DYNAMIC CAPABILITY AND COMPETITIVENESS OF SAFARICOM LIMITED IN KENYA

BY

MARGARET MUTHITHI KURIA

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2015

DECLARATION

This management research project is my original work and has not been presented for any academic credit in this or any other university.

MARGARET MUTHITHI KURIA

D61/72451/2014

Signed…………………………… Date…………………….

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

Signed……………………… Date……………………..

PROF. MARTIN OGUTU

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI.

DEDICATION

This project is dedicated to my husband Laban Thua Gachie and our two children Bruce Gachie and Eva Joy whose support and encouragement has been my core drive to a high academic qualification pursuit.

ACKNOWLEDGEMENTS

I am thankful to the almighty God for blessing me with an opportunity to study for this masters programme and for availing all that I required to complete this course. I extend my sincere gratitude to all the lecturers and colleagues at the University of Nairobi for their academic resources at different levels to the contribution of the programme.

I would also want to thank my classmates for their valuable contribution towards my studies and the educative and enriching collaboration we shared and also the administrative and support staff for their assistance during the study.

My special thanks go to Prof. Martin Ogutu whose expert council and guidance enabled me to finish the project on time while enhancing my understanding of this particular subject. His supervisory prowess is unquestionable and I pray to God Almighty to bless him abundantly.

ABSTRACT

In a fast-moving business environments open to global competition and characterized by dispersion in the geographical and organizational sources of innovation, firms have adopted aggressive competitive strategies to achieve congruence with changing environment in the robust telecommunication industry in Kenya. The study sought to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. The study adopted a case study research design and was guided by the following objectives; to determine the various dynamic capability practices adopted by Safaricom limited, to determine the various types of competitiveness enjoyed by Safaricom limited Kenya, and to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. The study utilized primary data which was collected through a face to face interview with the researcher. Five people were interviewed using an interview guide containing a set of questions. The interviewees included top level managers who are tasked with strategic planning and management at Safaricom Limited. Qualitative data was obtained from the interview guide and was analyzed using Content analysis. The study found out that Safaricom Limited has been applying Dynamic capability management practices in its operations. Safaricom has embraced the following dynamic capability practices: ability to assimilate and exploit new technology from the environment; recognition of the value of new information; Industry-Government-University collaboration; concurrent engineering; R&D department closeness to other functional areas; internal and external sourcing of technology; Vertical integration; establishment of inter-group relations and cross-functional teams; corporate culture orientation towards innovation; and top management support. The study concludes that Safaricom limited has successfully adopted and implemented diverse Dynamic capability practices and that, theses dynamic capability practices have positively affected the competitive advantage of the firm making it a market leader in Kenya and beyond. Given the fact that dynamic capability practices positively influences firm competitiveness, the study recommends that other firms within and outside the telecommunication industry embrace dynamic capability approaches in their operations. The study further recommends that telecommunication firms and other key stakeholders should establish strategies to increase awareness and information dissemination on dynamic capability models across all sectors in Kenya to enhance both firm and national competitiveness. The study was limited to the extent that the research findings might not be generalizable and applicable to other telecommunication companies in Kenya owing to the fact that different telecommunication companies use different operations strategies. The study suggests further research efforts to focus on identifying optimal dynamic capability practices and on the possibility of setting benchmarks.

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

ICT: Information, Communication & Technology

MB: Mega Bite

NCC: National communications Commission

R&D: Research and Development

RBV: Resource-Based View

SCP: Structure Conduct Performance

CHAPTER ONE

INTRODUCTION

1.1 Background

In fast-paced, globally competitive environments, consumer needs, technological opportunities, and competitor activity are constantly in a state of flux. Dynamic capabilities theory suggests that both the use and usefulness of dynamic capabilities increase in turbulent environments characterized by intense competition, rapid technological progress, and frequent changes in customer preferences than in stable environments (Pavlou and El Sawy, 2011; Teece, 2007). Most importantly, the level of environmental turbulence influences the potential gain from dynamic capabilities in terms of performance outcomes and the renewal of operational capabilities (Yeung, 2014).

The study was grounded on the Dynamic Capability Theory by Teece, Pisano and Shuen (1997). According to the theory, Dynamic capabilities are the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. The current study was also informed by the Resource Based Value theory (RBV). Initiated in the mid-1980s by Wernerfelt (1984), Rumelt (1984) and Barney (1986) the resource-based view (RBV) has since become one of the dominant contemporary approaches to the analysis of sustained competitive advantage. A central premise of the resource-based view is that firms compete on the basis of their resources and capabilities (Peteraf and Bergen, 2003). The study was equally informed by Porter's (1980) framework which builds on the structure-conduct-performance (SCP) paradigm from industrial organization economics. The essence of this paradigm is that the firm's performance in the marketplace depends critically on the characteristics of the industry in which it competes.

Kenya is a very competitive telecommunications market hence the need for telecommunications firms to respond to market dynamics by formulating strategies that involve selecting and developing technologies and business models that build competitive advantage through assembling and orchestrating difficult-to-replicate assets. Safaricom operates in a fast-moving business environments open to global competition and characterized by dispersion in the geographical and organizational sources of innovation and manufacturing, sustainable advantage requires more than the ownership of difficult to- replicate (knowledge) assets (Park & Kang, 2013).

1.1.1 Dynamic Capability

The dynamic capabilities approach is an extension of the resource-based view (RBV) of the firm, which is the dominant theory in organizational research for explaining sustained performance differences across firms. The RBV suggests that resources are unevenly distributed across organizations and that this heterogeneity persists over time as resources are imperfectly mobile (Barney, 1991; Peteraf, 1993).

Teece, Pisano and Shuen (1997) define Dynamic capabilities are the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments. They stress the importance of the firm's current asset position, history (path dependence) and the organizational processes or routines, including learning as a process by which repetition and experimentation enable tasks to be performed better and quicker. It also enables new production opportunities to be identified (Neilson et al., 2014).

There is an emergent consensus in the literature regarding dynamic capabilities. First, there is a distinction between dynamic capabilities and operational capabilities, with changes in the latter being the visible outcome of dynamic capabilities. Second, a 'capability' is the potential to do certain things, not the things that are done (Dougherty, Barnard and Dunne, 2004). If they are 'dynamic', they connote change and evolution (Winter, 2003). Third, dynamic capabilities reside in the potential to change resources, routines and competences. Fourth, dynamic capabilities reside in routines rather than resources themselves, especially if these are 'high level' routines (Zollo and Winter, 2002). Fifth, the process of learning may be a central element in the creation and renewal of dynamic capabilities. Examination of the processes by which firms learn is thus critical to understanding dynamic capabilities (Mahoney, 1995; Zollo and Winter, 2002).

1.1.2 Firm Competitiveness

According to Barney (2013) a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. After the market power-oriented approach was used to explain the emergence of a competitive advantage, the Resource-Based View became the major paradigm in strategy research. But its inherent limitations also offered reason for continuous criticism, especially the missing explanation for competitive advantages in situations of rapid and unpredictable change. This blind spot is a main weakness of the rather static Resource-Based View. Also, the introspective focus on the firm itself was criticized (Eisenhardt, 2000).

The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprise firms operating in environments of rapid technological change. The competitive advantage of firms is seen as resting on distinctive processes (ways of coordinating and combining), shaped by the firm's (specific) asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited (Neilson et al., 2014).

1.1.3 The Telecommunication Industry in Kenya

In 2013, the ICT sector remained vibrant especially in the mobile and internet subsectors. The number of mobile connections rose from 30.4 million in 2012 to 31.2 million in 2013 while that of internet subscriptions rose from 8.5 million in 2012 to 13.3 million in 2013. The amount of money transacted through the mobile money transfer service grew remarkably from KSh 672 billion as at June 2012 to KSh 914 billion as at June 2013. Domestic calls traffic, which entails total call minutes made locally, rose from 27.6 billion in 2012 to 30.0 billion in 2013. 15.3. Total broadband subscriptions have grown immensely over the last four years owing to the increase in the active mobile broadband, which accounted for 94.0 per cent of the total subscriptions in 2013. Total broadband penetration increased from 2.5 per cent in 2012 to 3.4 per cent in 2013 which are below the African average of 7.4 per cent (Economic review, 2014).

The mobile telephony has experienced growth in its capacity, subscriptions, connections, and money transfer services during the review period. The number of mobile money transfer agents grew substantially to 93,689 in 2013 from 49,079 in 2012 while connections in the mobile network increased by 2.9 per cent in year under review compared to a 12.8 per cent increase in 2012. Mobile money transfer services offer a platform to send and save money, pay salaries, utilities and other bills and; purchase goods and services both online and in physical markets. During the review period, the number of subscribers using this service increased by 34.7 per cent to 26.0 million subscribers. The significant growth was mainly due to the preference for the service because of its efficiency and convenience (Economic review, 2014).

1.1.4 Safaricom Limited

Safaricom limited is the leading mobile telecom service operator in Kenya. Founded in 1997, the company is primarily engaged in offering mobile telephony, mobile internet and fax, wireless broadband. Additionally the company offers business telecom services including business connectivity, enterprise mobility and managed IT and telecom services. As of March 2013, the company has 19.42 million mobile subscriptions, 17.11 million M-Pesa registered customers and 7.13 million data subscriptions. In the year to end March 2013, the company generated KES 124.29 billion (annual growth of 24.1%) and net profit of KES 17.54 billion representing an annual growth 38.9% (Economic review, 2014).

It is therefore apparent that, the competiveness of a company like Safaricom Kenya should enhance its dynamic capability. In this way, the competitive advantage of Safaricom will rest on distinctive processes (ways of coordinating and combining), shaped by the firm’s (specific) asset positions (such as the firm’s portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited (Economic review, 2014).

1.2 Research Problem

Competitive advantage can flow at a point in time from the ownership of scarce but relevant and difficult-to imitate assets, especially know-how. However, in fast-moving business environments open to global competition and characterized by dispersion in the geographical and organizational sources of innovation and manufacturing, sustainable advantage requires more than the ownership of difficult to- replicate (knowledge) assets. It also requires unique and difficult-to-replicate dynamic capabilities. It is important that a firm remains competitive by harnessing its core capabilities to continuously create, extend, upgrade, protect, and keep relevant the enterprise's unique asset base.

Despite the firm's good performance over the last three financial years, Safaricom limited is facing stiff competition which has resulted in; promotional and price wars, technology innovations to support new products and services, to meet the changing customer needs. Some of the main challenges facing the company include: government policy changes create unlevelled playing field, opening up the market for new competitors with more capital resources through further liberalization and privatization, and demanding more contributions to corporate social responsibility, and allowing new entrants to provide both fixed line and mobile phone services. Out of the pressure, the organization and other players recently responded by lobbying the government to create level playing field (NCC, 2015).

A number of studies have been carried out on dynamic capability, firm competitiveness and performance. Chacha (2010) in her study on the resource based view at safaricom limited found out that Safaricom limited enjoys competitive advantage in the mobile phone industry due to its strategic approach towards the competitive market largely through research and development. The study also concluded that technological resources and human resources are the most important strategic resources at Safaricom limited. The findings however fall short of establishing the relationship between Safaricom's resources and its agility. The current thus seeks to borrow some arguments from the findings while examining the various dynamic capability approaches adopted by Safaricom limited.

Ethiraj et al. (2005) examined a company in the Indian software industry to answer the question of where capabilities come from. They found that one class of capabilities, the client-specific capabilities, evolves by learning from repeated interactions with certain clients. The authors demonstrated that capabilities are often context-specific and incur different costs and benefits. Their study is however limited to the extent that it focuses on single influences and rarely take the context of companies which is the domain of the current study. Grimpe et al. (2014) in their study on the role of internal capabilities and firms' environment for sustainable innovation in Germany found out that; although sustainable innovation provides considerable new opportunities for companies it goes along with an increased complexity. This in turn requires certain organizational routines and capabilities to deal with the upcoming challenges. Their findings however fall short of exploring the specific driving forces that increase the degree of sustainable innovation within a firm's innovation activities hence the current study.

Unfortunately, the research stream regarding dynamic capabilities is relatively new and still under vivid scholarly debate. Ambiguity, vagueness of constructs, conflicting views, and lack of empirical data are still predominant and represent challenges to explaining a company's competitive advantage in its entirety particularly in Kenya and the rest of

Sub-Saharan Africa. Against this backdrop, the current study diverged from past studies by seeking to investigate the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. The study thus aimed at examining how Safaricom limited has been able to achieve congruence with changing environment in the robust telecommunication industry in Kenya. The study sought to answer the following research question; what is the impact of dynamic capability on the competitiveness of Safaricom limited?

1.3 Research Objectives

The objectives of the study were:

i. To determine the various dynamic capability practices adopted by Safaricom limited,

ii. To determine the various types of competitiveness enjoyed by Safaricom limited Kenya, and

iii. To establish the relationship between dynamic capability and the competitiveness of Safaricom limited.

1.4 Value of the Study

The current study will develop and test theories on temporal dynamics of firm competitiveness inter-firm rivalry. The study is grounded on three main theories explaining competitive advantage including; the theory of competitive forces, dynamic capability theory, and resource – based theory.

On new knowledge, the outcome of the investigation and analysis may be understood as a combination of basic and applied research that generates new insights that can indeed further advance the concept of dynamic capabilities both, theoretically and practically. In addition to the main contributions discussed above, a multitude of other disciplines, such as organizational science or psychology, are touched on by the findings of this study due to the variety of the influence factors. By focusing on innovation speed as a dynamic capability, the findings support or contradict the results of other researchers, who also have investigated the speed of the new product development process and its main influence factors.

The findings of the study will have managerial policy implications at the firm, industry, and macro levels. The findings of the study will significantly influence operations and strategic management policy among the telecommunication firms in Kenya and beyond. The findings of the study will thus spur innovation in the industry. At the macro-level, the findings of the study will provide backstopping for policy makers on enhancing firm and national competiveness through dynamic capability.

On the managerial practice, the researcher intends to infer normative management insights to promote the up-to-now rather neglected topic of 'dynamic capabilities' in the practitioner world particularly in Kenya. Already, the raising of certain awareness of factors influencing the evolution of dynamic capabilities should have value for managers, even though the managers' direct impact to manipulate these factors might be somewhat limited. In the same vein, the findings of the study will reveal how the managerial process of contemplating repositioning within strategic groups is connected to feedback from performance benchmarking, behavioral biases, stimuli from the external environment, and the individual position of the focal firm in a fast moving liberal telecommunications market in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theoretical and empirical literature from past studies on the subject of firm competitiveness, dynamic capability and strategic management. The chapter focuses on; the theoretical frame work of the study, the empirical literature review, the conceptual frame & operational frame work of the study and finally a summary of the literature review.

2.2 Theoretical Foundation of the Study

Over the last half a century, a number of theories have emerged to explain competitive advantage and thus induced research streams of their own. Whereas certain models emphasized the external perspective, like Porter's Competitive Forces, other researchers reached inside the companies for their idiosyncratic resources. In this section the Competitive Forces, the Resource-Based View of the Firm and the Dynamic Capabilities theories are discussed.

2.2.1 Dynamic Capability Theory

The article, which is today generally accepted as the founding paper for the Dynamic Capabilities Approach, was written in 1997, by Teece, Pisano and Shuen. Their so called Dynamic Capabilities Approach refers to a company's ability to alter its resource configuration through applying certain capabilities and thus adapt to changing environments to achieve new forms of competitive advantage. With this conceptualization, the authors emphasized two key aspects that were missing in the preceding approaches, i.e. dynamic and capability. According to Teece, Pisano and Shuen (1997), the term 'dynamic' refers to the capacity to renew competences so as to achieve congruence with changing environment. The term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment.

The Dynamic Capabilities Approach emerged in the 1990s and added the missing dynamic perspective to the Resource-Based View; this approach is thus today the predominantly applied explanation for a competitive advantage. The concept of dynamic capabilities provides helpful additional insights in answering the question regarding the sources of a competitive advantage. This concept extends the Resource- Based View to an approach for a dynamic environment, i.e. increasing global competition, shorter product life-cycles and rapid technological advancements. The first thoughts that supported a capability approach can already be found in Nelson and Winter (1982). In their book "An Evolutionary Theory of Economic Change" introduced the concept of the skill metaphor, where a skill is defined as "a capability for a smooth sequence of coordinated behavior that is ordinarily effective relative to its objectives, given the context in which it normally occurs".

Even though the Dynamic Capabilities Approach has become a major research stream in strategic management, confusion and scholarly debate are still predominant. Plentiful articles trying to demystify the approach indicate the ongoing and prevailing uncertainty, e.g. "Dynamic Capabilities: What are they?" (Eisenhardt & Martin, 2000); "understanding dynamic capabilities" (winter, 2002); or "explicating dynamic capabilities"(Teece, 2003). Other authors even doubt the suitability of the Dynamic Capabilities Approach to explain a firm's competitive advantage. Collis (1994) dampens enthusiasm about the concept by stating that capabilities can be valuable, but are not always a source for a sustainable competitive advantage. He argues that capabilities are vulnerable to being superseded by higher-order capabilities. The capability to innovate would thus be superseded by the capability that develops the capability to innovate, and so on, which leads to an infinite regress. According to Collis, strategic management research will never be able to identify the ultimate source of a competitive advantage. Organizational capabilities, just like certain assets, could be a part of a competitive advantage, but just in certain settings and at a certain point in time. A lack of empirical data intensifies the general confusion about dynamic capabilities.

2.2.2 Competitive Forces Theory

Porter's (1998) competitive analysis identifies five fundamental competitive forces that determine the relative attractiveness of an industry: new entrants, bargaining power of buyers, bargaining power of suppliers, substitute products or services, and rivalry among existing competitors. The basis of Porter's Five Forces is the approach of the industrial organization theory (IO). The IO assumes that the attractiveness of an industry, in which a company operates, is determined by the market structure due to the reason that market structure affects the behaviour of market participants (Raible, 2013). Competitive analysis leads to insight in relationships and dynamics in an industry, and allows a company or business unit to make strategic decisions regarding the best defendable and most economically attractive position. Porter stated that a company could reach a competitive advantage by pursuing certain generic strategies, either a cost leadership, a differentiation, or a focus strategy. By applying these strategies, a company could reduce the forces in its industry, for instance keeping new entrants away by realizing huge economies of scale. The Five Forces framework is a “useful starting point for strategic analysis even where profit criteria may not apply” (Johnson, Scholes & Whittington, 2008). In order to create a strategy it is very important to have enough knowledge about the industry in which the company operates. In addition to the competition among the existing competitors, Porter’s Five Forces model identifies another four forces that characterize the intensity of competition within an industry. After analyzing the Five Forces, a company is able to state about industry profitability and attractiveness (Johnson et al., 2008).

A strategist can come up with the strengths and the weaknesses of an organization and is able create a plan for a stronger position within the industry. The Competitive Forces oversimplified the micro-economic theory by using only Five Forces. It provides the opportunity to examine and evaluate complex interactions of competitors in an industry in a structured way (Porter, 1979). The Five Forces framework goes beyond a more simplistic focus on relative market growth rates in determining industry attractiveness” (Grundy, 2006). A further benefit according to Grundy (2006) is that the managers set a higher focus on the external environment in comparison to the traditional ‘SWOT’ analysis. The goal of the Five Forces framework is not only to assess industry profitability and attractiveness but also to comprehend the “underpinnings of competition and the root causes of profitability (Porter, 2008).

Although the Five Forces model is one of the most known and widely spread management models in practice nowadays, the criticism became increasingly severe in the recent years (O'shaughnessy, 1984; Speed, 1989; Dulčić, Gnjidić&Alfirević, 2012).

The most detractors illustrate that economic conditions changed fundamentally in the last decades (Conklin &Tapp, 2000). One of the first criticisms is the fact that Porter (1979) has no justification for the choice of the five environmental forces, which prove the validity of his choice (O'shaughnessy, 1984; Speed, 1989). A further criticism is that the model only generates snap-shots. According to Thyrlby (1998), the Five Forces model of Porter is static and does not take account of time. Thus it is much more difficult to determine markets with higher competition dynamic because they can change very quickly. This demands a steady creation of new models. Dulčić et al. (2012) are extremely critical in regard to the use of this model.

2.2.3 The Resource-Based View Theory

The Resource-Based View was proposed by Barney in 1991. The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (Hoffer & Schendel, 1978; Wenerfelt, 1984). According to Barney (1991), the concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Daft, 1983).

The salient feature of the RBV model emanates from the fact that; the theory presents a more concrete and comprehensive framework to identify the needed characteristics of firm resources in order to generate sustainable competitive advantage. These characteristics include whether resources are: valuable (in the sense that they exploit opportunities and/or neutralize threats in a firm’s environment), rare among a firm’s current and potential competitors, inimitable, and non-substitutable (Barney, 1991). In this respect, many authors (Amit & Schoemaker, 1993; Mahoney & Pandian, 1992; Peteraf, 1993; Rumelt, 1984; Dierickx & Cool, 1989) have adopted and even expanded Barney's view to include: resource durability, non-tradeability, and idiosyncratic nature of resources. According to the thesis, a company needs to ensure that a firm's resources add value, are rare, and costly to imitate. These resources would then be transformed into a competitive advantage by the organization.

The RBV theory has two major limitations. Two points should be noted here regarding to the attributes of the competitive advantage of a firm. Firstly, Barney's concept of 'valuable' is an ambiguous criterion to measure the competitive advantage of a firm. Whether the resource is valuable or not should be measured by its profitability, and thus it ought to take the form of an economic asset regardless of how tangible or intangible it is. The value of any resource should be measured by the discounted value of the expected future income stream that can be attributed to it. In the RBV the valuable attribute of a firm is taken as given. This means there is the fear that the RBV will overstate the profitability of firms exploiting these resources, because they ignore the cost of acquisition and accumulation. Therefore it is impossible for the RBV to explain why firms invest in such a valuable resource rather than in other type of resources. Secondly, the concept of a 'rare' resource does not necessarily ensure the competitive advantage of the firm, even if that resource generates a large 'rent' due to its relative scarcity. Rents are the prices of services yielded by resources (Lewin& Phelan, 2002).

2.3 Firm Competitiveness

Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, competer, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders (Murths, 1998). Firm level competitiveness can be defined as the ability of firm to design, produce and or market products superior to those offered by competitors, considering the price and non-price qualities. Competitiveness processes are those processes, which help identify the importance and current performance of core processes such as strategic management processes, human resources processes, operations management processes and technology management processes. The competitiveness process can be viewed as a balancing process that complements traditional functional processes such as operations management and human resources management. It enhances the ability of an organization to compete more effectively. Sources of competitiveness are those assets and processes within an organization that provide competitive advantage. These sources can be tangibles or intangibles (D'Cruz, 1992).

Firm-level competitiveness is of great interest among practitioners. Nations can compete only if their firms can compete, argues Christensen of Harvard Business School. Porter says "it is the firms, not nations, which compete in international markets", (Porter, 1998). The environmental factors are more or less uniform for all competing firms. Research shows that 36 per cent of the variance in profitability could be attributed to the firms' characteristics and actions (McGahan, 1999). Other pro-firm views (Bartlett and Ghoshal, 1989; Prahalad and Doz, and 1987; Prahalad and Hamel, 1990) focus on individual firm and their strategies for global operations, and resource positions to identify the real sources of their competitiveness.

Competitiveness can be treated as a dependent or independent variable, depending on the perspectives from which one approaches the issue. Berkely et al (1988) has suggested a framework that has three folds: the competitiveness performance, competitiveness potential, and the management processes. A similar framework can be found in the World Competitive Yearbook (WCY, 2002). In the WCY formula, “world competitiveness” is a combination of assets that are inherent and created as well as processes that transfer assets into economic results (Man, 1998).

2.3.1 Dimensions of Firm Competitiveness

Competitiveness involves a combination of assets and processes, where assets are inherited (natural resources) or created (infrastructure) and processes transform assets to achieve economic gains from sales to customers. Outcomes can be achieved through competitive potentials through the competitiveness process (Berkely et al, 1988), similar to the Asset-Process- Performance (APP) framework (Momaya, 2000).

Some authors view competitiveness with the competency approach. They emphasize the role of factors internal to the firms such as firm strategy, structures, competencies, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1987; Hamel and Prahalad, 1989, 1990). This view is particularly among the resource-based approach towards competitiveness (Prahalad and Hamel, 1990; Grant, 1991; Barney 2001, 1991; Peteraf, 1993; Ulrich, 1993). Ability to develop and deploy capabilities and talents far more effectively than competitors can help in achieving world-class competitiveness (Smith, 1995).For providing customers with greater value and satisfaction than their competitors, firms must be operationally efficient, cost effective, and quality conscious (Johnson, 1992; Hammer and Champy, 1993).

Also related to this condition are a number of studies focusing on particular aspects like marketing (Corbett and Wassenhove, 1993), information technology (Ross et al, 1996), quality of products (Swann and Tahhavi, 1994), and innovative capability of firms (Grupp et al, 1997). Productivity has often been termed as a surrogate of competitiveness and good indicator of long-term competitiveness of a firm by many authors. Porter defined competitiveness at the organizational level as productivity growth that is reflected in either lower costs or differentiated products that command premium prices. The generic strategies given by Porter also emphasize these criteria (Porter, 1990). It has been said the company, industry, or nation with the highest productivity could be seen as the most competitive (McKee and Sessions-Robinson, 1989).

In today's turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming more important sources of competitiveness (Barney, 2001; Sushil, 2000). O'Farell et al (1992, 1989, and 1988) have conducted a number of studies on the relationship between sources of competitiveness and firm performance, with focus on price, quality, design, marketing, flexibility, and management. The importance of firm-level competitiveness is confirmed by a large number of studies discussed above. Recognizing the dynamic role processes play in enhancing competitiveness, the role of processes in firm-level competitiveness need to be examined.

2.3.2 Role of Processes in Firm-Level Competitiveness

Process-centric perspectives have become popular. They can help bridge the critical gaps created by the silo mentality that emerges in functional-centric organizations. The popularity of business process re-engineering movement in the 1990s and resource-based view also has strong focus on processes. However, RBV has some limitations such as it lacks customer focus, market positioning, and is focused on large firms (Barnet, 2001; Mathur, 1999). The biggest limitations of RBV in context of competitiveness may be that hardly any framework or model exists which can guide professionals to integrate strategy with competitiveness. On the other hand, the APP framework that integrates resources to performance through processes understood by professionals may provide the better tool to integrate competitiveness with strategy (Shee, 2002; Momaya, 1998). It can, thus, provide a vehicle to understand the roles of processes and complete competitiveness dynamics at the firm level. An empirical study in context of software industry has confirmed dominant role of processes for superior performance (Shee, 2002).

The hyper-competitive era in the last few decades has created the need for an explicit management of competitiveness. Consequently, considerable research has been undertaken on competitiveness issues at different levels. There are a large number of frameworks and models, but usage of such frameworks and models is still very minimal, especially in a developing country such as India. Most of the frameworks or models are useful to evaluate some specific dimension of competitiveness; their utility in other context becomes limited due to low flexibility.

2.4 Dynamic Capabilities

The Dynamic Capabilities Approach emerged in the 1990s and added the missing dynamic perspective to the Resource-Based View; this approach is thus today the predominantly applied explanation for a competitive advantage. The concept of dynamic capabilities provides helpful additional insights in answering the question regarding the sources of a competitive advantage. This concept extends the Resource- Based View to an approach for a dynamic environment, i.e. increasing global competition, shorter product life-cycles and rapid technological advancements (Nelson and Winter, 1982).

According to Teece, Pisano and Shuen (1997), the term 'dynamic' refers to the capacity to renew competences so as to achieve congruence with changing environment. The term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. Even though the Dynamic Capabilities Approach has become a major research stream in strategic management, confusion and scholarly debate are still predominant.

According to Teece, Pisano and Shuen (1997), sources of competitive advantage based on capabilities can be found in managerial and organizational processes. These processes determine how things are done in a company. Asset positions, including e.g. intellectual property or complementary assets and the future strategic paths available to a company, shape the firm’s processes and thus influence the development of dynamic capabilities. Certain factors that inhibit the emergence of dynamic capabilities can be attributed to existing managerial beliefs.

2.4.1 Types of Dynamic Capabilities

In this section, various types of dynamic capability are discussed. One type of dynamic capability is absorptive capacity. Absorptive capacity is an intriguing idea because it potentially bridges between the fields of dynamic capability and organizational learning (Fiol& Lyles, 1984; Easterby-Smith, 1997; Akgun, Lynn & Byrne, 2003). On one hand it draws attention to the need to appreciate and acquire knowledge from the external environment, especially from acquisitions and other inter-organizational relations; on the other it focuses on learning from past experience and current actions, and the internal processes for translating this into useful action. Cohen &Levinthal (1989) first coined the term 'absorptive capacity', defining it as: 'the firm's ability to identify, assimilate and exploit knowledge from the environment'. Subsequently they adopted a slightly wider view as an ability to recognize the value of new information, assimilate it, and apply it to commercial ends'. Putting the two together provides a 'classical' view of absorptive capacity as: the identification and recognition of new information, both internal and external, and its assimilation, application and exploitation for commercial ends (Cohen & Levinthal, 1990).

Another type of dynamic capability is best practices. These are optimal modes of executing a certain process like new product development. These best practices can influence each other or go hand in hand. For example, concurrent engineering is easier when components have a modular design and the development team consists of members from different functional areas. The positive influence of cross-functional teams or at least the closer interaction of R&D with other functions on the speed of new product development seems to be undoubted (Gold, 1987; Rosenau, 1988; Vesey, 1991; Brown & Karagozoglu, 1993; Sonnenberg, 1993; Zahra &Ellor, 1993; Willis &Jurkus, 2001).

Gupta &Wilemon (1990) argue from the opposite perspective and found that functional groups delay new product development because they fail to give the project priority and can barely adapt to the continually changing requirements of an innovation project. Poor inter-group relations and slow response in general were other arguments against purely functional teams. The other type of dynamic capability is structural factors. Whether the vertical integration of a company can enhance innovation speed is controversially debated. For the innovation process especially, the choice between external sourcing of technologies or in-house development is of central importance. Kessler &Chakrabarti (1996) suggests that external sourcing increases innovation speed, since the building of knowledge is a rather lengthy process. Still, they found that research teams may not be open to external technologies or knowledge and rely on in-house development. Lastly, the other type of dynamic capability is contextual factors. The influence of contextual factors emerging from the environment of companies seems underrepresented within the literature on innovation speed. The results of the case studies indicate that the rivalry between Samsung Electronics and LG Electronics heavily influences their speed orientation regarding the introduction of new products. Emmanuelides (1991) assumes that competitive rivalry leads to a shortening of development time, but does not offer any empirical evidence.

2.5 Dynamic Capability and Firm Competitiveness

Most scholars concur on the fact that the speed of their innovation process represents a major source of competitive advantage of the focal companies. The sustainability of a competitive advantage depends on the transferability and fungibility of a dynamic capability. A dynamic capability that is easily copied or transferred to another company can hardly be the base of a sustainable competitive advantage. To what degree dynamic capabilities are transferable is heavily debated in academic circles. Some researchers argue that the evolution of dynamic capabilities is based on the history of the company and consequently difficult to replicate. Teece, Pisano and Shuen (1997) confirm that the paths available to a company are a function of the current position, which in turn is a function of the traveled path. This relationship makes the strategic choice of a company history-dependent and restricts the transferability of competencies or capabilities even within a company, so that the authors attach a certain idiosyncrasy to a firm's dynamic capabilities. Consequently, the imitation possibilities for competitors are limited, which in turn makes a competitive advantage sustainable. The influence of contextual factors emerging from the environment of companies seems underrepresented within the literature on innovation speed.

Sakakibara and Porter (2001) examined the effect of domestic rivalry on international trade performance. Their results show a positive relationship and indicate a higher international competitiveness of companies with strong domestic competition. These results can probably be seen as a proxy to support the findings of this thesis, that intense rivalry in the home market has a positive influence on innovation speed (Reinertsen& Smith, 1998), the use of IT (Sonnenberg, 1993), or lead user involvement are important accelerators of new product development and supposedly also play a crucial role in the innovation speed of the focal companies, even though they were not identified during the course of this study. The capability innovation speed can be identified as a pillar of the focal companies' competitive advantage. But is the ability to innovate faster than the competition a dynamic capability and thus a potential source of a company's competitive advantage? Since competitive advantage is the core of the dynamic capabilities concept, the results of other researchers are presented, those who studied innovation speed as a source of a competitive advantage.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Scandura and Williams (2013) refers research methodology as a systematic way to solve a problem. This chapter focuses on; the research design, data collection and data analysis method that was used in the study.

3.2 Research Design

The research design was a case study. Especially for strategic management research, the case study approach is popular. The case study approach is particularly useful to employ when there is a need to obtain an in-depth appreciation of an issue, event or phenomenon of interest, in its natural real-life context.

Examples of research employing case studies for investigating dynamic capabilities include Rindova and Kotha's (2001) comparison of Yahoo! and Excite and Tripsas and Gavetti's (2000) in-depth case study of the Polaroid Corporation. Case studies give the researcher not only the possibility to describe certain relationships, but also to test theory for a special setting.

3.3 Data Collection

Primary data was utilized in the study. According to Kothari (2011) primary data are those which are collected a fresh and for the first time and thus happen to be original in character.

The data was collected through a face to face interview with the researcher. An interview guide containing a set of questions was prepared. Five people were interviewed. The interviewees included top level managers who are tasked with strategic planning and management at Safaricom Limited. The procedure involved personal interviews to help to determine the approaches to change management and challenges encountered.

3.4 Data Analysis

The qualitative data was obtained from the interview guide and was analyzed using content analysis. Content data analysis makes general statements on how categories or themes of data are related. This mode of analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it would have been difficult to do so numerically.

Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the object of study. Content analysis approach has been used previously in similar research papers.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study in establishing the dynamic capability and the competitiveness of Safaricom Limited which was based on the following specific objectives: To determine the various dynamic capability practices adopted by Safaricom limited; to determine the various types of competitiveness enjoyed by Safaricom limited Kenya; and to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

4.2 The Respondents Profile

The study targeted five managers from Safaricom Limited all of whom participated in the interviews. The interviewees' position and the section of work in Safaricom limited was sought in this study. As per the findings the interviewees positions were as follows; two managers from enterprise business, two from Strategy & Innovation and one manager from IT & consumer sales. The interviewees are directly involved in making key decisions in strategic planning and management at Safaricom Limited thus were better placed and aware of changes which had taken place in this institution and strategic management practices adopted.

An inquiry was also made on the number of years the interviewees had worked with Safaricom limited. They had working experience ranging from five to ten years. This clearly implies information collected was from employees who have massive experience and familiarity with dynamic capability practices adopted.

4.3 Dynamic Capability Practices adopted by Safaricom Limited

The first objective was to determine the various dynamic capability practices adopted by Safaricom limited. The study inquired on the various dynamic capability practices adopted by Safaricom to enhance its competitiveness. From the study findings, the interviewees unanimously agreed that Safaricom limited has been applying dynamic capability approaches over the last ten years. They further indicated that the dynamic capability practices adopted by Safaricom limited included: Ability to Assimilate and exploit new technology from the environment; Recognition of the value of new information; Industry-Government-University collaboration; Concurrent engineering; R&D department closeness to other functional areas; internal and external sourcing of technology; Vertical integration; establishment of inter-group relations and cross-functional teams; corporate culture orientation towards innovation; and top management support.

The study sought to investigate whether Safaricom is able to assimilate and exploit new technology from the environment. According to the study findings most of the interviewees concurred that Safaricom has been able to assimilate and exploit new technology from the environment with only one objecting. According to the study findings, all the interviewees unanimously agreed that the firm's ability to assimilate and exploit new technology from the environment has had a positive impact on the Safaricom's competitiveness.

The study sought to examine Safaricom's ability to Assimilate and exploit new technology from the environment and Speed of innovation. Going by the findings, all the interviewees unanimously concurred that the firm's ability to assimilate and exploit new technology from the environment has enhanced the company's speed of innovation. On how the firm's ability to assimilate and exploit new technology from the environment impacts on Speed of innovation most of the interviewees postulated that it allows the firm Reincorporate external information into design and production while a few of the interviewees cited Demand forecasting and Planning. On the recognition of the value of new information, most of the interviewees postulated that it has enhanced demand planning in the company with a few of the interviewees indicated that the recognition of the value of new information enhanced product and service differentiation at Safaricom limited.

According to the interviewees, Safaricom limited partakes in Industry-Government – University collaborations. As of the nature of collaboration, most of the interviewees agreed that Safaricom collaboratively runs market driven programs with the rest citing joint funding of key research interests. According to the interviewees Safaricom's R&D department is very close to other functional areas. According to the interviewees, the closeness of the R&D department to other functional areas allows for Seamless flow of information between the R&D department and other departments which facilitates decision making. The study sought to investigate the impact of external sourcing on Safaricom's competitiveness. Most of the interviewees indicated that the level of external sourcing of technology has increased speed of innovation while a few of the interviewees postulated that external sourcing of technology has facilitated differentiation in Safaricom. The study indicated that Safaricom has adopted vertical integration, which has enabled the company achieve; time related goals and participate in up-stream and down-stream supply chain activities.

On the impact of inter-group relations and cross functional teams, most of the interviewees indicated that it has enhanced incremental innovations for new technology with a minority indicating knowledge building groups. The interviewees unanimously agreed that Safaricom's corporate culture orientation towards innovation has contributed to the firm's competitiveness. Most of the interviewees concur that country-specific beliefs have positively impacted on Safaricom's competiveness. The study sought to investigate the benefits of adopting dynamic capability practices. According to the study findings, the biggest benefit of adopting dynamic capability is its impact on Strategic positioning. This implies that the market leadership by Safaricom in Kenya and the region can be attributed to the dynamic capability practices the firm has adopted over the last decade.

4.4 Types of Competitiveness enjoyed by Safaricom Limited

The second objective of the study was to determine the various types of competitiveness enjoyed by Safaricom limited Kenya. In this regard, the study sought to establish the various types of competiveness that Safaricom enjoys as a market leader in Kenya's telecommunication industry. The findings indicated that, Safaricom enjoys the following competitiveness; increased innovation speed, Reduced Transaction costs, and enhanced market entry and expansion. The study revealed that enhanced market entry and expansion is the biggest competitiveness enjoyed by Safaricom as indicated by most of the interviewees. The findings above are in tandem with Momanya (2000) who asserts that; Competitiveness involves a combination of assets and processes, where assets are inherited (natural resources) or created (infrastructure) and processes transform assets to achieve economic gains from sales to customers. Outcomes can be achieved through competitive potentials through the competitiveness process.

4.5 Dynamic Capability and the Competitiveness of Safaricom Limited

The third objective of the study was to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. The study sought to establish the link between the adoption of dynamic capability approaches and the competiveness of Safricom limited. The interviewees were required to describe how the application of dynamic capability practices has influenced the company's core competencies. The interviewees unanimously agreed that Safaricom's ability to exploit and assimilate new technology has enabled the firm remain a pioneer in many products and services.

The study further sought to investigate the effect of R&D budgetary allocation on Safaricom's competitiveness. Based on the findings most of the interviewees indicated a positive correlation between R&D budgetary allocation and competitiveness with a few postulating that top management allocates adequate resources to R&D. On the benefits of investing in R&D most of the interviewees indicated that investment in R&D has reduced Product –Lifecycle with a minority indicating Strategic demand and market planning as the key benefits of investing in R&D.

Based on the study findings, Safaricom's ability to adopt of Dynamic capability practices has enhanced the firm's response to external market forces. According to most of the interviewees, through adopting dynamic capability practices, the firm is able to factor customer demands into its production process. However some of the interviewees indicated that sound market intelligence has helped the firm undertake strategic marketing. The study sought to investigate how the level of internal and external sourcing of technology impacts on the firm's competitiveness. The interviewees concurred that; internal and external sourcing of technology has enabled the firm reduce its product-lifecycle while enhancing its ability to attract top rated technocrats.

4.6 Discussion of the Findings

The study established that Safaricom Limited has been applying Dynamic capability practices in its operations. The dynamic capability practices adopted by Safaricom Limited included: Ability to Assimilate and exploit new technology from the environment; Recognition of the value of new information; Industry-Government-University collaboration; Concurrent engineering; R&D department closeness to other functional areas; internal and external sourcing of technology; Vertical integration; establishment of inter-group relations and cross-functional teams; corporate culture orientation towards innovation; and top management support. The study also found that Safaricom has been able to assimilate and exploit new technology from the environment. Towards this end, the study revealed that, the firm's ability to assimilate and exploit new technology from the environment has had a positive impact on its competitiveness. In the same context, the study revealed that Safaricom's ability to assimilate and exploit new technology from the environment has positively influenced the firm's Speed of innovation. According to the study findings, ability to assimilate and exploit new technology has enhanced Demand forecasting and planning.

The study further revealed that the recognition of the value of new information has enhanced product and service differentiation at Safaricom limited. From the findings; it is clear that Safaricom partakes in Industry-Government –University collaborations to a large extent. According to the study, such collaborations occur along two horizons; that Safaricom collaboratively runs market driven programs, and joint funding of key research interests with local Universities. The findings are corroborated by Cohen & Levinthal (1989) who first coined the term ‘absorptive capacity’, defining it as: ‘the firm’s ability to identify, assimilate and exploit knowledge from the environment’. Subsequently they adopted a slightly wider view as an ability to recognize the value of new information, assimilate it, and apply it to commercial ends’. Putting the two together provides a ‘classical’ view of absorptive capacity as: the identification and recognition of new information, both internal and external, and its assimilation, application and exploitation for commercial ends.

According to the study findings, Safaricom’s R&D department is very close to other functional areas. According to the interviewees, the closeness of the R&D department to other functional areas allows for Seamless flow of data/information between the R&D department and other departments which facilitates decision making. On the impact of external sourcing on Safaricom’s competitiveness most of the interviewees indicated that the level of external sourcing of technology has increased speed of innovation with a minority of the interviewees postulating that external sourcing of technology has facilitated differentiation in Safaricom. The findings above complements Willis and Jurkus (2001) who established a positive influence of cross-functional teams or at least the closer interaction of R&D with other functions on the speed of new product development seems to be.

The study indicated that Safaricom has adopted vertical integration, which has enabled the company achieve; time related goals and participate in up-stream and down-stream supply chain activities. At the same time the findings revealed that inter-group relations and cross functional teams have had a significant impact on Safaricom's competitiveness. Specifically, the firm's inter-group and cross functional teams has enhanced incremental innovations for new technology and knowledge building groups. The findings above support Kessler and Chakrabarti (1996) who posit that a major type of dynamic capability is structural factors. They further argue that whether the vertical integration of a company can enhance innovation speed is controversially debated. For the innovation process especially, the choice between external sourcing of technologies or in-house development is of central importance. They further suggest that external sourcing increases innovation speed, since the building of knowledge is a rather lengthy process. Still, they found that research teams may not be open to external technologies or knowledge and rely on in-house development.

On Safaricom's corporate culture orientation towards innovation, the study outcome revealed that the firm's corporate culture orientation towards innovation coupled with country-specific beliefs have contributed to the firm's competitiveness. The findings indicated that, Safaricom enjoys the following competitiveness; increased innovation speed, Reduced Transaction costs, and enhanced market entry and expansion. The study findings further revealed that market entry and expansion is the biggest competitiveness enjoyed by Safaricom as indicated by most of the interviewees.

The study findings revealed a positive relationship between the adoption of dynamic capability practices and competitiveness at Safaricom limited. According to the findings, dynamic capability practices have influenced the company's core competencies. Towards this end, the study findings revealed that Safaricom's ability to exploit and assimilate new technology has enabled the firm remain a pioneer in many products and services. The study further revealed a proportionate relationship between R&D budgetary allocation and Safaricom's competitiveness. According the findings, R&D investment has reduced the firm's Product-Lifecycle while facilitating Strategic demand and market planning.

Based on the study findings, Safaricom's ability to adopt Dynamic capability practices has enhanced the firm's response to external market forces. According to the interviewees, through adopting dynamic capability practices, the firm has been able to factor customer demands into its production process. The study further indicated that sound market intelligence has helped the firm undertake strategic marketing. The study further revealed that the level of internal & external sourcing of technology impacts has had a positive impact on the firm's competitiveness. The interviewees concurred that; internal and external sourcing of technology has enabled the firm reduce its product-lifecycle while enhancing its ability to attract top rated technocrats. The findings above concur with Barney (2001) and Sushil (2000) who postulates that in today's turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming more important sources of competitiveness.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. This chapter presents; the summary of the findings, conclusions and recommendations of the study.

5.2 Summary of the Findings

The outcome of the study revealed that dynamic capability practices embraced by Safaricom Limited Kenya have positively influenced the competitiveness of Safaricom limited.

The first objective of the study was to examine the various dynamic capability practices adopted by Safaricom limited. The outcome of the analysis indicated that the company has adopted the following dynamic capability practices; ability to assimilate and exploit new technology from the environment; recognition of the value of new information; Industry-Government-University collaboration; concurrent engineering; R&D department closeness to other functional areas; internal and external sourcing of technology; Vertical integration; establishment of inter-group relations and cross-functional teams; corporate culture orientation towards innovation; and top management support.

The second objective was to investigate the various types of competitiveness enjoyed by Safaricom limited Kenya. The outcome of the analysis indicated that Safaricom enjoys the following competitiveness; increased innovation speed, Reduced Transaction costs, and enhanced market entry and expansion. The study findings further revealed that market entry and expansion is the biggest competitiveness enjoyed by Safaricom as indicated by most of the interviewees.

The third objective was to establish the relationship between dynamic capability and the competitiveness of Safaricom limited. The outcome of the analysis revealed a positive relationship between the adoption of dynamic capability practices and competitiveness at Safaricom limited. According to the findings, dynamic capability practices have influenced the company's core competencies. Towards this end, the study findings revealed that Safaricom's ability to exploit and assimilate new technology has enabled the firm remain a pioneer in many products and services. The study further revealed a proportionate relationship between R&D budgetary allocation and Safaricom's competitiveness. According the findings, R&D investment has reduced the firm's Product-Lifecycle while facilitating Strategic demand and market planning.

5.3 Conclusions

The study concludes that Safaricom Limited has been applying Dynamic capability management practices in its operations. Safaricom has embraced the following dynamic capability practices: ability to assimilate and exploit new technology from the environment; recognition of the value of new information; Industry-Government-University collaboration; concurrent engineering; R&D department closeness to other functional areas; internal and external sourcing of technology; Vertical integration; establishment of inter-group relations and cross-functional teams; corporate culture orientation towards innovation; and top management support. As a result of adopting dynamic capability approaches Safaricom has been able to enjoy the following competitive advantages; increased innovation speed, reduced Transaction costs, and enhanced Market entry and expansion. The study concludes that Safaricom limited has successfully adopted and implemented diverse Dynamic capability practices and that, theses dynamic capability practices have positively affected the competitive advantage of the firm making it a market leader in Kenya and beyond.

5.4 Recommendations for Managerial Policy and Managerial Practice

The fact that dynamic capability practices positively influences firm competitiveness underscores the need for the other firms within and outside the telecommunication industry to embrace dynamic capability approaches in their operations. The findings of this study further underpins the need for telecommunication firms and other key stakeholders to establish strategies to increase awareness and information dissemination on dynamic capability models across all sectors in Kenya to the enhance both firm and national competitiveness.

Private and public policy makers should focus on the scope and functionality of a dynamic capability management system specifically tailored to the informal sector with capabilities which can vary from a basic general ledger accounting application to a comprehensive system covering budgeting, accounts receivable or payable, cash management, commitment control, debt, assets and liability management, procurement and purchasing, revenue management, human resource management and payroll.

To theory and knowledge, the study recommends the development of new models on temporal dynamics of firm competitiveness and inter-firm rivalry. In this regard, the study recommends that the managerial process of contemplating repositioning within strategic groups should be connected to feedback from performance benchmarking, behavioral biases, stimuli from the external environment, and the individual position of the focal firm particularly in a fast moving liberal market like Kenya.

5.5 Limitations of the Study

The study sought to establish the relationship between dynamic capability and firm competitiveness. It is clear that a study of this magnitude should include a survey of sizeable number of telecommunication firms. However time and material resources did not make this feasible and for this reason the study was confined to Safaricom limited.
On the other hand, the study period was a little bit narrow for a study of this nature. The researcher had to juggle between work and the field particularly during data collection. This was a major hindrance particularly in ensuring that the research work did not hamper the performance and productivity of the researcher at the work place.

The research findings might not be generalizable and applicable to other telecommunication companies in Kenya owing to the fact that different telecommunication companies use different operations strategies. The study could not control the interviewees attitude which could have affected the quality of information given. Despite these challenges the validity of the findings emanating from this study cannot be compromised.

5.6 Suggestions for further Research

The fact that the degree to which various dynamic capability practices affects the competiveness of the Safaricom varies from one dynamic capability practice to the other calls for further research efforts to identify optimal dynamic capability practices and on the possibility of setting benchmarks. The need for further research into this aspect of dynamic capability is further compounded by the fact that dynamic capability management approach is a relatively new phenomenon in Kenya.

REFERENCES

Ajitabh, A. &Momanya, K. (2012).Competitiveness of Firms: Review of Theory, Frameworks,
and Models. *Asia Pacific Journal of Management*, 5(9) 456-602.

Arunga, J. &Kahora, B. "*Cell Phone Revolution in Kenya (2007*)". Available at: http://www.brunoleoni.servingfreedom.net/Papers/IBL_Arunga_Kenya.pdf. [Accessed: 2015-05-30]

Baldwin, C. Y. & Clark, K. B. (1997). Managing in an Age of Modularity.*Harvard Business Review*,75(5), 84-93.

Barney, J. B. (2013). Looking inside for Competitive Advantage. *Academy of Management Executives,* 9, 4.

Chacha, G. (2010). Assessing the Resource Based view at Safaricom limited Kenya. *Unpublished MBA project, University of Nairobi*

Chakraborty, S. (2007)"*Mobile Phones Bridging the Information Divide Issues and Lessons from Africa (2007)".* Available at: http://www.unc.edu/~sayanc/globalcomm/Africa- mobile_phones.pdf\

Chang, S. (2003).*Financial Crisis and Transformation in Korea: The Rise and Fall of Chaebol Business Groups*.Harvard University Press.

Cho, H. / Tansuhaj, P. (2003).Examining LDC firms' Competitive Advantage from the Resource-Based, *Academy of Management Review, (9 92), 200-23.*

Chong, L. C. et al. (2001). *Strategic Time*.Working Papers in Asia Management.Volume 2.University of St.Gallen.

Chaudhri S (2001) “Do Competence–Based Strategy Make Sense in Developing Countries?”The Times of India News Services, January 16.

Dulčić D. G.; Smith, P. G & Mark, T. (2012).Faster to market. Dynamic strategies, December 1998, 120, 12, pp. 68-70.

D’Cruz, J. &Rugman, R. (1992). New Concepts for Canadian Competitiveness, Kodak, Canada. *Strategic Management Journal, 18(7), 512-639.*

Eisenhardt, K. M. & Martin, J. A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal,* 21, pp. 1105-1121.

Ethiraj, S. K. ; Kale, P. ; Krishnan, M. S. ; Singh, J. V. (2005). Where do Capabilities come from and how do they matter? A Study in the Software Services Industry.*Strategic Management Journal* 26, 1, pp. 25-46.

Government of Kenya (2014). Economic Review*, Kenya National Bureau of Statistics*

Grimpe, J. T.; Penuel, F. &Pandian, R.J (2014). “The Resource-Based view within the Conversation of Strategic Management,” *Strategic Management Journal*, Vol. 13, No. 5, pp.363 80.

Kanter RM (1993) Country Competitiveness, New York, Oxford University Press.

Kessler, E. &Bierly, P. (2000). An Empirical Test of the Benefits of Innovation Speed.

Academy of Management Proceedings 2000 - TIM Paper Abstracts, p.1.

Kessler, E. &Chakrabarti, A. (1996). Innovation Speed: A conceptual Model of Context, Antecedents and Outcomes.*Academy of Management Review*, 21(4) 1143-1191.

Kim, H.; Hoskisson, R. E. :Tihanyi, L., & Hong, J. (2004). Evolution and restructuring of diversified business groups in emerging markets: The lessons from chaebols in Korea. *Asia Pacific Journal of Management*, 21, pp. 25-48.

Kothari, R. (2011). Research methodology: Methods & Techniques. *New Age International.*

Snijders&Bosker (2000).Business Research methodology.*Hallmark international*

Mahoney,F. ; Zollo, L.; and Winter, G.(2002). Innovation and dynamic capability. *Academy of Management Review*, 6(7), 633-965

Momaya K (1998) "Evaluating International Competitiveness at the Industry Level", International Competitiveness.*Singapore management review, 26(1), 1-8*

Nachmias, C.N. &Nachmias, D. (1996).*Research Methods in social Sciences*. 5th Edition, 115-267. St. Martin's Press

Scandura, T. A. / Williams, E. A. (2000). Research methodology in management: Current practices, trends, and implications for future research. *Academy of Management Journal,* 43, 6, pp. 1248-1264.

Snow, T. and Thomas, K. (2013).*Currentapproaches to research methods in social science*, 4th edition, 200-245. New age international

Yeung, F.Y. (2014). Firm and National competiveness; current dimensions.*Strategic Management Journal*, 4(6), 411-623. Doi: 1000456/jr.xcm

Teece, D. J.: Pisano, G. &Shuen, A. (1997). Dynamic Capabilities and Strategic Management.*Strategic Management Journal,* 18, pp. 509-533.

Teece D (1991) The Competitiveness Challenge: Strategies for Industrial Innovation, Cambridge, MA Ballinger.

APPENDIX I: INTERVIEW GUIDE

Instructions

Please provide the answers as correctly and honestly as possible.

Section 1: Demographic Information

1) In which department/division do you work?

____

2) What is your position in the department/division?

____

3) How long have you worked with Safaricom limited?

____

Section 2: Dynamic Capability practices at Safaricom limited

4) Has Safaricom Limited adopted any practices that aim at enhancing its dynamic capability?

____

5) If your answer in 4 above is Yes, what forms of dynamic capability practices has Safaricom Kenya adopted? Please explain

____

____

6) Has Safaricom been able to assimilate and exploit knowledge from the environment?

____

7) If your answer in 6 above is Yes, please explain how has Safaricom's ability to assimilate and exploit knowledge from the environment enhanced its speed of innovation?

____

____

8) Has Safaricom limited management recognized the value of new information?

____

9) If your answer in 8 above is Yes, explain how Safaricom's ability to recognize the value of new information enhanced its competitiveness.

____

____

10) Has Safaricom been able to utilize Industry-Government-University collaboration?

____

11) If your answer in 10 above is Yes, explain the nature of Industry-Government-University collaborations at Safaricom limited.

____

12) Has Safaricom Limited been involved in concurrent engineering?

13) If your answer in 12 above is Yes, explain how Safaricom's ability to undertake concurrent engineering has enhanced the firm's new product development

14) Does the R&D department closely interact with other functions in Safaricom limited?

15) If your answer in 14 above is Yes, please explain how the close interaction between the R&D department enhanced Safaricom's new product development and competiveness.

16) In your opinion does the level of external and internal sourcing of technology has any influence on the competiveness of Safaricom limited?

17) If your answer in 16 above is Yes, please explain how the level of external and internal sourcing of technology impacts on the competiveness of Safaricom limited.

____

____

18) Has Safaricomundertaken vertical integration?

____

____

19) If your answer in 18 above is Yes, please explain what forms of vertical integration has Safaricom adopted in order to remain competitive.

____

____

20) Has Safaricom limited established inter-group relations and cross functional teams?

____

21) If your answer in 20 above is Yes, please explain the nature of inter-group relations and cross-functional teams at Safaricom limited.

____

____

22) In your opinion does corporate culture orientation towards innovation contribute to Safaricom's ability to develop new products and services?

____

23) If your answer in 22 above is Yes, please explain how corporate culture towards innovation has enhanced Safaricom's ability to develop new products and services.

____

____

24) Do you think country-specific beliefs and behaviors have any impact on the competitiveness of Safaricom Kenya? explain

____

____

25) In your opinion is top management support an enabling factor in the successful adoption and implementation of dynamic capability at Safaricom limited?

____

26) Please explain the benefits of adopting dynamic capability practices at Safaricom limited

____

____

Section 3: Types of competitiveness enjoyed by Safaricom limited Kenya

27) What type of competiveness does Safaricom enjoy as a result of adopting dynamic capability practices? Please explain

____

____

28) Does Safaricom limited enjoy from investing in Research and Development?

____

29) If your answer in 28 above is Yes, explain how Safaricom benefits from investing in R&D

____

____

30) Is Safaricom able to adapt to changes in the environment as a result of adopting dynamic capability practices? If Yes, explain

____

____

31) Is Safaricom able to easily change target markets as a result of adopting dynamic capability practices? If Yes, explain

____

____

32) Has the adoption of dynamic capability practices enhanced Safaricom's participation in strategic alliances? If Yes, explain

____

____

33) Has Safaricom limited mitigated the impact of workforce fluctuation as a result of adopting dynamic capability practices? If Yes, explain

____

____

34) How effective has Safaricom been able to utilize the advantage of investing in Research & Development? Explain

____

35) How effective has Safaricom been able to utilize the advantage of Changing of target markets? Explain

____

____

36) How effective has Safaricom been able to utilize the advantage of Participating in Strategic Alliances? Explain

____

____

37) How effective has Safaricom been able to utilize its ability to mitigate the impact of workforce fluctuation? Explain

____

____

Section 4: Relationship between Dynamic capability and Competitiveness

38) Could you say that your competitiveness is related to the dynamic capability? If Yes, please explain

____

____

39) Has Safaricom developed new products or services through its ability to assimilate and exploit knowledge from the environment?

____

40) If your answer in 39 above is Yes, please explain how these new products/serviceshave enabled the company gain a sustainable competitive advantage?

____

____

41) In your opinion, has Safaricom's speed of innovation been enhanced by the Closeness of the R&D department to other functional units?

____

____

42) If your answer in 41above is Yes, please explain how the closeness of the R&D to other functions enabled the company build it core competency.

____

____

43) In your opinion do you think that Safaricom’s structural factors like vertical integration have enhanced its strategic position and competitiveness in the market?

____

44) If your answer in 43 above is Yes, please explain how the company’s structural factors have enabled the company build it core competency.

____

____

45) How has the extent of Industry-Government-University collaborations enhanced Safaricomlimited’s competiveness in the telecommunications industry? Explain

____

____

46) Can you attribute Safaricom's competiveness to the level of external and internal sourcing of technology at the Company? If Yes, Please explain

____

____

47) Please explain the extent to which Top management support has enabled Safaricom adopt dynamic capability practices while enhancing its competiveness in the market.

____

____

48) Could you attribute the competiveness of your company to the R&D investments (budgetary allocation to research & innovation)? If Yes, explain

____

____

49) Has Safaricom'sability to assimilate and exploit new technology enhanced th company's competitiveness in the market? If Yes, explain

____

____

50) In your opinion do you think that Safaricom'sIdentification and recognition of new information has enhanced the company's competiveness in the market? If Yes, explain ____