

**COMPETITIVE STRATEGIES ADOPTED BY SAFARICOM KENYA  
LIMITED TO TACKLE COMPETITION**

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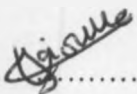


**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF  
THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION, OF THE UNIVERSITY OF  
NAIROBI**

**OCTOBER, 2012**

## DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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This research project has been submitted for examination with my approval as University supervisor.

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## **DEDICATION**

I dedicate this project to my dear parents Mr. and Mrs. Morrison Njuguna for their never ending support and constant source of inspiration during the entire duration of this course.

## ACKNOWLEDGEMENT

The project writing process has been an exciting journey and an amazing learning experience in my academic life. It brings forth a new beginning in my endeavors. The challenges and rewards have been extremely edifying in making me a better individual. I am grateful to the God Almighty, giver of life, who above all has been there guiding me through life including this study. I am exceedingly grateful to the support accorded by my supervisor Mr. Jeremiah Kagwe and moderator Dr. John Yabs who have, through their insightful knowledge, guided me through this process. I am thankful for the corrections made on my drafts and their continuous words of encouragement.

I am also indebted to my boss, family, friends and colleagues whom I may not mention in person for their moral support and constant backing that have enabled me to complete my MBA course successfully.

## ABSTRACT

The intensity of competition in an industry is not a matter of luck. Rather, competition is rooted in underlying industry economics and goes well beyond the established competitors. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs; the forces range from intense in industries like tires, paper and steel, where no firm earns spectacular returns, to relatively mild in industries such as oil field equipment and services, cosmetics and toiletries, where high returns are common. Building long-term relationships with customers has become a critical strategy for most financial institutions in today's competitive financial markets.

The objective of the study was to determine competitive strategies adopted by Safaricom Kenya Limited to tackle competition. The research design was a case study. The data collection tool was an interview guide. Content analysis was used to analyze the qualitative primary data which had been collected by conducting interviews and secondary information from the organization.

The study established that Safaricom Kenya Limited was using differentiation, cost leadership strategy, focus strategy, product choice, and market penetration strategy and pricing strategy. The usage of the strategies resulted to formulation of policies and procedures which enhance the strategy, business plans formulated on low cost strategy, continuous innovation of new customer friendly product. The company is however faced by various challenges in the implementation of the strategies. These factors include organizational culture, organizational structure, leadership, management and inadequate resources.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background to the Study

The service sector is expanding at an increasing rate and is becoming intensely competitive. As such, every organization needs to adopt strategies which will enable it to have a competitive edge over the other players in the market. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors (Porter, 1980). Strategies concern the purpose and objectives of the organization. They are the things that organizations do, the paths they follow and the decisions they take in order to reach certain points or level of success. Influences such as economic restructuring, intensified competition, government regulations, and technological advances have resulted in heightened environmental turbulence and uncertainty for small business firms (Covin & Slevin, 2004).

Strategy is about ensuring the survival and prosperity of a firm (Grant, 2005) by implementing competitive strategies to fulfill stakeholder expectations in an uncertain future. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not. Competitive strategies can lead to high organizational performance, customer satisfaction, and increased competitiveness in the face of other rival businesses. However, achieving competitive advantage and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change.

Businesses operate in a market-driven, customer-oriented era. To survive, a business has to be flexible, adaptable and above all provide superior service. Although the mechanics of a business operation can often be similar between businesses in the same industry, it is the 'people part' – the relationship with the individual customer – where the business gains an advantage over a competitor. To be a customer-oriented business the customers' needs have to take priority (Abratt & Russel, 2009).

### 1.1.1 Concept of Strategy

Strategy is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to



meet the needs of markets to fulfill owners' expectation (Biggadike, 1976). Johnson and Scholes (2000) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. They argue that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. Effective strategy is formulated around four factors. These are, the goals and objectives are simple, consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and that there is effective implementation.

According to Tan and Litschert (1994) strategy refers to the competitive methods used by firms to establish their positions in a particular market. It reflects the firm's short-term and long-term responses to challenges and opportunities posed by the business environment. Strategy is evaluated on its performance and effectiveness to meet the overall vision mission and objectives. A strategy is not an end by itself but a means to attain the stated goals. A company's strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. Firms also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985).

### **1.1.2 Competitive Strategy**

A competitive strategy, from a business level perspective, is the achievement of competitive advantage by a business unit in its particular market. Ansoff and McDonnell (1990) define competitive strategy as the distinctive approach which a firm uses or intends to use to succeed in the market. Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business units. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces. Competitive strategy consequently aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

A competitive strategy is one that specifically directs an organization in gaining a competitive advantage above its rivals (Porter, 1986). According to Schuler and Johnson (1987) competitive strategies have been classified into three types, cost reduction, innovation; and quality-enhancement. It has been argued that all three strategy types can be used simultaneously to gain domestic and international competitive advantage, regardless of industry. Others argue that there is only one essential factor in determining a competitive advantage that is the ease with which competitors can enter or expand in a given market (Greenwald & Kahn, 2005). If a company can erect strong barriers to entry, through customer captivity, lower production costs, or economies of scale, it can manage and sustain these advantages.

The competitive strategies adopted by a firm should result into competitive advantage. The goal of a competitive strategy for a business is to find a position in the industry where the company can best defend itself against competitive forces or can influence them in its favor. Knowledge of underlying sources of competitive pressure highlights the critical strengths and weaknesses of the company, animates its position in the industry, clarifies areas where strategic changes may yield greater pay off and highlights the area where industry trends promise to hold the greatest significance as either opportunity or threat (Slater & Olson, 2001). An effective competitive strategy takes either offensive or defensive action in order to create a defensible position against the five forces and thereby yield a superior return on investment for the firm.

According to Porter (1980), the ability of firms to survive in the business environment is dependent upon their selection and implementation of a competitive strategy that differentiates the firm from competitors. It is also accepted that a company's ability to be competitive and profitable depends not only on the type of strategy it formulates and implements, but also on the way in which it is formulated (Rogers, Miller, & Judge 2009). According to Kotler (2002), positioning is the act of designing the company's offering and image so that it occupies a distinct and valued place in the target customer's mind. Competitive Strategies are ways for a firm to increase its competitiveness within an industry. Porter distinguishes three such strategies namely cost leadership, differentiation and focus. In cost leadership, a firm sets out to become the low cost producer, a firm must find and exploit all sources of cost advantage. A firm differentiates itself from its competitors if it is unique in something that is widely valued by buyers.

The focus strategy rests on the choice of a narrow competitive scope within an industry (Thompson, Stickland & Gamble, 2010). As such firms need to adopt competitive strategies that ensure that they have competitive advantage within the industry.

### **1.1.3 Telecommunications Industry In Kenya**

The telecoms industry in Kenya, just like the rest of the world, is going through profound changes. In the past decade, technological advancement and regulatory restructuring have transformed the industry. Markets that were formerly distinct, discrete and vertical have coalesced across their old boundaries with a massive investment of capital - much of it originating from private sector participants.

The result is new markets, new players, and new challenges. Market liberalization efforts have also picked up ensuing the successful partial privatization of Telkom Kenya Ltd (December 2007), divestment of GoK's 25% stake in Safaricom Kenya Limited through a public listing (May 2008), and the launch of fourth mobile operator Econet Wireless Kenya (November 2008). This has resulted into some of the world's best known telecommunication providers – Vodafone, France Telecoms and Essar Communications through their investments in Safaricom Kenya Limited, Telkom Kenya Limited and Econet Limited respectively - being major players in the Kenyan market. Ongoing infrastructural developments by operators have largely been focused on network expansion for increased nationwide coverage.

As at March 2012, market share within the Telecoms industry has Safaricom Kenya Limited as the market leader at 65.3% of total subscriptions. Other operators are Airtel, 15.3%, Orange, 10.6% and Essar 8.7%. Despite the growth in subscription levels of the market leader there is a reduction in the overall market leadership position dropping from 66.6% as at December 2011. This depicts increased overall competitiveness within the industry and hence the need for firms within the Telecommunications industry to continually reinvent themselves to maintain a competitive position in the industry ("CCK Research", March 2012).

#### 4 Safaricom Kenya Limited

Safaricom Kenya Limited started as a department of Kenya Post and Telecommunication Corporation, the former monopoly operator in Kenya. It launched its operation in 1993 based on analogue network and was upgraded to GSM system in 1996 (license awarded in 1999). With its growth, the firm was incorporated in 1997 under the companies Act as a private liability company. In 2002, it was converted into a public company with limited liability. By virtue of the 50% shareholding held by the government of Kenya, Safaricom Kenya Limited was a state corporation within the meaning of the state corporation Act (CAP 446) Laws of Kenya. Until 2007, the government of Kenya shares were held by Telkom Kenya limited which was a state corporation under the Act. Following the offer and sale of 25% of the issued shares in Safaricom Kenya Limited held by GOK to the public in 2008, the GOK ceased to have a controlling interest in the company under the state corporation Act and therefore the provisions of the Act shall no longer apply to it.

Safaricom Kenya Limited is Kenya's current leading Mobile Telephone operator and it prides itself at being a total communication solution provider. Its aim is to become the best company in Kenya. In order to achieve this, a strong focus has been placed on quality of service to its customers as well as developing products that meet customer's requirements. The firm will continue implementing best practices based on Vodafone's vast international experience as well as their knowledge of the local market, having operated in Kenya for 8 years. In terms of its business operations, the firm has been able to keep pace with the global mobile communication scenario by having strategic business association; associations which add value to the global mobile telecommunication initiative and which help in meeting dynamic challenges of the modern mobile telecommunication world. This strategic association with the leaders in mobile telephony has created a niche in the Kenyan market today.

There are many reasons that are quoted explaining the growth of Safaricom Kenya Limited but one most highlighted is the commitment and motivation of key individuals, including the integrity and determination of some key entrepreneurs responsible for initiating the innovation. Attention to key managerial activities and attitudes, such as the development of a strong market orientation, good internal communications, a sound and innovative strategy, good stakeholder

management and the ability to predict and respond to environmental and industry changes have equally lend a hand in the organizations' growth. With this support, the firm has developed a range of products and services which include roaming services, top-up services, loyalty programs, data messaging, M-pesa, voice services, simu ya jamii, and information, and security services, 3G, EDGE, GPRS and more recently Fixed Data(Wimax, Fiber, Microwave), Video Conferencing Telepresence, Virtual Computing and much more. The services are all geared towards growth. Safaricom Kenya Limited seeks to make positive contributions to communities in direct ways through value added services and financial support for community projects. Its commitment in giving back to the society seeks to address Health, Sports, Culture and Education ("Safaricom History," 2012).

## **1.2 Research Problem**

Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Firms pursue competitive strategies when they seek to improve or maintain their performance through independent actions in a specific market or industry. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers. A firm in a very attractive industry may still not earn attractive profits if it has chosen a poor competitive position. Conversely, a firm in an excellent competitive position may be in such a poor industry that it is not very profitable, and further efforts to enhance its position will be of little benefit. Both industry attractiveness and competitive position can be shaped by a firm, and this is what makes the choice of competitive strategy both challenging and exciting. While industry attractiveness is partly a reflection of factors over which a firm has little influence, competitive strategy has considerable power to make an industry more or less attractive (Slater & Olson, 2001). At the same time, a firm can clearly improve or erode its position within an industry through its choice of strategy. Competitive strategy, then, not only responds to the environment but also attempts to shape that environment in a firm's favor.

With the Kenyan government liberalizing its telecommunication sector, many new entrants have entered into the market and thus challenging established players as Safaricom Kenya Limited.

To remain competitive, Safaricom Kenya Limited has had to design new and achievable strategic plans as the competitors to have a stake in what is considered lucrative market with great potential of growth. With the increased level of competition, firms need to maintain or grow its market share, in order to remain relevant in the market. This has therefore forced the organization to develop new and effective business strategies in order to remain competitive in the market.

Recent local studies done in the area of competitive strategy include: Obado (2005) did competitive strategies employed by the sugar manufacturing firms in Kenya and found out that the sugar manufacturing firms have formalized vision and mission statements. They employ competitive strategies of cost leadership, differentiation and focus to different degrees. Cost leadership strategy is the most widely practiced amongst the firms while differentiation strategy mainly revolves around customers' service, distribution networks, and branding. Amir (2007) did competitive strategies adopted by petroleum retail stations in Kenya a case of Mombasa city and the findings showed that all stations are applying some strategies for competition but most of them combine both the cost leadership and differentiation strategies at the same time, most of which are the multinationals due to their favorable financial capabilities. A few local companies and the independent owners mainly focus on price strategy and sell at lower prices.

Kamau (2009) researched on competitive strategies employed by Zain and established that the company uses low cost strategy and differentiation strategies which enables the company to minimize costs, outsource services, adopt strategies to increase market share, quality offerings, efficient delivery system, ensuring market penetration and development and ensuring the company sources for resources in order to compete effectively with other companies. Kinyua (2010) undertook a study on competitive strategies adopted by small supermarkets in Nairobi and established that the strategies which were adopted included branding of an outlet differentiates it from others, the outlets use brand name in order to cultivate customer loyalty, charging fair prices, ensuring good customer services, reducing the prices of goods in order to attract customers and improving goods quality before selling, convenience and ease of accessibility, increased advertising and staff training. As observed above, the studies conducted on competitive strategies adopted by various organizations have not considered the strategies

being adopted in the telecommunication industry which is currently very competitive. This research will therefore seek to identify the competitive strategies being adopted by Safaricom Kenya Limited to tackle competition. This problem statement leads to the following question: what competitive strategies does Safaricom Kenya Limited adopt to tackle competition?

### **1.3 Research Objectives**

The objectives of this study are;

- i. To identify the competitive strategies adopted by Safaricom Kenya Limited in tackling competition.
- ii. To identify the challenges faced by Safaricom Kenya Limited in undertaking these strategies.

### **1.4 Value of the Study**

The study will be important to enable Safaricom Kenya Limited to evaluate the strategies they can adopt in the face of high competition in the telecommunication sector. In addition the study will be an invaluable source to those interested in establishing a business within the telecommunication sector as it highlights competitive strategies employed.

The study will also create a monograph which could be employed by other companies. Most importantly, this research is further aimed at offering some practical suggestions on the strategies to be put in place in order to gain competitive advantage. The policy makers will obtain knowledge of the telecommunication sector dynamics and the appropriate competitive strategies. They will therefore obtain guidance in designing appropriate policies that will regulate the sector.

Future scholars may use the results of this study as a reference. The findings of this study can be compared with competitive strategies in other sectors to draw conclusions on various ways an institution can respond to competitive forces within its environment. It will also benefit consultants who endeavor to provide assistance to successful running of organizations in developing and sustaining a competitive edge.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Concept of Competitive Strategy

Porter (1983) posits that every company has a competitive strategy. The four key factors that the companies can formulate into a competitive strategy include analysis of a company's strengths, weaknesses, describing a firm's assets and skills in comparison to its competitors. Financial resources and technical skills are also included in this key factor. The firm decides the inner boundaries for which strategy the company can successfully adapt. The possibility of development and threats for the company. While the last key factor includes the expectations from the society, the policy of the government, social commitments and development of the norm. To be successful the company needs to take these four factors into consideration.

Porter (1990) writes that the competition reduces the demand of profit in the investment minimum. The five forces of competition together settle the insensitivity in competition to a branch, the profitability, and that force which is the strongest decides which strategy it is going to be. According to Davidson (2001), a company's competitive strategy is choosing a favorable industry. There are two main questions the first one is the profitability in the long term and which factors determine that, while the other one is which components are affecting the company's position in the market. This question is important to ask no matter if it is a local or a global company. To be able to see if the industry is profitable, the company has to do some research in the into the industry competitors, suppliers, buyers, potential entrants and substitutes for the product or service. These are factors that determine the company's required revenue in the end because they are all factors that affect the prices, costs and the demanded investments. According to Davidson (2001) the next step is to decide which strategy to use. If this does not happen the company will be stuck-in-the-middle and often become a failure.

Competitive strategy is concerned with how a company competes in a particular business and gains a competitive advantage through a distinctive way of competing Kim *et al.*, (2004). Business firms need to consider the overall strategy if a company diversifies. It is concerned with the mix of businesses the company should compete in, and the ways in which strategies of individual units should be coordinated and integrated. Competition is at the core of the success or



failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. Competitive strategy helps to search for a favourable competitive position in an industry, aims to establish a profitable and sustainable position against the forces that determine industry competition. The ability of a company to capture the opportunity that an industry gives depends on its core competency.

## **2.2 Porter's Generic Business Strategies**

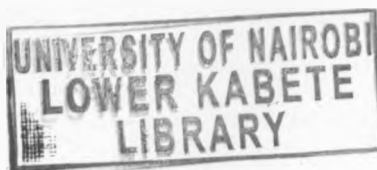
Strategy is an essential part of any effective business plan. By using an effective competitive strategy, an organization finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts there are basic businesses strategies differentiation, cost leadership, and focus and a company performs best by choosing one strategy on which to concentrate. Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Ross, 1999). Porter's (1980) generic strategies can yield competitive advantage and also ensures long-term profitability, the firm must make a choice between one of the generic strategies rather than end up being "stuck in the middle"

Differentiation strategy is usually developed around many characteristics such as product quality, technology and innovativeness, reliability, brand image, firm reputation, durability, and customer service, which must be difficult for rivals to imitate. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Thus, a firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. This would in turn help the firm to avoid potentially severe price competition and allow it to charge premium prices leading to above-normal profits (Porter, 1980). The successful implementation of the differentiation strategy requires resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, and strong cooperation from distribution channels (Porter, 1980).

When using this strategy, a company focuses its efforts on providing a unique product or service (Hlavacka *et al.*, 2001). Since, the product or service is unique; this strategy provides high customer loyalty (Porter, 1985). Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on brand name, or image.

According to McCracken (2002) the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2002). To be effective, the message of differentiation must reach the clients. When using differentiation, firms must be prepared to add a premium to the cost (Hyatt, 2001). This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka *et al.*, 2001).

Some key concepts for establishing differentiation include, speaking about the product to select panels, writing on key topics affecting the company in the association's magazine or newsletter, becoming involved in the community, being creative when composing the company's portfolio, offering something the competitor does not or cannot offer, adding flair and drama to the store layout, providing e-commerce, making access to company information and products both quick and easy, using company size as an advantage, training employees with in-depth product and service knowledge, offering improved or innovative products, emphasizing the company's state-of-the-art technology, quality service, and unique products/services, using photos and renderings in brochures and selecting products and services for which there is a strong local need (Darrow *et al.*, 2001). The shareholder value model holds that the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organization to have access to



its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event. An organization with greater resources can manage risk and sustain losses more easily than one with fewer resources. This deep-pocket strategy provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.

Cost leadership strategy is usually developed around organization-wide efficiency. In order for firms implementing the cost leadership strategy to maintain a strong competitive position and sustain their profit margins for a considerable period of time, they have to place a premium on efficiency of operations in all functional areas (Porter, 1980). Firms that implement a cost leadership strategy are able to secure a relatively large market share by being the lowest cost producers or service providers in their industry or market. Thus, firms implementing the cost leadership strategy can obtain above-normal profits because of their ability to lower prices to match or even below those of competitors and still earn profits. By pursuing low costs, companies not only operate efficiently, but also become an effective price leader, undermining competitors' growth in the industry through its success at price war and undercutting the profitability of competitors. If the firm's cost of sale or cost of raw material is lower than its competitors, then the firm can offer lower prices, higher quality, or both (Spulber, 2009, p.356).

Lower costs and cost advantages result from process innovations, learning curve benefits, economies of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs. Firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share (Bauer & Colgan, 2001). Lower prices lead to higher demand and, therefore, to a larger market share. As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). The cost leadership strategy creates little customer loyalty and if a firm lowers prices too much, it may lose revenues.

Cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. Firms can gain a relative advantage because of their lower costs in labour recourse and manufacture (Aulakh, 2000, p.350). According to Shapiro and Varian (1999) a firm that is able to sell more than other firms will have the lowest average cost. But to sell more the firm will need to lower the price; this also means that the firm has a smaller profit on each unit sold. If this works out the firm has to make up for the lost revenues in volume. In traditional industries reducing the average cost of production is focusing on cutting down the unit cost of production. The basic idea of reducing cost of information goods is to increase sale volume. Usually it does not help much to focus on the unit cost of information goods, because the firm produces one copy and sells the same copy over and over again

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (McCracken, 2002). Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

Porter (1983) posits that firms in the same industry can choose different competitive scopes in the same segment. The basic choice is between a broad target and a narrow target within the same segment. The narrow target is a well-defined market and the broad target is a larger market defined in a wider perspective. Porter (1990) further indicates that it is difficult, however not impossible, to have both lower cost and to stay differentiated relative to the competitors. It is hard to provide unique performance, quality or service and at the same time have lower costs when the products are costly to produce. The worst scenario is to get stuck in the middle or to

have more than one type of strategy at the same time, because then the firm is unable to reach the right target of buyers. According to Shapiro and Varian (1999) focus is achieved by personalizing the product. If a company succeeds in creating a unique product it will have breathing room to both personalize the pricing and to design the product.

According to Lahtinen and Toppinen (2006) the focuser selects a segment of group of segments in the industry and tailors its strategy to serving them to the exclusion of others. By optimizing its strategy for the target segments, the focuser seeks to achieve a competitive advantage in its target segments even though it does not possess a competitive advantage overall. The focus strategy has two variants. In cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segments and other segments in the industry. The target segments must either have buyers with unusual needs or else the production and delivery system that best serves the target segment must differ from that of other industry segments. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyers in certain segments. Such differences imply that the segments are poorly served by broadly-targeted competitors who serve them at the same time as they serve others.

## **2.3 Product choice**

In many cases less information can be more valuable according to Shapiro and Varian (1999). The reason is that many users have trouble identifying which product that will be appropriate for them, especially if the customer is new to the product or service. Then they have little or no information of what is a good or bad product. According to Palepu and Healy (2008) pricing means that the best way to launch a service or product is not to have two versions of it, instead the company should have three. This depends on human psychology; most people try to avoid the extraordinary and want to seek the "normal" to avoid choosing wrongly. Having three alternatives a company is going to increase their revenue.

Arvidsson, Hederstierna and Hellmer (2005) argue that the decision for a person to subscribe to the mobile service, which is required in order to generate traffic, depends on the cost of using mobile service, subscription fees, usage tariffs and the cost of the device. One assumption can be

made in the mobile service; the mobile service has a demand curve that increases when the price goes down. The operators offer several different choices for the customers and the different opportunities of choice are changing almost all the time. This environment makes it difficult to measure the average cost on the mobile market.

## 2.4 Pricing Strategy

It is discussed by Kotler (2005) that setting a low initial price indicates that the company wants to penetrate the market fast and gain high volume quickly. The company wants to capture a large market share with minimal economic efforts for the customer. The companies which are using this kind of strategy set the price as low as possible to attract as many customers as possible. After winning a large volume they can decrease their falling costs which will lead to a higher long run profit. They enter the market with the strategy to get a lot of customers, which will help the company decrease their cost and therefor way become a cost leader in the market.

Caroline (2008) was of the view that to apply this method successfully a company has to ensure that the customers have to be price sensitive so they buy more of the product when the price is low, and that when the volume increases the company's product and distribution cost must be falling. The idea with this kind of approach is that the company with a low price could attract many customers while keeping the competitors out. But this will only work if the company sticks to the low price position, otherwise the advantage will only last for a little while and then the competitors will catch up. That is why this kind of strategy is a bit risky. The company has to be sure that none of the competitors are going to set the price lower than them, otherwise the concept fails.

The key to success is to have a well-planned strategy, to establish policies and to constantly monitor prices and operating costs to ensure profits. An important part of the pricing strategy is determining how product or service is priced. In the case of corporate customers for example, they believe that it is the cost and benefit element that is the most important factor when selecting service provider (Ahmad & Haron, 2002). An organization may also seek to gain strategic advantage by its pricing strategy. In this situation, the management accounting function can assist by attempting to assess each competitor's cost structure and relate this to their prices. Simmonds (1981) suggested that it may be possible to examine the cost-volume-profit

relationship of competitors in order to predict their pricing responses. By monitoring movement in the market share of major products, a firm can find out the strengths of their market position; the market share also indicates the strengths of different competitors. That information may not be reflected in company's annual report, but the market share details can help management accounting more strategically relevant.

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services. Customers are normally price conscious in their purchasing behaviour and price is also an important factor in choice situations as a consumer's choice typically relies heavily on the price of alternatives. Varki and Colgate (2001) identified that the role of price, as an attribute of performance, may have a direct effect on customers' satisfaction and behavioral intentions. According to Keaveney's (1995), the "pricing" factor includes all critical switching behaviours that involve prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. Gerrard and Cunningham (2004) suggest that price, when compared to service failures and inconvenience, plays a more influential role in influencing customers' to switching service providers. The authors reveal that imposing higher charges on customers can encourage outward switching and discourage inward switching.

## **2.5 Challenges of Implementing Strategies**

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation (Bateman and Zeithaml, 1993). As was further observed by David (2003), successful strategy implementation must consider issues central to its implementation and that affect the success of the strategy implementation. These factors include organizational culture, leadership and management, organization structure, resources and capacity.

Organizational culture helps in nurturing and dissemination of core values. Implementation of new strategy will be concerned with adjustments in the structure, employees, systems and style of doing things in order to accommodate the perceived needs of the strategy (Pearce and

Robison, 2007). Wehrich & Koontz (1993) look at culture as the general pattern of behavior, shared beliefs and values that members have in common. Culture can be inferred from what people may do and think within an organization setting. It involves the learning and transmitting of knowledge, beliefs and patterns of behavior over time. This means organizational culture is fairly stable and does not change fast. It sets the tone for the company and establishes rules on how people should behave.

Leadership is the key to effective strategy implementation. The role of the Chief Executive is fundamental because a CEO is seen as a catalyst closely associated with and ultimately is accountable for the success of a strategy. The CEO's actions and the perceived seriousness to a chosen strategy will influence subordinate managers' commitment to implementation. The personal goals and values of a CEO strongly influence a firm's mission, strategy and key long term objectives. The right managers must also be in the right positions for effective implementation of a new strategy (Hill and Jones, 1997). Top management goodwill and ownership to drive the process is also critical to effective implementation of strategy. According to Thompson (1997), the strategic leader must direct the organization by ensuring that long term objectives and strategies have been determined and are understood and supported by managers within the organizations who will be responsible for implementing them.

The structure of an organization is designed to breakdown how work is to be carried out in business units and functional departments. People work within these divisions and units and their actions take place within a defined framework of objectives, plans, and policies. Successful strategy implementation depends on a large part on how a firm is organized. Ohmae (1983) agrees that strategy and structure need to be matched and be supportive of each other in order to achieve objective set. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective.

The execution of a strategy depends on individual members of organization especially key managers. Motivating and rewarding good performance for individuals and units are key success factors in effective strategy implementation (Shirley, 1983). According to Cummings and Worley (2005), organizational rewards are powerful incentives for improving employee and work group performance. It can also produce high levels of employee satisfaction. Reward



systems interventions are used to elicit and maintain desired levels of performance. Financial incentives are important reward mechanisms because they encourage managerial success when they are directly linked to specific activities and results. Intrinsic non-financial rewards such as flexibility and autonomy in the job are important managerial motivators.

According to Thompson et al (2007), effective strategy implementation depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful strategy implementation without attracting, motivating and retaining talented managers and employees with suitable skills and intellectual capital. As was reinforced by Cummings and Worley (2005), the task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

The research design was a case study within Safaricom Kenya Limited. Blumberg, Cooper and Schindler (2005) posit that case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The merit of using a case study is that it allows an in-depth understanding of the behavior pattern of the concerned unit. Additionally a case study allows a researcher to use one or more of the several research methods depending on the circumstances. The study was used to identify the competitive strategies adopted in Safaricom Kenya Limited to tackle competition.

The study was a case study as a strategic research in order to understand or explain the phenomena, which is the competitive strategies adopted to tackle competition, by placing them in their wider context, which is the specific company within the telecommunication industry. The reason for this choice is based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay & Callus, 1998).

### **3.2 Data Collection**

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents to be interviewed were those involved with formulation and implementation of the company's strategies who are the top managers in charge of strategy, planning, administration, enterprise business solutions, human resource management and development. These are considered to be key informants for this research. In addition the departments in which the intended respondents work in are the key developers' and implementers of the company's strategies.

In-depth interviews reduce the "distance" between interviewer and interviewee. The interviews will be semi-structured so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which will be "face to face" interviews. The order of the questions may also be varied depending on the flow of the conversation. Some of the

interviews were recorded in the cases that the interviewee accepts this action. This can have advantages like keeping the interviewer concentrated on listening and allow the formulated of the questions but can distract the interviewee by "focusing" on the recorder.

### **3.3 Data Analysis**

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis was done using content analysis.

A content analysis technique was used to generate and categorize items for comparison with the interview results from the managers of the off shore outsourcing firms. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh & Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study.

## **CHAPTER FOUR: DATA ANALYSIS, RESEARCH FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

The research objective was to establish the competitive strategies adopted by Safaricom Kenya Limited in tackling competition in the business environment. This chapter presents the analysis and findings with regard to the objective and discussion of the same and is divided into three sections namely; respondents profile, competitive strategies adopted by Safaricom and challenges facing strategy implementation at Safaricom Kenya Limited.

### **4.2 Respondents Profile**

This part of the interview guide was intended to assess the capacity of the respondents to answer the questions on the interview guide and also whether they were versed with the subject matter of the study. The respondents comprised head of departments and Senior Managers tasked with Strategy, Innovation, Planning and New Markets. These respondents were purposely selected by the researcher because they were deemed to be dealing in the company with issues relating to development of strategies that aim to tackle competition in the market. In total; the researcher interviewed all the targeted five respondents. This represented 100% response rate. All the respondents interviewed had University degrees with three of them having Masters Degrees. Their work experience spans a total of 76 years in various departments within the organization and other firms in the telecommunication industry. In addition, the views of both genders were represented in the interviewees because two of the respondents were female against three men. This meant that the views expressed by the respondents were not gender biased.

### **4.3 Competitive Strategies Adopted by Safaricom to Tackle Competition**

This section of the interview guide sought to establish from the respondents the type of competitive strategies that are employed at Safaricom and looked at the strategies dealing with; differentiation, cost leadership, focus, product and market penetration strategies.

### 4.3.1 Differentiation Strategy

Differentiation strategy focuses on firms innovating products that appear different from their competitors and is aimed at making them earn a competitive advantage over others. Since most of the mobile telephony industry products are the same and the current regulation of ceiling imposed by the government on interconnection fee discourages firms from lowering further their call charges, then the mobile companies had to look other ways of differentiating themselves to attract and retain customers. The findings on the usage of differentiation strategy by the company were that the company uses the strategy most of the times in terms of their product. In addition, the firm has developed a range of products and services which include Roaming services, top-up services, Loyalty programs, Data messaging, M-pesa, Voice services, Simu ya jamii, Sambaza, Okoa Jahazi and Fixed Data Solutions which comprises of Internet, MPLS, Cloud, Video Conferencing and TelePresence.

The respondents also identified price differentiation as yet another strategy employed by Safaricom that aims in categorizing its customers according to their needs, market segmentation and engaging in infrastructure development. Towards the same, the company has achieved competitive advantage over its rivals because of its ability to create barriers by building customer and brand loyalty through quality offerings, advertising and marketing techniques. The company has also ensured that the employees are continuously trained so as to improve service delivery that is found by the customers to be unique. Therefore it was noted that the use of various differentiation attributes will make the company customers to perceive it to have properties which make it distinct from other mobile telephony players and give it the necessary competitive advantage.

On the question of how the company ensures that the differentiation strategy employed by Safaricom is considered sustainable, the respondents noted that the company undertakes aggressive marketing on all new and existing products to increase the awareness of the products in the market, customer classification on their needs, continuous training of its staff and continuous improvement/re-engineering of its process, investing in quality technology and equipments in all facilities, reducing the operational cost and thus making their products competitive, working towards surpassing competitors in service delivery and staff involvement

so that they can own the various strategies and see them to completion. The interviewees pointed out that the successful implementation of the strategy at Safaricom is expected to attract and retain customers and therefore increasing the market share of the company.

### **4.3.2 Cost leadership strategy**

Another strategy that was identified by the respondents to lead in the market by Safaricom is the low cost strategy on the company products and services. The respondents noted that since the services offered by the company is similar to that offered by competitors, Safaricom has not employed this strategy to a large extent. They noted that the company has faced stiff competition in this area to the extent that some competitors have even reduced their calling rates to zero and also the money transfer services, which the firm considers not to be sustainable.

The interviewees also noted that Safaricom has employed low cost strategy through tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. Some of the mechanism they are using to achieve this includes gradual phasing out of scratch cards top up and instead encouraging customers to use M-pesa, restructuring the organization structure to reduce the duplication of duties. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market. Despite the mobile service products being the same, the company is forced to offer the products and services at industry level in order to realize returns on investment.

The other low cost strategy that has been employed by Safaricom company to achieve low cost strategy is by competitive sourcing of products through tendering process as there is a procurement plan in place every financial year which has to be adhered to the latter, managing the corporations resources efficiently by sensitizing the staff on minimizing wastage, ensuring that the products are sourced at lowest price possible, putting in place business planning committee who normally plan where to procure the cheapest products in the market and at the same time have a pricing committee who normally meet frequently to review the market prices and ensure that their prices are lower than the competitors. The employees on the other hand have suggested to the management cost cutting initiatives during the staff forums.

### **4.3.3 Focus strategy**

The focus strategy aims at making the company target a particular segment of the market to capture their unique characteristics. It was noted that Safaricom has segmented the local market according to their various needs and wants and by so doing the company tailors their products to these unique markets. They for example gave examples of Safaricom coming up with lower denomination calling cards; Okoa Jahazi, as some of the products tailored to meet the lower markets in the industry.

The results on what the focus strategy depends upon in the organization were that it depends on the volume of business from the customers which guides the firm to come up with products which suits that particular segment. The respondents indicated that Safaricom targets markets that are less vulnerable to substitutes or where competition is weakest as they will be able to introduce their products to the customers and at the same time preparing themselves for competition in case a new competitor enters the target market. On being asked what factors Safaricom uses in developing a product that focuses on a particular segment, the respondents pointed out that it looks at the functional, social, budget, age and social characteristics of the respondents to developing products that meet the needs of the targeted market.

### **4.3.4 Market Penetration Strategy**

On the question on which market penetration strategies the organization uses in enhancing its penetration capacity, the respondents noted that Safaricom uses several strategies. They affirmed that Safaricom uses market penetration as a strategy and noted that the company seeks to enroll new subscriber on their network. The strategy is mostly done on the basis of product bundling and marketing campaign like enrollment drives. They also noted that version are informed by value proposition targeted at specific market segments where there's need to maximize on the opportunity.

The other techniques employed by Safaricom in penetrating the market include offering incentives such as bundling services, giving devices tied to services and also recent rolling out retail shops and partner with device manufactures which is focused to availing access devices to customer to help them enjoy the network earn revenue from increased usage. The per second billing introduced by the firm helped Safaricom to attract and keep most of the new and existing

customers who wished to pay on the basis of the usage time spend. They noted that while the other competitors in the market were having a constant per minute rate, Safaricom adopted a per second billing which became popular and made the customers feel that they are just paying for what they have consumed. This strategy is similar to the popular Kadogo economy in which the company considers and categorizes clients according to their needs and tailors the firms' products to meeting these needs. To penetrate into the young generation market that are concerned with networking, Safaricom introduced reduced data charges and broke into new market segment generation Z within campuses and colleges. This reduced internet bundles has become popular with students such that in the last one year alone, this market revenue has increased by over 100%. The respondents noted that indeed Safaricom has been quite successful in penetration and though the penetration price could be considered to be low, this is leveraged by the volume sale that comes as a result.

The need to penetrate different markets of customers has also become a rallying call for Safaricom and the respondents noted that the firm listens to the different customer demands. In order to meet the emerging needs of its customers, Safaricom came up with different products within the Jambo tariff such as Supa tariff, Super ongea and Supa Taifa. With this product differentiation and tailoring the same to the customer needs, the organization has been able to increase its revenue such that since the year 2000, Safaricom has been the leading tax paying organization in the country.

With the evolving of the mobile industry in Kenya, so do the needs and demands of the users. The respondents observed that more recently in 2008, the organisation came up with Sambaza, Okoa Jahazi and Please Call Me. The drive to come up with these products was necessitated by the need of the company to assist its subscribers when they need to make urgent calls and they do not have enough credit for the same. With the Sambaza service, one subscriber can send airtime from one's phone to another's phone for free. On the other hand Okoa Jahazi product enables a subscriber to be advanced a Kes. 50 credits to be paid when the person loads his/her phone next time. These products have been received positively in the market as is evidenced by the popularity of the product as per the findings of the research firm Synovate in July, 2010 done on behalf of Safaricom.



### **4.3.5 Pricing strategy**

The study also wished to establish the pricing strategy being employed by Safaricom in dealing with the market challenges. The respondents pointed out that indeed the company employs pricing strategy and that the organization align their pricing based on the segments and what it believes is cost effective enough to ensure affordability by customers while still returning shareholders value. Despite Safaricom's competitors adopting price war on its services, Safaricom Kenya Limited has been hesitant in following suit and tries to balance the interest of the customers with that of the shareholders. They gave an example of the recent increase in M-pesa transfer fees that is pegged to pricing and product offering by observing that Safaricom aligns its pricing based on the segments and what they believe is cost effective enough to ensure affordability by customers while still returning shareholders value.

On the question of whether the company assess each competitor's cost structure and relates it to their prices when setting the prices to charge on their products, the respondents pointed out that they do not consider the competitor pricing since as the market leader, the other players look upon them for direction. Instead, they gather the data to understand the market dynamics and appropriate reaction but not necessarily to relate or align to competitor pricing. They believe in providing value to customers cost effectively. They point that a product or service price should appeal and make sense to what competition is offering due to the high price elasticity response within the Kenyan market.

## **4.4 Strategy implementation challenges at Safaricom Kenya Limited**

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization culture, structure, management, leadership, resources and capacity. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation.

The interviewees noted that Safaricom still faces several challenges in implementing its strategies. All the respondents identified different factors that have hindered effective implementation of the strategy in the organization and how the same factors impacts on strategy implementation in the organization. The challenges ranged from: organizational culture, organizational structure, leadership and management and inadequate resources.

### **4.4.1 Organizational culture**

As to the question posed to the respondents on whether they felt the organizations culture and the management culture established affected the strategy implementation in the organization, the results varied among the respondents. Two of the respondents, representing 40% of the respondents felt that indeed the organization culture affects the success of implementing identified strategies. The culture factors that were identified by the respondents varied and included the following: fear to openly question projects that might not be in the best interest of the society, resistance to change and generally fear of the unknown. In addition, two of the respondents, representing 40%, indicated that there is a certain number of senior staff members that are used to a certain way of doing things in the organization and whenever new changes were introduced or change of strategy is required to capture a certain opportunity or counter a given threat, the same group will be slow in decision making that will lead to the loss of opportunity. This view is found to be in tandem with that made by Pearce and Robinson (2007) when they noted that since implementation of strategies will affect in some cases the “way things are done in the organization’, then the employees in the establishment will tend to resist such changes. Thus the implementation strategy should be concerned with the necessary adjustment in order to accommodate the perceived needs of the strategy.

However, some of the respondents noted that culture is no longer a factor that affects the company's implementation of strategies. They pointed out that the company has trained the employees to have an open and flexible mind and that they should be ready for any opportunity and embrace it. They noted that the current culture under the new management team has been transformed to make it accommodative to the challenges and opportunities arising in the market.

#### **4.4.2 Organizational structure**

The findings on the question as to whether the organizational structure was hindering the implementation of strategies were by a majority response to the contrary. All the respondents were of the opinion that the Safaricom structure was not a hindrance to the implementation of various strategies and instead observed that the current structure as it is, acts as a complementing factor to the implementation of the strategies through facilitating the participation of staff in the decision making. They noted that the current structure provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and as a result lead to the enhancement of the organization capacity to achieve superior efficiency, quality, innovation and customer responsiveness.

However these findings are contrary to those made by Ongoya and Lumallas (2002) who noted that majority of the telecommunication industry in Kenya structures was an impediment to the development and implementation of the strategies. This difference can be attributed to the changes and level of competition that has occurred in the industry since then that makes market players to eliminate areas that will affect the decision making process and therefore led to a reduced competitiveness of the company.

#### **4.4.3 Leadership and Management**

The researcher also wished to identify from the respondents if leadership was a challenge to the process of strategy implementation at Safaricom Kenya Limited. To this extent majority of the respondents were of the opinion that at present, leadership was not a serious challenge in the company. Unlike some 5 years ago that the same was an issue, they noted that some organizational challenges were a result of poor leadership. The various challenges that can come

from inadequate leadership and management included rigidity and bureaucracy together with the failure to embrace new ideas and innovational technology in business.

In addition, differences in opinion, forced removal of project leadership, disputes in project leadership were pointed out as indicators of the existence of leadership and management problems in the implementation of the strategies in the organization then and that will have required managerial leadership to solve the same. Management resistance to change and new ideas, lack of visionary leadership together with poor leadership skills and knowledge are still additional challenges facing the organization. Some of these leadership skills were found to be due to a lack of proper training and this could be remedied through the process of training of those in the management positions.

#### **4.4.4 Rewards and Sanctions**

The success of implementing any strategies in an organization will depend on the human resource asset, especially the managers. This point was appreciated by the respondents who did observe that in order to achieve the desired results in the organization; employees will be playing an important role. As a result, they pointed out that this organizational staff will require being motivated through adequate rewards in recognition of the achievement of the targets and these rewards should not only be developed and extended to the staff, they also need to be aligned to the actions and objectives of individuals with the objectives and needs of the firm's strategy.

#### **4.5 Discussion**

Competitive strategy in a firm is concerned with how a company competes in a particular business and gains a competitive advantage through a distinctive way of competing. In the study, the level of competition in the Kenyan telecommunication industry has been found to have increased especially in the last ten years. From one dominant player in the 1990s, the number of players has increased to four at present which has meant that the firms have had to come up with new strategies that will give its products competitive edge over the competitors. This position is similar to that posited by Kim et al., (2004) who pointed out that business firms need to consider the overall strategy and provide unique products that will help it capture a particular segment of the market.

Safaricom Kenya Limited has had to employ different competitive strategies to face off the market competition. These strategies include market segmentation in which it has developed products that meet the needs of various markets such as the youth and clients with low income. In addition, the company has employed cost leadership in which to counter the high marketing cost that are being incurred to inform the customers on the company's products, Safaricom has put in place a myriad of measures tailored to cut cost and this include restructuring the organization and reducing the operational cost. This line of strategy was advocated by Porter (1980) who observed that in order for a firm to implementing the cost leadership strategy and maintain a strong competitive position and sustain their profit margins for a considerable period of time, they have to place a premium on efficiency of operations in all functional areas. This strategy came out strongly to indicate that Safaricom strategy on this has yielded positive results and help in maintaining the organizational competitive advantage. What the findings of this study show is that a company should not rely in only one strategy in the present day business environment. Instead, a form should combine the several strategies and identify the one that gives it the upper hand in the market against other players.

In the implementation of an organization strategy, a firm should also be aware of challenges that might affect the success of the strategies. In the case of Safaricom, the findings show that the company has been able to reduce challenges relating to organizational structure, leadership, lack of adequate resources and also its culture. The findings show that on the challenges relating to culture, the present day management has really strived to make it less of a hindrance to successful implementation of the organizational strategies. The management is cognizant of the challenges and the need to reduce their effect on the success of the adopted strategies and have come up with several mitigating factors.

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

### **5.1 Introduction**

This chapter sets out to discuss the summary of the findings, draw conclusions, and make recommendations.

### **5.2 Summary of the findings**

As one of the market leaders in the Kenyan telecommunication industry, Safaricom Kenya Limited has made great efforts in its bid to continue being a market leader in the country through employment of appropriate competitive strategies. The study found out that a number of competitive strategies are being employed by the firm. These competitive strategies include focus, penetration, and product differentiation, pricing and cost leadership.

The findings on the usage of differentiation strategy by the company were that the company uses the strategy mostly on its calling products and offering of superior quality services. Some of the products that have been developed and differentiated from the other players include, roaming services, Loyalty Programs, Data messaging, M-pesa, voice services, Simu ya jamii, Sambaza, Okoa and Fixed Data Services. Price differentiation also came out strongly as a method employed by the company and aims in categorizing its customers according to their needs, market segmentation and engaging in infrastructure development. Towards the same, the company has achieved competitive advantage over its rivals because of its ability to create barriers by building customer and brand loyalty through quality offerings, advertising and marketing techniques.

The low cost strategy has been similarly been employed by Safaricom Kenya Limited and it has taken the form of tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. Further, the company has segmented the local market according to their various needs and wants and by so doing the company tailors their products to these unique markets. They for example gave

examples of Safaricom coming up with lower denomination calling cards; Okoa Jahazi, as some of the products tailored to meet the lower markets in the industry.

To penetrate into the young generation market that are concerned with networking, Safaricom has introduced reduced data charges and develop products tailor made to the young customers. Going by the level of success in the capturing the young market, the findings show that Safaricom has been successful in penetrating the young market and through this, the low charges on this market is leveraged by the volume sale that results.

However, Safaricom faces a number of strategy implementation challenges. These factors hinder the success of implementing the competitive strategies and include organizational culture, organizational structure, leadership and management and inadequate resources. The findings were that the organization has adopted a proactive approach in tackling these challenges since the management realizes that for the company to succeed in its strategies, it needs to address the same. The challenges that come about as a result of management and leadership issues has however been addressed in the last five years.

### **5.3 Conclusion**

The choice of a company's competitive strategy is concerned with choosing a favorable industry to operate is concerned with achieving profitability in the long term and which factors determine that, as well as establishing the factors that affect the company's position in the market. Competition is at the core of the success or failure of firms since it determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. Competitive strategy helps to search for a favourable competitive position in an industry, aims to establish a profitable and sustainable position against the forces that determine industry competition.

The analysis of Safaricom is that it is trying to differentiate itself with the other players in the market. Porter's differentiation strategy is frequently used within the company and it has been noted to be working. The cost leader strategy was visible in the company and the company kept on changing this strategy when it was no longer successful. However, the problem with Porter's Generic strategy in Safaricom and in the telecom industry is that it is a high-speed changing

market and it is impossible to stick to only one strategy which Porter requests. Thus in order to succeed a company has to use more than one strategy or at least have a back up strategy in case the first one is a failure. They probably have to combine the differentiating strategy with the cost leader strategy because of the more decreasing prices in the Kenyan market. Having only a cost leader strategy is more or less impossible because all the operators are forced to keep the cost low and to be cost effective. The focus strategy was used to a lesser extent since it seem to demand too much effort and being too risky

## **5.4 Limitation of the Study**

The study was aimed at establishing the competitive strategies adopted by Safaricom Kenya Limited. The advantage was that the study was detailed and specific. However the limitation therein lies with the fact that due to the nature of fierce competition within the industry, there was need to compare with the various competitive strategies adopted by mobile operators within Kenya.

## **5.5 Recommendation**

This study makes several recommendations for policy implementation and also suggestions for further research.

### **5.5.1 Recommendations with policy Implication**

The study found out that the company has created a unique position in the market through provision of goods and services it is therefore recommended that they continue investing in coming up with unique products so that they can differentiate themselves. The company should at the same time continue innovating products which will compete with other companies' products and at the same time they should do aggressive marketing in order to change the perception which the customers have regarding the pricing of the company's products.

The study found out that the company does not consider other mobile telephony companies prices when setting the prices to charge on their products. It is recommended that although the company is a market leader they should consider other competitors prices as the customers are conscious about the lowest rates they are offered and not the necessarily the value. These would



ensure that the company maintains its market share which is under threat from other competitors. Although the company has managed to differentiate themselves from other competitors, differentiation alone without marketing of the products will not attract sufficient customers and it is recommended therefore that the company markets their products so that they can attract more customers.

### **5.5.2 Recommendations for further research**

The study confined itself to Safaricom Kenya Limited, however the competition in the mobile telephony industry has become intense and this therefore necessitates the study to establish the competitive strategies used by the mobile telephony companies to tackle competition

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## APPENDICES

### Appendix I: Interview guide

#### Goals of the interview process

1. To establish the competitive strategies adopted by Safaricom Kenya Limited to tackle competition.
2. To determine the challenges faced when adopting these strategies.

#### PART A: RESPONDENTS BACKGROUND

- Please indicate the duration you have held the current position?
- What is your highest level of education?

#### PART B: COMPETITIVE STRATEGIES ADOPTED BY SAFARICOM KENYA LIMITED TO TACKLE COMPETITION

##### a) Differentiation strategy

1. Does your company adopt differentiation strategy to tackle competition?
2. Does your company focus its efforts in providing a unique product or service in order to differentiate itself with other companies?
3. Does the uniqueness of the product provide a high customer loyalty and attraction?
4. Does the creation of unique product or service give the company an opportunity to charge a premium price to capture market share?
5. How does the company create a unique position in the market through provision of goods or services that are valued for their uniqueness or fit to the needs of customers?
6. Has the adoption of the lowest product or service unit costs by the company withstood competition thus attracting and retaining customers?
7. Does the company advertising persuade the public to use the facilities and products being offered thus attracting customers?

## **b) Cost leadership strategy**

8. Does your company adopt a low cost strategy to tackle competition?
9. How would you rate the state of competition in the mobile industry?
10. Does your company focus on providing goods or services at a lower cost than the competitors, or superior goods or services at an equal cost in order to tackle competition?
11. How has the management of the company achieved the low cost-leadership?
12. Does the company have a workforce committed to the low-cost strategy aimed at tackling-competition? Elaborate.
13. Has the company outsourced or discontinued any services which they do not have a low cost strategy in order to tackle competition?
14. How has the adoption of the lowest product or service unit costs by the company withstood competition?
15. How has the company achieved a strategy for continuous search for cost reduction in all aspect of their business?

## **c) Focus strategy**

16. Does your company adopt focus strategy to tackle competition?
17. Does your company identify a particular customer segment or geographical market and come up with products suitable for the segment? Does it tackle competition?
18. Does your company pursue either cost or differentiation strategies once the segment is identified?
19. What do you use to identify the target segment?
20. What does the organization focus strategy depend upon in your company?
21. Does the company target market segments that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investment in order to tackle competition?
22. What are the challenges you have encountered when focusing on a target segment?



#### **d) Product Choice**

23. Does your company adopt product choice to tackle competition?
24. Does the company launch versions of a product or service in order to increase their revenue?
25. Has the company ensured that the cost of using mobile service, subscription fees, usage tariffs and the cost of the devices are competitive in order for subscribers to be attracted thus enabling the company to tackle competition?

#### **e) Market Penetration Strategy**

26. Does your company adopt market penetration strategy to tackle competition?
27. Did the company set a low initial price in order to penetrate the market fast and gain high volume quickly?
28. How does the company use price as a competitive weapon to win a market position and market shares from the other competitors, which will help them to establish a market brand in the industry?
29. Does the strategy help the company to get a lot of customers, which will help the company decrease their cost and therefore become a cost leader in the market?
30. What challenges do you come across when crafting market penetration strategies?

#### **f) Pricing strategy**

31. Does your company adopt pricing strategy to attract customers?
32. Do you assess each competitor's cost structure and relate this to their prices when setting the prices to charge on your products?
33. Do you provide unique or superior value to the customer through product quality, features, or after-sale support in order to tackle competition?

e) What other strategies have you adopting for tackling competition?

## **PART C: CHALLENGES FACING STRATEGY IMPLEMENTATION**

- Does the culture in your organization hinder strategy implementation?
- What challenges are brought about by culture?
- What are some of the values and beliefs shared by the members of the firm?
- Does the structure of the organization pose a challenge to strategy implementation?
- What kind of challenge and how do you deal with it?
- Is leadership a challenge to the process of strategy implementation in the organization?
- What kind of challenges do you face with leadership? How do you deal with such challenges?
- Do you face the challenges posed by ineffective coordination and poor sharing of responsibilities?
- As a member of the organization, are you satisfied with the compensation package you receive for your services?
- Does the reward system employed in the constituency align the actions and objectives to those of the constituency strategy?