

INTERNATIONAL GROWTH STRATEGIES FOR MPESA BUSINESS

ADOPTED BY SAFARICOM KENYA LTD

BY

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DECLARATION

STUDENT'S DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

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SUPERVISOR'S DECLARATION

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

Signature.....Date.....

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DEDICATION

I dedicate this research project to my family and friends for their tireless support and encouragement offered to enable completion of this research project

ACKNOWLEDGEMENTS

I take this opportunity to give thanks to the Almighty God for seeing me through the completion of this project.

The work of carrying out this investigation needed adequate preparation and therefore called for collective responsibility of many personalities. The production of this research document has been made possible by invaluable support of many people. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Prof. Ogutu for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to you.

Thank you all. May the Almighty God bless you abundantly.

ABSTRACT

Firms in dynamic industries respond to environmental changes and competitive forces in different ways so as to maintain a strategic fit between the environment and their operations. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness. Safaricom launched M-PESA in 2007 which is a transformative mobile banking service launched by Vodafone in partnership with safaricom. The concept of M-PESA is based on branchless banking service, meaning that it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. The objective of the study was to determine the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd. The study applied a case study design. The study made use of both primary and secondary data. Primary data was collected through face to face interview with six senior managers while secondary data was collected through review of the contents of various relevant publications and reports, Financial Statements and other relevant materials. The respondents comprised of six senior managers representing the six business support departments because of their key role in strategy formulation and implementation of strategy to reduce chances of data redundancy. The data obtained was analyzed using content analysis. The study established that the drivers for growing the M-Pesa business internationally included the need to expand the market for the service since the service was technology bases and create diversity in revenue sources for the Company; the gradually growing competition in the local market as other service providers continued to launch their mobile based money transfer services; to create a convenient and cost effective way sending money from the UK to Kenya for the migrants to UK; the hosting of the M-Pesa servers in the UK. The growth strategies chosen by the Company were very effective considering the fact that there existed a ready market for the international M-Pesa service in UK. The study concluded that Safaricom used market penetration strategy which involved the same services of M-Pesa being pushed into the same largest consumer group of Kenyans in the United Kingdom market. The study further concluded that Safaricom limited used market development strategies in the launching of international money transfer services. The service had initially been designed to cover the Kenyan market.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

International growth strategies are equity-based expansions by corporations to acquire ownership in foreign firms that can be used to further the corporate goals. These equity based strategies are also referred to as direct investments where the parent multinational corporation (MNC) acquires sufficient equity in an existing or newly established foreign company, to incorporate the affiliate within the parent MNC's global strategies (Griffin and Pustay, 1999). International growth can be accomplished by means of new start-ups, expansion of existing affiliates, partial or complete acquisitions, and mergers with other companies, or joint ventures. Businesses face many complications when they develop an international mindset. They have to change their way of thinking from a simple domestic market to a complex and intricate world market. Expanding abroad and realizing a greater market area is one of the first strategic imperatives of a company.

According to McKeran (1990) today's business must survive in a turbulent environment. In today's rapidly changing business world, past results are no guarantees of future successes. The large shakedown of companies, which took place in the recession of the late 1970's and early 1980's, has left the remaining companies, for the most part, leaner, fitter and more aggressive. Add to this the pace of developments in new technology, the growth in the number of business start-ups, the threat of foreign competition, and a situation where the small companies can no longer be inward looking, but must be aware of its external macro environment situation

in order to survive and grow. Strategizing in a global, dynamic setting implies that firms adopt strategies which allow them to evolve along with the environment they are embedded in. In a nutshell, firms will establish foreign affiliates if they can expect strong ownership advantages, location advantages, and internationalization advantages (Dunning, 1981).

1.1.1 International Growth Strategies

Firms that operate in global industries must compete on worldwide basis if they are to succeed. This is because their strategic positions in specific markets are affected strongly by their overall global positions (Kotler *et al.*, 2005). The fundamental reasons for firms to go international can be seen in proactive and reactive motives. Proactive motives represent stimuli to attempt strategy changes, which based on the firm's interest in exploiting unique competences and/or market possibilities. Such strategy changes (Hollensen, 2007; Deresky, 2005) are: to fulfill a firm's growth and profit ambitions, the desire, drive and enthusiasm of management towards internationalization, a firm produce products or services that are unique or technologically advanced in a specialized field, foreign market opportunities or market information which distinguish a firm from its competitors, resource access and cost savings enhance a firm's control over raw materials/other resources and lower transportation, economies of scale, and tax benefits which may also play a major motivating role. It may allow a firm to sell its products at a lower cost in foreign markets or to accumulate a higher profit.

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long-term: which achieves advantage for the organization through its

configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. According to Kotler (2000) growth strategies are a game plan of determining the possible strategic directions that an organization can follow. Growth strategies focus resources on seizing opportunities for profitable growth (Johnson and Scholes, 2002). They alter a company's goals and business processes to challenge conventional wisdom, identify emerging trends, and build business. In some cases these strategies involve redefining the core competences (Charan *et al*, 1998).

Growth strategies refer to tactics used in management to expand the consumer market for a company's product. Growth strategies may follow any one of several courses: Market penetration, where the company will attempt to create more sales to existing customers without changing the product. This will be done by cutting prices or increasing advertising at the risk of short-term profits for greater market penetration (Tomasko, 2006). Market development, are growth strategies where the company identify and develop new markets for the current product. Product development involves the company offering a modified product or a new product to existing current markets, while diversification is where the company develop or purchase products that are entirely different from the current product or market (Zook, 2001). The adaptation and application of growth strategies is of great essence to firms; they assist managers to redefine the future, success and growth of organizations. According to Gilligan and Wilson (2005), top management decisions must focus on the future of the firm amidst competition and environmental turbulence. The benefits of growth strategies to organizations are abounding in the literature (Kotler, 2000; Johnson and Scholes, 2002). Ansoff's strategy

matrix shows that growth strategies can help firms identify their future strategic direction assist them in planning for growth; assist them in formulating a strategy and knowing which markets and respective products to serve for success and its own growth.

1.1.2 M-PESA Business

Safaricom launched M-PESA in 2007. “Pesa” is the Swahili word for cash, the “M” is for mobile. M-PESA is a transformative mobile banking service which was launched by Vodafone in partnership with safaricom. The initial work of developing the product was given to a product and technology development company known as Sagentia. Development and second line support responsibilities were transferred to IBM in September of 2009, to where most of the original Sagentia team transferred. The development was initially sponsored by the UK-based Department for International Development (DFID) in 2003–2007. DFID helps to develop a mobile phone-based system to improve access to financial services for people in East Africa.

In March 2007, the leading cell phone company in Kenya, Safaricom, formalized this procedure with the launch of M-PESA, an SMS-based money transfer system that allows individuals to deposit, send, and withdraw funds using their cell phone. M-PESA has grown rapidly, currently reaching approximately 83 percent of Kenya’s adult population, and is widely viewed as a success story to be emulated across the developing world. M-PESA has spread quickly, and has become the most successful mobile phone-based financial service in the developing world. M-PESA has grown from 19,671 users when it initially started in 2007 to approximately 14.6 million active M-PESA users as of March 2012. If Safaricom’s results are anything to go by, the uptake of mobile money shows

how people are continuously relying on Mobile money in their daily lives. The company, in its financial results for 2011/12 made a net profit of Ksh. Sh12.6 billion which was a 4% drop from what the company realized in 2011. Its money service M-Pesa however saw its revenues grow 43% to KES 16.9 billion supported by a 6% growth in registered users to 14.6 million as of 1st March 2012. M-PESA's revenue comes mainly in the form of the charges they levy on senders and receivers of cash. M-PESA has entered into many partnerships with organizations which include: equity bank which introduced M-Kesho, Kenya Commercial Bank, Co-operative bank, Old Mutual, Post bank, Caltex petrol stations, Western Union, PesaPoint , Saccos or MFI's, M-PESA Pay Bill partners are Kenya Power, DStv, Nairobi Water and Insurance Companies. In 5 years M-PESA has won 17 local and international awards.

The concept of M-PESA is based on branchless banking service, meaning that it is designed to enable users to complete basic banking transactions without the need to visit a bank branch. The initial concept of M-PESA was to create a service which allowed microfinance borrowers to conveniently receive and repay loans using the network of Safaricom airtime resellers. This would enable microfinance institutions (MFIs) to offer more competitive loan rates to their users, as there is a reduced cost of dealing in cash. The users of the service would gain through being able to track their finances more easily. But when the service was trialed, customers adopted the service for a variety of alternative uses; complications arose with Faulu. M-PESA was re-focused and launched with a different value proposition: sending remittances across the country and making payments. The continuing success of M-PESA, in Kenya, has been due to the creation of a highly popular, affordable payment service with only limited involvement of a bank.

M-PESA Customers can deposit and withdraw money from a network of agents that includes airtime resellers and retail outlets acting as banking agents.

1.1.3 Safaricom Kenya Ltd

Safaricom, Ltd is a leading mobile network operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc of the United Kingdom acquired a 40% stake and management responsibility for the company. Robert Collymore is the CEO he succeeded Michael Joseph on November 1, 2010, after Joseph's ten years as Safaricom CEO. Recent reports appearing in the cross section of the press indicate that Vodafone Plc of UK only owns 35% and the remaining 5% is owned by a little known company, Mobitelea Ventures Limited. Safaricom's initial public offering of stock, on the Nairobi Stock Exchange, closed in mid April 2008.

Safaricom is the leading provider of converged communication solutions in Kenya. In addition to providing a broad range of first-class products and services for Telephony, EDGE, Broadband Internet and Fax, Safaricom seeks to uplift the welfare of Kenyans in direct ways through value added services and financial support for community projects. Safaricom employs over 1500 people mainly stationed in Nairobi and other big cities like Mombasa, Kisumu, Nakuru and Eldoret in which it manages retail outlets. Currently, it has nationwide dealerships to ensure customers across the country have access to its products and services. As of January 2010, Safaricom boasts a subscriber base of approximately 12 million, most of who are in the major cities - Nairobi, Mombasa, Kisumu and Nakuru. Its headquarters are located in Safaricom House, Waiyaki Way in Westlands, Nairobi. Its main rival is Airtel Kenya. Other rivals include Essar's YU and

Orange Wireless. Safaricom has charitable functions where it helps the less fortunate in the society mostly through the Safaricom Foundation.

1.2 Research Problem

Firms in dynamic industries respond to environmental changes and competitive forces in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness. In order to achieve a competitive advantage, strategy needs to focus on unique activities. Operational effectiveness is necessary but not sufficient for achieving a sustainable competitive advantage (Porter, 1985). Changes in environmental conditions shape a firm's opportunities and challenges. A new environment necessitates the formulation of new strategy best suited to cope with change. According to Ansoff (1988) turbulent environments are characterized by unfamiliar rapid and unpredictable events. And therefore firms intending to go international such as Safaricom with its Mpesa service have to device proper growth strategies to survive the widely challenging global environment.

Local studies focusing on growth strategies include: Kiilu (2004) did a survey of the extent of the application of Ansoff's growth strategies in the public utility sector in Kenya; Wanyande. (2006) investigated on application of Ansoff's growth strategies by internet service providers in Kenya; Ojung'a (2007) did a survey of market share growth strategies adopted by pharmaceutical companies in Kenya for branded prescription medicine; Midwa (2008) studied on intensive growth strategies adopted by Total Kenya Limited in response to competition in the oil industry in Kenya. A number of researchers have conducted studies on M-PESA service but to the knowledge of the researcher, no study has been done to investigate the growth strategies adopted by M-PESA as it

purports to go international. Mutua (2009) did a study on the customer perception on M-PESA services: a case study of Kitengela and Athi River townships; Munga (2010) investigated the impact of mobile banking: a case study of M-PESA in the Kenyan society; Abdiwahab (2010) did a study on the operation strategies used in mobile banking: the case of M-PESA services by Safaricom limited. Muciimi, (2010) analyzed the challenges faced by Safaricom (M-PESA) Limited in international money transfer. None of these studies discusses the growth strategies adopted by Safaricom in making M-PESA international. It is in this light that the study sought to fill the research gap that existed by carrying out a research on international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd.

1.3 Research Objectives

The objectives of the study were

- i. To determine the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd.
- ii. To establish the challenges of International Business growth faced by Safaricom Kenya Ltd.

1.4 Value of the Study

The study would be valuable to management of Safaricom Kenya Ltd and other organizations in understanding the growth strategies they can adopt in their quest to expand internationally and the effectiveness of the growth strategies. They would also understand the importance of strategic growth strategies and how different firms can achieve competitive edge through growth strategies in the competitive global environment and make informed decisions.

The government and policy makers would gain valuable information international growth strategies. The study will be useful to the government in policymaking regarding market growth strategies and firms expansion. The policies designed, will serve as guidelines in assisting the management in knowing what the procedures and policies to follow when deciding to expand and grow internationally.

To the academicians and researchers, the findings would contribute to professional extension of existing knowledge on use of social media as an entry strategy. The study will provide a useful basis upon which further studies on market entry strategies and foreign market entry strategies in general. The study would also suggest areas for further studies on which researchers and scholars can research further.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The literature review will focus on the international growth strategies. The specific areas covered here are concept of international business, international growth strategies and challenges of international business.

2.2 Concept of International Business

According to Ball and McCulloch (2004) international business is the business whose activities involve crossing national borders. This definition includes not only international trade and foreign manufacturing but also the growing service industry in such areas as transportation, tourism, banking, and mass communications. International Business is the study of economic activities that cover trade and investment. International business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more nations. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons. It refers to all those business activities which involves cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people etc. for international production of physical goods and services such as finance, banking, insurance, construction etc.

International business refers to the performance of trade and investment activities by firms across national borders. They seek foreign customers and engage in collaborative relationships with foreign business partners. While international business is primarily carried out by individual firms, governments and international agencies also engage in international business transactions. International trade may be defined as a contract of buying and selling goods and services entered into between parties whose places of business are in different countries or trade in goods and services that cut across international borders or between nationals of different countries. This involves imports from one country to another and or exports to one country from another country or boundary trade (Nair, 1997). International trade has become not only a means by which those nations source those goods and services they lack or do not have in sufficient quantities, but also a subject of international politics either for achieving, promoting or maintaining peace between international trading partners or countries.

The concern of international trade is the pattern of flow of goods, services and capital across national borders and their effect on the balance of payment and resources transfers. The choice of entry mode depends on the risk a company is prepared to take and the desired degree of control (Farhang, 1990). The choice of entry mode normally changes over time, in a rather predictable way; a company becomes more experienced over time, so it is likely to take more risk. One of the main problems regarding market entry decisions is the fact that it is ill-defined, complex and dynamic. According to the hierarchical model of market entry strategies, the main criterion for the choice of entry strategies is whether the company engages in equity or non-equity entry modes. Non equity entry strategies often require less financial and organizational resources and

capabilities of the organization than equity strategy. Also, cost, commitment, risk, return, and control involved is often more limited than in case of equity entry strategies (Peng, 2006).

2.3 International Growth Strategies

With the growing competition in the domestic and international markets, more demanding and assertive customers, rapid advancement in technology, and changing government policies and laws, the marketing environment has changed dramatically in the last decade and is becoming more turbulent (Cravens *et al.*, 2000). Cravens (2000) argued that marketing is a major stakeholder in new product development, customer management, and value/supply-chain management, and marketing strategy provides concepts and processes for gaining a competitive advantage by delivering superior value to the business's customers through intensive growth strategies (Cravens, 2000).

The Ansoff's model, (1957) is one of the best tool which companies to develop market and product expansion strategies. Ansoff's model, (1998) is based upon four type of strategies namely market penetration strategy, market development strategy, product development strategy and diversification strategy. The strategy is also dependent on company objectives include increasing sales, increasing profit, enter into new market, develop new product and enter into new business.

2.3.1 Market Penetration Strategies

Market penetration is a strategy of expanding sales based on existing products in existing markets (Lancaster, 1988) and it involves the same services being pushed into the same largest consumer group. Kotler (2000) explains this as a case where products remain

unchanged and no new segments are pursued. Instead, the firm concentrates on enhancing its existing internal competencies as well as building new ones which would enable it to push further into the existing markets. Market penetration occurs when a company penetrates a market with its current products. It is important to note that the market penetration strategy begins with the existing customers of the organization. This strategy is used by companies in order to increase sales without drifting from the original product-market strategy (Ansoff, 1957). Companies often penetrate markets in one of three ways: by gaining competitors customers, improving the product quality or level of service, attracting non-users of the products or convincing current customers to use more of the company's product, with the use of marketing communications tools like advertising etc. (Lynch, 2003). This strategy is important for businesses because retaining existing customers is cheaper than attracting new ones, which is why companies like BMW and Toyota (Lynch, 2003), and banks like HSBC engage in relationship marketing activities to retain their high lifetime value customers.

Moreover, previous evidence in intensive growth strategies involved in market penetration and accounting literature generally suggests that leverage is a risk factor (Ely, 1995). This implies that banks with higher leverage are riskier than other banks. Because of the inherently risky nature of overseas expansion, it's expected that banks that are already riskier would hesitate to increase their risk exposure by diversifying abroad. Therefore, it's also argued that as the leverage level in a given bank increases, it is less likely to penetrate into the international arena where uncertainty level is generally considered high (Singh *et al.*, 2003). Due to the increase in competition and market saturation, some banks are driven outwards to seek new locations and growth

opportunities (Parsa and Khan, 1992; Crafts and Ukpaka, 1996), while some other firms explore non-traditional locations such as schools, hospitals, and office buildings, causing diffusion of segments (Parsa and Khan, 1993). It appears that penetrating new markets present most new opportunities for achieving higher intensive growth (Singh *et al.*, 2003).

2.3.2 Market Development Strategies

According to Kotler (2002) market development is a means of trying to increase sales by selling present products in new markets. Market development is based upon entry to new markets or to new segments of existing markets while employing existing products. It consists of marketing present products to customers in related areas. The customers could present untapped vehicles for growth, virgin geographies or other new opportunities. When a company follows the market development strategy, it moves beyond its immediate customer base towards attracting new customers for its existing products. This strategy often involves the sale of existing products in new international markets. This may entail exploration of new segments of a market, new uses for the company's products and services, or new geographical areas in order to entice new customers (Lynch, 2003). For example, Arm & Hammer was able to attract new customers when existing consumers identified new uses of their baking soda (Christensen et al, 2005).

Multiple locations, operations, and product lines require multiple reporting systems, performance metrics, and modes of communication. At the same time, in most banks, market development involves customer fragmentation and intense competition. This has produced a painful set of market development strategic pressure points. In a recent survey

(Bain & Company, 2005) found that a full 84 percent of banks perceive that “a growing percentage of their products and services behave like commodities,” (Bain & Company, 2005) which implies the need for investing in market development strategy. However, while innovation is rated by 87 percent of them as “more important than cost reduction for long-term success,” more than half report that “when we need to increase profits, we usually cut costs” (Bain & Company, 2005). Old customers demand new services, and new customers demand services or product features the firm has never created before – often creating an acute tension between focusing on current or new customers. Whichever the choice, a broader customer and product portfolio is harder to manage, and is often a moving target, as product life cycles shorten. It is no surprise then that two out of three medium bank executives report that “insufficient customer insight is hurting” their performance (Bain & Company, 2005).

2.3.3 Diversification Strategy

Diversifying is a business growth strategy, which takes the organization away from its current market or product or competencies. According to Pearce and Robinson (2002), says that diversification is a strategy that involves moving into totally different lines of business - perhaps entirely unfamiliar products, markets or even levels in the production marketing system. Diversification strategy is distinct in the sense that when a company diversifies, it essentially moves out of its current products and markets into new areas. It is important to note that diversification may be into related and unrelated areas. Related diversification may be in the form of backward, forward, and horizontal integration. Backward integration takes place when the company extends its activities towards its inputs such as suppliers of raw materials etc. in the same business. Forward integration

differs from backward integration, in that the company extends its activities towards its outputs such as distribution etc. in the same business. Horizontal integration takes place when a company moves into businesses that are related to its existing activities (Lynch, 2003; Macmillan *et al*, 2000).

It is important to note that even unrelated diversification often has some synergy with the original business of the company. The risk of one such manoeuvre is that detailed knowledge of the key success factors may be limited to the company (Lynch, 2003). While diversified businesses seem to grow faster in cases where diversification is unrelated, it is crucial to note that the track record of diversification remains poor as in many cases diversifications have been divested (Porter, 1987). Scholars have argued that related diversification is generally more profitable (Macmillan *et al*, 2000; Pearson, 1999). Therefore, diversification is a high-risk strategy as it involves taking a step into a territory where the parameters are unknown to the company. The risks of diversification can be minimized by moving into related markets (Ansoff, 1989). The strategy of product diversification of a company may be explained in terms of branching-out from its existing dominant key competences, and the application of these to the marketing of new and improved products and services (Meyer and Utterback, 1993; Kim and Kogut, 1996). Developing and investing in knowledge and related capabilities enable banks to undertake processes of expansion and diversification, and to take advantage of the evolution of markets and future opportunities in industries of rapid growth (Kim and Kogut, 1996). Kim and Kogut (1996) stated that, in evolving environments, the capability of a company to improve and renew its products and services, and to diversify within related segments, is based on the construction and accumulation of knowledge derived

from past experience. Therefore, the capability to evolve and diversify is an on-going process of construction and accumulation of new knowledge extending beyond that which already exists within the company.

As a result, the knowledge held by the company must be transferred to fields of application and action that are different from the current ones, through processes by which this new product development takes the material form of new products or of complete new businesses (Helfat and Raubitschek, 2000). Within this approach, the arguments presented will have their foundations essentially in the theory postulated by Nonaka (1991, 1994), Hedlund (1993) and Nonaka and Takeuchi (1995), who focus on the analysis of the processes by which knowledge is generated and of the particular factors of organizational design that are necessary for this generation to be undertaken successfully.

2.3.4 Product Development Strategy

According to Pearce and Robinson (2001) Product Development Strategy involves marketing new products to existing customers. The company grows by innovating, gradually replacing old products with new ones. The firm develops potential new products based on customers wants and needs through new product technologies and develops different quality levels. Product development occurs when a company develops new products catering to the same market. Note that product development refers to significant new product developments and not minor changes in an existing product of the firm. The reasons that justify the use of this strategy include one or more of the following: to utilize of excess production capacity, counter competitive entry, maintain

the company's reputation as a product innovator, exploit new technology, and to protect overall market share (Lynch, 2003). Often one such strategy moves the company into markets and towards customers that are currently not being catered for.

Under this strategy, a business seeks to grow by developing improved products for the present markets. The current product may be replaced or the new products may be introduced in addition to the existing products. Product development deals with technology management on the product/market level. It is not easy, and perhaps not desirable, to distinguish this part of technology management from what is labeled “business strategy” (Drejer, 1996a). A product development strategy provides the framework to orient a company's development projects as well as its development process. There is no one right strategy for a company. The strategy takes into account the company's capabilities (strengths, weaknesses and core competencies), the competition's capabilities (strengths, weaknesses, core competencies and strategy), market needs and opportunities, goals, and financial resources, (Drejer, 1996a). As a starting point to develop a product development strategy, the company must determine its primary strategic orientation. A company must recognize that it cannot be all things to all people and that it must focus on what will distinguish it in the market place. There are six primary product development strategic orientations. Time to market involves an orientation to getting a product to market fastest. This is typical of companies involved with rapidly changing technology or products with rapidly changing fashion. Pursuit of this strategy will typically will lead to tradeoffs in optimizing product performance, cost and reliability. Technology development must occur on an independent path from product

development and technologies inserted on a "modular" basis; often with frequent product upgrades to make this strategy work (Drejer, 1996a).

Low product cost orientation is focused on developing the lowest cost or highest value product. This is typical of companies with commodity type products, products reaching a mature phase in their life cycle, or where there is consolidation or a shrinking market. This orientation typically will require additional time and development cost to optimize product cost and the manufacturing process. Low development orientation focuses on minimizing development cost or developing products within a constrained budget. While this orientation is not as common as the other orientations, it occurs when companies are developing products under contract for other parties, where a company has severely constrained financial resources, or where a "stealth" development effort is being undertaken on a "shoestring". This orientation is somewhat compatible with time-to-market, but involves tradeoffs with product performance, innovation, cost and reliability (Ansoff, 1957).

Studies indicate that active product or service development particularly for existing customers increases firm competitiveness and high growth (Smallborne, 1995; Howe et al, 2000; Cravens et al, 2000). Cravens et al (2000) highlights eight key initiatives through which market-driven product development strategies can enhance firm competitiveness and sustainable growth. These dimensions include the leveraging the business design, recognizing the growth mandate, developing market vision, achieving a capabilities/value match, exploring strategic relationships, building strong brands, brand leveraging, and recognizing the advantage of proactive cannibalism. The business design

provides the engine for innovation by focusing on delivering superior customer value and generating profit. The growth mandate on the other hand spells out the objectives of product innovation strategy, while management's market vision maps the path for future growth. The match between organization capabilities and the value it creates in its product is evaluated by the buyers, based on the capability of the organization to provide a unique superior customer value (i.e. net benefits) of the new product relative to its competitors' value offerings. Thus indicating that, a failure of organization's capabilities to generate superior customer value threatens its competitiveness against potential competitors (Cravens et al., 2000).

2.4 Challenges of International Business

Several businesses today are international businesses too and with the increase of technology and real time experiences on the internet conducting international business has become simpler than ever. All the aspects of international business like interacting with people, business planning, holding conferences and communication happens on the internet and not at the actual location. Every business has its difficulties and presents its own challenges when it comes to operating it successfully.

2.4.1 Cultural Challenges

More and more people are facing many challenges in the globalized world. Cultural factors are one of the most frequent and difficult barriers to be overcome by anyone doing business in an international arena. Cross-cultural risk arises routinely in international business because of the diverse cultural heritage of the participants. Culture refers to the learned, shared, and enduring orientation patterns in a society. People demonstrate their culture through values, ideas, attitudes, behaviors, and symbols. Unlike

political, legal, and economic systems, culture has proven very difficult to identify and analyze. Its effects on international business are deep and broad. Culture influences a range of interpersonal exchange as well as value-chain operations such as product and service design, marketing, and sales. Managers must design products and packaging with culture in mind, even regarding color. While red may be beautiful to the Russians, it is the symbol of mourning in South Africa. What is an appropriate gift for business partners also varies around the world (Segalla, 1998).

Power distance is a term describing the relationship between superiors and subordinates. Where power distance is high, people prefer little consultation between superiors and subordinates—usually wanting and having an autocratic or paternalistic management style in their organizations. Malaysia, Guatemala, Panama, and the Philippines are countries with high power distance. Austria, Israel, Denmark, and New Zealand are countries with low power distance, where people prefer and usually have consultative styles (Hofstede, 1991). If an international company transferred typical Austrian managers to Malaysia, these managers might consult with their subordinates in an attempt to improve their work. However, these efforts might make subordinates feel so uncomfortable that their performance deteriorates rather than improves.

In those countries with high individualism, self-actualization will be a prime motivator because employees want challenges. However, in countries with high collectivism, the provision of a safe physical and emotional environment (security need) will be a prime motivator (Hofstede, 1991). The degree of individualism and collectivism also influences how employees interact with their colleagues. Japan has a much more collectivist culture

than the United States does, especially concerning the work group, and this causes contrasts at work (Kanter, 1991). For example, a U.S. scientist invited to work in a Japanese laboratory was treated as an outsider until he demonstrated his willingness to subordinate his personal interests to those of the group. Where collectivism is high, companies find their best marketing successes when emphasizing advertising themes that express group (rather than individual) values. For example, Marlboro cigarettes have had better success in Asian markets than Camel cigarettes, partially because of using group themes more (Marieke, 1998).

2.4.2 Terrorism and Anti social Attitudes

Having an international business is great and it opens a lot of more options globally for the company. However, there are several risks involved in locating a company in a different country. The company has to face difficulties in multiple levels in the local business community. There are other factors that are out of anyone's control like terrorism and anti social attitudes. A firm should have plenty of freedom for making strategic decisions and in an international place and in a new business environment this becomes a restrictive factor. An operational risk is faced by company when it comes to their assets and financial capital required to carry out their day to day business. There can be several hindrances faced by the company with breakdown of machinery, infrastructural problems and local conditions (McMillan, 2007).

Politics play a very important role in a country's business and in several countries where it is not a Presidential government it is ever problematic for international businesses to prosper. As the political party changes the policies relate to international companies are

susceptible for change as per the party's beliefs. Politics can make a business volatile. One of the biggest examples in this category is Coca cola in India. They had to pull out of the country for a while. Economic risk is another big restricting factor and if the overall economy of the country is and the company may suffer in several ways. They may not get essential tools for running the business locally and this may even apply to essential commodities like petrol and gas.

Opponents of international business, as well as opponents of business in general, claim businesses will not behave properly without government control. Cucera (2003) argues that markets controls some undesirable behaviors of businesses better than governments can by punishing those who break trust by charging higher prices and restricting transactions with those deemed untrustworthy. There are many differing viewpoints of what is ethical behavior, and the market system allows for these different viewpoints. No one is required to buy products or services produced in a manner that doesn't fit into one's value system; however critics of international business often attempt to impose a single set of values to be followed by all, lessening the ability of the individual to make ethical decisions, since these decisions have already been made for the consumer by the government. Opponents of free trade often attempt to shift the responsibility of making ethical decisions away from the individual and want to give that power to the government.

Many of the poor nations continue to struggle on the issue of technology importation so as to maintain and retain overseas international market but the level of technology has continued to rise. This has posed a great challenge to the developing countries. Sen., (2002) believes that the poorest people on the planet will not see improvements in their

economic situation, “by withholding from them the great advantages of contemporary technology, the well established efficiency of international trade and exchange and the social as well as economic merits of living in open rather than closed societies”. Is there any credible evidence that contradicts this idea? Becker (2003) reminds us that none of the poorer nations that isolated themselves from the international economy were able to substantially raise per capita income while having rigid communist regimes.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that was used in the collection of data pertinent in answering the research question and adopts the following structure: research design, data collection and data analysis and presentation methods.

3.2 Research Design

The researcher applied a case study design. The design was chosen because the objective of the study require an in-depth understanding the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd. Yin, (1994) said that to refer to a work as a case study might mean that its method is qualitative, small-*N*; and that the research is ethnographic, clinical, participant-observation, or otherwise “in the field” (Yin 1994);

According to Yin (2003) a case study design should be considered when the focus of the study is to answer “how” and “why” questions; you cannot manipulate the behavior of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context.

3.3 Data Collection

The study made use of primary and secondary data. Primary data was collected through face to face interview with the researcher while secondary data was collected through review of the contents of various relevant publications and reports at Safaricom Limited,

Financial Statements and other relevant materials. An interview guide was used to collect data on the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd.

The respondents comprised of eight senior managers representing the six business support departments because of their key role in strategy formulation and implementation to reduce chances of data redundancy. These included: Finance and investor relations; Chief Information Officer; Marketing; Customer Care; legal and external affairs, director of resources; consumer business manager and enterprise business manager.

3.4 Data Analysis

The data obtained from the interview guide was analyzed using content analysis. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages.

Kothari (2004) explains content analysis as the analysis of the contents of documentary and verbal material, and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. The researcher analyzed the information provided by the interviewees against known international growth strategic concepts and models to describe and determine how international growth was managed at Safaricom Limited on MPesa international growth.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATIONS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective and methodology. The results are presented on the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd. The chapter specifically covers general information of the study and international growth strategies.

Out of the eight targeted managers, six were interviewed giving a response rate of 75%. This excellent response rate was attained because of the researcher's aggressiveness in booking and attending the interviews in person. This response rate was excellent and representative and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2 General Information

The interviewees were asked to indicate the departments in which they worked. From their answers it became clear that, the interviewees worked in various departments including: Finance and administration; Information Technology; Marketing; Customer Care; legal and external affairs, consumer business and enterprise business departments. The interviewees were further asked to indicate the period in which they had worked both in the current department and the whole organization as a whole. From the research findings, the interviewees had worked in their current departments for varying periods ranging from one to three years. They attributed this shorter period in their current

positions to the restructuring that happened in the organization. The total period worked for the company was more ranging from between 6-12 years.

The study further sought to establish how the Company has launched international money transfer services through M-Pesa for residents in the United Kingdom. From the interviewees' responses, the Company launched M-PESA International Money Transfer Service which facilitates the transfer of remittances from the United Kingdom to Kenya in a convenient and inexpensive way. The interviewees indicated that in order for an individual to be able to remit money to Kenya, senders must register their UK mobile number with M-PESA and present photograph identification. For the money transfer to be complete, the interviewees indicated that the recipients must be Safaricom users but are not required to have a bank account or be previously registered with M-PESA.

The study sought to establish the maximum amount that could be sent at one time via M-PESA from the UK to Kenya. The interviewees indicated that the maximum amount at the time of this study was £250 translating to about \$ 403. This meant that an individual sender could send a maximum of £1000 per month translating to about \$ 1,600. This was done to provide an avenue to Kenyans living in the UK who would want to remit some money home for one reason or another. On the point at which the currency was converted from one currency to another in the transaction the interviewees' indicated that the conversion rates were done directly at the point of sending money, and charges varied depending on the amount sent and agent used just like the operation was executed in Kenya.

4.3 Motivations to Grow M-Pesa Business Internationally

The study sought to establish from the interviewees the motivations to grow the M-Pesa business internationally. From the interviewees' responses, the interviewees noted that there were several drivers for growing the M-Pesa business internationally. These ranged from need to expand the market for the service since the service was technology bases and create diversity in revenue sources for the Company.

4.3.1 Growing competition in the local market

The interviewees indicated that another driver for growing M-Pesa business international included the gradually growing competition in the local market as other service providers continued to launch their mobile based money transfer services. The interviewees indicated that in March 2007 when Safaricom formalized this procedure with the launch of M-PESA, an SMS-based money transfer system that allows individuals to deposit, send, and withdraw funds using their cell phone, the Company was more less like a monopoly. M-Pesa has grown rapidly, currently reaching approximately 38 percent of Kenya's adult population, and was widely viewed as a success story to be emulated across the developing world.

Being a pioneer and first on the market, the service grew rapidly as more and more customers joined the service. However, with each of other three mobile service providers launching their mobile money service transfer services, they M-pesa service has continued to grow but at a slower rate than before. This forced the company to think of ways to expand its revenue base from M-pesa which say it develop strategies and

commence negotiations with international banks to offer the Mpesa service in other countries.

4.3.2 Need to reduce the transaction costs of sending money from the Diaspora

The interviewees indicated that another motivation for growing the M-Pesa service internationally was to create a convenient and cost effective way sending money from the UK to Kenya for the migrants to UK. The interviewees indicated that international money transfer via M-PESA helps alleviate the costs of transferring money. They indicated that this was significant since transactions cost could amount to as much as ten per cent of the amount sent using other available alternatives which demotivated some Kenyan wishing to send money for subsistence to their family and friends back in Kenya.

From the interviewees' responses, the study noted that another motivation for the expansion of the M-Pesa services internationally included the large volume of remittances and the high demand for cheaper systems to remit money home by Kenyans living abroad provided a ready market for the international money transfer service. The interviewees noted that there was a high potential for expansion and replication of the international money transfer to other major destination countries for Kenyans, including Uganda, Dubai, Tanzania, Rwanda, and the United State where Kenyan are in large numbers.

The interviewees stated that the money remitted home by Kenyans according to the World Bank in 2008, accounted for about 6.6% of Gross Domestic Product. The interviewees indicated that as a result of this huge proportion to gross domestic product, remittances were a significant source of funding and support for Kenyan families and

dependants both for consumption and investment. The interviewees added that this helped in the transfer of capital which contributed to development and the alleviation of poverty in Kenya. Additionally, the interviewees indicated that the international money transfer service facilitated access to funds to unbanked individuals as the recipient did not need to own a bank account to receive money from their relatives and friends in the UK.

4.3.3 The hosting of M-Pesa Servers in the United Kingdom

From the interviewees' responses, another motivation for the expansion of M-Pesa business internationally was the hosting of the M-Pesa servers in the UK. This meant that by expanding the service to the UK, the company was not going to make substantial capital expenditure instead they would still rely on the existing infrastructure to provide the service. According to the respondents, this served as a big motivation for the launching of international money transfer service in UK where the key strategic owner of the Company (Vodafone) is based.

From the interviewees' responses, another motivation for the launching of international money transfer services included the Company's pioneer ship in the mobile money transfer service. This gave the Company a first movers' advantage especially having been awarded "Best Mobile Money Service" by Global Mobile Awards, for its innovation. This provided the Company with the goodwill it needed to expand their mobile money services internationally to United Kingdom. This coupled with the Company's provision of unbanked customers safe, fast and easy access to remittances was set to offer the service the success it deserved. The interviewees explained that unlike the banking system where one needed to travel to the bank offices and have an account to collect the

send funds, the case for international M-Pesa was different as a recipient can access the money from a local M-Pesa agent near their home places.

4.4 Evaluation of International Growth Strategies

The study sought to establish whether Safaricom Limited had evaluated its international growth strategies before resorting to apply them. From the interviewees' responses, the study established that the Company critically evaluated the international growth strategies before settling on which one to use. To ensure this was a success, the interviewees indicated that the Company set up a steering committee which developed the international money transfer services.

4.4.1 Evaluation of Competitor facilities

While evaluating the strategies, the interviewees noted that the team evaluated the existing service providers to establish their strengths and weakness. This was important in the development of proposals on the charges rate for the international money transfer services. This ensured that before settling on a given figure for the rates, the Company had to consider what its competitors were changes so as to ensure successful launch of the international money transfer services in the UK. In addition, the team evaluated the legal and regulatory implications to ensure the company maintained good relationship with the regulators. This involved setting of the 'Know Your Customer' where customers receiving the funds from UK needed to be identified. As such, they committee recommended some measures which ensured smooth launch of the international money transfer service.

In the evaluation of the international growth strategy, the international expansion strategy team evaluated the entry strategies where they evaluated whether entering into strategic alliances with strategically located distribution agency for distribution of their products. This evaluation was done in conjunction with Vodafone which is a key shareholder in Safaricom Limited.

4.5 International Growth strategies for M-Pesa business

The study sought to establish the growth strategies employed by safaricom Limited in its international money transfer services. From the interviewees' responses, the study established that the Company employed several growth strategies.

4.5.1 Market Penetration Strategy

The first strategy used by the Company was market penetration strategy which involved the same services of M-Pesa being pushed into the same largest consumer group of Kenyans in the United Kingdom market. Safaricom Concentrated on enhancing its existing internal competencies as well as building new ones which would enable it to push further into the existing markets.

Safaricom used its M-Pesa product to extent service provision to United Kingdom where its servers were hosted. Because the servers controlling the local transactions were already available in UK market, it was easy for the Company to launch the product in this market. Using the facilities available on the Kenyan network, the Company was able to launch the service internationally.

4.5.2 Market Development Strategies

The interviewees also indicated that the Company used market development strategies in the launching of international money transfer services. They explained that the service had initially been designed to cover the Kenyan market. However, following the increased remittances from the Diaspora adding up to 6.6% of the gross domestic product, the Company saw an avenue to venture into new international markets where Kenyans had migrated to help connect them with their families by offering efficient and cost effective money transfer services.

4.5.3 Pilot Program Strategy

Safaricom also evaluated the market by conducting pilot programs involving three agents. Three agents had been involved with conducting the pilots for over three months, namely Western Union, Provident Capital Transfers and KenTv. This provided the company with the much required feedback in decision making as to whether to launch the international money transfer services or not. After the launch, a total of 19 outlets were carefully selected to cover areas with relatively high number of Kenyans, including Reading, London, Luton, Wembley and Glasgow.

The interviewees indicated that these agents comprised of shops including forex agents, news agents and grocery shops that were commonly visited by Kenyans and whom were registered with HM Revenue & Customs in the UK as money services businesses. This strategy ensured that the Company did not spend too much money in setting up its distribution channels hence the reduced cost of international expansion strategy.

4.5.4 Effectiveness of the Chosen Strategies

The growth strategies chosen by the Company were very effective considering the fact that there existed a ready market for the international M-Pesa service in UK. The existence of Kenyan migrants in UK and their family members and relatives offered a great opportunity for the international money transfer service. This is one of the opportunities that ensured the success of the international M-Pesa services between Kenyan migrants in UK and their relatives in any part of Kenya.

4.6 Challenges of international business faced by safaricom

The study sought to establish whether there were challenges in the development of international growth strategies for M-Pesa. From the interviewees' responses, the study established that the Company faced many challenges in its international growth of M-Pesa.

4.6.1 Limited Market on the International Market

Limited market on the international market especially the Kenyan migrants to the UK. This presented a huge challenge especially considering that the company needed to assess the market size viability in order to justify the move. However, in countering this argument, the international market expansion team established that the system was already in place and as such, it would be less expensive to the Company as there was no need to establish another infrastructure to roll out the service. These served as a motivator as it drastically reduced the costs involved in the strategy.

Another challenge that the Company faced included the leaking of information on how the system operated which could compromise the security of transaction and customer loyalty. The company expansion team however settled on international expansion since the system was stored at the premises of their strategic partners “Vodafone”.

4.6.2 Legal and Governance Structure of The International Market

Another challenge that the Company faced in its international expansion strategy included the legal and governance structure of the international market. The policies governing financial system functioning in the UK was different from that operating in Kenya. In order to launch the service successfully, the international market expansion team had to engage the UK government in negotiations so as to evaluate the positioning of MPesa services under the laws governing the United Kingdom territory. This was not an easy challenge as this appeared a new phenomenon which was more of a pioneer. However, the Government of UK was able to grant the Company licenses to continue with its business.

4.5.3 Marketing and Advertising

Another challenge the Company faced was the marketing and advertising strategies to be adopted. The UK market was unique with its features being different from those in Kenya. This meant that the Company had to rethink its marketing mix in order to come up with the best marketing mix that would work well for them.

4.6.4 Ways to improve international expansion of organizations

In order to promote international expansion of businesses, the international community should offer investment incentives like tax exemptions, capital allowances and capital deductions to allow the companies investing in new territories to recoup their investments. This would also serve to attract more investments into a given country as the burden of doing business would have been reduced.

4.7 Discussion of findings

The findings of this study support the findings of Kotler *et al.* (2005) who established that firms operating in global industries must compete on worldwide basis if they are to succeed especially considering the fact that their strategic positions in specific markets are affected strongly by their overall global positions due to increased globalization and internationalization which have reduced the world into a global village. For Safaricom's MPesa services, the situation is not any different because the service was in competition with four other money remittance services for the Diaspora market. These included Western Union, MoneyGram services and Xpress money services.

As Cravens *et al.*, (2000) established, the growing competition in the domestic and international markets is getting more demanding with more assertive customers, rapid advancement in technology, and changing government policies and laws. This presents organizations with great marketing challenges especially in growing a new international market. As noted above, the effects of globalization and internationalization of business have introduced another challenge to organizations seeking to grow their markets.

Safaricom Mpesa international growth strategy involved market penetration strategy where the Company moved beyond its immediate customer base towards attracting new customers for its existing products in the Kenyan market. These findings are consistent with the definition of Kotler (2002) on market development being a means of trying to increase sales by selling present products in new markets. The international market customers presented untapped vehicles for growth for MPesa, virgin geographies and other new opportunities in the international market. When a company follows the market development strategy, it moves beyond its immediate customer base towards attracting new customers for its existing products. This may entail exploration of new segments of a market, new uses for the company's products and services, or new geographical areas in order to entice new customers (Lynch, 2003). This strategy is the one employed by MPesa in the international growth strategies as the strategy targeted exploring new market segments in new geographic locations.

Safaricom Company Limited faced many challenges in its international market expansion strategies. These included: limited market on the international market especially the Kenyan migrants to the UK which presented a huge challenge especially considering that the company needed to assess the market size viability in order to justify the move; the leaking of information on how the system operated which could compromise the security of transaction and customer loyalty; the legal and governance structure of the international market as the policies governing financial system functioning in the UK was different from that operating in Kenya. In order to launch the service successfully, the international market expansion team had to engage the UK government in negotiations so

as to evaluate the positioning of MPesa services under the laws governing the United Kingdom territory.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendations that were made. The conclusions and recommendations drawn were in quest of addressing research objectives of the international growth strategies for M-PESA business adopted by Safaricom Kenya Ltd.

5.2 Summary of the Findings

From the research findings presented in chapter four, the interviewees worked in Finance and administration; Information Technology; Marketing; Customer Care; legal and external affairs, consumer business and enterprise business departments. Safaricom launched M-PESA International Money Transfer Service which facilitates the transfer of remittances from the United Kingdom to Kenya in a convenient and inexpensive way. In order for an individual to be able to remit money to Kenya, senders must register their UK mobile number with M-PESA and present photo identification.

The individuals wishing to use the international money transfer serviced needed to register with M-PESA upon receipt of funds through the service. The recipients' not registered with M-PESA, receive a message advising them of the transfer and the necessity of registering within 21 days to retrieve the funds. The in maximum amount at the time of this study was £250 translating to about \$ 403 which meant that an individual sender could send a maximum of £1000 per month translating to about \$ 1,600.

The drivers for growing the M-Pesa business internationally included the need to expand the market for the service since the service was technology based and create diversity in revenue sources for the Company; the gradually growing competition in the local market as other service providers continued to launch their mobile based money transfer services; to create a convenient and cost effective way sending money from the UK to Kenya for the migrants to UK; the hosting of the M-Pesa servers in the UK. This meant that by expanding the service to the UK, the company was not going to make substantial capital expenditure instead they would still rely on the existing infrastructure to provide the service; the large volume of remittances and the high demand for cheaper systems to remit money home by Kenyans living abroad provided a ready market for the international money transfer service; and the Company's pioneer ship in the mobile money transfer service.

The Company critically evaluated the international growth strategies before settling on which one to use. While evaluating the strategies, the team evaluated the existing service providers to establish their strengths and weakness. This ensured that before settling on a given figure for the rates, the Company had to consider what its competitors were changes so as to ensure successful launch of the international money transfer services in the UK. The Company used market penetration strategy which involved the same services of M-Pesa being pushed into the same largest consumer group of Kenyans in the United Kingdom market. Safaricom Concentrated on enhancing its existing internal competencies as well as building new ones which would enable it to push further into the existing markets.

Company used market development strategies in the launching of international money transfer services. They explained that the service had initially been designed to cover the Kenyan market.

The growth strategies chosen by the Company were very effective considering the fact that there existed a ready market for the international M-Pesa service in UK. The Company faced many challenges in its international growth of M-Pesa including: limited market on the international market especially the Kenyan migrants to the UK.

5.3 Conclusions of the Study

From the findings, the study concludes that Safaricom used market penetration strategy which involved the same services of M-Pesa being pushed into the same largest consumer group of Kenyans in the United Kingdom market. This is because the feature of the international money transfer service launched in the UK was similar in terms of functionality to that in Kenya.

The study also concludes that Safaricom limited used market development strategies in the launching of international money transfer services. The service had initially been designed to cover the Kenyan market. However, following the increased migration of Kenyans, the Company opted to expand its existing market with the existing products so as to offer the migrants a channel that is convenient to their remittance of money back home.

The study also concludes that in its international growth strategies, Safaricom Limited faced many challenges including a limited market on the international market especially the Kenyan migrants to the UK and the leaking of information on how the system

operated which could compromise the security of transaction and customer loyalty. In addition, the Company faced legal and governance structure of the international market as the policies governing financial system functioning in the UK was different from that operating in Kenya.

5.4 Limitations of the Study

Being that this was a case study on one organization among the mobile money transfer services in Kenya, the data gathered might differ from the international growth strategies adopted by other organizations in Kenya. In addition, the organization under study is a the local market leader in the mobile phone service provision market and is also quoted in the Nairobi securities Exchange which means that the level of corporate governance is high. Different organizations in a different setting develop different international growth strategies to respond to changes of globalization and leverage their operations on information technology. The study however, constructed an effective research instrument that sought to elicit general and specific information on international growth strategies that organizations can adopt to grow internationally.

The study faced both time and financial limitations. The duration that the study was to be conducted was limited which limited the extent of collecting real time data. Due to limited time the study could not collect information through observation over a period of time to assess the success rate of the growth strategies adopted. The study, however, minimized these by conducting the interview at the organization's headquarter and with senior managers who had substantive experience about the organization since they were involved in strategy formulation and implementation at the Company.

5.5 Suggestions for Further Research

The study recommends that further research should be done on the international market growth strategies adopted by commodity companies in expanding to the East African Market. This study covered the international growth strategies adopted by Safaricom Limited which is in the service industry. The formation of East African common Market has presented a lot of opportunities to Kenyan Companies which have made use of different strategies in entering these new markets. By so doing, the study would make it possible to generalize the findings on the new market entry strategies for both service and commodity goods.

The study further recommends that a similar study should be done to investigate factors that influence an organization to grow its services and products globally and the challenges encountered in the whole process for the purposes of benchmarking hence allow for generalization of the findings on international expansion strategies.

5.6 Recommendations for Policy and Practice

To the management of Safaricom Kenya Ltd and other organizations, the findings of this study would inform their market expansion strategies. The managers may use the experience of Safaricom's Mpesa service to learn on how to leverage the use of information technological advancements in growing the market share of their products and services. Through international growth strategies adopted by Safaricom's MPesa service, managers in other organizations can borrow leaf on how to grow their businesses regionally to enjoy the benefits of East African Common markets and beyond.

To the policy makers, the study would be important in guiding the development of policies and guidelines governing the licensing and growing of businesses globally. The growth international growth strategies involved issues of policies especially considering the fact that mobile money transfer operates in a highly regulated environment where the Central bank of Kenya and the policy makers in the foreign country had to be informed. This study therefore should guide policy makers in drafting policies that would promote internalization of organizations.

Researchers and academicians should make use of this study as a basis upon which further studies on international growth strategies could be researched. The findings should contribute to professional extension of existing knowledge on international growth strategies by providing literature on international growth strategies by Safaricom's MPesa services.

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APPENDIX: INTERVIEW GUIDE

- 1) Name of Respondent
.....
- 2) What is your position in the organization.....
- 3) How many years have you worked in Safaricom Kenya Ltd.....?
- 4) What are the motivations for the company to grow M-Pesa business internationally?
- 5) Did Safaricom Kenya Ltd evaluate its international growth strategies? How was the evaluation done?
- 6) Kindly mention a few growth strategies that Safaricom Kenya Ltd considered for growing its M-Pesa business internationally?
- 7) Which of the above growth strategies did Safaricom Kenya Ltd choose to grow M-Pesa business internationally?
- 8) Why did Safaricom Kenya Ltd choose the growth strategies named in (7) above to grow M-Pesa business internationally? Explain
- 9) How effective was this growth strategy to Safaricom Kenya Ltd in terms of market performance and customer share? Explain

- 10) Are there any challenges of international business that you have experienced in the process of growing M-Pesa business internationally? If yes, please outline the major ones.
- 11) In what ways did the challenges affect Safaricom Kenya Ltd international growth program?
- 12) How did Safaricom Kenya Ltd counteract the challenges it faced during its process of international growth?
- 13) What would you recommend should international business community do to reduce the challenges of international business that companies face when they decide to grow internationally?