

**STRATEGIC THINKING 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 in any university.

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This project is dedicated to my loving wife Eunice and daughter Makaila who have been by on my side throughout my study and whose inspirations keep me going.

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## **ABBREVIATIONS AND ACRONYMS**

CA	Communications Authority of Kenya
CCK	Communication Commission of Kenya
CBK	Central Bank of Kenya
KP&TC	Kenya Posts and Telecommunications Corporation (KP&TC)
CEO	Chief Executive Officer
AVAC	Activities, Value, Appropriability and Change Framework
SMS	Short Messages service
Kshs.	Kenya Shillings

## ABSTRACT

The telecommunications industry is an industry characterized with complexity and dynamicity because the competitors are always on the look for any action taken by one member and the rest counter with a reactionary offers and strategies. Creativity and innovation is a key aspect in transforming business processes, innovation has been the focus of many researches. This research sought to establish whether the “Safaricom thinking differently spirit” is replicable in the mobile telephony industry and even in other sectors. The main objective of this study is to determine the extent to which strategic thinking contributes to Safaricom Limited’s competitive advantage. The study adopted a case study research design. The data collected by use of the interview guides was analyzed and interpreted by use of content analysis. Interview guide was used to collect data. The findings revealed that Safaricom had adopted strategic thinking which constituted analysis of relevance of company’s external and internal environment for effective strategy formulation process and informs development of strategies that fit with the company’s mission, vision, competitive conditions and operating strengths as well as aligning its strategies in responding to the environmental threats and opportunities to turn threats into opportunities and capitalizing on the opportunities to create value and advantage over time, it also reveals that strategic thinking is also important in reducing internal weaknesses and increasing strengths as presented by the immediate operating environment. The study established that company vision of offering the market quality products and services, has led to the company acquiring the largest market share, achieving competitive advantage compared to rivals in the markets. The study established that Strategic planning as an important prerequisite for strategic thinking practice provide Safaricom with general direction to a company in specific area of focus such as human resource competencies, marketing plans, adoption and application of information technology, internal development strategies, and use of company’s resources that determine long-term growth path of the company. The study concluded that company has utilized the immense power of strategic thinking which have led to the acquisition of largest market share, increased profitability, greater goodwill from the population and achieving competitive advantage compared to rivals in the markets as strategies help the company in determining company’s culture, attitude towards creativity and innovations, acquisition of human resources competencies and structure, and how its people, skills, and management are dovetailed together to achieve desired outcome. Application of strategic thinking has helped Safaricom in utilizing its core competencies and internal strengths and reducing its vulnerabilities so as to create competitive advantage that is unique sustainable. The study recommends that companies should adopt strategic thinking practices as organizational culture, as is the practice in Safaricom and should not be bestowed to few individuals in the company to ensure embracement of the culture to the unforeseeable future.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

Businesses operate in competitive environment; each individual organization has an ultimate goal to outwit their rivals. Competitive advantage, with a more desirable form of Sustainable Competitive advantage is not a new concept in the management field. Business organizations over time have embraced strategic planning as a means niching their market out from the rest of the competition in the industry. Concept of competitive advantage has been the guiding philosophy for management practices in the organizations since its advent in the 1980s, has become an important cog in the achievement of success in the business dealings.

Competitive advantages are the conditions and actions that give rise to an edge over rivals and result in the ability of a firm or an individual to generate greater value for its owners and its stakeholders. According to Porter (1985) there are distinctively two main broad categories of competitive advantage in an industry namely; the differential competitive advantage and the comparative competitive advantage. Most firms must desire the competitive advantage that is sustainable in the long run, such advantage are the most difficult for firm's to neutralize the advantage in the short run period.

Porter (1985) further argues that an organization can only produce goods and services at a cost that is lower than the competitors' and offer the same at a lower price, and the goods and services are more desirable for customers, when it has a competitive advantage

element over the rest. A firm that is able to achieve the above condition will be better placed in generating more sales and better profit margins than the competition. A more productive entity will generate more sales or superior margins than its rivals in the industry. Sustainable competitive advantages emanate from various factors such effective cost structures, superior brand and quality, customer care and supports, efficient product sales/distribution channels and networks, valuable intellectual properties such as patents and copyrights.

This study was anchored on the Porter's Generic Competitive Strategies; this model will be useful in determining if a firm's position and profitability as compared to other firms' positions and profitability in the industry is within the acceptable industry's average, it helps in analyzing if the profitability is acceptable in the industry or is below allowable minimum in terms of the industry's average index. Strategic thinking has become integral part of management and catalyzes a firm's ability to achieve superior advantage in the local and global industry within which it operates. Strategic thinking is a new concept that is different from the traditional management styles where managers come up with a plan, organize, coordinate and control within the paradigms, strategic thinking is about new organizational leadership where managers are team leaders and not bosses (Bass, 1990).

### **1.1.1 Strategy**

Strategy underwent a great deal of metamorphosis and development within the corporate sector in the 1980s. According to Mintzberg (1987) it was only in the 1980s that

phenomena such as embracing planning as part of mandatory management activity, corporate restructuring, expansions, financing and portfolios started being driven by the technological advances in means of communication and transport. From the time of these advancements an interactive dynamic and integration on a global level have become predominant.

Strategy is the coordination of competencies and resources towards the attainment of specified ends /the strategic goal of a firm (Hamed & Pahalad, 1989). The term strategy is derived indirectly from the Classic and Byzantine, (330 A.D) Greek word *Strategios*, which means the art of the general. The Roman historians also used the *strategia* that loosely translates to territories under control of a military commander (Strategic Thinking Institute, Origin of Strategy; 2006).

According to Tzu (1910) the word strategy has its background in the military. It emanates from the word stratagem that constitutes astute planning and treachery in managing the war by combination of force and deception. According to Creamer and Dassance (1995) Strategic planning is the formal process that is followed by companies in formulating their objectives and defining strategies and ways through which the objectives can be achieved.

According to Porter (1985) the position that a firm occupies in the industry to a larger extent predetermines and dictates the profitability, hence ability to compete effectively. The positioning of the firm further helps in the profitability to be at a level that is either

above or below the acceptable industry's average, if the performance of a firm is above the industry's average, it becomes the top in the industry. Inefficient firms have profitability that is below the industry's average and these results in firms occupying positions that reduces their abilities to compete against top firms. A firm that is in competition and is in touch with environment within which it operates has the potential to possess the following two major types of competitive advantage that are broad in nature; the cost competitive advantage and the differentiation competitive advantage. These two broad competitive advantages naturally give rise to the three generic competitive strategies namely: Cost leadership, differentiation and focus strategies.

### **1.1.2 Strategic Thinking**

Thinking strategically is currently an indispensable factor in steering and managing organizations towards success, whether for profit or not-for-profit. Strategy is the link between the inner world of business and its external environment, strategy helps in matching the internal attributes of a business and the external intervening environment to help business cope with environmental changes (Moore 2000).

According to Baloch and Inam, (2007) A modern strategic manager is not only tasked with ensuring that the current on goings in a company are as per the stakeholders' expectations or in a manner that is required by the stakeholders, but is also expected to shape the future in terms of long strategic objectives and designing futuristic plans that have the capacity to acquire advantages of any future opportunities that were not planned for during the planning stages and tackle all unforeseen deterrence in the operating



environment, plans must also be capable of turning the deterrence into opportunities that are easily tapped by the strategies applied by the firm. This proactive mode of operation where all situations are intellectually and analytically handled with focus to create trends that enables a firm to gain higher advantage against competition is called strategic thinking.

According to Stan (2005) Strategic thinking is the ability to come up with a viable and feasible business model or strategy that is capable of delivering customer value through a finished product or service. The strategy must have the ability to compete and outwit competition by resulting in to a product of unique appeal and value. Thus a strategy crafted through strategic thinking is more than the usual company blue print (plan).

Strategic thinking results in creativity and innovation; creativity is the ability to generate and combine business ideas in a unique way while innovation is the process of putting the new ideas into action. Creativity and innovation is paramount in bringing changes in operations of a company that result in achievement of organizational goals. Since organizational environment is always erratic and dynamic in nature, a company must ensure that they repackage themselves, adapt to the changing environment and to achieve greater advantage by thinking strategically in innovative manner through exploration and exploitation (Drucker, 1985).

### **1.1.3 Competitive Advantage**

Porter (1980) defined competitive advantage as the business' ability to outperform competition through superior value or comparative value at a lower price; this is achieved by having cost and differentiation advantages. It is the leverage that firms have over their competitors. Creating a sustainable competitive advantage is the main challenge that firms face in the competitive market setting. Porter developed four major generic strategies that a firm can apply to achieve greater advantage depending on the scope of the business activities. For broad range markets the following two strategies are the most suitable in achieving and sustaining competitive advantage, conversely, the differentiation focus and cost focus strategies are most suitable in the narrow market.

Many prior studies have found that for a firm to gain competitive advantage that is sustainable, it must be able to stay ahead of competition in terms of formulating and implementing its own strategies, even if the same strategies are simultaneously being implemented by the competitors. According to Christensen and Fahey (1984) the term competitive advantage refers to the abilities that a firm is able to gain through organizational resources, capabilities and attributes that enable them to perform at a better level than the market competitors. This study will be of interest due to the immense contemporary issues in regard to firms superior performance in today's ever changing and increasing in the level of competition.

A firm that is able to formulate and implement value creating innovative strategies by thinking strategically better than how the current competitors are implementing their strategies will be at a more vantage position in terms of gaining competitive advantage (Barney, 1991; Clulow et al,2003).

#### **1.1.4 The Telecommunication Industry in Kenya**

The telecommunications industry is one of the critical sectors in the Kenya's economy and forms critical component for economic growths; the sector has helped the economy in mobile money transfers and Information Communication Technology infrastructure expansion. Communications Authority of Kenya (CA) that was formerly known as Communication Commission of Kenya (CCK) is the body mandated by the constitution of Kenya to carry out regulation of the activities of the telecommunications, radio and Television broadcasting, general broadcasting, multimedia including internet, business over the net, courier services, postal and errands services. The Communications Authority is responsible for Licensing of telecommunications operators and service providers, formulation and implementation of telecommunications policies, monitors the actions and performance of players in the sector ([www.ca.co.ke](http://www.ca.co.ke)).

The Central Bank of Kenya (CBK) regulates the mobile money services through the National Payment Systems regulations to facilitate fair competition amongst nonbanking institutions to carry out money transfers. This is to act as a clearing and settlement house for transactions carried out by service providers, as well as a channel for communication with the Central bank of Kenya. In the recent past Essar Telecom which was operating

under the name YU exited the Kenyan market and their subscribers acquired by Barti Airtel helping their market share to rise by 6 percent after they were unable to withstand competition and also due to series of poor performances.

The Telecommunications industry is an industry that is full of business opportunity and is very erratic and tumultuous in nature, it is characterized with constant, frequent and continuous changes that require companies to be very vigil in their operations and always thinking ahead of their competition. A study by the Pew Research Centre in 2015 showed that out of the total country's population about 88 percent of Kenyans surveyed used their phones to send text messages, 61 percent of Kenyans use phones to transfer money, and 54 percent uses their phones for photos or video. According to the Communications Authority in 2015, the average call volume per subscriber 84.9 minutes per month, this statistics shows an area that has a huge potential.

The telephone industry in Kenya has evolved through the years, starting from a humble beginning to the now more developed industry that is today characterized with stiff competition. Before 1998, all telecommunications in Kenya was a monopoly of the Kenya Posts and Telecommunications Corporation (KP&TC), who operated mail boxes and land line telephones, money transfer was via money grams, telegraphs and money orders. Telkom Kenya was created by the Act of the parliament in the year 1998 through a bill proposed by the Communication Commission of Kenya ([www.ca.co.ke](http://www.ca.co.ke)).

In the mobile telephony services Safaricom is the market leader with highest number of subscription which in turn translates to very high profits declared year after year and steady growths. According to the Daily nation (May 11, 2017) financial results announced by Safaricom CEO, the company profits grew by 27.1 percent as at March 2017 to a record 48.4 billion. Most revenues were from bundles use which surged 38.5 percent to 29.29Billion while that of MPESA grew by 32.7 percent to 55.08 Billion. The revenues were also boosted by an increase of 11.8 percent in their customer base bringing total subscription as at March 2017 to 28.1 Million subscribers.

### **1.1.5 Safaricom Limited**

Safaricom Limited is a public limited company in the telecommunications industry that offers integrated services of Mobile phone Voice calls, fixed voice calls, mobile payment services, short messages, internet and MPESA and MPESA platform for mobile banking services. Safaricom started as department in the Postal Corporation of Kenya formerly known as the Kenya Posts and Telecommunications Corporation (KP&TC) in the 1993, in 1997 Safaricom Limited was incorporated as private limited company before being acquired by Vodafone in the year 2000, Vodafone Group acquired 40 percent shareholding and took over the responsibility of management of Safaricom, subsequently in the year 2002 Safaricom opened its door to the public to become public limited company.

Safaricom with its heads office at Safaricom House Waiyaki Way, Westlands Nairobi, has had unrivalled growth since its inception, by 2009 it had a total subscription base of 6Million subscribers and 10 Million subscribers in the year 2010 with outlets in all major

towns of Kenya. The subscription has been growing steadily since then. On several occasions Safaricom has been awarded globally for its innovation and innovative culture which brought forth MPESA and Mobile banking in collaboration with many major banks in Kenya

Safaricom's number one driving force is the innovation. Through organizational units that encourage entrepreneurial culture, Safaricom has been inventing products that have acted as trend setters in the telecommunications industry. Many of products and services that are produced by Safaricom have been used as benchmarks in Africa and world at large. Introduction of MPESA and mobile banking by the company has continued to attract interest from investors' world over. Many Safaricom products are custom made for all segments of the market hence the continued growth and market leadership in the telecommunications industry in Kenya ([www.safaricom.co.ke](http://www.safaricom.co.ke)).

Safaricom has carried out product segmentation successfully over the years by packaging their services and Products in a manner that is appealing to all segments of the society such as MPESA Services, both prepaid and postpaid billing systems, mobile data and internet for households, messaging and roaming services.

Safaricom has been profound at taking advantage of its strengths in advancing its ambitions. Through continuous differentiation, driven by innovation, Safaricom has been able to traverse multiple industries including telecommunications, data, money transfer services and online transport brokerage. Safaricom stays ahead of the curve by utilizing a

strategic thinking unit that constantly develops ways of creating better, improved processes and forging advantageous strategic partnerships. Safaricom fosters an innovative culture within the organization and partners with other innovators. This is paramount in enabling generation of new innovations that meet, excite and exceed the stakeholders' and customers' expectations ([www.safaricom.com](http://www.safaricom.com)).

As many companies continue to apply the traditional strategic planning that focus on people, resources and processes, Safaricom discovered the mighty advantage of paying attention to consumer mind-basic motives. Some of these motives include, but are not limited to, instant gratification (Sambaza, Flash back and Okoa), convenience and speed (MPESA) and cost cutting for corporations (pay-bill for utilities). Safaricom's MPESA being one of the leading products of Safaricom Limited have has continued to carry out innovations and creativity in coming up with different sub product lines that have enabled them to have financial inclusion by providing solutions in partnership with major banks. Safaricom's MPESA product line is shown in Appendix I ([www.safaricom.com](http://www.safaricom.com)).

## **1.2 Research Problem**

The competitive strategies employed by different organizations are dependent on the industry within which the organizations operates in, the forces posed by the both external and internal environment, the organizational resources and capabilities among other factors (Rainbird, 2004). The telecommunications industry is an industry characterized with complexity and dynamicity because the competitors are always on the look for any action taken by one member and the rest counter with a reactionary offers and strategies.

Consumers' preferences are constantly changing and this requires an organization operating in this industry to be proactive to remain relevant. This necessitates competitive thinking, innovation and the continuous monitoring and evaluation of these strategies (Huber, 2004).

Competition among companies is becoming stiffer as many companies continue to apply the traditional strategic planning that focus on people, resources and processes, for an organization to be above the rest it must discover the mighty advantage of paying attention to consumer mind-basic motives. Strategic thinking catalytically enables a company to bring "the future" to the present way of doing business. This is achieved by studying market direction and bringing futuristic solutions to the fore (Rubinstein & Firstenberg 1999).

Several studies have been undertaken in the past that aims at linking strategies used by an organization to either achieving performance or competitive advantage. Mumbi (2013) conducted a research on strategies adopted by standard chartered bank to achieve sustainable competitive advantage. At the end of the study it was concluded that there is strong positive correlation between applied strategies and competitive advantage. Mwangi et al (2013) conducted a study on the effects of competitive strategies on the performance of mission hospitals in Kenya a case study of Kijabe mission hospital. The study found out that cost leadership had the greatest effect on the performance of the mission hospitals, followed by product/market development strategies, then market focus while differentiation had the least effect on performance.



In the global context, Gilmore (2007) studied integrating strategic thinking into organization for long term competitive advantage. At the end of study she concluded that Strategic thinking is a powerful tool that has the ability and potential to move an organization into futuristic and new was hence gaining sustainable competitive advantage. Baloch and Inam (2007) studied Strategic thinking as a catalyst to competitive advantage. They concluded that in the absence of strategic thinking an organization is at risk of using strategies that lack creativity hence no advantage can be derived in the process.

Creativity and innovation is key aspect in transforming business processes, innovation has been the focus of many researches locally in different industries. Studies have been done in the local Kenyan market focusing on strategy, performance, but there exists a knowledge gap as to why Safaricom Limited remains strongly ahead of the competition. A deeper understanding into the futuristic strategic thinking that drives innovation and creativity at Safaricom Limited may begin to answer this question.

Many researchers in the past studies have failed to point out in specific terms how strategic thinking is a superior catalyst in the achievement of competitive advantage in an industry, how strategic thinking helps them to create and command its own future. Michael E. Porter in his analysis failed to point out how strategic thinking can act to help in controlling cost drivers in a value chain to ensure that a firm remains a cost leader.

This research thus undertakes to study the thoughts behind the solutions that have kept Safaricom ahead of competition and ensured constant continuous growth in profits and asset base. More importantly, this research sought to establish whether the “Safaricom thinking differently spirit” is replicable in the mobile telephony industry and even in other sectors. To what extent does strategic thinking contribute to competitive advantage of Safaricom Limited?

### **1.3 Research Objectives**

The objective of the study was to determine the extent to which strategic thinking contributes to the achievement of the competitive advantage at Safaricom Limited.

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

The study will be of immense benefit to the strategic managers at Safaricom Limited in understanding how strategic thinking is a catalyst in achieving sustainable competitive advantage in the market and hence encourage firms within the telecommunication industry to embrace a culture of strategic thinking, creativity and innovation to be able to emerge top of competition. The findings and recommendations of the study will be useful to the government, regulators and players in the industry in formulating and implementing policies that encourages strategic thinking for greater growth in the industry.

The study will help in pronouncing to the players in the telecommunications industry the immense importance of strategic thinking, as a new way of achieving sustainable competitive advantage that is unrivalled. It will help the firms in embracing strategic thinking as part of strategic management process.

The research will help in underscoring the fact that there is significant research work done on competitive advantage and their sources in the industry, and need for more research works to be carried out on strategic thinking as an important source of competitive advantages. The study findings will therefore be useful to the future researchers and scholars in this field of the study who will use the study recommendations to form basis of development of theories and other studies. The research findings will also help them in their literature reviews during studies.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will present literature on the existing knowledge from other studies carried out in the past on strategy, strategic planning and how the two can be combined into strategic thinking, which is an essential catalyst in enabling an organization to achieve greater competitive advantage in a competitive market. The chapter aims at providing a summary of theoretical foundation on strategic thinking and competitive advantage and how a firm, by use of strategic thinking excels in the industry.

#### **2.2 Theoretical Foundation**

This section focuses extensively on highlighting the theoretical knowledge on the effects that strategic thinking has on the success of businesses, and argument on to why organizations that have adopted strategic thinking in tandem with strategic planning and management will be better placed in gaining more advantage than competitors that focus only on the strategic planning. This section of the study provides a review of literature on gaining competitive advantage in the telecommunications industry and what scholars have studied on relationship between strategic thinking and competitive advantage.

##### **2.2.1 The Activities, Value, Appropriability and Change (AVAC) Framework**

Afua (2009) provides a framework that is used to assess potential of a strategy to be profitable in a fast changing environment by use of new game strategies. The changes that are characterized by rapidness and speed can be technological changes or changes

due to globalization. Activities, Value, Appropriability and Change framework is an analysis tool used by firms to interrogate their strategies. Firms that need to be successful in the competitive environment must be able to analyze their strategies, a good strategy must be subjected to thorough analysis using the framework's four conditions, there is need to rewrite the rules of doing business and overturning the existing frameworks for value creation and appropriation, therefore for a firm to succeed it must be able to pursue the right new game strategy (Afua, 2009).

Afua's AVAC framework was developed from the definition of strategy; Johnson and Scholes (2003) defined strategy as a firm's overall scope and long term direction that helps the firm gain desirable advantage by configuring firm's resources in a manner that responds to the dynamic environment within which a firm operates in and is in a position to meet the stakeholders expectations.

AVAC framework helps in value chain analysis since it is important in analyzing how each activity in the system contributes to value creation and appropriation. Different activities in the firm's system contribute differently to the organizational benefits. The framework is key is choosing what activities to carry out and when so that it can result into greater advantage. The framework generally is an important tool in ensuring that the right combination of activities is undertaken that results or yields highest returns to the organization (Afua, 2009).

### **2.2.2 Game Theory**

Mathematical game theories are basically theories of conflict and cooperation. In business this could be referred to as corporate politics of competition and cooperation,

generally referred to as cooptation. Game theory teaches both careful and concise thinking. In other words it mixes enthusiasm driven creativity with caution. In strategic thinking therefore, one is apt to apply creative faculty in exploring opportunities and critical evaluation in exploring solutions (Straffin, 1993).

The games have four key components: players, strategies, outcomes and payoffs. Game theory is the study of how games are played; in the game each player aims at having ending result results with higher payoffs, that is to say they aim at having a favorable result as compared to the opponents. Each player has equal chance of outcome at the start since they both equal control of the game. At the end of the game the result is determined by the choices made and strategies applied during the game and the choices of the opponents which results in to conflict and cooperation (Straffin, 1993).

### **2.3 Competitive Advantage in organizations**

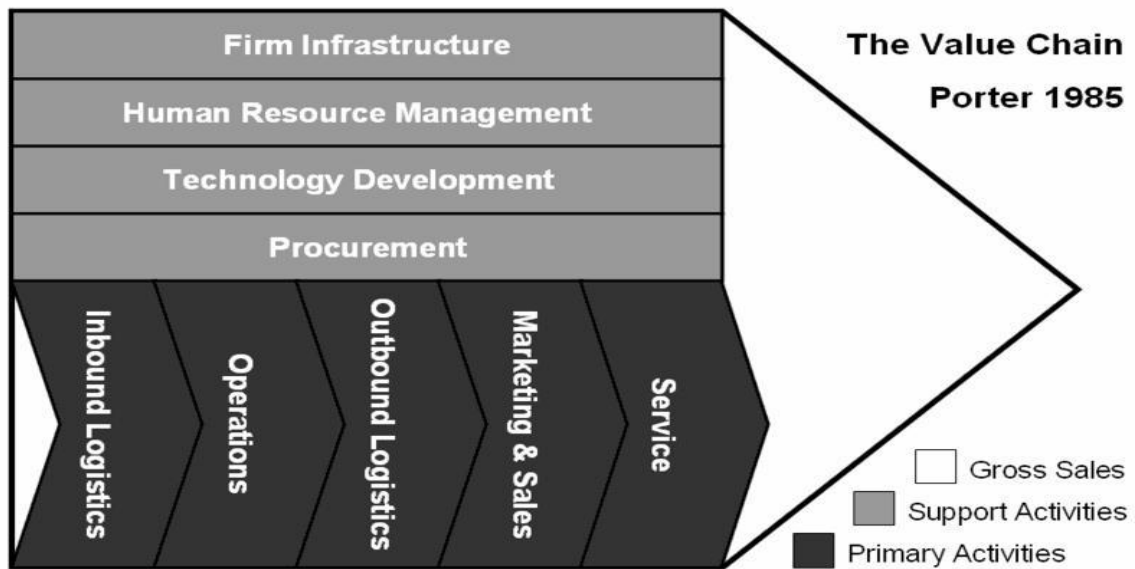
A number of studies on strategic planning, strategic planning process and strategic thinking as a means towards achievement of competitive advantage have been done in the past. A renowned strategic management author, Porter, in his studies argued that competitive advantage resides in the value chain that includes both the primary and support activities, he argues that for a company to achieve competitive advantage it must be able to achieve operational effectiveness and achieve all their strategies by assimilating and attaining best practices (Porter, 1985).

Porter (1998) defined a competitive strategy as the process by which firms take defensive or offensive strategies and actions to create a position in the industry that they can defend, in order to gain a superior position and returns that can be able to cope with the five forces which threaten their positions. If the actions can be sustained over a period of time and continue to earn superior position and returns, then they are be called sustainable competitive advantage. This kind of advantage is of the form that is more desirable to the all firms. Competitive advantage is achieved when a firm offers comparable buyer value at lower cost efficiently than the competitors. It is performing activities at comparable cost uniquely that create more value than the competition through differentiation and charging premium prices.

A firm is able to gain more advantage by either by being cheaper or by being different, and the difference must be perceived by the customer as being desirable. Porter (1985) analyzed a firm as being a value chain which is series of activities which link together. A company enjoys the most competitive advantage when the chain that connects different operations is strong and allows seamless flow of activities. The interrelationships created in this process are called links (Porter, 1987).

Porter's competitive advantage resides in the value chain that includes both the primary and support activities, he argues that for a company to achieve competitive advantage must be able to achieve operational effectiveness and achieve all their strategies by assimilating and attaining best practices (Porter 1985).

**Figure 1; Porter, Value Chain, 1985**



Adapted from Porter, the Competitive Advantage, the concept of Value Chain, 1985 page 37

Porter's Competitive Advantage (1985) considered competition at industry's level as a way of conceptualizing the firm that would expose the foundations of competitive advantages and its sustainability.

A firm can be able to realize competitive advantage by positioning itself after undertaking market analysis by use of the Porter's five forces theory. Porter's five forces analysis is an important tool in the analysis of trends in the competitive market setting, it helps in understanding the market dynamics, new trends, industries attractiveness and thereby acts as a basis by which the strategies of a firm are designed to capture opportunities available. The organization's people, value system, size, culture and knowledge are the key contributors to competitive edge. An organization must take mighty advantage of all these factors in facilitating innovation that drives its structuring (Porter, 2008).



## **2.4 Strategic Planning**

Strategic Planning is strategic management action that views an organization as a whole and is more concerned with the futuristic state of the organization as opposed to the present only. Strategic planning endeavors to address the following key organizational issues: Where the organization is as at now (Situational analysis), what is the organization's destination, Where is it going and when (Vision and mission) and how can the organization get to its destination (Strategy).

Strategic thinkers have argued that strategic planning should be more about creation of new markets than being a scramble for existing markets. Success lies in methodically creatively generating "blue oceans" of niche market spaces that are ready for growth and not in being in war with the competitors. It is a straddle strategy of that combines high product differentiation and low cost (Chan & Maugborne, 2005).

## **2.5 Strategic Thinking and Competitive advantage**

According to Alsaaty (2007) Strategic thinking is the creation of new ideas, products or ventures; this asserts that a business only needs strategic thinking when it plans to effect change in its operations. Strategic thinking is the process of applying innovation, strategic planning and tactical planning all geared towards the advancement of competitive edge in the successful attainment of goals.

Strategic thinking is more defensive than offensive in the competitive market. A firm's action is informed by the actions of the competitors; a successful firm must always have preplanned strategies, emergent strategies and reactionary strategies. Effective strategic

thinking has to be situational, that is to say, strategic thinking shall always be dependent on the prevailing situations and therefore shall not be static in nature. The level of strategic thinking shall always be influenced by the prevailing circumstances in the business environment, and accordingly the thinking shall be changing as circumstances change. (Sun Tzu, 1910).

There exist fundamental differences between business and military use of strategy. In business the strategy is based on the spirit of competition and winning the advantage for furtherance of business, in military the strategy is based on the spirit of conflict and ways through which to win conflicts through combats (David, 2013).

The organizational type, skills, competences, structures, resources, culture, people and desired future state dictates the future outcome of an organization. Through situational analysis a firm is able to identify its strengths against its weaknesses to locate its vulnerabilities and to create sustainable competitive advantages as was advocated by Porter, he argues that as much as there are different natures in any industry, the drivers that shape the profitability and growth are the same irrespective of how the shape and structure of the competition is in the industry (Porter, 2008).

There are five key components that sustain strategic thinking and planning. These are: The winning aspirations, where we play, how to win, capabilities required to win and the management styles required to win (Lafley et al, 2013).

Sustainable advantage is dead, companies that will thrive are those that adopt continuously and reconfigure constantly. This creates transient advantage in which advantages in the market place are tidal waves that rise and fall. The focus should thus be on customer solutions as opposed to segments and markets. Business boundaries are dead, and so are commercial borders. Innovation must sit at the core of every strategy (McGrath, 2013).

Mintzberg (1994) argued that strategic thinking is cannot be systematic in nature, rather is more of strategic analysis than strategic synthesis. According to him strategic synthesis is about connecting the dots as opposed to the strategic analysis that is finding the dots. Strategic thinking is about capturing what a manager has learnt from different sources in the organization and the market and synthesizing the learnt knowledge into vision of the business. According to Liedtka (1998) there is big difference between strategic planning and strategic thinking as ways of achieving the business objectives, this has been summarized as below.

**Table 1: Differences between Strategic Planning and Strategic Thinking**

Parameters	Strategic Planning	Strategic Thinking
Vision for the organization	Relies on the future that is specific and predictable	Future is not predictable but the shape can be predicted
Formulation and implementation of Strategies	Strategy formulation and implementation can be divided, are sequential and discrete	Formulation and implementation are interactive
Managerial role in making of strategy	Done at the executive level and cascaded to lower level for implementation	All levels have a say in strategy formulation and implementation.
Managerial role in the implementation	Every manager need to know only their roles with little interest on other roles	All managers know their roles and connections with other functions
Organizational Control	Control is done through measurement system and monitoring	Depends on self-reference, strategic intent and purpose is inbuilt in the managers minds
Process and outcome	Has plan as the ultimate objective of planning. The process of setting strategy is analytic	Planning process is seen as value adding activity. Strategy and change are seen as linked together

Adapted from Liedtka, Jeanne M. (1998), Linking Strategic Thinking with Strategic Planning, Strategy and leadership, (26) 4, 30-35.

### **2.5.1 Empirical Evidence**

Many authors and researchers have done studies on this subject; there is need for more studies to reveal the immense value of strategic thinking in organizational success. Porter (1985) identified three generic strategies for gaining competitive, which is the cost leadership, differentiation and focus strategies. He argued that these approaches can be applied to all types of business whether profit or not for profit. Competitive advantage depends on how a firm is able to create value for each unit of a product for its customers that exceed the firm's cost of producing one unit of the product. Value is what the customers are willing to pay, and superior value stems from offering lower prices than competitors or from providing unique benefits (Narayanan, 2001). Competition is at the core of the success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs (Porter, 1998).

A study done by Emilia and Papulova (2006) on the competitive strategy and competitive advantages of small and mid-sized manufacturing enterprises in Slovakia concluded that an organization that thinks more strategically is more likely to succeed than one that does not. Haycock et al (2010) in their study, concluded that any Organizations irrespective of their nature of business whether profit or non-profit making, operate their daily businesses in an unpredictable and highly volatile environment that dictates that for any business to succeed they must have greater capacity for innovative and diverse strategic thinking in order to create and sustain competitive advantage.

Goldman (2012) through Leadership practices that encourage strategic thinking observed that the top management has a role to play in ensuring that strategic thinking is nurtured to achieve competitive advantages. Other studies also pointed out that top managers' lack of strategic thinking results in major detraction of organizational performances (Bonn, 2001; Essery, 2002; Mason, 1986; Zabriskie & Huellmantel, 1991).

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter focused on the various steps and phases followed in carrying out and completing the study. It highlights the procedures, methods and techniques used in the collection and processing of data such as the research design, data collection tools and instruments, data collection procedures, data analysis and presentation of the data.

#### **3.2 Research Design**

The research is a case study and used more secondary data already existing and primary data collected from Safaricom limited. The research analyzed existing data that show how Safaricom Limited has utilized strategic thinking as a strategy in its entire life, and how the same strategy has resulted in the company achieving superior competitive advantage in the telecommunication industry emerging as the top company in the industry.

Case study research design was used by the researcher as the appropriate method for the research at hand because it is the most appropriate in collecting descriptive qualitative data from respondents in a big organization in terms of being cost effective and within the constraints of time available. Descriptive data are typically collected through a questionnaire survey, interviews, interview guides or by observation (Mugenda & Mugenda, 2003).

### **3.3 Data Collection**

Primary data were collected through personal interviews using interview guides administered to the middle management, business unit managers and division heads. All the interviews were conducted by the researcher in the month of October 2017, official authorizations through introduction letter was sought from the University of Nairobi and Safaricom Limited before data collection. Desired data was collected in a period of two weeks with a pre-visit done in advance to prepare for the actual data collection process and preparing the recipients. The interviewees were given the interview guides in advance to acquaint themselves with the questions under review. Other forms of data collections were applied such as observations.

Secondary data were obtained through reviews of internal documentation relating to the company's activities to date. The secondary data on the growth and performance of the Safaricom Limited were from online sources, newspapers, business journals and company periodicals. The data were collected from the following divisions in the company; corporate affairs, Risk management, strategy and innovation, technology, Regional sale, Resources and customer Management division. The divisions of risk management, technology, strategy and innovation were very important during the study.

Strategy and innovation division of Safaricom was important in understanding the role of strategic thinking in Safaricom since innovation is the major contributor to growth this is because the technology division is very important since Safaricom Limited is a technology company. Risk management division was also important in understanding how Safaricom Limited manages their risks and at the same time encourages innovation and creativity.



### **3.4 Data Analysis**

A case study provides a rich understanding of an organization that is under study. Burnes (2003) says that case studies also have the ability of qualitative research to capture the real-life context within which events take place and to capture the essence of events, especially as they unfold. Case study research method of study drills down rather than casts wide (Cooper & Schindler, 2003).

The data collected by use of the interview guides were analyzed and interpreted by use of content analysis. Content analysis is a technique that was used for coding and interpreting textual contents and materials. Content analysis method is used to make the general statement on how categories or themes of data are related to each other.

## **CHAPTER FOUR**

### **DATA ANALYSIS, INTERPRETATIONS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the discussions, data analysis and interpretations of findings of the study. The primary data was collected using interview guide and analysis through content analysis to determine the extent to which strategic thinking influence competitive advantage in Safaricom Limited.

##### **4.1.1 Position of the Interviewee in the Company**

Safaricom Limited has a total of thirteen divisions; the interviewer only collected data from 7 divisions which was representative of the whole organization. The interviewees were requested to indicate their position in the company. From the findings, the seven interviewees indicated that they held different managerial positions in the company; this included corporate affairs manager, Risk management officer, strategy and innovation officer, Technology manager, Regional sale officer, Resources manager and customer management manager. This implied that data was collected from relevant people who were in a position of offering relevant information of influence of strategic thinking on competitive advantage in Safaricom Limited.

##### **4.1.2 Period of working at Safaricom Limited**

On the period the interviewees had worked at Safaricom Limited, 4 interviewees indicated that they had worked in the company for 6 years, 2 indicated that they had worked in the company for more than 10 years while 1 indicated that he had worked in

the company for over 15 years. This implies that the data was collected from people with experience on the operation of the company hence were in a position of offering valid information to answer to the study question.

#### **4.1.3 Involvement in Strategic Planning process**

The interviewees indicated that they were all involved in strategic planning process at Safaricom Limited. The interviewees also indicated that all employees' inputs from all levels in the company are taken into consideration in the strategy formulation and planning process. This demonstrated that employees were involved in strategic decision in the company.

#### **4.1.4 Involvement in strategic thinking process in the company.**

The results indicated that all the interviewees were involved in strategic thinking in the company. The interviewees explained that the management involves the employees in formulation of vision, formulation of strategies, execution of strategy, scanning of environment, strategic planning and implementation as well as monitoring and evaluation of the strategies. This they explained led to the development of innovation and creativity culture in the organization.

#### **4.2 Strategic Thinking as Adopted at Safaricom Limited**

The interviewees were requested to indicate what constitutes strategic thinking as a strategy of gaining Competitive Advantage adopted at Safaricom Limited. The interviewees indicated that strategic thinking constitute analysis of the relevance of company's external and internal environment for effective strategy formulation process

and informs development of strategies that fit with the company's mission, vision, competitive conditions and operating strengths as well as aligning its strategies in responding to the environmental threats and opportunities to turn threats into opportunities and capitalizing on the opportunities to create value and advantage over time, it also reveals that strategic thinking is also important in reducing internal weaknesses and increasing strengths as presented by the immediate operating environment. The interviewees indicated that strategic thinking constitute development of strategic plan and considering politics, current economics, new regulations, new legislations, new market conditions, and technological advancements and all emergent factors that the plans in the future.

Interviewees also indicated that strategic thinking constitute company focusing on the future as strategic thinking in the company is used to achieve objectives and is used as the company's vision for the future. The interviewees explained that formulation of strategies for the company is aligned to the goals that contribute to the overall company's vision and mission capable of achieving competitive advantage.

The study found that strategic thinking to constitute a means for achieving competitive advantage in the company and thus must be anchored on broad base thinking where strategies are formulated based on range of scenarios and multiple opportunities in making strategic choices. The interviewees indicated that Safaricom Limited makes strategic decisions based on the alternatives available, competitors' actions, resource availability, top level management commitments and energies focused on the expected performance outcomes.

The interviewees also indicated that strategic thinking constitute company developing strategies while relying on accurate and current information on market trends, customers' needs, change in the environment and on assumption and intuition but using the latest and accurate information as well as involving the employees and other stakeholders such as the government, service providers, customers and partners. The interviewees indicated that Safaricom Limited makes strategic decisions based on prevailing market information's in developing and delivering quality products at lower cost, differentiate its products from rivals and delivering greater value maximizing on higher unit prices with greater efficiency outcomes in lower average unit costs influencing company achieving greater advantage over rival in the industry.

In addition, the interviewees also indicated that aligning developed company's strategies with company structure and culture that is confirmative and supportive to the strategies as innovation, differentiation and information technology strategies to achieve competitive advantage. Further the interviewees indicated that application of Industrial assessment constituted strategic thinking. The interviewees explained that the company's strategies are developed based on the accurate information, competition intelligence and based on industrial analysis to gain a competitive edge and foster achievement of competitive advantage over its rivals. The interviewees indicated that Safaricom management always focus on understanding the technological industry configuration that drives competition and profitability, irrespective of the fact whether the industry is emerging, or mature, high tech or low tech, regulated or unregulated.

### **4.3 Strategic Thinking Process**

The results on strategic thinking process undertaken by Safaricom, the interviewees indicated that strategic process at Safaricom start by strategy formulation which involves crafting mission, setting corporate, business and operational objectives. The interviewees indicated that strategic thinking process also involve situation analysis, self-evaluation, competitor analysis and environment scanning within business; it is the task of strategic management to provide a general direction to the Safaricom fraternity and provide specific direction in devising marketing strategy, strategic decision on competencies of the human resources, company development strategies, information technologies adoption, and financial strategy that focus on long-run performance of Safaricom.

The interviewees explained that environmental auditing, strategy formulation, strategy implementation, evaluation and control constituted strategic thinking at Safaricom. Further, interviewees indicated that strategic thinking also involved strategic planning process where imperfect knowledge, unintended results, uncertainty, minimal or internal resistance in plan is ensured not to interfere with it. The interviewees explained that Safaricom sought distinctive competencies and strengths that carry the company through contingencies yielded from unexpected environmental chaotic change in technology, product development, internationalization of telecommunication markets and commercialization of patents, socio-cultural, political and economic changes. The interviewees further explained that, for the company to respond and cope with the effects of change in environment, the company management remains strategically alert and sets all systems steady and that strategic thinking process integrates all unit of strategic thinking to devise strategy and achieve set goals.

Finally, the interviewees indicated that strategic thinking process at Safaricom involve employees engagement and participation as a critical step to promote creativity and innovations among the Safaricom staff and engage them in effective execution of the company's operational plans.

#### **4.4 Strategic thinking practices**

The study sought to understand the strategic thinking practices that are adopted by Safaricom Limited. The interviewees indicated that Safaricom adopts open creativity and innovation strategies where employees are encouraged and facilitated to come up with new ideas which are embraced by the management, the ideas generation is rewarded by the management. Employees are free to contact senior management with novel ideas or present them via innovation portal in the company website. These ideas are further used in formulation of vision and present broad views of situation as strategic practices. The interviewees explained that through visions the company share its objectives and goals as well as provide direction to be taken and strategies to be adopted. The interviewees also indicated that the other strategic thinking practices adopted by Safaricom was development and promoting creativity and skills in seeking solutions to problem, foster teamwork, adopt critical thinking and increase flexibility in decision execution.

The strategic thinking practice that Safaricom Limited adopted was environmental intelligence. The interviewees indicated that through vision developed, the company promote strategic decision and strategic choice made through scanning of external environment which constituted competition, political, economic, social, technological

and industrial environment in the market making it easy for the company to improve integration of environmental view, the company's market view; the company's project view in making winning strategies.

The other strategic thinking practice adopted by Safaricom as indicated by interviewees was Portfolio analysis of company's offerings from product and service, prices of the product, and branding, image positioning, development of unique and importance for focusing on the future.

Further the interviewees indicated that the other strategic thinking practice adopted by Safaricom was market need analysis and customers' needs assessment and company's suitability and significant to them so that the company can fill the niche, involve benchmark making to determine the effectiveness of the strategic plans and clarify whether success was achieved in implementation.

Finally, the interviewees indicated the company involves implementation of strategic change that is developed through strategic thinking process and foster employee's involvement in the execution of strategy activities promoting values and principles to ensure the Safaricom achieve success in achieving its strategic goals and gaining competitive advantage.



#### **4.5 Adoption of strategic thinking as a strategy**

The interviewees were requested to indicate the factors that influence Safaricom adoption of strategic Thinking, they explained that the main factors why Safaricom adopt strategic thinking was to gain competitive advantage, sustain competitive advantage to increase profitability over its competitors in the market and to be socially responsible. The interviewees also indicated that the company focuses on improving customer experience through provision of unique and quality products and services as the other factors that derive adoption of strategic thinking in Safaricom.

#### **4.6 Strategic thinking influence Environmental scanning**

The interviewees indicated that Safaricom is involved in environmental scanning to assess competitors' actions, directions and moves. The moves are monitored, and reactionary action is implemented to counter the new discoveries, these has been successful through research and development, assessment of threats and opportunities in the market, to adopt strategic choices that are capable of resulting in the company gaining competitive advantage

#### **4.7 Strategic thinking influence innovativeness**

The study found that Strategic Thinking at Safaricom promote innovation and creativity; hence promoting research and development at the company as indicated by the interviewees. The company adopts effective rewarding of creativity to increase innovation and promote development of unique products and offer unique quality services to the market. This is done through gift vouchers, promotion, training and sponsorship. On whether staff training and development promoted strategic thinking, the

interviewees indicated that staff training and development promoted strategic thinking through acquiring new skills, competency, the direction and how to articulate it. On whether good management style promoted strategic thinking, the interviewees indicated that good management styles promoted strategic thinking through accommodating divergent views, encouraging creativity and innovations, allowing sessions for brainstorming to generate new ideas and by paying annual subscription to member organizations to avoid deregistration of its numbers from such organizations.

#### **4.8 Strategic Thinking and Competitive Advantage**

This section aimed at understanding how various organizational factors affect the strategic thinking in Safaricom Limited.

##### **4.8.1 Use of vision for strategic thinking and achievement of competitive advantage**

Strategic thinking is guided by the futuristic vision and is goal oriented by nature for a company. In creating strategies for business growth, a company must clearly define specific goals that lead to the overall vision for a company. Being a means to an end, strategies must establish expected outcomes in clear terms and make explicit links between these outcomes and the firm's goals. The interviewees indicated that through company vision, Safaricom offer the market quality products and services. The interviewees explained that this has influenced the Company acquiring the largest market share, as per the latest industry statistics at 75.6 per cent for the voice business, mobile data at 70 per cent, SMS at 93 per cent, and mobile money at 66.7 per cent achieving competitive advantage compared to rivals in the market.

The interviewees also indicated that company vision is instrumental in determining company's required skills and competencies, organization's structure and type, culture and how its people, resources, and structure are seamlessly dovetailed together to achieve desired future goals and objectives as well as identify firm's strengths and weaknesses so as to create sustainable competitive advantage that is unique in nature that in turn help in the reduction of companies threats. The interviewees further indicated that vision formulated after strategic thinking is used as a control tool that is capable of tracking of actions and strategies of the competitors focusing on their strengths and monitoring substitutes' operations in the market helps in redesigning and reinventing the company's strategies.

The interviewees indicated that strategic thinking presents a broadened allowing development of company vision that offer direction, formulation of strategy, developing creative skills in seeking solutions to problems, teamwork, critical thinking and enhance flexibility in decision making. The interviewees also indicated that through company's vision , it enable the company to distinguish between alternatives and environmental scan to adopt the appropriate strategic choice hence integrate different strategic decisions that would influence achievement of competitive advantage.

#### **4.8.2 Employee involvement and achieving of Competitive Advantage in Company**

The interviewees indicated that employee involvement is critical in execution of the Safaricom operational plans and in translating long term strategies into operational action plans that are specific, measurable, achievable and realistic in nature. The interviewees indicated that involving employees improve strategic decision making, reduce resistance

to strategic change, and improve creativity and innovativeness in the company, increase customer care services and harness tapping of talent in the company hence increasing quality services delivery, development of unique products and services increasing competitive advantage.

#### **4.8.3 Strategic Planning and achievement of competitive advantage**

The interviewees indicated that planning as a strategic thinking practice provide Safaricom with general direction to a company in specific area to focus on such as strategies to be used in marketing, acquisition of skillful competent human resources, adopting new information technologies in the market and strategies to be used in designing financial structures that determine long-term growth and performance of the company. The interviewees also indicated that through strategic planning, Safaricom carries out environmental scanning, promoting strategic formulation, and focus on implementation of strategies, and foster monitoring and evaluation as well as controlling of strategic actions.

The interviewees also indicated that through strategic planning, Safaricom set long-term company goals, the development and implementation of strategic plans to achieve goals, and the allocation or diversion of adequate resources necessary for achieving the set goals influencing company to perform better and successfully manage change relatively better than rivals in the market achieving a competitive advantage through increased volume of sales, achieving higher profitability compared to rivals, achieve higher employee growth and offer quality products to the market thus increasing

customer base and to acquire a higher market share compared to rival. Mobile data contributed to just under one-third of the overall service revenue growth, where an increase in both the number of data subscribers as well as data usage more than offset the reduction in the rate per Mega Byte (MB).

The interviewees further explained that Safaricom through strategic thinking allocates more financial resource to the tune of Kshs. 38 billion to provide quality network coverage, improve capacity and quality of the company network, enhance development of IT systems and customer analytic tools that enhance company ability to gather market intelligence, understand and respond better to its customers' needs and tailor its products and promotions of more personalized portfolio of products such as Mobile data increasing customers base and influence company achievement of increased revenue growth compared to the rivals in the market such as Airtel, Telkom and Equitel.

The interviewees indicated that through strategic thinking on customer needs and market need analysis practices, Safaricom focus on its customers first, providing relevant products and enhancing excellence in its operations thereby offering customers with quality network through expansion, upgrading and quality products/services improvement by developing more 2G, 3G and 4G sites, upgrading company WiMAX sites and rolling out company's own fiber optic to more houses, building and home areas.

#### **4.8.4 Strategic Thinking Aspects and achievement of competitive advantage**

The interviewees indicated that the company has effective structures, promote effective organizational cultures, embrace teamwork, training of employees, and increasing investing in infrastructural development and adhere to corporate governance and implementing new ideas in an effort to achieve competitiveness in the market.

The interviewees indicated that Safaricom remains focused on increasing investment on improving her customer experience through the development of unique products such as 'Hakikisha' to offer customers to confirm names before sending funds, offer free M-PESA E-statements for transparency and accountability, offer quality customer care such as 54 Care Desks at dealer points, web self-care users increase data bundles, reduction in roaming prices to reduce customer bill shocks and development of My Safaricom App to improve customers experience and encourage customers to access self-care solutions.

The interviewees also indicated that Safaricom focuses on providing customer with the fastest growing revenue stream and continue investing and increasing accelerating smartphone penetration, growing 3G and 4G users, offering relevant content, driving adoption of data bundles and owning the home through our affordable 4G home broadband (the Bigbox) and fiber-to-the-home solutions to increase in sale volume, increase customer based and improve on companies revenue.

On whether staff training and development promoted strategic thinking, the interviewees indicated that staff training and development promoted creativity and strategic thinking through acquiring new skills, competency, the direction and how to articulate new

thinking. On whether good management style promoted strategic thinking, the interviewees indicated that good management style promoted strategic thinking through accommodating divergent views, encouraging creativity and innovations, allowing sessions for brainstorming to generate new ideas and by paying annual subscription to member organizations to avoid deregistration of its numbers from such organizations.

The study revealed that Safaricom Limited utilize unique resources such as employee competent human resources and rewarding it adequately as the company distributed Kshs 12.56 billion in 2016 and Kshs. 11.4 billion in 2015 to the employees through salaries, short and long-term incentives and contributions to pension funds and medical aid schemes. The interviewees indicated the company invests in employee development through training and investing in employees through career and talent programmes enhancing creativity, innovativeness and motivate employees that in turn increase development of quality unique products and services. The company also increase its capital expenditure including fiber completed in key major urban areas, adopt modernized and upgraded of 2G networks, investment in 3G and 4G networks, develop new M-PESA platform and information system upgrade.

The interviewees revealed that Safaricom adopted planning process aimed at creating a strategy that is coherent, unifying, integrative framework for decisions especially about direction of the Safaricom Limited and resource utilization. It is conscious, explicit, and proactive and defines competitive domain for achieving competitive advantage over its competitors in the market.

#### **4.8.5 Strategic thinking influence Safaricom achieving better financial returns compared to rivals in the market**

The interviewees indicated that through strategic thinking attract more customers through enjoying leverage on the nearly 20 million M-PESA customers and formation of strategic alliances with Commercial Bank of Africa and KCB that to provide platform to offer loan products to customers. The interviewees explained that through KCB M-PESA allows subscribers of the telecom's mobile money platform access to loans of between Kshs. 50 and Kshs. 1 million repayable between one and six months and through CBA's M-Shwari the company helped the bank achieve higher market share of 10 million customers and the company achieving a commission income KShs. 12 billion annual remittances.

The study found that the company increases its financial returns outperforming its rival as Safaricom market valuation of dollars 5.6billion, made a net profit of Kshs. 3,119 billion (\$308m) in the 2015. Interviewees explained that Safaricom's Net profit increase by 18.3 percent, to hit Kshs.45.1Bn an increase from Kshs. 38.1Bn in 2016, Voice returns was at Kshs.93.5 billion an increase from 90.8billion while SMS Revenue while Mobile Data Revenue achieved Ksh.29.3billion an increase from Ksh.21.2 billion while M-PESA financial returns was at Kshs.55.1Bn performing better than its competitors in the market.



#### **4.8.6 Other ways through which strategic thinking influenced achievement of competitive advantage at Safaricom Limited**

The interviewees indicated that strategic thinking enables an organization alter its strengths relative to those of competitors because from it, credible strategic plans are crafted so that efficiency in production processes can be achieved and at the same time competitors strategies are effectively countered.

The interviewees indicated that through differentiation, Safaricom Limited was in a position to offer products at a lower cost, unique products for different segment in the market, focus on all the market, deliver its products fast and reliably and improve customer services compared to its competitors.

The interviewees also indicated that strategic allocation of resources available at Safaricom has made it possible for the company to drive infrastructural development as well as increase in its network and fund its innovation agenda through park Fund. The interviewees explained that infrastructural development enable the company increase in customer base hence, increase its market share.

The interviewees indicated that Safaricom gain competitive advantage through providing innovative and differentiated products and services giving examples of Flex offers which was 35 percent more value compared to other bundles, offer blaze attracting 1.6 million customers, My Data Manager service 2.1 million subscribers use My Subscription Manager service and story ibambe, Bonga points redemption increasing company customer base.

The interviewees further indicated that Safaricom achieve competitive advantage through adoption of strategic alliances with other organizations like Commercial Bank of Africa and KCB bank where the company gain high commissions, increase customer base and increase in company revenue.

#### **4.9 Discussion of Findings**

The study found that Safaricom had adopted strategic thinking which constituted analysis of relevance of company's external and internal environment for effective strategy formulation process and informs development of strategies that fit with the company's mission, vision, competitive condition and operating strengths. This is consistent with Alsaaty (2007) Strategic thinking constitute strategic planning and tactical planning all geared towards the advancement of competitive edge in the successful attainment of company's goals

The other strategic thinking practice adopted by Safaricom were Portfolio analysis of company's offering from product and service, prices of the product, branding, image positioning, development of unique products and services focusing on the future, market need analysis, customer's needs assessment and company's suitability so that the company can fill the niche. The findings concurred with Porter (2008) where he argued that strategic thinking is a driver that shapes the profitability and growth of firms irrespective of how the shape and structure of the competition is, in the industry.

The study found that Strategic thinking at Safaricom promotes innovation and creativity promoting research and development at the company as indicated by the interviewees. The findings concurred with Haycock et al (2010) that any organizations irrespective of their nature of business whether profit or non-profit making, operate their daily businesses in an unpredictable and highly volatile environment that dictates that for any business to succeed they must have greater capacity for innovative and developed vision and have diverse strategic thinking in order to create and sustain competitive advantage. The study established that Safaricom Limited uses Strategic planning as a strategic thinking practice to give general the findings concurred with Liedtka (1998) that strategic thinking constitute strategic planning focusing on achieving the business objectives, and firm competitive advantage.

The findings indicated that through strategic thinking, Safaricom sets long-term goals, helps in development and implementation of strategic plans to achieve goals, and the allocation or diversion of adequate resources necessary for achieving the set goals.

The findings were consistent with Alsaaty (2007) that strategic thinking is the process of applying innovation, strategic planning and tactical planning all geared towards the advancement of competitive edge in the successful attainment of goals

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents discussion, conclusions and recommendations of the study basing on the objectives of the study which determine the extent to which strategic thinking contributes to Safaricom Limited's competitive advantage.

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

The study revealed that Safaricom Limited has fully embraced strategic thinking which involves analysis of relevant external and internal environment for effective strategy formulation process and development of strategies that fit with the company's mission, vision, competitive conditions and operating strengths as well as aligning its strategic response of its company's external threats and opportunities and internal strengths and weaknesses, as provided by the current company's environment. The results established that the company uses strategic thinking in the development of a strategic plan and responding to competitors actions.

Safaricom Limited focuses on the future as strategic thinking helps the company to be goal oriented and is guided by the company vision for the future, formulation of strategies for the company, aligning the goals that contribute to the overall company's vision and mission strategies for achieving competitive advantage, the strategies are anchored on broad base thinking where strategies are formulated based on an array of

scenarios and multiple opportunities in making strategic choices. Safaricom Limited makes strategic decisions based on the alternatives available, resource availability, top to bottom level commitments and energies focused on the projected performance outcomes. Important to note during the study the company adopts effective rewarding system to all forms of creativity, this in turn results in increased innovation and promotes development of unique products that offer unique quality services to the market.

The study further showed that company has effective flexible structures that promotes effective organizational cultures geared towards creativity, embraces teamwork, uses huge budget for employee training and development, invests infrastructural development and adheres to corporate governance in implementing new ideas in an effort to achieve competitiveness in the market

### **5.3 Conclusions**

From the study findings, it can be concluded that Safaricom gains immensely from strategic thinking and developing innovative culture. An organization can utilize strategic thinking through the immense power of creativity and innovativeness which can be used in the formation and development of strategies that fit with the company's mission, vision, competitive conditions and operating strengths as well as aligning a company's strategic response of its external threats and opportunities and internal strengths and weaknesses, as provided by the current company's environment, compliance to governmental regulations, legal developments, market conditions, economic factors and technological developments. Strategic thinking can help an organization to focus on the future as organizations use it towards achieving the vision for the future, formulation of

strategies for the company, aligning goals that contribute to the overall company's vision and undertaking of strategic decisions based on prevailing market information's in developing and delivering quality products at lower cost. Creativity and strategic thinking is also instrumental in a company differentiating its products from rivals and delivering greater value by minimizing cost hence lowering unit prices with greater efficiency hence achieving competitive advantage over rivals in the industry.

The study concluded that strategic thinking practices adopted by Safaricom Limited, included formulation of vision, promoting creativity and skills in seeking solutions problem, foster teamwork, adopt critical thinking and increase flexibility in decision execution through thorough environmental scanning, Portfolio analysis of company's product and service, prices of the product, branding, image positioning, development of unique and focusing on the future

#### **5.4 Recommendation of the Study**

From the findings and conclusions, the study recommend that telecommunication companies in Kenya should adopt strategic thinking which constitutes analysis and appreciating relevance of company's external and internal environment for effective response to competitors actions, effective strategy formulation process and development of strategies that fit with the company's mission, vision, weaknesses, threats and opportunities as provided by the prevailing company's environment. If a good fit is found with the environment an organization will be better placed in achieving greater competitive advantages

## **5.5 Limitations of the Study**

In conducting the study, the researcher encountered a number of challenges. One of the challenges was inadequate cooperation from some of the company respondents who were unwilling to provide data for the study. This study was majorly dependent on primary data from Safaricom interviewees who in some cases were unwilling to offer such information. This was however mitigated by the researcher explaining to the management that the sought information was purely for academic research and would be treated with confidentiality.

Another limitation was that, the study focus on Telecommunication Company and finding could not be generalized to other companies. This is because the players in the industry have diverse ownership and organizational structures; some are purely foreign owned while others are government majority owned

The third challenge was limitation of information given by the company. Some interviewees limiting the information they gave out. Some of the information such innovation the company used was one of the areas treated with utmost secrecy as this was one of their core competency in being the market leaders. Some of this information was crucial for the study to make a formidable conclusion. However, the researcher made efforts and informed the interviewees that the information they would provide would be held confidential.

### **5.6 Recommendation for Further Study.**

The study determines influence of strategic thinking on for achieving competitive advantage at Safaricom Limited Company. The findings of the study supports the AVAC framework and game theory and is thus an important input in strengthening the theories as tools for developing strategies and plans that enhances achievement of greater advantages, the study can be used to develop ways through which an organization can use to gain advantages. A further study should be carried to determine strategic thinking practices adopted by other companies in telecommunication industry in Kenya. A further study could influence strategy formulation and use of strategic thinking for achieving competitive advantage in other organizations in different sectors of the economy.



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## APPENDICES

### Appendix I: Table 2 MPESA Products

Product	Description
M-Akiba	From September 2015, this is a system between Safaricom and central bank of Kenya for accessing depository accounts of the Central Bank of Kenya (CBK) for buying government bonds
MShwari	This is a Service launched in November 2012 between Safaricom and the Commercial bank of Africa for non CBA account holders
KCB MPESA	Launched in March 2015, for accessing KCB loans and savings
E-Citizen	Started in April 2015 in partnership with Government of Kenya to offer one stop shop for government services payments.
Lipa na MPESA	A service for payment in the tills and paying bills.
MPESA Sure Pay	Launched in March 2015 by the World Food Programme for tracking funds disbursed to beneficiaries.
Hakikisha	This is a system started in 2015 for Safaricom Mpesa users to confirm the names of the mobile phones recipients before transmitting funds.
Banks Realtime Settlements	This is payment system launched in July 2015 that helps banks in mobile withdrawal from merchant tills and instant real time update to all major banks systems in Kenya.
Lipa Stima (Okoa Stima)	Service launched in April 2015 by Kenya Power that helps users to borrow money to pay power bills
M-TIBA	An application that helps patients to subscribe to the health care service of the ministry of health.
MPESA Statements	Self-service for downloading MPESA statements, this service was launched in January 2016

Source; [www.safaricom.co.ke](http://www.safaricom.co.ke)

## Appendix II: University Introduction Letter



### UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 06.10.2017

#### TO WHOM IT MAY CONCERN

The bearer of this letter FREDRICK ODUOR OLUOCHI

Registration No. DG1/15089/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS

## **Appendix III: Interview Guide**

### **STRATEGIC THINKING AND COMPETITIVE ADVANTAGE: A CASE OF SAFARICOM LIMITED**

#### **SECTION A: BACKGROUND INFORMATION OF INTERVIEWEE**

1. Your position in your company.....
  
2. How long have you been working at Safaricom Limited.....
  
3. Are you involved in strategic planning process in your company.....
  
4. Are you involved in strategic thinking process in your company.....

#### **SECTION B: Strategic Thinking as Adopted at Safaricom**

- 1 Indicate what constitutes strategic thinking as a strategy of gaining Competitive Advantage adopted at Safaricom Limited.....  
.....
  
- 2 Who are involved in strategic thinking at Safaricom Limited.....  
.....
  
- 3 Discuss Strategic thinking process undertaken at Safaricom Limited.....  
.....  
.....
  
4. Explain strategic thinking practices adopted in Safaricom Limited?  
.....  
.....  
.....
  
5. What are the factors that influence adoption of strategic thinking as a strategy in Safaricom Limited.....

.....  
6. Explain how strategic thinking influence Environmental scanning by Safaricom Limited  
.....  
.....

7. Discuss how strategic thinking influence development of strategic plans at Safaricom Limited?  
.....  
.....

8. Discuss how strategic thinking influences creation of complete end-to-end system of value at Safaricom Limited?  
.....  
.....

9. Explain how strategic thinking influence innovativeness at Safaricom Limited?

**SECTION C: Strategic Thinking and Competitive Advantage at Safaricom Limited**

9. Indicate how fostering of vision due to strategic thinking influence achievement of competitive advantage at your company

10. Indicate how employee involvement in decision making and strategic thinking improve achieving of competitive advantage in your company

11. Indicate how development of strategic planning due to strategic thinking lead to achievement of competitive advantage in your company

12. Discuss how the following strategic aspect led to achievement of competitive advantage in your company

- i. Systems Perspective .....
- ii. Intelligent Opportunism .....

- .....
- .....
- iii. Intent Focus .....
- .....
- iv. Thinking in Time .....
- .....
- v. Thinking Skills .....
- .....
- vi. Core Competencies .....
- .....
- vii. Unique Resources .....
- .....
- viii. Capabilities .....
- .....
- ix. Processes .....
- .....

13. Explain how strategic thinking has influenced Safaricom achieving better financial returns compared to rivals in the market .....

.....

14. In your own opinion, explain other ways through which strategic thinking influence achievement of competitive advantage in your company .....

.....