

STRATEGY AND COMPETITIVE ADVANTAGE OF SAFARICOM LIMITED

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University of Nairobi Supervisor.

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DEDICATION

The research project is devoted to my wife and lovely son for their love and sacrifices when I was pursuing my studies.

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LIST OF ABBREVIATIONS AND ACRONYMS

CCK: Communication Commission of Kenya

CAK: Communications Authority of Kenya

GSM : Global System for Mobile Communications

ABSTRACT

The telecommunications industry in Kenya has faced challenges that have greatly affected the growth of competitiveness of this sector. These challenges are such as various strategy adoption like acquisition of new technology, culture change and environmental factors. The study aimed at establishing the strategies employed by Safaricom limited to achieve competitive advantage. The study is based on the following theories; resource based view theory and Porter's five forces theory. The case study was used in conducting this research. The use of case study method makes it possible to make a close examination of the data within a defined context. During the research, qualitative data was collected using interview guide administered to 4 senior managers of Safaricom limited or individuals in similar levels. The qualitative data collected was analyzed using content analysis technique. The study concluded that there are differences in organizational culture that influence the competitive advantage of Safaricom Limited. Managers at Safaricom Limited are acquiring an understanding of organizational culture contribution to the appreciation of performance of the organization. The study further concludes that leaders take into consideration the many elements involved in leading organizations through a smooth channel to eventually attain high performance. The study concludes that the product differentiation strategy from other players in the telecommunication industry enables Safaricom limited to remain competitive. Safaricom limited distinguish its' products in many ways either by using rare features, quick product innovation, having technological leadership, apparent prestige and status. On the technology adoption, the study found that Safaricom limited integrated system had all components of the organization integrated into one coherent system that enables the achievement of its mission. The study further concluded that, the threat of new entrants affects the competitive environment for Safaricom limited and existing competitors and influences the ability of existing firms to achieve profitability. Product innovation creates competitiveness at Safaricom limited. The adoption of new or significantly improved production methods improves competitiveness. The study further concludes that strategy formulation and allocation of resources are the major challenge facing Safaricom Limited in adopting strategies. It is the challenge of management to allocate them to their most useful tasks as well as coordinating and integrating activities of participating employees and functions. The study recommends that the government through communication authority of Kenya should ensure proper policies are in place to ensure telecommunication companies prices of products and services are standardized. The Safaricom managers should ensure an alignment in staffing to ensure a balanced work flow especially in the customer support departments where different levels of escalations have been put in place to address customer problems. The researcher faced difficulties in getting or accessing confidential business information from concerned employees due to fear of incrimination from management executives. A similar study should also be carried out in the major telecommunication firms in Kenya and a comparison with Safaricom in order to find out if these strategies have been a source of competitive advantage for them or not.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy is a scope or direction taken by a given organization over the long term, and it has the ability to achieve the upper hand through it is the formation of resources within the constantly changing environments and it also has the ability to fulfill stakeholders expectations (Johnson & Scholes, 2013). According to Porter (2001), the competitive strategy generates a position that is defensible in an organization, hence making it easy to cope successfully with the five competitive strategies hence get a high profit on the investment for an organization. In the vibrant markets and technologies that organizations and firms operate in, there is great need to have a healthy competitive advantage.

This study is anchored on two theories, namely; Porter's five forces theory and Resource based view. Resource based views indicated that whenever firms understand their specific competencies they are capable of focusing on areas that offer them an advantage over competitors. However, core competencies of a given firm are the most difficult to imitate and robust because they have a high association with the management linkages within a given organizational value chain. On the other hand, Porter's five forces theory that outlines framework for the analysis of the levels of competition in a given industry and development of business strategy.

This study is motivated by the fact that the business environment within which the telecommunication industry in Kenya operates has been very volatile and prone to challenges such as political anxieties, competition from new entrants, social reforms, technological advancements and globalization which affects competitive advantage.

Competition is the main driving force leading marketers to search for areas of competitive advantage that will lead to greater financial success. To overcome these challenges telecommunication industry in Kenya has to adopt various strategies to remain relevant in the global arena. Therefore this study focuses on unleashing the strategies that can be adopted to achieve good competitive advantage in the industry.

In Kenya, the mobile phone industry has developed significantly to become what it is today. However, in the Kenya Telecommunications Act, the guidelines of the Communication Commission of Kenya (CCK) of 1998, through the Kenyan Parliament have made major changes. However, the environment Safaricom limited is operating in currently seems to be very volatile (Maina, 2011). Some of the issue the company is experiencing includes; political anxieties, social restructurings, advancements in technology, competition from new entrants, and globalization hence affecting the growth of the company significantly (Wanjiru & Njeru, 2014). Therefore this study focuses on strategies employed by Safaricom limited to achieve competitive advantage.

1.1.1 Concept of Strategy

Glueck (2007), indicated that strategy is a unification, complete and integration of plans that are related to offering a strategic advantage to a given firm hence enabling the organization to create an advantage in challenging environment and it also ensures some of the essential objectives of an organization are achieved through effective implementation of related processes. In the last few decades, the concept of strategy has become more important among management practitioners and scholars (Glueck, 2007). Bennet (2007), also indicated that lack of effective strategy in a given organization creates poor roadmap in the management of the organization.

Different scholars have termed strategy as a game plan for businesses due to its ability to offer businesses with ways of achieving the objectives. Therefore, objectives can be seen as the end while strategy can be seen as the means of achieving those ends. Therefore, a strategy can be termed as management tools that can be used to achieve strategic targets of a given organization.

In the business world, strategies go through a different process with implementation process being the first process in planning. According to Gupta and Govindarajan, (2011), strategic planning has a wide range of planning which may be as wide as 3-5 years. On the other hand, Bennet (2007), indicated that strategic planning is highly involved with the creation of a match between the high levels of decision making and organizational capabilities based on the company decision and purpose in order to achieve long term vitality and health of the organization.

1.1.2 Competitive Advantage

Competitive advantage can be defined as a differentiating factor with the ability to drive customers to make purchases from a given business instead of those from competitors. The main purpose of a business success is to ensure there is an establishment of a unique competitive advantage that has the ability to create value to the customers and it needs to be difficult to duplicate (Scarborough, 2011). According to Scarborough (2011), competitive advantages can be defined as an environment that ensures an organization or a state offers goods or services that are lower in price and of best quality to their customers.

In small or large businesses, success tends to rely on various factors hence making the following to be the most important: identification of a competitive advantage, ensuring a close relationship is cultivated between the firm and customers and lastly, striving for quality (Hatten, 2012). In the business world, competitive strategies help in understanding some of the ways of competing, understanding the company goals and coming up with ways of achieving these goals (Porter 1990).

Through the use of appropriate strategies, competitive advantages have the ability to assist business to enhance their competitive position and companies with strong competitive advantage have the ability to expand its market share compared to companies with a weaker competitive position. To be able to deal with competitors, a firm must analyze its competitors. Analyzing competitors offer information which is relevant to the firm and hence the firms are able to identify some of the competitive strategies used by the competitors (Hatten, 2012).

1.1.3 Telecommunications Industry in Kenya

According to the report of Communication Authority of Kenya (2014), the mobile telecommunication industry in Kenya has been very competitive. There had been a growing price war between Safaricom and Airtel, Airtel intensified its marketing and introduced new products to attract more customers.

Safaricom replied by introducing new products and by cutting down further the prices of its products (CAK, 2015). The report further states that more recently, the price wars led to the calling rates in Kenya being the lowest in Africa with the four companies.

According to Communications Authority of Kenya report (2015), the telecommunications sector is very well developed and has two major players which include Safaricom and Telkom Kenya. Safaricom is a market leader in the mobile services segment while Telkom Kenya is the major player in the fixed line telecom segment. The report further states that Kenyan telecommunications industry experienced strong growth in the year 2012 and with the increasing subscribers for both mobile and fixed line sectors.

The report further demonstrates how Kenya's telecommunications market has had a great potential for growth because of its previous low penetration markets both in fixed and mobile markets. In 2004, Telkom Kenya lost its monopoly in the fixed line and international bandwidth sectors. Licenses were issued to a regional carrier which was a third mobile operator and several new data carriers and this marked a very significant change in the competitive landscape for telecommunications services across the country (CAK, 2015).

1.1.4 Safaricom Limited

Safaricom Kenya Limited is the leader in mobile network operations in Kenya and different reports have indicated that it is the largest in central and east Africa in terms of resources, profits, and resources. Reports by Safaricom (2016) indicated that Safaricom Kenya Limited started as one of the departments at Kenya Posts & Telecommunications Corporation which was formed to try a new innovation known as ETACS network. However, in 1996, the technology was advanced to GSM and in 1997, Safaricom was incorporated as a private liability company.

In 2002 Safaricom Limited Company began its global systems for mobile communications (GSM). Currently, Safaricom Limited Company is owned by the Government of Kenya (35%), independent investors (25%) and Vodafone controls 40% (Safaricom, 2016). Today, Safaricom is the leader in converged communication solutions with the main specialization being audio, video and data requirements (Barton, 2015).

In 2008 the government of Kenya sold 25% of its stake to make the private liability company as a public company with limited liability (www.safaricom.co.ke). However, over the years, the company has progressed continuously with different innovations including network infrastructure capability and hence today the company brags of being one of the most technologically advanced and widespread networks in the country (Toili, 2015).

1.2 Research Problem

In this era of dramatic change, global alliances, and a variety of environmental pressures, the potential for strategies failure is real. Every organization need employ business strategies to achieve competitive advantage in the cutthroat position of the business services in the organization. Porter (2001), noted just because a company is the market leader now, doesn't mean it will be forever. A company must create clear goals, strategies and operations to sustain its competitive advantage. The corporate culture and values of the employees must be in alignment with those goals as well (Robinson, 2007).

The telecommunications industry in Kenya has faced challenges that have greatly affected the growth of competitiveness of this sector. Therefore the study is motivated by the fact that the business environment within which the telecommunication industry in Kenya operates has been very volatile and prone to challenges such as political anxieties, competition from new entrants, social reforms, technological advancements and globalization which affects competitive advantage.

Competition is the main driving force leading marketers to search for areas of competitive advantage that will lead to greater financial success. To overcome these challenges telecommunication industry in Kenya has to adopt various strategies to remain relevant in the global arena. Therefore this study focuses on unleashing the strategies that can be adopted to achieve good competitive advantage in the industry.

Safaricom Limited uses strategies for improvement of competitive advantage hence allowing the firm to beat rivals and increase its profitability. In the last few decades, Safaricom Limited has adopted big data technologies and has managed to earn a position as one of the primary disruptors of the current digital age (Muturi, 2014).

Olmsted (2010), conducted a study on competitive strategy in the global telecommunications market. The study adopted descriptive research design. The study revealed that general drivers of growth for the telecommunications industry today are the expansions of both product and geographical markets. The study did not research on culture change and technology acquisition. Sekulić (2009), examined strategy development and competitive advantage of enterprises in Serbia. The study adopted a cross-sectional research design.

The study found that strategic processes, restructuring and coevolving are directed toward different changes for creating added economic value and sustaining obtained competitive advantages through more successful mobilization and reallocation of corporate resources. The study failed to incorporate relationship between organizational structure and competitive advantage.

On the other hand, Cetindamar (2013), examined the competitive strategies adopted by Australian manufacturing companies to uphold their local production capacity and competitive advantage. The study adopted descriptive research design. The study failed to incorporate relationship between culture change and competitive advantage.

Ong'ong'a, (2014), studied that effect of strategies in gaining market share by insurance companies in Kenya. The study applied a descriptive research design. The study did not incorporate strategies in influencing competitive advantage. Similarly, 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 study applied a descriptive research design. The study did not capture the influence of culture change on competitiveness. Similarly, Nyangau (2011), investigated Effects of cultural change on strategic planning in the banking sector of Commercial Banks in Kisii Central Business District, Kenya. The study adopted descriptive research design. The study did not incorporate culture change and organizational structure as variables.

Therefore, the fact that the business environment within which the telecommunication industry in Kenya operates is very volatile and prone to challenges such as political anxieties, competition from new entrants, social reforms, technological advancements and globalization which affects competitive advantage. Competition is the main driving force leading marketers to search for areas of competitive advantage that will lead to greater financial success. To overcome these challenges telecommunication industries in Kenya have to adopt various strategies to remain relevant in the global arena. This study sought to find an answer to the question: What are the strategies employed by Safaricom Limited to achieve competitive advantage?

1.3 Research Objective

To establish the strategies employed by Safaricom Limited to achieve competitive advantage.

1.4 Value of the Study

This research will be beneficial to the Safaricom top management and strategic planning managers, as it will help them apply competitive strategies for value addition, business growth and achieving competitive advantage. They will also be equipped with relevant knowledge on how to operate competitively in the competitive telecommunication industry by designing strategies which offer formidable competition, better services, low operating costs, and maximizes profits as well as address the challenges faced in the implementation of strategy.

The Kenyan Government especially the ministry of information and communication through its agency, CAK, will benefit by using the study for policy making that will improve and level the present playing ground in the telecommunications sector.

This will not only help struggling operators but will also encourage more startups and create more employment, while increasing the government revenue.

The study will supplement the prevailing body of knowledge in the field of competitive advantage and can also be referenced in future research; both in telecommunication industry and other related areas in the strategic change management. Academic researchers can also use the study findings to stimulate further research on competitive strategies adopted by telecommunication industry at large.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The point of this chapter is to present a review of the literature on strategies and competitive advantage from previous studies. The chapter discusses various theories that are used to inform the study on strategies and competitive advantage. It further presents strategy and organizational competitiveness, strategy and competitive advantage and empirical studies and research gap.

2.2 Theoretical Foundation

This section examines the various theories that are used to inform the study on strategies and competitive advantage. The study is based on the following theories; resource based view theory which focuses highly on the detection of strategies and utilization of resources by businesses for the purpose of achieving sustained competitive advantage and Porter's five forces theory that outlines framework for the analysis of the levels of competition in a given industry and development of business strategy.

2.2.1 Resource-Based View Theory

According to resource-based view (RBV) by Wernerfelt (1984), businesses can achieve competitiveness by innovatively ensuring they delivering higher value to their clientele. The present literature focused on the detection of strategies and utilization of resources by businesses for the purpose of achieving sustained competitive advantage (Borg & Gall, 2009). Resource based theory indicate that resources are contributions made to the process of firm's production and can be divided into three categories including the physical capital, human capital and organizational capital (Currie, 2009).

According to Currie (2009) capability is a capacity of some resources to perform expense tasks of a given activity. In the business world, every organization is has a collection of unique capabilities and resources that create the basis for its strategy and also act as a primary source of companies returns.

The purpose of this theory is to explain some of the resource management that is important in achieving a competitive advantage at Safaricom limited. In this study, this theory will aid in bringing out the strategic management of Safaricom limited resources which have significant effects on firms' competitive advantage. Some of the resources at Safaricom limited include financial, physical, human, commercial, technological, and organizational assets used by firms to develop, manufacture, and deliver products and services to its customers. They can be classified as tangible or intangible (Cocks, 2010).

2.2.2 Porter's Five Forces

Porter's five forces theory was developed by Porter (1980), and this is one of the most renowned works about his study on competitive strategy. The theory is a framework for the analysis of the levels of competition in a given industry and development of business strategy. The theory draws about industrial organization economics with the main purpose being to derive five forces that determine the intensity of competitiveness.

According to Porter (2008), the forces are in the micro environment, and to contrast it with the more general term macro environment. The forces are close to the company and they have significant effects on the company's ability to effectively serve its customers hence increasing its profitability. Any change in the forces demand a business to reassess its marketplace based on the information on the industry.

Porter's five forces model is relevant to the study where it is used in the analysis of industry structure as well as the strategy of Safaricom limited. Porter offered five undeniable forces that can be used by businesses and play an important role shaping the market or even the industry. The forces are used broadly in the process of measuring profitability, attractiveness, and intensity of competition (Porter, 2008).

2.3 Strategy And Organizational Competitiveness

Organizational competitiveness relates to how effectively an organization meets the wants and needs of its customers in the marketplace relative to other organizations that offer similar products or services. Porter's (2004) concept of competitiveness focuses on prosperity created from economic activity that creates value by providing products and services at prices above their cost of production. Porter uses productivity as the key factor in defining competitiveness.

On the other hand, Material culture is overt and explicit, such as products of industry, technology, art, that is, every visible or concrete acquisition of man in society, artifacts, such as bridges, pots, cutlasses, hoes, houses, cooking utensils, handicrafts.

Market conditions greatly affect the competitive advantage, such as excellence based on better service delivery to customers requires attention to the external environment, it includes the monitoring to customer trends, economic issues, and government policies (Afram, 2011).

2.3.1 Porter's Competitive Strategies

When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals (Friesen, 2011). Some of Porter's competitive strategies used by businesses include; differentiation, cost leadership, focused differentiation and focus on low costs. When referring to cost leadership, a firm is expected to become the lowest in terms of costs in the industry they are operating in. However, cost advantage highly depends on the industry structure (Porter, 2001).

They may include the pursuit of the preferential access to the raw materials, economies of scale and proprietary technology among other factors. Similarly, in the differentiation strategy, business needs to be unique in the industry they are operating in some elements that seem beneficial to the buyers (Smith, 2010). The generic strategy of focus rests on the choice of a narrow competitive scope within an industry.

Cost focus tends to concentrate more on the cost behavior in some groups while on the other hand differentiation tends to focus highly on the specific needs of the buyers in a given group (Porter, 1990). On the other hand, Differentiation focus a firm seeks differentiation in its target segment. Both variants of the focus strategy rest on differences between a focuser's target segment and other segments in the industry (Mintzberg, 2007).

2.3.2 Acquisition of New Technology

Technological innovations can help the company to build competitive advantage through making more competitive products and services and more effective processes, or creating completely new business, managers have been paying much attention to the explanation of innovation success.

Due to increasing innovation costs, decreasing innovation cycles and increasing technology complexity, the achievement of a company's innovation success has lately received renewed attention (Capron, 2008).

Such a union can potentially expand the acquirer's knowledge base and increase its innovation output by providing economies of scale and scope in research and by enhancing the acquirer's potential for inventive recombination. Technology selection is a multi-level decision, including technology strategy selection and concrete technology selection. Technology strategy involves both placing greater importance on performance and new product development and a desire to be the technological leader in the market (Granstrand, 2010).

A company selecting a right technology strategy will make more resources available to increase performance, employ more highly qualified personnel and create a good corporate culture amenable to learning and creativity, which are the basic components of technological capability. Besides, concrete technology selection means the introduction of new and advanced technologies, which are often treated as the source of technological capability.

2.3.3 Culture Change

Blunt and Jones (2012), argued that all organizations, everywhere, function within a specific culture, and it is becoming more widely recognized in contemporary discussions of organizational performance that managers and other organizational practitioners have to develop an understanding of their cultural settings if their organizations are to perform effectively.

Organizational practitioners continue to be bedeviled by a lot of management problems that have their roots in the culture of a society and those that impede progress toward achieving high performance.

The two major aspects of culture are material and non-material cultures. Material culture is overt and explicit, such as products of industry, technology, art, that is, every visible or concrete acquisition of man in society, artifacts, such as bridges, pots, cutlasses, hoes, houses, cooking utensils, handicrafts. These are directly observable as the cultural products of any society. The non-material aspects of culture consist of the knowledge, philosophy, morals, languages, motivation, attitudes, values, and norms shared and transmitted in a society.

The non-material includes work values, ethos, ideology and other behavioral traits exhibited at work (Kostova, 2008). These are sometimes referred to as the covert or implicit aspects of culture and are acquired by members of a society. They are not visible or tangible but they are manifested through the psychological states and behavior of a people. The focus in this study is on the non-material aspects of culture.

Culture is treated as the independent variable and the concept that determines other behavior traits exhibited at work.

2.3.4 Environmental Factors

Success in improving the competitive advantage depends on the ability to manage both internal and external environmental factors. These factors through analysis of environmental factors as well as the formation and implementation of business strategy. Some of the factors include; politics, inflation, currency fluctuation, social cultural factors, change of technology and legislation innovation (Blunt & Jones, 2012).

The external environment consists of macro and micro environment in which both of them have a big impact on the performance of the company. Micro environment includes actors that are directly connected and directly impact to companies such as suppliers, customers, agents, brokers, government agencies, competitors and others. While the macro environment associated with factors indicative of changes in the socio-cultural, political, economic, demographic and technological.

Market conditions greatly affect the competitive advantage, such as excellence based on better service delivery to customers requires attention to the external environment, it includes the monitoring to customer trends, economic issues, and government policies (Bennet, 2011).

2.4 Strategy and Competitive Advantage

In business, a competitive advantage is the attribute that allows an organization to outperform its competitors.

A competitive advantage may include access to natural resources, such as high-grade ores or a low-cost power source, highly skilled labor, geographic location, high entry barriers, and access to new technology. The common inclination in all these business strategy typologies is a focus on the relative emphasis a business places on efficiency versus market effectiveness (Scarborough, (2011).

On the other hand, the prospector strategy and differentiation strategy describes a firm's relative focus on the search for market opportunities to create and offer unique products and services to customers. Generic competitive advantage typology to depict the business strategic orientations of businesses is due to its influence and dominance in strategy research.

Hatten (2012) argues that the competitive strategies of cost leadership, differentiation, and focus (cost leadership or differentiation in a narrow market segment) represent different strategic orientations. A firm that implements a cost leadership strategy achieves competitive advantage by becoming the lowest cost producer or service provider in the industry. A cost leadership strategy places emphases on aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control (Porter 1990).

2.5 Empirical Studies and Research Gap

Gathirua (2013), did a study on competitive strategies adopted by cosmetic businesses within Nairobi central business district. The study found that there was very strong competition among the cosmetic businesses hence, the need to develop competitive strategies.

Similarly, Waema (2013), research on the effects of competitive strategies on the performance of dairy firms in Kenya. The findings indicated that all the main competitive strategies, that is, the differentiation.

Akingbade (2014), researched on the competitive strategies and improved performance of selected Nigeria Telecommunication Companies. The findings showed that a connection exists between competitive strategies, its elements and good performance of telecommunication firms. Afram (2011), did an assessment of the competitive strategies in the banking industry in Ghana, using a case study of Barclays Bank of Ghana Ltd. He found out that the competitiveness of the atmosphere had led to Barclays Bank of Ghana Ltd redirecting its attention towards its large corporate clients. Imaana (2013), conducted a study on the effects of competitive strategies on the performance of commercial banks in Meru town, Kenya. The results showed that each of the competitive strategies has a role to play to enable banks to improve performance.

A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation (Porter, 1998).

From the reviewed studies the current study identified gaps in theories, variables used and the methodology from the previous studies. The current study will be guided by resource-based view theory and Porter's five forces theory, the independent variables include cost leadership, differentiation, and focus low cost and focused differentiation. The study will further adopt a case study method as its research design and use content analysis in the analysis. Therefore the study will fill in the gap by investigating strategy employed by Safaricom limited to achieve competitive advantage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The primary purpose of this chapter is to offer an outline of the research methodology that will be used by the researcher in conducting the study. The chapter will discuss the research design, data collection methods and concludes with data representation and data analysis methods being used in the study.

3.2 Research Design

The case study will be used in conducting this research. A case study is a detailed examination of an individual, institution or phenomenon and the main reason is to define the factors and relationships among the factors that have resulted in the behavior under study. A case study is essential for the systematic analysis of information which helps arrive at a solid conclusion or recommendation (Cooper & Schindler, 2006).

The use of Case study method makes it possible to make a close examination of the data within a defined context. For the purpose of this study, the case study method will select Safaricom limited as a small geographical area or a very restricted number of persons as the subjects of study. According to Kothari (2004), case studies have the ability to explore and investigate contemporary actual phenomenon through comprehensive contextual analysis of a limited number of events or conditions, and their relationships in their true essence.

3.3 Data Collection

During the research, qualitative data will be collected using interview guide administered to 4 senior managers of Safaricom limited or individuals in similar levels.

An interview guide will be used as it enables the researcher to use have face to face encounter with the respondent hence in-depth data will be collected. The interview guide will consist of a list of 11 questions.

This will involve detailed discussion through individual meetings with the senior managers. Through these questions, the respondents will be able to offer an insight on his feelings, hidden motivation, interests, decisions, background and decisions and offer much information without holding back (Copper & Schindler, 2006).

3.4 Data Analysis

Content analysis method will be used to analyze the data collected. The qualitative data collected will be analyzed using content analysis technique. Mugenda and Mugenda (2003), indicated that the primary purpose of this method is to offer an in-depth study of the data which is in existence hence making it possible to determine some of the factors associated with a specific phenomenon. According to Kothari (2004), the content analysis uses a set of classification for making effective and replicable inferences from data to their context. The responses from different respondents will be compared and summarized according to the objectives of the study. Content analysis will be the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and qualitative description of the content of communication (Cooper & Schindler, 2006).

According to Kothari (2004), analysis is the process of working with data, organizing it, and enabling the process of breaking it into units which are manageable, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and determining what you will tell others. The qualitative data requires creativity because the raw data need the researcher to offer meaningful categories, hence enabling the examination in a holistic fashion, and find ways of communicating this interpretation to others.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and discussions. The study objective was to establish the relationship between strategy and competitive advantage of Safaricom limited. Primary data was collected using an interview guide which was administered to managers of Safaricom limited. The data was thereafter analyzed based on the objectives of the study and the findings are as presented as per the different classes underlined below.

4.2 Demographic Information

The interviewees worked in the following departments: Research and Development, Finance, Marketing and Human resource. These departments were thought to be relevant to Safaricom Limited's competitive practices and hence understood the business strategies.

Results from the interview indicated that all of senior managers had worked for the Safaricom limited for more than 9 years. The respondents' long tenure at the Safaricom limited made it easier to retrieve information regarding competitive advantage since they are reliable, dedicated and competent. These managers are also ambitious, hard-working and the length of time they have worked at the organization could have given them an opportunity to interact or participate in formulation or implementation of working policies.

Moreover, the results reveal that interviewees had worked for a considerable period of time and they were giving credible information.

The interviewees indicated that they were mandated to develop plans by conducting hazard analyses, preventive measures and identifying critical control points in the management of Safaricom limited. The position held by some managers required them to validate the efficiency of processes by establishing expected specifications and quality attributes of services by documenting evidence, determining operational and performance qualification.

4.3 Strategies employed by Safaricom limited to Develop Competitive Advantage

The interviewees indicated that competitive advantages are conditions that allow a company or country to produce a good or service at a lower price or in a more desirable fashion for customers. These conditions allow the productive entity to generate more sales or superior margins than its competition. Competitive advantages are attributed to a variety of factors, including cost structure, brand, and quality of product offerings, distribution network, intellectual property and customer support.

They further indicated that a firm has a competitive advantage when it creates more economic value than its rivals, and this competitive advantage in return will enable the firm to earn greater economic value than its competitors. The notion of competitive advantage is made more precise by equating it with added value because the added value ensures the chances of survival. The added value comes from a firm's high performance, therefore the link is created between high performance and competitive advantage.

The interviewees indicated that Safaricom limited has adopted differentiation strategy, focus strategy, cost leadership strategy and market focus strategy. Further the respondents observed that the Safaricom Kenya limited has adopted the resource based view and the open systems view of competitive strategy in its operations.

It was revealed that this strategic approach has enabled Safaricom Kenya limited to understand its customers 'needs and develop and solutions that add value to their lives while maintaining a future focused approach that enabled it to remain a technology leader in the internet service market in Kenya.

Further, the interviewees explained that competent leadership, flexible organisation structures, young and highly competent staff, innovative organisation culture, financial capability, partnerships and executive support were key factors that has contributed to the success of the company in achieving its competitive advantage in the Kenyan market.

They further explained that technology innovation can help the company to build competitive advantage through making more competitive products and services and more effective processes, or creating completely new business, managers have been paying much attention to the explanation of innovation success. Safaricom limited has put in place incentives to ensure the needs of the staff are met. Such incentives include comprehensive health covers, gym facilities, crèche for mothers, and medical facility at the work place and diversified cafeteria services at work place was also designed to foster collaboration that is common among the youthful age groups. Below are the strategies employed by Safaricom Limited in advancing its competitiveness;

i. Culture Change

On the influence of culture on competitive advantage of Safaricom Limited, the interviewees indicated that there are a certain employees 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.

The respondents further indicated that Safaricom Limited treats its employees well, employee morale appears high and our staff appear to be happy with employment conditions at the company and motivated or engaged with their work. Interviewees further indicated that their employees are young, dynamic Kenyans, with 70% of the workforce in their 30s, 16% still in their 20s and 85% of the workforce are based in Nairobi. On the whole, our staff complement is pretty evenly split between men and women, although the number of women in more senior management positions remains relatively low.

The managers further responded that the majority of the workforce consists of permanent staff and Safaricom Limited do not have any seasonal workers in the employment. On the other hand none of Safaricom Limited staff are covered by collective bargaining agreements; however, Staff Council that meets on a quarterly basis to address issues and concerns raised by employees. The respondents further indicated that Safaricom Limited has been empowering female staff. Part of our ongoing efforts to ensure that the needs of working mothers are addressed, the Policy offers new mothers a minimum of 16 weeks fully-paid maternity leave and a reduced hours for the first six months.

ii. Cost Leadership

The interviewees at Safaricom Limited explained that M-Pesa and Mobile data have become the main engines of growth and they have taken a cost leadership advantage by making the services more affordable to subscribers following the recent major price reduction to attract more subscribers while expanding their market share. The respondents also indicated that Safaricom Limited is continuously reviewing its value proposition to ensure that customers enjoy unrivalled communication services at the most affordable rates while expanding the options available to them. They have introduced the 5 shillings for 20 SMS, 20 shillings for 500 SMS and 10 shillings for 200 SMS.

The respondents further indicated that besides being a major investor in infrastructure, Safaricom has also taken the lead in developing local content to make the Internet more useful to Kenyans. By investing in an all IP transmission backbone, the company has seen lower operational cost hence, be able to offer its products at very competitive rates.

Cost leadership strategy has helped Safaricom in achievement of competitive advantage and outperforming its rivals in the market through growing the customer numbers, opening branch networks and winning customers' loyalty, this has resulted to customer retention. Some of these services include M-shwari, roaming services, top-up services, loyalty programs like „Bonga points“, messaging, Mpesa, voice services for example post-paid advantage plus, Sambaza and Okoa jahazi.

iii. Product Differentiation Strategy

The interviewees indicated that they have improved their products and services to compete for customers, revenue, market share with products and services that meet customer's needs. The respondents further indicated that global competition has brought about technological changes whereby customers are demanding for superior quality products/services with lower prices. More so, this increased rate of global competition has brought about reduction in product life cycle. This has led to much emphasis of Safaricom limited being placed on organizational competencies and creation of competitive advantage which is believed would give them an edge over other competitors.

The interviewees further indicated that this strategy is used by Safaricom to create a competitive advantage through making available and ensuring adequate marketing of the unique products and services that are different to those of their rivals. The respondents also indicated that Safaricom limited is shielded from competitors if its products are less similar with those of the rival company. Safaricom limited distinguish its' products in many ways either by using rare features, quick product innovation, having technological leadership, apparent prestige and status. The findings confirm the work of Houqiang, Lai, and Cheng, (2013), that a business might realize that marketing their products to a certain niche of the customers may fail to be effective in increasing sales of a given products in the market. Therefore, such a business may adopt the focus strategy where the business develops its marketing endeavors and services based on the company's ability to exclude the other segments or groups.

iv. Technology Adoption

The results revealed that most of the managers were in concurrence with the positive impact that technology of management has had on the competitiveness of Safaricom limited. The managers indicated that Safaricom limited has adopted M-PESA money transfer services, Safaricom 4G network, the mySafaricom application and the Safaricom home fibre which other network provider have not provided. The senior managers interviewed revealed that Safaricom limited integrated system had all components of the organization integrated into one coherent system that enables the achievement of its mission. Managers maintained that Safaricom limited integrated system is used when making decisions and it has helped mitigate conflict and ineffective use of resources hence improving the organizational performance. The findings concur with Barton (2015), technology innovation can help the company to build competitive advantage through making more competitive products and services and more effective processes, or creating completely new business, managers have been paying much attention to the explanation of innovation success.

The results further revealed that Safaricom has provided 5times Faster Internet on Uploads and Downloads, HD Video Streaming, Music Streaming and Video Calling. The results further revealed that the realized organization success at Safaricom limited is due to actions taken by technology adoption, methodologies, and systematic management of different areas, which comply with the different standards or model governing the organization. The interviewees also explained that Safaricom has upgraded to a 4G-enabled SIM card provide both Wireless and LAN fiber access.

The interviewees further indicated that although the organisation have different systems because they have varying information needs, they all strive for competitive advantage through continuous improvement; re-evaluation of the effectiveness and efficiency of the system.

v. New Market Entrants

The results revealed that threat of new entrants is one of the forces that shape the competitive structure of a telecommunication industry. The threat of new entrants Porter created affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. The interviewees further noted that a high threat of entry means new competitors are likely to be attracted to the profits of the industry and can enter the industry with ease. New competitors entering the marketplace can either threaten or decrease the market share and profitability of existing competitors and may result in changes to existing product quality or price levels. The findings concur with Boyne (2010), who noted that when entering a foreign market, firms must decide on the level of resources (e.g., cash, human resources, transfer of technology and other types of assets) to commit to the new market. Firm size is considered a useful and manageable approximation of firm resources.

Further, the respondents indicated that when a new telecommunication company enters a market, the variables that influence the performance of the business change and existing companies have to react to maintain the position. How the new company overcomes the existing barriers to entry can guide in the strategic reaction to the new situation. As the market changes, you have to take into account the strengths of the new entrant when forming a strategy to keep the customers.

The response is in line with Bennet (2011), who noted that when a new buyer enters a market, suppliers often can raise prices because of higher demand. The new entrant needs the same materials and components you do to offer the same kinds of products in the market. If a company can lock in its supplier costs with long-term contracts while the suppliers charge the new entrant higher prices, it can maintain its pricing structure and compete on quality and unique features.

vi. Product Innovation

Safaricom limited managers revealed that under the current atmosphere in Kenya that features the external and internal company's environment, it becomes necessary for company to fit itself in these changes in order to maintain its market place, and to face the aggressive competition in such an open world market. The findings concur with Hoskisson, (2011), who noted that a business that is capable of differentiating their product from other businesses in the same industry to large extent will be able to reap profits. This can be applied to how smaller businesses can use product innovation to better differentiate their product from others.

The respondents further indicated that the adoption of new or significantly improved production methods improves competitiveness. These methods may involve changes in equipment or production organization or both. The methods may be intended to produce new or improved products which cannot be produced using conventional plants or production methods, or essentially to increase the production efficiency of existing products. Respondents further indicated that businesses that are able to successfully utilize product innovation will thus entice customers from rival brands to buy its product instead as it becomes more attractive to the customer.

The findings are in line with Johnson and Scholes (2013), that the company is shielded from competitors if its products are less similar with those of the rival company. A company can distinguish its' products in many ways either by using rare features, quick product innovation, having technological leadership, apparent prestige and status.

vii. Research and Development

The interviewees responded that they have a research and development model. They have a department that is staffed primarily by engineers who develop new products, a task that typically involves extensive research. The other model involves a department composed of industrial scientists or researchers, all tasked with applied research in technical, scientific or industrial fields, which is aimed at the facilitation of the development of future products or the improvement of current products and/or operating procedures. The interviewees responded to this question by stating that reduced research and development on the competitive advantage of Safaricom limited has affected the company negatively. The views are in line with Glueck (2007), who noted that research and development activities are conducted by specialized units or centers belonging to a company, or can be out-sourced to a contract research organization, universities, or state agencies. In the context of commerce, "research and development" normally refers to future-oriented, longer-term activities in science or technology, using similar techniques to scientific research but directed toward desired outcomes and with broad forecasts of commercial yield.

The interviewees further responded that applied research carries the findings of basic research to a point where they can be exploited to meet a specific need, while the development stage of research and development includes the steps necessary to bring a new or modified product or process into production. The assessments of the relative competitive advantage of the company across the network size spectrum and how other network characteristics such as geographic scope and local branch density affect competitive advantage has not been viewed by various studies. This has reduced Safaricom limited competitiveness since there are no new customers who are using Safaricom limited services.

Challenges Facing Safaricom Limited in Adopting Strategies

The interviewees responded that one of the challenges is strategy formulation which involves evaluating the current business strategy of Safaricom Limited and determining measures to improve them. Ascertaining the major areas where business needs any help from the external environment of business. They further indicated that the consistency of strategy is vital, meaning that strategy throughout the company should be in line with the overall direction of the company and its goals. The views are in line with Glueck (2007), who noted that a poor or vague strategy can limit implementation efforts dramatically. Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort. The need to start with a formulated strategy that involves a good idea or concept is mentioned most often in helping promote successful implementation. Good implementation naturally starts with good strategic input.

The respondents further indicated that resource allocation is also a major challenge. People are the key strategic resource; therefore it is essential for organizations to effectively utilize the know-how of their employees at the right places.

It is the challenge of management to allocate them to their most useful tasks as well as coordinating and integrating activities of participating employees and functions. The findings concur with Afram (2011), that resource allocation also plays a major role in the process of strategy implementation. It is imperative to ensure that the people who carry out the action have the skills and knowledge, Lack of adequate skills, knowledge and capabilities to implement the strategy can be an issue if the employees have an incomplete understanding of the concepts they are trying to implement.

4.4 Discussion of the Findings

4.4.1 Comparison to the Theory

According to resource-based view theory one of ways business can achieve competitiveness is by innovatively ensuring they delivering higher value to their clientele. Safaricom limited has many resources including financial, physical, human, commercial, technological, and organizational assets used by firms to develop, and deliver products and services to its customers. They must be utilized well to achieve competitive advantage. On the other hand, Resource based theory indicate that resources are contributions made to the process of firm's production and can be divided into three categories including the physical capital, human capital and organizational capital

On the Porter's five forces, the theory is a framework for the analysis of the levels of competition in a given industry and development of business strategy.

From the findings Safaricom limited has drawn about industrial organization economics with the main purpose being to derive five forces that determine the intensity of competitiveness and also the attractiveness of a given industry.

Safaricom limited has already adopted cost leadership strategies; they have introduced the 5 shillings for 20 SMS, 20 shillings for 500 SMS and 10 shillings for 200 SMS. From the study findings Safaricom limited is able to deal with the threat of new entrants. On the other hand, Safaricom limited has adopted M-PESA money transfer services, Safaricom 4G network, the mySafaricom application which makes it competitive than other providers.

4.4.2 Comparison to Other Studies

The study found that organizational culture has a considerable influence on competitive advantage of Safaricom Limited. The managers further responded that the majority of the workforce consists of permanent staff and Safaricom Limited do not have any seasonal workers in the employment. On the other hand none of Safaricom Limited staff are covered by collective bargaining agreements; however, Staff Council that meets on a quarterly basis to address issues and concerns raised by employees. Interviewees further indicated that their employees are young, dynamic Kenyans, with 70% of the workforce in their 30s, 16% still in their 20s and 85% of the workforce are based in Nairobi.

On the cost leadership, the study revealed that the respondents also indicated that Safaricom Limited is continuously reviewing its value proposition to ensure that customers enjoy unrivalled communication services at the most affordable rates while expanding the options available to them. They have introduced the 5 shillings for 20 SMS, 20 shillings for 500 SMS and 10 shillings for 200 SMS. By investing in an all IP transmission backbone, the company has seen lower operational cost hence, be able to offer its products at very competitive rates.

Cost leadership strategy has helped Safaricom in achievement of competitive advantage and outperforming its rivals in the market through growing the customer numbers, opening branch networks and winning customers.

The product differentiation strategy at Safaricom limited enables the company to remain competitive. The respondents also indicated that Safaricom limited is shielded from competitors if its products are less similar with those of the rival company. Safaricom limited distinguish its' products in many ways either by using rare features, quick product innovation, having technological leadership, apparent prestige and status. The interviewees further indicated that this strategy is used by Safaricom to create a competitive advantage through making available and ensuring adequate marketing of the unique products and services that are different to those of their rivals.

On the technology adoption, the managers indicated that Safaricom limited has adapted M-PESA money transfer services, Safaricom 4G network, the mySafaricom application and the Safaricom home fiber which other network provider have not provided.

On the other hand, the results revealed that threat of new entrants is one of the forces that shape the competitive structure of a telecommunication industry. The threat of new entrants affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. The interviewees further noted that a high threat of entry means new competitors are likely to be attracted to the profits of the industry and can enter the industry with ease.

The study revealed that product innovation creates competitiveness at Safaricom limited. The respondents further indicated that the adoption of new or significantly improved production methods improves competitiveness. These methods may involve changes in equipment or production organization or both. The methods may be intended to produce new or improved products which cannot be produced using conventional plants or production methods, or essentially to increase the production efficiency of existing products.

The study revealed that there are two major challenges facing Safaricom Limited in adopting strategies. Strategy formulation which involves evaluating the current business strategy of Safaricom Limited and determining measures to improve them. Ascertaining the major areas where business needs any help from the external environment of business. Allocation of resources is also a major challenge, It is the challenge of management to allocate them to their most useful tasks as well as coordinating and integrating activities of participating employees and functions. People are the key strategic resource; therefore it is essential for organizations to effectively utilize the know-how of their employees at the right places.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section of research provides a summary on the findings of the research, the conclusions of the study and the recommendations on strategy and competitive advantage of Safaricom Limited.

5.2 Summary of the Findings

The study established that organizational culture affects the competitive advantage of Safaricom Limited, majority of the workforce consists of permanent staff and Safaricom Limited do not have any seasonal workers in the employment. On the other hand none of Safaricom Limited staff are covered by collective bargaining agreements; however, Staff Council that meets on a quarterly basis to address issues and concerns raised by employees.

On the product differentiation strategy at Safaricom limited, the study found that the company is shielded from competitors if its products are less similar with those of the rival company. On the other hand, the managers indicated that Safaricom limited has adapted M-PESA money transfer services, Safaricom 4G network, the mySafaricom application and the Safaricom home fibre which other network provider have not provided. The results further revealed that Safaricom has provided 5times Faster Internet on Uploads and Downloads, HD Video Streaming, Music Streaming and Video Calling.

The study revealed that the threat of new entrants also influence the competitive advantage at Safaricom limited. It is one of the forces that shape the competitive structure of a telecommunication industry.

The threat of new entrants affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. On the product innovation, the study revealed that the adoption of new or significantly improved production methods improves competitiveness. These methods may involve changes in equipment or production organization or both.

The study revealed that Safaricom limited have a research and development model. They have a department that is staffed primarily by engineers who develop new products, a task that typically involves extensive research. The other model involves a department composed of industrial scientists or researchers, all tasked with applied research in technical, scientific or industrial fields. Safaricom Limited is faced by Strategy formulation challenge which involves evaluating the current business strategy of Safaricom Limited and determining measures to improve them and the allocation of resources which involves coordinating and integrating activities of participating employees and functions.

5.3 Conclusions

The purpose of the study was to establish the strategy and competitive advantage of Safaricom Limited. The following are the major conclusions based on the findings and discussions.

The study concluded that there are various organizational culture that influence the competitive advantage of Safaricom Limited. Safaricom Limited treats its employees well, employee morale appears high and the staff appear to be happy with employment conditions at the company and motivated or engaged with their work.

Interviewees further indicated that Safaricom Limited has a tendency of employing young Kenyans. Workforce consists of permanent staff and Safaricom Limited do not have any seasonal workers

The study concludes that the product differentiation strategy from other players in the telecommunication industry enables Safaricom limited to remain competitive. Safaricom limited distinguish its' products in many ways either by using rare features, quick product innovation, having technological leadership, apparent prestige and status. On the technology adoption, the study found that Safaricom limited adopted M-PESA money transfer services, Safaricom 4G network, the mySafaricom application and the Safaricom home fiber which other network provider have not provided. The results further revealed that Safaricom has provided 5times Faster Internet on Uploads and Downloads, HD Video Streaming, Music Streaming and Video Calling

The study further concluded that, the threat of new entrants affects the competitive environment for Safaricom limited and existing competitors and influences the ability of existing firms to achieve profitability. Product innovation creates competitiveness at Safaricom limited. The adoption of new or significantly improved production methods improves competitiveness. The study further concludes that strategy formulation and Allocation of resources are the major challenge facing Safaricom Limited in adopting strategies. It is the challenge of management to allocate them to their most useful tasks as well as coordinating and integrating activities of participating employees and functions.

5.4 Recommendations

The government through communication commission of Kenya should ensure proper policies are in place to ensure telecommunication companies pricing of products and services are standardized. 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.

The Safaricom managers should ensure an alignment in staffing to ensure a balanced work flow especially in the customer support departments where different levels of escalations have been put in place to address customer problems. The Safaricom managers should engage more staff in understanding the customer challenges to allow them serve their needs better.

5.5 Limitations of the Study

The study focused on strategy and competitive advantage of Safaricom 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

The study faced difficulties in getting or accessing confidential business information from concerned employees due to fear of incrimination from management executives. To overcome these, the researcher had to assure the sampled respondents on the confidentiality of the information collected and no names divulged in the final report.

The study was confronted with the challenge of accessing adequate studies done in the developing world with suitable information that suit the Kenyan scenario. The limitation will be addressed through research and consultation with relevant stakeholders.

5.6 Suggestions for Further Studies

The study confined itself to Safaricom Limited, however the competition in the mobile telecommunication industry has become intense and this therefore necessitates the study to establish the strategies used by the mobile telephone companies to tackle competition in Eastern Africa.

A similar study should also be carried out in the major telecommunication firms in Kenya and a comparison with Safaricom in order to find out if these strategies have been a source of competitive advantage for them or not.

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APPENDIX I: Interview Schedule

1. How long have you worked in Safaricom limited?
2. Could you please explain how you view competitive advantage?
3. What is the influence of culture change on competitive advantage of Safaricom limited? Explain
4. How does cost leadership influence competitive advantage at Safaricom limited? Explain
5. Has Safaricom limited adopted product differentiation strategy to achieve competitive advantage? Explain
6. What is the influence of technology adoption in achieving competitive advantage at Safaricom limited? Explain
7. What is the influence of new market entrants on competitive advantage of Safaricom limited? Explain
8. What is the influence of product innovation on competitive advantage at Safaricom limited? Explain
9. What strategies does Safaricom limited employ to develop competitive advantage? Explain
10. How does research and development affect competitive advantage at Safaricom limited? Explain
11. What challenges does Safaricom limited face in adopting competitive strategies? Explain