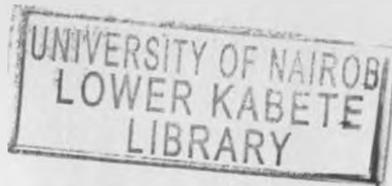


**STRATEGIC RESPONSES BY SAFARICOM TO THE DYNAMIC  
BUSINESS ENVIRONMENT**

**BY**

**EDDAH GICHANGI**



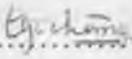
**A research Project Submitted in Partial Fulfilment for the Requirements of  
the Award of Master of Business Administration, School of Business,**

**University of Nairobi**

**SEPTEMBER, 2011**

## DECLARATION

I declare that this project is my original work and has not been submitted for a degree in any other university.

Signature  .....

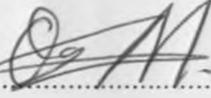
 .....

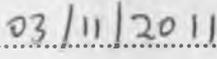
**EDDAH GICHANGI**

**DATE**

## SUPERVISOR

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

Signature  .....

 .....

**ELIUD O. MUDUDA**

**DATE**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## ACKNOWLEDGEMENTS

First I wish to thank my supervisor Mr Eliud O. Mududa whose guidance has been very valuable throughout this study.

Secondly, I wish to thank my parents for their unrelenting support and prayers without which I wouldn't have made it through this course.

Many thanks also to my classmates, colleagues and friends for their support as well

## **DEDICATION**

This study is dedicated to my parents; David Gichangi and Jane Gichangi, and my brother, George Gichangi.

## ABSTRACT

Quite often organizations experience changes in their business environment. This study used a case study approach to investigate the strategic responses by Safaricom to the dynamic business environment. The respondents in this study were the functional and divisional managers at Safaricom Limited. Safaricom Limited has three revenue centres and six function divisions. The three revenue centres are Financial Services, Enterprise and Consumer business. The function divisions include Risk Management, Legal, Regulatory and External Affairs, Marketing, Customer Service, and Information Technology.

This study interviewed 3 employees from each division. Directors or managers of the three revenue centres were also interviewed owing to their positions and information they had in regard to this study. In total 21 face-to-face interviews were conducted. Content analysis was done for qualitative data. Information from interviews was grouped based on running themes and the results presented in prose format.

This study found that market segmentation, stepped up promotions, customer awareness and education to enhance uptake of Safaricom products, costs saving strategies, a leaner management structure as well as employing more staff based on contract basis rather than permanent basis have been adopted by Safaricom as strategic responses to changes in business environment. The adoption of strategic responses has encountered challenges especially in restructuring where some of the employees felt that they were targeted. These challenges were found to affect Safaricom either positively or negatively depending on how their effects are handled.

This study recommends that CCK should create a flexible regulatory environment. The government should ensure that the necessary laws and policy are put in place to safeguard the interests of all the stakeholders in the industry. Safaricom should be careful on how it handles the effects of the changes that it adopted, and come up with strategies to cope with the changes.

The findings of the study indicated that firms at times are quick to come up with strategies to deal with changes in the business environment without considering the effects that those responses may have on the business. Thus strategies should be considered wisely, and an analysis of the effectiveness of those responses should be carried out before the strategies are adopted. This will ensure that the strategies suit all the employees in the organization. It will also ensure that the firm is ready to encounter any challenges that may be encountered during the implementation of those strategic responses.

# TABLE OF CONTENTS

DECLARATION.....	i
ACKNOWLEDGEMENTS.....	ii
DEDICATION.....	iii
ABSTRACT.....	iv
TABLE OF CONTENTS .....	vi
LIST OF ABBREVIATIONS.....	ix
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Strategic Response Concept.....	2
1.1.2 Dynamic Business Environment.....	4
1.1.3 Mobile Telephony Industry in Kenya.....	6
1.1.4 Overview of Safaricom Limited.....	6
1.2 Research Problem.....	7
1.3 Objectives of the Study.....	8
1.4 Value of the Study.....	9
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>10</b>
2.1 Introduction.....	10
2.2 Dynamic Business Environment.....	10
2.2.1 Complexity Theory.....	11
2.3 Environmental Changes and Strategic Responses.....	13

2.4	Strategic Responses to Market Changes.....	15
2.4.1	Incumbent Businesses.....	15
2.4.2	New Entrants.....	16
2.4.3	Innovation and Supporting Mechanisms.....	18
2.4.4	Marketing in Turbulent Environments.....	19
2.5	Strategic Responses and Environmental Challenges.....	21
2.6	Impacts and Effectiveness of Strategic Responses.....	23
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>		<b>26</b>
3.1	Introduction.....	26
3.2	Research Design.....	26
3.3	Respondents.....	26
3.4	Data Collection.....	27
3.5	Data Analysis .....	27
<b>CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION &amp; DISCUSSION.....</b>		<b>28</b>
4.1	Introduction.....	28
4.2	Strategic Responses to the Dynamic Business Environment.....	28
4.3	Challenges Encountered in Responding to Changes in Business Environment.....	31
<b>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....</b>		<b>33</b>
5.1	Introduction.....	33
5.2	Summary of the Study.....	33
5.3	Conclusions.....	34

5.4	Recommendations for Further Studies.....	36
5.5	Limitations of the study.....	37
5.6	Implication of the Study on Policy, Theory & Practice.....	37
	<b>REFERENCES.....</b>	<b>39</b>
	<b>APPENDIX: Interview Schedule.....</b>	<b>46</b>

## ABBREVIATIONS AND ACRONYMS

AMFI	Association of Micro-finance Institutions
ATM	Automated Teller Machine
BPR	Business Process Restructuring
BSC	Balanced Score Card
CCK	Communications Commission of Kenya
GSM	Global System for Mobile Communications
KPLC	Kenya Power and Lighting Company
KSFs	Key Success Factors
NSE	Nairobi Stock Exchange
PESTEL	Political, Economic, Social, Technological, Environmental and Legal factors
R&D	Research and Development
SDIC	Sensitive Dependence on Initial Conditions
SIM	Subscriber Identification Module
SMEs	Small Medium Enterprises
SWOT	Strengths Weaknesses Opportunities and Threats
TQM	Total Quality Management

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The rate of change in today's world is constantly increasing. Everything that exists is getting old, wearing out and should be replaced. "Revolutionary technologies, consolidation, well-funded new competition, unpredictable customers, and a quickening in the pace of change hurled unfamiliar conditions at management. In today's business environment, more than any other preceding era, the only constant is change.

Successful organizations effectively manage by continuously adapting their bureaucracies, strategies, systems, products and cultures to survive the shocks and prosper from the forces that decimate competition (Stacey, 2003). Waterman's quote gives an overview of the challenges that organisations face in the business environment and the need for strategy as a tool for survival becoming more and more relevant as the years go by. One of the keys to dealing with change is understanding that change is never over. Change brings opportunity to those who can grasp it, and the discontinuities of the new economy offer unlimited opportunities.

Strategy is a management game plan for the business (Strickland and Thompson, 1993). A game plan constitutes all stakeholders in an organization ranging from the employees to the suppliers to the top management, and must take into consideration the strengths and weaknesses or opportunities and threats that the organization may be facing. Strategic management invokes changes which will affect all, either positively or negatively.

The most successful organizations in the world consider strategy as a key to survival and this statement cannot hold more truth than in the financial circles which is still reeling from the financial turmoil of 2008-2009. Strategic decisions came into play for many of the financial institutions in the world who were facing a cash flow crisis. Decisions ranging from mergers and acquisitions, divestiture form non-core, loss making businesses, utilization of existing capacity to enhance efficiency were some of those that were made by those institutions in order to stay afloat (AMFI 2009 Annual Report).

A successful strategic management process basically follows three stages. First, there is strategy formulation where the mission, vision and objectives of an organization are defined and a SWOT analysis is done to measure its capabilities and obstacles. This stage will also determine how the available resources will be allocated to different divisions in the organization.

Secondly, there is strategy implementation which is the action stage. In this stage all workers need to be motivated and provided with incentives in order to attain an impact on the goals set. There is need for the employees to see the benefits that will be derived for both the company and themselves when the change is implemented.

Thirdly, there is strategy evaluation where the work done is assessed to measure how successful the change process has been i.e. whether the intended objectives and goals were met and whether there is need for improvement, enhancement or corrections (Strickland and Thompson, 1993).

### **1.1.1 Strategic Response Concept**

Organizations often respond to challenging environmental conditions, and major shifts in the business environment can make strategies obsolete. A growing body of research has established

levels between management and several contextual or contingency variables, such as environmental uncertainty, product competition, rate of technological change, managerial climate, differentiation, integration, etc. Day and Schoemaker (2005) explain how companies can identify changes in their business environment as they emerge, in time to develop a response to potential threats and opportunities that may be important in the future. They observe that some well-known companies have suffered significant loss of market share because they were unaware of the challenge represented by emerging competitors, products or technologies.

Day and Schoemaker (2005) add that many managers believe that their peripheral vision will need to be better in the future than their current capability permits. They also present a series of questions about the past, present and future that are intended to allow managers to identify blind spots in company or industry perceptions and draw on lessons from other industries.

Day and Schoemaker (2005) provide a list of ways that companies can focus attention on peripheral issues and create accountability: assign responsibility to an existing functional group; mobilize ad hoc issue groups; create a high-level lookout; start new initiatives; invest in start-up ventures; or outsource the responsibility for peripheral vision to consultants.

Practical implications include a “strategic eye exam” quiz that can be administered to each member of an organization’s senior management team to assess the need and capability for peripheral vision. Day and Schoemaker (2005) conclude that organizations with good peripheral vision can gain advantages over their rivals if they are more responsive to change.

## 1. 1.2 Dynamic Business Environment

Business environment is a term used to explain a number of factors relevant to a firm's environment which affect the design of the management system and include the importance of industry technology level, environmental risk and change, industry competition products/services, and price competition. Segers (1999) claims that growth firms often enjoy the advantage of dynamic, entrepreneurial management embodied in the system that is flexible and highly responsive to change, and who are willing to accept financial, technological and marketing risk. Certain environmental characteristics may elicit entrepreneurial behaviour on the part of organizations (Covin and Slevin, 1991). Dynamic environments have been found to encourage entrepreneurial firm-level behaviour (Miller et al., 1988).

Organizations often respond to challenging environmental conditions, such as those in high technology environments (dynamic hostility). Several studies indicate that the relationship between entrepreneurial posture and firm performance is moderated by environmental conditions (aggressive competition). The literature on the entrepreneurship-environment fit suggests that conservative and entrepreneurial firms manifest quite different characteristics in coping with their environments.

The dimensions of dynamism, hostility and heterogeneity have often been used to characterize a dynamic business environment. The risk-taking dimension refers to the willingness of the management to commit significant resources to opportunities in the face of uncertainty. The assumption is that conservative firms tend to be risk-adverse, non-innovative and reactive, and entrepreneurial firms tend to be risk-takers.

This however, is not entirely true. Miner (1990) argues that entrepreneurs take calculated risks based on specific conditions and findings demonstrate that growth firms are generally expected to favour differentiation strategies, which generates a high degree of flexibility and ability to respond to changes in the external environment (Covin and Slevin, 1991; Miller and Friesen, 1983).

Flexibility and the strategic means of the growth firm that is due to the changes in the business environment can be expressed in actions such as relocation to more favourable offices spaces; leasehold rather than ownership of the spaces, and if real estate capital is realized it can then be invested in core business instead. Similar patterns can be found in the relationship when acquiring employees or temporarily hired staff. Relocation acquisition and selling of real estate are strategic measures with intrinsic risk-taking and opportunism.

The exposure and the influence by business cycles will affect a firm's strategy and operations (Lumpkin and Dess, 2001). The firm should therefore avoid these strategies, particularly those which face high uncertainty and exposure to business cycles, and where there is a likelihood of deploying resources that limit the firms' ability to peruse flexible strategies.

The external environment is tremendously complex and dynamic. This is why PESTEL: political, economic, social, technological, environmental and legal factors analysis really needs to be undertaken on a regular basis. By using the PESTEL framework managers can analyze the many different factors in a firm's macro environment.

There are many factors in the macro-environment that will effect the decisions of the managers of any organization. Tax changes, new laws, trade barriers, demographic change and government policy changes are all examples of macro change. To help analyze these factors managers can categorize them using the PESTEL model (Scholes and Whittington, 2006).

### **1.1.3 Mobile Telephony Industry in Kenya**

The information and communications industry has, in the last decade, seen an unprecedented growth. The mobile handset, a preserve of the high and mighty at the start of the decade, is now a mass consumer product, costing as little as Sh1,000 to own in comparison to the Sh200,000 it went for 10 years ago (Daily Nation, December 24, 2009).

The communications industry has been singled out as one of the cornerstones of the Kenya Vision 2030, and the benefits of a reliable and efficient telecommunication network have been proven to lead to positive and quantifiable economic benefits. Figures from the industry regulator, the Communications Commission of Kenya (CCK), indicate that mobile penetration stood at 45.9 per cent as at June 2009, a fact that the regulator attributed to the availability of low-denomination calling cards, which have made mobile telephony services affordable to most consumers in the low income bracket. The telecommunication sector was liberalized in 1998, ending a monopoly enjoyed by Telkom Kenya (now Orange). The liberalization saw the entry of Safaricom and Kencell (now Airtel) in 1999 and, recently, Yu in 2008.

### **1.1.4 Overview of Safaricom Limited**

Safaricom Limited is a mobile service provider in Kenya. It launched its operations as a division of Kenya Posts & Telecommunications Corporation in 1993 based on an analogue ETACS

network and was upgraded in 1996 to Global System for Mobile Communications (GSM). In 1999, the Kenya Posts and telecommunication corporation was split into Telekom Kenya, CCK, and postal corporation of Kenya. Safaricom Limited was awarded a license to operate as a public company under Telekom Kenya (Otieno, 2007). Safaricom is the leading mobile phone operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group plc, the world's largest Telecommunication company acquired a 40% stake and management responsibility for the company.

Safaricom Limited has been the market leader in the mobile service sector ever since it launched its operations. The company has also been reporting high profits from year 2003 to year 2008. However, changes in the market environment such as entry of new competitors, technological advancement and changes in customers' needs have affected this performance leading to a decline in profitability (loss) from 13 billion to 10 billion in financial year 2008 to 2009 and a decline in market share from 84% to 79% in the same period. This was the first time for Safaricom to incur a loss since year 2004.

## **1.2 Research Problem**

Most managers will agree that the business environment is turbulent and there is no evidence that this turbulence will reduce in at least the medium-term future. Social, political, economic, technological, regulatory factors, and many others are all part of the problem. Both the amplitude and frequency of change seem to be increasing. But while the existence of turbulence is acknowledged what is much less evident is action to anticipate and prepare for the expected turbulence (Lynch, 2009).

Kenya's business environment have experienced considerable change in many aspects; technology, competition, skills, customer awareness among others. Previous studies have not addressed the strategic responses of individual organizations to change in business environment. Gekonge (1999), for instance did a survey of the strategic change management practices by Kenyan companies: A case of companies listed by the NSE. Bwibo (2000) did a survey of strategic change management practices within non-governmental organizations in Kenya.

Mbogo (2003) did a study of strategic change management process in hybrid private public organizations: The case of Kenya Commercial Bank Ltd. Miyumo (2003) did a study on change management practices in TQM implementation: A survey of ISO 9000 certified firms in Kenya. Nyamache (2003) conducted a study on strategic change management process in the public sector: A case study of the civil service reform program in Kenya 1993-2003. While there have been such studies, hardly any relates to Safaricom Limited as an organization.

Being one of the largest mobile services providers, Safaricom needs to position itself strategically to cope with the turbulence brought by change in business environment. It is in this background that this study came in to investigate the strategic responses by Safaricom to the dynamic business environment. This study used a case study approach to achieve this objective. It sought to answer the following questions; what are the strategic responses to change in business environment that Safaricom Limited has adopted? What are the challenges involved in adopting such responses?

### **1.3 Study Objectives**

The objectives of this study were:

- i. To determine the strategic responses by Safaricom Limited to the dynamic business environment.
- ii. To establish the challenges associated with strategic responses to change in business environment.

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

The policy makers, regulators and government in general will have an opportunity to understand the changes that are in current business environment and can perhaps partner with Kenyan firms to facilitate appropriate responses as we enter regional and global markets which are competitive. Scholars and researchers will also find the results of this study useful for further research. The findings of this study will be of value to Kenyan firms experiencing turbulent times. The insights on strategic responses by a successful firm can offer lessons and make both anticipation and management of change by these firms better.

To Safaricom Limited this study will be more of an evaluation on how the company has dealt with change in a strategic manner. The results of this study will also facilitate appropriate responses, as managers and staff will get an insight on issues of organizational responses, which they must take cognizance of since the survival of the organization in the changing environment depends on how well it is able to adapt to the changes. Information obtained will shed some light on issues of the need for customer satisfaction hence the need for better service.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter looks into strategic change in organizations and the way change has been managed. Theories of change management are also looked into and models of strategic change are outlined. The chapter ends with an outline of limitations of strategic management.

### 2.2 Dynamic Business Environment

The communication industry business environment is becoming extremely complex, experiencing continuous, rapid change (Doherty and Delener, 2001). In stable environments, coping is relatively easy, but as complexity increases, and change happens faster, coping becomes problematic. Traditional methods, such as strategic planning and scenario planning, have become inadequate to cope with the speed, volume, and unpredictability of continuous change. Therefore, finding new ways of coping are essential. One way of finding such new ways is by applying theories from outside marketing to obtain fresh insights. Many authors believe the new sciences, chaos and complexity theories; can provide a better understanding of marketing (Gundlach, 2006). Wollin and Perry (2004, p. 569) maintain that: Complexity theory has implications for marketing managers as a holistic, self-consistent framework for understanding profound forces within a market and provides some guides for action when operating within such a system. Another method of finding new ways is to use emerging markets as laboratories to expand marketing knowledge, as these markets are significantly different to those in industrialized countries.

## 2.2.1 Complexity Theory

The underlying idea of complexity theory is that local interaction enables agents, elements or components to self-organize into systems. These systems develop patterns when simple rules are applied over much iteration, resulting in unexpected behaviors (Goldberg and Markoczy, 1998). Such unexpectedness is because of nonlinear feedback networks, loosely coupled networks that produce order from the bottom up and the way the system's parts interact and adapt to each other (Meade and Rabelo, 2004). These interactions imply that business systems are "eco-systems" and therefore are difficult to manage. Their behavior cannot be predicted, but can be influenced by encouraging relationships between system members (Baskin, 1998).

Several complexity concepts have relevance to marketing. The central concept is self-organization, the process of an orderly pattern emerging from a set of simple rules in an interconnected network. The process spontaneously self-organizes, bottom-up, through the inter-relationships of the system's parts (Holbrook, 2003). In such a system, a "manager" does not direct activities – agents participate in, and respond to, the system, rather than directing and controlling it (Wilkinson, 2006).

Thus, self-organization allows and encourages creative and innovative responses to emerge from changing environments (Dolan *et al.*, 2003). This is what the competitive companies for instance Safaricom Ltd. has adopted in coping with the competitors in communication industry in Kenya and the East Africa.

This emergence is the second complexity concept. It happens when the system's parameters change, leading to a movement towards disorder – important because too much order causes



system ossification, but just enough disorder enables it to innovate and reorganize into new patterns of relationships, from which new actions emerge (Holbrook, 2003). In the longer term, what emerges is not predictable and therefore is not fully under the control of “management”.

The third concept is feedback. Negative feedback pushes the system back to its original state, producing regular, predictable behavior. Positive feedback amplifies changes, pushing the system away from equilibrium, towards instability. Together, positive and negative feedback balance the system at the “edge-of-chaos” (Wollin and Perry, 2004), the best position in a turbulent market. Positive feedback enables a company with an early small advantage to grow exponentially until the advantage becomes “locked in”, as happened with Safaricom Company.

The fourth important concept is sensitive dependence on initial conditions (SDIC) (Phillips and Kim, 1996). In a stable system, small changes have small effects, but in a CAS, small, seemingly unimportant, changes can grow exponentially, producing surprisingly large effects (Wilkinson, 2006). SDIC also suggests ways to cope in turbulent environments. Rather than dramatic controlling actions, small nudges at the correct time (the initial condition) can lead, through positive feedback, to major changes. Being a “first mover” is essential, as SDIC and positive feedback create a “flywheel affect”, providing an advantage in the long-term (Koch, 2000). Although the future is unpredictable, a successful first mover can influence, or “create”, the future by recognizing the patterns and clues that indicate which small changes to nudge and when to nudge them.

Attractors, the fifth complexity concept, reflect the underlying order, structure or predictable patterns in a CAS (Wilkinson, 2006). The edge-of-chaos attractor, known as a “strange

attractor”, reflects the area where maximum creativity and innovation happens. A unique feature of the strange attractor is that behavior always stays within certain boundaries (Holbrook, 2003). Behavior is never identical within these boundaries, but is broadly predictable. Thus, change is permitted, while maintaining some order. Strange attractors in business include corporate vision and values, industry standards and customer relationship management.

## **2.3 Environmental Changes and Strategic Responses**

Companies operate in a highly dynamic environment. A clear strategy followed by a thorough implementation is of vital importance. This applies a fortiori for telecommunication companies. Markets change, public regulations increasingly influence operations. Nevertheless even adverse circumstances require balanced decisions based on strategic motives (Nozeman, 2009). During a crisis growth strategy will be exchanged by a strategy of surviving.

Because change is inevitable, for organizations to be effective they must develop strategies to plan, direct and control change. Global trends have had significant changes both in developed and developing countries. The Kenyan business environment has been undergoing drastic changes which have affected most industries especially in the last decade. The Government policy on liberalization outlined the reform measures to be undertaken in all sectors of the economy in order to accelerate growth and development. These changes include increased competition, privatization of the public institutions, liberalization of the economy and rapid technological advancement. Organizations have had to adapt their activities and internal configurations to reflect the new external realities. Failure to do this may jeopardize future success of this organization (Aosa, 1998).

According to Johnson and Scholes (1993) three development strategic responses can be distinguished: Internal development strategy; an organization develops through its own management new products, enters new markets. Disadvantage is the possible high costs because the organization has to finance all by itself. Advantage is that the organization will be able to attract all profits and no expertise will flow away outside the company.

Acquisition strategy; a merger is the fusion of two more or less equivalent companies. A takeover concerns the acquisition of full ownership of another company. The acquired company becomes a part of the own organization and by that all aspects within that company. A threat can be that the acquired company has a business culture which should be transferred to the culture of the organization itself. That requires a lot of energy and time (Frambach and Nijssen, 2005). An advantage is that companies are able to operate fast in new markets (Johnson and Scholes, 1993).

Joint development strategy; the objectives of a company can also be realized by cooperating with another company. Product development or entering new markets are a joint effort. The essence of this strategy is the cooperation of organizations while the company on its own has not sufficient know-how, materials, finance etc, and therefore is looking for the input of another company (Johnson and Scholes, 1993). An important disadvantage is that cooperation bonds do have limited stability owing to difference in business cultures, insufficient support for the cooperation between parties, opportunistic behavior by one of the parties involved (Frambach and Nijssen, 2005). Validating the aforementioned strategy types through empirical evidence is limited to medium sized organizations. These organizations have to operate with limited means (equity, size of staff, etc) in a turbulent and dynamic environment. Moreover, strategies of corporate organizations have already been subject of research (Dorenbos, 2007).

## **2.4 Strategic Responses to Market Changes**

Managing environmental changes to take advantage of them is an uphill task involving strategic market planning-anticipation of, and response to, change. Anticipation leads to spotting out the sources and directions of the change(s), and response involves the decision-maker having a clear knowledge of the alternative courses of action. Offensive and defensive moves are popular strategies but, to some extent, they show stronger inclination to firm-to-firm warfare and may not strongly apply here. Any strategy chosen will be effective to the extent that the strategists engage in objective forecasting that foretells its impact on the success of the organization in order to know whether action will be immediate or postponed. Response to environmental changes is very useful to both incumbent firms and new entrants (Awa & Kalu, 2010).

### **2.4.1 Incumbent Businesses**

There are various strategic options that can be contemplated when changes in the marketplace potentially disqualify a firm from continued successful participation. Attempts may be made to quickly assemble the resources needed to close the gap between the new critical marketing/operational requirements and the firm's competencies. For instance, if environmental diagnosis unravels the direction of the closure of the window to be the use of obsolete technology, which makes unit cost and selling price high relative to those of the competitor(s), then effort should be made to beef-up with technological advances (Cooper et al., 1974). Many business centres that have their technology limited to typewriters, cyclostyling machines, and other orthodox equipment can improve their earning by having the latest models of computer and other equipment, including Internet. Money may be a problem but the recent less stringent loan packages of banks offer opportunities. The firm may by-pass its efforts to selected market

segments, where the fit between resources and market requirements is still acceptable. Guinness Breweries Plc; for instance, at a time concentrated its market efforts for Harp lager beer in the Western Nigeria since it seemed its strategic window was almost shut in other geographical regions of Nigeria. Harper later regained its national posture when it was reformulated to suit wider customer endorsement (Awa & Kalu, 2010).

The firm may shift to a low profile approach, cutting back severely in all further expenditure on promotion, distribution, Research and Development (R&D), etc; and deliberately milking the business for a short-run profit. The extreme case of making decision to throw in the towel, either through liquidation or outright sale to someone else who may want to turnaround the business. The Pabod Breweries of Port Harcourt was taken over by a South African brewer who later engaged in a turnaround process. Gradually its sales is picked up, especially in the host state and its environs (Awa & Kalu, 2010).

Firms may also acquire patent rights for feasible alternative technologies. Often when the changes result from government policies and public, firms may easily respond to them and tactically cope through cooperation, also known as imaginative approach or they may ignore the threats and try to change them through public relations, lobbying, or advocacy advertising billed to explain the firm's viewpoints, also referred to as defensive approach.

#### **2.4.2 New Entrants**

Environmental analysis and diagnosis often help many new entrants to judge the direction, time and scale of their entry activities. It is important to do a careful evaluation of opportunities and threats against one's strengths and weaknesses (SWOT) in order to assess one's capabilities. This involves audits of the entire key resources and key success factors (KSFs) in the firm as well as

the various existing programmes of activities because new entrants are expected to come in when they have the capabilities to deal with the incumbents' leapfrogs. Attention goes directly away from the narrow focus of familiar products and markets to a search for opportunities to put unique competencies to work. For instance, what motivated Daewoo, one of the leading names in the electronics industry, to venture into oil and automobile industries was the bid to take advantages of the overall environment-technical and market forces-as well as knowledge of markets untapped by incumbent firms in the two industries. Thus, they used their unique competencies developed in their parent industry to target opportunities in other industries (Awa & Kalu, 2010).

Major environmental changes open or close strategic windows for incumbent firms in that industry, transform the mode of competition, and often usher in new market entrants, who may want to use capabilities developed elsewhere to deal with leapfrogs of incumbents. The future and non-incremental evolution of market relating to new primary demand, new technology, market redefinition, new government policies, and channel changes indicate that some firms have better competitive maneuverability in certain environmental changes than in others (Pearce & Robinson, 2000).

Often strategic market planners make predictions about the sources and directions of future patterns of market evolution and assess the firm's capabilities to favourably respond to such changes as they occur. Such analysis assumes strategic undertone as it foretells any impending misfit between the key market requirements and the particular competencies of firms competing in that industry. For these, the use of product portfolio chart analysis should consider the dynamic, and not static, implications in designating a particular business (Boone & Kurtz, 2004).

Investment decisions are carefully timed to coincide with when the match between a firm and the market is at its optimum or when the strategic window is open, and withdrawals are contemplated when market changes disrupt the firm's capability to compete or when the strategic window is closed (Nnedu, 1996).

Thus, market entry and exit assume greater rapidity, as many firms are poised to deploy their scarce resources to market opportunities that promise greater pay-off. Firms are often slower to develop and change than is the market in which they compete and as such market is assumed a temporary vehicle or instrument for growth; an instrument or a vehicle that can be used and abandoned as circumstances demand. Also, products have limited life cycle and market has greater longevity and as such can provide for a business a steady and growing stream of pay-off if management shuns being myopic about change. Change must be predicted with fair precision to enable a firm to know its present and future capabilities to compete, so that decisions may be timely taken on whether to remain in the same market or to look for opportunities elsewhere. Remember that response in strategic market planning requires a framework that makes alternative courses of action known to the decision-maker (Lemos & Porto, 1998).

### **2.4.3 Innovation and Supporting Mechanisms**

Innovation is defined by Linder *et al.* (2003) as "implementing new ideas that create value". This generic description refers to the various forms that innovation can take such as product development, the deployment of new process technologies or innovative management practices. From a practitioners perspective, this means the adoption of new products and/or processes to increase competitiveness and overall profitability, based on customer needs and requirements.

Effective innovation therefore means that SMEs need to maximize the creative resources that they possess. The importance of innovation as a driver of performance and competitive advantage is well covered in the literature (McEvily *et al.*, 2004). Kanter (1999) encapsulates the benefits of innovation by stating that “winning in business today demands innovation”. However, existing studies on innovation have focused largely on drivers of product development such as creativity, resource availability, mergers, acquisitions, divestitures, downsizing, cost reduction, and the firm size. More recently, attention has focused on the need to meet customer demands in shorter product cycles using flexible manufacturing systems.

#### **2.4.4 Marketing in Turbulent Environments**

Marketing success in a turbulent environment requires a different approach to that recommended by traditional marketing theory, which is inadequate in changing, turbulent markets. For example, the “product life cycle” can be misleading if environmental factors are not considered concurrently, and “marketing warfare” focuses on the competitive environment, not taking adequate account of other variables. Thus, these approaches are unlikely to develop defensible, sustainable, and competitive positions. Furthermore, they are not consistent with the current strategic approaches of collaboration and networking (Mason, 2004). Sequential strategic planning is too slow and unresponsive for a fast changing marketplace, and cannot keep up with customers' requirements or with aggressive competitors (Nilson, 1995). In addition, traditional market research and marketing mix models are too simplistic to understand complex marketing situations, because such models assume linear relationships between mix variables and their outcomes (McGlone and Ramsey, 1998).

In complex, turbulent environments, speed in recognizing opportunities, developing new products, and reducing time to market is essential (Morris, 1996). Since decisions have to be made without full information, planning should concentrate on "how to do it" and keep the "what to do" options open as late as possible (Nilson, 1995, p. 70). Effective marketing must be proactive, creating events, and not merely relying on market research, since competitors can easily copy the reactive following of customer requests.

Nilson (1995) maintains that, as complexity and turbulence increases, a firm must focus scarce resources on those key activities that will give the best result. He identifies two approaches for using marketing tactics effectively in chaotic environments: stabilizing or destabilizing. Some marketing activities stabilize by encouraging the system to behave within boundaries, while other activities destabilize by causing unanticipated consequences (McGlone and Ramsey, 1998). This is typical of a "chaos system", in which stabilizing and destabilizing activities can be used to balance the system between uncontrollability and stagnation. Thomas (in D'Aveni, 1999) found that a stabilizing approach produced better returns in a stable environment, but found little difference between better and poorer performers. However, when turbulence increased, companies following a stabilizing strategy performed worse, and the gap between successful and less successful company performance increased. This implies that destabilizing tactics used in turbulent markets should lead to greater success than when using stabilizing tactics in such markets. To avoid becoming locked into old or obsolete technologies or products, Mohr (2001) suggests continuously innovating to make the firm's products obsolete and to replace them with the firm's own developments.

Continuous leadership in a market is not possible without this creative destruction, which is a form of continuous destabilization. From a chaos perspective, stabilizing can be seen as reducing the rate of change through negative feedback, bringing the system back towards equilibrium, within its attractor boundaries (Nilson, 1995). Destabilizing is the disrupting of a “stable” environment, or reinforcing or increasing change in a particular direction (Nilson, 1995). It also implies increasing the rate of change, encouraging events to alter the marketing system or unsettling the established market. Destabilization involves positive feedback, the nudge effect, thereby moving the system away from equilibrium.

## **2.5 Strategic Responses and Environmental Challenges**

Conceptualizing environments as dynamically heterogeneous suggests a need for corresponding conceptualizations of strategy that can help a firm sustain its competitive advantage. As discussed, existing strategy frameworks fall short in this respect. Most of the suggested reconceptualizations (Morgan, 1983; Daneke, 1990; Mitroff, 1990; Prahalad and Hamel, 1990; Loasby, 1991; Nonaka, 1991; Quinn, 1992; Fransman, 1994) emphasize, in one way or another, the view that organizational knowledge and learning are important sources of sustained performance in turbulent environments. There is need to take that argument a step further by explaining the specific strategic responses that makes it useful for survival in turbulent environments. Starbuck (1992) has argued that the esoteric nature of organizational knowledge affects long-term success, and March (1991) has demonstrated the importance of exploratory learning over exploitative learning in assuring relative advantage. Continuing this detailed examination of organizational knowledge, the focus here is on its variety generating property,

which is labelled dynamic competence and it is suggested how this property facilitates successful adaptation in turbulent environments.

Strategic response is also dependent on competence. There are multiple meanings of competence, as well as multiple types of competence. A particular type of competence is highlighted, and its strategic importance for developing and sustaining competitive advantage in turbulent environments explicated. According to the dictionary (*Webster's*, 1984), competence is defined as having the capacity to respond (as by producing an antibody) to an antigenic determinant, or having requisite or adequate ability or qualities.

The biological analogy of 'having the capacity' to respond serves the present purpose of conceptualizing organizational competence. In the case of a biological organism, when a foreign substance referred to as an antigen enters the human system, lymphocytes of the immune system induce production of antibodies, which surround and destroy the antigen (Freifelder, 1987). What is important to note is that the immune system has developed an ability to identify foreign substances, and possesses the capacity to synthesize protein structures specific to almost any antigen. The human immune system lacks elaborate detail about various possible antigen structures, but has a genetic code capable of deciphering the genetic codes of other organisms as they are encountered. That is, the immune system has developed a capacity for recognizing a variety of antigens, and for generating a variety of antibodies as and when required. It has the ability to respond to its biological environment. Firms must come up with strategies for selecting competences that need to be developed. Specifically, decisions need to be taken on two dimensions of dynamic competence: type (technological and marketing) and extent (breadth and depth). Competence affects an 'organization's ability to control its own future behavior'

(Selznick, 1957, p. 35). Given limited resources, dynamic competence in one domain may mean lack of competence in another domain an issue particularly salient in the technology domain, as it is populated by a plethora of scientific and engineering fields. Firms are forced to choose a subset of fields in which to develop competence. But they need to guard against a natural tendency to develop knowledge solely in their current or contiguous domains (Cohen and Levinthal, 1990; March, 1991). This could have disastrous consequences in turbulent environments when a competence destroying technical change takes place (Tushman and Anderson, 1986; Cohen and Levinthal, 1990). Thus, selection of domains for dynamic competence, and of the extent of competence sought in each domain, are salient strategy formulation issues. The increasingly turbulent environments faced by firms have resulted in efforts to appropriately reformulate existing theories of the firm, and in efforts to develop new ones. This has led to analysing the nature of dynamism and flexibility.

## **2.6 Impacts and Effectiveness of Strategic Responses**

Strategic response is closely linked to strategic management which originates from strategic planning and as a technique for managing all important aspects of a company's environment it scientifically differs from other management techniques that only seek to improve operational effectiveness. In order to respond to challenges stemming from the environment and to improve business outcomes, management can use either conscious, controlled, formal processes in the form prescribed by various methods such as 'management technique' or informal ways based on a manager's experiences, intuition, vision or emotions. Informal ways are congruent with strategy-as-practice (Chia, 2004) and they are faster, more flexible and convenient for managing in a less comprehensive and complex internal company environment.

Research by the American consultancy house Bain & Company (Rigby 2005), involving 7, 283 companies from various branches around the world, showed that in the 1993-2005 period management used at least 65 different techniques for implementing their company policies, while in 2004 each of the companies concerned simultaneously each used an average of 13.4 different techniques. According to Grint (1997), in the last forty years at least one new technique has appeared every year.

The overabundance of techniques recommended by various management gurus, consultancy houses and sellers of information technology as solutions to almost any corporate problem often raises unrealistic expectations in management with regard to or regarding the results of their application. Referring to a study by Harvard Business School on the use of management techniques by American companies, 75% of them were dissatisfied with the results of the techniques in use.

The reason lies in the mechanistic use of approaches that promised significant benefits, while neglecting the critical selection of techniques and creative adjustment of a technique to suit specific circumstances (Nohria, 1996). Therefore, it is extremely important for management to know the basic codes of how to use such techniques, enabling it to separate/sort out those techniques useful to their company from mere fashionable novelties, thereby making it easier to avoid the potentially very serious consequences of applying inappropriate techniques (Micklethwait, 2000).

Due to the different macro- and micro-economic environments in which most techniques were created, they are not directly transferable to the environment of companies in transition economies. Accordingly, studies on the influence of management techniques on a company's

business are extremely useful for company management in transition economies. For at least the past decade managers have been preoccupied with improving operational effectiveness by using different management techniques such as (Porter, 1998): TQM, BPR, BSC, benchmarking that seek to improve operational effectiveness or only certain aspects of companies' performances such as quality, speed, productivity and so on.

Strategic management is about choosing the right place for defining a unique position, making clear trade-offs and a tighter fit. It involves a comprehensive approach to managing all important aspects of the company's internal environment and it therefore significantly differs from other management techniques.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter addresses the methods and procedures that were used to achieve the set study objectives. The chapter presents research design, target population, sampling technique, sample size, data collection, and data analysis.

### **3.2 Research Design**

This was a descriptive case study. This design refers to a set of methods and procedures that describe variables. It involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data. Descriptive studies portray the variables by answering who, what, and how questions (Babbie, 2002). This research design was expected to describe how Safaricom Limited has responded to change in business environment.

### **3.3 Respondents**

The respondents for this study were the functional and divisional managers at Safaricom Limited. They work for the company and encounter challenges and opportunities in a changing business environment. This population therefore was well placed to give the needed information for this study. Safaricom Limited has three revenue centres and six function divisions. The three revenue centres are Financial Services, Enterprise and Consumer business. The function divisions include Risk Management, Legal, Regulatory and External Affairs, Marketing, Customer Service, and Information Technology. This study interviewed 3 functional managers from each division.

### **3.4 Data Collection**

This study used primary and secondary data. Primary data was collected using interview schedules (See Appendix I). Face-to-face interviews were conducted among divisional and functional managers at Safaricom Limited. Interviews with divisional and functional managers of revenue centres were booked in advance and took 15 to 20 minutes each. Secondary data was obtained from company records and published work.

### **3.5 Data Analysis**

Data obtained was checked and cleaned in preparation for analysis. Content analysis was done for qualitative data. Information from interviews was grouped based on running themes. The running themes were seeking to attain the two objectives of the study which were to determine the strategic responses by Safaricom Limited to the dynamic business environment and to establish the challenges associated with such responses. The results were presented in narrative format.

## **CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION OF RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter covers data analysis, results and discussion. This study sought to achieve two objectives which were to determine the strategic responses by Safaricom Limited to the dynamic business environment and to establish the challenges associated with such responses. A number of questions were posed to the respondents in an attempt to collect data towards achieving these objectives.

### **4.2 Strategic Responses to Change in Dynamic Business Environment**

The business environment for mobile telephony industry in Kenya has changed continuously and the researcher wanted to know the strategic responses that Safaricom has adopted to deal with the situation. The respondents gave a number of strategic responses and among those that featured prominently was the reduction in prices of calling prizes to Kshs 3 on-net and Kshs 4 off-net. There has also been a reduction in international calling prices, and reduction in data access prizes. The respondents indicated that there has been the introduction of value added services like Okoa Jahazi an advance airtime service with better terms and conditions, and a loyalty reward program known as Bonga points which seeks to reward customers for their loyalty. In the Bonga Loyalty Program, subscribers earn points which they can later redeem to get free airtime, free calling minutes and even free merchandise such as phones, modems and laptops.

Many partnerships have also been formed, for example M-Pesa and DSTV and other paybill services such as KPLC and Nairobi Water Board. These are strategic responses that integrate Safaricom with the daily economic activities of its customers. Safaricom has partnered with embassies, NSSF, NHIF and many banks enabling customers to withdraw, deposit and even buy airtime from their normal bank accounts via M-Pesa.

Introduction of social media like Twitter and Facebook customer service have also been geared towards strategic responses to a change in dynamic business environment. The roll out of 3G network and introduction of products and services suited for different groups of customers like access bundles for the young generation are among others efforts to move with the changing times in the industry.

Other new products introduced by Safaricom include Mpesa Prepay Card, which is globally accepted and enables online shopping and withdrawal at any ATM worldwide. They have also introduced a new SIM-card which enables customers to select from their phonebook the name of the person they wish to send money to, which is an improvement of the M-Pesa service because it reduces the risk of the customer sending money to a wrong number.

There have been new promotions like Nguruma Ibambe, M-Pesa top up bonus promotion that were aimed at encouraging customers to top up more hence increase sales. There has also been payment of dividends through M-Pesa. The respondents further cited customer education in television shows and road shows to create awareness of Safaricom products and services, as well as informing customers on how to avoid being defrauded from their M-Pesa accounts.

The respondents further indicated that there has been employment of more customer service staff to ensure more accessibility to customer service by the customers. The employment of more staff has been on contract basis rather than permanent to ensure cost saving. Safaricom has also opened more retail centers like Kitui, Maua, Garissa and Nanyuki customer care centers to ensure better availability and accessibility to the customers.

Safaricom has also introduced a program of forming an interaction between employees in various departments. “In your shoes” program involves staff from different departments participating in the other departments' activities and having a feel of what it is like dealing with customers and the challenges that other departments face. Finally, the respondents cited a recent change of the organizational structure to ensure better management and cost saving as another effort in strategic response by the company.

When asked to indicate the specific areas that have been affected by the changes that the respondents mentioned, they cited changes in the organizational structure and profits. They said that Safaricom has adopted a leaner management structure under its new Chief Executive Officer. They further indicated that there has been a decrease in profits as compared to the last financial year (2010). The respondents were also quick to note that these strategic responses have been effective. However, they indicated that there should be more products and services designed to suit different segments of customer depending on characteristics such as age. Such products should include data plans for youths and corporate consumers.

### **4.3 Challenges Encountered in Responding to Changes in Business Environment**

When asked to mention the challenges experienced in responding to changes in business environment, the respondents cited restructuring as one of the main source of challenges. In an attempt to get a leaner management structure at Safaricom, interviews were advertised for the posts and some staff especially in top position had to go through recruitment again for their positions. Not every staff was comfortable with the arrangement and some even resigned. At the call centre and retail centres, operations have become stricter and some of the staff feel like more attention on cost saving is being targeted on the two centers.

The respondents were also asked whether they felt that these challenges could hold Safaricom back from achieving its set targets and they agreed. The respondents indicated that changes in organizational structure may affect the organization either positively or negatively. Asked to rate effect of the challenges on Safaricom's response to change in business environment, the respondents said that it has been effective so far as a research carried out on customers showed an improvement in customer delight, reduced bureaucracy, and streamlining processes.

The other reason for rating the strategic responses as effective according to the respondents was because in as much as other networks are offering lower prices, the number of Safaricom customers has not reduced by a big margin as the concentration has been on retention of existing customers. The respondents further noted that even with introduction of number portability, not as many customers had ported out from Safaricom to other networks.

To face these challenges, the respondents suggested that Safaricom should offer consistently high quality products and services. The respondents further said that Safaricom should improve systems and offer new innovative ways to meet customer needs. The respondents also recommended that when strategic responses are being implemented, the focus or the pressure should not be on particular divisions, but should focus on the whole organization. They also recommended that there should be introduced a better reward system for innovative staff , as this will motivate them to come up with more ideas on new products that the company should introduce to deal with the increased completion. On the future prospects of the company, the respondents expressed hope in the 4G network roll out.

are also some of the strategic responses adopted to cope with the changes in business environment. The study also found that social networking sites such as Facebook and Twitter as a platform of communication with the customers has enhanced interaction and feedback. The study found that market segmentation has also been used by Safaricom as a strategic response to changes in the business environment. On the same note, Safaricom has stepped up promotions, customer awareness and education to enhance uptake of Safaricom products.

Costs saving strategies have been applied in Safaricom where the company adopted a leaner management structure as well as employing more staff based on contract basis rather than permanent. This study found that organizational structure and profits were the most affected by the changes in the business environment. The strategic responses by Safaricom were found to be effective.

The strategic responses were not adopted without challenges. Notable challenges were found to have been encountered in restructuring where some of the employees felt that they were targeted. Costs saving strategies also majorly focused on the call centre and retail centres making some of the employees uncomfortable with these efforts. Most employees felt that most of the challenges are yet to be addressed by the management.

### **5.3 Conclusion**

On realizing that the business environment was changing constantly, Safaricom was quick to adjust by forming both short-term and long-term strategies to deal with the changes. For the short-term, Safaricom reduced its prices to remain in line with its competitors while introducing new products and services to retain and attract new customers.

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This chapter presents the summary of the study, conclusion and recommendations. This chapter summarizes the whole study. It also covers the conclusion based on the study findings. From the study findings and conclusions, recommendations are given on how to improve the situation.

### 5.2 Summary of the Study

Safaricom needs to strategically respond to challenges to cope with the turbulence brought by change in business environment. It is in this backdrop that this study sought to determine the strategic responses by Safaricom Limited to the dynamic business environment and to establish the challenges associated with such responses. It sought to answer the following questions; what are the strategic responses to change in business environment that Safaricom Limited has adopted? What are the challenges involved in adopting such responses?

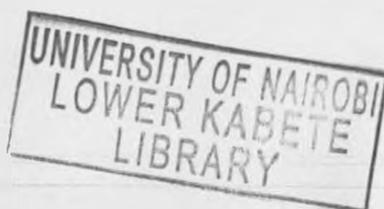
The objectives of the study were to determine the strategic responses by Safaricom Limited to the dynamic business environment and to establish the challenges associated with such responses. Respondents were the functional and divisional managers at Safaricom Limited. In total 21 interviews were conducted. Content analysis was done for qualitative data where information from interviews was grouped based on running themes. The results were presented in narrative format.

The study identified new products and services, value added services, and a reward system as some of the strategic responses that Safaricom has adopted to cope with a change in dynamic environment. Partnerships with other companies like Multichoice (DSTV), KPLC among others

Safaricom has been a pioneer of mobile services such as M-Pesa, M-Banking, payment of bills and partnerships with other companies to ease transactions and business in general. This explains why the company was not largely affected by mobile portability which was expected to significantly affect its market share. Adoption of social networking sites in customer service indicates the ability to move with technology as well as lifestyle of the customers.

The young generation, who form a significant proportion of Safaricom customer base use these social networking sites. It is imperative that by using the social networking sites in customer service and marketing, Safaricom has been able to reach out to the young people. Safaricom also recognized that different categories of customers exist hence the need to address them differently. Data bundle plans for the youth, home users and corporate consumers have served this purpose.

The increased promotions, customer awareness and education by Safaricom were a response to increased competition. The realization of the role of marketing in attracting new customers and retaining the existing customers was also a major response to the environmental changes. The costs cutting strategies targeting call centre and retail centres was reasonable but its negative effects if not addressed could affect Safaricom negatively if not addressed. The effects of changes in the organizational structure could also be either positive or negative depending on the manner in which Safaricom handles issues emerging from these changes. The regulator of the telephony industry (Communications Commission of Kenya, CCK) should create a flexible regulatory environment to enable the mobile services providers respond to dynamic changes in their business environment.



## 5.4 Recommendations for further studies

This study recommends that the regulator of the telephony industry (Communications Commission of Kenya, CCK) should create a flexible regulatory environment to enable the mobile services providers respond to dynamic changes in their business environment. This will not only help Safaricom but also other mobile providers who will become more proactive in initiatives towards responding to changing customer needs.

The government should ensure that the necessary laws and policy are put in place to safeguard the interests of all the stakeholders in the industry. This will ensure healthy competition and growth of the industry. In the long-term, the growth of the industry will not only provide revenue to the government through taxes but also contribute significantly to the economic growth of the country.

Firms would also be recommended to always analyze strategic responses very carefully before implementing them as this prepares the firms to respond to the challenges and negative effects that maybe encountered as a result of such responses. Respondents also recommend that strategic responses should target the whole organization, not just specific divisions.

Although the strategic responses by Safaricom have been effective, Safaricom should be careful on how it handles the effects of the changes that it has adopted. The effects of restructuring and costs saving strategies should not be ignored if the responses are to be successful. The employees are a critical asset to any company and if they are demoralized this may result to reduced productivity. It is therefore important to constantly review the effects of the strategic responses adopted to ensure that they do not affect Safaricom Limited negatively

## **5.5 Limitations of the Study**

The findings of the study should be interpreted with the limitations in mind in order to make informed generalization within the acceptable limits of objectivity. The study was set out in Safaricom Limited. However, some employees feared to give information about the organization at the fear of being discriminated after giving their genuine views. Thus some of them would withhold some information.

Time available to complete the study was inadequate. In most cases the researcher had to make several visits to conduct interviews. Most of the managers at some of the departments also tend to be very busy, and thus some interviews had to be rescheduled.

## **5.6 Implication on Policy, Theory and Practice**

The policy makers, regulators and government in general will have an opportunity to understand the changes that are in current business environment and can perhaps partner with Kenyan firms to facilitate appropriate responses as we enter regional and global markets which are competitive. Scholars and researchers will also find the results of this study useful for further research. The findings of this study will be of value to Kenyan firms experiencing turbulent times. The insights on strategic responses by a successful firm can offer lessons and make both anticipation and management of change by these firms better.

To Safaricom Limited this study will be more of an evaluation on how the company has dealt with change in a strategic manner. An evaluation will enable the company to recognize faults and room for improvement to make its future experiences better.

The results of this study will also facilitate appropriate responses. The study will give managers and staff an insight on issues of organizational responses, which they must take cognizance of since the survival of the organization in the changing environment depends on how well it is able to adapt to the changes. Information obtained will shed some light on issues of the need for customer satisfaction hence the need for better service. In this case the customers will also benefit from more customer focused strategies that leave them happy and contented.

As discussed earlier, the regulator of the telephony industry (Communications Commission of Kenya, CCK) should create a flexible regulatory environment to enable the mobile services providers respond to dynamic changes in their business environment. This will not only help Safaricom but also other mobile providers who will become more proactive in initiatives towards responding to changing customer needs.

## REFERENCES

- Awa, H. (2003). *Modern Marketing Theory: An Integrated Approach to Managerial Decisions*. Owerri: Kolleey.
- Awa, H. & Kalu, S. (2010). Repositioning the Non-incremental Changes and Business Strategic Windows Correlates. *International Journal of Business and Management*, 5(2), 184-193.
- Babbie, E. (2002). *Survey research methods* (2<sup>nd</sup> ed.). Belmont: Wodsworth.
- Barney, J. & Hesterly, W. (2006). *Strategic Management and Competitive Advantage*. Pearson: Prentice Hall
- Baskin, K. (1998), *Corporate DNA: Learning from Life*. Boston, MA: Butterworth-Heinemann.
- Beckhard, R. (1969). *Organization Development: Strategy and Models*. Reading, MA: Addison-Wesley.
- Blaxill, M. & Eckardt, R. (2009). The Invisible Edge: Taking your Strategy to the Next Level Using Intellectual Property. *Portfolio*, March Issue
- Boone, L., & Kurtz, D. (2004). *Contemporary Marketing*, 11th ed., Ohio: South-Western.
- Chaffee, E. (1985). Three models of strategy, *Academy of Management Review*, 10(1).
- Chandler, Alfred *Strategy and Structure: Chapters in the history of industrial enterprise*. Doubleday: New York.

- Cooper, A., Demuzzio, E., Hatten, K., Hicks, E., & Tock, D. (1974). Strategic Response to technological threats. Proceeding of the Business Policy and Planning Division of the Academy of Management, Boston.
- Covin, J.G., & Slevin, D.P. (1991). A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship Theory & Practice*, Fall, pp.7-25.
- D'Aveni, R.A. (1999). Strategic supremacy through disruption and dominance. *Sloan Management Review*, 40 (3), pp.127-35.
- David, F. (2008). *Strategic Management*. Columbus: Merrill Publishing Company.
- David, P. (1992). The Balanced Scorecard: Measures That Drive Performance. *Harvard Business Review*, Jan/Feb
- Day, G.S., & Schoemaker, P.J. (2005). Scanning the periphery (business environment). *Harvard Business Review (USA)*, 83(11) pp. 135-147
- De Witt, B. & Meyer, R. (1999). Strategy Synthesis: Resolving Strategy, Paradox to Create, Competitive Advantage, *International Thomson Business press*
- Doherty, N., & Delener, N. (2001). Chaos theory: marketing and management implications. *Journal of Marketing Theory and Practice*, 9 (4), pp.66-75.
- Dolan, S.L., Garcia, S., & Auerbach, A. (2003). Understanding and managing chaos in organizations. *International Journal of Management*, 20(1), pp.23-35.
- Drucker, P. (1954). *The Practice of Management*. New York: Harper and Row.

- Goldberg, J., & Markoczy, L. (1998). Complex rhetoric and simple games. Cranfield University, retrieved on accessed February 2, 1999 from [www.Cranfield.ac.za/public/cc/cc047/papers/complex/html/complex.htm](http://www.Cranfield.ac.za/public/cc/cc047/papers/complex/html/complex.htm).
- Gundlach, G.T. (2006). Complexity science and antitrust. *Antitrust Bulletin*, 51 (1), pp.17-31.
- Heckman, J. (1999). Word-of-mouth advertising: cheap, credible, created. *Marketing News*, 1 pp.2.
- Herbig, P.A. (1990). Marketing chaos – when randomness can be deterministic. *Journal of International Marketing and Market Research*, 16(2), pp.65-84.
- Holbrook, M.B. (2003). Adventures in complexity: dynamic open complex adaptive systems, butterfly effects, self-organizing order, co-evolution, the ecological perspective, fitness landscapes, market spaces, emergent beauty at the edge of chaos, and all that jazz. *Academy of Marketing Science Review*, No.6.
- Johnson G., & Scholes, K., (2002). Exploring Corporate Strategy; Texts and Cases, Prentice Hall, New Delhi,
- Kanter, R.M. (1999). From spare change to real change: the social sector as Beta site for business innovation. *Harvard Business Review*, 77 (3), pp.122-32.
- Koch, R. (2000). *Power Laws – The Science of Success*. London: Nicholas Brealey.
- Lamb, R. B. (1984). *Competitive strategic management*. Englewood Cliffs, NJ: Prentice-Hall.

- Lemos, A., & Porto, A. (1998). Technological Forecasting Techniques and Competitive Intelligence: Tools for Improving the Innovation Process. *Industrial Management & Data Systems*, 98(7), 330-337.
- Linder, J.C., Jarvenpaa, S., & Davenport, T.H. (2003). Towards an innovation sourcing strategy, *MIT Sloan Management Review*, 44 (4), pp.43-9.
- Lumpkin, G.T., & Dess, G.D. (2001). Linking two dimensions of entrepreneurial orientation to firm performance: the moderating role of environment and industry life cycle, *Journal of Business Venturing*, 16, pp.429-51.
- Lynch, R. (2009). *Strategic Management*. (5th ed). Essex: Prentice Hall
- Mason, R.B. (2006). Coping with complexity and turbulence – an entrepreneurial solution. *Journal of Enterprising Culture*, 14 (4), pp.241-66.
- Mason, R.B. (2007). The external environment's effect on management and strategy: a complexity theory approach. *Management Decision*, 45 (1), pp.10-28.
- Maura, N. (1999). *Exploring Corporate Strategy*, 8<sup>th</sup> Ed. Essex: Prentice Hall.
- McEvily, S.K., Eisenhardt, K.M. & Prescott, J.E. (2004). The global acquisition, leverage, and protection of technological competencies. *Strategic Management Journal*, 25(8/9), pp.713-22.
- McGlone, T.A., & Ramsey, R.P. (1998). Getting realistic about reality: using chaos theory to explain marketing phenomena. Paper read at the Society for Marketing Advances conference, New Orleans, 4-7 November.

- Meade, P.T., & Rabelo, L. (2004). The technology adoption life cycle attractor: understanding the dynamics of high-tech markets. *Technological Forecasting and Social Change*, 17 pp.667-84.
- Miller, D., Droge, C., & Toulouse, J.M. (1988). Strategic processes and content as mediators between organizational context and structure. *Academy of Management Journal*, 31(4), pp.544-69.
- Miller, D. (1987). The structural and environmental correlates of business strategy. *Strategic Management Journal*, 8 pp.55-76.
- Miller, D., & Friesen, P.H. (1983). Innovation in conservative and entrepreneurial firms: two models of strategic momentum. *Strategic Management Journal*, 3 (1). pp.1-25.
- Miner, J.B. (1990). Entrepreneurs, high growth entrepreneurs, and managers: contrasting and overlapping motivation patterns. *Journal of Business Venturing*, 5 (4), pp.221-34.
- Mohr, J. (2001). *Marketing of High-Technology Products and Innovations*. Upper Saddle River, New Jersey: Prentice-Hall.
- Nilson, T.H. (1995). *Chaos Marketing: How to Win in a Turbulent World*. London: McGraw-Hill.
- Nnedu, E. (1996). *Business Policy and Strategic Management: Theory and Practice*. Port Harcourt: Paragraphics.
- Ohmae, K. (1982). *The Mind of the Strategist*. New York: McGraw Hill.

- Pearce, J. & Robinson, R. (2005). *Strategic Management: Formulation, Implementation, and Control*, 9<sup>th</sup> ed. Boston: McGraw Hill Irwin.
- Pearce, J., & Robinson, R. (2000). *Formulation, Implementation, and Control of Competitive Strategy*, 7<sup>th</sup> ed. Boston: Irwin McGraw-Hill.
- Penrose, E.T. (1959). *The Growth of the Firm*. Oxford: Basil Blackwell.
- Peters, T. and Waterman, R. (1982). *In Search of Excellence*. New York: HarperCollins.
- Phillips, F., & Kim, N. (1996). Implications of chaos research for new product forecasting. *Technological Forecasting and Social Change*, 53(3), pp.239-61.
- Prahalad, C.K. & Ramaswamy, V. (2003). The new frontier of experience innovation. *MIT Sloan Management Review*, 44 (4), pp.12-18.
- Prahalad, C. K., & Hamel, G. (1996). *Competing for the future*. Harvard Business School Press, Essex: Prentice Hall.
- Priesmeyer, H.R. (1992). *Organizations and Chaos: Defining the Methods of Nonlinear Management*. Westport, CT: Quorum Books.
- Quinn, J., (1980). Managing Strategic Change. *Sloane Management Review*, 11(4/5), pp 3-30.
- Armstrong, M., (2006). *A Handbook of Human Resource Management Practice*, 10<sup>th</sup> Ed. London: Kogan Page.
- Rehfeld, J.E. (1994). *Alchemy of a Leader: Combining Western and Japanese Management skills to transform your company*. New York: John Wiley & Sons.

- Rigby, E. (2005). Linking Research and Policy on Capitol Hill: Insights from Research Brokers. *Evidence and Policy*, 1(2), 25-45.
- Ritter, T., Wilkinson, I.F., & Johnston, W.J. (2004). Managing in complex business networks. *Industrial Marketing Management*, 33 pp.175-83.
- Segers, J.P. (1999). Strategic partnering between new-technology based firms and large established firms in the biotechnology and micro-electronics industries in Belgium. *Small Business Economics*, 5 pp.271-81.
- Selznick, P. (1957). *Leadership in Administration: A Sociological Interpretation*. Row: Peterson, Evanston IL.
- Stacey, R. (2003). *Strategic management and organizational dynamics: the challenge of complexity*, 4th ed. Harlow: FT/Prentice Hall
- Strickland, A. & Thompson, A. (1993). *Strategic Management: Concepts and Cases*, 7<sup>th</sup> ed. Boston: Irwin.
- Wilkinson, I.F. (2006). The evolution of an evolutionary perspective of B2B business. *Journal of Business & Industrial Marketing*, 21 (7), pp.458-65.
- Wilkinson, I.F. (2003). On generalising: seeing the general in the particular and the particular in the general in marketing research. Paper presented at the Australia New Zealand Marketing Academy Annual Conference (ANZMAC), University of South Australia, 1-3 December .

## APPENDIX : Interview Schedule

### Introduction

- Researcher to greet the interviewee and do the introduction
- Researcher to explain the purpose of the interview

### Interview guide

1. Business environment for mobile telephony industry in Kenya has changed continuously. What are the strategic responses that your firm has adopted to deal with the situation?
2. Are there specific areas that you think have been adversely affected by these changes?
3. If yes, do you think they need special attention?
4. Are there strategic responses to change in business environment that has been adopted at Safaricom Limited?
5. If yes above, which are these strategic responses to change in business environment?
6. How would you rate these strategic responses adopted by Safaricom Limited?
7. Are there other strategic responses that you think should be adopted by Safaricom Limited?
8. If yes above, which are these strategic responses?

9. Are there challenges that Safaricom Limited has encountered in responding to changes in business environment?
10. If yes above, what are these challenges?
11. Do you think these challenges could hold Safaricom Limited back from achieving its set targets?
12. How would you rate effect of the challenges on Safaricom Limited's response to change in business environment?
13. What would you recommend should be done to face these challenges?
14. What are the future prospects of the mobile telephony industry?

**Thank you for participating.**