

**GROWTH STRATEGIES AND PERFORMANCE OF SAFARICOM LIMITED  
IN KENYA**

**BY**

**MERCELINE A. OBONYO**

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**DECLARATION**

This project is my original work and has not been presented for the award of a degree in this University or any other Institution of higher learning for examination.

Signature .....

Date .....

**MERCELINE A. OBONYO**

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

Signature .....

Date .....

**ELIUD O. MUDUDA**

**LECTURER**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## **DEDICATION**

This project is dedicated to my family for their love and to Safaricom Ltd.

## **ACKNOWLEDGEMENTS**

To God is the glory for seeing me through this programme. I am greatly indebted to my supervisor, who devoted valuable time to guide this work and placing at my disposal his splendid academic judgment, thoroughness and usually fine research talents which were of enormous assistance in bringing this study into completion.

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## **ABSTRACT**

Firms use growth strategy to outline the fundamental steps that they plan to follow in order to accomplish their objectives. Organizations can have a single strategy or many strategies, and that these strategies are likely to exist at; corporate level; business level and functional level strategies. Although the literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on growth strategy. The objectives of this study were to identify the growth strategies of Safaricom Limited and to establish how the growth strategies influence performance of Safaricom Limited. This research was conducted through a case study. A case study is preferred because it enables the researcher to have an in-depth understanding of adopting growth strategies. The nature of data to be collected was qualitative and was analyzed using content analysis technique. Content analysis is a tool for measuring the content of communication. The study concludes that Safaricom Limited has adopted various growth strategies to enhance the Safaricom performance. In addition, the study concludes that Safaricom considers competition as an impetus toward enhancing products and services and improving performance. The study recommends that firm should make use of technology growth strategies among other growth strategies to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. The study also recommends that Safaricom can enhance product innovation by investing more in research and design.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the study**

Pearlson and Saunders (2006) define a growth strategy as a “well-articulated vision of where a business seeks to go and how it expects to get there. It is the form by which a business communicates its goals. Management constructs this plan in response to market forces, customer demands, and organizational capabilities. A growth strategy can thus, be defined as the process that the organization takes to make technical market oriented sustainable decisions about the business direction. Growth strategy denotes actions or patterns of actions intended for the attainment of goals.

The telecommunication industry is one of the most important industries in the world since it delivers voice communications, data, graphics, and video at ever-increasing speeds. Telecommunication influences the world economy and the telecommunication industry’s revenue was estimated to be \$1.2 trillion in 2006. The competition is also becoming more and sharper. In order to obtain sustainable competitive advantage, telecommunication firms are forced to make innovation and do the best for customer satisfaction. The most widely pursued growth strategies in telecommunication industry are those designed to achieve growth in sales, assets and profits for these organizations that conduct business in competitive sector in which they must grow to survive. Continuing growth means increasing sales and a chance to take advantage of the experience curve to reduce the cost of product or services offered (Wheelen and Hunger,

2010). Greater efficiency in the delivery of telecommunication services to ensure that the costs of services become increasingly affordable and that the range and quality of services better caters to the needs of Kenyans.

### **1.1.1 Concept of strategy**

The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial and market performance (Johnson and Scholes, 2008). A Firm's strategy is managements' action plan for running the business and conducting operations (Thompson and Strickland, 2007). Strategy can be defined as the balance of actions and choices between internal capabilities and external environment of an organization. Accordingly, strategy can be seen as a plan, play, pattern, position and perspective (Mintzberg *et al*, 2009). According to Bateman and Zeithman (1993), a strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization.

There are different forms of strategy (Johnson *et al*, 2008). Corporate level strategy is concerned with the overall scope of an organization and how value will be added to the different parts (business units) of the organization. This could include issues of geographical coverage, diversity of products/services of business units, and how resources are to be allocated between different parts of the organizations. The second level is the business level strategy, which is about how to compete successfully in particular markets or how to provide best value services in the public services. This

concerns which products or services should be developed in which markets and how advantage over competitors can be achieved in order to realize the objectives of the organization. The third level of strategy is at the operating end of the organization. These strategies are called operational strategies, which are concerned with how the component parts of an organization deliver effectively the corporate and business level strategies in terms of resources, processes and people.

### **1.1.2 Concept of Growth strategy**

The strategic management literature emphasizes on the important role of growth strategy in both large and small firms (Wit and Meyer, 2001 Pfeiffer, 1987). Firms use growth strategy to outline the fundamental steps that they plan to follow in order to accomplish their objectives. The literature indicates that organizations can have a single strategy or many strategies, and that these strategies are likely to exist at three levels; corporate level strategies (such as grand or master strategies); business level strategies (competitive strategies); and functional level strategies. Although the literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on growth strategy (Earl and Khan 1994).

The role of strategy is to match external environment with the firm's internal capabilities. Organizations exist in the context of complex commercial, economic, technological, cultural and social world. An understanding of the historical and environmental effects, as well as opportunities and other well exact threats to the organization is critical.

Strategy crafting is therefore largely influenced by top manager's perception of their organization's environment. Every organization has a unique environment, even organization within the same industry have environments unique to them (Mintzberg *et al*, 2009). Thompson and Strickland (2007) pointed out that an organization's strategy consists of moves and approaches devised by management to produce successful organizational performance.

Competitive strategy, in contrast with generic strategy focuses on the differences among firms rather than their common missions. In most firms comprehensive strategy evaluation is infrequent and, if it occurs is normally triggered by a change in leadership or financial performance. The fact that comprehensive strategy evaluation is neither a regular event nor part of a formal system tends to be deplored by some theorists, but there are several good reasons for this state of affairs (ward and Duray, 2000).

### **1.1.3 Growth strategies**

These are Strategies aimed at winning larger market share, even at the expense of short term earnings. Four broad growth strategies are diversification, product development, market penetration, and market development (Boone, 2000). Within these, several strategies have been adopted such technological, pricing, promotion, market expansion and product innovation strategies. A technology strategy designed to achieve differentiation in product performance will lose much of its impact, for example, if a technically trained staff force is not available to explain the performance advantages to the buyer if the manufacturing process does not contain adequate provisions for quality control (Porter, 1998)

In product innovation strategy, the power of product innovation in helping companies retain and grow competitive position is indisputable. Products have to be updated and completely renewed for retaining strong market presence. The practice of pricing strategy on can accomplish both short- and long-run objectives (Fraccastoro, Burton & Biswas, 1993). Short-run objectives include creating product awareness and interest, increasing store traffic and sales, reducing inventory, and enhancing perception of savings and value. Marketers develop market expansion strategies to ensure that their products are available in proper quantities at the right time and place. Distribution decisions involve modes of transportation, warehousing, inventory control, order processing and selecting of marketing channel. Promotion strategy encompasses all the various ways an organization undertakes to communicate its products' merits and to persuade target customers to buy from them. Promotion is the communication link between sellers and buyers organizations and uses many different means of sending messages about goods, services and ideas.

#### **1.1.4 Organization Performance**

Swanson and Holton (2008) define performance as a multi-dimensional construct, the measurement of which varies depending on variety of factors. Armstrong (2006) on the other hand indicates performance as both behavior or results and emphasizes that both behaviour (input) and results (output) need to be considered when managing performance. The most widely pursued corporate directional strategies are those designed to achieve growth in sales ,assets and profits companies that do business in expanding

industries must grow to survive. Continuing growth means increasing sales and a chance to take advantage of the experience curve to reduce the cost of product sold (Wheelen & Hunger, 2010). The motives behind the rapid growth of telecommunication services are the stakeholders involved expect to increase their wealth (value per share of stock), and management expects to gain higher salaries and employee benefits (Rose & Hudgins, 2008).

Different frameworks and reference models for measuring organization performance have evolved from a variety of origins. Frameworks are approaches to measurement that businesses frequently adopted, often with significant diversity in their design and use. Reference models are more rigorous standards, typically around specific performance metrics and associated business processes, adopted by an industry or by a common functional unit. They include; Balanced Scorecard, Economic Value Added, Activity-based costing, Quality Management, Customer Value Analysis and Action-Profit Linkage Model. Over the past few decades, many firms have adopted various quality programs, such as Total Quality Management (TQM), Six Sigma, European Foundation Quality Management (EFQM) and The Baldrige National Quality Program to improve the quality of the manufacturing and service offerings. A central tenant for all of these programs is business performance measurement. Quality programs, while grounded in product quality improvement and applied to many other business processes (Wruck & Jensen, 1998), are continuous improvement frameworks that might be best suited to help manage discontinuities in business strategies (Kaplan *et al*, 2001).

### **1.1.5 Mobile telephony sector in Kenya**

The demand for mobile phones in East Africa in the last few years has been more than most people expected and continues to expand. Operators have traditionally targeted urban areas, but it is the demand from rural and low income areas that have exceeded all expectations. The use of phones has already become part of African culture. As urban markets become saturated, the next generation of phone users will be rural based, and they will be using mobile phones. In African countries alone Kenya included, and according to the Communications Commission of Kenya (CCK), mobile phone usage has grown an average of 65 percent a year for the past five years. This is twice the rate of growth in Asian countries. In Kenya, the growth rate is even higher. Statistics indicate that Kenya has more than 18 million subscribers, up from 6.5million in the year 2006 (Nokia, 2010). Penetration of mobile telephony in Kenya, like many other developing countries, is mainly driven by affordability and innovation.

Although Safaricom Limited remains the market leader, its market share has also been hit to reflect a drop from 80.7 per cent recorded in June 2010 to 68.6 per cent. In the same year, Airtel's market share was 9.1 per cent rising to 15.2 per cent in December, partly due to the price war advantage. However, this went down to 14.3 per cent in June 2011 (Emmanuel, 2011). In June 2010, Essar's Yu had higher market share of 7.4 per cent than Orange Kenya's 2.7 per cent. Essar's market share has since gone down to 6.3 per cent as at June this 2011, while Orange's market share increased to 10.8 per cent. Currently, Safaricom Limited is the only operator making profits, while the rest – Airtel Kenya,

Telkom Kenya's Orange, and Essar's Yu are yet to break even. Safaricom Limited recently increased its call tariffs, due to what it blamed on high cost of operations (Emmanuel, 2011). According to Kenyan Economic report of (2012), the number of mobile users in Nairobi as 2.4 million with, Essar's Yu with market share of 6.3 per cent, Orange Kenya's 10.8 per cent Airtel Kenya, 22.9% and Safaricom 60% (Economic report 2012).

### **1.1.6 Safaricom Limited**

Safaricom Limited is a leading mobile network operator in Kenya. It was formed in 1997 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company. Safaricom Limited underwent management change when on January 17, 2011, Bob Collymore became the CEO; he succeeded Michael Joseph on November 1, 2010, after Joseph's ten years as Safaricom Limited CEO (Emmanuel, 2011). Recent reports appearing in the cross section of the press indicate that Vodafone Plc of UK only owns 35% and the remaining 5% is owned by a little known company, Mobitelea Ventures Limited. It is widely believed that the former regime arm twisted Vodafone to shed off the 5% as a kickback to high ranking officials in the regime. Safaricom's Limited initial public offering of stock, on the Nairobi Stock Exchange, closed in mid April 2008.

In its organizational structure, Safaricom Limited has embarked on a reorientation process and has restructured its departments to reflect its new customer-centric approach.

Three divisions designed to maximize contact with the customer and supported by five business support divisions have been created and positions of directors and general managers created to replace the 13 chief officers who headed various functions at the listed operator. The keenly awaited changes saw some chief officers survive to head the new divisions while others now reports to new directors.

As one of its growth strategies, Safaricom CEO Bob Collymore moved to shake up his top management and introduce a leaner and more efficient managerial structure. Several departments that were currently headed by chief officers were consolidated and are now be headed by a director who reports to the CEO. Effectively, some chief officers took a less prominent role so as to remain at Safaricom. The restructuring would facilitate a more customer-oriented approach and eliminate unnecessary duplication and by decentralizing decisions. The structure first divides Safaricom into four profit centered divisions and six business support departments as well as a personal assistant to the CEO. The move reduces the number of people reporting directly to the CEO to seven directors, two general managers, an executive business analyst/project management officer and the PA. The previous structure had thirteen divisions and top managers. The finance department was consolidated with Investor Relations and Procurement while the Technical department that oversaw all Safaricom engineers became Technical/IT and was merged with Chief Information Officer (Safaricom annual Report 2013).

## **1.2 Research Problem**

The strategic management literature emphasizes on the important role of growth strategy in both large and small firms (Wit and Meyer, 2001 ,Pfeiffer, 1987). Firms use growth strategy to outline the fundamental steps that they plan to follow in order to accomplish their objectives. Organizations can have a single strategy or many strategies, and that these strategies are likely to exist at; corporate level; business level and functional level strategies. Although the literature suggests that strategies are developed at the three different levels, theoretical and empirical studies of the relationship between strategy and organizational performance have mainly emphasized on growth strategy (Earl and Khan 1994). Safaricom has adopted growth strategies.

A successful strategy, however, could amount without products and services that specifically correspond with market needs. In deed this is something that Safaricom clearly understands. Safaricom has been diversifying its services and product range to meet the changing needs of its customers. However there has been increased competition from other mobile telecommunication firms, some of which are new players in the country. A major challenge for telecommunication firms is ensuring that decisions at each of the strategic levels are made consistently, focused on delivering the correct service to targeted customers (Boone, 2000).

Nevertheless, key issues of growth strategies have so far not been given a keen attention by previous studies. For instance Lundvall, (1992) have linked growth strategies in a descriptive manner to competitive and economic outcomes at national level and to the

performance of innovation systems at the regional level. Cooke and Morgan, (2001) opines there is a wide range of growth strategies that would not be deemed to be contributing to performance and economic advantages.

There are very few local studies carried out in Kenya concentrated on growth strategies. Kagwiria, (2010) did a study on the basic growth strategies being used by Commercial Safaricom in Kenya adopting a descriptive census survey of all the commercial Safaricom in Kenya. Her study looked into product development, market development and diversification strategies, thus leaving out technological and promotional based strategies. Letangule and Letting, (2012) did a study on effect of innovation strategies on performance of firms in the telecommunication sector in Kenya. The study found that adoption of innovation strategies affected profitability of the firms and recommended further research to include promotion strategy. Oloko *et al*, (2014) conducted a study on marketing strategies for profitability: a case of safaricom. The study found various marketing mix and techniques were employed that include: auditory marketing, new product creation, animation, pricing, place, content localization, brand alliances, use of celebrities and constant promotions.

The fact that the telecommunication industry environment has been affected adversely by the changing operating environment, calls for adoption of growth strategies to enhance performance. As observed from the above, there has been no study done on specifically growth strategies and organization performance in safaricom; thus informing the need to fill the gap by investigating these strategies guided by the following research question; what is the influence of growth strategies on performance in Safaricom Limited?

### **1.3 Research Objectives**

The objectives of this study were:

- i. To identify the growth strategies of Safaricom Limited
- ii. To establish how the growth strategies enhance performance of Safaricom Limited

### **1.4 Value of the study**

Policy and Decision makers at various levels of management will gain value added information on adapting growth strategies in response to changing competitive environment in telecommunication industry. For instance, the managers responsible for strategy may use the findings to formulate effective monitoring and control systems to mitigate against the challenges while formulating and adopting growth strategies.

Academics and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research. Specifically, the study hopes to make theoretical, practical and methodological contributions. The findings will contribute to professional extension of existing knowledge in growth strategy management by helping to understand the current strategies in mobile telecommunication sector.

Business people and entrepreneurs can use the findings from this research to aid them in implementing their organizational strategies. The findings will also enable the business

people to understand how growth strategy and structure relationship contributes to a firm's performance in a changing environment.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This section draws on literature in the area of growth strategies and performance. Secondary material such as books, journals, and articles which carry previous research work on the study topic are analyzed. The material is of importance to this study as it forms a basis for observations which will be made during the study in line with the aims and objectives of the study.

### **2.2. Theoretical Foundation**

This section reviews the theories available in relation to the topic under study. The theories are;

- i. Neoclassical Growth Theory
- ii. Endogenous Growth Theory

#### **2.2.1. Neoclassical Growth Theory**

An economic theory that outlines how steady an organization growth will be accomplished with the proper amounts of the three driving forces: labor, capital and technology (Ikiara, 2003). The theory states that by varying the amounts of labor and capital in the production function, an equilibrium state can be accomplished. When a new technology becomes available, the labor and capital need to be adjusted to maintain growth equilibrium.

This theory emphasizes that technology change has a major influence on organization growth, and that technological advances happen by chance (Bajona & Kehoe, 2006). The theory argues that organization growth will not continue unless there continues to be advances in technology. In regard to the current study this theory is important in that it will help the Safaricom Limited Company to determine what methods it needs to implement to facilitate growth. When this has been realized the company will improve in its performance.

### **2.2.2. Endogenous Growth Theory**

This theory holds that economic growth is primarily the result of endogenous and not external forces (Romer, 1994). Endogenous growth theory holds that investment in human capital, innovation, and knowledge are significant contributors to organizational economic growth. The theory also focuses on positive externalities and spillover effects of a knowledge-based economy which will lead to economic development. The endogenous growth theory primarily holds that the long run growth rate of an organization and the general economy depends on policy measures (Romer, 1994). For example, subsidies for research and development or education increase the growth rate in some endogenous growth models by increasing the incentive for innovation. The theory is relevant to the Safaricom limited company in that it will help the organization determine how human capital, innovation and knowledge affect its growth and performance.

## **2.3. Growth Strategies and Performance**

### **2.3.1 Technological Strategies**

Technology strategy is a firm's approach to the development and use of technology. Although it encompasses the role of formal Research and Development (R&D) organizations, it must also be broader because of the pervasive impact of technology on the value chain. Because of the power of technological change to influence industry structure and competitive advantage, a firm's technology strategy becomes an essential ingredient in its overall competitive strategy. However, technology strategy is only one element of overall competitive strategy, and must be consistent with and reinforced by choices in other value activities. A technology strategy designed to achieve differentiation in product performance will lose much of its impact, for example, if a technically trained staff force is not available to explain the performance advantages to the buyer if the manufacturing process does not contain adequate provisions for quality control (Porter, 1998). Technology has an influence on all aspects of business from the very general to the very specific. The advent of technology has made it easier for people to communicate with each other, whether they operate in the political, economic, social or general business arena. Communications technology takes the form of mobile phones, fax machines, video conferencing, the internet and the world wide web, and its key benefit is that staff are contactable all the time while at work, and should be able to contact customers and clients without having to return to an office (David, 2000).

Capabilities are a company's proficiency in combining people, process and technology which allow it to continually distinguish itself along the dimensions that are important to its customers. For example, in a high-tech industry, the ability to quickly develop new state-of-the-art products with features and performance that deliver value to customers creates an enduring advantage. The market focused elements determine the products and markets where the organization is presently competing. Capabilities not only support the current strategic thrust but, more importantly, determine future competitiveness (Edwards and Peppard, 1994).

### **2.3.2. Product Innovation Strategies**

A product is anything that can be offered to a market for attention, acquisition, use, or consumption that might satisfy a want or need. Consumers seek different product benefits in various localities, thus as a firm expands, it may use product as one of its marketing entry strategies. This can only be effective if the firm looks at products not being offered by other firms and venture the market and start offering them (Kotler, 2005). Several classification systems for consumer's products have been suggested. One basic distinction is based on whether or not the buyer perceived a need for the item. Thus an unsought product is one for which the consumer does not yet recognize a need. This classification is based on consumer buying behavior (Thompson and Strickland, 2007).

Product innovation provides the most obvious means for generating revenues. Process innovation, on the other hand, provides the means for safeguarding and improving quality

and also for saving costs. Improved and radically changed products are regarded as particularly important for long-term business growth (Hall and Saias, 1980). The power of product innovation in helping companies retain and grow competitive position is indisputable. Products have to be updated and completely renewed for retaining strong market presence.

Product innovation mostly occurs in organizations where different sets of knowledge are combined. Product innovation is creating new possibilities using these combinations. Therefore the two important keys seem to be accessibility to appropriate knowledge and finding the right combination of the knowledge sets (Tidd *et al*, 2005). It should be noted that factors such as culture, resources, capabilities, structure, size, age and skills influence innovation as well. Product innovation requires changes in organization. Organization may need to change its structure, behavior and underlying processes. Process innovation has sometimes been referred to as an alternative to product innovation, especially if it facilitates production so that the product could be produced at lower cost. Innovations in process facilitate the production of new products through increase in flexibility or range of adaptation (White, Braczyk *et al*. 1997). On the other hand production of a new product may require changes in the existing processes. For example new machine acquirement supports the production of a new product.

Different terminologies have been used to categorize and describe product development. Cooper *et al* (2002), for example, embraces two distinct activities: old product development, which involves updating and improving existing products, and new product

development, which involves a greater degree of innovational challenge. Meyer (1996) similarly categorized product development into primary and secondary innovations.

Product portfolio decisions are the manifestation of a firm's innovation and marketing strategies. The common approach to managing new product development is to develop and manage a portfolio of specific projects (Wheelwright and Clark 1992). Practically speaking, choosing the product portfolio determines the firm's strategy for the medium term future and is senior management responsibility (Cooper *et al.* 2002).

### **2.3.3. Pricing Rationalization Strategies**

The practice of promoting products on sale can accomplish both short- and long-run objectives (Fraccastoro, Burton and Biswas, 1993). Short-run objectives include creating product awareness and interest, increasing store traffic and sales, reducing inventory, and enhancing perception of savings and value. Long-run objectives include establishing a specific price image for the advertiser to achieve a competitive positioning and customer loyalty. Marketers promoting lower prices must thus decide how much to reduce the price as well as how to communicate the price reduction (Della, Monroe and Grewal, 1991).

Past research has shown that the plausibility of a price reduction claim influences consumer perceptions of the advertised offer (Biswas and Blair, 1991). However, such research on claim plausibility concern reference prices where exact dollar values are state. No one has studied the effects of claim plausibility on percentage reduction claims such as save 80 percent. Ads featuring percentage price reduction are frequently used by retailers to promote a line or announce a store-wide sale. Kotler (2005) pointed that all

other elements of a business operation represent costs. One of the most difficult areas of making decisions is pricing strategy, which deals with methods of setting profitable and adjustable prices. It is closely regulated subject to considerable public scrutiny. One of the factors influencing marketers pricing strategy for both goods and services is the competition.

Price is an important extrinsic cue and indicator of product quality or benefits. Customers often perceive high priced brands to be of higher quality and less vulnerable to competitive price cuts than low priced brands (Dodd, Monroe, and Grewal, 1991). Prahalad (2010) argue that companies doing business within the base of pyramid segment should think about developing products that can be affordable to those consumers. What he means is that firms should develop products and services that the base on pyramid consumer could pay for. Prahalad (2010) not only means working with price reduction but also about making payment feasible to these consumes, who usually receive their salary in a daily basis. Prahalad (2010) also points out that besides affordability, firms should work simultaneously with other important factors. They are awareness, access, and availability.

#### **2.3.4. Market Expansions Strategies**

In the marketing discipline, it is a widely accepted truth that if a company responds appropriately to the preferences and requests of customers and if these responses are equal to or exceed the performance of the company's competitors then success is guaranteed. Comparative research of emerging market potential is a costly exercise for

international marketers confronted with a multitude of diverse markets for which there is dearth of available research. Nonetheless, innovative companies are willing to shoulder the burden of looking at emerging markets (EM) that are commonly ignored because they offer growth potential through investment and sourcing opportunities.

They often have to be able and willing to cope with issues such as risk of turbulent change, poorly developed communication and distribution systems, limited managerial resources and cultural differences (Kotler and Zaltman, 2005). Traditional market selection analysis relies on purely macroeconomic and political factors at the outset of the analysis and fails to account for an emerging market's dynamism and future potential resulting from rapid change, national attributes that affect specific sectors and market receptiveness.

Chimhanzi and Morgan (2005) findings indicate that firms devoting attention to the alignment of marketing and human resources are able to realize significantly greater successes in their strategy implementation. Specifically, these findings imply that marketing managers should seek to improve the relationship with their HR colleagues by emphasizing two of the process based dimensions: joint reward systems and written communication. Executors are comprised of top management, middle management, lower management and non management.

Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process (Govindarajan, 1989). Here, quality refers to skills, attitudes, capabilities, experiences and other characteristics of people required by a

specific task or position (Peng and Litteljohn, 2001). Gronroos (1985) believes that an organization must first persuade its employees about the importance of the strategy before turning to customers (cited in: Rapert and Lynch and Suter, 1996). Keller (1993) considers brand awareness, brand associations, perceived quality, and brand loyalty to be the most important dimensions of consumer based perspectives. Keller (1993) indicates that customer based brand equity consisted of two dimensions, brand knowledge and brand image.

Marketing decisions affect brand equity and purchase intention. Managers need to evaluate the marketing activities and reduce or avoid brand hurting activities. Yoo, Donthu and Lee (2000) indicate marketing activities such as price, slogans, symbols, packaging, company image, country of origin; store image, advertising expenditures, and promotional events have important influence on the brand equity and purchase intention. High brand equity levels lead to higher consumer preferences and purchase intentions (Zeithmal, 1998: Cheng and Chang 2004).

To create a market selection framework that does justice to EM and enhances traditional analysis, we have sought to integrate into the assessment process tools developed by a variety of scholars. These tools include long-term market potential assessment from Arnold and Quelch's (1998) market demand-driven model. Marketers develop market expansion strategies to ensure that their products are available in proper quantities at the right time and place. Distribution decisions involve modes of transportation, warehousing, inventory control, order processing and selecting of marketing channel.

### **2.3.5. Promotional Strategies**

Promotion encompasses all the various ways an organization undertakes to communicate its products' merits and to persuade target customers to buy from them. Promotion is the communication link between sellers and buyers organizations and uses many different means of sending messages about goods, services and ideas. The message may be communicated directly by sales people or indirectly through advertisement and sales promotion. In developing various elements of promotion marketers blend together the various elements of promotion that will communicate most effectively with target markets. Promotion strategies serve different purposes and vary in size and scope (Kotler, 2003).

The marketing manager sets the goals and objectives of the firm's promotion strategy in accordance with overall organizational objectives and the goals of the marketing organization. Based on these objectives, the various elements of the strategy personal selling, advertising, sales promotion, publicity, and public relations are formulated into a coordinated promotional plan. This becomes an integral part of the total marketing strategy for reaching selected market segments. The feedback mechanism, including marketing research and field reports, completes the systems by identifying any deviations from the plan and suggesting modifications for improvement (Kotler, 2003).

According to Social Bakers, social devotion can be determined in three ways such as, if the firm uses social media sites as an avenue for communication with its subscribers. The company should be most likely to post significant information worth sharing with its

consumers. Another is that the company must be about 65% active on the site and being able to attend to questions posted by its followers. Lastly, companies must respond to its customer's concerns appropriately (Mcleod, 2013). Prahalad (2010) argues for the need to shift from promotion towards awareness. He states that the consumers need to be aware of new products and services that are being offered to them.

Promotional strategy is closely related to the process of communication. A standard definition of communication is the transmission of a message from a sender to a receiver. Marketing communications, then, are those messages that deal with buyer-seller relationships. A planned promotional strategy, however, is certainly the most important part of any marketing communications (Keegan, 2003).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter details the methodology to be employed in the study. It discusses the research design, data collection and analysis and why they are the most preferred for the study.

### **3.2 Research Design**

According to Saunders; Lewis and Thornhill (2009) research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. This research was conducted through a case study. A case study is preferred because it enables the researcher to have an in-depth understanding of adopting growth strategies at Safaricom Company. Case studies place more emphasis on a full contextual analysis of fewer events or condition, and their inter relations (Cooper & Schindler, 2006).

### **3.3 Data collection**

Primary data was collected and used for the study. Primary data was collected via personal interview with an interview guide (see appendix 1) consisting of open-ended questions. The interviewees in this study included the C.E.O who is the chief strategist charged with the responsibility of facilitating the implementation of various policies approved by the Board. Other interviewees were; finance managers, human resource managers, marketing managers and customer relations managers. Interview was adopted

because the study seeks to examine growth practices and the underlying factors for the same.

### **3.4 Data Analysis**

The nature of data to be collected was qualitative and was analyzed using content analysis technique. Content analysis is a tool for measuring the content of communication. Its objective is to obtain a qualitative description that manifests content of communication. In content analysis, the responses from different respondents are compared and summarized according to the objectives of the study. Content analysis is the best method of analyzing the open-ended questions. It is suitable because of its flexibility and allows for objective, systematic and quantitative description of the content of communication (Cooper *et al*, 2006).

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings of the study. The main objective of the study was to identify the growth strategies of Safaricom Limited and to establish how the growth strategies enhance performance of Safaricom Limited. Data was collected from C.E.O, finance managers, human resource managers, marketing managers and customer relations managers at Safaricom Limited.

### **4.2 Business Growth Strategies at safaricom limited**

The first objective of the study was to establish the growth strategies of Safaricom Limited. The following subsections present the findings of the study.

#### **4.2.1 Competitive Environment in Communication industry in Kenya organization**

Respondents were asked to indicate how they would describe the competitive environment in communication industry in Kenya organization. The study established that the Kenyan mobile market became dramatically more competitive in 2008. The primary drive for growth in the telecommunications and the information technology sectors is also associated with the speed of new technology implementation, which extends the market potential by introducing new services, and developing new capabilities to key players, as well as reducing their costs.

#### **4.2.2 Competition from other players in the industry**

Respondents were asked to indicate how the organization considered the competition from other players in the industry before formulating growth strategies. The study findings revealed that safaricom limited welcome competition from other players in the communication industry. Safaricom considers competition as an impetus toward enhancing products and services and improving performance.

#### **4.2.2 Factors that influence the adoption and implementation of growth strategies**

The study established that the adoption and implementation of growth strategies is influenced by factors such as the needs to develop both strategic and tactical skills in the telecommunication industry, the changing industry patterns and management, sociological evolution of the business through new product development, expansion into new national and international markets. Other factors that influence the adoption and implementation of growth strategies include: the need to obtain the economies of scale, exploitation of new business opportunities, to enhance competitive advantage, to protect against adverse business conditions, to gain economic and market power, to raise profits and creating resources for further reinvestment into business, to enhance optimum utilization of resource and to secure subsidies, tax concessions and other incentives offered by the government`

Also the study established that additional factors affecting the competition and growth in the sector are the worldwide de-regulation and privatization, and the government efforts to change the monopoly position of the national communication carriers

### **4.3 Technological strategies**

This section discusses on the technologies adopted by Safaricom, the consideration put in place in adoption of new technology as well as the effects of the adopted technologies to Safaricom Limited.

#### **4.3.1 Technologies adopted by Safaricom**

The study established that the technology adopted by the safaricom were such as innovation, product integration with new technology, customer relationship management, new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centres, going for technology which fits into the business and not the business fitting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments.

Others were such as use of alternate business channels to service customers through merchants, interconnection/integration with telecoms, partnership with IT and network providers, auto branches, implementation of a robust IT system to cope with volume of transactions and also agency model.

#### **4.3.2 Consideration taken by safaricom in adoption of new technology**

The respondents were asked to explain the consideration taken by the safaricom in adoption of new technology. The study established the following consideration in the adoption of new technology:

The security of data: The study established that safaricom consider how safe their data is. With cloud computing, the safaricom must entrust their data to a third party. Any good service provider will provide backup and recovery as part of the service. They will also invest considerable sums in deploying the best security technology and hiring the best security experts. Disaster planning also needs to be taken into consideration. The safaricom need to look at the legal jurisdiction under which data is held and the implications for who can legally demand access.

Technical skills: The availability of technically skilled personnel to operate and manage a new technology is also an important factor. If the local work force is inexperienced and insufficiently trained to support a chosen technology, the safaricom may have to import personnel with the appropriated skills or train their personnel. Even if skilled workers are available locally, it may still be necessary to rely on external service providers. Training staff in-house may be costly, time consuming and difficult to achieve in the short-term, but more sustainable in the long-term. Once the staff acquires the necessary skills, the ongoing cost of maintaining technology in-house may be lower than relying on external providers.

Readiness to Assimilate Technology: The safaricom adopting a new technology must be sensitive to the readiness of the stakeholders to assimilate the technology. In some circumstances, people will expect more from a technology than it can realistically deliver. In other cases, people may be distrustful or suspicious of a technology, or they may be poorly equipped to adopt it. Unrealistic expectations of a technology can result in new

technology that is not capable of fulfilling its intended functions. This can happen if the technology chosen is not appropriate for its intended tasks, or if it cannot be maintained after installation due to inadequate support mechanisms. A distrust or suspicion of technology can lead to delays in implementation or can halt a project altogether. When stakeholders are poorly equipped to adopt new technology, due, for example, to the absence of trained staff or reliable infrastructure, technology can easily fail to fulfill its promise.

#### **4.3.3 Effects of technological adoption/ innovations in Safaricom Limited**

From the responses, technological adoption/ innovations in Safaricom Limited helped them to gain competitive advantage. These competitive edges were such as engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. This was done at a time when Kenyans had started losing confidence in the firm. Embarking on financial products and services by integrating the financial systems with the core telecommunication systems, thus the firm is able to benefit from the massive data of 10 million customers maintained in the core telecommunication system. Online staff training through the firm's intranet systems which enables staff to be trained and tested on all new products and services two weeks before roll out, reduced turnaround time on transactions. Other competitive edges included; introduction of intelligence software which has enhanced functionality to receive and counts cash and subsequently credits customers' accounts instantly without any human intervention. Huge integration with the telecommunications companies

(convergence with the telecoms) and other service providers such as through Zain through Yu

In the earlier findings, the study also established that it is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

#### **4.4 Product Innovation**

The respondents were asked to indicate the products offered by Safaricom Limited as part of growth strategy. Safaricom Limited has diversified its product to cater for diverse needs of its customers. The leading products include: M-PESA that allows Kenyans to transfer money via SMS, Kipokezi service that enabled its subscribers to send and receive email and online chat through standard mobile phones, Also, the std established that Safaricom together with many other companies have come up with different services for use by the public ranging from weather updates to market prices and even entertainment updates. The company has plans to provide Wi-Fi internet connection in large malls, SMEs and government agencies in Kenya. With regards to customer support services, the company has chosen to reduce support via phone calls opting to use the social media especially Facebook. Customers calling the support numbers receive an automated message informing them about support via social media sites, the call then automatically disconnects with a message saying that all customer support representatives are busy. The study also established that Safaricom partnered with Commercial Bank of

Africa (CBA) launched M-Shwari, a banking product within M-Pesa. M-Shwari is coined from a Swahili word that denotes to smoothen or make something better or good, it is a revolutionary product set to change the lives of millions of Kenyans. The "M" signifies mobile centric as this product is operated entirely from your mobile phone. It is not accessible through any CBA branches but, on the consumers handset

#### **4.5 Pricing rationalization Strategies**

The study established that pricing rationalization/discounting is greatly practiced by safaricom Limited. During price rationalization/discounting safaricom Limited formulates Short-run and Long-run objectives. The short-run objectives include creating product awareness and interest, increasing store traffic and sales, reducing inventory, and enhancing perception of savings and value. The long-run objectives include establishing a specific price image for the advertiser to achieve a competitive positioning and customer loyalty.

The respondents further pointed out that indeed the company employs pricing strategy and that the organization align their pricing based on the segments and what it believes is cost effective enough to ensure affordability by customers while still returning shareholders value. Despite Safaricom's competitors adopting price war on its services, Safaricom Kenya Limited has been hesitant in following suit and tries to balance the interest of the customers with that of the shareholders. They gave an example of the recent increase in Mpesa transfer fees that is pegged to pricing and product offering by observing that Safaricom aligns its pricing based on the segments and what they believe

is cost effective enough to ensure affordability by customers while still returning shareholders value

#### **4.6 Market Expansions**

On the question on how market expansions have been adopted by your organization in the last 5 years, the respondents noted that Safaricom uses several strategies. They affirmed that Safaricom uses market penetration as a strategy and noted that the company seeks to enroll new subscriber on their network. The strategy is mostly done on the basis of product bundling and marketing campaign like enrollment drives. They also noted that version are informed by value proposition targeted at specific market segments where there's need to maximize on the opportunity. The other techniques employed by Safaricom in penetrating the market include offering incentives such as bundling services, giving devices tied to services and also recent rolling out retail shops and partner with device manufactures which is focused to availing access devices to customer to help them enjoy the network earn revenue from increased usage. The per second billing introduced by the firm helped Safaricom to attract and keep most of the new and existing customers who wished to pay on the basis of the usage time spend. They noted that while the other competitors in the market were having a constant per minute rate, Safaricom adopted a per second billing which became popular and made the customers feel that they are just paying for what they have consumed. This strategy is similar to the popular Kadogo economy in which the company considers categorizes clients according to their needs and tailors the firms' products to meeting these needs. To penetrate into the

young generation market that are concerned with networking, Safaricom introduced reduced data charges and broke into new market segment generation Z within campuses and colleges. This reduced internet bundles has become popular with students such that in the last one year alone, this market revenue has increased by over 300%. The respondents noted that indeed Safaricom has been quite successful in penetration drive and though the penetration price could be considered to be low, this is leveraged by the volume sale that comes as a result.

The study found out those market expansions is a strategy that safaricom have adopted to realize larger customer base. Safaricom Limited. Market diversification as a strategy has been adopted by Safaricom to address threats from fixed data network operators who had started providing voices services to their corporate customer and hence taking revenue away from Safaricom. Following this threat Safaricom acquired 100% shareholding of two licensed data network operators namely, Onecom limited and Data stream limited, to enable them to enter this fixed data network market. Safaricom used its well established brand name and marketing muscles to make a grand entry and within a short period it has the market leadership position in the corporate fixed data market segment. On the individual mobile data service, Safaricom used its financial muscle to buy third generation (3G) frequency and deploy 3G technology way ahead of the competition, this has enable Safaricom to control over 80% of the market share of this market segment.

The study found that the second way marketexpansions has been adopted is in taking advantage of opportunities available in the market. Safaricom through market research found out that there was a big gap in the financial services and money transfer service in

Kenya. Either there was no available service especially in the rural areas or where the service was available mainly in the urban areas the cost of access to this services was prohibitive or very inconveniencing to the consumer. Safaricom saw this market gap and developed together with its parent company Vodafone Plc a mobile money transfer service to fill in this market gap. M-pesa a mobile money transfer service was born and introduced in Kenya, its success has exceeded any expectation that Safaricom has had and it now a subject of study by many leading international organization and academic institutions.

The study established that market expansions has contributed positively both financially and in the well-being of the organizational generally. It has helped Safaricom build a very strong brand in the market such that whatever product it introduces to the market it is received with a lot of good will by the market and hence product or service success despite challenges or shortcomings. This has led to Safaricom being very profitable and as a result it has accumulated a lot of cash reserves that enables it to invest in new innovations. For its organizational structure Safaricom is able to attract the best human resource talents in the market giving it another advantage over its competitor as human resource is a critical component in organizational success in the service industry.

#### **4.7 Promotion Strategy**

The study established that Safaricom Limited has adopted promotion Strategies to persuade and influence the consumer's purchase decision. Promotion strategies provides

communication link between sellers and buyers organizations. The company communicates to consumers via print and electronic media.

In addition, the study established that Safaricom Limited uses personal selling, advertising, sales promotion, publicity, and public relations.

#### **4.8 How growth strategies enhance performance**

Safaricom view investments in new technology as a way to combat competition by improving productivity, profitability, and quality of operations. The study established the existence of two formulations of performance: efficiency and effectiveness. Technology enhances efficiency and effectiveness in safaricom. Efficiency emphasizes an internal perspective employing such metrics as cost reduction and productivity enhancement in the assessment of business process. Effectiveness denotes the achievement of organizational objectives in relation to a Safaricom's external environment and may be manifested in the attainment of competitive advantage, that is, effecting a unique value creating strategy with respect to competitors.

The study established that product innovation enhance organization performance by attracting more customers, increasing the choice of products available to customers, allowing the firm to offer products that meet consumer needs. The respondents suggested that safaricom can enhance product innovation by investing more in research and design. The safaricom should also employ persons with special skills in different types of products provided by the safaricom.

The study findings revealed that price rationalization/discounting enhance organization performance by influencing consumer perceptions of the advertised offers. Consumers end up subscribing to more products thus increasing capital base of the firm. The respondents suggest that pricing rationalization strategies can be enhanced by always ensuring that the reduction falls within the price reduction that consumers would expect to be normally discounted for sale.

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#### **4.9 Discussion of the Study Findings**

The study established that the adoption and implementation of growth strategies is influenced by factors such as the needs to develop both strategic and tactical skills in the telecommunication industry, the changing industry patterns and management, sociological evolution of the business through new product development, expansion into new national and international markets. Similarly, Boswell, (1973) argued that growth

also depends on the changing industry patterns and management; it is also about sociological evolution of the business. Prater and Ghosh (2005) in an empirical study on U.S. based small and medium sized enterprises operating in Europe reported new product development, expansion into new international markets and expansion into new European markets are the major growth strategies adopted by them. Contrary to common belief upgrading operation strategy was not reported to be a major strategy. The study also concluded that the enterprises did not take advantage of outsourcing of operation functions such as logistics. However growth carries different meanings by the different entrepreneurs. There is a strong impact of entrepreneur's attitude and the decision on growth and there may not be uniformity in growth agenda among the entrepreneurs even if they operate in the same market (Matthews and Scot, 1995)

The study established that product innovation enhance organization performance by attracting more customers, increasing the choice of products available to customers, allowing the company to offer products that meet consumer needs. The respondents suggested that safaricom can enhance product innovation by investing more in research and design. The safaricom should also employ persons with special skills in different types of products provided by the safaricom. The study findings are in line with Kotler (2005) who argued that consumers seek different product benefits in various localities, thus as a firm expands, it may use product as one of its marketing entry strategies. Cooper et al. (2002) further state that choosing the product portfolio determines the firm's strategy for the medium term future and is senior management responsibility.

The study findings revealed that price rationalization/discounting enhance organization performance by influencing consumer perceptions of the advertised offers. Consumers end up subscribing to more products thus increasing capital base of the firm. The respondents suggest that pricing rationalization strategies can be enhanced by always ensuring that the reduction falls within the price reduction that consumers would expect to be normally discounted for sale. According to Biswas and Blair (1991), the plausibility of a price reduction claim influences consumer perceptions of the advertised offer. The study findings revealed that price rationalization/discounting enhance organization performance by influencing consumer perceptions of the advertised offers. Consumers end up subscribing to more products thus increasing capital base of the company. Similarly Kotler (2005) argue that price is the only element of the marketing mix to generate revenues. The respondents suggest that pricing rationalization strategies can be enhanced by always ensuring that the reduction falls within the price reduction that consumers would expect to be normally discounted for sale.

The study established that market expansions have contributed positively both financially and in the well being of the organizational generally. It has helped Safaricom build a very strong brand in the market such that whatever product it introduces to the market it is received with a lot of good will by the market and hence product or service success despite challenges or shortcomings. This has led to Safaricom being very profitable and as a result it has accumulated a lot of cash reserves that enables it to invest in new innovations. For its organizational structure Safaricom is able to attract the best human

resource talents in the market giving it another advantage over its competitor as human resource is a critical component in organizational success in the service industry. The study findings is in line with Arnold and Quelch's (1998) who argued that marketers develop market expansion strategies to ensure that their products are available in proper quantities at the right time and place.

The study established that Safaricom Limited has adopted promotion Strategies to persuade and influence the consumer's purchase decision. Promotion strategies provides communication link between sellers and buyers organizations. The company communicates to consumers via print and electronic media. Similarly, Keegan, (2003) indicated that promotional strategy is closely related to the process of communication. A standard definition of communication is the transmission of a message from a sender to a receiver. Marketing communications, then, are those messages that deal with buyer-seller relationships. A planned promotional strategy, however, is certainly the most important part of any marketing communications.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the study findings, conclusion and recommendations of the study.

### **5.2 Summary of the Study Findings**

The study established that the Kenyan mobile market became dramatically more competitive in 2008. The primary drive for growth in the telecommunications and the information technology sectors is also associated with the speed of new technology implementation, which extends the market potential by introducing new services, and developing new capabilities to key players, as well as reducing their costs.

The study also established that the adoption and implementation of growth strategies is influenced by factors such as the needs to develop both strategic and tactical skills in the telecommunication industry, the changing industry patterns and management, sociological evolution of the business through new product development, expansion into new national and international markets. Other factors that influence the adoption and implementation of growth strategies include: the need to obtain the economies of scale, exploitation of new business opportunities, to enhance competitive advantage, to protect against adverse business conditions, to gain economic and market power, to raise profits and creating resources for further reinvestment into business, to enhance optimum

utilization of resource and to secure subsidies, tax concessions and other incentives offered by the government`

Also the study established that additional factors affecting the competition and growth in the sector, are the worldwide de-regulation and privatization, and the government efforts to change the monopoly position of the national communication carriers. The study revealed that the technology adopted by the safaricom were such as innovation, product integration with new technology, customer relationship management, new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centres, going for technology which fits into the business and not the business fitting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments.

Furthermore the study established that technological adoption/ innovations in Safaricom Limited helped them to gain competitive advantage. These competitive edges were such as engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. This was done at a time when Kenyans had started losing confidence in the firm. Embarking on financial products and services by integrating the financial systems with the core telecommunication systems, thus the firm is able to benefit from the massive data of 10 million customers maintained in the core telecommunication system. Online staff training through the firm's intranet systems

which enables staff to be trained and tested on all new products and services two weeks before roll out, reduced turnaround time on transactions. Other competitive edges included; introduction of intelligence software which has enhanced functionality to receive and counts cash and subsequently credits customers' accounts instantly without any human intervention. Huge integration with the telecommunications companies (convergence with the telecoms) and other service providers such as through Zain through Yu

Furthermore the study revealed Safaricom Limited has diversified its product to cater for diverse needs of its customers. The leading products include: M-PESA that allows Kenyans to transfer money via SMS, Kipokezi service that enabled its subscribers to send and receive email and online chat through standard mobile phones, Also, the study established that Safaricom together with many other companies have come up with different services for use by the public ranging from weather updates to market prices and even entertainment updates. The company has plans to provide Wi-Fi internet connection in large malls, SMEs and government agencies in Kenya. With regards to customer support services, the company has chosen to reduce support via phone calls opting to use the social media especially Facebook.

The study established that pricing rationalization/discounting is greatly practiced by safaricom Limited. During price rationalization/discounting safaricom Limited formulates Short-run and Long-run objectives. The short-run objectives include creating product awareness and interest, increasing store traffic and sales, reducing inventory, and

enhancing perception of savings and value. The long-run objectives include establishing a specific price image for the advertiser to achieve a competitive positioning and customer loyalty.

The study found out that market expansions is a strategy that safaricom have adopted to realize larger customer base. Safaricom Limited. Market diversification as a strategy has been adopted by Safaricom to address threats from fixed data network operators who had started providing voices services to their corporate customer and hence taking revenue away from Safaricom. Following this threat Safaricom acquired 100% shareholding of two licensed data network operators namely, Onecom limited and Data stream limited, to enable them to enter this fixed data network market. Safaricom used its well established brand name and marketing muscles to make a grand entry and within a short period it has the market leadership position in the corporate fixed data market segment. On the individual mobile data service, Safaricom used its financial muscle to buy third generation (3G) frequency and deploy 3G technology way ahead of the competition, this has enable Safaricom to control over 80% of the market share of this market segment.

The study established that market expansions has contributed positively both financially and in the well being of the organizational generally. It has helped Safaricom build a very strong brand in the market such that whatever product it introduces to the market it is received with a lot of good will by the market and hence product or service success despite challenges or shortcomings. This has led to Safaricom being very profitable and as a result it has accumulated a lot of cash reserves that enables it to invest in new

innovations. For its organizational structure Safaricom is able to attract the best human resource talents in the market giving it another advantage over its competitor as human resource is a critical component in organizational success in the service industry.

The study also established that Safaricom Limited has adopted promotion Strategies to persuade and influence the consumer's purchase decision. Promotion strategies provides communication link between sellers and buyers organizations. The company communicates to consumers via print and electronic media.

The study also established Safaricom view investments in new technology as a way to combat competition by improving productivity, profitability, and quality of operations. The study established the existence of two formulations of performance: efficiency and effectiveness. Technology enhances efficiency and effectiveness in safaricom. Efficiency emphasizes an internal perspective employing such metrics as cost reduction and productivity enhancement in the assessment of business process. Effectiveness denotes the achievement of organizational objectives in relation to a Safaricom's external environment and may be manifested in the attainment of competitive advantage, that is, effecting a unique value creating strategy with respect to competitors.

The study established that product innovation enhance organization performance by attracting more customers to the company, increasing the choice of products available to customers, allowing the company to offer products that meet consumer needs. The respondents suggested that safaricom can enhance product innovation by investing more

in research and design. The safaricom should also employ persons with special skills in different types of products provided by the safaricom.

The study findings revealed that price rationalization/discounting enhance organization performance by influencing consumer perceptions of the advertised offers. Consumers end up subscribing to more products thus increasing capital base of the firm. The respondents suggest that pricing rationalization strategies can be enhanced by always ensuring that the reduction falls within the price reduction that consumers would expect to be normally discounted for sale.

Finally, the study established that market expansions have contributed positively both financially and in the well being of the organizational generally. It has helped Safaricom build a very strong brand in the market such that whatever product it introduces to the market it is received with a lot of good will by the market and hence product or service success despite challenges or shortcomings. This has led to Safaricom being very profitable and as a result it has accumulated a lot of cash reserves that enables it to invest in new innovations. For its organizational structure Safaricom is able to attract the best human resource talents in the market giving it another advantage over its competitor as human resource is a critical component in organizational success in the service industry.

### **5.3 Conclusion**

The study concludes that Safaricom Limited has adopted various growth strategies to enhance the Safaricom performance. The strategies used to enhance competitive

advantage include taking excessive risks, increasing their reliance on non-interest sources of revenue, increasing operational efficiency as reflected in improved efficiency ratios and burden rates. Safaricom facing relatively higher competition seek out alternative sources of revenue as captured by a higher proportion of revenues deriving from non-interest sources, increasing operational efficiency as reflected in improved efficiency ratios and burden rates, altering the risk level of asset portfolios.

Safaricom considers competition as an impetus toward enhancing products and services and improving performance. Safaricom facing higher perceived competition shift operations towards greater reliance on non-interest sources of income, and place greater emphasis on cost-cutting measures. Consistent with competition pressuring Safaricom to lower underwriting standards, new loans made by Safaricom confronting relatively higher perceived competition exhibit higher future loan charge-offs. Safaricom arrange syndicated loans for riskier borrowers reduce the number of covenants in loan contracts and set interest spreads that are less sensitive to borrowers' default risk.

Other growth strategies include the adoption of new technologies as a way to combat competition by improving productivity, profitability, and quality of operations; diversification of product to cater for diverse needs of its customers; pricing rationalization/discounting to enhance organization performance by influencing consumer perceptions of the advertised offers; and market expansions by providing accounts that target specific market segments; and promotion to persuade and influence the consumer's purchase decision.

## **5.4 Recommendations**

This study recommends that adoption of growth strategies in the telecommunication sector would be highly recommended. Clearly notable as the researcher interacted with the respondents was the impact of technology growth strategy to the firm which has led to huge levels of automation, cost reduction and efficiency enabling the firm to almost deal seamlessly with their large client base of over 10 million customers. In applying growth strategies in both Safaricom Limited and the rest of the telecommunication sector, the four main growth strategies that should be considered for greater profitability are market growth strategy, product growth strategy, technology growth strategy and strategic growth strategy.

The study also recommends that the firm should make use of technology growth strategies among other growth strategies to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These growth strategies ensure that internal strengths of the firm are utilized for the betterment of the firm which leads to profitability.

The study recommends that Safaricom can enhance product innovation by investing more in research and design. The Safaricom should also employ persons with special skills in different types of products provided by the company.

The study recommends that pricing rationalization strategies can be enhanced by always ensuring that the reduction falls within the price reduction that consumers would expect to be normally discounted for sale.

As found in the earlier studies, the study also recommends that growth strategies should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. The basis for growth strategies revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized manner can lead to deterioration of the firm's profitability and ultimately the failure of the firm itself.

This study has investigated the growth strategies adopted by Safaricom Limited in Kenya. To this end therefore a further study should be carried out on other firms dealing with other services such as banking and others.

Moreover, a study should be carried out to investigate the challenges faced in the implementation of efficient growth strategies.

### **5.5 Limitations of the study**

This research was a case study and therefore the research was limited to Safaricom Limited. Thus the findings on business growth strategies and organization performance are limited only to Safaricom Limited and as such they cannot be generalized as remedies to other firms.

During the study, the following limitations were encountered: Secrecy of the institution- Most of the institutions in Kenya practice high level measures of security. Therefore, it

was hard to convince the management staff of Safaricom limited on the intention of my research in order to obtain information from the organization. There was the issue of uncooperative respondents, due to initial suspicious attitude of the respondents that became a hindrance to the study. Sourcing the data was not easy because the management staff was too busy and also reluctant to provide adequate information.

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## **APPENDIX I: INTERVIEW GUIDE**

### **Survey of business growth strategies used by of Safaricom Limited**

1. How would you describe the competitive environment in communication industry in Kenya organization?
2. How often do you review growth strategies adopted by your organization?
3. How did the organization consider the competition from other players in the industry before formulating growth strategies?
4. What major factors influence the adoption and implementation of growth strategies?

### **Technological strategies**

5. What Technologies have your organization adopted in the last 5 years
6. Explain the consideration taken by your organization in adoption of new technology
7. What are the effects of technological adoption/ innovations in Safaricom Limited?
8. Suggest ways in which Safaricom Limited can enhance technological strategies as growth strategy

### **Product Innovation**

9. What products are offered by your organization as a growth strategy

10. To what extent does product innovation have been adopted within your organization?
11. Does your organization engage in new product development or improvement of existing service products?
12. Explain the consideration taken by your organization in adoption of product innovation?
13. What are the implications of Product Innovation in your organization?
14. What suggestion can you make to enhance Product Innovation in your organization?

#### **Pricing rationalization Strategies**

15. What is the extent to which pricing rationalization/discounting been adopted by your organization?
16. How do price rationalization/discounting enhance competitiveness of Safaricom Limited?
17. What suggestion can you make in enhancement of pricing rationalization strategies in your organization?

#### **Market Expansions**

18. Provide briefly how market expansions have been adopted by your organization in the last 5 years
19. To what extent has market expansion strategy been adopted in your organization in marketing of the organization services and products?

20. Does the organization have branches outside Kenya?      B) If yes in which countries.....
21. Who is responsible for setting up expansion plan strategies
22. How does the organization conduct a market survey before opening new branches?
23. Recommend the measures to enhance Market Expansions by Safaricom Limited

**Promotion Strategy**

24. What Promotion Strategies has your organization adopted in the last 5 years
25. To what extent has a market expansion strategy been adopted in your organization?
26. What promotional methods have been adopted by your organization.
27. In your own opinion what should your organization do to enhance marketing of services and products?