ORGANIZATIONAL CAPABILITIES AS A SOURCE OF COMPETITIVE ADVANTAGE AT AIRTEL KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2012

DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

Signature …………………………………….. Date ……………………….

Stella Wairimu Muhura

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

Signature …………………………………….. Date ……………………….

Florence Muindi

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DEDICATION

This piece of work is dedicated to my dear parents, my adorable sons and loving husband.

ACKNOWLEDGEMENT

The process of this master's project writing has been a wonderful learning experience which was coupled with both challenges and rewards. The completion of my study opens a new beginning and a step forward in my endeavors.

First and foremost I am indeed grateful to God for his faithfulness at every step of this study and my life. Special thanks to my supervisor Florence Muindi and moderator Dr. J. Munyoki for their invaluable guidance and advice throughout this project.

Sincere gratitude to my dear parents Mr and Mrs. Njema, siblings Njema and Ady for their continuous dedication and encouragement throughout my studies and their selfless commitment to ensuring I received the best possible education.

My most sincere and heartfelt gratitude to my husband Michael, and sons Ryan and Bryan. Your patience with me when I had to spend long hours at school are truly appreciated.

To my friends and work place colleagues for their inputs and feedback that made it possible that I attend and complete my MBA course successfully.

I register my appreciation to all those who in one way or another made a contribution to my life during this period

ABSTRACT

Corporate success derives from a competitive advantage which is based on distinct capabilities, which is most often derived from the unique character of a firm's relationships with its suppliers, customers, or employees, and which is precisely identified and applied to relevant markets. Corporate success is not the realization of visions, aspirations, and missions the product of wish driven strategy but it is the result of a careful appreciation of the strengths of the firm and the economic environment it faces.

The study aimed at establishing organizational capabilities as a source of competitive advantage at Airtel Kenya. In attempting to achieve the objectives of the study, a case study research design was adopted. An interview guide was used to collect data on strategic capabilities used by the organization in gaining competitive advantage. The data obtained from the interview guide was analyzed qualitatively using content analysis.

The study established that the company's strategic capabilities that gave it a competitive advantage over the other mobile companies was in the human resource, physical infrastructure and the distribution network, strong brand, technology, market research, innovation and manpower development and talent nurturing. The respondents noted that the company has put in place mechanisms to safeguard its capabilities through confidentiality agreement to the staff and the partners, stringent policy on company assets, firewalls on information technology infrastructure, bonding policy on training. The company carries out an audit to ensure competitive advantage through weekly and monthly audit reviews on performance in various key result areas while benchmarking against others in the sector as well as among departments.

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the present day business environment that is characterized by a high degree of uncertainty, organizational managers face increasingly dynamic, complex and unpredictable environment, where technology, globalization, knowledge and changing competitive approaches impact on overall performance of the firm. Thus as Stopford (2001) point out, due to this complex and changing environment, managers in both small and large firms are ever in the process of seeking new ways of conducting business to create wealth and increase the shareholder value. Thus a key concern to any present day shareholder of a firm is the need of the management to develop systems and frameworks that not only deliver performance, but also the ability to control these systems against top level targets (Chau and Witcher, 2008). As a result, they note that more and more firms are turning to strategic approaches and internal resources that are valuable, scarce, inimitable and irreplaceable.

The resource-based view of strategy regards strategic (rather than economic) resources as firm specific and difficult for rivals to buy or copy (Barney, 1986), and which have value to managers in influencing the direction and growth of a firm (Ghoshal and Bartlett, 1997). This view understands strategic resources as tangible and intangible assets that when combined will help to constitute a firm's competitive advantage. According to

Teece (2007), the softer components of organizational resources, such as staff and skills, and how these are managed in operational teamwork against top-level targets and longer-term strategy, are central to the management of strategic resources. According to Prahalad and Hamel (1990), risk is manageable if core competencies are used to develop core products (in the form of firm-specific expertise and resources) that can serve unrelated markets. These core areas are managed through core competencies, which they define as the abilities of employees to learn how to develop and manage the integration of technologies through cross-functional management and collaborative working.

According to Teece (2007), a firms competitive advantage is founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece *et al*. (2001, p.34) define core capabilities as “a set of differentiated skills, complementary assets, and routines that provide the basis for a firm’s competitive capacities and sustainable advantage in a particular business”. Such capabilities or core competences are not built on discrete independent skills but are “the synthesis of a variety of skills, technologies and knowledge streams” (Hamel and Prahalad, 1994).

1.1.1 Organizational Capabilities

According to Coulter (2002), strategic capabilities are the building block for core competencies and are usually embedded in the firm and require both time and significant resources to change. On their part, Amit and Schoemaker (2003) defined organizational capabilities as a firm's capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance and included the capacity of the firm to offer excellent customer service or to develop new products and innovate. This view is in tandem with that of Teece *et al*. (1997, p.19) who suggests that dynamic capabilities are the "firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments". On his part, Fiol (2001) agrees and further observes that both the skills/resources and the way organizations use them must constantly change and this move will lead to the creation of continuously changing temporary advantages. This therefore suggests that it is the way resources are configured and not the capabilities as such that is the source of competitive advantage. Configuration is specific to each organization and will relate to their corporate strategic thinking. Accordingly, firms can achieve temporary advantage, over a longer time by constant resource reconfiguration to meet the changing markets demands.

The notion of strategic capabilities is conceptually linked to the resource based view (RBV), as both perspectives emphasize the development of idiosyncratic aptitudes that cannot be readily mimicked by competitors. Scholars following the Strategic resource based view (SRBV) or dynamic capabilities approach (DCA) view resources as transitory, typically following a lifecycle behavior spanning emergence through various stages including growth, renewal, and eventual retirement (Helfat and Peteraf, 2003). In addition, other scholars from the organizational economics perspective – integrating perspectives such as agency theory, incentives, transaction costs theory, and even property rights theory – have utilized industrial organization-based tools to examine performance at the firm level of analysis (Boxall and Gilbert, 2007).

1.1.2 Competitive Advantage

According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. Further, Barney (1991) pointed out that sustained competitive advantage results from strategic assets; which he regarded as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependant not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate but rather on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004). This group of assets can be said to be what Stewart (1997) referred to be “invisible assets” which in real sense is intellectual capital.

An organization's resources, including its assets and skills, represent the source of its foundation for sustainable competitive advantage. According to Pandza and Thorpe (2009) strategists should seek to shape, transform, and combine these resources into strategic capabilities, which in turn drive strategic success. Recent resource-based writings stress that the uniqueness of firm’s resources and capabilities are not sufficient to sustain competitive advantage. Fiol (2001, p. 69) further agrees and remarks that “both the skills/resources and the way organizations use them must constantly change, leading to the creation of continuously changing temporary advantages”.

The competition strategy of a firm is to seek an advantageous competitive position in a particular industrial environment or to build up a profitable, consistent market position by drawing on various factors that are decisive to being competitive in an industrial sector (Porter, 1991). In other words, both industry type and competitive strategies are two central points to be considered by managers in a market economy. This therefore means that Porter's competition strategy explicitly relies on the pursuit of advantages, which are determined by a firm's exogenous variables that require analysis of the competitors and opportunities in the market. When a particular high-value strategy of a firm cannot be implemented, imitated or replicated successfully by a potential competitor, the strategy provides the firm with a source of sustainable competitive advantage (SCA). On his part, Oliver (1997) argues that both resources and institutional capital are indispensable to creating an SCA. The capability-based view of the firm also moves a step closer to understanding how enterprises develop and maintain their sources of competitive advantage. Hence for a firm to be assured of a sustainable development, it must identify its competitive advantage variables and harness the same to a maximum benefit.

1.1.3 The Telecommunication Industry in Kenya

The telecoms industry in Kenya, just like the rest of the world, is going through profound changes. In the past decade, technological advancement and regulatory restructuring have transformed the industry. Markets that were formerly distinct, discrete and vertical have coalesced across their old boundaries with a massive investment of capital - much of it originating from private sector participants.

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.

1.1.4 Airtel Kenya

The history of Airtel dates back to the year 2000 when it entered the market under the brand name Kencell and later rebranded to Airtel Kenya in 2004 which was later acquired by the Zain group in 2008 and finally by Bharti Airtel in 2010. Kencell, with its 'Yes!' brand was one of the two major mobile network operators in Kenya in 2004. It was then acquired by Celtel International in year 2003, the leading pan-African mobile communications group. The transaction was fully approved by Communications Commission of Kenya and all the other necessary government and regulatory clearances. Celtel International continued with their operation in Kenya until the year 2008 when Celtel Kenya was fully acquired by Zain group of companies. Bharti Airtel Limited is a leading global telecommunications company with operations in 19 countries across Asia and Africa. The company offers mobile voice & data services, fixed line, high speed broadband, IPTV, DTH, turnkey telecom solutions for enterprises and national & international long distance services to carriers. Bharti Airtel has been ranked among the six best performing technology companies in the world by Business Week. Bharti Airtel had over 223 million customers across its operations at the end of April 2011.

Currently, Airtel prides itself as the most innovative mobile phone operator company in Kenya. This is attested by the many value added products that it currently offers in the market that includes; Airtel Money, Prepaid and Postpaid plans, One Network , Blackberry devices and services; International roaming, Local and international text messaging, 24-hour customer care centre, Internet access, Directory enquires, SMS information services, Mobile Top up and Me2U. As a result of its innovativeness, Airtel Kenya has been registering growth in its customer base and according to the CCK (2011) report; the company market share had grown to 15.4% from 10.6% the same period in 2010. According to the management in the organization, they expect the impressive growth to continue being witnessed in the short term period.

Airtel Kenya has also recognized the role its services play in the way that people live and work by making business easier and more efficient. In addition the company makes business easier and more efficient. They help families and communities to stay in touch, and individuals to feel connected through the process of taking the mobile communications to Kenya's vibrant and diverse communities. Several opportunities exist in the company due to the unique services and value added services it offers. The strengths that the company enjoys include having a wide network coverage, clarity of the network and having a coverage of 82% of the Kenyan population, improved distributor investment on bank guarantee, dedicated account developers, a changed perception of the company being expensive as well as developing segment specific products.

1.2 Research Problem

An organization's resources, including its assets and skills, represent the source of its foundation for sustainable competitive advantage due to their fundamental units of value generation (Bowman and Ambrosini, 2003). This is because these resources can uniquely be bundled together in highly distinctive configurations to lend firms special competitive advantages. Therefore, strategists should seek to shape, transform, and combine these resources into strategic capabilities, which in turn drive strategic success. Due to the different strategies, firms differ based on organizational capabilities it has and that such capabilities are used to “create and exploit external opportunities and develop sustained advantages” (Lengnick-Hall and Wolff, 1999). Therefore, the development and effective configuration of unique capabilities within an organization enables them to perform processes better and in a different manner compared with other firms and this will be able to generate value to the individual firms.

The Mobile Service industry in Kenya has been recognized as one of the fastest growing sectors and at the same time witnessing high level of competition in Africa (World Bank Report, 2010). With one single operator in 1990s, the sector has witnessed an increase in number of players to the current four and customer base of over 20M as by the end of 2011 (CCK, Annual Report, 2010). The customers have become quite enlightened and demand better services than before albeit at a lower prices while the regulator (CCK) has at the same time not made matters any better for the mobile players by reducing the interconnectivity charges and allowing for porting of numbers by customers. However, the Kenyan market base in the mobile telephony is still growing owing to what has been referred to as a ‘peculiar calling habits’. At Airtel Kenya, the challenges is even more pronounced since the company entered into the Kenyan market at a time when there existed only one dominant market player. Thus, in order for the Airtel Kenya to remain competitive and relevant, it should be able to identify unique capabilities within the company in terms of the resources it has-and configure them in such a manner that will create sustainable competitive advantage in the short and long term period. Therefore harnessing of the firms strategic capabilities to create competitive advantage should be target priority in the present day business world. The study will therefore seek to establish how Airtel Kenya can harness its strategic capabilities as a source of competitive advantage.

A few studies have been conducted locally on the subject area of organizational strategic capabilities. Wanyanga (2007) undertook a research on the utilization of organization’s capabilities as an operation strategy in the hotel industry in Kenya. Among his findings is that that most hotels in the country had not fully identified their strategic capabilities and always scanned the external environment to identify the opportunities without identify their internal non- imitable capabilities that will give them competitive advantage. Ngugi (2011) researched on strategic capabilities at the British broadcasting corporation – Africa. The findings of the study were that for an organization to achieve desired performance results, the firm’s capabilities and the resources available to it must interact positively with the requirements of the firm’s markets and their requirements be defined clearly and explicitly. As a result of the constant change in the business world, it was also found out that the organizations strategic capabilities needed to continuously adapt to the changing operating environment and the human resources plays an important role towards the realization of the same objective. As can be evidenced from the above two studies in the local set-up, extensive research on the area of organizational strategic capabilities has not been done and more so in the telecommunication sector. This therefore leads to the question: how has the strategic capabilities inherent at the Airtel (k) Ltd acted as a source of competitive advantage to the organization?

1.3 Research Objectives

The objective of the study was to establish how strategic capabilities have been utilized as a competitive advantage tool by Airtel Kenya.

1.4 Value of the Study

This study will aid various stakeholders. Top on the list is the Mobile firms in the country who will obtain details on how they can be able to effectively identify and harness the internal strategic capabilities to create competitive advantage in the face of numerous challenges facing the industry both from within and outside the industry. Adaptability of firm's strategic capabilities in the face of unpredictable business environment and the details of responses to the challenges will help the firms in the hotel industry. In addition the study will be an invaluable source of material and information to the many IT based firms operating in the country since the industry has a great role to play in the country's quest to become a middle income country as envisioned in the Vision 2030. By identifying the strategic capabilities, the industry will also be able to achieve their objective much faster and growth of the individual firms.

The management and staff of Airtel will find this study an invaluable source of material in developing and harnessing their strategic capabilities in the present day competitive business environment. This study will provide insight on some of the challenges that may be faced in the development and implementation of their strategic plans and how they can avoid them. The authorities will strive to avoid the pitfalls and capitalize on the strengths.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Investors can also gain an insight on the business and its strategic position within the environment, which can assist them in determining their investment viability.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides information from publications on topics related to the research problem. It examines what various scholars and authors have said about the role of strategic capabilities as a competitive tool. The chapter is divided into three main areas: Organizational capabilities with a snap look at resource based theory, competitive advantage and finally the role of strategic capabilities on a firm's competitive advantage.

2.2 Organizational Capabilities

Organization capability is a broad concept with many elements and attributes. An early generic description by Nelson and Winter (1982) categorizes capabilities as lower-order organizational knowledge and skills, and higher-order co-coordinating mechanisms. Madhok (1997) refers to capabilities as a combination of resources that creates higher-order competencies while Fiol (2001) defined organizational capabilities as a firm's collective physical facilities and skills of employees, and in particular, the abilities and expertise of the top management layers.

Resources are the fundamental units of value generation. It can be specialized and bundled together in highly distinctive configurations to lend firms special competitive advantages. The resources in a real economy are in a constant state of flux accounting for observed phenomena of competitive and evolutionary dynamics (Mathews, 2006). The resource-based approach sees firms with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long-run costs, but because they have markedly lower costs, or offer markedly higher quality of product performance. This approach assumes that firms' outstanding performance comes from the rents accruing to the owners of scarce firm-specific resources rather than the economic profits from product market positioning. Competitive advantage lies upstream of product markets and rests on the firm's idiosyncratic and difficult-to-imitate resources and capabilities.

Teece *et al*. (1997, p. 516) broaden the description by referring to resources, capabilities and competencies. They see resources as: "… the firm specific assets that are difficult, if not impossible to imitate", whereas competencies result from the integration of firm specific assets: "in integrated clusters spanning individuals and groups so that they enable distinctive abilities to be performed". Competencies are described as: "… the local abilities and knowledge that are fundamental to day-to-day problem solving …" (Henderson and Cockburn, 1994).

The resource-based view regards the firm as a cognitive system, which is characterized by idiosyncratic and context-dependent competences that are core to strategic purpose. These are conditioned by hierarchical capabilities, or sets of routines, involved in the management of the firm's core business processes that help to create value. Competences typically involve the development of specialist expertise, and firms may become locked into a trajectory that is difficult to change effectively in the short to medium-term (Tushman and Anderson, 1986). The premises of the resource-based view is that successful firms develop distinctive capabilities on which their future competitiveness will be based; which capabilities are often idiosyncratic or unique to each firm, and may also be tacit and intangible in nature. Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece *et al*. (1991) define core capabilities as “a set of differentiated skills, complementary assets, and routines that provide the basis for a firm’s competitive capacities and sustainable advantage in a particular business”. Such capabilities or core competences are not built on discrete independent skills but are “the synthesis of a variety of skills, technologies and knowledge streams” (Hamel and Prahalad, 1994).

The relationship between unique capabilities and performance is well established in the literature and has been researched in various perspectives such as the resource-based, organizational learning theories, knowledge-based and the dynamic capabilities perspectives. However, all firms have more generic capabilities that enable them to compete. While unique capabilities are specific to firm(s) in particular competitive positions, it is argued that generic capabilities are present in most firms and have a positive association with both strategy and overall organizational performance.

The notion of strategic capabilities is conceptually linked to the resource based view (RBV), as both perspectives emphasize the development of idiosyncratic aptitudes that cannot be readily mimicked by competitors. Scholars following the Strategic resource based view (SRBV) or dynamic capabilities approach (DCA) view resources as transitory, typically following a lifecycle behavior spanning emergence through various stages including growth, renewal, and eventual retirement (Helfat and Peteraf, 2003). In addition, other scholars from the organizational economics perspective – integrating perspectives such as agency theory, incentives, transaction costs theory, and even property rights theory – have utilized industrial organization-based tools to examine performance at the firm level of analysis. Following the same conceptual foundation, the DCA extends strategic capabilities by emphasizing the transitory nature of both organizational resources and external influences.

Capabilities are the building block for core competencies (Coulter, 2002) and are usually embedded in the firm and require both time and significant resources to change. Organisational capabilities are commonly defined as a firm's capacity to deploy its assets, tangible or intangible, to perform a task or activity to improve performance. Examples include the capability to offer excellent customer service or to develop new products and innovate (Lorenzoni and Lipparini, 1999). Winter (2003) suggests that a capability comprises a large chunk of activity that enables outputs that clearly matter to the organization's survival and prosperity. Recent resource-based writings stress that the uniqueness of firm's resources and capabilities are not sufficient to sustain competitive advantage. Fiol (2001, p. 692) further agrees and remarks that "both the skills/resources and the way organizations use them must constantly change, leading to the creation of continuously changing temporary advantages". This suggests that it is the way resources are configured and not the capabilities as such that is the source of competitive advantage.

Configuration is specific to each organization and will relate to their corporate strategic thinking. Accordingly, firms can achieve temporary advantage, which can achieve a longer time frame by constant resource reconfiguration to meet the changing markets demands. Mintzberg *et al*. (1998, p. 83) state that only “a few key strategies – as positions in the economic market place – are desirable in any given industry: ones that can be defended against existing and future competitors”. This means that strategy has a narrow focus in the positioning school and is seen as generic rather than having a unique perspective.

The RBV embraces a firm level of analysis, but does not completely depart from industrial, organization assumptions. According to McGahan and Porter (1997), although the two approaches may be viewed as compatible in some respects, conflicts between IO and the RBV ultimately concern the relative influence of industry and firm factors on business performance. Their study showered that industry factors accounted for 19 percent of the variance in profitability within specific industry categories, and that the difference varied substantially across industries. They suggested that industry factors account for between 17 and 20 percent of variance in firm performance. Short et al., (2007),on the assessment of firms in 12 industries suggested that firm-level effects on performance are generally the strongest, but that strategic group and industry effects are also significant.

2.2.1 Human Resources and Capacity

According to Thompson et al (2007), effective realization of organization objectives depends on competent personnel and effective internal organizational systems. No organization can hope to perform the activities required for successful realizations of its objectives without attracting, motivating and retaining talented managers and employees with suitable skills and intellectual capital. As was reinforced by Cummings and Worley (2005), the task of implementing challenging strategic initiatives must be assigned to executives who have the skills and talent to handle and can be counted on to turn decisions and actions into results to meet established targets.

Without a smart, capable result-oriented management team, the implementation process ends up being hampered by missed deadlines, misdirected or wasteful efforts. Building a capable organization is thus a priority in strategy execution. High among organizational building priorities in the strategy implementation is the need to build and strengthen competitive valuable competencies and organizational capabilities. Training therefore becomes important when a company shifts to a strategy that requires different skills, competencies and capabilities.

Leadership is the key to effective utilization of organizational capabilities. The role of the Chief Executive is fundamental because a CEO is seen as a catalyst closely associated with and ultimately is accountable for the success of a strategy. The CEO's actions and the perceived seriousness to a chosen strategy will influence subordinate managers' commitment to implementation. The personal goals and values of a CEO strongly influence a firms' mission, strategy and key long term objectives since the right managers must also be in the right positions for effective implementation of a new strategy (Hill and Jones, 1997). Top management goodwill and ownership to drive the process is also critical to effective implementation of strategy. According to Thompson (1997), the strategic leader must direct the organization by ensuring that long term objectives and strategies have been determined and are understood and supported by managers within the organizations who will be responsible for implementing them.

2.2.2 Organizations Distribution Network

Distribution strategies management has evolved into a domain totally centered on “consumer experiences” and methods of providing and enhancing them (El-Ansary, 2005). Accordingly, the focal point in channel management when taking innovations to the marketplace would be the planning and implementation of positive consumer experiences through selection of channel mix, retail training in terms of physical stores, enriching experience at customer touch points, value-added services and consumer research that will provide long term competitive advantage for the firm. In addition, value chain management would focus on partnering with up-stream and down-stream activities for efficiency enhancement and cost control. Partnership innovation management is a relevant application, combining elements of process and product innovation management within a network structure to meet customer expectations at an economic cost.

Walker *et al*. (2002) state that to achieve desired performance levels, a firm’s strategies and the resources available to it must interact positively with the requirements of the firm’s markets. Both capabilities and market requirements need to be clearly defined and as well as be considered during the strategy formulation stage. As was observed by Witcher and Chau (2008), a key concern in the emerging strategic performance management in the current business environment is the need for organizations to implement systems and frameworks that not only deliver performance improvements, but also the ability to control them against top level targets. They note that from such actions organizations will be able to gain a competitive advantage over other players in the market dealing with the same products and services.

2.3 Competitive Advantage

Competitive advantage is the ability of a firm to earn returns on investment consistently above the average for the industry (Porter, 1985). On his part, Barney (1991) observed that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. According to Meso and Smith (2000), sustained competitive advantage results from strategic assets; assets that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependant not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate. Rather, competitive advantage is, according to the resource base view, dependant on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004).

According to Tovstiga and Tulugurova (2009) a firm's competitive advantage and performance are largely influenced by its intellectual capital. Most previous literature addressing intellectual capital has ignored the significance of competitive advantage on the relationship between intellectual capital and organizational performance (Chang and Lee 2008. However, in competitive environments, it is not enough for a firm to have only the capability of selecting strategic alternatives and organizing marketing resources to deliver a sustainable competitive advantage – these resources must be deployed. In addition a firm must establish new competitive advantages and shape the development of the market via two types of competitive styles namely; competition through the resources of the traditional marketing environment and competition by transcending the traditional marketing environment.

Scholars who adhere to a resource-based view of the firm believe that resources contribute to competitive advantage but only when a firm possesses valuable, scarce, inimitable and irreplaceable resources. Barney (1991) observes that particular combinations of these resources deliver a particular type of competitive advantage. He suggested that not all of a firm's resources hold the potential to deliver on competitive advantage. Rather, the firm's resources must possess the attributes of rareness, value, the inability to be imitated and inability to be substituted if a SCA is to be realized. As a result, competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Organizational core capabilities are "a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business". Such capabilities or core competences are not built on discrete independent skills but are "the synthesis of a variety of skills, technologies and knowledge streams" (Hamel and Prahalad, 1994, p. 21).

Strategic capabilities may in addition include specific strategic management processes that can be acquired by alliances to produce new competences. These competences can come from organizational alliances that contribute new and useful resources to a firm's organization (Powel and Koput, 2006). Their findings means that organizational strategic capabilities may derive from the process of forming an alliance particularly when the external enterprise possesses knowledge resources, and that such alliance may improve that firm's ability to renew organizational capabilities. Helfat and Peteraf (2003) pointed out that strategic alliances appear to be such an external event that they guide new resources into an organization's internal operations and produce new routines, which then evolve into new dynamic capabilities processes. Thus they suggest that strategic alliances can drive capability evolution, innovation, and resource recombination to develop new advantages. This alliance process includes adapting to and changing certain routines and processes, which typically leads to better integration of valid resources to drive the development of dynamic capabilities and thereby creating more strategic value. Strategic alliances provide a rapid way to further organizational capabilities, obtain new opportunities, and enhance the development of an organization.

2.4 Role of Organizational Capabilities on a Firm’s Competitive Advantage

Scholars who adhere to a resource-based view of the firm believe that resources contribute to competitive advantage but only when a firm possesses valuable, scarce, inimitable and irreplaceable resources. Barney (1991) observes that particular combinations of these resources deliver a particular type of competitive advantage. He suggested that not all of a firm's resources hold the potential to deliver a competitive advantage. Rather, the firm's resources must possess the attributes of rareness, value, the inability to be imitated and inability to be substituted if an SCA is to be realized.

According Teece et al., (1997) the ability to build effective capabilities is a significant driver of performance. Capabilities are nurtured and developed within a firm in order to enhance its performance and also react or anticipate market movements. An effective performance measurement system ought to cover all aspects of performance that are relevant for the existence of an organization and the means by which it achieves success and growth. As a result any performance measurement system ought to include more than just financial measures. Luo and Park (2001 assessed the degree of satisfaction with a range of performance outcomes arising from individual factors used in the strategic process and identified a number of parameters that are considered to be important namely: financial; customer orientation; organizational effectiveness; and innovation. Andersen *et al*. (2001) suggested the linking of strategic objectives with performance helps with the articulation of causality and state that this approach has clear advantages such as helping small- and medium-sized organizations to gain a thorough understanding of strategy by raising the awareness of strategy throughout the entire organization and by providing a focus to enhance the achievement of the strategic objectives.

Walker *et al*. (2002) state that to achieve desired performance levels, a firm's capabilities and the resources available to it must interact positively with the requirements of the firm's markets. Both capabilities and market requirements need to be clearly defined and explicit. Arguably, both need active consideration during the strategy formulation stage. A key concern in the emerging strategic performance management in the current business environment is the need for organizations to implement systems and frameworks that not only deliver performance improvements, but also the ability to control them against top level targets. This remains the case for both commercial and regulated public sector companies. In addition, firms may not have the capacity to utilize these resources in the right combination even if they were accessed in an appropriate manner. On his part, Oliver (1997) argues that both resources and institutional capital are indispensable to creating an SCA. The capability-based view of the firm also moves a step closer to understanding how enterprises develop and maintain their sources of competitive advantage. Hence for a firm to be assured of a sustainable development, it must identify its competitive advantage variables and harness the same to a maximum benefit.

Barnard (1998) did observe that it has long been considered important to have a strong interconnection of interactions within an organization. This therefore reinforces the importance of organizational audits in the performance management and organizational studies, and that employee participation is a strong predictor of organizational performance. Thus the concern of an executive team is not to review the effectiveness of operations, but to gain an understanding of how activities at an operational level play their parts in the success of strategy at an operational level. In consideration of the need of people development and development, observed that there is need: "implement the organization's policies, strategies, objectives and plans … [to] recruit and develop their people to match these competencies and actively and positively support them throughout … to realize and unlock their full potential … [and] prepare people to meet and adapt to the changes required of them both in terms of operational changes and personal capabilities (EFQM, 1999, p. 7).

According to Prahalad and Hamel (1990), risk is manageable if core competencies are used to develop core products (in the form of firm-specific expertise and resources) that can serve unrelated markets. These core areas are managed through core competencies, which they define as the abilities of employees to learn how to develop and manage the integration of technologies through cross-functional management and collaborative working. Stalk (1992), did note how Japanese firms have had a long history of collaborative forms of cross-functional management as part of hoshin kanri philosophy. Hoshin kanri, in a resource-based view sense, is a dynamic capability for the management and configuration of core competences over time. However, it has been noted by stalk (1992), most of the commentary on the Prahalad and Hamel work misses the point that it is not the core products and core competencies that provide the strategic capability, but a higher order dynamic capability.

While much is said about the need to ensure that staff develop themselves and to align their capabilities with the organization's top-down policies, there is no allowance for top management to learn how these competency shortfalls should be adjusted for in their formation of strategy (back at the top level). This is a key component in the resource-based view of strategy, where human capital is seen as an important strategic resource of the organization in its achievement of competitive advantage (Barney, 1991). Further, Biticci and Carrie (1998) noted that the literature on general team management has equally overlooked the important relationship of internal dynamics to organizational performance and their effective use for team performance management. This point was noted by Zigon (2000) when he pointed out that if measuring team performance is essential to team success, then equally important must be the identification of team performance gaps – that is, the strategy-operations disconnect – and how to close them.

A competitive advantage will always be the result of a successful differentiation or low-cost strategy (Porter, 1985). These strategies are dependent of the firm's resources and managerial capabilities. Though, competitive advantage and performance are often treated as the same thing, a firm achieving a competitive advantage does not always result in superior performance. According to Ray et al. (2004), firm performance is not always the ideal dependent variable due to the fact that firms can have other competitive disadvantages, which reduce the return. On the contrary, strategic resources are generally knowledge-based and the trade-off often concerns non-monetary factors. A company can, for example, make heavy investments and direct most of its attention and HRM activities on their customer service department. This will most likely result in a competitive advantage in terms of customer care, fast response times for customer inquiries, and so on. However, these monetary and non-monetary investments will obviously result in abandoned investments in other key areas.

Technology development in most organizations is a downstream activity and aims to provide new innovative product ranges and solutions that anticipate customer needs and this strategy remains a key source competitive advantage (Sirmon, 2007). However, installation and capital investment is a long term process and needs total commitment of the staff. This means that technology development which is well rolled out to staff influences development of strategic capabilities which is only unique to a firm and hence becoming a source of competitive advantage. Technological development is a product of structural capital which by and large is the organizational infrastructure. This is a strong factor that leads to the development of strategic capabilities.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides information on the research methodology that was used in the study. The chapter is divided into three main areas: Research Design, Data collection and Data analysis after which an interview guide has been provided to facilitate data collection:

3.2 Research Design

The research design was a case study. A case study allows an in-depth investigation of an individual, institution or phenomenon. This research study was adopted since not all the target population at Airtel were knowledgeable of the role of strategic capabilities in enhancing competitive advantage. In light of this therefore, a case study design was deemed appropriate and target a few respondents in the organization that are versed with the research subject area. It is through an interview with some selected persons concerned with identification and harnessing of the organizations competitive advantage that the researcher can be able to identify how the organization has utilized its strategic capabilities to enhance its' competitive advantage. As a result of this, a case study research design was an appropriate design.

3.3 Data Collection

The study made use of primary data which was collected through a face to face interview with the researcher. An interview guide was prepared that contained a set of questions that the interviewer asks when interviewing. The respondents interviewed were those involved with formulation and implementation of organization’s strategies. The interviewees were the top managers and functional heads in charge of finance, business development, human resources, marketing and research division. These head of departments were considered to be key informants for this research and also the departments in which the intended respondents work in are the key host of strategic capabilities in the organization.

3.4 Data Analysis

The data obtained from the interview guide was qualitative and was analyzed using content analysis. Content data analysis makes general statements on how categories or themes of data are related. This mode of analysis is adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it will be difficult to do so numerically. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the object of study. The themes (variables) that were used in the analysis were broadly classified into two: strategic capabilities in the firm and how the firm has utilized its strategic capabilities in achieving competitive advantage.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The research objective was to establish how strategic capabilities have been utilized as a competitive advantage tool by Airtel Kenya and also determine the challenges faced by Airtel Kenya in identifying and harnessing the strategic capabilities for competitive advantage. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

4.2 Respondents Profile

This section covers the demographic information which was to establish the respondents' educational and professional background, respondents' current position in the organization, and the duration the respondents have been holding the position. The respondents comprised the human resource specialist, head business, zonal head, head information technology, head of customer service, and the business analyst. The researcher did not interview all the respondents as one respondent was out of the country during the time of the interview. In my view the lack of response from this respondend does not in any way compromise the quality and aim of this study. All the respondents had university degrees with four of the respondents having masters as well. This implies that all the respondents were well educated to understand the concept of organizational capabilities and competitive advantage.

The duration working in current position for the respondents ranged from period of two years to eight years. With their background in the affairs of the organization and the industry, the respondents were found to be knowledgeable on the subject matter of the research and thus help in the realization of the research objectives.

4.3 Organizational Capabilities

This section of the interview guide was to establish the organizational capabilities that exist in the company. The respondents were in agreement that the organization recognizes the existence of organizational capabilities that facilitate the achievement of organizational objectives. These organizational capabilities was achieved through cross functional team discussions, employee performance appraisal, market research on competitors versus company performance, channel partner forums, executive and operational committee workshops, zonal business focus, decentralized leadership, empowering zones by having budgets to manage a plan zonal improvements, innovation, effective customer service, people centric, sharing responsibilities, manpower development of talent maturing, reward and recognition program monthly and place them as team leaders, and manpower development and talent naturing.

Regarding the resources that give the company capabilities in the competitive environment, the respondents observed that there are several resources that give Airtel its capabilities. These resources were enumerated to include information access, workforce empowerment, highly creative workforce, financial support, superior network, advancement of technology, and quick and proactive response to feedback by employees and customers. Airtel is already a brand name in the world, with well entrenched offices in key countries and regions. This wide presence in the world coupled with both lower local and international charges provides its customers with a variety of services to choose from.

The competitive advantage of the company over its competitor's results from the Airtel diverse affordable products and services compared to its competitors, the adoption of the outsourcing model, enables the company to optimize operational costs thus increasing its efficiency, cultural diversity, staff development and rotation, competitive pricing as the company set the pace by reducing its calling rates, and company's strongest network which enables the customers to have a clear communication, has wide coverage throughout the country and has no drop calls.

Human resource is the greatest asset an organization can have and there was unanimous agreement among the respondents that the company has been nurturing and developing its human resource in order to have the necessary skills which will enable them to undertake their duties satisfactorily. There is no alternative to a well-trained and knowledgeable man power in the business news and current affairs. The respondents observed that Airtel has a highly skilled and specialized staff which ensures a unique competitive advantage for the company. The staff capabilities have been developed though e-learning in liaison with net dimension and Harvard business school, bullet proof for managers, job rotation, job secondment and group exposure, continuous education on products and services to staff and partners and through exchange programs within the group.

The mobile telephony industry has revolutionized the world and this necessitates continuous staff training in order to equip them with the necessary capabilities. Training is tailored to suit staff at all levels of employment. The respondents further noted that what differentiates them with other companies is the existence of structured recruitment program which is not very rigorous but rather a good effort is done in development, induction program existence to pick the strength in candidate, objective setting and continuous appraisal of performance, coaching and mentorship to uphold good performance, and cross referencing and checking track record by contacting referees and previous employers.

Regarding the Airtel's human resource capabilities being easily copied by competitors, the respondents' revealed that capabilities within Airtel are structures which have been developed over a long period. While they may be replicated elsewhere, they may not be easily copied. These structures have become part of the Airtel culture and perhaps the best way of passing such skills to other organizations (competitors) is to have transferrable skills. The brand of Airtel is its reputation of offering quality and affordable services to its customers and these virtues take time to inculcate and internalize and to test in different circumstances. The respondents however noted that some of the organizations capabilities can be copied due to employees moving to competitor companies and these indicate that the company cannot keep for long protection of its core competencies from imitation by the competitors. As a result of the possibility of the organizations strategic capabilities being imitated by competitors, the respondents were in agreement that both the skills and resources and the way the organization use them must constantly change, leading to the creation of continuously changing temporary advantages. This view was shared by Fiol (2001) when he observed that strategic capabilities should always adapt to the changing operating environment that an organization is in.

There was agreement among the respondents that Airtel company has a deliberate move in which they seek to shape, transform and combine these resources to achieve sustainable competitive advantage through building of teams through team activities, employee engagement cascade sessions, team hall meetings, job enrichment, engagement surveys for staff, matching of employee roles based on capabilities, restructuring of priorities, employment benefits, staffing and training, and strategic human resource competencies of staff being matched with organizational needs. This will enable the company to achieve desired performance results, as a firm's capabilities and the resources available to it must interact positively with the requirements of the firm's markets and their requirements be defined clearly and explicitly.

The respondents noted that the realization of the company's capabilities requires sufficient investment of resources in the development of the necessary infrastructure. Airtel physical infrastructure was considered a source of competitive advantage as the company has a stable network with strong signals across the country which ensures that the company's network users enjoy the services whenever they are. The company has also outsourced its information technology and network maintenance to IBM and Ericsson/Nokia Siemens respectively so that they can gain from the expertise of the companies and at the same time reduce its operating costs. In order to harness its infrastructure, the company has undertaken various steps which include upgrading its network and increasing its network coverage, outsourcing of the network management to other companies to reap superior benefits while the company concentrates on its core business, and upgrading of technological development.

The infrastructure of the company plays a critical role in the company's overall competitive advantage as the strength of the network boost reliability of service use by the customers as they do not face drop calls and the network being busy which results to them waiting for free network to make their calls and these results to customer inconvenience. The network coverage also increases the potential of acquiring new customers and minimizes loss of customers to competitors as they will be satisfied with the kind of services which they receive from the company. The increased use of mobile phones and the modems to access the internet has enabled the mobile companies to gain more revenue from data use and the company boost of 3G technology which enables customer to access the internet at high speed. The cost of putting up the infrastructure which will ensure that the company competes effectively with other competitors was high and in order to maximize the available resources, the company has taken various steps to achieve its objectives. These steps include optimization of existing Base Transceiver Station (BTS) sites by increasing capacity, migration of BTS sites from areas of underutilization to high traffic areas, and sharing of BTS sites with operators.

The distribution network of the company plays a critical role in the realization of the company's objectives as it ensures that products and services are made available to customers as and when they are required and that it reduces the company's operational costs due to its effectiveness and efficiency. The company appreciates the role its distribution network play as basing competitive advantage on the organization as a whole rather than on specific offerings thus allows the organization to place considerable emphasis on trust and confidence to mitigate the doubts and uncertainties experienced by consumers in relation to the purchase of products which are complex and difficult to comprehend. In order to protect this capability, the company has ensured that they enforce a code of conduct with all channel partners and inclusion of exclusivity clauses in contracts with channel partners.

The respondents indicated that third parties play a critical role in the effective utilization of the distribution network as they give mutual support to the company in terms of how to effectively utilize the network, assist the company in customer evaluation and help the company to deal with market events and trends, and its strategic planning processes and the related processes it uses for analyzing market information. This will enable the company to anticipate more accurately the response to actions designed to retain or attract customers, improve channel relations, or thwart competitors. They can act on information in a timely, coherent manner because the assumptions about the market are broadly shared. This organizational capability has significant implications for the attainment and sustainability of competitive advantage.

The operation of Airtel in Africa has given the local company an edge over its competitors as the company operates a one-network call rate across Africa, customers enjoy seamless transition in fifteen countries and at the same time each local company competes amongst themselves which boost the performance of the company. The company also shares the best practices among all its subsidiaries in order to ensure success of all its subsidiaries. The company's resources deliver competitive advantage by offering consumers greater value through reduced roaming costs due to one network, cost optimization due to outsourcing and competitive pricing. The company distinctive competence has enabled it to differentiate its products-provide something unique that is valuable to buyers, or achieve substantially lower cost than its rivals. The strengths of the company are grounded in its resources, capabilities and competencies that help accompany attain competitive advantage based on-superior efficiency, innovation, and quality and customer responsiveness. The competitive advantage of the company was as a result of organizational reputation, cost cutting measures through outsourcing of services, achievement of higher profit through lower cost of service which results to the company possessing a cost advantage.

4.4 Role of Organizational Capabilities on a Firm's Competitive Advantage

This section of questions in the interview guide wished to establish the role of strategic capabilities on a firm's competitive advantage. The respondents noted that the company has put in place mechanisms to safeguard its capabilities was though confidentiality agreement to both the staff and the partners, stringent policy on company assets, firewalls on information technology infrastructure, bonding policy on training. The company success derives from a competitive advantage which is based on distinct capabilities, which is most often derived from the unique character of a firm's relationships with its suppliers, customers, or employees, and which is precisely identified and applied to relevant markets. The respondents however, noted that the company competitors can obtain confidential product and assets from the regulator and the media.

The results obtained indicate that the company's strategic capabilities can be harnessed and tailored to changing environment through its performance review mechanism which ensures that real time information is obtained on competitors so that internal alignment is done, through continuous research and development, innovation and improvement, and training and remunerating well the company's human resource. The respondents agreed that employees are the biggest resource the organization has, and hence justifying development of a mechanism to prevent best talents from moving to other rival organizations. Some of the best brains are allowed to move, without offering any extra incentive, to other organizations.

The respondents were unanimous that in ensuring competitive advantage, an organizational audit was essential to be undertaken. This audit was done through weekly and monthly audit reviews on performance in all departments to ensure that competitive advantage is sustained, engaging research companies in products, services, employee engagement, and benchmarking feedback for customer satisfaction and staff package evaluations. The organizations strategic capabilities have kept on changing depending on a number of factors. Respondents identified these factors to include technology, changes in the telecommunication sector, changing demands of the customers, long term objectives/mission of the company, competition and market forces, quality of leadership by management, company policies and procedures, intense rivalry among operators external and internal (Bharti), need to provide quality products to customers, and company vision and mission.

Organizational capabilities emerge when a company combines (and delivers on) individuals' competencies and abilities. An employee may be technically literate or demonstrate leadership skill, but the company as a whole may or may not embody the same strengths. Additionally, a company's organizational capabilities enable it to turn its technical know-how into results. It may possess a core capability in marketing, but if the organization does not have what it takes to make change happen, that capability does not add value. The respondents indicated that factors that influence development of strategic capabilities are the specific strategic objectives, assist in the internal decisions which are done subject to competitive environment, guide and lead their respective function, the company policies being able to promote or hinder development of strategic capabilities, need to keep satisfying customers, technological change hence need to remain relevant, and the need to keep complying legally.

Capabilities are nurtured and developed within a firm in order to enhance its objectives. The organizational strategic capability combines to form a source of competitive advantage through development of products centred on market need, management execution of all the strategies that will enhance organizational capabilities, helping the company to gain a thorough understanding of strategy by raising the awareness of strategy throughout the entire organization and by providing a focus to enhance the achievement of the strategic objectives developing systems that ensure compliance with systems and technology.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study established that the respondents have been holding their current position for over two years and thus they had the knowledge of the capabilities which the company uses in order to achieve competitive advantage. The results of the finding showed that Airtel had strategic capabilities that gave it a competitive advantage over the other mobile operators. These strategic capabilities ranged from strong human resource pool that is well trained, technologically advanced assets and adoption of modern skills. The company achieved its strategic capabilities through various techniques which ranged from its employees, technology, market research, innovation and manpower development and talent naturing. The company’s brand name was also due to its presence in several countries and the lower local and international charges were used to gain competitive advantage by the company.

The strategic capabilities that currently exist in the organization need to change and adapt to the changing business environment. The operating business environment has continuously changed partly from the globalization effect and the changing technological world. In addition towards the maintaining of the same strategic capabilities, the organization has maintained employee participation and encourages their willingness to participate in all the exercises of developing and maintain effective strategic capabilities that will provide necessary competitive advantage. Technological advancement has also been pointed out as an area of strategic capability that needs to be updated continuously.

Failure to adopt new technology would leave the organization vulnerable to delivering programmes of poor quality to its audiences throughout the world. This also means that, the organization is continually looking for new technology to meet this demand. Thus the organization has a matter of policy earmarked annually adequate funds of putting in place necessary technological needs to avail the necessary technology.

The infrastructure of the company plays a critical role in the company's overall competitive advantage as the strength of the network boost reliability of service use by the customers as they do not face drop calls and the network being busy which results to them waiting for free network to make their calls and these results to customer inconvenience. The network coverage also increases the potential of acquiring new customers and minimizes loss of customers to competitors as they will be satisfied with the kind of services which they receive from the company. The company appreciates the role its distribution network play as basing competitive advantage on the organization as a whole rather than on specific offerings allows the organization to place considerable emphasis on trust and confidence to mitigate the doubts and uncertainties experienced by consumers in relation to the purchase of products which are complex and difficult to comprehend. In order to protect this capability, the company has ensured that they enforce a code of conduct with all channel partners and inclusion of exclusivity clauses in contracts with channel partners.

Airtel Kenya recognizes the importance of strategic capabilities to establish a competitive advantage. This was appreciated by the respondents as a necessary strategy in the present day uncertain business environment characterized by changing subscribers demand, fast changing technology, and unpredictable products. As an avenue to the realization of the same, it was found out that company's specific objectives, the company policies, need to keep customers satisfied, and technological changes was identified as necessary. It was noted that that the mobile subscribers have a wide variety of options to choose from and for the organization to remain relevant in the current mobile industry, the organization must have something different and unique to offer to its subscribers. Therefore competitive advantage is very important; otherwise an organization would not have any survival chance. The organizations competitiveness was also noted to continuously be under attack by other competitors and therefore, Airtel had to change its strategic capabilities to match the changes in the market. This competitiveness is enhanced by the organization by continually investing in new talent, investing significantly product development as well as undertaking infrastructure and distribution expansion.

5.2 Conclusion

An organizations competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization. As such, the management of the physical and intellectual resources which form the core capability of the business should be given importance by an organization in order to preserve the existing competitive advantage. Such capabilities are not built on discrete independent skills but are the synthesis of a variety of skills, technologies and knowledge streams existing in an organization. It is the interaction of these different types of resources that drives a firm's competitive advantage and the catalytic effect on the others and its cumulative catalytic impact that makes an organization develop sustainable competitive advantage.

The study found out that the company's strategic capabilities was found in its human resource, physical infrastructure, and the distribution network. Management of these capabilities by the company will enable the company to grow and develop the appropriate organizational competencies which results in the achievement of competitive advantage. Therefore, the fact that organizational competencies are based on the effective and efficient management of strategic assets puts it at the heart of business performance and value creation.

5.3 Recommendations

The study found out that the company's human resource was found to be the biggest resource the company has had hence it is recommended that the company should ensure that they develop the resource and put in place mechanisms which will ensure that there is minimal turnover and if so then have ways of managing the knowledge which all the employees have.

The findings of the study was that the company policies, technological change and the strategic objectives of the company were found to influence the development of strategic objectives and it is recommended that the company comes up with policies and objectives which would ensure that the company is able to compete effectively with other companies and at the same time be promoting its strategic capabilities.

The organizational structure and culture need to be geared towards an effective identification and harnessing of its strategic capabilities. This therefore requires that an organization constructs an innovation-oriented organizational structure and an innovation friendly organizational culture to support and enhance their strategic capabilities. In developing a new business segment, an organization should transfer its personnel from its existing core business to the new business unit and also by recruiting new personnel and forging a strategic alliance with an existing major player in the business. All these efforts should be focused on cultivating, enhancing or reconfiguring the firm's organizational culture, human resources and organizational structure.

5.4 Recommendations for Further Research

The study researched on the strategic capabilities for competitive advantage at Airtel Kenya limited. This research therefore should be replicated in all the other three mobile companies (Safaricom, Orange and Yu) and the results be compared to establish the organizational capabilities of each and how they use them to achieve competitive advantage.

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APPENDIX 1

INTERVIEW GUIDE

Interview Questions

The interview guide will be divided into three sections. These sections provide sample questions to be used in evaluating Strategic Capabilities for competitive advantage at Airtel (k) limited.

Background Information on the interviewees

1. What is your highest educational and professional qualification?
2. What current position in the organization do you hold?
3. For how long have you been holding the current position?

1.) Organizational Capabilities

1. Does the organization recognize existence of organizational capabilities that facilitates the achievement of the organizations objective? How does it achieve this and please enumerate some.
2. What resources can you point out to give Airtel (k) Ltd Africa, capabilities in the current competitive world?
3. In comparison to other mobile services firm in the country, what do you consider to be your competitive advantage over them?

a) Human Resources

4. Has there been a deliberate effort by Airtel (k) Ltd, to nature and develop human resource capabilities? Please explain further.
5. How does the organization identify these human resources capabilities at the recruitment stage and also offer training in order to remedy any shortfall in their capabilities?
6. In your assessment, can Airtel (k) Ltd human resources capabilities be easily copied or transferred to competitors? If yes, how can the organization remedy the situation?

7. Has there been a deliberate move by Airtel (k) Ltd to shape, transform and combine its human resources to achieve sustainable competitive advantage? What are some of the steps taken?

b) Physical Infrastructure

8. Do you consider the organizations physical infrastructure to be a source of strategic capability? Please expound on how the same assets has achieved this.
9. What are some of the steps taken by the organization in harnessing its infrastructure to become a source of strategic capability?
10. In terms to this asset being a source of a strategic capability to the organization, how important is its role in being a source of competitive advantage?
11. Due to the cost implication of putting up this physical infrastructure, what steps has the organization put in place to maximize the available resources in achieving its objectives?

c) Distribution Network

12. What role does your organizations product distribution network play in the realization of the organizations objective? How does the same advantage become a source of competitive advantage?
13. Does the organization appreciate the role of its distribution network as a source of competitive advantage? What steps does it take to protect this capability from competitors copying or countering this advantage?
14. Do third parties play a role in effective utilization of this resource? If yes how does the organization maintain cordial relationship with these parties? Are you satisfied with the relationship that exists currently? If not how can the same be improved?
15. With your operation having made a footprint in the African continent as well as Asia, does this give the local subsidiary an advantage? How is the same harnessed at Airtel Kenya?
16. To what extent do these organizational resources deliver competitive advantage?
17. As a result of having the above organizational capabilities, what form of advantage has the organization achieved?

2.) Role of Strategic capabilities on a firm's competitive advantage

18. To what extent has the organization put in place mechanisms that safeguard it's capabilities from rival firms? Please expound. Which mechanism does the organization use?
19. With the strategic capabilities that have been identified by the organization, can they be harnessed and tailored to the changing business environment?
20. Which form of organizational audit is present in ensuring competitive advantage?
21. What would you consider to be the factors that influence development of strategic capabilities at Airtel (k) Ltd
22. How do these factors influence development of strategic capabilities?
23. How do the factors above combine to form a source of competitive advantage?

THANK YOU FOR YOUR TIME