CHALLENGES OF DIVERSIFICATION STRATEGY AT SAFARICOM LIMITED

BY

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DECLARATION

STUDENT'S DECLARATION

I declare that this is my original work and has not been presented in any other University or College for Examination or Academic purposes.

Signature: ____________________ **DATE:** 11/11/2012

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SUPERVISOR'S DECLARATION

This project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This Research Project is lovingly dedicated to my wife Ruth Wanjiru Mwiti who has been my constant source of inspiration. She has given me the drive to tackle any task with enthusiasm and determination. Without her love and support this project would not have been made possible.

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TABLE OF CONTENTS

ABSTRACT

Kenya's mobile market has grown significantly over the last few years. Competition has increased with the introduction of two additional Mobile Network Operators and this has contributed to a price drop of over 70% in the last four years. Mobile coverage has increased to 96% of the population, and there are now over 3,500 3G sites in the country. As a result of the high penetration level, mobile service providers have to come with strategies aimed at providing and improving their products and services so as to remain profitable in the increasingly competitive market. For the past decade Safaricom has been the most dominant telephone service provider with an average of 80% of the market belonging to them. They have managed to maintain this dominance despite the entrance of new service providers such as Airtel, Orange and Yu mobile. In the past years, Safaricom that seemed to understand the market better than its competitors managed to maintain its dominance to a point that it did not even bother to come up with strategies to counter those of Airtel; its main competitor. The entry of new market player such as Orange and Yu Mobile and the change of management at Airtel Kenya has seen more competition exhibited in the mobile telephony market. These companies have rolled out marketing strategies aimed at capturing the untapped market and the existing telephone users. The competitors have also come up with interesting products and services leading to an excitement the local market. In order to remain relevant and maintain its market leader position in the telephony market, Safaricom has had to respond to the competition and has also rolled out strategies aimed at maintaining their customer base and venturing in the untapped market segments. The company has therefore engaged in product and service diversification while diversifying from its core voice market to mainly data and financial services. However, there have been challenges through the diversification strategy implementation process. This study aimed to evaluate some of these challenges and propose recommendations on how to overcome them so as to remain competitive.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Implementation of strategies is concerned with putting strategy into practice. It is described as the execution of tactics both internally and externally so that the organization moves in the desired strategic direction. The word strategy has entered the field of management quite recently. At first the word was used in military science to mean what a manager does to offset actual or potential actions of competitors. The word strategy was derived from Greek "Strategos", which means generalship. Strategy therefore means the art of the General. In management, the word strategy is taken more broadly. However, various experts do not agree on the precise scope of strategy. There are as many definitions of strategy as there are the experts. Lack of unanimity has resulted in two broad categories of definitions; strategy as action inclusive of objective setting and strategy as action exclusive of objective setting.

Traditional strategy implementation concepts overemphasize structural aspects, reducing the whole effort to an organizational exercise. Ideally, an implementation effort is a "no boundaries" set of activities that doesn't concentrate on implications of only one component, such as the organizational structure. When implementing a new strategy, it's dangerous to ignore the other components because strategy implementation requires an integrative point of view. You need to consider not only the organizational structure, but the soft facts as well--the cultural aspects and human resources perspective. Taking into account both the soft and hard facts (like turnover, operating profit, and profitability ratios) ensures that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, this integrative interpretation allows you to develop implementation activities that are realistic (Andreas, 2004). According to Ansoff and MacDonnell (1990), Strategy is a set of decision-making rules for guidance of organization behavior.

Strategy is commonly accepted as a complex phenomenon and extremely difficult to formulate (MacCrimmon, 1993). For companies to achieve competitive strategy, they need coherent corporate strategy. Mintzberg (1994) points out that people use strategy in several different ways. Strategy has been viewed as a plan, a how, a means of getting from here to there. Strategy has also been viewed as a pattern in actions over time; for example, a company that regularly markets very expensive products is using a high end strategy. Strategy is position; that is, it reflects decisions to offer particular products or services in particular markets. Strategy is perspective, that is, vision and direction. There are four basic growth alternatives open to a business. It can grow through increased market penetration, through market development, through product development, or through diversification. A company which accepts diversification as part of its planned approach to growth undertakes the task of continually weighing and comparing the advantages of these four alternatives.

In order to achieve its vision, a company aligns its goals and objectives, organizational structure, systems and processes, choice of industry and strategies to build and leverage the unique resources to give it a competitive advantage. A company is diversified when it is in two or more lines of business. While they are an integral part of the overall growth pattern, diversification decisions present certain unique problems. Much more than other growth alternatives, they require a break with past patterns and traditions of a company and an entry onto new and uncharted paths.

The liberalization process in the Telecommunication industry in Kenya and entry into the market by a number of other players using wireless technology innovations introduced competition in mobile communications. This has resulted into some of the world's best known telecommunication providers; Vodafone, Bharti Airtel, France Telecoms and Essar Communications through their investments in Safaricom Limited, Telkom Kenya Limited and Econet Limited respectively being major players in the Kenyan market. Safaricom Limited, the leading mobile telephone services provider is one of the diversified companies in Kenya. This study aimed at establishing the challenges facing Safaricom Limited in the implementation of diversification strategies that the company has adopted to remain competitive in the provision of mobile telephone services as a result of the increased competition in the industry.

1.1.1 Diversification Strategy

Diversification is a form of corporate strategy for a company. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage (Andrews, 1980). Lynch (2006) stated that corporate strategy is concerned with an organization's basic direction for the future: its purpose, its ambitions, its resources and how it interacts with the world in which it operates. The corporate centre is at the apex of the organization. It is the head office of the firm and will contain the corporate board.

Diversification seeks to increase profitability through greater sales volume obtained from new products and new markets. It involves venturing out into new business, new products or new markets to increase profits. It is a form of growth strategy involving a significant increase in the performance objectives beyond past performance records. Diversification allows a company to venture out into new lines of business that are different from the present operations. Companies employ different diversification strategies to expand firms' operations by adding markets, products, services, or stages of production to the existing business for better results.

Diversification efforts may be either internal or external depending upon the objectives of the company. Internal diversification is a situation where a company ventures into a different but related business line. It involves increasing the company's product or market base. The external diversification on the other hand is used to achieve similar results with a difference that the line of business is drastically different and not related to the parent company. There are many reasons why a company may opt for a diversification strategy, main objective being that companies are looking to grow and increase profitability. It is imperative that they decide whether they want to diversify by starting a related or unrelated business line.

Diversification can also occur either at the business unit level or at the corporate level. At the business unit level, it is most likely to expand into a new segment of an industry that the business is already in. At the corporate level, it is generally very interesting entering a promising business outside of the scope of the existing business unit.

Firms diversify to grow, to more fully utilize existing resources and capabilities, to escape from undesirable or unattractive industry environments and to make use of surplus cash flows. There are two types of diversification: related and unrelated. Related diversification occurs when the firm expands into similar product lines. An automobile manufacturer may engage in production of passenger vehicles and light trucks. Unrelated diversification takes place when the products are very different from each other; a food processing firm manufacturing leather footwear as well.

There are three forms of diversification: Vertical Integration which involves integrating business along your value chain, both upstream and downstream, so that one efficiently feeds the other. Horizontal Diversification which is about moving into more than one industry; the new business usually somehow relates to the existing one, although a few conglomerates instead pursue a strategy of unrelated diversification. And finally

Geographical Diversification in which companies move into new geographical area to overcome limited growth opportunities in the local market and/or to gain and retain global market leadership positions.

1.1.2 Challenges of the implementation of diversification Strategy

According to Lippitti (2007), when strategy fails to achieve expected results it is often because the strategy execution was flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability, and competitiveness. Executives are not judged by the brilliance of their strategy, but by their ability to implement it. The challenge is how to close the gap between strategy and actual results (Lippitti, 2007). Lepsinger, (2006) similarly argues that true leaders have a clear vision and are 100% committed to pursuing it but something often goes wrong as the leaders try to bring their vision to life. He calls this the "strategy-execution gap". Pryor I, *et al* (2007), stated that without coherent, aligned implementation, even the most superior strategy is useless. Unfortunately, most strategic planning efforts fail during this crucial phase wasting significant resources already invested.

Strategy process has been characterized as being highly complex, politically laden, affecting large parts of an organization and driven by the upper level managers, Hamel and Prahalad (1994). Lippitti (2007) argues that in the rush to act on strategy, too little attention is paid to finding the best implementation initiatives. Shortcuts such as repackaging existing projects which appear to support the new strategy, cannot work because while strategic plans can be copied, execution cannot be duplicated.

For many firms, false starts, delays and confusion characterize implementation. According to Pearce and Robinson (2003), an organizational structure is the division of tasks for efficiency and clarity of purpose, and coordination between interdependent parts of the organization to ensure organizational effectiveness. Structure balances the need for specialization with need for integration. It provides a formal means of decentralizing and centralizing organizational and control needs with the strategy.

An organization structure is necessary if strategic purpose is to be accomplished. Thus, organizational structure is a major priority in implementing a carefully formulated strategy. If activities, responsibilities and interrelationships are not organized in a manner that is consistent with the strategy chosen, the structure is left to evolve on its own. If the structure and the strategy are not coordinated, this may result in inefficiencies, misdirection, and fragmented efforts. Rantakyro (2000) argues that to implement the chosen strategies, there are many important decisions to make such as how to structure the Company. The organizational structure has to support the strategies. Structuring the organization involves decisions about how to coordinate activities, relationships, and communication among the internal stakeholders. The organization can be structured by focusing on functionality, products, markets, projects or cooperation.

The implementation of diversification strategies must be well coordinated so as to fit into the firm's vision. Poor understanding of how diversification activities will fit or be coordinated with existing businesses can pose a challenge in its implementation. Firms should diversify when they run out of growth opportunities in the core business and only when diversification results in creation of value. Throughout the diversification process, a company seeks to answer two basic questions: how well will a particular move, if it is successful, meet the company's objectives? What are the company's chances of making it a success? Company managers must therefore have a clear business strategy. A manager who doesn't understand how diversification activities will fit in existing business will have difficulties in implementing diversification strategies.

In some cases, the acquisition process is fraught with risks when managers fail to conduct an adequate strategic analysis of acquisition candidate. Without proper analysis and good background information, a firm might find itself at a loss when it acquires a firm that had financial and institutional challenges that can be carried forward to the mother diversifying firm. In some cases, the diversifying firm will often try to complete the deal too quickly before other potential buyers begin a bidding war resulting in managers focusing on the attractive features of a candidate, while giving little focus and less attention to the negative features.

After making an acquisition, managers must still integrate the new business into their company's existing portfolio of businesses. The process of integration may be delayed by differences in organizational cultures. Different organizations lead different organizational cultures. Companies are faced with questions of whether new business should be standalone operations or should they be merged into one of the existing businesses. This might pose some challenges depending on how the diversification strategy is finally implemented. There can be problems associated with internal development of new businesses. Most problems are due to considerable time and investment required to launch new business. Most new product lines require 10 years before generating positive cash flows and net income. Businesses also face difficulties in assessing the risks associated with new investment opportunity.

1.1.3 The Telephony Industry in Kenya

The liberalization process in the Telecommunication industry in Kenya and entry into the market by a number of other players using wireless technology innovations introduced competition in mobile communications. There has been intensive competition, technological advancements and policy challenges requiring changes and the strategic, operational and tactical responses to these changes. Government policy changes have created more activity, 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.

The result is new markets, new players, and new challenges. Market liberalization efforts have also picked up ensuing the successful partial privatization of Telkom Kenya Ltd (December 2007), divestment of GoK's 25% stake in Safaricom Ltd through a public listing (May 2008), and the launch of fourth mobile operator Econet Wireless Kenya (November 2008). This has resulted into some of the world's best known telecommunication providers; Vodafone, France Telecoms and Essar Communications through their investments in Safaricom Limited, Telkom Kenya Limited and Econet

Limited respectively being major players in the Kenyan market. Ongoing infrastructural developments by operators have largely been focused on network expansion for increased nationwide coverage and customer retention.

1.1.4 Safaricom Kenya Limited

Safaricom is one of the leading integrated communications companies in Africa with over 17 million subscribers with a vision to be the Best Company in Africa. 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. Despite the growing competition from Celtel Kenya and the entry of Econet Wireless, Safaricom had attained a 9.1 million subscriber base by March 2010. The firm also managed to successfully integrate a new Intelligent Network (IN) platform on the network as part of its strategy to ensure its continued growth. The installation of the new IN platform by a Chinese network systems provider Huawei Technologies has made Safaricom the most advanced network within the region featuring 2.5G capabilities.

The company provides a comprehensive range of services under one roof: mobile and fixed voice, financial services through Mpesa and data services on a variety of platforms. Safaricom has made heavy investments in broadband capacity achieving a foothold in undersea cable, satellite, metro and trunk cable connectivity. It has the widest 3G network and the most expansive WIMAX presence in Kenya. It employs over 1500 people mainly stationed in Nairobi and other big cities like Mombasa, Kisumu, Nakuru and Eldoret in which it manages retail outlets. Its headquarters are located in Safaricom House, Waiyaki Way in Westlands, Nairobi. Safaricom has charitable functions where it helps the less fortunate in the society through the Safaricom Foundation.

1.2 Research Problem

The implementation of diversification strategy must be well coordinated so as to fit into the firm's vision. Lack of a clear understanding of business diversification strategy by company managers will result in flawed implementation. In the case of an acquisition, the process is fraught with risks when managers fail to conduct an adequate strategic analysis of the acquisition candidate. The process of integration may be delayed by differences in organizational cultures, structure, technology, resistance to change, legal & regulatory factors, competition in the market, customer needs and preferences, labour market conditions and the existence of substitute products or services. Different organizations lead different organizational structures.

Companies are faced with questions of whether new business should be standalone operations or should they be merged into one of the existing businesses. This might pose some challenges depending on how the diversification strategy is finally implemented. There can be problems associated with internal development of new businesses. Most problems are due to considerable time and investment required to launch new business. Businesses also face difficulties in assessing the risks associated with exploring and venturing in new investment opportunity.

Despite the growing competition in the telephony industry mainly from Airtel Kenya, Orange/ Telkom and the entry of Yu Mobile, Safaricom had attained a 9.1 million subscriber base by March 2010. According to Safaricom its subscriber base has grown to reach over 17 million subscribers today. Although the company has been reporting some very positive financial results, it has had to diversify so as to competitively compete in an increasingly dynamic industry. There has been intensive competition, technological and policy challenges requiring changes and the strategic, operational and tactical responses to these changes so as to remain relevant.

Government policy changes have created more activity, 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. Although numerous studies acknowledge that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient implementation, strategy implementation has received less research attention than strategy formulation.

Many empirical studies have been done on diversification but on different context and concept from what the current study seeks to cover. Oluoch (2000) surveyed the relationship between organization diversification, profitability of commercial banks in Nairobi and found that the two relationships had a greater yield scale in an organization. Obado (1991) investigated the influence of perceived organizational climate on Kenya's pharmaceutical diversification, and found that advancement and growth within the organization was a dominant factor. Wambua (2004) studied factors influencing implementing diversification in insurance companies in Kenya and found that structured incentives, diversified training and development, more customers and reach recognition were the outstanding factors.

More recently, Kamanda (2006) did a study on Kenya Commercial Bank with the objective of determining the factors that influence its regional growth strategy. His study, however, did not cover the issues of strategy implementation. Situma (2006) covered the same company but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy positioning. The study also did not capture the challenges in implementing diversification. Given the importance of this strategy, this study seeks to fill the gap by seeking answers to the question: what are the challenges of diversification strategy at Safaricom limited?

1.3 Research objective

The objective of this study was to find out the challenges of diversification strategy at Safaricom Limited.

1.4 Value of the Study

The research findings are expected to contribute to a better understanding of strategic management implementation knowledge. The findings in this research will shed some light on the loopholes that exist in the strategy implementation process in most, if not all organizations and attempt to recommend practical solutions. The study will also form a reference in the field of strategic management within its core concepts of formulation, implementation and evaluation.

Finally, the research findings are expected to contribute to a better understanding of promoting strategic thinking among the managers of Safaricom when addressing diversification challenges affecting their firm in an increasingly competitive environment. The research will form a basis for further research in this area among academics and lastly, the study will form a reference in the field of strategic management within its core concepts of strategic responses to environmental changes.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of pertinent literature. It covers both theoretical and empirical literature. Theoretical literature focuses on the strategy implementation challenges and the strategy dilemma of organization on their capacity to adapt diversification in the environment on time. On the other hand, empirical literature lays emphasis on findings of empirical studies on the performance of entities.

2.2 Theoretical review of Strategy Implementation

Making strategy work executing or implementing it throughout the organization is difficult. Scholars have stressed that the strategy implementing task is the most complicated and time-consuming part of strategic management. Each of the separate theories discussed highlight the same aspect of revenue. Stakeholder theory begins with the assumption that value is necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with stakeholders to deliver on their purpose, (Rick, 2006).

The focus of stakeholder theory is articulated in two core questions (Freeman, 1994). First, it asks, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value they create, what brings its core stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and market place financial metrics. Secondly, stakeholders theory asks, what responsibility does management have to stakeholders? This pushes managers to articulate how they want to do the business.

Systems Theory is the trans-disciplinary study of the abstract organization of phenomena, independent of their substance, type or spatial or temporal scale of existence. It investigates both the principles common to all complex entities and the models which can be used to describe them. This theory was proposed in the 1940s by the biologist Ludwig and furthered by Ross Ashby (1956). They emphasized that real systems are open to, and interact with their environments, and they can acquire qualitatively new properties through emergence, resulting in continual evolution. Rather than reducing an entity the properties of its parts or elements, systems theory focuses on the arrangement of and relations between the parts which connect them into a whole. Systems analysis developed independently of systems theory, applies systems principles to aid a decision-maker with problems of identifying, reconstructing, optimizing, and controlling a system while taking into account multiple objectives, constraints and resources. It aims to specify possible courses of action, together with their risks, costs and benefits.

2.3 Empirical Literature

This study reviewed emprirical literature on diversification strategy. Literature on various diversification strategies, diversification growth strategies and types of diversification strategy was reviwed.

2.3.1 Diversification strategies

According to BusinessMate.com (2012), diversification strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of diversification is to allow the company to enter lines of business that are different from current operations. When the new venture is strategically related to the existing lines of business, it is called concentric diversification. Conglomerate diversification occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated. Diversification strategy that takes a company into new markets with new products or services. Companies depending on their structure may choose a diversification strategy for different reasons.

2.3.2 Diversification growth strategies

Diversification is a form of growth strategy. Growth strategies involve a significant increase in performance objectives (usually sales or market share) beyond past levels of performance. Many organizations pursue one or more types of growth strategies. Growth in sales is often used as a measure of performance. Even if profits remain stable or decline, an increase in sales satisfies many people. The assumption is often made that if sales increase, profits will eventually follow (Amit & Livnat, 1988).

The term "diversification" is usually associated with a change in the characteristics of the company's product line and/or market, in contrast to market penetration, market development, and product development, which represent other types of change in product-market structure. Homburg, Krohmer, and Workman, (2003), noted that concentric diversification occurs when a firm adds related products or markets. The goal of such diversification is to achieve strategic fit. Strategic fit allows an organization to achieve synergy. In essence, synergy is the ability of two or more parts of an organization to achieve greater total effectiveness together than would be experienced if the efforts of the independent parts were summed. Synergy may be achieved by combining firms with complementary marketing, financial, operating, or management efforts.

Amit and Livnat (1988) noted that financial synergy may be obtained by combining a firm with strong financial resources but limited growth opportunities with a company having great market potential but weak financial resources. Debt-ridden companies may seek to acquire firms that are relatively debt-free to increase the leveraged firm's borrowing capacity. Similarly, firms sometimes attempt to stabilize earnings by diversifying into businesses with different seasonal or cyclical sales patterns.

Conglomerate diversification occurs when a firm diversifies into areas that are unrelated to its current line of business. Synergy may result through the application of management expertise or financial resources, but the primary purpose of conglomerate diversification is improved profitability of the acquiring firm. Little, if any, concern is given to achieving marketing or production synergy with conglomerate diversification (Homburg, Krohmer, and Workman, 2003). One of the most common reasons for pursuing a conglomerate growth strategy is that opportunities in a firm's current line of business are limited. Finding an attractive investment opportunity requires the firm to consider alternatives in other types of business. Philip Morris's acquisition of Miller Brewing was a conglomerate move. Products, markets, and production technologies of the brewery were quite different from those required to produce cigarettes.

Firms may also pursue a conglomerate diversification strategy as a means of increasing the firm's growth rate. As discussed earlier, growth in sales may make the company more attractive to investors. Growth may also increase the power and prestige of the firm's executives. Conglomerate growth may be effective if the new area has growth opportunities greater than those available in the existing line of business. The biggest disadvantage of a conglomerate diversification strategy is the increase in administrative problems associated with operating unrelated businesses. Managers from different divisions may have different backgrounds and may be unable to work together effectively. Competition between strategic business units for resources may entail shifting resources away from one division to another. Such a move may create rivalry and administrative problems between the units (Luxenber, 2004).

Diversification efforts may be either internal or external. Internal diversification occurs when a firm enters a different, but usually related, line of business by developing the new line of business itself. Internal diversification frequently involves expanding a firm's product or market base. External diversification may achieve the same result; however, corporation, perhaps with a new name. These firms are usually of similar size. One goal of a merger is to achieve management synergy by creating a stronger management team (Luxenber, 2004). Acquisitions, a second form of external growth, occur when the purchased corporation loses its identity. The acquiring company absorbs it. The acquired company and its assets may be absorbed into an existing business unit or remain intact as an independent subsidiary within the parent company. Acquisitions usually occur when a larger firm purchases a smaller company.

Although formulating a consistent strategy is a difficult task for any team, making that strategy work and implementing it throughout the organization is even more difficult Hrebiniak (2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic Noble (1999). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent strategy implementation or execution process.

The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented, as Noble (1999) notes. Results from several surveys have confirmed this view: An Economist survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, according to a survey of 276 senior operating executives in 2004 Allio (2005).

According to the white Paper of Strategy Implementation of Chinese Corporations in 2006, strategy implementation has become "the most significant management challenge which all kinds of corporations face at the moment". The survey reported in that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

Organizational culture is defined as "the mores and norms, both implicit and explicit that defines all levels of behavior within an organization (Cook, 2003)". Organizational culture refers to the complex set of ideologies, symbols, and core values shared throughout the organization (Ireland and Hitt, 2005). In other words organizational culture is a set of shared mental assumptions (Ravasi and Schultz, 2006). These shared assumptions are useful to guide interpretation and action in organizations by defining appropriate behavior for various situations (Ravasi and Schultz, 2006). Organizational culture establishes a connection between past-oriented values and forward-based behavior in the social evolution (Alsan and Oner, 2003).

All aspects of culture are considered in an effort to operate at a global level while appreciating the local market set up. The marketing manager noted that they had to incorporate aspects of cultural diversity when for example targeting the diaspora (International market) especially in advertising new products and services and making sure that all aspects of culture are considered when implementing as the differences are big especially when the company is not only local the services are available internationally. It was established that a new strategy would affect different markets thus the need to come up with a method that is acceptable to each evolving market segment to avoid conflict and loss of clients be it in the local markets or in the international markets that organizations operate in.

Market share can be increased by changing the variables of the marketing mix. They include the product whose attributes can be changed to provide more value to the customer, for example, by improving product quality. Secondly price as a decrease in price will increase sales revenue. This tactic may not succeed if competitors are willing and able to meet any price cuts. The third is distribution; this can be done through adding new distribution channels or increases the intensity of distribution in each channel. The fourth is promotion, this can be changed as increasing advertising expenditures can increase market share, unless competitors respond with similar increases. Munge (2005) conducted research on challenge facing the implementation of strategies adopted for provision of quality services in parastatals. He found out that interferences from civil leaders and members of parliament is a serious factor affecting provision of quality services and revenue collection management.

Mwangi (2008) conducted a study on factors affecting diversification of supermarkets in Kenya. He posted that, management of the whole strategy required a turnaround concept into the environment challenging assumptions, crafting a vision, using diplomatic skills to get favorable responses, keeping actions moving by handling interferences and resistance, maintaining the momentum incorporating emergent developments and never losing sight of the overall goals of proper revenue management. Jones (1994) argued that firms increase their market share for reputation. Market leaders have clout that they can use to their advantage. Also a firm may want to increase bargaining power. A larger player has an advantage in negotiations with suppliers and channel members than a smaller player.

Fostering an atmosphere in which trust and respect thrive, and flexibility and innovation flourish, pays off in most organizational settings, even the most deadline driven. When managers empower, rather than control; when they ask the right questions, rather than provide the right answers; and when they focus on flexibility, rather than insist on adherence, they move to a higher form of execution. And when people know their ideas are welcome, they will offer innovative ideas to lower costs and improve quality – thus laying a more solid foundation for their organization's success, Edmondson, (2008). Coon and Wolf (2005) believe that energy is sustained within an organization by good leaders and high-quality interactions between the leaders and the rest of the staff. The continuous training of leaders and the development of elements such as emotional intelligence should get continuous attention.

Leaders that are successful at execution are focused on using processes to drive decisions and they hold their people accountable. These leaders manage by getting commitments, keeping track of all critical assignments, following up on assignments and evaluating progress on a regular basis. Successful leaders have a very strong competitive drive and want things to happen. They are constantly hungry for more information from a variety of sources about the company's operations and external environment, Charan and Colvin (1999). Effective leaders are more patient and more demanding than their colleagues. The demanding side of a successful leader does not compromise on the targeted outcomes. The patient side looks for progress in the light of the discovery process that is inherent in strategy implementation (Faul & Flemming, 2005).

A vital step, however, is to communicate the results of this process vertically and horizontally throughout the organization, Pryor, et al., (2007). Edmondson (2008) is of the opinion that middle management's ability to acknowledge their lack of answers to certain tough question and their ability to ask questions can play a significant role in creating a psychologically safe work environment. Allio (2005) warns that the failure to celebrate success is a common pitfall in execution. He goes further by saying that the rewards and compensation scheme of a business should be closely tied to successful strategy implementation process.

2.4 Challenges of implementing Strategy in organizations

The importance of enabling sound "two-way" communications within organizations is seen as fundamental to the effective implementation of strategy (Rapert et al., 2002), with a particular emphasis on facilitating useful feedback and "bottom-up" messages (Otley, 1999). The process of creating an organizational balanced scorecard commences with a full strategic appraisal and clear articulation of the organization's strategic vision and objectives (Kaplan & Norton, 1992; Atkinson & Brown, 2001).

the company enters a new area of business by purchasing another company or business unit. Mergers and acquisitions are common forms of external diversification. According to Luxenber (2004), internal diversification one form of internal diversification is to market existing products in new markets.

A firm may elect to broaden its geographic base to include new customers, either within its home country or in international markets. A business could also pursue an internal diversification strategy by finding new users for its current product. For example, Arm & Hammer marketed its baking soda as a refrigerator deodorizer. Finally, firms may attempt to change markets by increasing or decreasing the price of products to make them appeal to consumers of different income levels. Another form of internal diversification is to market new products in existing markets. Generally this strategy involves using existing channels of distribution to market new products.

It is also possible to have conglomerate growth through internal diversification. This strategy would entail marketing new and unrelated products to new markets. This strategy is the least used among the internal diversification strategies, as it is the most risky. It requires the company to enter a new market where it is not established. The firm is also developing and introducing a new product (Luxenber, 2004).

External diversification occurs when a firm looks outside of its current operations and buys access to new products or markets. Mergers are one common form of external diversification. Mergers occur when two or more firms combine operations to form one

Successful strategy implementation, it is suggested, requires sound mechanisms for directing activity and behavior of employees towards performance, Goold (1991), especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in Kaplan and Norton's (2004, p. 10) strategy maps provide “a level of granularity that improves clarity and focus” thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organization.

The process of building and utilizing the scorecard provides an opportunity to identify priorities and reconcile different stakeholder demands as well as enhancing strategic feedback and learning (Denton & White, 2000) thus also enabling effective “diagnostic” control (Simons, 1994) through the monitoring of financial and other “lag” indicators against pre-set targets (Mooraj et al., 1999). Pearce and Robinson (2003) argue that, while structure provides overall framework for strategy implementation, it is not in itself sufficient to ensure successful execution.

Within the organizational structure, individuals, groups and units are the mechanisms of organizational action, and the effectiveness of their actions is a major determinant of successful implementation. In this context, two basic factors encourage or discourage effective action-leadership and culture. Two leadership issues of fundamental importance here are the role of the Chief Executive Officer (CEO) and the assignment of key managers.

One practical consideration in making key managerial assignments when implementing strategy is whether to emphasize current (or promotable) executives, or bring in new personnel. This is obviously difficult, sensitive and a strategic issue. Pearce and Robinson (2003), continue to postulate that, culture is a set of important assumptions (often unstated) that members of an organization share in common. These shared assumptions (beliefs and values) among members of an organization set a pattern for activities, opinions and actions within that firm.

Kotter and Leonard (1979) contents that without the right leadership; employees remain skeptical of the vision for strategy from management. Management would likewise be frustrated and stymied by employee resistance. One major task of the Manager is to implement strategy which entails overcoming resistance. According to Bunker and Wakefield (2006) the reality of ongoing strategy is not news for most leaders. Even so, few are prepared to lead in the context of significant, unrelenting strategy. Strategy sets up leaders to struggle between managing the business needs and addressing people needs. But if leaders don't establish an effective balance between business and people priorities they can destabilize the organizational culture and erode trust, generating fear and skepticism among employees at a time when a loyal, productive, and enthusiastic workforce is essential for success.

Strategy studies that predate the current literature have been criticized for not fulfilling the requirements of managers or for not fitting with the circumstances of real business world (Prahalad and Hamel, 1994, Feurer and Chaharbaghi, 1995, Hendry, 1995, Schendel and Hofer, 1979). First reason is that strategy used to be accepted as a non-rational process (Braybrooke and Lindblom, 1963; Cyert and March, 1963; Cohen, March and Olsen, 1972). Main intention of this study is to provide a set of rational tools that are also applicable in organizations.

Second reason is about the scope of the strategy studies. Strategic management is introduced as an application field whose principal purpose is to describe, predict and change organizational situation (Gopinath and Hoffman, 1995; Summer et al., 1990). Some of the scholars are either focused on describing (Chandler, 1962, Grinyer et al., 1980, Luffman, 1984, Levy, Alvesson and Willmott, 2001) or changing organizational situation (Brush, 1996, Kotter and Schlesinger, 1979). Some others developed prediction tools for strategic management (King et al., 2003, Zahra and Chaples, 1993, Oliver, 1991, Gales and Victor, 1985). But the need for a holistic approach to cover all issues related to organizational strategy is usually ignored. The third reason for the distinction between theoretical strategy studies and field applications is related to the recognition of the strategic problems. Although most of the organizations experience various types of strategic problems (Lyles, 1987), the importance of studying how strategic problems are formulated has not been emphasized adequately (Heslin and Moldoveanu, 2002, Ramaprasad, Mitroff, 1984, Lyles, 1981, Lyles and Mitroff, 1980).

Ramaprasad and Mitroff (1984) claimed that the recognition of the issue has been prompted by a number of insights into the nature of strategic problems. First is the insight that a strategic problem does not have a unique, universal formulation. Second, formulating a strategic problem in different ways can result in different solutions to the same problem. Third, an error in formulating a strategic problem can result in solving the wrong problem (Mitroff and Featheringham, 1974). Fourth, and last, an error in formulating a strategic problem can compound the problem (Watzlawick, Weakland, and Fisch, 1974).

In short, these insights include the recognition that a strategic problem is plastic, that it does not have a well defined intrinsic structure, that it can be molded into different shapes, and that managers can formulate it in different ways (Ramaprasad, Mitroff, 1984). On the contrary to the first two insights, the intention of the present study is to provide a universal formulation for strategic problems and propose appropriate and unique solutions. Concerns of the last two insights are shared by the author and special attention will be paid to avoid diagnostic errors. It is hoped that the proposed study will provide a nice and clear picture of the strategic status of the organization so it will restrain researchers and/or managers from errors in analyzing and addressing strategic problems.

With a broader perspective one may claim that leadership has contributions strategy implementation. There are two distinctions between the terms “leadership” and “strategic leadership” (Hambrick and Pettigrew, 2001): Leadership refers to leaders at any level in the organization, whereas strategic leadership refers to the study of people at the top of the organization. Leadership research focuses particularly on the relationship between leaders and followers.

Strategic leadership is defined as a person's ability to anticipate, envision, maintain flexibility, think strategically, and work with others to initiate changes that will create a viable future for the organization (Ireland and Hitt, 2005). Strategic leadership has a critical role on the determination of both the individual strategy vectors of employees and the organizational strategy vectors. Effective strategic leadership might be useful for an organization to be mobilized so that it can adapt its behaviors and exploit different growth opportunities (Ireland and Hitt, 2005). Strategic leadership theory claims that companies are reflections of their top managers, and, in particular, of the chief executive officers (Ireland and Hitt, 2005).

Generally employees tend to think that leadership is on their side (Behn, 1995) and they try to arrange their individual strategy vectors according to their managers. However in some cases opposite situations may be observed. If the strategy magnitudes of the individual strategy vectors of top managers are not relatively much greater than the one of other employees, top managers may not reflect the whole organization.

Conditions such as shorter product life cycles, ever accelerating rates and types of change, the explosion of data and the need to convert it to useable information-associated with the global economy's new competitive landscape might prevent single individuals from having all of the insights necessary to chart a firm's direction (Ireland and Hitt, 2005). Depending on the characteristics, structure and environment of an organization the relative difference between the strategy magnitude of employees and top managers may vary.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter detailed how the study was carried out. It covers the design to be adopted to conduct the study, how data was collected and eventual analysis of the data in order to generate research findings for reporting.

3.2 Research Design

The study was carried out through a case study design where the unit of study sought to find out the challenges of diversification strategy at Safaricom Limited. The design is most appropriate when detailed, in-depth analysis for a single unit of study is desired. Case study research design provides very focused and valuable insights to phenomena that may otherwise be vaguely known or understood. The design enables the researcher not only to establish factors explaining phenomena but also unearth underlying issues. The advantage of the case study research design is that you can focus on specific and interesting cases. Research should be thorough and note taking should be meticulous and systematic. The case study provided answers to the questions with respect to how, what, and why (Yin, 2003).

The first foundation of the case study is the subject and relevance. The researcher would deliberately be trying to isolate a small study group, one individual case or one particular population. For example, statistical analysis may have shown that Africa has the fastest growing telecommunication industry in the world. A case study of on one or two specific countries becomes a powerful and focused tool for determining the factors driving this. The case study would have a plan and design on how the researcher is going to address the study and make sure that all collected data is relevant. Unlike a scientific report, there is no strict set of rules so the most important part is making sure that the study is focused and concise; to avoid irrelevant information.

3.3 Data Collection Method

The study made use of both primary and secondary data. Primary data was obtained from managers at the Safaricom Company using an interview guide. The interview guide (Appendix) was used to solicit data on the changes in the Company's diversification environment and the responses thereto. The respondents of the study were ten (10) managers drawn from various departments. They include: Marketing Managers, Sales Managers, Regulatory/Corporate Affairs Manager, Human Resource Manager, Finance Manager, IT Manager, Financial Services Manager, and Customer Care Manager. Managers are better placed in providing required data because they play a leading role in ensuring that they position the Company favorably within the changing environment through instituting appropriate timely responses.

The interview guide was administered through personal interviews which allowed for further probing. Interviews are particularly relevant in getting the participants experience and the interviewer can pursue in-depth information around the topic so as to get further information on the topic. The secondary data was obtained from the Company's documented strategies and other relevant information about the Company. This data was obtained from the company's library. The data was obtained through review of relevant documents, key among them the Company's strategic plan and other relevant documentations relevant to the topic.

3.4 Data Analysis

Both the primary and secondary data was qualitative in nature. Given this fact, content analysis was used to analyze the data. According to Nachmias and Nachmias (1996), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement. Thus, it is a set of procedures for collecting and organizing information in a standard format that allows analysts to draw inferences about the characteristics and meaning of recorded material.

Content analysis can be used to make numerical comparisons among and within documents. It is useful for tabulating the results of open-ended survey questions and multiple interviews and to analyze entity documentation to determine compliance with laws, rules, policies, and procedures; clarify trends in agency activity; assess alignment between such activity and stated goals, objectives, and strategies; or examine differences between groups within the entity on of issues of interest. Based on the project objectives and issues, availability of accurately recorded material, and the kinds of comparisons to be sought, selection of content analysis is appropriate in the project.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter analyses the results of the data obtained through the interview guide and discusses those results and the interpretation.

4.2 Response rate

The study targeted 10 respondents/ managers from 8 departments as outlined in the chapter three. From the study, 10 respondents out of the 10 sample respondents were interviewed making a response rate of 100%.

4.3 Demographic Information

The study collected data from 10 (ten) managers drawn from various departments. They include: Marketing Managers, Sales Managers, Regulatory/Corporate Affairs Manager, Human Resource Manager, Finance Manager, Information Technology Manager, Financial Services Manager, and Customer Care Manager. These managers have served the company for a period ranging between one to ten years.

Managers were better placed in providing required data because they play a leading role in ensuring that they position the company favorably within the changing environment through instituting appropriate responses on the information sought. It also understood that it is the role of managers to develop strategy and lead its implementation in through their management functions.

4.3.1 Number of years with the organization

It was determined from the study that majority of the respondents had spent more than three years with the company and this implied that the respondents provided reliable and credible information for the study. Experience for the respondents ranged from between one to ten years in the same organization.

The duration of service in the company was important as the understanding of strategy implementation would be better evaluated through accessing the managers' capacity to play their individual and collective roles in the strategy implementation process. Managers with more experience exhibit a better understanding of the strategy implementation skills gained from their experience from the many scenarios that they are presented with on their day today operations.

4.3.2 Number of years in the current position

The study determined that the minimum number of years the respondents indicated that they had served in the current position in the organization was one year and the highest was four years implying that there was no high staff turn over in the organization. As indicated above, the information provided by the respondents was credible due to the experience and the deep insight of the company's operations.

Some of the respondents indicated that they rose through the ranks to get to the current management positions. The managers' diverse nature of years served in the company provided a pool of leaders with both internal experience for those who had served for a longer period and external experience and skills for those who had been recruited recently. There was therefore a healthy relationship both in terms of continuity and fresh ideas in strategy implementation.

4.4 Respondents role in the company's strategic implementation process

The finance manager indicated that his role was to supervise financial services. He also indicated that he was also involved in the planning, organizing, directing and controlling the company's financial activities such as procurement and utilization of funds as well as allocations. The sales manager was tasked with the task of supervising the sales representatives or associates (partners) to ensure they meet business performance requirement. She also hires & manages the company's sales force to achieve maximum success. The second sales manager was involved in achieving goals of the company and developing personnel reporting o him. He also does implementation and control of sales programmes and training and keeping the sales team motivated.

The marketing manager examines current situation by gathering and analyzing information, identifying trends within the marketing environment, accessing the potential impact of the trends and guiding the organization towards markets and customers. The second marketing manager develops products and services for the company and successfully introduces them to the market through advertising and distribution of goods to the market. The corporate affairs manager is charged with the responsibility of taking care of the internal and external communication as well as building the company image. It is the role of the human resources manager to manage the workforce in a structured way and managing a productive relationship between employees. She also is charged with the role of promoting a good working environment for all in the company.

The customer care manager facilitates successful relations with customers and helps to reduce costs and increase productivity and profits in the organization through customer retention. She was also involved in the achievement of the company's goals and develop the people reporting to her. As well as the planning, implementation and control of sales programs and training and keeping the sales force motivated. The IT manager was involved in overseeing project management; sever administration and its compliance, security, applications development and the overall technical leadership role.

4.5 Challenges of diversification at the Safaricom Limited

The study sought to determine the challenges that the organization was faced with during the diversification strategy implementation process. The marketing manager indicated that marketing of their products and services was constrained due to limited budgets, pricing of products and service due to existents of many competitors, limited knowledge and awareness of products, maintaining a credential within the market, cultural diversity, and local and international trade laws. It was indicated that diversification strategies introduced limits in various aspects such as organizations growth, adaptability by employees as well as competitiveness.

The human resources manager cited that it was difficult to bring the whole organization in sync to work together to implement the strategy while the finance manager indicated that allocation of funds was a challenge as this directly and indirectly influence other managerial activities. The finance department was faced by the challenge of availing all the required finances for the successful implementation of planned activities; acquisition of hardware, software and manpower development. The customer care manager indicated that introduction of the diversification strategies introduced change in the organization's work culture which took time to adapt. There was also the increase in responsibility to the workforce as well as change in the relationship between managers and employees as well as between departments and this called for training and investing in various changes and structures in the working environment.

The customer care department was involved in ensuring and maintaining the company's reputation of being a good product/service provider in the communications sector. It also managed competition by staying above their competition and ensuring that they maintained and improved the standards of service delivery by having well trained employees. The marketing manager was concerned by the competitors' penetration of their target market and having a sales force that was sometimes not effective in pushing the desired strategies to achieve positive results. The marketing department was also faced with the lack of motivation due to scarce finance allocation. Lack of funds to achieve strategies to access each individual target market was a major challenge. The marketing of the company's products and services due to limited budgets, pricing of products and service due to existents of many competitors.

4.6 Strategy implementation challenges affecting diversification strategy implementation process

Several considerations were identified for study as the challenges affecting diversification strategy implementation. These include; the structure of the organization, organizational culture, technology, leadership in the organization, employees' resistance to change, legal/regulatory factors, competition in the industry, customer needs and preferences, labour market conditions and the substitute products/services.

Structure of the company affects diversification strategy implementation process. The marketing managers indicated that due to the need to always seek approvals for the funding of marketing strategies from the finance department, there were difficulties in activities implementation and time consumption. They cited lack of proper co-ordination between interdependent departments for example between the finance and marketing departments which are needed for the centralization of the organization. Therefore, there was slowness in the implementation of the diversification strategy due to bureaucracy in budget approvals and activity co-ordination. The sales managers stressed how their department relies on the marketing department for exposure through advertising and the finance department for budgetary support.

By virtue of being a large organization, the corporate affairs manager noted that co-ordination all the different departments to appreciate the company's strategy was an important task. The human resources manager noted that the hierarchical structure of the organization created a difficult time in promoting a proper production relationship between managers and employees in the implementation of new strategies. The finance manager indicated that the strategy implementation affected all in the organization. Therefore the department had to ensure all departments are allocated the amount of resources they need to achieve their role in the implementation process. The Information Technology manager indicated that with a new strategy being implemented, a new information technology system needs to be put into place and this involves all the departments causing friction and a need of overall training. According to the customer care manager, consultations are made even for minor decisions touching on various departments before implementation.

Companies have different mores and norms, both implicit and explicit that define all levels of behavior within an organization. The company had a role to ensure that all aspects of culture were considered when implementing the various strategies especially bearing in mind that the company operates both at the local and international level. With the changing trends worldwide, the company had to keep up so as not to be obsolete but at the same time keeping in mind what is acceptable in the different markets so as to offer products and services that are acceptable by the various market segments. The human resources department had to introduce change management, training programmes, handle culture change and working ethics so as to enable the company implement strategy without bringing in cultural conflicts when operating in new markets existing local and international markets. As the company was branching out to different markets, they had to do studies and training to ensure that the strategies rolled are acceptable to all types of markets to attract customers.

It was also noted that while implementing change in the company culture caution was taken so as adopt culture change while at the same time keeping in mind the acceptable standards in the various markets the company was operating in. Technology is an integral part in making products and services known to the market. It was indicated by the marketing manager that the world had gone towards viral-marketing thus old methods of advertising such as the paper based was becoming obsolete thus increasing cost. It is now easier to reach a wider market as majority of the advertising are technology based although the cost is high.

The target market is today more than ever using internet thus there was need to invest more in the technology and ensure the right technology has been put into place to ensure the strategy runs smoothly and that the employees are well trained. Sales strategies have to be flexible to include change in methods of advertising and sales for instance in the emergence of E-commerce. The company has to invest in training and development so as the sales force are updated on the new and emerging sales techniques in order to stay ahead of the competition.

The IT department indicated that there was need to ensure that all systems that keep the company in operation are of good quality and that inspection was carried out properly to determine that they fulfill all the government rules, regulations and standards. The finance department indicated that with the changing technological trends in the market, finances need to be allocated towards training employees to keep abreast with new emerging technology.

Organization leaders shape strategy and lead its implementation process. They must therefore have a good grasp of strategy implementation. From the study, developed strategies needed to be approved by department heads requiring consultation and time. For every strategy developed, resources are required for its implementation hence the need for consultations and approvals from the relevant authorities. The sales manager noted that sometimes the approval chain could be long before the necessary green light is given. The customer care stressed this point further by noting that bureaucracy, a long chain of command in the organization and within departments affects the pace of key decision making processes and consequently the implementation of the strategies. Getting all the departmental leaders to consent to the proposals presented for implementation was a time consuming task.

The corporate affairs manager noted that the different departmental heads could be in disagreement on some of the strategies proposed leading to delays. All department heads need to appreciate and be aware of strategy implementation process and what is needed of their department to ensure that they deliver properly in order to realize their goals especially heads from finance and marketing need to come together to ensure all changes are synchronized to ensure the company is together with the new implementation changes. Harmony and cooperation between departmental heads is required so as to avoid a situation that was highlighted by the finance manager.

Not all members of the organization appreciate change. Some will be receptive to changes in the new way of doing things while others will take time before they full appreciate the change. Resistance to change is therefore a phenomenal in many organizations. The study established that due to the implementation of a new diversification strategy the entire organization needs to be put at ease with the new changes so as to produce the desired results when it comes to sales and marketing. The entire workforce was used to working in a particular way. Thus getting the organization to change the mode of operation would be time consuming. It was indicated that it would change in the way things operate.

The human resources manager indicated that getting employees to embrace training and possibly a bigger work load and taking more of their time in order to get the right attitude would be time consuming. The finance manager noted that employees are always resistant to change as it brings them out of their comfort zones but with incentives, they will come to embrace the changes requiring the workforce to change their work ethics as they are used to operating in a certain way which is now not helpful in the new strategy. Training the sales team on the new strategy implementation process was necessary as they are accustomed to the old strategy.

Government regulators such as the Communications Commission of Kenya and the Central Bank has introduced regulations, guidelines and rules that have to be followed by the telecommunication companies so as to achieve a level playing ground and protect consumer needs. The marketing managers indicated that they were required to adhere to the regulatory requirements in the market. Some of these regulations are imposed by the government and the organization as to bear them in mind and they implement their strategies. It was noted that they needed to build relationships with key stakeholders including the government agencies, media, consumers and other partners and that they observe the laws and regulations that govern them.

The human resources manager noted the need to appreciate the changes in the working environment and ensure that the organization complied with the regulations both local and international in so far as employee rights are concerned. The finance manager indentified regulations for example in the disbursements of funds which have to comply with the laid down standards by the government and the regulators. He indicated that there was need to raise and disburse funds in line with the legal guidelines both internal and external as well in conformity with the governing bodies' guidelines to ensure complete transparency and accountability.

According to the marketing managers, there is a lot of competition from many companies thus the need to surpass the value offered by competitors by introducing new and unique products and services. There is also the need to increase platforms of advertisement from social media to electronic billboards, internet pop-ups, SMS and all other forms of advertising that made operations more expensive. Money is needed to implement the diversification strategies. The finance manager indicated that with constant emerging competition the company must have the funds to stay ahead but without lowering the overall set and existing company standards.

The customer relations manager indicated that due to the nature of their industry, there is a duplication of the same strategies by the competition forcing them to come up with other not so profitable diversification strategies. Due to the competition in the industry, the company is forced to come up with strategies that address the various needs and preferences of their diverse customer base. There is therefore pressure to constantly come up with new products and services. It was determined that the core activity of the company was provision of the communication services. However, the company could not survive on that alone as competitors constantly came up with new products and services forcing them to diversify into other products and services so as to increase their profit margins and remain competitive.

It was noted that there was need for the provision of funds to increase the range of the services and products to the customers to avoid losing them to the competition. The company also needed to ensure that the end users are contented according to their varying needs and there is internal consistency to provide this level of customer satisfaction. The sales manager indicated that they were training their sales force in order to recognize the needs of the different target regions so as to present to them what they actually needed as they launched products that appeal to the target market keeping in mind the needs, interests and requirements as well as their purchasing power.

There are labour market conditions to consider when operating in a dynamic market such as the telecommunications industry. It was determined that the company did provide incentives to the company's sales team and marketers who pushed their products and services to achieve the maximum returns to beat their competitors. With the change in operations and work load, the company needed to compensate employees according to the labour regulations and in some cases needed to increase the workforce. It was determined by the customer care manager that the company had to build and maintain a cordial relationship with state and local agencies as well as employees and the public by offering the correct incentives. They also had to consider the labour market laws/ regulations when developing and implementing strategy.

The human resource manager noted that the company had the obligation to ensure that it followed all labour regulations especially on compensation and training needs to effectively prepare the workforce for the task of strategy implementation. Any additional workload resulting from increased working hours needed to be matched with monetary benefits and welfare benefits. The customer care manager noted that the company was faced with employee's turnover due to increased workload that was not matched with a commensurate compensation. This forced the company to result to outsourcing some of their functions leading to non professionalism by some of the outsourced agents.

The company had to come up with products and services to take care of the emerging substitutes. It was determined that the company's competitors were copying and rebranding their products and services and offering them at a cheaper rate. This undermined the company products and services leading to loss of clients. It was also noted that the company was working on the improvement and rebranding existing products and services to beat competitors as well as making their prices more competitive and broadening the scope of their products and services as was indicated by the marketing manager. According to the sales manager, their competitors were offering the same kind of products and services. As a result, the company had to keep ahead of the pack by making their products and services more attractive.

The corporate affairs manager noted that as they implemented their diversification strategies, they were faced with competition forcing them in some instances to come up with offers that brought less revenue to the company. The finance manager indicated that his role included getting the company to invest in offering customers the top of the range services sometimes convincing them to forego some amount of profit to ensure they retain and attract new customers and not losing them to competitors with cheaper substitute and maintaining a competitive edge and a larger customer base.

4.7 Implication of the diversification strategy challenges on the Company's strategy implementation process

According to the marketing manager, the biggest setback in the marketing department is on finance allocation. Due to the size of the company their strategy ideas have to be approved by various departments before funds are disbursed. Theirs being a time conscious activity, and due to constant competition as well as charges from government to approve advertising and approval of content in respect of cultural diversity, they had be careful not to fall back due to these constraints. He continued noting that financing was required to advertise and help them to develop new campaigns to help them remain significant in the market.

As indentified by the human resources manager, the company introduced employee training programmes and commensurate compensation to effectively handle the new tasks in the strategy implementation process. The information technology manager indicated that introducing a totally new system required funds allocation with the end result being achieving company's objectives in terms of profits as the company invested in its manpower development and infrastructure development and modernization process. This process needed employee training.

According to the human resources manager, the implementation process required the company to invest more towards employees' development. The company needed to improve the workforce culture as well as providing the right incentives to keep the employees satisfied. In an effort to keep its customers happy, satisfied and be able to attract new ones, the employees needed constant motivation and incentives to ensure that they provide the best service to customers. There was also need to have a control and monitoring mechanisms to ensure to ensure that the company was effectively implementing the strategies developed.

4.8 Respondents' responses on how the implementation process been affected in the diversification process

It was determined that competition was constantly churning out new ideas, products and services. Delays in fund allocation and bureaucracy affected the company's ability to effectively implement the developed strategies. Competition being their biggest challenge, the company has been forced to change its structure to effectively implement the new strategies. A rigid workforce culture has also made it hard to implement new strategies forcing the company to spend time and money in motivating and training the personnel. Restructuring, investing in new technological systems, training employees and product awareness also required resource allocation. They had to ensure to keep up if not be ahead of the competition which also means their employees are also up to date and this required training resources.

The human resources manager indicated that the company took time on training the workforce as well as synchronizing all departments towards one goal. The study noted that implementation of the diversification strategies has been slowed down due to the time spent in recruiting, training and coordinating the employees to understand and appreciate the new strategy direction. Resources are also needed to co-ordinate all departmental heads a task that has sometimes been difficult due to the different levels of strategy understanding and implementing capacity. The company also spends time to work around ideas to enable the company to comfortably lower the cost of implementation in areas such as monetary increments and incentives while maintaining the value and way of doing business.

4.9 Company's adjustement of its diversification strategy implementation process as per the challenges

The study sought to determine how the company adjusted itself in diversification strategy implementation process. It was noted that the company was keeping abreast with changing local and global market trends to be ahead of the competition. The company is also working closely with the government and other stakeholders like the advertising fraternity to be in line with market needs, rules and regulations. The sales manager noted that motivation through training, incentives and monetary benefits had tremendously improved the strategy implementation process. The company is also encouraging inter-departmental team work as well as working closely with stakeholders and regulators to ensure adherence to laid down guidelines.

The human resources department has developed and incorporated a system of resource allocation to address the various departmental needs and encouraging cooperation to ensure that there is success of new strategy. They have therefore been able to achieve their goals on support, training and remuneration in an effort to make employees feel part of the company success. The information technology department indicated that the company have developed and incorporated a system where resources are allocated to address different department needs.

4.10 Respondents views on if the Company has successfully implemented its diversification strategy

It was established from the study that the company has been able to keep track of emerging trends and stay ahead of the competition, reaching out to a large customer base. The sales manager indicated that the company is on the path to achieving implementation of diversification strategy. The company has been trying to reach out to the market that has not yet been penetrated and creating services that are relevant to this untapped market leading to an increased market base. This has been achieved through aggressive advertising campaigns and increasing corporate social responsibility activities. It was established that the company been able to meet their targets and expanded both locally and internationally through the provision of products and services that addressed the current market needs and customer preferences.

The marketing manager indicated that they are at the top of their game in terms of keeping ahead of the competition and being able to roll out new products and services on a frequent basis keeping their customers happy and interested to stay with them. The human resources manager noted that they have been successful in training their employees to give good customer service thus maintaining their customers as well as keeping them ahead of the competition and broadening their target market in addition to being able to cater to their needs and preferences. Through the implementation of diversification strategy, the company has maintained its top position as the leading integrated communications service provider.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussions of the key findings presented in chapter four, conclusions drawn based on such findings and recommendations there-to. This chapter is, thus, structured into discussions, conclusions, recommendations and areas for further research.

5.2 Summary of the findings

There were a myriad of challenges that the organization was faced with during the implementation process of diversification strategy. The marketing department experienced challenges in the marketing of their products and services due to limited budgets, pricing of products and service due to existents of many competitors, limited knowledge and awareness of products, maintaining a credential within the market, cultural diversity, local and international regulations. It was indicated that diversification strategies introduced limits in various aspects such as organizations growth, adaptability by employees as well as competitiveness.

Due to the complexity of implementation there arises the problem of resource allocation. The human resources department had difficulties to bring the whole organization in sync to work together to implement the strategy while the financial manager indicated the allocation of funds as this directly and indirectly influence other managerial activities as they have to be audited in a manner that they are optimally used in this implementation process. The finance department was faced by the challenge that they constantly needed money in order to keep up to speed in all aspects from hardware, to software to manpower acquisition, training and getting required infrastructure on new and modern technological systems.

The customer care department indicated that introduction of the diversification strategy introduced change in the organizations work culture which takes time to adapt. There was also the increase in responsibility to the workforce as well as change in the relationship between managers and employees as well as between departments and this called for training and investing in various changes in the working environment. The customer care department was involved in ensuring that the company's reputation of being a good product/service provider in the communications sector and to stay above their competition and ensuring that they maintained and improved their standards of service delivery by keeping employees well trained.

The marketing department cited stiff competition and sales team motivation as a major challenge. This department faced lack of motivation impacted by lack of sufficient finance allocation. Lack of funds to achieve strategies to access each individual target market was a major challenge. The marketing manager indicated that due to the need to always seek approval for funding marketing strategies since finances are handled by a different department, there were difficulties in implementation and time consuming in the achievement of co-ordination between inter-dependent departments such as finance and marketing which is needed for the centralization of the organization.

It was indicated that there was the need to watch to ensure each department is doing their part in the process by training employees properly. The information technology department indicated that with a new strategy being implemented, a new information technology system needs to be put into place and this involves all the departments causing friction and need for overall training. The finance department is faced with the challenge of ensuring that all the departments received the necessary fund allocations for effective strategy implementation.

Due to the hierarchy type of structure it is hard to create a conducive and productive relationship between managers and employees in each department in the process of strategy implementation. Coordinating all the departments in the relatively large company to fully appreciate the company's goals proved to be a difficult task. The company has a stake in the diaspora (international market) where cultural diversity is a phenomenon requiring a certain marketing approach through advertising new products and services and making sure that all aspects of culture are considered. The new strategy would affect different markets thus the need to come up with a method that is acceptable to each market segment to avoid conflict and loss of clients.

It was determined that as the company was branching out to different markets, they had to do studies and training to ensure that they roll out strategies that are acceptable to all types of markets to attract customers. The old methods of advertising which is paper based have become obsolete thus it is easier to reach a wider market using technologically based advertising whose cost is higher. The company needed to invest more in the technology and ensure that the right technology has been put into place to ensure the strategy runs smoothly and the employees are trained efficiently. The information technology department indicated that ensuring that all systems that keep the company in operation are of good quality and that inspection was carried out properly to determine that they fulfill all the governing rules & regulations and standards was important and a continuous process.

With the changing technological trends in the market, finances need to be allocated towards training employees to keep abreast with new emerging technology so as to be able to market the products and services and ensure that as a company they keep up to date with the changing technological trends so as to give the best service to customers. Marketing diversification strategies that are developed need to be approved by to facilitate allocation of funds for the proposed marketing campaign and getting department heads to properly review and consent to the proposals brought through in order to implement them is time consuming.

All department heads need to be aware of what is needed of their department to ensure that they deliver in order to realize the company objectives. The sales department needed to be accustomed to the new strategy for better results. Getting the organization to change the mode of operation would be time consuming. It was indicated that it would change in the way things operate; there would be the need to plan out the rigid environment by offering training together with monetary incentives and motivation.

The human resources manager indicated that there is a task in getting employees to embrace training, possibly a bigger work load and taking more of their time which would be time consuming in order to get the right attitude. It was shown that employees are always resistant to change as it brings them out of their comfort zone but with incentives they will come to embrace the changes. A reward system should be implemented/ established and there should be adherence to different regulatory requirements in each individual market thus the need to conform to rules leading to increase in intended budged for example in advertising.

There are various regulations and guidelines both local (Government) and international that need to be considered so as not to break them when implementing and launching the diversification strategies. It was established that increased competition led to the need to increase platforms of advertisement from social media to electronic billboards, internet pop-ups, SMS and all other forms of advertising making it more expensive. The core activity of the company was provision of the communication services. They could not survive on this platform alone since competitors constantly came up with new products and services resulting to diversification.

It was determined that the company did provide incentives to the company's sales force and marketers who pushed their products to achieve the maximum returns to beat their competitors. It was also noted that with the change in operations and work load they needed to compensate employees according to the government rules regulations and where needed increased the workforce. It was determined that the company's competitors were copying and rebranding their products and services and offering them at a cheaper rate thus undermining and losing customers by the company. The company was working on the improving and rebranding existing products and services to beat competitors as well as making their prices more competitive and broadening the scope of our products as was indicated by the marketing manager.

The marketing manager indicated that their biggest setback as the marketing department is the finance allocation. Due to the size of the company their strategy implementation ideas have to be approved by various departments before funds are disbursed. Safaricom's competitors were constantly churning out new ideas, products and services. Any delays in fund allocation for the activities of the marketing department led to loss. Bureaucracy in funds allocation was time consuming and lead to lagging behind the competition. The human resources manager noted that the company took time on training the workforce as well as synchronizing all departments towards one goal. The study noted that planning, allocating and directing all employees to train for and embrace the new technologies, a task that required finances were important in the strategy implementation process.

Various aspects that included restructuring of employees, investing in new technological systems, training employees to use the new system, convincing their customers to stay with them by looking out for each of their different needs and setting up ways to gain new customers. It was noted that it was crucial to work closely with the government as well as other stakeholders such as the advertising fraternity to keep abreast with changing trends, rules and regulations. The human resources manager indicated that their employees have been integral in the success of this new strategy thus achieving their goals largely depended on the support, training and incentives they have received to make them feel part of the company's success. The incentives that have been given out to employee; monetary and otherwise have gone a long way in improving the strategy implementation process. Team work had also positively contributed to success in strategy implementation process.

The company has been able to keep abreast with the emerging trends and stay ahead of the competition, reaching out to a large customer base. The performance of an organization especially in the communications sector depends heavily on technological progress and the use of technology. The organization may achieve global first mover advantage through the strategic use of technology. Acquiring technology would give the organization dominance in their environment, especially in telecommunications market. The firm has to perceive technology as a long-term strategic competency. The use of technology should not only be to meet immediate operational needs.

A technology-based strategy will require futuristic thinking with technology as a core competency, which can be controlled by managers. The organization can also support individuals and knowledge work by the use of technology to create knowledge bases and telecommunications infrastructure and applications. It is pretty clear that the intense of the usage of technology will both influence individuals and organization as well as their strategy definition and implementation process.

5.3 Conclusions

From the study it can be concluded that there are several considerations when an organization is implementing diversification strategy. These include; the structure of the organization, organizational culture, technology, form of leadership in the organization, legal/regulatory factors, employees' resistance to change, competition in the industry, labour market conditions and the substitute products/services. There are challenges that the firms encounter in the process of implementation of the diversification process and mostly revolve around financing of the various strategies that the firms wants to incorporate, better management of the above identified considerations and acceptance of the strategies by the employees and other stakeholders.

Implementation of strategies is concerned with putting strategy into practice. Successful strategy implementation requires sound mechanisms for directing activity and behavior of employees towards performance, especially including effective communication systems as well as appropriate strategic and management controls. One major task of the Manager is to implement strategy and this may entail overcoming resistance from the same employees that they are leading. Resistance can also be found from the market if proper market analysis is not conducted to establish the gaps and how to fill them. Within the organizational structure, individuals, groups and units are the mechanisms of organizational action, and the effectiveness of their actions is a major determinant of successful strategy implementation.

5.4 Contributions to the business

This study might have significant contributions to the business especially to the top managers and strategy makers of organizations because it highlights some of the challenges faced during strategy implementation and propose some ideas for overcoming these challenges. Miles and Snow (1984, 1994) stress two main tasks for managers. First is to develop and utilize a strategy that aligns the organization's capabilities with the opportunities and constraints present in its environment. Second is to arrange resources internally to support the alignment. Both require clear understanding of organizational status in terms of strategy. This study aims to provide necessary information for managers or strategy implementers to do their tasks successfully.

The study will help businesses appreciate the role of diversification strategy in spreading business risk due market contractions when current products or current market orientation seems to provide no further opportunities for growth. It has also identified ways of dealing with new positions, opportunities that promise greater profitability than expansion opportunities. Management may expect great economic value, growth, and profitability if they put more efficient use of available resources and capacities. In addition, companies may also explore diversification just to get a valuable comparison between this strategy and expansion.

5.5 Contributions to the literature

This study provides contributions to the strategic management literature because it identifies challenges faced by organizations while implementing strategy. Many studies have focused on the strategy development ignoring the challenges that are encountered while implementing the organizations strategies.

In analyzing the challenges faced during the strategy implementation process, this study adds new literature to the strategic management literature; information that will be valuable for managers involved in strategy implementation. It proposes a new approach for understanding challenges of organizational strategy implementation.

5.6 Limitations

There were basically three limitations. First was time. It would be much better if the researcher had more time to interact with more managers in the company under study. Unfortunately, time was not enough to conduct interviews with more managers in the company to fully evaluate their capacity to implement diversification strategy and identify other challenges that they faced in the implementation process.

The second limitation was on the determination of the sample in the organization. Unfortunately not many managers were positive when requested if they could be part of the sample population. The third reason was the privy structure of the organization. Openness and candid responses were limited.

5.7 Recommendations

It can be recommended from the study that the organizations should incorporate diversification strategy in order to provide a wide range of products and services to their customers as well as high quality services. Firms should engage in the diversification strategy in order to remain at the top of the competition so as to command a bigger market share as witnessed by the Safaricom Company Limited. Firms are likely to increase profitability through greater sales volume obtained from new products and new markets. Through diversification, firms venture out into new business, new products or new markets to increase profits. It is a form of growth strategy involving a significant increase in the performance objectives beyond past performance records. Diversification allows a company to venture out into new lines of business that are different from the present operations. Companies can employ different diversification strategies to expand firms' operations by adding markets, products, services, or stages of production to the existing business for better results.

For managers to fully appreciate and understand the strategy implementation process and reduce the challenges faced during the implementation process, organizations need to commit finances for the various activities geared towards strategy implementation. There is also need for structured training and development, employee motivation, compensation policies and change management for key personnel involved in strategy implementation. Proper coordination, monitoring and evaluation are also critical so as to well manage the strategy implementation process.

5.8 Suggestions for further study

The study examined the challenges of diversification strategy at Safaricom Kenya Limited. To this end therefore the same study should be carried out in other organizations to find out if the same results would be obtained. The study used a sample size of 10 respondents. The study suggests that for other studies dealing with the same, a larger sample size should be used.

5.9 Implication on Policy, Theory and Practice

The local telephony industry needs to embrace competitive strategies aimed at improving the level of both the quality and content of their products to meet market expectations. With growing population and high levels of literacy and knowledge, the market will expect more than just the traditional value proposition but an added advantage as need increases and competition becomes more intensified. The industry also faces a huge threat from other information and communication sources currently available from improvements in information technology such as from private Internet Service Providers, video conferencing, and voice over internet protocol (VoIP).

The government should set up policies that will ensure more of the population is more literate and access information easily and readily. The telephony industry can play an important role in complimenting the government's efforts in achieving the goal to having a more informed population through responsible application of knowledge through the platform provided by the various players in the market. Challenges faced by the telephone companies including unfavorable legal requirements, expensive license acquisition process, cut throat competition and poor infrastructure. Government policy should be strengthened to address these challenges. To this end, fair play should be encouraged while reducing excessive Government interference in the liberalized telephony industry and policies should be put up to achieve a level playing field enjoyed by all firms in the industry.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

1 Interviewee's name:..

2 Interviewee's managerial position:..

Department...

3 Years with the Company:...............

4 Years in the current position..................

5 What is your role in the Company's strategic implementation process?

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6 What are the challenges of diversification strategy at Safaricom limited?

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7 In your opinion, how do the following strategy implementation challenges affect the diversification strategy implementation process in Safaricom? Explain.

Structure:

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Culture:

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Technology:

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Leadership:

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Resistance to change:

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Legal/Regulatory factors:

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Competition in the industry:

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Customer needs and preferences:

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Labour market conditions:

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Substitute products/services:

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Any other:

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8 What has been the implication of the diversification strategy challenges in (6) above on the Company's strategy implementation process?

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9 For the challenges mentioned in (6) above, how has the implementation process been affected?

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10 How has the Company been able to adjust its diversification strategy implementation process as per the challenges explained in (8) above?

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11 Overall, do you think the Company has successfully implemented its diversification strategy? How? Explain?

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APPENDIX II: DATA COLLECTION AUTHORITY LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 14/08/2012

TO WHOM IT MAY CONCERN

The bearer of this letter Mr. Loran Muriti Meme

Registration No. D61/61550/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
14 AUG 2012
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX III: List of Mobile Telephone Companies in Kenya

1. Safaricom Limited
2. Airtel Kenya
3. Orange Kenya
4. Yu (Essar Telecom Kenya)