

STRATEGIC PLANNING PRACTICES AT SAFARICOM LIMITED

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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 our approval as the student Supervisor.

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DEDICATION

- I dedicate this work to my lovely wife Tabitha, my daughter Liz and son Jothams for all the support they gave me during the entire research period. To all those other people who supported me in the completion of this project thank you very much and may God bless you.

ACKNOWLEDGEMENT

Now that this research project has been completed I realize that it has been a real struggle. For that reason, I would like to extend my appreciation to all those without whose support it would not have been a success.

I would also like to thank my family for their encouragement and support during this entire period.

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ABSTRACT

There is no one clear way advocated by scholars on how institutions should go about in conducting or practicing their strategic planning practices. Different authors and scholars have advanced that strategies can form implicitly as well as be formulated explicitly (Mintzberg 1991, Johnson and Scholes 1993). The importance of effective strategic planning practices is recognized by most organizations. A majority of organizations understand the need to clearly identify their mission and objectives, their priorities and targets for improvement, and the action to be taken to achieve them. Good progress has been made over a long period to improve the rigor of strategic planning. The objectives of this study were to determine the strategic planning practices adopted by Safaricom Limited and to establish the challenges of strategy implementation at Safaricom Limited.

This research was conducted through a case study. This is because it enabled the researcher to have an in-depth understanding of the behavior pattern of the Safaricom Limited. Primary data was collected from the heads of departments of the company, selected from various departments such corporate strategy, human resources, regulatory, and business development, sales and marketing department using an interview guide. The data collected which was qualitative in nature and therefore it was analyzed using content analysis.

The study found out that the strategic planning practices adopted by Safaricom Limited were on financial factors; conducts mid-year review of Budget and Economic Forecast, it reviews Financial Policy; compiles a list of unfunded/unproductive mandates for legislative review and also it reviews Budget Process regularly for efficiency. On organizational structure, the interviewees felt that the structure acts as a key determinant of what is appropriate. The structure of the organization directly affects the processes and perspectives of the whole strategy planning process. The study recommended that Safaricom should also employ more of proactive strategies than reactive strategic planning.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Changes in the business environment are leading to new and greater demands on strategic planning practices (Scholes, 2002). Moreover, given that strategic planning's sole purpose is to improve strategic performance, improving, assessing and monitoring the effectiveness of the strategic planning practice, would appear to be a key managerial task.

A look at the management literature reveals that strategic planning is not a very new management tool since it can be traced back to the late 1950s and early 1960s. Strategic planning according to Pearce and Robinson (2001) is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve objectives of an organization. Strategic planning is about success and failure, about the ability to plan wars and win them. Effective strategic planning can transform the performance of an organization, make fortunes for shareholders, or change the structure of an industry (Scholes, 2002). Ineffective strategic planning can bankrupt companies and ruin the careers of chief executives.

Strategic planning enables an organization to identify the prevailing environmental opportunities and threats, and also to figure out or estimate the organization's resources capabilities taking into account the strengths and weaknesses of its resources so as to align itself accordingly to battle with the environmental challenges. Strategic planning practices will therefore aid an institution in its performance. Performance can thus be seen as the manner in which an institution carries out its duties.

1.1.1 Strategic Planning

This refers to a systematic, formally documented process for deciding the handful of key decisions that an organization, viewed as a corporate whole must get right in order to thrive over the next few years (Pearson, 1988). The process results in the production of a corporate strategic plan. Strategic planning is therefore an organization's process of defining its strategy, or

direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) and PEST analysis (Political, Economic, Social, and Technological analysis) or STEER analysis (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors) and EPISTEL (Environment and Political, Informatic Social, Technological, Economic and Legal).

In order to determine where it is going, the organization needs to know exactly where it stands, then determine where it wants to go and how it will get there. The resulting document is called the "strategic plan." It is also true that strategic planning may be a tool for effectively plotting the direction of a company; however, strategic planning itself cannot foretell exactly how the market will evolve and what issues will surface in the coming days in order to plan your organizational strategy. Therefore, strategic innovation and tinkering with the 'strategic plan' have to be a cornerstone strategy for an organization to survive the turbulent business climate (Ansoff, 1999)

Simply put, strategic planning determines where an organization is going over the next year or more, how it's going to get there and how it will know if it got there or not. The focus of a strategic plan is usually on the entire organization, while the focus of a business plan is usually on a particular product, service or program (Ansoff, 1999). There are a variety of perspectives, models and approaches used in strategic planning. The way that a strategic plan is developed depends on the nature of the organization's leadership, culture of the organization, complexity of the organization's environment, size of the organization, expertise of planners, etc. For example, there are a variety of strategic planning models, including goals-based, issues-based, organic, scenario (some would assert that scenario planning is more a technique than model), etc. Goals-based planning is probably the most common and starts with focus on the organization's mission (and vision and/or values), goals to work toward the mission, strategies to achieve the goals, and action planning (who will do what and by when). Issues-based strategic planning often starts by examining issues facing the organization, strategies to address those issues, and action plans.

Organic strategic planning might start by articulating the organization's vision and values and then action plans to achieve the vision while adhering to those values (Bryson, 1988). Some planners prefer a particular approach to planning, e.g. appreciative inquiry. Some plans are scoped to one year, many to three years, and some to five to ten years into the future. Some plans include only top-level information and no action plans. Some plans are five to eight pages long, while others can be considerably longer.

Quite often, an organization's strategic planners already know much of what will go into a strategic plan (this is true for business planning too). However, development of the strategic plan greatly helps to clarify the organization's plans and ensure that key leaders are all "on the same script". Far more important than the strategic plan document, is the strategic planning process itself (Byars, 1991).

1.1.2 Safaricom Limited

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's aim is to remain the leading Mobile Network Operator in Kenya. With the growing subscriber base, the company has employed over 1000 employees and opened 10 retail shops in Nairobi, Mombasa, Nakuru and Kisumu. The firm has a wide dealer network of over 152 dealers countrywide, (www.safaricom.co.ke)

The company has developed a broad range of services to meet the needs of the over 6 million subscribers. The increasing number of subscribers has had a positive influence on the company's profitability. The company's turnover rose from US\$280 million in 2004-2005 to US\$704 million in 2006-2007. Safaricom has been on a growth spree for the last five years. At the same time, the company has been spending a huge part of their income on corporate social responsibility. The company has a department that deals with corporate social responsibility that has been devoted to a lot of money for purposes of uplifting the lives of the citizens and helping the needy in the society.

Safaricom believes intuitively that the success for any company depends on how it defines value proposition. This will involve the effective communication of that value proposition to current and future customers. Based on this issues, therefore, Safaricom is keenly concerned with decisions-target market, the pricing structure and payment method which the mobile phone offer and the customer care component, all of which assists in market penetration. The company also does value the network infrastructure, technology and personnel who determine the quality, clarity and consistency of the services offered. Corporate vision is to be the leading mobile phone service providers. Safaricom has a variety of services that it offers to its clients. These include; wireless phone services, internet services, electronic money transfers and mobile phones. The group uses several marketing mix strategies together with segmentation in realizing its goals and corporate vision.

1.2 Statement of the Research Problem

There is no one clear way advocated by scholars on how institutions should go about in conducting or practicing their strategic planning practices. Different authors and scholars have advanced that strategies can form implicitly as well as be formulated explicitly (Mintzberg 1991, Johnson and Scholes, 1993). The importance of effective strategic planning practices is recognized by most organizations. A majority of organizations understand the need to clearly identify their mission and objectives, their priorities and targets for improvement, and the action to be taken to achieve them. Good progress has been made over a long period to improve the rigor of strategic planning.

Telecommunication, being a major industry, is dogged with problems that relate to planning. This has been seen in the inefficiency of players such as Telkom Kenya, in operations such as recovering the debts owed to it by those who benefited from it. This has seen the Government set up a professional Board of Directors to scrutinize the financial records of the company in order to ascertain the defaulters and act accordingly. The inefficiency may be as a result of several factors beyond the scope of this study but planning is one of the factors. This being a major industry, there may be various factors that affect its planning practices and hence its capability to handle matters that arise (Johnson and Scholes, 1993).

Previous researches on strategic planning practices have tackled various organizations other than telecommunication industry. For instance, Sharbani (2001) carried out a study on strategic planning practices within hotels and restaurants in Nairobi. Sagwa (2002) studied the pharmaceutical manufacturing firms, Wanjohi (2002) covered the insurance firms in Kenya, Bett (2003) studied the tea manufacturing companies in Kenya while Busolo (2003) covered the motor vehicle franchise holders in Nairobi. As can be observed from the foregoing discussion, no specific study has been done on strategic planning practices in Telecommunication industry. Given this backdrop, this study is set to assess the strategic planning practices in the Telecommunication industry in Kenya, with the main focus on Safaricom Limited, which might further affect its performance. The study sought to answer the following questions.

- i. Are there strategic planning practices adopted by Safaricom Limited?
- ii. What challenges does Safaricom Limited encounter in implementing these practices?

1.3 Objectives of the study

The objectives of the study were to:

- i. To determine the strategic planning practices adopted by Safaricom Limited.
- ii. To establish the challenges of strategy implementation at Safaricom Limited.

1.4 Importance of the study

This study is important to the management of Safaricom limited and other similar organizations in Kenya by acting as a management reference point for strategic planning practices need to be put in place, both in the present and future, that will ensure the company preference over the others and will clearly show justification why different competitive strategies have been put in place.

The **Government** of Kenya will also find this study an invaluable source of information by identifying the factors that play a major role in the practice of strategic planning practices in telecommunication industry in Kenya.

Finally, the **researcher** will benefit from the study as it will add on to the growing body knowledge in strategic planning practices in Kenya. This will act as a source of reference for studies to be done on telecommunication or on strategic planning practices in the communication industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of Strategy

Strategy is a multi dimensional concept and various authors have defined strategy in different ways. It is the match between an organization's resources, skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson et al, 1993) it is meant to provide guidance and direction for the activities of the organization. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic plans and define strategy in terms of it function to the environment. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007).

Ansoff (1999) views strategy in terms of market and product choices. According to his view, strategy is the “common thread” among an organization's activities and the market. Johnson & Scholes (1998) define strategy as the direction and scope of an organization that ideally matches the results of its changing environment and in particular its markets and customers so as to meet stakeholder expectation. According to Jauch and Glueck (1984), strategy is a unified and integrated plan that relates the strategic advantages of the firm to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprise are achieved through proper execution by the organization.

Mintzberg and Quinn (1993) perceive strategy as a pattern or a plan that integrates organization's major goals, policies and action into a cohesive whole. Porter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing, involving a set of activities that neatly fit together, that are simply consistent, reinforce each other and ensure optimization of effort. Pearce and Robinson (2007) defines strategy as the company's “game plan” which results in future oriented plans interacting with the competitive environment to achieve the company's objectives. This definition of strategy is important in this study as it

reflects competitiveness in the environment and the game plan aspects, which organizations put into place to be able to compete effectively. Thompson et al (1993) states that, managers develop strategies to guide on how an organization conducts its business and how it will achieve its objectives.

2.2 Strategic Planning

According to Byars (1991), strategic planning is used to describe the steps taken by an organization in achieving its objectives and mission”. In addition to this, Dobson and Starkey (1994) points out that the mission is the first step of the strategic planning that defines the long-term vision of the organization. If an organization does not have a vision, then there is no reason for existing. A very simple and clear definition is also given by Fidler (1989) who believes that this is the process for creating and choosing a particular strategy to respond to future events and plan how to implement it. A useful model, which in our view forms the basis for the rest, is the one developed by Johnson and Scholes (1993), and is used widely. It consists of three main elements in a triangular form, each of which has three major domains. These elements, which are interlinked, are: strategic analysis; strategic choice; and strategy implementation.

Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance (Tapinos et al., 2005). Key aspects of strategic planning are a long time horizon, formality, the use of planning instruments, and frequent control of plans. Strategic planning can contribute to performance by generating relevant information, by creating a better understanding of the important environment, and by reducing uncertainty (Hodgetts and Kuratko, 2001). While the analysis of the performance impact of strategic planning is largely confirmed in the context of larger firms (Bracker et al., 1988; Lyles et al., 1993; Rue and Ibrahim, 1998; Schwenk and Shrader, 1993), its relationship in the context of smaller enterprises has not been given much attention in existing research. While there is some evidence in support of a positive relationship between strategic planning and performance in smaller enterprises, other studies find no relationship or even a negative relationship. A possible

reason for these inconclusive findings may be that previous studies used differing definitions of strategic planning or tested only one of the dimensions of strategic planning.

2.3 Strategic Planning Models

In today's highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for a large corporation to survive and prosper. The firm must engage in strategic planning that clearly defines objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustments as necessary to stay on track [Arthur, 1989].

Strategic planning processes will be designed to fit the specific need of the organization. It's argued by McCarthy, 1996; Arthur, 1989] that every successful model must include vision and mission, environmental analysis, setting objectives and strategic analysis choice. Identification of the institutions vision and mission is the first step of any strategic planning process. This help in infusing the organization with a sense of purpose and direction and giving it a mission. A mission is a statement broadly outlining the organizations future course and serves as a guiding concept. Once the vision and mission are clearly identified the institution must analyze its external and internal environment [Harrison & St. John 1998]. The environmental analysis performed within the frame work of the SWOT analysis, analyses information about organization's external environment [economic, social, demographic, political, legal, technological] and internal organizational factors.

The act of setting formal performance objectives converts the organizations mission and direction into specific performance targets to be achieved and protects against drift confusion over what to accomplish and toleration undemanding results [Arthur 1989]. The organization is able to draw short range objectives which draw attention to what immediate results to achieve while long range objectives consider what to do now to have the organization in position to produce results later. The institution then evaluates the difference between their current position and the desired future through Gap analysis. To close up the gap and achieve its desired state the institution must develop specific strategies.

Strategic evaluation and control involves not only evaluating strategy for deviations from intended course but also for flexibility towards responding to the new challenges and determining the effectiveness and the pace of the implementation [Johnson and Scholes, 2003]. The institution should measure current performance against previously set expectations, and consider any changes or events that may have impacted the desired course of actions. The revised plan must take into consideration emergent strategies and changes affecting the organization's intended course.

This ongoing stream of new and revised strategic moves and approaches some big in scope and some little some applying to one part means that an organizations' prevailing strategy is almost never the result of a single strategizing effort rather the pattern of moves approaches and decisions that establish an organization. Strategy assumes its shape over a period of time. This process is most applicable to strategic management at the business unit level of the organization. For large corporations, strategy at the corporate level is more concerned with managing a portfolio of businesses. For example, corporate level strategy involves decisions about which business units to grow, resource allocation among the business units, taking advantage of synergies among the business units, and mergers and acquisitions. In the process outlined here, "company" or "firm" will be used to denote a single-business firm or a single business unit of a diversified firm.

Strategic Planning Process



Source: McCarthy, J. (1996). Making Robots Conscious of their Mental States.

2.4 Strategic Planning Process

The prescriptive strategic planning perspective builds on a number of sequential steps in the strategy development process, such as goal formulation, environmental analysis, strategy formulation, implementation and control. Central to the conventional strategic management view is that there exists a positive association between strategic planning and corporate performance with the direction of causation from strategic planning to performance (Greenley, 1986). However, prior empirical studies have produced equivocal results on the performance effects of planning. Formalization and comprehensiveness of the planning process in the form of written plans and the use of manuals indicated no performance relationship (Miller and Cardinal, 1994; Pearce *et al.*, 1987; Kukalis, 1991) and may even introduce rigidity and encourage excessive bureaucracy (Bresser and Bishop, 1983). Nevertheless, in his extensive review of the relevant literature, Armstrong (1991) concluded that formal planning systems had a positive impact on corporate performance. Other research provides further evidence that strategic planning, measured on the basis of the conventional strategic management paradigm, is conducive to higher organizational performance (Andersen, 2000). The studies noted a positive association between planning and performance, particularly in dynamic and complex industries. A strategic planning process that adheres to the key elements of prescriptive strategic management theory through the planning of a mission, the setting of objectives, and the implementation of strategies and control systems to ensure the objectives are achieved may lead to indirect improvements in performance by enhancing the effectiveness of management throughout the organization. Formal strategic planning may therefore be effective as a process of management, regardless of the performance achieved (Greenley, 1986).

An effective strategic planning system for a firm will link long-range strategic goals with both mid-range and operational plans. In order to facilitate this activity, those involved in the strategic planning process collect data, forecast, model, and construct alternative scenarios. The standard approach to strategic planning would incorporate an external environmental analysis to identify

the opportunities and threats facing the organization, and an internal analysis to identify the organization's strengths and weaknesses. Such a SWOT analysis may itself involve a number of different forms of analyses, for example, an examination of the industry structure and an examination of the resource base of the organization including the identification of core competencies. Another planning system characteristic is the extent to which strategies within organizations stem from a deliberate or an emergent process. Whether strategy formulation is, or can be, a deliberate process and the extent to which strategy emerges without any formal planning has been subject to debate (Ansoff, 1991; Mintzberg, 1991). If strategies emerge within an organization, it might be expected some of the standard tools and techniques of strategic planning would not be explicitly utilized or reported by such an organization. To put the findings of this study in context, the extent to which respondents considered the formulation of strategy in their organizations to be the result of a deliberate or of an emergent process is reported.

2.4.1 Mission

A company's mission is its reason for being. The mission often is expressed in the form of a mission statement, which conveys a sense of purpose to employees and projects a company image to customers. In the strategy formulation process, the mission statement sets the mood of where the company should go (Chandler, 1962).

2.4.2 Objectives

Objectives are concrete goals that the organization seeks to reach, for example, an earnings growth target. The objectives should be challenging but achievable. They also should be measurable so that the company can monitor its progress and make corrections as needed.

2.4.3 Situation Analysis

Once the firm has specified its objectives, it begins with its current situation to devise a strategic plan to reach those objectives. Changes in the external environment often present new opportunities and new ways to reach the objectives. An environmental scan is performed to identify the available opportunities. The firm also must know its own capabilities and limitations

in order to select the opportunities that it can pursue with a higher probability of success. The situation analysis therefore involves an analysis of both the external and internal environment. The external environment has two aspects: the macro-environment that affects all firms and a micro-environment that affects only the firms in a particular industry. The macro-environmental analysis includes political, economic, social, and technological factors and sometimes is referred to as a PEST analysis (Johnson and Scholes, 2002).

An important aspect of the micro-environmental analysis is the industry in which the firm operates or is considering operating. Michael Porter devised a five forces framework that is useful for industry analysis. Porter's 5 forces include barriers to entry, customers, suppliers, substitute products, and rivalry among competing firms. The internal analysis considers the situation within the firm itself, such as: company culture, company image, organizational structure, key staff, access to natural resources, position on the experience curve, operational efficiency, operational capacity, brand awareness, market share, financial resources, exclusive contracts, and patents and trade secrets.

A situation analysis can generate a large amount of information, much of which is not particularly relevant to strategy formulation. To make the information more manageable, it sometimes is useful to categorize the internal factors of the firm as strengths and weaknesses, and the external environmental factors as opportunities and threats. Such an analysis often is referred to as a SWOT analysis.

2.4.4 Strategy Formulation

Once a clear picture of the firm and its environment is in hand, specific strategic alternatives can be developed. While different firms have different alternatives depending on their situation, there also exist generic strategies that can be applied across a wide range of firms. Michael Porter identified cost leadership, differentiation, and focus as three generic strategies that may be considered when defining strategic alternatives. Porter advised against implementing a combination of these strategies for a given product; rather, he argued that only one of the generic strategy alternatives should be pursued.

2. 4.5 Strategy Implementation

The strategy likely will be expressed in high-level conceptual terms and priorities. For effective implementation, it needs to be translated into more detailed policies that can be understood at the functional level of the organization. The expression of the strategy in terms of functional policies also serves to highlight any practical issues that might not have been visible at a higher level. The strategy should be translated into specific policies for functional areas such as: marketing, research and development, procurement, production, human resources, and information systems (Volberda, 2004). In addition to developing functional policies, the implementation phase involves identifying the required resources and putting into place the necessary organizational changes.

2. 4.6 Strategy Evaluation and Control

Once implemented, the results of the strategy need to be measured and evaluated, with changes made as required to keep the plan on track. Control systems should be developed and implemented to facilitate this monitoring. Standards of performance are set, the actual performance measured, and appropriate action taken to ensure success.

2.5 Identifying Strategic Issues

The strategic issues are the ones which are going to have most impact upon the industry. Strategic issues commonly include financing, technology, stock provision, staff, client groups and marketing. Changes in client groups, like demographic changes or the nature of client needs such as a sudden interest in a certain industrial development will alter the nature of the service. The continual changes in the provision of telecommunication funding in the industrial, academic and local government sector are another important issue. Key points can easily be identified from the statistics compiled during the SWOT analysis period.

2.5.1 Formulating Strategies

Strategy formulations proceed more smoothly if some mistakes can be avoided. Mistakes which are commonly made include: confusing strategies with goals and objectives; making an incomplete description of strategy components; only stating the manner in which a strategy will change the future; failing to see interrelationships involved at the conceptual and operational levels; failing to distinguish different types of strategies; forgetting to consider past actions in strategy formulation; and looking only for explicit strategy statements.

2.5.2 Strategy Implementation

The nature of the implementation is part of how power is used within the organization and current political system. Strategies can be implemented by making coherent decisions about policies which may already exist or may need drawing up. A key starting point is a financial policy or a recognizable budgeting system which can be developed into a financial strategy. This should be followed by recognized staffing, stock and technology policies which the staff know about and are kept informed about (Grant, 1991).

2.6 Performance Measurement

Glaister and Falshaw (1999) stated that it is not sufficient simply to introduce a strategic planning policy; a review of the strategies is needed to ensure that the strategies are still running according to the timescale set and are still relevant. It is futile to continue with a strategy that is obviously either not working or irrelevant or both. To review strategies, a set of consistent performance measures is needed to provide information which can be compared easily to ensure that the strategies are working (Fredrickson and Mitchell, 1984). There are five aspects of performance measurement. These are; The object/level of the performance measurement, Inputs (i.e. what resources are necessary to accomplish the activity/service), Outputs (i.e. how much work is achieved and how well it is achieved), Effectiveness (i.e. how users assess performance) and Impact.

Performance measures are based on the quantifiable objectives and goals drawn up in the strategy formulation process. Taken on its own, a performance measure only gives the quantitative indication of the service; it does not provide any indication of performance. Once performance measurement has been agreed on, performance measures must be considered. These can be divided as follows:

Service input measures: amount of resources applied to services; amount of funding applied to services; relevant attributes applied to services while service output measures: quantities of output; qualities of output, timeliness of output; availability of service; accessibility of service.

Service effectiveness measures: amount of use; user perceptions of attributes; user-expressed satisfaction; user-indicated importance; purpose of use; consequence of use.

Service domain measures: total population size; total population attributes; user population size; user population attributes; size of geographic area; geographic area attributes; information needs.

2.7 Strategic Planning Practices

Although there is a dearth of research investigating management practices in general and strategic planning practices in particular, commentators and researchers tend to agree on certain characteristics of managerial and strategic planning practices in developing countries (Skinner, 1964). Among the frequently mentioned characteristics of developing countries managerial practices are a highly centralized organizational structure (Pasa *et al.*, 2001), reliance on short-term planning (Iseri and Demirbag, 1999), less clear organizational strategies (Sozen and Shaw, 2002), reactive rather than proactive strategies and long-term vertical relationships (Iseri and Demirbag, 1999). The nature of decision making in developing countries business organisations has been described as top-down and less participative (Sozen and Shaw, 2002) and hierarchical relations are reported to be formal and status rigid (Pasa *et al.*, 2001). Developing countries business organisations, probably due to overstaffing and top-down communication, have been found to have high administrative intensity (Iseri and Demirbag, 1999; Sozen and Shaw, 2002). In their work of understanding cultural diversity among 38 nations, Trompenaars and Hampden-

Turner (1998) noted Turkey to have the steepest hierarchy in its organisations and to resemble more the “family type” category. Sozen and Shaw (2002) argue that submissive and paternalistic tendencies, the avoidance of initiation and innovation are derived from a patriarchal benevolent and close-knit family system and authoritarian and rote learning based education system. Such an administrative value appears to create action avoidance in terms of decision making and strategic planning.

As a close-knit society, business organisations in many countries are dominated by private holding companies run by family members and professional managers (Gunduz and Tatoglu, 2003). As Pasa *et al.* (2001, p. 568) highlight “family members still hold permanent positions in organisations and continue to be responsible for relationships with state officials”. The state, in many companies, from the early years of the republic, has been a major player in business life (Yamak, 2006) and often intervenes by frequent and predictable policy changes (Bugra, 1994; Pasa *et al.*, 2001). While ownership structures of many companies are relatively transparent, anecdotal empirical evidence suggests that statutory and executive boards are dominated by family members (Ararat and Ugur, 2003). The holding company structure of developing countries firms facilitates inter-corporate shareholding, but the ultimate owners of these companies are often family members, which indicate ownership and cash flow rights are not diffused (Yurtoglu, 2000).

The strategic decision-making and planning practices of developed countries managers have been described as formal and guided by unwritten rules (Mallory *et al.*, 1983). Axelsson *et al.* (1991) describe the developed countries decision-making style as a conservative approach coupled with personal rather than institutional connections. At the same time developed countries managers are found to be more individualist, task oriented and more ambitious. Although an earlier study reported that developed countries firms did little planning beyond what was necessary for co-ordination recent studies report more use of medium and long term plans in developed countries firms (Falshaw *et al.*, 2005). Arruda and Hickson (2002) in a comparative study of developed countries and Brazilian managerial decision making found that developed

countries organisations rely on a larger number of information sources and decision making is more formal, yet there seem to be some interpersonal connections at the apex.

2.8 Challenges in Implementation of Strategic Planning Practices

Researchers acknowledge the importance of adopting a consistent and coherent approach to strategic planning across all aspects of organizational activity and implementation lies at the heart of its approach. However, in recognition of the major strategic challenges currently faced by institutions the most problematic phase is recognized to be the implementation stage (Iseri and Demirbag, 1999). Although much has been argued about culture and its impact on implementation of the strategic planning practices (Hofstede, 1994), Negandhi (1983a, b) provides some evidence that planning practices in developing countries are affected more by the institutional environment (i.e. government intervention, political instabilities, inflation level, state business relations, incentives or lack thereof) than societal values. Negandhi (1983a) further argues that, in developing countries, factors such as political instability and inflation and market conditions are more important to strategic planning practices than national or organizational culture. Owner-manager controlled firms, coupled with market conditions may create a centralized nucleus in organisations in emerging market economies. Governmental controls are also seen among the important factors causing major challenges in Negandhi's (1983b) earlier research in Latin America and India. Price and wage spirals, and subsequent inflation are serious problems confronting many developing countries (Iseri and Demirbag, 1999). Therefore one may expect inflation and political instabilities to affect strategic planning practices and planning horizons more than national culture does.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This research was conducted through a case study. A case study was chosen because it enables the researcher to have an in-depth understanding of the behavior pattern of the Safaricom Limited. The importance of a case study is emphasized by Young (1960) and also by Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study.

3.2 Data Collection

Primary data was collected from the heads of departments of the company, selected from various departments such as corporate strategy, human resources, regulatory, and business development, sales and marketing department.

An interview guide with open-ended questions was used. This enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data. This will be involved in-depth discussion through individual meetings with the senior managers of the firm in question, and the data will be analyzed using conceptual text analysis method. Copper and Schindler (1998), emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained.

3.3 Data Analysis

The data collected which is qualitative in nature, will be analyzed using content analysis which is best suited method of analysis, content is defined by Nachmias and Nachmias (1996) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is the study existing information in order to determine factors that explain a specific phenomenon.

CHAPTER FOUR: DATA ANALYSIS AND FINDING

4.1 Introduction

This chapter provides the analysis of the data provided by the interviewees from Safaricom limited. The study sought to determine the strategic planning practices adopted by Safaricom Limited and also to establish the challenges of strategy implementation at Safaricom Limited.

4.2 General Information

According to the study, the interviewees were in departments such as corporate strategy, human resources, regulatory, and business development, sales and marketing department. The majority of interviewees had been working in the company for over 5 years which was a clear indication that they were well versed with the process of strategic planning in their organization. The interviewees held positions such as senior managers, assistant human resource managers, human resource managers, marketing managers, regulatory managers and business development managers.

4.3 Strategic Planning Practices

The study found that Safaricom Limited had adopted strategic planning practices. The main goals and aims of the strategies adopted was navigational risk approach, it's an instrument of control, particularly over middle managers, it gives coherence and direction to both individuals and organizations by specifying the resources that are required to achieve an objective, it looks at the general direction of the whole organization and also enable an organization to identify the prevailing environmental opportunities and threats, and also it helps the to figure out or estimate the organization's resources capabilities taking into account the strengths and weaknesses of its resources so as to align itself accordingly to battle with the environmental challenges.

Safaricom Limited has adopted some strategies in financial, organizational structure, technology, customer care and product. On financial strategies, the company conducts mid-year review of Budget and Economic Forecast, it reviews Financial Policy; it compiles a list of

unfunded/unproductive mandates for legislative review and also it reviews Budget Process regularly for efficiency. On organizational structure, the interviewees felt that the structure acts as a key determinant of what is appropriate. The structure of the organization directly affects the processes and perspectives of the whole strategy planning process. Safaricom limited with regards to structure assessed organizational needs in the context of markets, disciplines, services, organizational complexity, and overall vision, developing alternative organization and management structures warranting consideration, assisting the firm leaders and managers in deciding on the most suitable management structure, and assisting in implementing the preferred structure. On technology, the organization uses the latest technology e.g. 3G, WiMax and WiFi, while the company has dedicated customer representatives to each of its products cater for its customers. Safaricom limited also has a wide range of products and services e.g. provision of internet even on mobile phones, money transfer services via the mobile phones (M-PESA).

The study also established that Safaricom faces challenges of the competitive environment and also because of insufficient budget-oriented planning. Safaricom limited has also benefited from strategic planning which consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance.

The interviewees indicated that the goals and aims of the strategies adopted by Safaricom Limited are to enhance its products, cut costs, increase revenue and diversify its product portfolio.

To the question on whether Safaricom Limited has adopted any strategic planning practices, the interviewees indicated that Safaricom Limited has adopted strategic planning practices which included review of the key trends and issues that are going on in the sector and draw potential implications as part of strategy development process, discussion of the implications of changes in our external environment upon the organization; identifying the key external stakeholders and incorporating their perspective into the strategy development process, understanding and agreeing on the critical issues facing the organization and the barriers to diminishing them, understanding the organization's internal strengths and opportunities for improvement,

understanding the external opportunities and threats and the implications upon the organization's future direction, determining a few broad areas that which to focus their efforts which will have a meaningfully positive impact upon the future of the organization and putting measures of success in place so that they could monitor their performance during the period of their strategic plan.

Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance. The benefits of strategic planning practices at Safaricom were that it stimulates thinking to make better use of the association's resources, assigns responsibility and schedules work, coordinates and unifies efforts, facilitates control and evaluation of the association's activities (accountability), creates awareness of obstacles to overcome, identifies opportunities, avoids the trap of linear thinking and facilitates progressive advancement of the association's goals.

The interviewees indicated that strategic planning practices are important in the telecommunication industry in Kenya because the industry is faced with increased competition and fast changes in technology.

Strategic planning is used to describe the steps taken by an organization in achieving its objectives and mission. It consists of three main elements which are strategic analysis; strategic choice; and strategy implementation. The interviewees indicated that strategic analysis is undertaken at Safaricom through a critical review of the key trends and issues that are going on in the telecommunication sector and drawing potential implications from the trends, discussion among the senior management of the implications of changes in the external environment upon the organization, critically identifying the key external stakeholders and incorporating their views into the strategy development process and also identifying the external opportunities and threats and the implications upon the organization's future direction. They also indicated that strategic choice is undertaken by determining a few broad areas which to focus their efforts which will have a meaningfully positive impact upon the future of the organization and putting measures of success in place so that they could monitor their performance during the period of their strategic plan. The interviewees further indicated that strategy implementation is undertaken

by involving organization of the firm's resources and motivation of the staff to achieve objectives, translating into more detailed policies that can be understood at the functional level of the organization, identifying the required resources and putting into place the necessary organizational changes.

To the question on whether the company adopts a more reactive than proactive strategic planning, the interviewees intimated that Safaricom Ltd adopts both reactive and proactive strategic planning. However, the strategic planning were more of reactive than proactive. According to the interviewees, this can be seen in the Safaricom's billing rates whereby with the increase in competition, first from Celtel Kenya Ltd (Zain Kenya Ltd) then Telkom's Orange brand and Econet Company brand, Yu, the call rates have reduced from Kshs25 which was the lowest rate in 2002 to 80 cents in 2009. The interviewees further said that proactive strategic planning so the introduction of M-PESA services in Kenya as the first and most novel money transfer service in the country which was aimed at increasing its revenue and customers, Safaricom through reactive strategic planning was also introduced per second billing so as to differentiate itself from the then Kencell Kenya Ltd per minute billing.

To the question on whether Safaricom employs top-down communication during the strategic plan implementation process, the interviewees concurred that Safaricom employed bottom-up communication. Strategies are formulated by the middle managers whereby employees are asked for suggestion and the reports from department analyzed. The strategies formulated are then passes to the senior management and ultimately CEO for approval and consolidation. The approved strategies are then passed top-down for implementation and a supervisor assigned to oversee the same. The interviewees further said that since the strategic planning process takes a bottom-up approach the implementation is effective since the employees feel part of the company and are motivated to actualize the plans.

4.4 Strategy Planning Practices and Challenges

The study sought to elicit information on whether the mission statement of Safaricom conveys a sense of purpose to employees and projects a company image to customers. The interviewees

were in agreement and said that the company's mission statement 'to be the leading telecommunication provider in East and Central Africa' has driven a sense of purpose and unity to employees. Since, according to the interviewees, the employees strive so hard to be associated with the successful company. The interviewees further confided that the slogan 'the better option' has had a great impact on the customers' loyalty for through the slogan has made the customers perceive the company as providing the most superior quality services.

The study also established that the company carries out situation analysis to analyze the various aspects of the organization to determine where it can benefit, both short term and long term. To gather information, the company uses initial information from the client, and then does interviews with a cross-section of the people and then examines available documentation on the strategy, systems and customers / users. From the situation analysis, the company then knows what to concentrate attention on. It could be strategy enhancement, job design or improved communication links between groups. Situation analysis also gathers and analyses information to guide planning and action. Other interviewees felt that situation analysis defines and interprets the state of the environment of an organization; it also provides the context and knowledge for planning and also describes an organization's competitive position, operating and financial condition and general state of internal and external affairs.

The study further sought find out the level of involvement in the performance measures carried out in Safaricom Limited. The data was collected on the object/level of the performance measurement, inputs, output, effectiveness and impact. On object/level of the performance measurement, the interviewees intimated that the company set targets on quarterly and annual basis that it aims to achieve. The planned targets and the outcome are measured on quarterly basis and variance analyzed. On the input, Safaricom measures the effectiveness with which inputs are used to generate revenue i.e. cost minimization or optimization of cost; the lowest possible cost that can produce the same level of revenue. On outputs, performance measures are on the level of revenues that can be generated in a given period with the same level of inputs or cost, that is, revenue maximization. The interviewees further confided that the company strikes a balance between the two during strategic planning so as to maximize on its profits without

compromising on efficiency. On effectiveness, the interviewees said that Safaricom Ltd ensures that resources are optimally put into use, without over or under employment. The interviewees further said that the impact of the strategies on the company's profits is assessed on an annual and semi-annual basis.

The cultural challenges affecting the implementation of the strategic planning practices at Safaricom Ltd were lack of proper rewarding of employees, who exceed expectations, poor allocation of budget and other resources and flexibility on the part of management, availability of qualified workforce to implement and also the culture of the organization i.e. the old mentality of doing things and resistance to positive change.

From the study, the challenges in strategic planning practices posed by government intervention were rigidity of government regulations, the challenges posed by political instability included uncertainty & high security costs, those that are posed by inflation level include high costs on services procured & low uptake of products due to low disposable income by the general population, while the challenges posed by state of business relations were competition.

To the question on the challenges facing implementation of strategic planning practices in Safaricom Ltd, the interviewees said that the challenges are inaccurate intelligence gathering, failure to understand the true nature of the problem, the strategy being incapable of obtaining the desired objective, the strategy being a poor fit between the external environment and an organizations' resources, or it is not feasible. Strategy implementation being poorly due to: over-estimation of resources and abilities, failure to coordinate, ineffective attempt to gain the support of others, under-estimation of time, personnel, or financial requirements and failure to follow the plan. The interviewees further said that the challenges at times accrue to being so engrossed in current problems that insufficient time is spent on long-range planning and the process becomes discredited, failing to assume the necessary involvement in the planning process by other association committees, failing to use plans as standards for measuring performance and consistently rejecting the formal planning mechanism by making intuitive decisions which conflict with the formal long-range plan.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussions, conclusions and recommendations of the study. The study sought to determine the strategic planning practices adopted by Safaricom Limited and also to establish the challenges of strategy implementation at Safaricom Limited.

5.2 Discussions

From the findings, the study found that Safaricom limited adopted strategic planning practices. The goals and objectives of the strategies adopted by Safaricom Limited was navigational risk approach, it's an instrument of control, particularly over middle managers, it gives coherence and direction to both individuals and organizations by specifying the resources that are required to achieve an objective, it looks at the general direction of the whole organization and also enable an organization to identify the prevailing environmental opportunities and threats, and also it helps the to figure out or estimate the organization's resources capabilities taking into account the strengths and weaknesses of its resources so as to align itself accordingly to battle with the environmental challenges.

The study also established that Safaricom has adopted strategies in areas which include financial, technology, organization structure, customer care and also in its products. It was also clear that Safaricom has experienced challenges in highly competitive business environment and also of insufficient budget-oriented planning. Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance and Safaricom limited has benefited from strategic planning practices.

Strategic planning in Safaricom is used to describe the steps taken by an organization in achieving its objectives and mission. It consists of three main elements which are strategic analysis; strategic choice; and strategy implementation. From the study, the effects government policies on strategic planning practices at Safaricom Ltd were increased competition in the

industry due to licensing of more companies; had to be more comprehensive on strategic planning. The revision of call rates downwards as a policy by CCK led to reduction in the sales revenue and the company had to rethink on its strategies. The government policy however favoured the introduction of M-PESA as a Money Transfer Service (MTS) which increased the company's sales revenue and customer loyalty.

According to the study, strategic planning practices adopted by Safaricom were reactive. The study also established that the company employs bottom up communication during the strategic plan implementation process.

From the study, the mission statement of Safaricom conveys a sense of purpose to employees and projects a company image to customers. Safaricom also carry out situation analysis to reach out its objectives. The object/level of the performance measurement, inputs, outputs, Effectiveness and impact are performance measures carried out in Safaricom Limited. The cultural challenges affecting the implementation of the strategic planning practices at Safaricom Ltd were; community backgrounds and believes on electromagnet waves thus affecting products uptake and setting up new sites. The study also established that there were some aspects of the institutional environment which were government intervention, political instability, inflation level and state business relations that posed challenges in strategic planning practices. Factors such as political instability and inflation and market conditions are more important to strategic planning practices than national or organisational culture. Other challenges facing implementation of strategic planning practices in Safaricom Ltd were inaccurate intelligence gathering, failure to understand the true nature of the problem, the strategy is incapable of obtaining the desired objective, the strategy is a poor fit between the external environment and an organization' resources, or it is not feasible. A strategy can be implemented poorly due to: over-estimation of resources and abilities, failure to coordinate, ineffective attempt to gain the support of others, under-estimation of time, personnel, or financial requirements, and failure to follow the plan.

5.3 Conclusions

The study concludes that the strategic planning practices adopted by Safaricom Limited were on financial, organizational structure, technology, customer care and product. On financial strategies, the company conducts mid-year review of Budget and Economic Forecast, it reviews Financial Policy; it compiles a list of unfunded/unproductive mandates for legislative review and also it reviews Budget Process regularly for efficiency. On organizational structure, the interviewees felt that the structure acts as a key determinant of what is appropriate. The structure of the organization directly affects the processes and perspectives of the whole strategy planning process. Safaricom limited with regards to structure assessed organizational needs in the context of markets, disciplines, services, organizational complexity, and overall vision, developing alternative organization and management structures warranting consideration, assisting the firm leaders and managers in deciding on the most suitable management structure, and assisting in implementing the preferred structure. On technology, the organization uses the latest technology e.g. 3G, WiMax and WiFi, while the company has dedicated customer representatives to each of its products cater for its customers. Safaricom limited also has a wide range of products and services e.g. provision of internet even on mobile phones, money transfer services via the mobile phones (M-PESA).

The study also concludes that there were challenges of strategy implementation at Safaricom Limited. These challenges were such challenges of the competitive environment and also because of insufficient budget-oriented planning. Other challenges were; under-estimation of time, personnel, or financial requirements, failure to follow the plan, becoming so engrossed in current problems that insufficient time is spent on long-range, planning, and the process becomes discredited, failing to assume the necessary involvement in the planning process by other association committees, failing to use plans as standards for measuring performance, consistently rejecting the formal planning mechanism by making intuitive decisions, which conflict with the formal long-range plan and also failing to develop association goals suitable as a basis for formulating long-range plans.

5.4 Recommendations

The study recommended that for Safaricom limited to succeed in the strategic planning process, it should adopt more of proactive than reactive strategic planning practices. While reaction to other competitors' strategies is important to ensure survival, proactive strategies are essential in ensuring that a company's financial performance is ahead of the competitors' and enhance customers' loyalty.

5.5 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitations of this study were;

Some respondents refused to fill in the questionnaires. This reduced the probability of reaching a more conclusive study. However, conclusions were made with this response rate. The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations. Further, most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information. Time- Due to official duties time was also a major concern.

5.6 Areas for Further Research

The study recommends that further research be done on the strategic planning practices adopted by other companies in the telecommunication industry to ensure comprehensive and exhaustive research on the same since different companies adopts different planning practices. Further research should also be done on the factors hindering strategic planning in companies in telecommunication industry in Kenya so as to determine what makes other companies not to adopt strategic plans.

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APPENDICES

Appendix: Interview Guide

STRATEGIC PLANNING PRACTICES AT SAFARICOM LIMITED

SECTION A: GENERAL INFORMATION

1. Department.....
2. How long have you been working in the organization?.....
3. What position do you hold in the organisation?.....

SECTION B: STRATEGIC PLANNING PRACTICES

4. Has Safaricom Limited adopted any strategic planning practices?
.....
5. What are the goals and aims of the strategies adopted by Safaricom Limited?
 - a).....
 - b).....
 - c).....
6. Explain what strategies Safaricom Limited has adopted in the following areas.
 - i. Financial.....
 - ii. Organizational
structure.....

iii. Technology

.....

iv. Customer

care.....

v. Product

.....

vi. Any other (please

specify_.....

7. Highly competitive business environment, budget-oriented planning or forecast-based planning methods are insufficient for a large corporation to survive and prosper. Has Safaricom faced this challenges

Highly competitive business environment

Insufficient budget-oriented planning.....

8. Strategic planning consists of planning processes that are undertaken in firms to develop strategies that might contribute to performance. Has Safaricom benefited from strategic planning practices?

.....

9. In your own view are strategic planning practices important in the telecommunication industry in Kenya? Explain.

.....

10. Strategic planning is used to describe the steps taken by an organization in achieving its objectives and mission. It consists of three main elements which are strategic analysis;

strategic choice; and strategy implementation. Briefly explain how each step is undertaken within your department.

a) Strategic analysis

.....

.....

b) strategic choice

.....

.....

c) strategy implementation

.....

.....

11. What are the effects government policies on strategic planning practices at Safaricom LTD?

.....

.....

.....

12. Are the strategic planning practices adopted by your firm more of reactive or proactive? Briefly explain.

.....

.....

.....

.....

13. Does Safaricom employ top-down communication during the strategic plan implementation process? If yes, what is the impact to the implementation of the strategic planning practices?

.....
.....
.....
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SECTION C: STRATEGIC PLANNING PRACTICES AND CHALLENGES

14. Does the mission statement of Safaricom convey a sense of purpose to employees and projects a company image to customers?

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15. Does Safaricom carry out situation analysis to reach out its objectives?

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16. What is involved in the following performance measures carried out in Safaricom Limited?

a) The object/level of the performance measurement,

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b) Inputs

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c) Outputs

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d) Effectiveness

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e) Impact.

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17. What are the cultural challenges affecting the implementation of the strategic planning practices at Safaricom Ltd?

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18. What are some of the challenges in strategic planning practices posed by the following aspects of the institutional environment?

a. Government intervention

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b. Political instabilities

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c. Inflation level

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d. State business relations

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19. Factors such as political instability and inflation and market conditions are more important to strategic planning practices than national or organisational culture.

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20. What other challenges facing implementation of strategic planning practices in Safaricom Ltd?

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THANK YOU FOR YOUR PARTICIPATION.