent rise in the level of revenue and a reduction in the cost of sales across the period with the lowest being 47% in 2009 and a record high of 83% in 2012. This trend is represented in Figure 4.3 below.

Figure 4.3 A Trend Analysis of Gross Profit



Source: Financial Report (2008-2012)

4.2.4 Gross Profit versus Revenue

The study established further that the gross profit has been increasing steadily across the period under review. This can be attributed to a consistent rise in the level of revenue and a reduction in the cost of sales across the period with the lowest being 47% in 2009 and a record high of 83% in 2012. This can be attributed to the penetration and adoption of advanced technology which has led to decreased cost of doing business. Table 4.2 below shows the trend of profit across the period.

Table 4.2 Gross Profit versus Revenue

	2008	2009	2010	2011	2012
Revenues	1568	2070.3	1708.7	1738.9	1900.6
GROSS PROFIT	764.9	973.1	1149.7	1381.4	1570.3
Percentage	49%	47%	67%	79%	83%

Source: Financial Report (2008-2012)

4.2.5 Operating Expenses

The research sought to establish the extent to which the operating expenses (selling and administration expenses) have on the profitability of the firm. This is because they are paramount towards obtaining the profits of the firm. A higher percentage of operating expenses means that a large chunk of the revenue is used in administrative expenses leaving the smaller chunk as profits. The study established that since the year 2008 costs had been increasing from a record low of 0.5 billion in 2008 to 2011 when operating costs hit the record high of 1.1 billion, however in 2012, the trend reversed and the operating expenses dropped to 0.87 billion which was a significant contributor to the increase in profits as depicted in table 4.3 below.

Table 4.3 An Analysis of Operating Profits

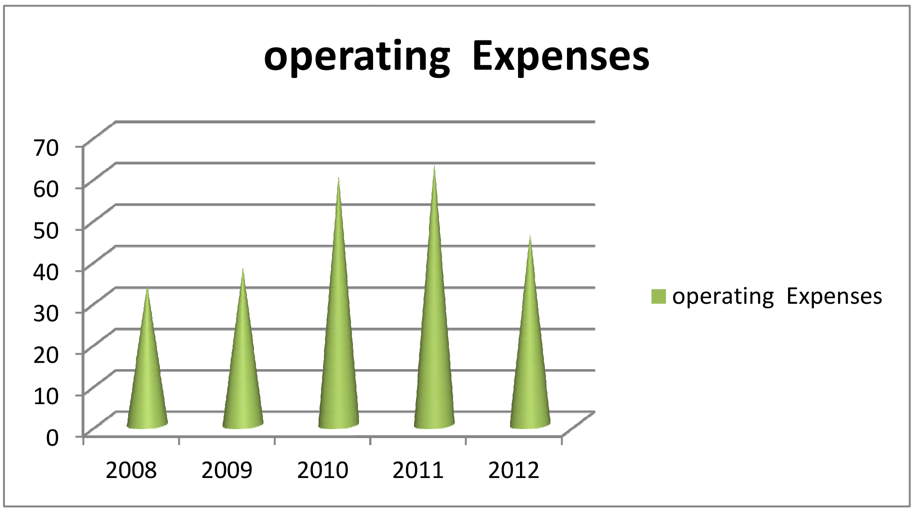
	2008	2009	2010	2011	2012
Revenues	1568	2070.3	1708.7	1738.9	1900.6
Selling General & Admin Expenses,	526.8	781.2	1020.6	1090.3	869.8

Source: Financial Report (2008-2012)

4.2.6 Operating Expenses versus Revenue

The study further established that operating expenses had been a significant chunk of the revenue accounting for 34% in 2008 up to 63% in 2011. However, in 2012 the operating expenses fell to 46%. This can be attributed to decrease spending on advertisement and acquisition of infrastructural assets to capture the market. Secondly, the market growth rate stabilized in 2012 as shown in Figure 4.4 below.

Figure 4.4 An Analysis of Operating Profits in Relation to Revenue



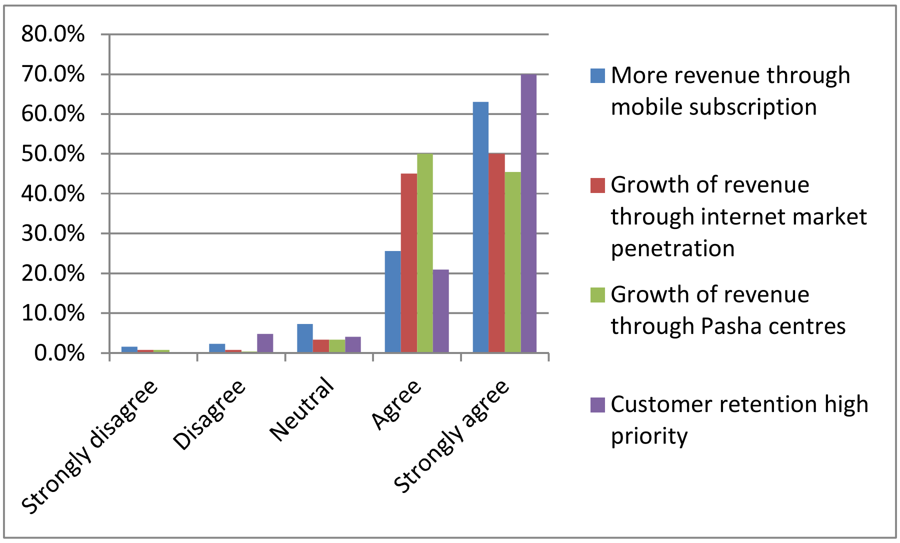
Source: Financial Report (2008-2012)

4.3: Revenue Growth Opportunities

4.3.1 Revenue growth through internet market penetration, mobile subscription, pasha centers and customer retention.

The study established that a majority of the respondents that is 45.4% strongly agree and 50% agree that growth of revenue through pasha centers is great. Secondly, the study established that 50% strongly agree and 45% agree that internet market penetration is high priority. Among other significant strategies were customer retention which was also highly employed with 70.0% strongly agreeing and 21% agreeing with another 63.0% of the respondents strongly agreeing and 25.7% agreeing that mobile subscription for more revenue growth are popular. This is because the government and private sector are working together to establish pasha centre's. This is as illustrated by figure 4.5 below.

Figure 4.5 Revenue growth through internet market penetration, mobile subscription, pasha centres' and customer retention.

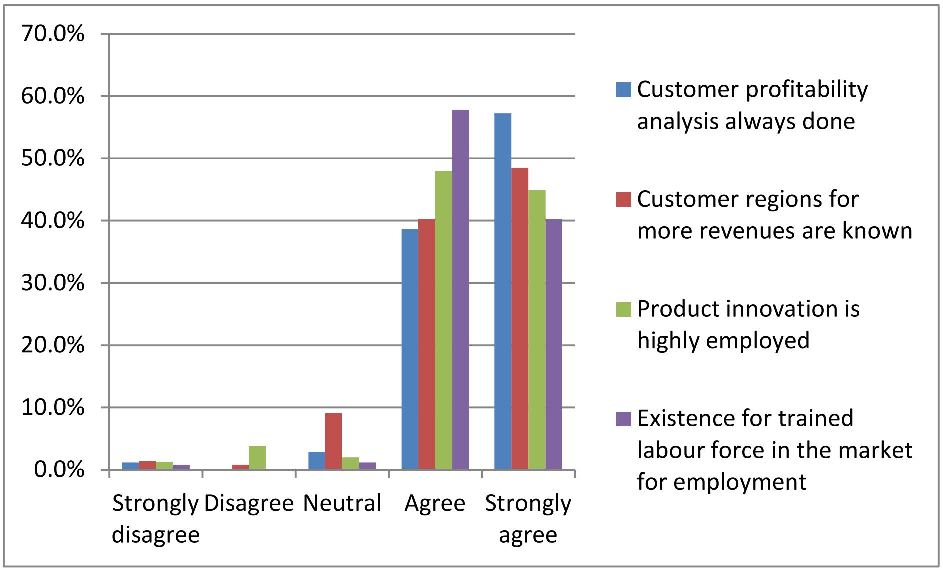


Source: Research Findings

4.3.2: Revenue Growth through customer profitability analysis, customer regions, product innovation and existence for trained labour.

The study established that a significant number of the respondents that is 57.8% agree and 40.2% strongly agree that there exists a trained labour force in the market for employment. The study further established that customer profitability analysis is always done with 57.2% of the respondents agreeing. Product innovation is also highly employed indicated by 40.2% and 48.5% of the respondents agreeing and strongly agreeing respectively. Finally 48.5% of the respondents strongly agreed and 40.2% agreed indicating that customer regions for more revenues are popular. This is particularly so because information on customer profitability and customer regions will assist the business in deciding which client groups to retain, which ones to grow and which ones to do away with. Further, a trained labour force will assist in ensuring relevant human and social capital. The findings are as illustrated by figure 4.6 below.

Figure 4.6 Customer profitability analysis, customer regions, product innovation and existence for trained labour.

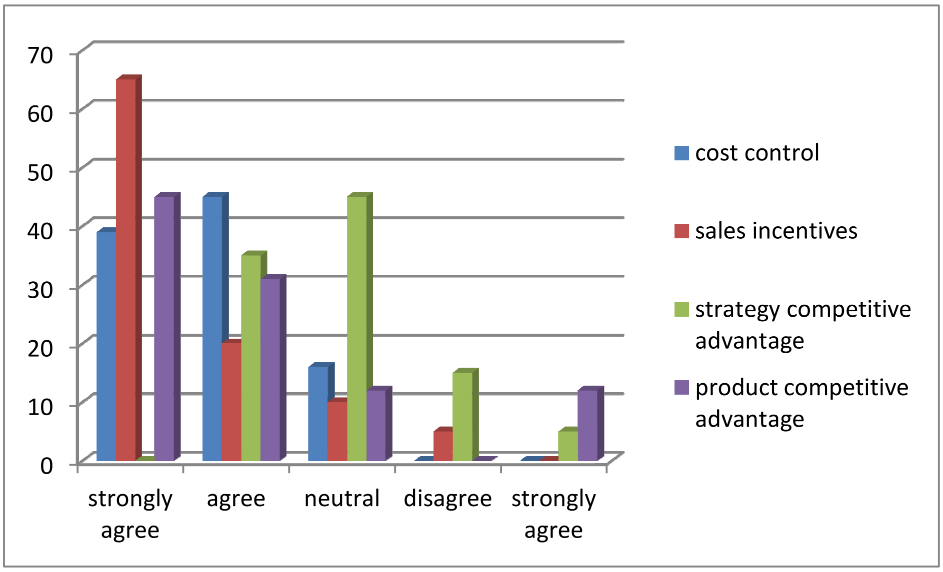


Source: Research Findings

4.3.: Additional Information on revenue growth strategies

The researcher collected primary data from the staff of the organization and found out that sales incentives was the most popular strategy towards revenue growth with 65% of the respondents strongly agreeing that it is the best strategy towards revenue growth. Secondly, cost control was the second most popular strategy towards revenue growth with a majority 45% agreeing that cost control would work towards growing the revenues. Among other significant strategies were adopting a product strategy towards revenue growth at 45% and corporate growth strategy closing the list at 25% popularity. Sales incentives are deemed to contribute to high performance work practices. This is as illustrated by figure 4.7 below.

Figure 4.7 Additional strategies towards revenue growth

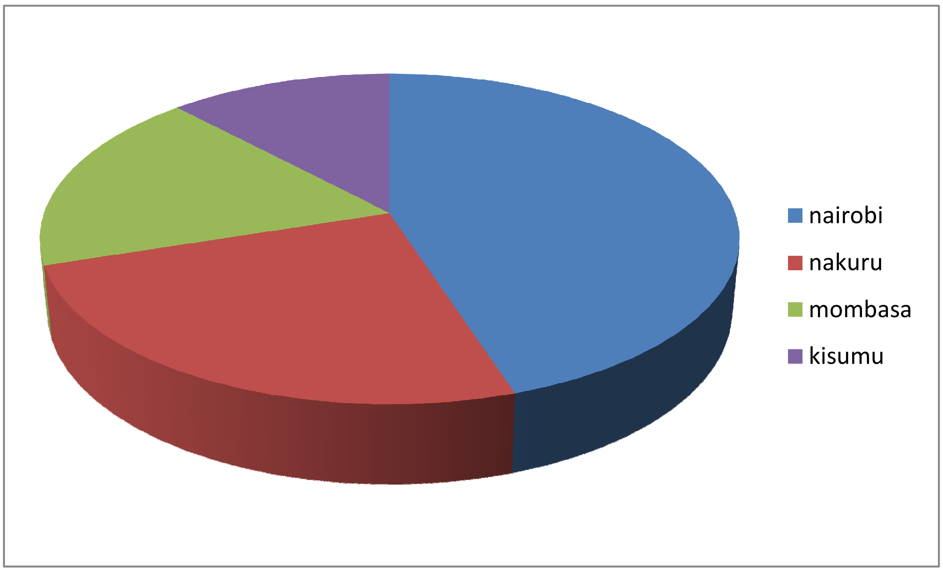


Source: research findings

4.3.4 Regional Success and Customer Retention

The study further established that Nairobi held its major market share with a significant 45% of its clients being based in Nairobi followed by Nakuru and Mombasa at 25% and 18% respectively and lastly Kisumu region with 12%. The therefore, company intends to carry out a massive campaign in Mombasa, Kisumu and Nakuru regions to boost its revenue base from the current 1.9 billion to over 3billion. Chart 4.1 represents the market segmentation of the client base as illustrated by figure 4.8 below.

Figure 4.8 Market Segmentation

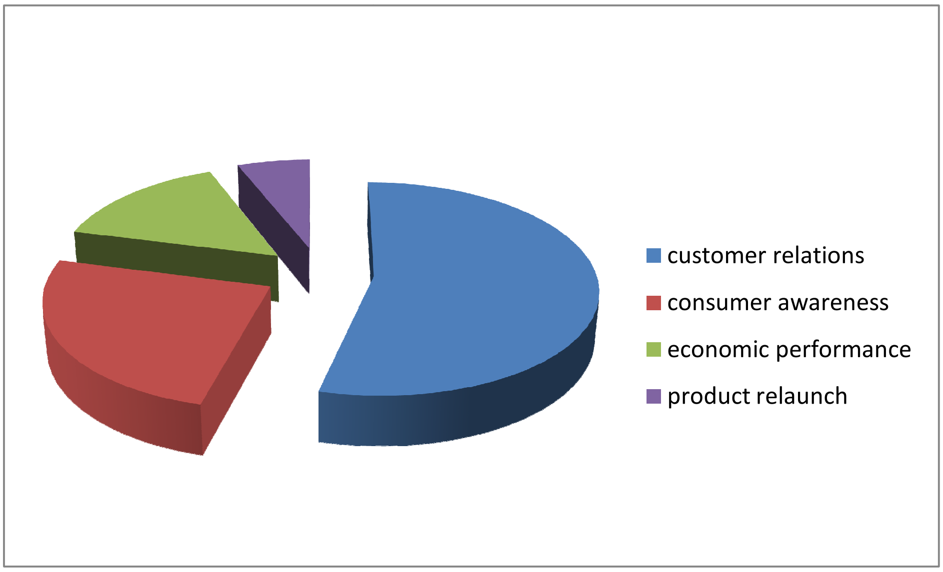


Source: research findings

4.3.5 Customer relations, customer awareness, economic performance an product relaunch.

The study further realized that customer relations topped the list among the strategies that will influence the success of the revenue growth goal at 54% followed by advertising and consumer awareness at 25% economic performance at 15% and lastly product re-launch at 6%. Customer relations topped the list as customer retention was cheaper as compared to attracting new customers and it was easier to sell other products within the company to an existing customer. In fact careful staff selection, training and good management have been noted to contribute to high performance work practices. The results are illustrated by Figure 4.9 below.

Figure 4.9 Success Strategies towards Revenue Growth



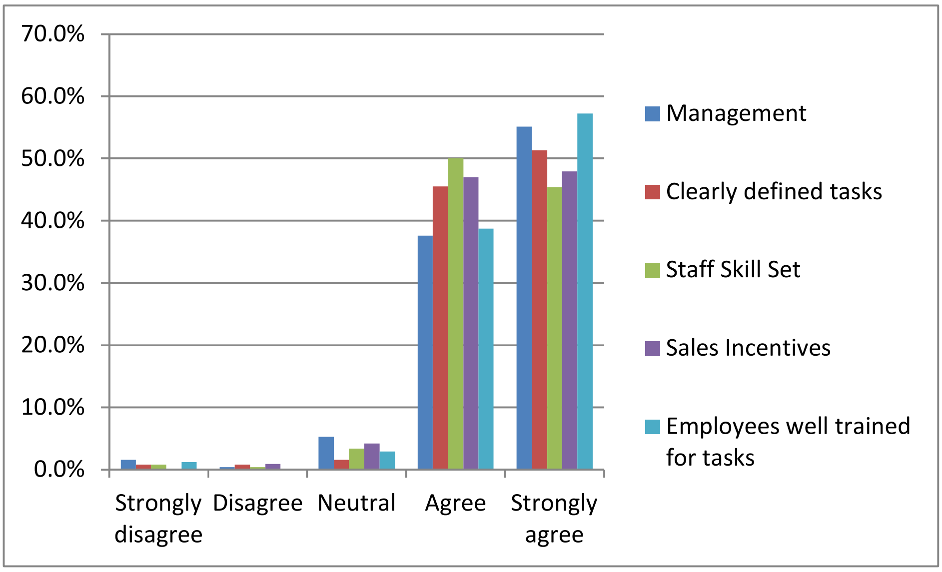
Source: Research Findings

4.4 Human Resource Capabilities

4.4.1 Careful staff selection, training, motivating and rewarding.

The study established that a significant number of the respondents that is 51.3% strongly agree and 45.5% agreed that there are clearly defined tasks. Secondly, the study established that 50% agree and 45.4% strongly agree that the staff have the required skill set. Further, a majority of the respondents agree that sales incentives are important in human resource capabilities. Finally, the respondents indicated that management and well trained employees for tasks are also important for human resource capabilities. The results are as illustrated by figure 4.10 below.

Figure 4.10: Careful staff selection, training, motivating and rewarding.

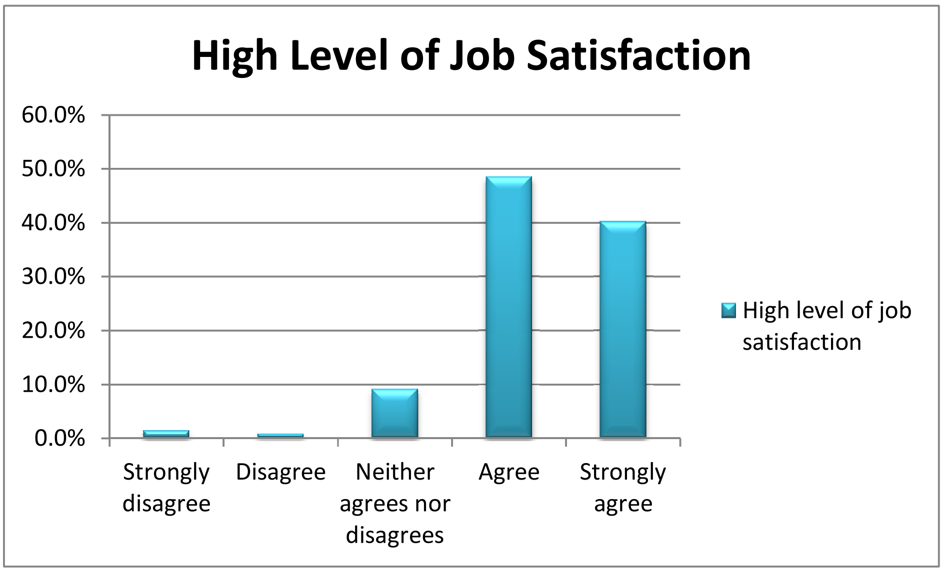


Source: Research Findings

4.4.2 People as key to financial performance

The study established that a majority of the respondents that is 48.5% agree and 40.2% strongly agree that a high level of job satisfaction was fundamental if people were to be the key to financial performance this was attributed to good working environment, good strategic leadership and an ability of employees to contribute towards their own organizational activities. The results are illustrated by Figure 4.11 below.

Figure 4.11 High level of job satisfaction

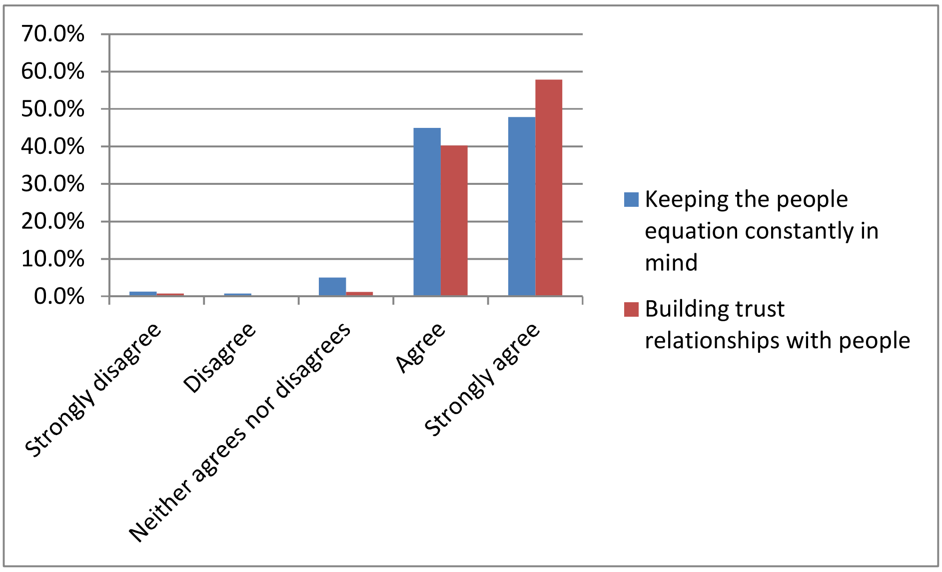


Source: Research Findings

4.4.3 Passionate commitment to people and culture

The study established that a significant number of the respondents that is 40.2% agree and 57.8% strongly agree that building trust relationships with people is an important element of human resource capabilities. The study further established that 45.0% agree and 47.9% strongly agree that keeping the people equation constantly in mind was important to revenue growth of Access Kenya Group. This was because employees felt that they were free to contribute their ideas and their ideas were being put first in the successful running of their organization as illustrated by figure 4.12 below.

Figure 4.12 Passionate commitments to people and culture

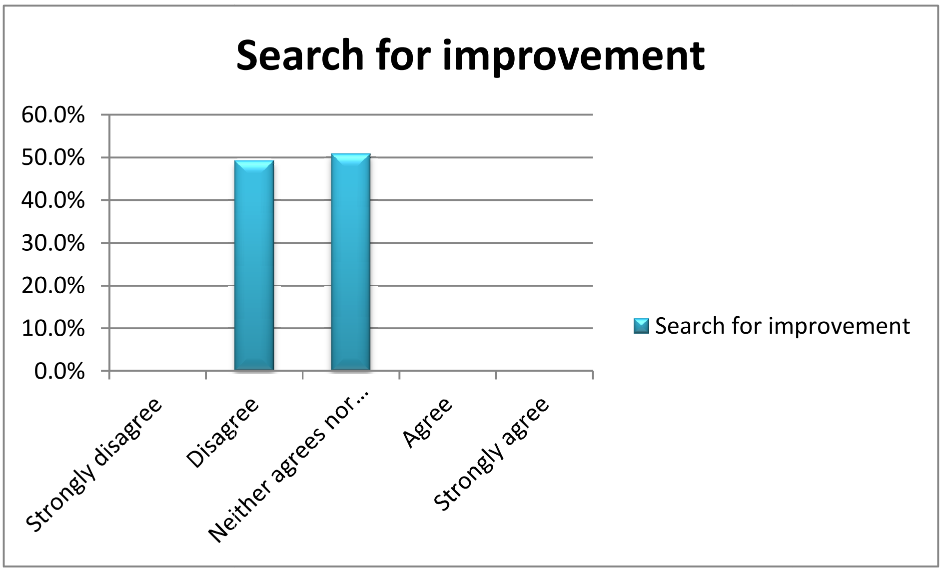


Source : Research Findings

4.4.4 Continuous search for improvement

Finally, in terms of human resource capabilities the study established that a majority of the respondents (49.2% disagreeing and 50.8% being neutral) indicated that the search for continuous improvement was not being heavily employed as the growth of the internet market was growing and the company was not coming up with newer technologies fast enough to address the changes that were taking place as illustrated by figure 4.13 below.

Figure 4.13 Search for improvement



Source: Research Findings

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter was aimed at summarizing the findings of this study, conclusions to answer the researcher objectives, recommendations based on findings and suggestions for further research.

5.2 Discussion of Findings

5.2.1 Discussion of findings on revenue versus expenses.

The study established that revenue has been between 1.5 billion and 2 billion over the period. However, in 2010 the company registered a significant drop in revenue to 1.708 billion after which an upward trend can be clearly observed in the subsequent years with the highest being in 2012 where revenue of 1.9 billion was realized. Secondly, the gross profit for the period has been increasing steadily over the period under review. This can be attributed to a consistent rise in the level of revenue and a reduction in the cost of sales across the period with the lowest being 47% in 2009 and a record high of 83% in 2012 operating expenses (selling and administration expenses) have an impact on the profitability of the firm. The study also established that since the year 2008 costs had been increasing from a record low of 0.5 billion in 2008 to 2011 when operating costs hit the record high of 1.1billion. However in 2012, the trend reversed and the operating expenses dropped to 0.87 billion which was a significant contributor to the increase in profits.

5.2.2 Discussion of findings on revenue growth opportunities.

The study established that a majority of the respondents that is 45.4% strongly agree and 50% agree that growth of revenue through pasha centers is great. Secondly the study established that 50% strongly agree and 45% agree that internet market penetration is high priority. Among other significant strategies were customer retention also highly employed with 70.0% strongly agreeing and 21% agreeing with another 63.0% of the respondents strongly agreeing and 25.7% agreeing that mobile subscription for more revenue growth are popular. The study established that a significant number of the respondents that is 57.8% agree and 40.2% strongly agree that there exists a trained labour force in the market for employment. The study further established that customer profitability analysis is always done with 57.2% of the respondents agreeing. Product innovation is also highly employed indicated by 40.2% and 48.5% of the respondents agreeing and strongly agreeing respectively. Finally 48.5% of the respondents strongly agreed and 40.2% agreed indicating that customer regions for more revenues are popular.

The researcher also collected primary data from the staff of the organization and found out that sales incentives was the most popular strategy towards revenue growth with 65% of the respondents strongly agreeing that it is the best strategy towards revenue growth. Secondly, cost control was the second most popular strategy towards revenue growth with a majority 45% agreeing that cost control would work towards growing the revenues. Among other significant strategies were adopting a product strategy towards revenue growth at 45% and corporate growth strategy closing the list at 25% popularity. Most significantly, customer relations topped the list among the strategies that will influence the success of the revenue growth goal at 54% followed by advertising and consumer awareness at 25% economic performance at 15% and lastly product re-launch at 6%. Lastly, the study further established that Nairobi held its major market share with a significant45% of its clients being based in Nairobi followed by Nakuru and Mombasa at 25% and 18% respectively and lastly Kisumu region with a 12%. The study further established that the company intends to carry out a massive campaign in Mombasa, Kisumu and Nakuru regions to boost its revenue base from the current 1.9 billion to over 3billion.

5.2.3 Discussion of findings on human resource capabilities.

The study established that a significant number of the respondents that is 51.3% strongly agree and 45.5% agreed that there are clearly defined tasks. Secondly, the study established that 50% agree and 45.4% strongly agree that the staff have the required skill set. Further, a majority of the respondents agree that sales incentives are important in human resource capabilities. The respondents also indicate that management and well trained employees for tasks are also important for human resource capabilities. The study established that a majority of the respondents that is 48.5% agree and 40.2% strongly agree that a high level of job satisfaction. The study established that a significant number of the respondents that is 40.2% agree and 57.8% strongly agree that building trust relationships with people is an important element of human resource capabilities. The study further established that 45.0% agree and 47.9% strongly agree that keeping the people equation constantly in mind was important to revenue growth of Access Kenya Group. Finally in terms of human resource capabilities the study established that a majority of the respondents with 49.2% disagreeing and 50.8% being neutral showed that the search for continuous improvement was not being heavily employed.

5.3 Conclusions.

5.3.1 Conclusions for findings of assessment of revenue versus expenses.

The study established that revenue has been between 1.5 billion and 2 billion over the period. However, in 2010 the company registered a significant drop in revenue to 1.708 billion after which an upward trend can be clearly observed in the subsequent years with the highest being in 2012 where revenue of 1.9 billion was realized. Secondly, the gross profit for the period has been increasing steadily over the period under review. This can be attributed to a consistent rise in the level of revenue and a reduction in the cost of sales across the period. This is because they are paramount towards obtaining the profits of the firm. A higher percentage of operating expenses means that a large chunk of the revenue is used in administrative expenses leaving the smaller chunk as profits.

The study established that since the year 2008 costs had been increasing from a record low of 0.5 billion in 2008 to 2011 when operating costs hit the record high of 1.1billion. However in 2012, the trend reversed and the operating expenses dropped to 0.87 billion which was a significant contributor to the increase in profits. It is important for the organization to maintain a balance between revenue growth and cost reduction as existing literature seems to suggest that emphasis should be placed on revenue growth as compared to cost reduction (Rust et al. 2002; Raynor et al., 2013; Deloitte, 2011). However, expenses are not to be totally ignored as for instance a higher expense ratio is unfavourable as it may leave a small amount of operating income (Pandey, 2005).

5.3.2 Conclusions on findings for revenue growth opportunities for Access Kenya Group.

The study concludes that there are a lot of growth opportunities for Access Kenya Group in the Kenyan market particularly because it is only popular in major urban areas in Kenya and almost invisible in rural areas. The findings support existing literature which indicates that a variety of growth opportunities exist for Access Kenya group for instance market penetration, market development, product development and diversification strategies (Wayande, 2006). Further, mobile phone subscription, internet market penetration, Pasha Centers, customer retention, customer profitability analysis and trained labour force are also cited by existing literature as opportunities for revenue growth (Access Kenya 2013; Internet Telecommunication, 2011; Kenya Information Communications Board, 2010; Deloitte, 2011; Brown, 2007; Constitution, 2010).

5.3.3 Conclusion on findings for human resource capabilities for Access Kenya Group.

The indicators identified were: management, clearly defined tasks, staff skill set, sales incentives, employees well trained for tasks, a high level of job satisfaction, keeping the people equation constantly in mind, reaching out and building trust relationships with people and search for improvement. From the findings, it was noted that a majority of the respondents felt that the organization had the right people in place as management, they had clearly defined tasks, they had the required skill set, the sales incentives were based on revenue growth, employees were well trained for tasks, a high level of job satisfaction existed, in terms of strategies, for the long-term the people equation was constantly kept in mind, and all available media was being used to reach out and build trust relationships with people. However, the respondents felt that there was no constant search for improvement. The findings strongly indicate that the organization has human resource capabilities necessary for revenue growth as there is careful staff selection, training, motivating and rewarding which is shown by the respondents feeling that there is right management, clearly defined tasks, the right staff skill set, sales incentives based on revenue growth, employees are well trained for tasks. The studies findings are highly related to the work of (Youssef, 2004). There are also human resource capabilities necessary for revenue growth because the employees also exhibit a high level of job satisfaction. These findings are consistent with the work of (Fawcett et al., 2004).The findings also show that the organization has passionate commitment to people by keeping the people equation constantly in mind, by using all available media to reach out and build trust relationships with people. This is consistent with work of (Pfeffer, 2000). The researcher indicates that passionate commitment to people and culture are necessary for revenue growth.

Finally, the only problem that lies in human resource capabilities is their lack of constant search for improvement. This is strongly inconsistent with the work of (Berry et al., 2006) who strongly insists that for the organization to grow revenues in terms of human resource capabilities then their must be a strong commitment to willingly accommodate innovation. Lastly, this study concludes that there is a requirement to have a significant input on the human resource factor to ensure growth and implementation of a corporate strategy.

5.4 Recommendations for policy practices.

5.4.1 Balancing between revenue growths versus cost reduction.

In order for the organization to be able to grow it is critical to focus on revenue growth, but not to neglect cost issues. There has been an intense focus on cost reduction in the recent past in almost all organizations across the world. However, a balanced focus is needed on operating expenses as well as revenues growth.

5.4.2 Customer retention and new products.

As is widely acknowledged it is far more costly to acquire a new customer as compared to selling to an existing one. Going forward this can only be achieved through a detailed grasp of the changing risk profile of the institution which can only be achieved by building quality data and infrastructural investments that will assist retain customers and come up with new products.

5.4.3 Regulatory Framework.

It is increasingly important for your organization to understand the regulatory codes emerging at both national and international level as this will assist your business in growing sustainable revenues.

5.4.4 Focus on personnel.

Successfully delivering change requires a focus on people. Therefore the organization will require to better align the way people work to enable them focus on business objectives, training and skills programmes' to better achieve these objectives, infusing retailing skills and a cultural revolution in the way staff are led, managed, trained, measured and rewarded.

5.5 Recommendations for further research.

5.5.1 Focus on low market share in rural areas.

The study recommends further study on the causes of the low market share of access Kenya in rural areas considering it is very popular in Nairobi and other major towns in Kenya.

5.5.2 Focus on Regulatory framework.

The regulatory framework plays a major role towards the success of a corporate strategy. This is because it ensures unity of purpose and ensure the strategy complies to the rules and regulations both internally and internationally to ensure a level playing field for all players in the market. It is therefore critical for future researchers to focus on the role of regulatory framework on the financial performance of the organization.

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APPENDIX 1

Head of Department Checklist

As the battle for wallet share intensifies, increasingly execution is going to determine the winners and losers. We have prepared a checklist of key issues to help determine whether Access Kenya Group is sufficiently focused on execution of improved financial performance.

Revenue Growth Opportunities

1. There exist potential to make more revenue through mobile phone subscription.

   Strongly Disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

2. Revenue can be grown through internet market penetration.

   Strongly Disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

3. Pasha centers' can grow revenues.

   Strongly Disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

4. Customer retention is high priority.

   Strongly Disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

5. Customer profitability analysis is always done.

   Strongly Disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

6. Customer regions for most revenue are known.

Strongly Disagree

Disagree

Neutral

Agree

Strongly agree

7. Product innovation is highly encouraged.

Strongly Disagree

Disagree

Neutral

Agree

Strongly agree

8. Does trained labour force exist in the market that can be employed?

Strongly Disagree

Disagree

Neutral

Agree

Strongly agree

Human Resource Capabilities necessary in revenue growth

1. The right people are in place as management.

   Strongly disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

2. There are clearly defined tasks before staff recruitment.

   Strongly disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

3. The skill set of the individual being recruited is established.

   Strongly disagree ☐

   Disagree ☐

   Neutral ☐

   Agree ☐

   Strongly agree ☐

4. Are your sales incentives based on revenue growth?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

5. Are employees well trained for tasks to be handled?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

6. Do employees exhibit a high level of job satisfaction?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

7. Do strategies for the long-term keep the people constantly in mind?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

8. Is all available media used to reach out and build trust relationship with people?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

9. Do employees constantly search for improvement?

Strongly disagree ☐

Disagree ☐

Neutral ☐

Agree ☐

Strongly agree ☐

APPENDIX II

Currency in millions of Kenya Shillings	Dec 31 2008	Dec 31 2009	Variation of 2008 and 2009	Percentage Change
Revenues	1568	2070.3	502.3	32
TOTAL REVENUES	1568	2070.3	502.3	32
Cost of goods sold	803.1	1097.3	294.2	37
GROSS PROFIT	764.9	973.1	208.2	27
Selling General & Admin Expenses, Total	526.8	781.2	254.4	48
OTHER OPERATING EXPENSES TOTAL	526.8	781.2	254.4	48
OPERATING INCOME	238.1	191.9	-46.2	-19
Interest Expense	-5.8	-8.8	-3	51
Interest and Investment Income	32.1	2.6	-29.5	-92
NET INTEREST EXPENSE	26.3	-6.2	-32.5	-124
Currency Exchange Gains/losses	-1	-3.4	-2.4	240
EBT, EXCLUDING UNUSUAL ITEMS	263.4	182.3	-81.1	-31
EBT, EXCLUDING UNUSUAL ITEMS	263.4	182.3	-81.1	-31
Income Tax Expense	59.7	34.4	-25.3	-42
Minority Interest in Earnings	-1.7	7.6	9.3	-547
Earnings from Continuing operations	203.7	147.9	55.8	27
NET INCOME	202	155.5	-46.5	-23
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	202	155.5	-46.5	-23
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	202	155.5	-46.5	-23

APPENDIX III

Currency in millions of Kenya Shillings	Dec 31 2009	Dec 31 2010	Variation of 2009 and 2010	Percentage Change
Revenues	2070.3	1708.7	-361.3	-17
TOTAL REVENUES	2070.3	1708.7	-361.3	-17
Cost of goods sold	1097.3	558.9	-538.4	-49
GROSS PROFIT	973.1	1149.7	176.6	18
Selling General & Admin Expenses, Total	781.2	1020.6	239.4	31
OTHER OPERATING EXPENSES TOTAL	781.2	1020.6	239.4	31
OPERATING INCOME	191.9	129.1	-62.8	-33
Interest Expense	-8.8	-91.6	-82.8	941
Interest and Investment Income	2.6	0.2	-2.4	-92
NET INTEREST EXPENSE	-6.2	-91.5	-85.3	1376
Currency Exchange Gains/losses	-3.4	-43	-39.6	1165
EBT, EXCLUDING UNUSUAL ITEMS	182.3	-5.4	-187.7	-103
EBT, EXCLUDING UNUSUAL ITEMS	182.3	-5.4	-187.7	-103
Income Tax Expense	34.4	2.6	-31.8	-92.
Minority Interest in Earnings	7.6	-	-7.6	-100
Earnings from continuing operations	147.9	-8	-155.9	-105
NET INCOME	155.5	-8	-163.5	-105
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	155.5	-8	-163.5	-105
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	155.5	-8	-163.5	-105

APPENDIX IV

Currency in millions of Kenya Shillings	Dec 31 2010	December 31 2011	Variation of 2010 and 2011	Percentage Change
Revenues	1708.7	1738.9	30.2	2
TOTAL REVENUES	1708.7	1738.9	30.2	2
Cost of goods sold	558.9	357.5	-201.4	-36
GROSS PROFIT	1149.7	1381.4	231.7	20
Selling General & Admin Expenses, Total	1020.6	1090.3	69.7	7
OTHER OPERATING EXPENSES TOTAL	1020.6	1090.3	69.7	7
OPERATING INCOME	129.1	291.1	162	125
Interest Expense	-91.6	-126.5	-34.9	38
Interest and Investment Income	0.2	2.7	2.5	1250
NET INTEREST EXPENSE	-91.5	-123.7	-32.2	35
Currency Exchange Gains/losses	-43	-36.5	6.5	-15
EBT, EXCLUDING UNUSUAL ITEMS	-5.4	130.9	136.3	-2524
EBT, EXCLUDING UNUSUAL ITEMS	-5.4	130.9	136.3	-2524
Income Tax Expense	2.6	21.8	19.2	739
Minority Interest in Earnings	-	-	0	#DIV/0!
Earnings from continuing Operations	-8	109.1	117.1	-1464
NET INCOME	-8	109.1	117.1	-1464
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	-8	109.1	117.1	-1463.75
NET INCOME TO COMMON INCLUDING EXTRA ITEMS	-8	109.1	117.1	-1463.75

APPENDIX V

Currency in millions of Kenya Shillings	**December 31 2011**	**December 31 2012**	**Variance**	**Percentage Change**
Turnover	1738.9	1900.6	161.7	9
Cost of Sales	357.5	330.3	-27.2	-8
Gross Margin	1381.4	1570.3	188.9	14
Administrative expenses	787.6	869.8	82.2	10
EBITDA	593.8	700.5	106.7	18
Depreciation and Amortization	307.6	339	31.4	10
Net Financing Costs	126.5	144.7	18.2	14
ESOP Fair Value Gain	7.6		-7.6	-100
Profit before tax and Exchange Gains/Losses	167.4	216.8	49.4	30
Exchange Loss	-36.5	-5	31.5	-86
Profit before tax	130.9	211.8	80.9	62
Taxation	21.8	60.4	38.6	177
Profit after tax	109.1	151.4	42.3	39
EPS	0.5	0.69	0.19	38
EBITDA Margin	34%	37%		0