

**BUSINESS MODELS, EXTERNAL ENVIRONMENT AND  
PERFORMANCE OF SAFARICOM LIMITED IN KENYA**

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FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF  
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,  
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## **DECLARATION**

I, Evans Kwambai hereby declare that this research project entitled Business Models, External Environment and Performance of Safaricom Limited in Kenya is my original work and has never been presented for academic award like a certificate, diploma or degree in any university, college or institution of higher learning.

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## **SUPERVISOR'S APPROVAL**

This research project by Evans Kwambai entitled Business Models, External Environment and Performance of Safaricom Limited in Kenya has been developed and submitted for examination with my guidance and approval as the university supervisor.

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## **DEDICATION**

This research project is dedicated to my parents, my wife and my two children. Thank you for your unwavering patience and moral support. May God continue to bless you abundantly.

## **ACKNOWLEDGEMENT**

I would like to thank the Almighty God for enabling me to undertake and complete this research project. I would also like to express my sincere gratitude to my Supervisor Dr. James Gathungu for his guidance throughout the course of this project. Lastly, I would like to thank all interviewees for taking time off their busy schedules and for their insights. May God Bless you all.

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## **LIST OF ABBREVIATIONS**

<b>2G</b>	-	2 <sup>nd</sup> Generation
<b>4G</b>	-	4 <sup>th</sup> Generation
<b>CA</b>	-	Communications Authority
<b>CCK</b>	-	Communications Commission of Kenya
<b>DCT</b>	-	Dynamic Capability Theory
<b>HR</b>	-	Human Resource
<b>KPA</b>	-	Kenya Ports Authority
<b>PESTEL</b>	-	Political Economic Social Technological Environmental Legal
<b>RBV</b>	-	Resource Based View

## **ABSTRACT**

The main objective of this research project was to investigate the relationship between business models, external environment and performance of Safaricom limited in Kenya. As the level of global competition increases and profits dissipate, business organizations will seek to gain competitive advantage by breaking recipes of industries that were already established while engaging in innovation models that facilitate effective running of business activities. The predictor variables of the study was Safaricom business models that comprised of core internal competencies, revenue drivers and pricing volume and margins market differentiation and the moderating variable was the external environment. The study adopted a case study research design. The study used primary data. The researcher utilized an interview guide as the main data collection instrument. Data was collected through a face to face interview with the interviewees. The findings shows that with regard to customer identification, the process is through market analysis, demand of products, other customer request, mass market demand for services and market research. In regard to the value chain and linkages business model approach, Safaricom limited sets up the right network infrastructure e.g. Fibre optic network, Base Transceiver Stations and builds products and services on top of these infrastructure. The value chain and linkages business model approach take through online shop, channel partners (i.e. agents), Safaricom shops etc and work with distributors to sell the products countrywide. The core internal competencies in Safaricom limited were very good engineers, HR, technology, logistics business development teams and the company had qualified staff with technical & sales competence. To avoid harsh economic conditions in the country, the study found that adopting different business strategies based on forecasted economic conditions on yearly basis, price changes, tax regime and cost reductions can enhance performance of the company. In relation to how Safaricom scans the environment and respond to specific opportunities and threats to come up with appropriate business model, the results shows that using market research, industry surveys, customer feedbacks, engagements on an ongoing process has been adopted. The study recommends that resources should be devoted generously towards market research and appropriate customer database should be established to capture the statistics of customer demands so that the company can have the trend of services that are highly demanded and consequently enhance value creation in the respective service line. In addition, with regard to rapid technological changes and market turbulence, the study perhaps recommend that market research, enhanced customer feedback path and effective research and development should be established in the company to enhance customer satisfaction and in the long run, performance of the company will improve significantly.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

As the level of global competition increases and profits dissipate, business organizations will seek to gain competitive advantage by breaking recipes of industries that were already established while engaging in innovation models that facilitates effective running of business activities. The global competition has been manifested by increased customer demands and availability of substitute products that might be of higher quality and more affordable, a situation that forces companies to develop alternative business strategies that will lead to an increase in the firm's performance (Brannon & Wiklund, 2016). For effective strategy to compete in such an uncertain business environment there is need for not only an effective strategy, but also appropriate internal processes that facilitate the actualization of the strategies. Di Valentin, Burkhart and Vanderhaeghen (2012) therefore assert that business models act as an link between a strategy of company and its business strategies in particular. Consequently, adoption of appropriate business model will act as a catalyst to the improved organizational performance. While the focus of an organizational strategy is on the techniques that a firm implements in order to overcome competitors, business models will facilitate coordination of business activities and creation of value (Casadesus-Masanell, & Ricart, 2010).

This research was anchored on Dynamic Capability Theory (Teece & Pisano, 1994) and supported by the Resource –Based View (Barney, 1991) and the Contingency Theory (Otley, 1980). The dynamic capability (DC) theory asserts that the performance of an organization is determined by both internal and external resources that need to be integrated and reconfigured in order to achieve improved sustained performance. The theory states that company's capability differences are based on the position of an asset in that its current capabilities determine its future position to changing its operating status. The resource-based theory (Barney, 1991) argues that performance sustainability is a source of a company's ability to hold recoverable, rare, unique and sustainable resources. The business model of the organization takes into

consideration the complementary dimension of internal resources to explain how they can lead a firm into obtaining competitive advantage. On the other hand, the Contingency theory (Fileder 1964) suggests that the management, environment and organizational factors in which a firm operates, all contribute to determining a company's performance and strategic direction. The Contingency Theory therefore suggests that both environmental and organisational variables restrict the capacity of executives to impact the organisational performance.

The telecommunication industry in Kenya has seen unprecedented growth over the last two decades largely driven by changes in the country's regulatory environment, resulting in increased connectivity, affordable services and innovation headlined by the award winning mobile money transfer service MPESA. Over this period, the industry has seen new entrants hence resulting to a highly competitive environment and in effect, other companies have been forced to either close shop, relocate, merge and others acquired by the stronger players in the market. Airtel Kenya has changed hands several times starting off as Kencell in 2000 to Celtel in 2005, then to Zain in 2008 before finally being acquired by India's Bharti Airtel group in 2010 to operate under the brand name Airtel. Econet wireless came into the market in 2005 operating under the brand name yuMobile and ended up selling its infrastructure and subscribers in 2014 to Safaricom and Airtel respectively. The industry has also saw growth in broadband internet connectivity through satellite networks and thereafter, overtaken by fibre optic networks which resulted in further market reorganization that saw satellite services firms close down. With such high level of competitive environment, telecommunication service providers are forced to establish appropriate business models and logics to guide them in the prevailing market environment.

### **1.1.1 Business Models**

Amit and Zott (2012) describe a business model as an embedded and interdependent business system that describes how an organization is conducting business with its consumers, suppliers, and sellers. Al-Debei and Avison (2010) provided a series of definitions of business models that describe a corporate business model as an abstract form of all of the core interlinked structures, partnerships and financial arrangements currently and in the future designed and developed by the company as well as all the main goods and/or services. Brannon and Wiklund (2016) further define a business

model, following a definition by McKinley, Latham and Braun (2014) that relates to a significant disparity between the principal structures of goods, functionality or production processes of a company. A business model is therefore a set of linked operations which intertwine as a process that an organization performs to meet the needs of a client by generating value for its consumers, generating revenue for the company.

A company's competitiveness could be related to previous creative activities, the acceptance of technologies from others and the capacity to develop a fresh mix of activities from the existing mixture (Roberts & Amit, 2003). Such new combinations would shape imaginative models of operation, which would disrupt the competitive environment and create a new product diversity. The essence of the business model is how an organization generates income or receives profits. There are several resources that constitute an organization business model. Osterwalder and Pigneur (2010) assert that in addition to strategy, material and immaterial resources are important components for a firm business model in order to achieve improved performance. Hence as Morris, Shirokova and Shatalov (2013) highlight, a firm's business model should have structures and process for value addition, structures for capturing profits and processes for achieving growth. Value creation and capture need to be implemented within the business model that encompass other players as suppliers, partners and distribution channels that form an organization value chain. The four dimensions of a business model include customer engagement, customer identification, value delivery and money or revenue flows, as suggested by Baden Fuller and Haefliger (2013).

### **1.1.2 External Environment**

In order to register a performance improvement, an organization should not only look at the internal operations but also the environment for more efficient operational technologies. External scanning should be done with a view to improving existing products and procedures in the manufacturing process that other competing firms in the market are offering (Teece, Pisano & Shuen, 1997). The need for an organization to be cognizant with the happenings in its operating environment is further supported by Porter's work who suggests that organizations and countries should upgrade and broaden their internal benefits so as to extend and sustain competitive advantages. As

Barney (1991) states, companies acquire a sustainable competitive advantage through the implementation of policies that leverage their internal strengths by reacting to economic possibilities, enhancing internal weaknesses and eliminating external risks. This point was reinforced by Machuki and Aosa (2011) who highlight that the environmental factors influence the strategic decision making of a firm since the unpredictability of the macro-environments increases the risk for firms. The popular framework used to analyze the macro-environment that a business unit operates in is PESTEL.

The process of analysing the environment in which an organization operate in can be assisted by using the PESTEL framework which aims studying the macro environment of organizations to identify how future trends in the political, economic, social, technological, environmental and legal environments impacts on the on organizations (López et al., 2016). It appears from this discussion that the PESTEL analysis could be the first tool to be used to collect data on future opportunities or threats faced by organizations. The political environment of a home country may have a direct or indirect influence on an organization business decision. This might be represented in terms of whether the host country has entered into economic blocks that might affect a firm activity (Aithal & Shubhrajyotsna Aithal, 2015). The economic environment as manifested by a country's per capital income, distribution of economic wealth and the type of economy that is being practiced in the country will determine the strategies that a business unit will adopt. On the other hand a business unit should also analyse social-cultural aspect of the macro-environment that it operates in during the process of coming up with the strategies that will guide its future operations. The social-cultural factors to be considered include the country's values, beliefs, rules and institutions that are being practiced (Simsek et al. 2007).

The effect of technology on business organizations decisions has become important due to many anticipated breakthrough technologies (Samaha, Seck,& Palmatier, 2014). Most multinationals gain technical dominance through constant creativity, study, and growth by reserving a significant part of their annual budget, since advances in innovation and technology are extremely expensive. The design of an effective strategy finds both environmental and geographical considerations of climate, such as landscape and weather conditions, topographical influences, natural



resources endowments, regional locational dimensions, and airport and water harbour facilities to be important. There are legitimate environmental factors that have to be weighed for spending decisions and business activities in the industry (Bohari, Hin & Fuad, 2017). The legal environment has to be addressed as every sovereign country has its socio-cultural, political values and beliefs in its legal system. Multinational companies' worldwide must navigate varied and sometimes complex legal structures in their respective countries of operations.

### **1.1.3 Organizational Performance**

Organizational performance is the degree to which an organization attains its mission, vision and objectives that are measured in terms of quality service, customer satisfaction and increased profits (Aguinis & Kraiger, 2012). According to Koontz and Donnell (2010) performance of an organization refers to the capacity of a firm to realize such mundane goals as high profit, increased market share, new product development, decent financial outcomes and achieving long-term sustainability. Naranjo-Valencia, Jiménez-Jiménez and Sanz-Valle, (2016) grouped organizational performance into the following categories; business performance, financial performance and organizational effectiveness. Moullin (2007) assert that firm performance is a means through which a firm provide value to its stakeholders and therefore is an indication of how well the managers succeed in utilizing firm resources to generate income to the firm.

Various methods to assess the performance or achievement of a company are used. Carton (2004) states that an organization's good performance can be measured by the values it generates for its shareholders. Multiple performance measurements are used in earlier studies. To evaluate corporate performance, Lumpkin and Dess (1996) used increase in their revenues, profitability, market share and general performance. Mokhtar et al. (2014) used four dimensions: success of new product, customer retention, return on capital and growth in sales in measuring the relationship between market orientation and corporate performance. In the present research, the balance score card performance perspective measures will be used. It is a global performance measurement model that Kaplan and Norton (1992) established and mainly aims to transform the task and strategy of an organisation into effective measures. The

perspective measures are namely the firms, financial, internal processes, customer focus and learning and growth.

#### **1.1.4 Mobile Telecommunication Industry in Kenya**

Kenya's mobile telecommunication industry has been modified via Kenya's 1998 Information and Communication Act that led to the creation in February 1999 of the Communications Commission of Kenya (CCK), which was later rebranded to Kenya Communication Authority (CA) in 2017. The Communications Authority (CA) is the accountable agency for designing and executing telecoms policies and strategy in Kenya and is responsible for authorizing and controlling postal, radio and telecommunications services in Kenya. CAK also promotes efficient trade, consumer protection, business promotion and procurement of global transit services and tariff law enforcement (Ondiege 2015).

The industry has experienced an extensive growth in the number of subscribers as well as geographic expansion of cellular mobile services in the country ([cck.go.ke](http://cck.go.ke)). Since inception, mobile penetration in Kenya has grown dramatically and stood at 89% as at 31st March 2019 (International Telecommunication Union, 2019). Kenya had over 38 million subscribers as at 31st December 2018, with Safaricom enjoying 63.5% market share, followed by Airtel Networks Kenya Limited's 23.4%, while Telkom Kenya, under the brand name Orange commanding 13.1% market share. However, with the anticipated merger of Airtel and Telkom Kenya in the cards, it is expected that the country is going to continue witnessing increased competition in the sector which will call upon the players to come up with new business models if they have to remain competitive (Nyambane, 2017).

#### **1.1.5 Safaricom Kenya Limited**

Safaricom is Kenya's top cell phone operator. It was established as an integral part of Telkom Kenya in 1997. Vodafone Group plc, the world's largest content distribution company, gained 40 per cent of the organization's interest and leadership responsibilities in May 2000. The goal of Safaricom is to remain Kenya's top mobile network operator. Over 1000 delegates were hired from the existing supporter base and 10 retail shops were established in Nairobi, Mombasa, Kisumu and Nakuru. The

business has a large trading network with over 152 merchants in the whole country ([www.safaricom.co.ke](http://www.safaricom.co.ke)).

The organization has built up an expansive scope of administrations to address the issues of the more than 30 million customers. The expanding number of endorsers has affected the organization's benefit. The organization's turnover ascended from Ksh 38.1 billion for the fiscal year 2015-2016 to Ksh 45.1 billion in 2016-2017 which is 18.3% increase. Safaricom has been on a development binge throughout the previous five years. In the meantime, the organization has been spending an immense piece of their pay on corporate social obligation. The organization has a division that deals with corporate social duty that has been given a considerable amount of cash for matters inspiration of the lives of the citizens and helping the poor in the general public (Nyambane, 2017).

Safaricom accepts naturally that the accomplishment for any organization relies upon how it characterizes its offer. The organization additionally values the system foundation, innovation and faculty who decide the quality, clarity and consistency of the administrations advertised (Kisaka et al.,2015). Corporate vision is to be the main cell phone specialist organization. Safaricom has an assortment of administrations that it offers to its customers. These incorporate; remote telephone administrations, web administrations, electronic cash exchanges and mobile phones. The group utilizes a few advertising combine procedures with division in figuring it out its objectives and corporate vision.

## **1.2 Research Problem**

In the current business environment that is increasingly becoming competitive, organizations engaged in both public and private activities are under intense pressure to pursue operational excellence in order to improve their performance (Schaltegger, Beckmann, & Hansen, 2013). This implies that these businesses need to come up with profit oriented models that are not easily imitated and make use of the internal resources, in their operations to realise the set strategic goals. In addition, Teece (2010) assert that adoption of an appropriate business model is able to help a firm perceive and assess changes happening in the environment as well as enhance the capacity of the firm to taking necessary measures that are in line to the structure of the

company. However, Teece further point out that there is need for a firm business model to be differentiated from competing firms in order to result in higher profits. The understanding of the relationship between the business models adopted by the mobile firms and their performance will be necessary to the mobile firms in a developing country as Kenya.

The mobile telephony industry in Kenya has been undergoing rapid changes over the last 15 years with the Communications Authority of Kenya having licensed four mobile operators in Kenya over the same period (Safaricom, Airtel and Essar (Yu) and Orange), though Essar (Yu) exited the market in 2013, while Orange sold its stake to Helios Investment Partners in 2015. New licenses were issued to Jamii Telkom have come into operation. With such a number of mobile operators serving a market of around 30M Kenyans with mobile phones, the level of competition is high in both the voice and data service provision (Oteri, Kibet and Ndungu, 2015). The firms need to need to continuously come up with different business models that meet customer needs and at the same time differentiate itself from the rest of the players in the market. This is because coming up with a new service or product is not an end in itself because it will be imitated very soon rather than later and there is need to always come up with a business model to be pursued and that will make the mobile phone firm competitive. However, the effectiveness of the business model differs and therefore the understanding of how the model adopted will impact on the performance of the firms will be necessary. Different scholars have sought to investigate the effect of business models on the firm outcomes.

Brannon and Wiklund (2016) investigated the nexus between business models as represented by firm characteristics, innovation and performance of Indian and Chinese textile export firms. The findings have shown that increased customer knowledge and awareness is associated with business model innovation. The impact of the business model for Russian Food Service Ventures was explored by Morris, Shirocova, and Shatalov (2013). The study revealed that restaurant and service for fast food supplies concentrate on the provision of utilities by reducing production expenses as it enhances the company's earnings and profits. Simultaneously, Baden-Fuller and Haefliger (2013) attempted to determine the connection among telecommunication companies' business models and technological development in

Britain and discovered that business models mediate the connection between technology and company performance. The study also discovered that, the development of correct technology is a question of choice between an open and user engagement business model.

Mutisya (2012) has investigated Mombasa business models and established that the supermarkets of Mombasa have implemented a number of business models and a variety of factors have affected the model selection. Financing from the banks and unfriendly public policies have been the main problems of small and medium-sized supermarkets. Furthermore, the aforesaid did not invest in technology. Latema (2013) carried out a study of Kenya county governments' business models for generation and enhancement of revenue. The findings of the study were that counties have provided public land for entrepreneurs as a revenue generation model. Further, Maina (2013) researched on the adopted business models by container consignment stations in Kenya and found out that majority of the freight stations handled a variety of commodities and most of the freight stations customers were those that the freight stations had approached for business and they thus did not depend much on KPA rebates as a source of revenue.

From the above studies, it is evident that different researchers have investigated the effect of different firm business models on organizational outcomes. However, the dimensions of business models used are varied as well as the methodology employed by the researchers. As a result of the existing gap, this research will seek to answer the following research question; what is the influence of business models, external environment on the performance of Safaricom Kenya Limited?

### **1.3 Research Objective**

The main purpose of the study was to determine the influence of business models, external environment on performance of Safaricom Limited in Kenya.

The specific objectives were:

1. To establish the effect of business models on the performance of Safaricom (K) Limited.

2. To determine the influence of external environment on the relationship between business model and performance of Safaricom (K) Limited

#### **1.4 Value of the Study**

The research contributes by recording the existence of the business models implemented by Safaricom to expand the concept of dynamic capability, resource-based perspective and contingency theory on mobile communications firms' success in developing countries. The research theories aimed to explain why companies can perform the same tasks but have different results.

This study is relevant to management practice in highlighting and providing solutions to the challenges the firm faces as it develops and adopts business models. By so doing, the company can implement the measures recommended by this study and thus have more efficient business model adoption processes. This may translate into higher institutional profits for the firm. Based on the successful business models identified by the study, other institutions and companies can adopt these models and as a result, more institutions might become more profitable and adaptable to the business environment. The economy of the country might thereby thrive and the government tax collections increase.

Policymakers might use the study results to identify and bridge gap between existing business models. The understanding of the effect of business models on the performance of business organizations might enable policy institutions like the Communication Authority (CA) come up with incentives that encourage the firms in identifying appropriate models thereby contributing to CA's mandate of facilitating the development of the information and communications sector in Kenya.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the theoretical basis of the study, business models and environment as well as performances, empirical studies and the identification of the research gap.

#### **2.2 Theoretical Foundation**

A theoretical framework can be described as the manner in which the investigator presents the research questions and think through the subject area, come up with appropriate ideas and theories that can predict the potential outcome of the research. After which, the ideas thought and the theories into the research theme that mounts the subject (Neuman, 2010). As a result of the above description of theoretical framework, the research came up with the following discussed theories that underpins the study.

##### **2.2.1 Dynamic Capability Theory**

The Dynamic Capability Theory (DCT) was advanced by Teece and Pisano (1994) and further refined by Teece, Pisano, and Shuen (1997), and Eisenhardt and Martin (2000). Dynamic skills are internal and external tools that enable an organization to adapt, develop and re-configure its products and processes to improve its efficiency. The theory says that companies' capacity differences are based on their asset position so that their current stock of capabilities determines the future position of a company in changing its operating situation. In particular, the institutional versatility and adoptability will be affected by business procedures, including governance structures, resource allocation mechanisms and effectiveness efficiency. Likewise, a company's ability to recognise and contribute to the direction of upgrades to skills that lead to a competitive advantage shall also be measured by a course taken so as to provide an important resource.

Eisenhardt and Martin (2000) established that dynamic capability view explains the important role of capabilities to reconfigure resources that a firm has at present to

cope with the highly changing environment. Therefore in business environments that are fast-changing DCT explains the critical place of dynamic capabilities in explaining an organizations level of competitiveness (Barreto, 2010). This is because, dynamic capabilities are considered as a transformer for translating resources into better performance. King and Tucci (2012) established that by incorporating past practices in previous markets, a firm can raise the chance of succeeding in a fresh market hunt, and that the capacity to integrate industry technology during product or service development is an important dynamic capability for new technology-based organizations.

Amit and Schoemaker (1993) while appreciating the step of re-assembling a firms external and internal resources in a rapidly changing industrial setting, they also highlight the need to create a more cost-effective process to other opponents that will configure and transform their input into tangible output. The reconfiguration capability is therefore mainly considered to be an essential dynamic capability to monitor company and technology development environments and to respond adequately by means of asset conversion. As a consequence of increasing market uncertainty, the reduction of frontiers between competitive environments and the progress towards global competition has required companies to be more dynamic in their actions. This is because of higher expectations of customers. Therefore the design of approaches that vary between the company and the rivals will become the principal success driver as Gathungu and Mwangi (2012) opine, as complexities in market environments increase. Similarly, Zhou and Wu (2010) indicate that strategy flexibility, incorporating efficient implementation and resource reconfiguration, reinforces favourable technological capacity impact and thereby improves the general performance of an organization. Therefore, in dealing with dynamic business environments, organizations ought to swiftly react to the market and the strategies applied by competitors.

### **2.2.2 Resource Based Theory**

The Resource-Based View (RBV) is a method used in the 1980s and 1990s, after the original concept created by Wernerfelt (1984), for achieving an organisational competitive advantage. Barney (1991) has further developed the theory by pointing out that a firm mainly consists of a range of capacities and assets that must be paired



to generate products or facilities that satisfy the requirements of customers, through developing suitable organizational policies. Peteraf and Bergen (2003) highlight that the key drivers of organizational competitiveness will be the quality of its internal operational resources that are rare, not easily copied by competitors and also should non- substitutable. Therefore, irrespective of how good a firm's competitive strategy, there is need to augment it with an elaborate operation strategy that covers the firm's corporate strategy, core competencies, product and service development, competitive priorities and customer driven strategies (Paiola, Saccani, Perona & Gebauer, 2013).

Accordingly, RBV argues that successful companies can enhance their potential performance through efficient use, which may be intangible or implied in essence, of their unique and distinctive abilities. Boyer, Swink and Rosenzweig (2005) highlight, however, that organizational capabilities on their own will not improve a company performance but rather the capacity of the organization to combine these internal capabilities in a manner that will create a synergy and thus improve the organizational performance. In the context of the current research, the capacity of a firm operational strategy to adjust its capacity in times of demand increase, establish effective inventory and control systems, and also institute proper failure prevention and improvement process is expected to result to improved performance (Slack, Chambers & Johnston, 2011). This point was emphasised by Swamidass, Darlow and Baines (2011) who find that effective implementation of a firm operations management lead to increased product and service delivery speed, reliability, quality and flexibility of offerings. These outcomes are courtesy of the operations strategy implemented by the organization.

### **2.2.3 Contingency Theory**

Contingency Theory states that a company's future orientation is shaped by the executives, environment, and institutional factors. Contingency theory assumes that managers' ability to influence organizational results is limited by environmental considerations and organizational factors (Carpenter and Golden 2007). The people in the organization, their leadership and movement are included in the human subsystem. Where ambiguity is linked to the mathematical ideas of probability and fluidity or proposals of limited rationality, there are two solutions to ambiguity similar to each other, because the more data the organisation needs in order to accomplish or

carry out and finish its mission, the higher is the degree of knowledge of the organisation (Nobre et al., 2009).

The contingency theory supposes that every subsystem is suitable for a number of differences. Each of them should be designed to correspond to other subsystems and the environment in which they are (Mentzer, 2001). The innovation employed in the organisation will also influence subsystems and the organisational composition. The concept of contingency also depends on an open system perspective, which considers the organisation to be more environmentally responsive. The performance of the marketing strategy determines whether or not the company survives and is determined by how the firm manages its relationship with the environment. The theory proposes that a leaner organizational structure and lower bureaucracy enhance flexibility and enable fitting between internal processes and the environment.

### **2.3 Business Models and Firm Performance**

Often, business models are used to analyse and understand existing business logic of a company. As a result, many experts have tried to define business models with the aim of developing a popular dimension of the business model. Business model is regarded as an intermediate element between the approach of a company and its business processes, and while business models concentrate on the manner in which they operate in a sustainable enterprise, they represent the logic of creating value and effectively co-ordinating resources of a company (Osterwalder et al. 2005). However, according to Rappa (2014) while quoting earlier researchers (McGrath & MacMillan 2000; Day & Moorman, 2010) assert that the more commonly agreed dimensions of business models include customer engagement, customers identification, monetization and linkages and value chain.

Customer identification dimension focuses on determining the destination client by contrasting the present and anticipated condition with the issue they are facing (Ulwick, 2005). Identification of customers indicates whether users are paying for obtained facilities or whether there is another set of clients paying for facilities when the key service is offered free of charge (Teece, 2010). By identifying the correct set of customers consuming the firm's products or services, then the firm will be able to come up with targeted products which will enhance its revenues and market share.

The monetization dimension is concerned with the financial considerations of the business by coming up with ways of making money for the business. This is achieved by controlling costs and raising revenues through adoption of the economies of scale (Kaplan & Norton, 2004). Non-financial factors concerning cultural and environmental issues (the triple bottom line) may also apply to economics. The business model of customer commitment stresses the need to formulate the value proposition from the perspective of each customer (Day & Moorman, 2010). This involves the determination of what the customer or customer groups require and the evaluation of the value proposition in the individual customer group.

Mitchell and Coles (2014) argues that the business model of a corporation is supposed to explain how it produces or receives profits by showing the current revenue generators or different cost components to which the company charges and which aspects of the price structure of the firm are to be paid. At any point the financial or competitive framework of a product must be addressed, taking into account sales factors, profitability and production costs and the overall cost structure of the business (Morris et al. 2016). Moreover, business models in firms must change over time and be able to adapt to current market demands for efficient generation of revenue (Teece 2007). It illustrates the need to respond to changing markets and to find or develop new skills, to bring about improvements to business models and priorities. Thus, the frequent change by companies on their business models exemplifies the need to align itself with the changing business environment that it is operating in.

Roh (2012) stresses that the development of an organization differs according to how sales levels and scale of activities are extended. This is because increased levels of business lead to proportional increases in purchase volumes and the strength of the company's market, allowing the company to increase its value share within the value chain. The chosen development path will be linked to a whole range of decisions that primarily deal with the general growth and growth of funding sources. Decide whether the business should expand solely under its own auspices or through collaboration between itself and others through franchising, collaborations, strategic alliances, joint ventures, licensing etc. (Peng & Heath 2006), is a decision to determine the type of growth.

## **2.4 Business Models, External Environment and Performance**

The effectiveness of a firm business model in influencing the final outcome is dependent upon environmental factors. The business environment in which an organization operates affects the type of business strategy and dimension of value proposition taken to address the client issue often in light of the offer and its possible advantages. Most industries have the traditional concept of a value chain in which a company takes a specific position to receive the suppliers' raw material, create the product and present it to its company's' respective customers (Stabell & Fjeldstad, 2008). The relationship between the suppliers and the firm will determine the nature of the relationship developed and how the firm adapts its business models to meeting customer demands.

An organization innovation product and process innovation need to be aligned to the prevailing market condition with a view developing the business model that is able to match the customer needs (Visnjic, Wiengarten & Neely, 2016). Business entities need to deploy servitization and product innovation together, as well as identify which business model is appropriate to its business structure. Consistent with Gebauer (2011), the finding reveal that when both innovation and servitization are employed together, both result in improvement in performance for the following year while, jointly employed, the outcome reduces the extent at which the performance of the following fiscal year is achieved.

By interacting with clients to solve particular problems or by adding value through the production of "one-sized-all" goods and services by standardized mass-production processes, an organization can create value to its customers (Day, 2013). Similarly, through engagement of its customers, a business unit will be able to develop customer centred products which is able to meet their own unique needs with differentiating feature with other competing firms in the market. Different studies have shown that the business models of entrepreneurs and incumbents seem to converge with the common objective of providing multipurpose economic drivers. However, the study was not able to explain the business models appropriate for a particular sector in the different levels of development (Bohnsack, Pinkse & Kolk, 2014).

## **2.5 Summary of Empirical Studies and Knowledge Gaps**

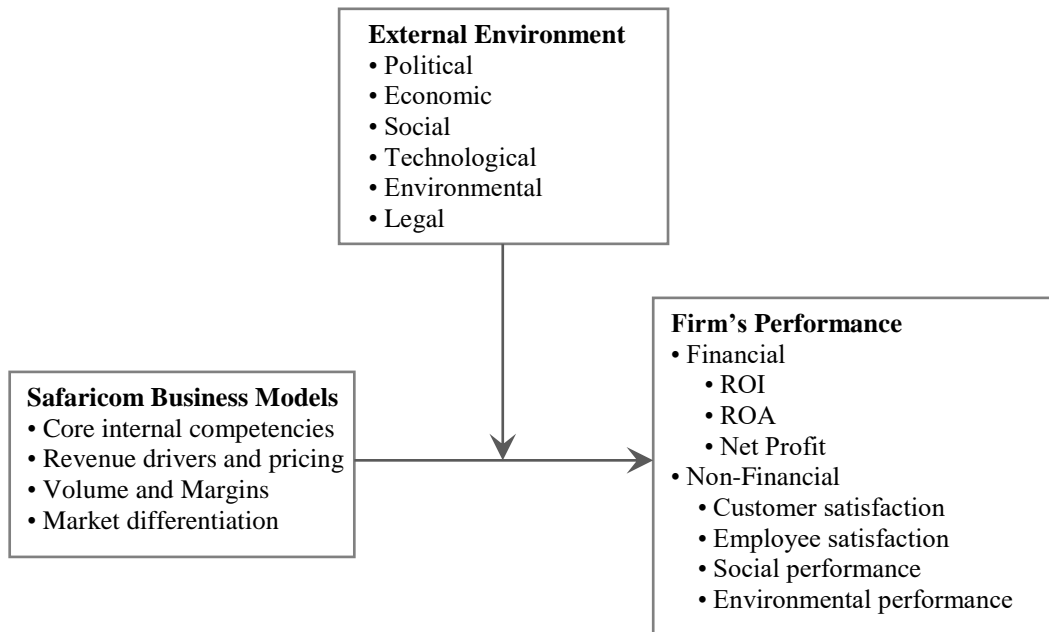
Different studies have been undertaken at both the international, regional and locally on effect of business models in organizations. The studies have zeroed on the effect of business models at different sectors that include fast food consumer firms, small and medium enterprises, power firms and the higher educational sectors. The studies have adopted different research designs ranging from desktop analysis, case study and descriptive cross-section research design. However, the present research differs from the current research in that the studies did not consider the moderating effect of the environment to the relationship between business models and performance of firms. In addition, the competitive nature of the telecommunication industry makes the current research differentiated. A summary of the empirical studies and knowledge gap is presented in Table 2.1.

**Table 2.1: Summary of Empirical Studies and Knowledge Gaps**

<b>Study</b>	<b>Methodology</b>	<b>Key Results</b>	<b>Knowledge gaps</b>	<b>Focus of this case study</b>
Business Model and company Performance (Sahut, Hikkerova, & Khalfallah, 2013).	Desktop analysis	It was discovered that the business model explains firms' performance more efficiently than industrial ranking	The research was not able to factor the moderating effect of external environment on the relationship	The current study considers the moderating variable of the environment in affecting the business models
Business Model and organizational Performance, a case of Food Service Ventures in Russia (Morris, Shirokova & Shatalov, 2013).	Descriptive cross-sectional research	Successful implementation of integration business model allow companies to establish higher mark-ups, higher return on sales, high ROE and profit.	The industry that the research covered was less technologically oriented like the present research study	The telecommunication industry in a developing country as Kenya faces unique challenges in as far as business model development and this makes a point of deviation from the study.
Business models for sustainable innovations: Discovering evolution of business models in the case of electrically powered vehicles; (Bohnsack, Pinkse & Kolk, 2014).	Case study	The evolution of the business model shows a sequence of rapidly increasing changes that bring components which are service-oriented to the product initially developed by entrepreneurial companies.	The external environment moderating variable was not incorporated in the model	The current study considers the environmental conditions and not innovation alone
Business models: A challenging agenda (Baden-Fuller & Mangematin, 2013).	Causal Research	The link of technology and corporate performance is mediated by business models. The development of a suitable innovative technique is a question of a business model choice on user involvement and openness.	The study adopted different measures of business model unlike the current research.	The current study will restrict itself to four different dimensions of business models unlike the study under review
Diagnosing an organization's internal setting for corporate entrepreneurship (Kuratko, Hornsby & Covin, 2014).	Exploratory and confirmatory factor Analysis	Managers and staff in organisations, when organisational conduct is shared and recognized among staff, are inclined to participate in entrepreneurial conduct	The current study will employ a descriptive research design and scope will zero in on technology based firms	The current study will consider an emerging economy and more so how a firm business model affect performance

## 2.6 Conceptual Framework

A conceptual framework can be described as wide concepts and values derived from appropriate research areas and used for subsequent presentation structure (Reichel & Ramey, 1987). From the review of literature, it is depicted that the environment influence mediates the relationship between business models and performance of organizations. This relationship is presented in Figure 2.1.



**Figure 2.1: Conceptual Model**

Source: Researcher (2019)

Figure 2.1 it shows that the external environment variables such as the political state, economic, social, technological advancement as well as environmental condition affect a firm's business models adoption. The study postulates that Safaricom business model such as core internal competence, revenue drivers and pricing, volume sales and market differentiation is affected by the state of the economy in the country, political stability is expected to affect how these business models are successfully implemented and consequently affects the firm performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter presents the research methodology adopted in the study with the aim of achieving the objectives of the study. The areas covered include, research design, target population, procedures for data collection and analysis of data.

#### **3.2 Research Design**

The study adopted a case study research design. A case study is an in-depth study of a person, institution or phenomenon. A case study was adopted because the research subject matter that involves the investigation of how business models, external environment affect performance of Safaricom (K) Ltd, might be known by a few number of the top management of the organization. In this regard, it becomes imperative that the researcher employs a case study approach whereby a select number of the top management team was interviewed. Therefore, the case study research design was considered the best way to meet the study's goal.

#### **3.3 Data Collection**

The researcher utilized an interview guide as the main data collection instrument. Data was collected through a face to face interview with the interviewees. The target interviewees were the Safaricom (K) Ltd staff who are involved in strategy development and implementation. In particular, the targeted interviewed managers in the Corporate Services, Product development, Marketing, Financial Services and Enterprise Business departments.

The interview guide was made up of three sections. Section A was information concerned with the respondents' demographic profile, section B covered the Safaricom business models, section C contained questions on the effect of business models on Safaricom performance while section D were questions on the effect of business models, external environment on the performance of Safaricom (K) Ltd. The targeted interviewees were considered to be knowledgeable on the company business model strategies and how it influences their level of performance. In addition these



groups of interviewees are either involved in the development or implementation of the company strategies.

### **3.4 Data Analysis**

The study adopted content analysis to obtain analytical results from the interview guide. Content analysis provides general perception on relationships among variables of study. In addition, content analysis is considered appropriate for this study since it is able to give appropriate description, interpretation as well as provide significant critic to the research topic because it may not be easy to do it numerically. Content analysis comprises of detailed description and observation of items, objects, or elements that is associated with the objective of study.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The analysis purpose was to evaluate the impact of business models, an external setting on the performance of Safaricom limited in Kenya. Through the interview guide the data was collected. This section analyses and addresses the observations of interviewees.

#### **4.2 Response Rate**

The researcher targeted to interview respondents from the following departments; Corporate services, Enterprise Business, Product development, marketing and Financial Services. During the data collection process, the researcher was able to interview seven of the targeted interviewees. This represented a response rate of 70 percent, a position that was deemed to be adequate in the quest to realise the research objective.

In terms of the interviewee's background, the areas covered include current position, the length of time that they had been working in the current position and the highest academic and highest qualification. In relation to the interviewees work experience, it was found that they had worked for a period ranging between 5-10 years in Safaricom. The study also found that majority of the interviewees (5) had worked for Safaricom limited for over five years. On other hand the interviewees highest academic and highest qualification varied with majority of them holding Master education level in diverse fields ranging from business courses, engineering, information technology, marketing and human resource management. In addition, all the interviewees had different professional qualification in their professional line of operations. With such academic and professional qualifications, the interviewees were deemed to be capable to analyse and critically identify and respond appropriately to the research questions.

#### **4.3.1 Business Models Adopted by Safaricom**

The first section of the interview guide sought to determine the customer identification process that have been adopted by Safaricom limited. The interviewees

noted that customer identification process is through identifying customers from market analysis, demand of products, other interviewees said it can be done through customer request, mass market demand for services and customers looking for services through market research. The questions asked on the customer engagement approach shows that the interviewees response was by identifying different category of customers and their needs, market research to respond to customer demands and profiling, probing customers and identifying trends.

In regard to the value chain and linkages business model approach interviewee No 2 noted that the Safaricom limited likes setting up the right network infrastructure e.g. Fibre Optic Network, Base Stations etc and setups up services on top of this infrastructure. Consequently, the interviewee No 4 also said that:

*'the value chain and linkages business model approach take through online shop, channel partners (i.e. agents), Safaricom shops etc and we work with distributors to sell our products countrywide'*

The findings revealed on how value is created in Safaricom Limited which is through innovative products after research and conducting needs of customers. Additionally, Innovation department and idea commercial sections that tests market viability of the products were mentioned in the creation of the value. Further, the account manager said;

*'The creation of value in Safaricom is through market research, constant engagement with customers, responding to market demand. We deliver value by satisfying the customer needs'*

The other point that came out from the research was that the core internal competencies in Safaricom limited were very good engineers, HR practitioners, technology, logistics business development teams and the company had qualified staff with technical & sales competence. It was noted that interviewees No2 stated that innovation teams, best marketing team, commercial organization, HR talent identification process.

The researcher also sought to establish how the company's revenue drivers and pricing approach is structured. The interviewee noted that the pricing is structured

based on market niche and target customers while interviewee No 3 stated that it through competitor benchmarking, tax regimes, regulatory guidelines e.g. competition authority, and growth strategy. In addition, interviewee No. 5 stated that revenues are driven by voice, data and mobile money services. . Pricing is based on a combination of factors, including cost, and competition. In regard to the source of the company product differentiation the interviewee stated that it through infrastructure expansion, presence of service is widely available, improve quality, product offerings/bundle structure. Similarly, interviewee No. 3 noted that the sources can be found through packaging, promotion, targeting different social groups and timings

The company growth model structure was mentioned by one of the interviewees as the constant effort to expand and modernize the network infrastructure thereby expanding capacity and availability for customers to access services and new product innovations.

#### **4.3.2 External Environment Consideration**

The existence of political environment in the country as well as a business model strategies influences the business and Safaricom limited is always alive to the potential impact. e.g, during 2013 elections, Safaricom services were impacted from the oppositions' call to boycott Safaricom products, hence low usage of the services. Similarly, the interviewee No 4 stated that the critical services can affect the country and poor management is influenced from political environment. On the question of how the prevailing economic environment existing in the country is factored in the business models strategies, it was noted that different business strategies are adopted based on forecasted economic conditions on yearly basis, e.g. changes in tax regime, target revenues and competitor price reductions.

The social and technological condition in Safaricom business models strategies found that the new products are tailored to suit the needs of a particular social group. For example the Blaze product is based on a youth empowerment program with its main target to be customers under the age of 26 years. This is in line with social impact the company aims to achieve through the programs mentorship, networking and skill management to the targeted subscribers. Interviewee No 3 stated that technological advancements impact new product strategies, e.g. evolution of network technology

from 2G to 4G means more demand on data usage hence different business strategies are adopted to utilize the new technologies.

In regard to the environmental and legal environment in the country affect the business model adopted by the company shows that the company is environmentally responsible, obligated to cut down carbon emission and usage of sustainable energy, business strategies are adjusted to be in line with these objectives. Some of these environmental and legal environment noted by the interviewee No 5 said that;

*'Safaricom is obligated to cut down on carbon emission and energy usage, products and services are developed in consideration of this. E-waste management determines how e.g. Phone disposals are done, usage on natural resources e.g water is monitored to avoid wastage'*

#### **4.3.3 Effect of Business Model, External environment on the Performance of Safaricom**

The researcher sought to determine how Safaricom scans the environment and respond to specific opportunities and threats to come up with appropriate business model. The results shows that Safaricom uses market research, industry surveys, customer feedbacks, engagements etc on an ongoing process. Similarly, interviewee No 1 stated that most of them use the market surveys, research customer feedback, social media trends, customer feedback and new products adoption.

The areas investigated were in relation to how Safaricom react to changes in the external environment in terms of strategy to match the prevailing turbulence in the business environment. The external environment were through adopting to customer demands and requirements based on market reaction, products are either ramped down or ramped up. The study found that the competitor actions changed over the last five years and changed Safaricom limited business models through establishment of new products e.g. unlimited data plans and diversification from core products to increase customer base.

The effect of regulatory factor in Safaricom limited on the performance through change of the firm's business models indicated introduction of new taxes by government and introduction of non-transparent issuance of licenses. On other hand

customer behaviour also contributed to the influence on performance through creation and offering new products suitable for products e.g. Sambaza, reverse call, Okoa Jahazi, Blaze etc. The results revealed that some of the product were not launched to be pushed to the market but are launched to create an experience with target market.

The researcher also sought to establish the bargaining power of the public at large affected the performance of Safaricom. The finding indicated that the performance is impacted when there's negative perception of the new products, mainly, public bargaining power is low. Additionally, the bargaining power of suppliers affected the performance of the Safaricom. One of the interviewee stated that;

*'Suppliers of e.g. radio equipment overcharge on their products as the few suppliers exist in the market with these products'*

The organization business development process in the Safaricom limited indicated a positive effect on performance through all products have to be tested and Safaricom success has been attributed to continuous business development. The study also revealed that the growth has been going up, all products have had very good uptake. Therefore performance has improved from new products.

#### **4.4 Discussion of the Results**

The main objective of the research was to determine the effect of business models, external environment on the performance of Safaricom limited in Kenya. Business model is a set of linked activities that interwork as a system that a company conducts to satisfy the needs of a market by building and providing the consumers with quality goods and services. The external environment, on the other hand, contains all external factors or pressures impacting business operations.

Findings on the specific objectives of the research were as follows:

**Objective One: To establish the effect of business models on the performance of Safaricom (K) Limited:** The key business model components discussed were customer identification, value chain linkage, customer engagement and pricing. In regard to customer identification, the findings were that the customer identification process is through identifying customers from market analysis, demand of products, customer request, mass market demand for services and customers looking for

services through market research. Identifying the customers enabled Safaricom to build their customer base and this contributes to more revenues to the company. Teece (2010) states that by identifying the right set of customers consuming the firm's products or services, the firm will be able to come up with targeted products which will enhance its revenues and market share.

The study findings also established that through value chain linkages, Safaricom Company has established an innovative department that counterchecks the products viability thus enhancing value creation. Safaricom has also setup up a large network of channel partners, distributors and shops covering a vast area of the country to ensure vast reachability of the company's products and services. The establishment of effective value chain across the firm distribution network has been found to enhance the firm competitiveness in the market due to improved customer loyalty to the products despite the increased level players. The importance of maintaining an efficient value chain for a firm competitive advantage is in line with Porter (1985) findings that reinforced the importance a firm distribution network.

The results of this indicated that Safaricom pricing method is structured based on market niche and target customers. It entails competitor benchmarking, tax regimes, regulatory guidelines competition authority and growth strategy. The study found that revenues are driven by voice, data and mobile money services. As asserted by Mitchell and Coles (2014) a firm's model of conducting business should explain how a company generates income or earns money by identifying existing income drivers and various value elements, and the components of the pricing structure of the company. Meehan, Simoneeto, Montan & Goodin (1984) argue that if a firm sets its pricing structure and uses it effectively, it may increase its profit margin and sustain their profitability in the long term.

**Objective Two: To determine the influence of external environment on the relationship between business model and performance of Safaricom (K)**

**Limited:** The findings of the study reveal that the business model and external environment adopted by the company has positive impact on the performance. It was found that Safaricom limited reacts to changes in the external environment in terms of strategy to match the prevailing turbulence in the business environment. The external

environment was through adopting to customer demands and requirements based on market reaction of their products. Further, it was found that the company adopted business models from market surveys, research customer feedback, social media trends, customer feedback and new products adoption.

According to Visnjic, Wiengarten & Neely, (2016) an organization innovation product and process innovation need to be aligned to the prevailing market condition with a view of developing the business model that is able to match the customer needs. The finding revealed that competitor actions changed over the last five years and changed Safaricom Limited's business models through establishment of new products e.g. platinum tariff, Giga data products and diversification from core products to increase its customer base.

The effect of technology on business organizations decisions has become important due to many anticipated breakthrough technologies (Samaha, S eck,& Palmatier, 2014). The study found that the new products are aligned based on latest technologies to cut costs and remain relevant to the existing changes in technology. Further, the study revealed that Safaricom considers their social responsibility as an important aspect of their business performance and are hence involved extensively in social responsibility programs.

On political environment, the study found that the services Safaricom provide are critical and can affect the country, strategies to manage the impact of political situations are adopted to mitigate the impact on the performance of the company. Further, the study established that economic environment existing in the country determines Safaricom Limited business models strategies. Different business strategies are adopted based on forecasted economic conditions on yearly basis, tax regime and cost drivers. As Barney (1991) states, companies acquire a sustainable competitive advantage through the implementation of policies that leverage their internal strengths by reacting to economic possibilities, enhancing internal weaknesses and eliminating external risks.



## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Introduction**

The findings, the interpretation and the suggestions resulting out of the research assumptions are summarised in this section.

#### **5.2 Summary**

The objective of the study was to establish the effect of business models, external environment on the performance of Safaricom limited in Kenya. With precision and inclination towards the achievement of the study objective, the researcher aimed at obtaining significant information from employees working in specific departments within the organization which comprised of; corporate services, enterprise business, product development, marketing, financial services and enterprise business. With reference to the study findings on the length of experience in the respective fields and the highest level of education acquired by the respondents, it was deemed suitable for appropriate response and consequently reliable findings.

From the findings, it was found that the process of customer identification is achieved through specific process for instance demand of products and market analysis, whereas in some instance, the process is achieved through customer request, mass market demand for services and market research by customers while looking for services. Similarly, the study findings established that through value chain linkages, Safaricom limited company has established an innovative department that counterchecks the products viability thus enhancing value creation. With regard to external environment consideration, the study findings reveal that the company faces a myriad of challenges resulting from opposition arm of the government calling for boycott of services by their customers. This however has led to reduction of service uptake by the company's customers. Additionally, the emergence of new technologies in the market has enhanced the company's reaction to change since products and services are aligned to meet customers' needs with the prevailing technological conditions.

Further, the findings revealed that business model and external environment have impacted performance of Safaricom Company significantly. With this respect, it was established that in reacting to changes in the external environment, the company has devoted resources towards research and development in order to identify effective innovative ways of service delivery. In addition, industry surveys, customer feedbacks and engagements were also mentioned as factors that have improved the ability of the company to react to change. The findings further reveal that government policy, which falls under external environment factors has been a challenge in the performance of the organization. Introduction of inappropriate taxes has reduced profitability of the company hence reducing performance in the long run. However, the company has devised ways to enhance entry of new products into the market resulting to continuous business development and growth.

### **5.3 Conclusion**

From the summary discussion of the findings, the study can conclude that Safaricom limited has enhanced ways of reacting to technological changes as well as business models that has improved operationalization of organizational activities. The study established that customer identification process is done in various ways. With this respect, the study conclude that Safaricom Company limited achieves customer identification process through market analysis, demand of products, customer request, mass market demand for services and market search. In addition, the company has enhanced value creation through value chain linkages thus improving organizational capacity of service delivery. Research and development in the company has been given priority to enhance innovation and value creation.

The company has also enhanced research and development process that improves market adaptation capability of the organization. As a result of technological changes, the company has devised effective ways to react to the prevailing technological trends through appropriate alignment of the company's products and services to the needs and preference of the customers. Additionally, the study concludes that apart from technological perspective as an external factor affecting performance, irregular government policies have become a setback in service provision. Introduction of hefty taxes and restricting legal framework has reduced the profit maximization capacity of the organization.

With regard to the impact of external environment and business model on performance, the study found that these variables have a positive and negative impact on the performance of the company. The study found that the organization does this through customer feedback, in order to respond to shifts in the external environment. Competition in the sector has led to introduction of new products and services to remain competitive in service delivery. Business development as a result of introduction of new products and services has led to positive effect on organizational performance.

#### **5.4 Recommendations**

The study found that customer identification process is done through customer request, mass market demand for services and market research by customers. Therefore, the study recommends that resources should be devoted generously towards market research and appropriate customer database should be established to capture the statistics of customer demands so that the company can have the trend of services that are highly demanded and consequently enhance value creation in the respective service line. Additionally, the study found that the value chain linkages in the company has led to the establishment of an innovative department that counterchecks the products viability thus enhancing value creation. Product viability is crucial in satisfying customer needs and therefore the study recommends that value chain linkage in the organization should be enhanced to improve customer satisfaction through product viability.

With regard to technological changes, the study established that new products in the company are aligned based on latest technologies to cut costs and remain relevant to the existing changes in technology. In this dimension, it is perhaps recommended that market research, enhanced customer feedback path and effective research and development should be established in the company to enhance customer satisfaction and in the long run, performance of the company will improve significantly. Market survey should be done regularly to detect the need and demands of the market thus enhancing market information. Furthermore, the company should align service provision towards the recommendations of the government policies to avoid hefty taxes while there are equivalent services that can be provided with low taxation.

## **5.5 Limitations of the Study**

The present study was limited in scope, covering just a single telecommunications company that was the main weakness of this report. Which indicates the findings are not universal hence cannot be generalized in all sectors of economy. The study has also used a case study design and various inferential techniques must be utilized in order to validate the results further. This study was also limited by other factors in that some interviewees may have been biased or dishonest in their answers considering that they were all commenting on their employer or organization that they have interest in. Additional participants would have been critical to improving the representation and accuracy tests on the information given in this report. But the results reported in this article, given the above limitations, have important policy consequences.

## **5.6 Areas Suggested for Further Research**

The study was done in relation to one organization. It will be necessary to investigate more than one company that operates in the country and within the region with different products to find out whether the effects of business model and external environment on performance is the same or differs. Similarly, a study may need to be carried out based on a firm from the western world whose business doctrine is different to facilitate comparison with the present study.

The research employed a case study research design and it is necessary to augment the results with research findings when different methodology is employed, such as a factor analysis to determine the variables to dominate the decisions to use a particular business model and adopt effective strategies to improve organizational capacity of reacting to changes in external environment.

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## APPENDIXES

### Appendix I: Letter of Introduction

Evans Kwambai  
P.O Box 46834 - 00100  
Nairobi

Dear Respondent,

**REQUEST FOR AND INTERVIEW FOR RESEARCH PURPOSES:**

This is to request you for an interview session for research purposes I aim to undertake in your organization.

The focus of the study is on the effect of business modes and environment on the performance of Safaricom (K) Limited. The submitted data will be handled with the utmost confidentiality and shall be used for academic purposes only.

Enclosed please find the interview guide that I shall be seeking your feedback on.

Your kind assistance is appreciated.

With kind regards,

*Evanskwambai*

.....  
Evans Kwambai

Encl. Interview Guide



## Appendix II: Interview Guide

This interview guide is designed to gather information on the effect of business models, external environment on the performance of Safaricom (K) Ltd and is purely for academic purposes only.

### Section A: Background Information

1. What is your current position?
2. For how long have you held the current position?
3. What is your highest academic and professional qualification?

### Section B: Business Models Adopted by Safaricom

3. What form does your customer identification process take?

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4. How does your customer engagement approach take?

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5. Explain how the value chain and linkages business model approach take

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6. Where and how is value created in your organization?

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7. What core internal competencies are available in your organization?

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8. How is the company's revenue drivers and pricing approach structured?

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9. What is the source of the company product differentiation?

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10. How is the company growth model structured?

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**Section C: External Environment Consideration**

11. How do you factor the political environment existing in the country in your business models strategies?

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12. How do you factor the prevailing economic environment existing in the country in your business models strategies?

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13. How do you factor the prevailing social and technological condition in the country your business models strategies?

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14. How does the environmental and legal environment in the country affect the business model adopted by the company?

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**Section D: Effect of Business Model, External environment on the Performance of Safaricom**

15. How does Safaricom scan the environment and respond to specific opportunities and threats to come up with appropriate business model?

16. How does Safaricom react to changes in the external environment in terms of strategy to match the prevailing turbulence in the business environment

17. How has your competitor actions changed over the last five years and changed your business models?

18. How has the regulatory factors affected your performance through change of the firm's business models?

19. How has the customer behaviour affected your organization performance?

20. How has the bargaining power of the public at large affected the performance of Safaricom?

21. How has the bargaining power of suppliers as a whole changed and affected the performance of the Safaricom?
22. How has the organization business development process affect the performance of Safaricom?

**Appendix III: Introduction letter for data collection, Dean School of Business, University of Nairobi.**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS**

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Telephone: 020-8095398  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsities

Tel: 020 8095398  
Nairobi, Kenya

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DATE: .....

**TO WHOM IT MAY CONCERN**

The bearer of this letter *Evans Kwambai*..... of Registration Number *DSI/P/7902/2001*..... is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report

We would, therefore, appreciate if you assist him/her by allowing him/her to collect data within your organization for the research.

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

Thank you

**PROF. JAMES NJIRIA**  
**DEAN, SCHOOL OF BUSINESS**

**Appendix IV: Safaricom Kenya Limited Organizational Chart**

