STRATEGIC RESPONSE BY SAFARICOM TO COMPETITION WITHIN THE MOBILE TELEPHONE INDUSTRY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2012

DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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D61/63236/2010

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

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ACKNOWLEDGEMENT

I would like to express my sincere gratitude to my family and friends for their moral support. My deep felt gratitude also goes to my supervisor Dr. John Yabs and my moderator Ms. Florence Muindi for their guidance and assistance in the undertaking of this study.

To all the Managers at Safaricom Limited who allowed me to carry out interviews, I am grateful for their time, support and their willingness to share information with me. I appreciate their valuable assistance without which the final output of this research paper would have been in vain. God bless you.

DEDICATION

I dedicate this project work to my brother Edgar D’silva. You have always believed in me, thank you for all the support you provided.

ABSTRACT

Competition in the telecommunication industry causes firms to develop new products and services, which give consumers greater selection and better products. Strategic response to competition is key as businesses seek to gain competitive advantage and remain relevant in the market and by large the environment. What is required in strategic response is a structured, disciplined, systematic way of surviving an operational environment characterized by aggressive competition. The aim of the study was to establish the strategic response by Safaricom to address competition within the mobile telephone industry.

The study was guided by the following research objective: To find out the strategic response by Safaricom to address competition within the mobile telephone industry. This study used case study design which usually focuses on a contemporary phenomenon in its real-life context. Purposive sampling was used to select the six different managers interviewed for the research. The data was collected through use of interview guide. Content analysis was used to analyze the data and the findings presented and discussed.

The study established that formulation of strategies to counter competition at Safaricom was chiefly influenced by meeting the needs, wants and providing benefits for the customers, status of competing forces in the market environment and successes and failures of strategies previously followed by the firm. The strategies enabled the company to counter competition in that they assist the company to adapt to the changing business environment, steer the company on ways to raise incomes rapidly than its competitors. The outcome of these strategies was eminent in terms of being steps ahead of competitors in market share and profits.

The challenges facing Safaricom during strategic response to competition included unpredictable government interference, market environment, complexities during implementation of the strategies, high risks involved in the diversification of strategy**,** weak financial management policies and contradiction between leadership style and management orientation. The study concluded that strategies formulated enabled the company to remain ahead on emerging trends in the local and regional market, to

learn specific customer demands and attend to them sufficiently and to enable the company to device unique products and services that distinguish them from other players in the market.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

All companies work within the environment. There are environmental factors that influence the company's performance and shape a company's strategy adoption**.** These are micro environmental and macro environment factors. The interplay of these factors and the influence that each has on the strategy making process vary from company to company (Mauborgne, 2001). The micro environment factors include customer, employees, media and competitors. The macro environment factors include social, technological, economic, environment and political trends. No two strategic adoptions are made in exactly the same context even in the same industry, situational factors differ enough from company to company that each company ends up adopting a customized strategy (Thompson & Strickland, 1996).

1.1.1 Concept of Strategy

According to Mauborgne (2001) the various definitions of strategy found in the management literature fall into one of the following four categories: plan, pattern, position, and perspective. According to these views, strategy is: a plan, a "how," a means of getting from here to there; a pattern in actions over time; for example, a company that regularly markets very expensive products is using a "high end" strategy; a position, that is, it reflects decisions to offer particular products or services in particular markets; a perspective, that is, a vision and direction, a view of what the company or organization is to become in the wake of competition from other like-minded entities. It is thus a practical response to environmental aspects that may potentially obstruct its core mission (Faulkner, 2002). This is by extension referred to as strategic response.

1.1.2 Nature of Strategic Response

Michel (1999) identifies strategic response as a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations put together by an entity to provide it with general guidance on specific actions in pursuit of a competitive edge. According to Banerjee (2001), strategic response, then, has no existence apart from the ends sought. It is a general framework that provides guidance for actions to be taken and, at the same time, is shaped by the actions taken. This means that the necessary precondition for formulating a strategic response plan is a clear and widespread understanding of the ends to be obtained. Without these ends in view, strategic response is purely tactical and can quickly degenerate into nothing more than a flailing about.

Strategic response pertains to choices between and among products and services, customers and markets, distribution channels, technologies, pricing, and geographic operations, to name a few (Michel, 1999). What is required in strategic response is a structured, disciplined, systematic way of surviving an operational environment characterized by aggressive competition.

1.1.3 Dynamics of Competition

Stigler (2008) defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by offering the most favorable terms. Competition, according to Scott and Collopy (2004), causes commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition

Three levels of competition have been classified by Greene (2004): The broadest form of competition is typically called ‘Budget Competition’. Included in this category is anything on which the consumer might want to spend their available money. The next form is ‘Substitute or Indirect Competition’, where products which are close substitutes for one another compete. The most narrow form according to Greene is ‘Direct Competition’ (also called category competition or brand competition), where products which perform the same function compete against each other. This is the type of competition prevalent in the mobile telecommunication industry, an area that this study seeks to gain insight into.

1.1.4 Mobile Telecommunication Sector in Kenya

The high penetration rate of mobile technology has made Kenya a center stage of dynamic and unique competition among mobile service providers. Over the years, a number of mobile operators have emerged with attractive packages apparently with the aim of attaining the largest number of subscribers as possible. Pioneers in the Kenyan mobile service scenario were Safaricom and Kencell (now Airtel), since then, the number has grown to four, following the entrance of Orange (affiliated to Telkom Kenya) and YU (a subsidiary of Econet). The competition among these companies is totally commendable in that it has contributed to a vast improvement and transformation of access to quality communication for people across Kenya

(Economy Watch, 2010). The current study aims to channel its focus mainly on Safaricom Limited.

1.1.5 Safaricom Limited

Safaricom Limited started as a department of the former state owned Kenya Posts & Telecommunications Corporation, initially launching its operations as early as 1993. In 1997 Safaricom was incorporated as a private limited liability company. In May 2000, Vodafone group Plc of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company. The state corporation Telkom Kenya acquired a 60% stake in Safaricom by contributing its ETAC and GSM networks together with a subscriber base valued at US$30 million. Similarly, Vodafone Kenya Limited acquired a 40% interest in Safaricom by contributing US$20 million in cash and subsequently lending Safaricom US$22 million for settlement of the above mentioned license.

In cooperation with Vodafone Kenya Ltd, Safaricom launched the award-winning money transfer service known as M-PESA. "M" stands for "Mobile" and "Pesa" is Swahili for money. This revolutionary service addresses immediate money transfer needs of people with no bank accounts including those living in remote areas. M-PESA service facilitates cash withdrawals from ATMs using mobile phones only and had a client base of over 4 million people in Kenya as of January 2009 (Safaricom Website, 2012). Since Safaricom faces a lot of competition in the market, the current study aims to focus on strategic response by Safaricom to competition within the mobile industry.

1.2 Research Problem

Competition is deemed healthy for the prosperity of any commercial sector. However, competition may also lead to wasted (duplicated) effort and to increased costs (and prices) in some circumstances. Experts have also questioned the constructiveness of competition in profitability. It has been argued that competition-oriented objectives are counterproductive to raising revenues and profitability because they limit the options of strategies for firms as well as their ability to offer innovative responses to changes in the market. In addition, the strong desire to defeat rival firms with competitive prices has the strong possibility of causing price wars. Nonetheless, competition in a lucrative market like telecommunications is in every way inevitable. The only way to stay afloat and maintain a competitive advantage amidst aggressive competition in this sector is through formulation of a practical strategic response.

A convenient strategic response ensures that a superior strategy is adopted consciously and is based on valid data and sound reasoning. Most often it results from a process that builds the necessary commitment action. An ideal strategic response identifies; and mobilizes the company toward, the combination of market positioning and best scenario for where to play and how to be the leaders in the sector. Behind this background, the current study, therefore seeks to find out the strategic response by Safaricom to competition within the mobile telephone industry.

A number of studies have been conducted with respect to strategic response both locally and internationally. For instance, Juma (2009) conducted a research entitled Strategic responses by Kenya world life service towards realization of Kenya vision 2030. Kimanthi (2010) sought to look into the strategic responses adapted by Kenya

Commercial Bank to changing external environment. Kasingui (2011) looked into strategic responses by tuskys supermarket to changing competitive environment. Mbugua (2011) conducted a study entitled strategic responses to industry environment by the CIC insurance group ltd.

Although researches have been done on strategic response, the results obtained cannot be applied to any other industry due to contextual differences. Therefore, under this light, the current study intends to answer this key research question: What are the strategic responses by Safaricom to competition within the mobile telephone industry.

1.3 Research Objective

The objective of the study was to determine the strategic response by Safaricom to address competition within the mobile telephone industry.

1.4 Value of the Study

The study will be of great significance to Safaricom Limited, and other telecommunication firms.Safaricom Limited is expected to be the chief beneficiary of the study, as it will get new insights related to competitiveness of strategies it has adopted and how the strategies interplay to ensure its sustained survival in the sector.

Other telecommunication firms will benefit tremendously from the findings of this study in that it is set to offer a detailed clarification regarding strategic adoption that they can make to improve in their implementation of strategic management for their success in the sector.

The study will be of benefit to the government and policy makers. Not much has been carried out on strategy adoption in the Mobile Telecommunication sector in the local context.

The study is also set to contribute to academia. This study will thus add to the existing knowledge base by looking closely at strategic responses by Safaricom to competition within the mobile telephone industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter deals with review of literature on strategic response. The chapter helps to show what other researchers have found out about strategic response in the mobile telephone industry. Sources of literature include: books, relevant professional education journals, and published and unpublished theses.

2.2 Strategic Response

The strategic response is the decisional act of firm management, which has as object the option for that or for those generic and alternative strategies which represent the best way of realizing the firm objectives in a competitive environment (Stigler, 2008). According to Banerjee (2001), strategic response stresses the strategies undertaken by the management to help the organization adapt to its environment. The role of the directors is to be involved in strategy development.

Strategic response theory starts with consideration of relevant forces in the external environment that affects competitive relationships. Changing external environment induce employers to make adjustment in their competitive business strategies. In making these adjustments, the range of options considered are filtered and constrained so as to be consistent with the values, beliefs, and philosophies engrained in the mind of key decision makers (Carneiro, 2007). As choice is also embedded in particular historical and institutional structures, the range of feasible options available at any given time is partially constrained by the outcomes of previous organizational decisions and the current distribution of power within the firm and between it and any unions, government agencies, or other external organizations it deals with. Moreover, history plays an extremely important role in shaping the range of feasible strategic responses (Dess, et al, 2006).

Ansoff (1965) perceived that the interaction between strategic responses can stimulate even greater results through the creation of synergy. Similarly, strategic responses can have countervailing effects and act to limit overall success. Choices of strategic response may conflict or overlap. Mapping out the choices and their likely effects is thus a critical step in strategic management. Strategic responses reflect the way managers understand the present and envisage the future. Ansoff's concept of a common thread captured the idea of relying on past strengths and directions when moving forward. Strategic response is therefore the common thread that links commonalities in the chosen product line and the target customer base.

Mockler (2003) cites that in a tidy logical sector, any process of response could be rationally divided into four Steps: identify options; evaluate the options against preference criteria; select the best option, and then take action. The best opportunities and biggest challenges are outside, not inside. Laurie (2007) notes that market change and its implications are often discontinuous, requiring more significant responses. They should be the starting point of any business strategy rather than a consequence. An “outside-in” approach to business starts with the market.

A market strategy is a kind of strategy which defines where and how to compete, and what to do for short and long-term commercial success must sit at the core of a business decision making framework. This requires fundamental choices, about which markets to focus on, and how to be positioned within them, less about legacy and capability, more about opportunity and customers (Faulkner, 2002). This orientation to the macro-environment neglects the institutional context in which strategy occurs and the ways this context shapes, develops and changes firms and what they do. An institutional approach suggests that the macro-environment is fundamental to firm and industry behavior, and ultimately, to performance. In this view, macro-environmental forces are believed to be more received than controlled (Scwartz and Shalom, 1994).

Being a decision, the strategic response needs an adequate informational support. Strategic response is determined by four categories of factors: The first factor is the managerial perception in what concerns the external dependence of firm and of its business. The bigger the firm's dependence on owners, producers, clients, creditors and public institutions, the more limited is the range of strategic response to a given market environment element, and its optional act is less flexible. The dependence of the firm to its action environment can be measured rigorously with the help of some relevant parameters. This dependence expressed quantitatively is joined by a qualitative, subjective one, which gives an expression to the perception of decision factors concerning the environment impact over the firm business (Belderbos and Sleuwaegen, 2005).

Firms which have almost closely competitive forces can be led by managers who perceive them differently, sometimes, even exactly contrary, in what concerns their strategic force and their competitive position in the environment: the managers of a firm can appreciate it as being weak competitively, the others as being strong, depending on the respective perception of the strategic choice of response made (Bowen, 2005).

The second factor is the attitude in what concerns the assuming of risk. This attitude varies in wide limits, at one extreme being the managers who avoid as much as possible taking decisions which rest with certain risks, and at the other extreme those who assume happily even exaggerated risks. According to Rugman and Verbeke (2001), the assuming of risk by managers should be put in connection with their perception in what concerns their own firm, in the way that those who have a strong dislike for assuming the risk see, probably, their firm as being a weak one and, consequently, they prefer the defensive strategies which rest with smaller risks. The managers who have to effectuate strategic choices want naturally to know the nature and dimension of the risk they assume when they choose a certain response strategy.

Virtually in the telecommunications sector, any occasion is based on the interaction of a more limited number of critical variables, a part of these presenting certain incertitude and maybe a big probability (Eisenhardt and Martin, 2000). Thus the decision of launching a new product on the market in this industry depends on a series of critical variables, on the nature of launching expenses, on the total market of product, on the market quote held by the firm etc., some variables presenting evidently, certain in incertitude.

An important factor which shapes the attitude to risk of telecommunications firms managers is the situation of market in whose profile the firm business are written down. Erramilli et al (1997) indicate that the more volatile a market is, meaning a bigger growth rate; the more imperative is the assuming of risk as it is a condition for survival in the respective market. Consequently, at the firm level, its management should assure the portfolio balance from the risk point of view which is rested within the specific market.

The final factor is the knowledge of the firm’s past strategies. This determinant factor of the strategic response in a firm manifests its action through the strategies previously followed by the firm, which constitute the first point of the choice, meaning that some options should be eliminated from the beginning. In other words, the past strategic responses influence the up to date ones (Goerzen and Beamish, 2003)

2.3 Competitiveness of Strategic Choice

Competitiveness of strategic response is a complex subject that has been analyzed by many scholars using different conceptual approaches. Some authors view competitiveness of a firm’s strategic response in terms of its productivity. McKee and Sessions-Robinson (1989) pointed out that the company, industry, or nation with the highest productivity could be seen as the one with the most competitive strategy. The other groups of authors focus on the association of competitiveness of strategic response with organizational performance. For example, Scott (1989) defines strategic response competitiveness as the ability to have a strategy that raises incomes as rapidly as competitors and to make the investments necessary to keep up with them in the future. Pace and Stephan (1996) define competitiveness of strategic response as the ability of the organization to select a strategy to stay in business and to protect the organization’s investments, to earn a return on those investments, and to ensure jobs for the future". To be able to stay in business, the company must adapt to the changing business environment by choosing the proper strategies.

The concept of competitiveness is therefore closely related to that of that of competitive advantage. According to the largely consolidated view of competitive process, a firm’s performance is affected by its strategic response choice. According to Vermeulen and Barkema (2002), telecommunications companies must produce and deliver products and services that meet customer needs and wants. In order to provide their customers with greater satisfaction than their competitors are able to have a strategy that enables them reduce production cycles and costs, improve the quality of products and services, improve relationships with suppliers and customers, and re-examine their organizational systems in order to respond to any change in customer preferences as fast as possible (Hausman, 2003).

To be competitive, the strategy must guide a company to create advantages along the marketing mix according to the peculiarities of the environment. Thus, there are three core themes that underlie the definition of competitive strategic response that is adaptability to changes in the business environment, Advantages across marketing mix and Performance.

2.3.1 Attributes of a Competitive Strategic Response

A high quality strategic response posses four key attributes: it is genuine; it is sound; it is actionable; and it is compelling. In order for a strategic response to be genuine, it must be made between at least two viable options, and it must specify clearly what the firm will and will not do as a consequence. The company must choose where to play (which customers to serve, what needs to target) and where not to play, how to compete (how the firm will achieve advantage over competitors in the chosen customer groups or segments of the market) and how not to compete. A strategic response that is not genuine does not clearly delineate what the company will and won't do as a result (Bowen and Wiersema, 2005). In fact, the true test of a strategic response comes when a competitor decides to travel down the path not taken and succeeds with this alternative response. Only then does a company truly have confirmation that a strategic response was faced and made

A sound strategic response flows logically from the accumulated facts, figures and beliefs of the strategic choice makers. According to Davies and Walters (2004), sound strategic response neither ignore nor rest on intuition. They are the product of good logic applied to accurate data which is representative and robust. In a well-thought-out strategic response, the logic applied to the data can be clearly articulated and easily tested. Sound responses are not overly influenced by the relationships or relative power positions of the key players, and as a result, they have a rigor that comes from sustained and open testing. In order for the strategic response to be sound, the data upon which the decision is to be made must be valid. That is, the data used in the decision making must be representative of the universe from which they were drawn. Too often in these processes the data is mined to extremes in order to support a preordained conclusion (Campbell-Hunt, 2000).

A strategic response is of little value unless it can be implemented. Kumar (2006) explains that this means the response can be easily communicated, can be broken down into a series of steps to be taken immediately, and can be further broken down into long-term achievable goals and doable tasks. It is possible, after all, to reduce inventory by 10 percent. It is less doable to ensure high quality without some clear sense of what it means.

The strategic response must be sufficiently compelling to generate management commitment to the response, not just in an abstract it makes sense kind of way, but in an engaged and energetic way. The commitment of the management team will be tested twice. First by subordinates, who will judge the enthusiasm of the management team by the way in which it communicates the response, and who will also test the logic of the decision against their own experience of the market (DeVellis, 2003). Second, as the strategic response is implemented, both managers and employees will watch as other competing firms take strategic paths they have rejected and be successful with those alternative choices (confirming that a genuine strategic response indeed has been made). At this point it will be tempting for a partially committed management team to deviate from its choice and chase after other business strategies (Spanos and Zaralis, 2004).

DeVellis (2003) concludes that tests of a compelling strategic response are: Can the management team achieve sufficient commitment to make a strategic response to change direction? Can the team maintain sufficient enthusiasm to enable its employees to implement the choices? And can the managers put the strategy into action for long enough to achieve success.

2.4 Challenges Facing Competitive Strategic Responses

In order to gain broader insight into strategic response factors, it is necessary to explore into challenges facing the choice of response strategies in the context of telecommunications firms. Boyd (2002) note the key challenges to be managerial characteristics such as leadership style and management emphasis on market orientation, these affect firm strategic adoption and implementation in all firm units; frequent changes in foreign exchange and other laws also affect strategic response.

In an attempt to develop a competitive strategic response, a firm is normally faced with a number of challenges. In striving to develop an ideal strategy that will make it more competitive, the firm must grapple with three interrelated challenges of strategic response - change, complexity and conscience. Rapid change pervades all aspects of operations in every market as well as the context in which they take place. According to Prahalad and Hamel (2004), not only are the rates of technological evolution, knowledge obsolescence and the intensity of competition increasing at an alarming pace in many industries, but unforeseen events are dramatically changing the political and economic context in which markets develop and strategies are formulated.

Technological change renders product development, production processes, and experience rapidly obsolete and contributes to escalating investment costs as well as heightened competitive pressures. The rapid pace of change is further complicated by its increasingly discontinuous nature. At the same time, as customers become more mobile and are exposed to new ideas and patterns of behavior through the new global media, the diffusion of new products and innovation takes place more rapidly denying strategies formulators in firms enough time to sufficiently study the industry situation.

A second challenge to strategic response arises from the increasing complexity of managing firm operations. Gladwin (1999) observes that technological advances, on the one hand, enable management to direct, coordinate, and control operations on a much broader and diverse geographic scale and scope than previously possible. Yet at the same time, such advances add further complexity, as management has to master the tools and skills required to handle the growing market infrastructure. As the geographic scope and scale of operations extends further and further, the firm management is faced with the task of directing and controlling diverse and far-flung activities at various stages in the value chain, often in widely divergent environmental contexts. Additional layers of organization begin to creep into the corporate infrastructure and further complicate the firm management task consequently interfering with the formulation of an ideal strategy to respond to competition (Hausman, 2003).

The third challenge to strategic response relates to the firm's moral and social responsibilities in the marketplace. A host of such responsibilities can be identified, covering a broader spectrum of social and corporate issues; which mainly concerns customer education and general well-being. This is often an important issue in marketing in Third World countries (like Kenya) where disadvantaged or poorly educated consumers are less able to judge the merits of a product or service or understand how to use it. Attention to the potential of promotional material or product information to mislead customers is important (Mintzberg, 2001). While customers in industrialized nations are accustomed to puffery or exaggerated product claims, and are typically highly skeptical of manufacturer-originated material, customers in developing countries are often less well-equipped or less likely to screen such material. Ability to read or understand usage instructions is another issue requiring attention. Hiring support staff to explain appropriate usage and educate consumers is often an effective approach. This poses as an extra field of concern to an already broad area of attention during corporate strategic choice (Gladwin, 1999).

2.5 Structuring Strategic Responses to Overcome the Challenges

The goal of strategic response is to produce sound strategic choices that lead to successful action. Strategic response structuring plays a paramount role in countering setbacks encountered during strategic response implementation. The strategic response-structuring process has five steps as follows:

The first step in strategic response structuring is to frame the response as a choice. According to Bowen and Wiersema (2005), this involves looking beyond the problem to discern the type of tradeoff the problem embodies and hence the type of strategic choice required in order to solve it. Until a minimum of two mutually exclusive options are identified that would neutralize the issue/problem, the strategic response is not framed. Until a response strategy is framed, it cannot be implemented.

The second step in the strategic response -structuring process is to create an inclusive list of viable options. The initial step of framing the issue as a choice identified a subset of options, but now, with an appropriate group of managers, the task is to broaden the list. The objective in this step is to be inclusive rather than restrictive of the number and diversity of options on the table. Later in the process the team will hone and prune the list. At this stage, it is important not to trivialize or dismiss options; everything is fair game (Gatignon, 1999). The later steps of the strategic response -structuring process will weed out options that are not viable.

The third step in the process is to specify the key conditions that would need to be substantiated in order for the management team to believe that the strategic response is sound and therefore an option to which they could commit themselves. Boyd and Hitt (2005) observe that at this point, the process does not seek to dismiss or even question options. Rather, the process seeks to have those in the management team with reservations about a particular option specify what condition they would need to see met in order to feel confident about the option. Making the origins of these reservations clear will enable each option to be tested in public rather than tested privately in the minds of team members. If the conditions are tested and validated, the public testing will generate commitment to action. If conditions are invalidated, then the generator of the option will see that the option has been fairly considered and found not to have sufficient merit to prevail as the strategic response.

The fourth step further focuses the resources applied to strategic response by prioritizing the conditions based on the degree to which they constitute a barrier to the response. Bowen and Wiersema (2005) outline that in this step the participants analyze the conditions that represent the greatest barriers first, so that other conditions will not have to be explored if the prior barrier is not overcome. This sequential approach minimizes the amount of analytical work necessary, which saves both time and resources.

The final step in the strategic response -structuring process is to build commitment to the response. For each key barrier condition (in order of the prioritization in Step Four), we work with the management team, member by member as necessary to specify the test that they would see as compelling in confirming the proposition that the condition holds. Management team members may have different tests that they view as valid, resulting in the need to apply multiple tests for a given condition.

In practice, management teams tend to be able to coalesce around a single test that they see as valid. In addition to having a view on the nature of the test which would confirm the condition in question, each member of the management team will have a standard of proof associated with the condition and the test of that condition. The more skeptical the manager, the higher the burden of proof. In order to build commitment, it is critical to set the standard of proof for each test (and each element of the test) as the standard generated by the most demanding member of the management team. Each manager must specify the standard of proof that would, if achieved in the subsequent testing, cause him/her to be sufficiently confident to be committed to the strategic response (Campbell-Hunt, 2000).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the procedures and the methods the researcher employed to carry out the study on strategic responses by Safaricom to competition within the mobile telephone industry in Kenya. The section comprises the research design, data collection, and data analysis procedure.

3.2 Research Design

This research used case study design. Case study normally focus on a contemporary phenomenon in its real-life context (Doby, 1967).They are also characterized by systematic collection of qualitative data from members of a given population through interviews. Case study was used in this study since it involves the procedures of collection and analysis of data from the members of a sample, in this case the heads of various departments in Safaricom Limited.

3.3 Data Collection

Purposive sampling procedure was used to select a representative sample of six managers in Safaricom. The Corporate Affairs, Marketing, New products and Services, Finance, Investor Relations, and Human Resource departments at Safaricom Limited. Managers were purposively sampled because they were deemed to provide relevant information pertaining to strategic responses by Safaricom to competition within the mobile telephone industry in Kenya.

Data was collected using an interview guide. The interview guide method was used because it collects in-depth data and allows guided discussion among the participants with the researcher acting as the facilitator. The interview guide consisted of two main sections. Section A covered the demographic characteristics of the managers. Such characteristics include age and administration experience. Section B addressed the strategic responses by Safaricom to competition within the mobile telephone industry in Kenya.

Prior to data collection, various documents that were deemed vital in carrying out the research were also obtained from the relevant bodies. Having obtained all the documents required the researcher progressed with data collection. She first established contacts with the management of Safaricom Limited. Once this was done, the researcher went ahead to interview the heads/managers of the selected departments. The collected data was used for data analysis.

3.4 Data Analysis

Content analysis was used to analyze the data since it was qualitative data. According to Hitchcock and Highes (1995), Content analysis consists of reading and re reading the interview responses looking for similarities and differences in order to find themes and to develop categories. The will assist to evaluate the response, draw conclusions and to derive recommendations. The collected data was organized and prepared for analysis in accordance to the research objective in order to establish the findings and conclusions of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data and discussion of the findings. The first section presents the background characteristics of the respondents, that is, heads of Corporate Affairs, Marketing, New products and Services, Finance, Investor Relations, and Human Resource departments at Safaricom Limited. The rest of the chapter is divided in accordance to the research objective, that is, strategic responses by Safaricom to competition within the mobile telephone industry in Kenya.

4.2 Background Characteristics

The researcher considered the background information of the heads of departments/managers who took part in the study. The background characteristics determined from the managers included: gender, age, and working experience.

4.2.1 Gender

Figure 4.1: Managers Gender

Both female and male managers took part in the study. Their distribution is shown in figure 4.1

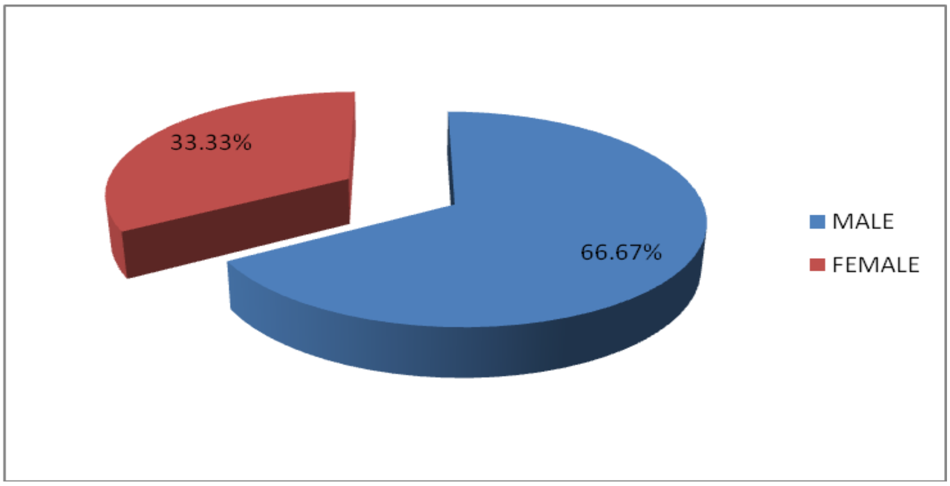

Figure 4.1 shows that a majority of the managers who took part in the study, 66.67 % were male, and the rest, 33.33 % were female. This close discrepancy may not necessarily imply that more male than female managers were sampled to take part in the study, it can be attributed to the fact that most of the departments that offered relevant information pertaining to strategic responses were technical oriented- a field that is mostly male dominated.

4.2.2 Age

Age of the managers was also determined in the study. Distribution of managers in terms of their age is shown in Table 4.1

Table 4.1: Age of Managers

Age	Frequency	Percent
41-50 Years	3	50.0
31-40 Years	2	33.3
51-60 years	1	16.7
61 and above	-	-

According to Table 4.1, a half of the managers, 3 (50 %) were aged between 41 to 50 years; 2 (33.3%) were between 31 and 40 years old whereas 1 (16.7%) was aged between 51 and 60 years. This shows that majority of the managers were in an age bracket that ensured that they are in touch with new strategic trends; a crucial factor in guaranteeing competitive advantage of a firm.

4.2.3 Working Experience

Administrative experience the managers in the company was also established in the study. This is shown in Table 4.2

Table 4.2: Administrative Experience

Administrative Experience	Frequency	Percent
6-10 Years	4	66.7
1-5 Years	2	33.3

Table 4.2 shows that a majority of the respondents, 4 (66.7%) had worked at Safaricom for between 6 to 10 years. The rest, 2 (33.3%) had worked for between 1 to 5 years. This indicates that a good number of managers had sufficient experience in Safaricom to adequately address all the items pertaining to the strategic responses by the company to competition within the mobile telephone industry in Kenya.

4.3 Strategic Responses by Safaricom to Competition

The study was interested in finding out the strategic responses by Safaricom to competition within the mobile telephone industry in Kenya. To achieve this objective, the managers who took part in the study were first asked to indicate the factors influencing formulation of strategies to counter competition; ways in which the strategies enable Safaricom to counter competition; and challenges facing Safaricom during strategic response to competition.

4.3.1 Factors influencing formulation of strategies to counter competition

Managers participating in the study outlined the following as the factors influencing formulation of strategies to counter competition at Safaricom Limited. Meeting the needs, wants and providing benefits for the customers: the managers agreed that the strategies laid down are usually primarily to meet the needs and the wants of the customers hence ensure customer satisfaction. The status of competing forces in the transactional arena: strategies are formulated as a reaction to the environment from the different competing forces that work together to achieve business objectives.

Successes and failures of strategies previously followed by the firm influence strategies formulated: as previous strategies succeed or fail in achieving set objectives then there is a need to formulate new ones to meet the changes in the dynamic environment. The managerial perception on the way forward of the firm also is a factor influencing formulation of strategies in the sense that management is on ward looking hence may alter strategies to suit the ever changing objectives of the firm.

4.3.2 Ways in which the strategies enable Safaricom to counter competition

Participating managers observed the following as the ways in which the strategies enable Safaricom to counter competition. The managers suggested that the strategies assist the company to adapt to the changing business environment: strategies adopted enable the company react and counter competition from the competitors hence gain competitive advantage. The strategies steer the company on ways to raise incomes rapidly than its competitors: through formulation of the strategies management is able to identify areas of opportunity that will aid in increasing revenue to remain a market leader.

Strategies formulated ensure the company is able to keep up with future competitive forces, and they facilitate the company's ability to stay in business and maintain a competitive edge. The review of the strategies enable a company carry out an analysis of the strengths, weaknesses, opportunities and threats hence react appropriately to remain relevant in the market. A relevant company is one that is able to retain its customer and continues enhancing customer satisfaction.

The strategies formulated enabled Safaricom to remain ahead on emerging trends in the local and regional market, to learn specific customer demands and attend to them sufficiently. The strategies further guide Safaricom to device unique products and services that distinguish them from other players in the market. The strategies also assist formulation of measures to overcome future market complexities

4.3.3 Challenges facing Safaricom during strategic response to competition

The managers participating in the study reported the following as the challenges facing Safaricom during strategic response to competition. Unforeseen government interference**:** the government as a regulator in the telecommunication sector may force the company to re look or restructure its strategies to meet the requirements of the government. Confusion of priorities during strategy implementation is a challenge in that as a result of misplaced or wrong priorities the company may formulate and adopt strategies that do not meet the need of the company hence the need to relook and re strategize which may be time consuming and definitely costly**.**

Another challenge is high risks involved in the diversification of strategy**,** weak financial management policies and contradiction between leadership style and management orientation. In this regard the challenge is usually change of leadership after formulation of strategies hence implementation of strategies is hampered.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objective of the study. The objective of the study was to find out the strategic response by Safaricom to competition within the mobile telephone industry

5.2 Summary of Findings

The main purpose of this study was to investigate the strategic response by Safaricom to competition within the mobile telephone industry. The study was guided by the following research objective: To find out the strategic response by Safaricom to address competition within the mobile telephone industry

This study used case study design because the design normally focuses on a contemporary phenomenon in its real-life context. Purposive sampling was used to select the six different managers interviewed for the research. The researcher used content analysis to analyze the collected data. The analyzed data was then classified and reported in a narrative form.

The analysis of the data enabled the researcher to come up with the following major findings: Formulation of strategies to counter competition at Safaricom was chiefly influenced by meeting the needs, wants and providing benefits for the customers, status of competing forces in the transactional arena; and successes and failures of strategies previously followed by the firm.

The strategies enabled Safaricom to counter competition in that they assist the company to adapt to the changing business environment, steer the company on ways to raise incomes rapidly than its competitors; enable Safaricom to remain ahead on emerging trends in the local and regional market, and make the company necessary to keep up with future competitive forces. The strategies formulated further enabled Safaricom to remain ahead on emerging trends in the local and regional market, to learn specific customer demands and attend to them sufficiently, to device unique products and services that distinguish them from other players in the market and assist formulation of measures to overcome future market complexities.

Key challenges facing Safaricom during strategic response to competition include unforeseen government interference, confusion of priorities during strategy implementation; unpredictable market environment and high risks involved in the diversification of strategy.

5.3 Conclusion

The conclusion of the study was derived from the major findings and was based on the research objective: Strategic responses by Safaricom to address competition within the mobile telephone industry are mainly centred on customers' interests, competition climate and lessons from previous unsuccessful strategies. The outcome of these strategies is eminent in terms of being steps ahead of competitors in terms of market share and profits.

The strategic response is however hampered by unpredictable government interference and market environment, as well as complexities during implementation.

5.4 Recommendations

The following recommendations were made to various relevant stakeholders concerning the strategic response by Safaricom to competition within the mobile telephone industry

Safaricom Limited: Safaricom Limited should utilize the insights related to competitiveness of strategies gained from the findings of the current study and identify how these insights can enable them extend their competitive edge in the local and regional mobile telephone industry.

Local telecommunication firms: Local telecommunication firms should learn from findings on the strategic response by Safaricom to competition within the mobile telephone industry and identify strategic adoption that they can make to improve in their implementation of strategic management for their success in the sector

The Government: The mobile telephone industry has a tremendous socio-economic impact on the livelihoods of the people across Kenya. Putting this into consideration, the Kenyan government should create a favorable environment for growth and development of firms in this sector by easing up its interference in the industry.

5.5 Limitation of the Study

This study was conducted at Safaricom Limited. It was difficult to meet some managers due to the nature of work. Prior planning and arrangements were eminent in order to access the six managers interviewed in the study. Few managers were not confident on the interviews but were assured on confidentiality of the information.

5.6 Suggestion for Further Research

The focus of this study was on the Strategic response by Safaricom to competition within the mobile telephone industry. Being a case study specific to Safaricom Limited, it is recommended that further research should test the findings of this research using a larger sample. Further research about strategic response could lead to potential consolidation of company expansion strategies providing much needed competitive advantage.

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APPENDICES

APPENDIX I: Letter of Introduction

University of Nairobi

Dear Manager,

I am an MBA student at The University of Nairobi. I am glad to inform you that you have been selected to participate in this study investigating the strategic response by Safaricom to competition within the mobile telephone industry. Your responses will be used for research purpose only and your identity kept confidential. Your assistance will be highly appreciated.

Thank you.

Yours faithfully,

Stella D’silva

APPENDIX 2: INTERVIEW GUIDE FOR MANAGERS

The University of Nairobi

Section A: Background Information

1. Sex

a) Male [____]

b) Female [____]

2. Age

a) 31-40 years [_____]

b) 41-50 years [_____]

c) 51-60 years [_____]

d) 61 and above [_____]

3. Administrative experience

a) 1-5 Years [____]

b) 6-10 Years [____]

c) 11-15 Years [____]

Section B: Strategic Responses by Safaricom to Competition within the Mobile Telephone Industry in Kenya

4. What are the main strategies formulated by Safaricom to counter competition?

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5. In what ways are strategies adopted by your corporation competitive?

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6. What are some of the key challenges facing your corporation during strategic response?

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7. In what ways do these challenges affect your corporation?

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8. How can challenges faced during strategic response in Safaricom be addressed?

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