

**THE USE OF THE CALL CENTER BY SAFARICOM LTD KENYA,  
AS AN APPROACH FOR COMPETITIVE ADVANTAGE**

**BY**

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## DECLARATION

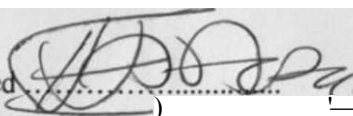
This management research project is my own original work and has not been submitted for any other degree in any other university.

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This is to certify that this research project has been submitted for examination with my approval as a University Supervisor

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## **ACKNOWLEDGEMENT**

To my supervisor Professor Aosa who stood with me to the end and saw to the conclusion of this project.

To my respondents who took time off their very busy schedules to provide data and hence enabling me to finish the project.

## **DEDICATION**

To my wife Grace Nyambura who stood by me throughout my studies and my daughters, Joy, Natalie and Nadine who saw less of their father during this time. May this study serve as a motivation to surpass any academic boundary. To all my cousins, may this serve as a motivation to set greater academic goals.

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## **ABBREVIATIONS**

BPO	- Business Process Outsourcing
CCK	- Communication Commission of Kenya
CDI	- Customer Delight Index
CRM	- Customer Relationship Management
IVR	- Interactive Voice Response
KCB	- Kenya Commercial Bank
SMS	- Short Messaging Service
WIMAX	- Worldwide Interoperability for Microwave Access

## **ABSTRACT**

A firm must identify its position relative to the competition in the market. By knowing if it is a market leader, challenger, follower or focusing on niche markets, it can adopt appropriate strategies to compete. A competitive advantage is an advantage gained over competitors by offering customers greater value, either through lower prices or by providing additional benefits and service that justify similar, or possibly higher, prices.

This study sought to establish the competitive strategies engaged by the Call Center in Safaricom Ltd in a bid to attain competitive advantage as well as the challenges experienced in the pursuit of it. The research was a case study which was conducted at the Jambo Call Center along Mombasa road. Four senior managers were targeted since they were in charge of strategy in the Call Centre. Data was collected using an interview guide and analyzed using content analysis.

According to the study, the strategies engaged by the Call Center in a bid to attain competitive advantage included; differentiating customers by segmenting them and focusing on each segment's needs, use of latest IP technology in running call center systems, the use of an in house doctor and creche to reduce absenteeism and the use of a scorecard covering the overall call center strategy to drive and evaluate performance. To attain cost leadership there is in sourcing of contract call center staff and zoning in terms of where employees who work in the call center can find housing to reduce on staff transportation costs.

## CHAPTER ONE: INTRODUCTION

### 1.1 Background of The Study

The last three decades have seen a dramatic increase in the attention businesses devote to their quality of service. Scholars and researchers in a number of disciplines, including marketing, human resources, psychology, sociology, and consumer behavior, have all made substantial contributions to understanding what service is, how service and service delivery quality are experienced by customers, and the role of employees and their organizations in service delivery. Schneider and White (2004). Zemke and Schaaf (1989) note that "left to their own devices, (managers and personnel) pay more and more attention to things of less and less importance to the customer.

Strategy relates the service organization to its environment and defines the way it wants to compete. Service quality strategy specifies the organization's competitive scope and its concept of quality, through a selection of, and positioning on, the fundamental quality dimensions it wants to compete with (e.g. tangibles and empathy). By pursuing a service quality strategy, it is argued that marketers are able to leverage customer support for their service offerings to both retain and build a loyal customer base. Indeed studies confirm that companies rated highly in terms of service quality are able to charge a premium close to ten percent higher than competitors with low quality offerings (Sonnenberg, 1989, TARP, 1986; Robert et. Al, 1987) increased profit is due to lower customer defection, stronger customer loyalty, more cross selling of products and services and higher margins (Lovelock, 1996)."

Porter (1980) argues that "competitive advantage grows fundamentally out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it." He adds on that competitive advantage is at the heart of a firm's performance in competitive markets and means having low costs, differentiation advantage, or a successful focus strategy

### **1.1.1 Competitive advantage**

Dess, Lumpkin and Taylor (2005) define competitive advantage as existing when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. According to eGain communications, a leading provider of customer service and contact center software and services, unmatched customer service leads to an extension of competitive advantage (eGain communications, 2004). Competitive advantage is a result from and being associated with a long list of contributing factors. Such factors include operational efficiencies, mergers, acquisitions, levels of diversification, types of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible behaviors, international or cross-cultural activities of expansion and adaptation, and various other organizational and/or industry level phenomena (Flint and Van Fleet, 2005; King, 2007b).

Peteraf (1993) defines competitive advantage as "sustained above normal returns." She defines imperfectly mobile resources as those that are specialized to the firm and notes that such resources "can be a source of competitive advantage" because "any Ricardian or monopoly rents generated by the asset will not be offset entirely by accounting for the

asset's opportunity cost" (i.e., its value to others). According to Porter (1985) a competitive strategy is a broad-based formula for how a business is going to compete, what its goals should be, and what plans and policies will be required to carry out those goals. Competitive advantage is at the core of a firm's success or failure (Porter and Millar, 1985, and Porter, 1996); such advantage seeks to lead to control of the market and to larger-than-average profits. Competitive advantage can be gained through, delivering a product or a service at a lower cost, delivering a product or service that is differentiated i.e. the addition of unique features to a product or service that are competitive and attractive in the market and focusing on a specific market segment,

Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable over time, Barney (1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. Barney (2002) says that "a firm experiences competitive advantages when its actions in an industry or market create economic value and when few competing firms are engaging in similar actions." Barney goes on to tie competitive advantage to performance, arguing that "a firm obtains above-normal performance when it generates greater-than-expected value from the resources it employs.

### **1.1.2 The Call Center Industry**

The mobile telephony industry is an emerging industry, which is growing at high rate. The services were first offered in 1996 through Kenya post and telecommunications

(KPTC) which is now Telkom (K). Safaricom which was wholly owned by KPTC was created in 1997 and got a GSM license to operate in Kenya. The connection and utility tariffs were very high and growth was at a slow pace. By 1999 the mobile telephony subscription was at 15000. In May 2000, Vodafone PLC group, the largest telecommunications company and fourth largest in the world and acquired 40% stake with management control. Safaricom was set up in 1997 and became a joint venture vehicle between Telekom Kenya and the Vodafone Group in 2000. Safaricom offers mobile voice services using GSM-900 and GSM-1800 technologies

Following the liberalization of the Kenyan Telecommunications industry, Kencell communications Ltd, was founded on 28th January 2000 as a fully private GSM mobile operator. It became the 2nd license to operate a GSM network in Kenya. Kencell communication Ltd was a partnership between the Sameer group; one of Kenya's leading conglomerates, and Vivendi Telekom international, a player in the telecom sector. In 2003 Vivendi sold off to Celtel as a result of its own financial challenges at the time. Kencell rebranded to Celtel. On Friday, 1 August, 2008 all the Celtel operations across Africa rebranded as Zain. Starting October 2010, Zain Kenya began rebranding to Bharti Airtel, the name of its Indian telecom owner (Ratio Magazine, 2008)

The other mobile operator is Telkom Kenya (orange). Orange a French company entered the market in 2007 after purchasing 51% of Telkom Kenya. France Telecom took over Telkom in November 2007, when it was a loss-making fixed telecommunications firm, and has since introduced the Orange mobile brand and a host of other services. The fourth

mobile operator is Essar Telecom (YU) which entered the Kenyan market in October 2008 in an environment then dominated by Safaricom, Zain Kenya and Telkom Kenya. When the Yu brand was launched in the Kenyan market, the strategy was primarily to target the youthful segment (The daily Nation, June, 30 2009) According to the Communication Commission of Kenya (CCK), total mobile phone customers at the end of March 2011 were 29211649 million with Safaricom taking 19.07 million. This represents a market share of 65.3 per cent (CCK operator returns, 2011)

**Table 1: Current Mobile subscriptions**

<b>Service provider</b>	<b>March 12</b>	<b>Dec 11</b>
Safaricom	19,074,700	18,687,923
Airtel(formerly zain)	4,483,334	4,272,964
Essar telecom	2,554,258	2,229,974
Orange	3,099,357	2,889,910
<b>Total</b>	<b>29211649</b>	<b>28,080,771</b>

Source: CCK, operators returns

Currently, the competition is based on pricing. There is a price war especially among the big players' safaricom and Airtel which has seen more than 50% reduction in calling costs resulting in increased innovation and drive towards superior customer service.

The call center industry is a relatively new phenomenon. As many organizations are now providing customer service and support via call centers, due to the lower cost of operating, issues addressing the service quality are being raised. Call centers do not exist



for the customer to physically interact with, apart from via the telephone, email, short messaging (SMS), social networks e.g. twitter and facebook and are in effect virtual organizations. The nature of the service encounter between the call centre and customer is predominantly undertaken using enabling technology; the conventional speech telephone, email, SMS, and social media sites. Call centers have now permeated everyday life and become increasingly difficult to avoid. Many industries now conduct standard business via call centers. Examples of this are banking, insurance, and travel, taxi, and airline companies, in addition to utilities such as gas, electricity and water. In this context, these service encounters are conducted by virtual organizations that could be located anywhere in the world, adding weight to the literature that considers organizations have no geographical boundaries in a global economy (Electronic Commerce Centre, 2002). This is particularly true in the case of the call centre. The call centre does not exist for the customer to interact with apart from via the telephone, email, SMS and social media sites which allows the service to be delivered from anywhere in the world.

Call centers provide companies with valuable information about the performance of their goods and services (Staples et. al, 2001). They allow the organization to learn how the customer felt or how the employee thought the customer felt (Gilmore, 2001). The study by Burden and Proctor (2000) on training and competitive advantage found out that meeting customer needs on time, every time, is a significant route to achieving and sustaining competitive advantage, and training is a tool that organizations should use to succeed at this. Goh (2002) has identified that the field of knowledge management has emerged strongly as the next source of competitive advantage.

### **1.1.3 The Safaricom Call Center**

Call centers (also referred to as a customer interaction center or e-contact center) are defined by Cleveland and Mayben (1997) as central points in an enterprise from which all customer contacts are managed. The call center typically includes one or more online call centers but may include other types of customer contact as well, including e-mail newsletters, postal mail catalogs, telephone, fax, letter, e-mail and increasingly, online live chat. A call center is generally part of an enterprise's overall customer relationship management (CRM). The Jambo Call Center (JCC) is owned by Safaricom, one of the mobile service providers in Kenya. It is located along Mombasa road at 'Semco' industrial park in Mlolongo area. It cost more than 0.8 billion Kenyan shillings to set up the customer care center for mobile phone subscribers on its network to get quality service regarding their queries.

The Jambo call center is an ultra-modern facility. It is the first of its kind in the whole of Africa. The center has a seating capacity of more than 1000 staff who works in shifts day and night. The center is designed to act as a medium between the customer and Safaricom to effectively handle and resolve all Safaricom's Prepay and PostPay customers' queries. The media used by customers to reach the contact centre are inbound calls, outbound calls - to customers who do not wish to wait on the queue -, social media i.e. face book and twitter, short messaging (SMS) as well as E-mail. The call center acts as the main interface between Safaricom and its customers. It is through the call center that customers give Safaricom feedback on its products and services, the network and suggestions on how it can improve and its appreciation for the service the company provides.

## **1.2 Research Problem**

Market changes often and require altering business and marketing strategies. Managers that do not understand their markets and how they will change in the future may find their strategies inadequate as buyers' value requirements change and new products become available that better satisfy buyers' requirements (Cravens and Piercy, 2006). The primary responsibility of managers in organizations is to ensure that the firm stays ahead of the competition and hence ensuring extended profits over time. To survive in a fiercely competitive environment, a firm must strive to have sustained competitive advantage by continually adapting to changes in external trends and events and internal capabilities, competencies, and resources; and by effectively formulating, implementing, and evaluating strategies that capitalize upon those factors (David 2009).

Kenya has experienced tremendous growth in the mobile telephony industry. Currently, there are about 28 million mobile phone subscribers. This has resulted in increased competition for subscribers and in the process the mobile phone companies have had to come up with innovative products to hold on to their market share as well as expand it. Safaricom has seen most of the competition directed at it from its position as a dominant player. The mobile industry offers similar products and hence the focus areas are the weaknesses each provider perceives the other to have. These are in customer service and network quality. The consensus especially by the main competitors Safaricom and Airtel is that customer service is the key. Call centers which had previously been viewed as little more than lower cost channels for customer problem resolution, are quickly becoming a powerful means of service delivery with a potential for substantial revenue

generation. Although much literature has recently been written about various ways to steer customer interactions to sales opportunities (Dorf, 1997), the topic of effective service delivery has almost entirely been overlooked. Before being able to generate revenue through the call center, institutions have to fully understand and be able to implement superior customer service. To adapt to the changes in the environment and attain competitive advantage, Safaricom Ltd through its call center has to come up with competitive strategies in a bid to retain and increase its customer base. In all the studies explored, there was none that focused on any call center in Kenya and hence comparison was done on studies across industries covering competitive advantage.

Studies have been carried out on competitive strategies in the various firms in Kenya. Ndhiwa (2010), in his study of the relationship of competitive strategies and firm performance in the mobile telecommunication service industry: a case of Safaricom Kenya Limited established that Safaricom employed, cost leadership, differentiation and focus. In the same study, Ndhiwa (2010) quoted the studies following as confirming the same trend. Muthangya (2007), Strategic Response to Competitive environment: a case of Safaricom. Ochako (2007) investigated the strategic issue management practices by mobile telephone companies operating in Kenya. It established that in response to competitive environment, Safaricom adopted the 3 porter's generic strategies among others; Rumba (2008), strategic responses by mobile phone companies in Kenya to environmental changes. The studies established the implementation of various competitive strategies among them cost leadership and implementation. Ndede (2010), Strategies employed by Barclays bank of Kenya to achieve competitive advantage found

out that the bank used Porter's (1998) generic strategies as well as Johnson and Scholes (2005) modified strategies of overall cost leadership, differentiation and focus. From all these studies, it emerges that competitive strategies are the key to improved and unrivalled performance by firms. Safaricom Limited remains the major player in the telecommunications industry in Kenya today. While studies have been done on almost all aspects of the company in influencing performance, an in depth study of its use of the Call Center as an approach to competitive advantage and maintaining market leadership would be very useful academically and for commercial purposes.

No study has been done to analyze the strategies used by Safaricom Limited in its Call Center operations to maintain market leadership and stay ahead of competition for the twelve years it has been in operation. This is the gap this study sought to fill. What strategies does the Call Center in Safaricom employ as an approach for competitive advantage?

### **1.3 Research objectives**

- i. To identify the strategies employed in the Safaricom Call Center as an approach to competitive advantage.
- ii. To establish the challenges faced in the Safaricom Call center's operational environment.

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

The study will form a basis upon which further research on the issues of strategic management in attaining competitive advantage shall be undertaken. It will also be useful as a source of reference for other researchers.

The results of the study will also be of utmost importance to other firms with call centers like banks and other mobile services providers since the challenges faced are of a similar nature in providing superior service to customers. It will also enhance practical understanding on the use of competitive strategies to attain organizational success. The study will also offer a basis for further academic research into other areas of call center operations like the promotion of social media as a company's communication tool.

The study will aid in policy formulation in the field of strategic management. This will serve as a guide in formulating policies that lead to strategic advantage in the running of organizations.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter provides theoretical and empirical information on topics related to the research problem. Employing strategy as a means of achieving competitive advantage as well as the strategic management process is covered. The various competitive advantage strategies will be covered with reference to the various scholars that have tackled them.

### **2.2 Concept of Strategy**

Strategy is a framework through which an organization can assert its vital continuity whilst managing to adapt to the changing environment to gain competitive advantage. According to Igor Ansoff (1984), Strategic Management is a systematic approach to the major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. Chandler (1962) described corporate strategy as the determination of long term goals and objectives. The adaptation of courses of action and associated allocation of resources required to achieve goals. He defined structure as the design of the organization through which strategy is administered. Changes in an organization's strategy led to new administrative problems which in turn required a new or refashioned structure for the successful implementation of the new strategy. According to David (2009), strategy is the means by which long term objectives would be achieved. He goes on to lay it that strategies are potential actions that require top management decisions and large amount of the firm's resources and they affect an organization's long term prosperity, typically for atleast five years, and thus are future-oriented. They have

multifunctional or multi-divisional consequences and require consideration of both the external and internal factors facing the firm.

A strategy can be thought of in either of two ways: as a pattern that emerges in a sequence of decisions over time, or as an organizational plan of action that is intended to move a company toward the achievement of its shorter term goals and, ultimately, its fundamental purposes. In some organizations, particularly those in rapidly changing environments and in small businesses, strategies are not planned in the formal sense of the word. Instead, managers seize opportunities as they come up, but within guidelines or boundaries defined by the firm's strategic direction or mission. In those cases, the strategy reflects the insight and intuition of the strategist or business owner, and it becomes clear over time as a pattern in a stream of decisions. Ansoff (1998) felt that in developing strategy, it was essential to systematically anticipate future environmental challenges to an organization and draw up an appropriate strategic plan for responding to these challenges. To establish a link between past and future corporate activities, Ansoff identified four key strategy components which are: product- market scope, a clear idea of what business or products a company was responsible for, growth vector that offers a way of exploring how growth may be attempted, competitive advantage.



**Figure 1: Ansoffs product / market matrix**

		Existing Products		New Products	
$\begin{matrix} \text{O} \\ \text{c} \\ \times \\ \text{U} \end{matrix}$	$\begin{matrix} w \\ \text{A} \end{matrix}$	<b>Market Penetration</b>	<b>M</b>	$\begin{matrix} \text{W} \\ \text{A} \end{matrix}$	$\begin{matrix} v \\ \text{M} \end{matrix}$
	$\begin{matrix} 2 \\ \text{I} \\ \text{Z} \\ \text{I} \\ \text{z} \end{matrix}$	$\begin{matrix} w \\ \text{A} \end{matrix}$	<b>Market Development</b>	$\begin{matrix} \wedge \\ \text{M} \end{matrix}$	<b>W</b>

Source: Ansoff, I.H, (1988), *The new corporate strategy. Revised edition*, Wiley, NY, USA.

From the matrix, Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives: Maintain or increase the market share of current products, secure dominance of growth markets, restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors, Increase usage by existing customers. Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including: New geographical markets;

for example exporting the product to a new country, New product dimensions or packaging e.g. New distribution channels, Different pricing policies to attract different customers or create new market segments. Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term: which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the needs of markets and to fulfill stakeholder expectations. Strategies exist at several levels in any organization ranging from the overall business (or group of businesses) through to individuals working in it. Corporate strategy is concerned with the overall purpose and scope of the business to meet stakeholder expectations. This is a crucial level since it is heavily influenced by investors in the business and acts to guide strategic decision-making throughout the business. Corporate strategy is often stated explicitly in a "mission statement". Business unit strategy is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customers, gaining advantage over competitors, exploiting or

creating new opportunities (Pearce and Robinson, 1997). Operational Strategy is concerned with how each part of the business is organized to deliver the corporate and business-unit level strategic direction. Operational strategy therefore focuses on issues of resources, processes, and people. Aosa (1992) proposes that strategy is the creating a fit between the external characteristics and internal conditions of an organization to a strategic problem, which is a mismatch between the internal characteristics of an organization and its external environment.

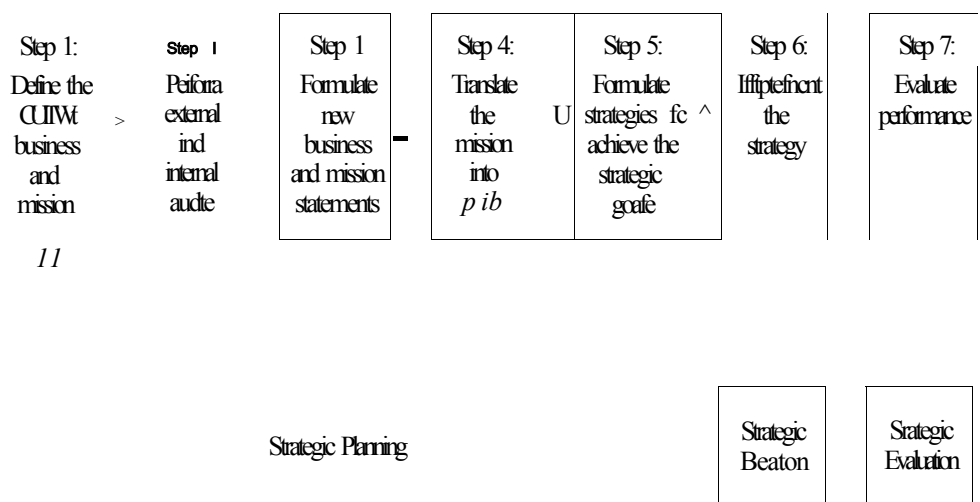
### **2.3 The Process of Strategic Management**

The strategic management process means defining the organization's strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet all the present and future competitor's and then reassesses each strategy. It is a way for businesses to build strategies that help the company respond quickly to new challenges. This dynamic process helps organizations find new and more efficient ways to do business.

The traditional approach to strategic management sees it as a process of analyses where an organization's strengths, weaknesses, opportunities and sources of its threats are used to develop its missions, goals and objectives (Harrison, 2003). Gadiesh and Gilbert in the Harvard business review of 2001 defined the strategic management process as the process of identifying and executing the organization's strategic plan, by matching the company's capabilities with the demands of its environment. They came up with seven strategic

management tasks: defining the business and developing a mission, evaluating the firm's internal and external strengths, weaknesses, opportunities, and threats, formulating a new business statement, translating the mission into strategic goals, formulating strategies or courses of action. Implement the Strategies and evaluate performance.

**Figure 2. The strategic Management process**



Source: Arit Gadiesh and James Gilbert, "Frontline Action," *Harvard Business Review*, May 2001, p. 74.

## 2.4 Competitive Advantage

This is a condition which enables a firm to operate in more efficient or otherwise higher-quality manner than the companies it competes with and which results in benefits accruing to that company (Wheelen et al 1995). It can also be defined as superiority gained by a firm when it can provide the same value as its competitors but with more benefits (Porter 1985). Every firm competing in an industry has a competitive strategy,

whether explicit or implicit. This strategy may have been developed explicitly through a planning process or it may have evolved implicitly through activities of the various functional departments of the firm (Porter, 1980). A company's competitive strategy deals exclusively with the specifics of management's game plan for competing successfully. Its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiatives to strengthen its market position, and its approach to securing a competitive advantage vis-a-vis rivals (Thomson, Strickland and Gamble, 2010). They continue to point out that, "A company achieves competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces". In the same vein, they continue that, "there are many routes to competitive advantage but they all involved giving buyers what they perceive as superior value compared to the offerings of rival sellers".

Lynch (2006) defines competitive advantage as the significant advantages that an organization has over its competitors. Such advantages allow the organization to add more value than its competitors in the same market. He continues that one way of offering competitive advantage is through innovation. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors along with the inability to duplicate the benefit of this strategy (Hoffman 2000). A firm should therefore have strategies, which will not only create competitive advantage, but also sustain competition in the business environment. To be sustainable, competitive advantage needs

to be more deeply embedded in the organization to, its resources, skills, culture and investment over time. It involves seeking something unique and different from competitors (Hill and Jones 2001).

Porter identified two basic types of competitive advantage: cost advantage and differentiation advantage. In the former competitive advantage exists when the firm benefits as competitors but at a lower cost. In the latter a firm delivers benefits that exceed those of competing products. Porter concludes that a competitive advantage enables the firm to create superior value for its customers and superior profits for itself

Another technique in maintaining sustainable competitive advantage is the Resource Based View (RBV). Understanding sources of sustained competitive advantage has become a major area of study in strategic management (Porter, 1985, Barney, 1991). The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney, 1986). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable overtime, Barney (1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. Barney(1991), defines a firm resources to include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a

firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness. He further argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, it must be rare among a firm's current and potential competition, it must be imperfectly imitable and there cannot be strategically equivalent substitutes for this resource.

The resource based view draws upon the resources and capabilities that reside within an organization or that an organization might want to develop in order to attain sustainable competitive advantage. It emphasizes the internal capabilities of an organization in formulating strategy to achieve a sustainable competitive advantage in its market and industries. Where organizations in the same industry have the same resources but differing performance, it might be argued that they vary in the extent to which they utilize their resources. Resources confer no value to organizations unless they are put to productive use. Resources fall into two categories: tangible resources which refer to the physical assets an organization possess e.g. Physical, financial and human resources. Intangible resources are the intellectual, technological resources and a company's reputation.

## **2.5 Competitive Strategies**

According to Porter (1980) Emerging industries are newly formed or reformed industries that have been created by technological innovations, shifts in relative cost relationships, emergence of new consumer needs, or other economic and sociological changes that elevate a new product or service to the level of a potentially viable business opportunity.

The essential characteristic of an emerging industry from the viewpoint of formulating strategy is that there are no rules of the game.

The competitive problem in emerging industries is that all the rules must be established such that the firm can cope with and prosper under them. Absence of rules is both a risk and an opportunity; in any case it must be managed. Mobile phone firms in Kenya fall under this category having been in the market for only eleven years. Safaricom the main focus of this research is 11 years old in the market. Strategic Choices according to Porter (1980) outline that formulation of strategy in emerging industries must cope with the uncertainty and risk of this period of an industry's development. This involves shaping industry structure. This is achieved by defining the rules in the industry in a manner that will yield it the strongest position in the long run. To get to this level may undergo externalities in industry development. The firm may have to compete initially with a strategy it ultimately does not want to follow or participate in market segments it plans to drop out of in the long run.

The state of competition depends on five basic competitive forces. These are threat of substitute products, the threat of established rivals, the threat of new entrants, bargaining power of suppliers and the bargaining power of customers. In coping with the five competitive forces, there are three potentially successful generic strategic approaches to out performing other firms in an industry. These are overall cost leadership, differentiation and Focus. Thomson, Strickland and Gamble (2010) outline five generic competitive strategies. They highlight that there are countless variations in the competitive strategies that companies employ, mainly because each company's strategic



approach entails customer designed actions to fit its own circumstances and industry environment. They continue that differences among competitive strategies boil down to: Whether a company's market target is broad or narrow or whether the company is pursuing a competitive advantage linked to low costs or product differentiation. They came up with five distinct competitive strategies namely: a low cost provider, the broad differentiation strategy, the best cost provider strategy, a focused (market niche) and focused (or market niche) strategy. All these strategies are derived from Porter's generic strategies.

A firm positions itself by leveraging its strengths. Michael Porter has argued that a firm's strengths ultimately fall into one of two headings: cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result: cost leadership, differentiation, and focus. These strategies are applied at the business unit level. They are called generic strategies because they are not firm or industry dependent. The figure below illustrates Porter's generic strategies:

**Figure 3: Porter's Generic Strategies**

		COMPETITIVE ADVANTAGE	
		Lower Cost	Differentiation
COMPETITIVE SCOPE	Broad Target	<b>1. Cost Leadership</b>	<b>2. Differentiation</b>
	Narrow Target	<b>3A. Cost Focus</b>	<b>3B. Differentiation Focus</b>

Source: Porter, Michael E. (1985). *Competitive Advantage*. New York: Free Press, p. 12)

Cost leadership strategy entails being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Johnson and Scholes (2005) refer to it as the no frills strategy which combines a low price, a low perceived product/service benefits and a focus on price sensitive market segment. Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage.

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better

than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. David (2009) states that successful differentiation allows a firm to charge a higher price for its product and to gain customer loyalty because consumers may become strongly attached to the differentiation features. The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes.

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. According to David (2009) a successful focus strategy depends on an industry segment that is of sufficient size, has good growth potential, and is not crucial to the success of other major competitors. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub segments that they can serve even better.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter outlines the technique and approaches the researcher employed in collecting data. A research methodology acts as a plan or framework for guiding and giving direction to be followed by the researcher to get answers to pertinent issues raised.

### **3.2 Research Design**

Research design is the strategy, the plan, and the structure of conducting a research project. The research design used was a case study which was used to investigate the strategies used in Jambo Contact Center to attain competitive advantage.

The case study is considered by Benbasat et al. (1987, p.370) to be viable for three reasons: It is necessary to study the phenomenon in its natural setting; the researcher can ask "how" and "why" questions, so as to understand the nature and complexity of the processes taking place. This design was appropriate since it involved an in depth understanding of the topic of study which is the strategies employed in the call centre in Safaricom to achieve competitive advantage.

### **3.3 Data Collection**

In this study, primary sources of data were used to obtain information. Primary data was obtained using a semi structured interview guide. An interview guide is justified on practical grounds as being the most effective means of data collection and yet, a semi structured interview guide is flexible, allowing new questions to be brought up during the interview as a result of what the interviewee says (Emory and cooper, 1991). The

interview guide was administered to senior managers, middle level managers and operational who are responsible for strategy design and implementation in the call center.

The interview sessions were open ended to present an in-depth understanding of the subject under review. Secondary data from company records as well as other print sources were used to enrich understanding of the call center operations in relation to the company as a whole.

### **3.4 Data Analysis,**

Data analysis is the process of interpreting data collected during the course of qualitative research. It is the categorizing, ordering, manipulating and summarizing data to obtain answers to research questions (Miller, 1992).

The data collected was in the form of qualitative data. Content analysis was used which enabled the data collected to be presented in tabular and narrative formats for ease of reference, comparison and interpretation of the findings.

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

### **4.1 Introduction**

In this chapter, the analysis, interpretations and discussions of the research findings will be presented. This will cover the strategies adopted by the call center and challenges faced by the call center.

### **4.2 Strategies employed by the Safaricom Limited Call Center**

The call center as part of the larger Safaricom Ltd Kenya has the vision of the company acting as a guide in crafting its operational strategies. The company's vision is to be the best company in Africa. To attain this form of excellence, there are three values that act as foundation stones of the business. These are speed, simplicity and trust. The speed is in handling customer feedback, providing services and adhering to set service level agreements. Simplicity is in dissemination of information to customers and products and services that are easy to use. Trust is in safe guarding customer information, through internal policies and ensuring that the products and services meet defined quality standards. The intended outcome is greater job satisfaction, reward and opportunities. The key external factors that shape the vision and values of the company and in the process influencing call center operations are the competitive climate within the industry which is very stiff, the country's economic climate in terms of disposable income, market maturity in terms of product uptake and readiness and the very crucial aspect of regulation by the Communication Commission of Kenya (CCK).

In analyzing the competitive strategies, Porter's (1998) generic strategies and Johnson and Scholes (2008) modified strategies of overall cost leadership, differentiation and

focus were used as a point of reference. The respondents had similar responses covering the models by the scholars above since they were all senior managers in the call center. The findings also covered the utilization of resources as per the Resource Based View. Of the four senior managers targeted, only three were available for the interview and the other presented a written submission of the same.

#### **4.2.1 Differentiation or Customer Segmentation Strategy**

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products the competition offers. Whereas differentiation in the Telecom industry is easily copied by rivals due to the similarity of the products and services offered, the firms that emerge on top are normally those that offer the best customer service as a source of competitive advantage. To be able to offer the best service, customers are differentiated in the call center to cater for usage volumes and products and services preferences e.g. in data usage volumes and also the call volumes emanating from a single person or a business. In the call center, there are two levels of customers. These are postpaid and prepaid customers. Postpaid customers have a dedicated line which bypasses the Interactive Voice Response (IVR) and goes straight to an agent. This means they do not have to negotiate the IVR lessening connection time. They consist of corporate accounts, Small and medium enterprises (SMEs) and individual postpaid customers. The agents are specially trained to handle this customers since though few, they bring in the most revenue in data usage and call volumes. 90% of the calls coming in should be sorted within 20 seconds. These customers are encouraged to use the Interactive Knowledge Base which is shared via the company website

[www.safaricom.co.ke](http://www.safaricom.co.ke) in a do it yourself fashion, email, chat and social media as an alternative means to reach the call center that is fast and reliable.

On the prepaid front, the customers are differentiated into usage segments and dedicated agents assigned to those segments. These are the high users who are not willing to join postpaid, the middle level users and the low users. The high users are handled like the postpaid customers and their access to the call center like the postpaid customer is a heightened priority. There is a targeted campaign to encourage the middle level users to use the highly Interactive Voice Response, social media as well as Short Messaging Service (SMS) while communicating to the call center as an alternative to talking to an agent. The low users are encouraged to use SMS as an alternative to calling the call center as well as the IVR. The spirited campaign for the use of Interactive Knowledge Base. Email, IVR, SMS, Social Media in the various spend segments is meant to make it comfortable and faster for the customer to use what works for them in contacting the call center.

The uptake in the various segments has been very positive and feedback from social media especially has Safaricom ranked fifth in the world in fast response rate by [www.socialbaker.com](http://www.socialbaker.com) . Against a bench mark of 562 min it clocked 44 minutes. For high end data customers especially those using WIMAX, there is a dedicated data team available on call 24hrs a day to serve. These differentiation of customers has ensured that the various segments are handled according to their capabilities, needs, and promptly. This has in return raised the bar in customer service and increased accessibility levels.



### **4.2.2 Cost Leadership**

To keep operating costs at a minimum, the call center which relies heavily on transporting agents to work using shuttles so as to ensure availability of workforce during the various shifts allotted has set a radius which all agents are expected to adhere to where housing is concerned. Anybody living beyond the 15km radius is not eligible for drop offs especially at night. Transport costs form a major expense in running the call center. Shifts have also been scaled down from a high of 13 to 9 to cut down on the shuttle trips. The call center is also insourced. This translates to having permanent staff and contract staff. The contract staffs handle mainly core customers (lower segment) and fill in the gaps during high call flow times. In sourcing has ensured that quality of service is kept at par with the rest of the permanent staff as well as making the agents feel a part of the company which usually lacks in an outsourced call center. They get medical benefits as well as bonuses which is a rarity among the industry players. This has also helped reduce the cost of labor in the call center.

The introduction of E-learning as a training alternative has ensured that external trainings which cost much higher are kept at a minimum while the E-learning courses have increased in number. You can do these courses at your desk or even at home provided you have an internet connection. Electricity costs have also been managed by ensuring that lights are controlled by motion sensors such that when not in use, the lights go off in the various rooms and in the process save power. Bearing in mind that we have a population of more than 2500 in the call center, these sensors are integral in power preservation. The call center is a refurbished warehouse about 25 km from the city center.

This aspect of distance from the city center provides for lower rent than would have been should the premise have been in the heart of the city or close proximity.

#### **4.2.3 Resource utilization**

The call center has also pioneered many aspects of resource allocation and utilization among the call centers in Kenya. The unique services offered to internal staff are: an in house doctor. This is meant to reduce the absenteeism rate in the call center. This has proved insightful and the absenteeism has fallen from 7% to 5%. The sick leave policy is very friendly and gives 30 days off in a year compared to the 7 days in a year allocated by the employment act. The medical cover covers chronic ailments which covers overseas doctors as well. The wellness program covers HIV as well in terms of drugs and medical costs.

A creche complements the call center as a fall back option for the parents in the call center should the house help suddenly be unavailable. There is an attendant from 7am to 8pm. The population of the call center being composed of young parents made this a necessity. This ensures that absenteeism is kept at a minimum. To increase on the availability of agents on the floor, there is an in-house cafeteria. The cafeteria ensures that food is available in close proximity and agents do not have to go outside the Call Center to look for food which would translate to lost time should the food joints be far away. There is also a gym to promote wellness as well as an avenue for managing stress and overall body fitness. With the subscriber population of more than 19 million, the Customer Relations Management system (CRM) is among the best in the industry. The

single view system makes dealing with customer issues an easy task for the agents who would otherwise be forced to operate multiple system (more than 8) at once.

During off peak hours, some of the call center space is leased through Business process outsourcing (BPO) to other companies who pay for using its systems and other facilities. These companies are like the Liverpool VCT center, Kilimo Salama (a famers' outfit), and the Call a Doctor Service (1525). There is also a directory service line (191) that generates income for the call center. This helps meet the costs generated by daily operations. The call center is a bench mark among local call centers. Most companies wishing to establish call centers make a visit to see how it is run or to learn better ways of running their already existing call centers. Some of these are banks like the Co-operative bank and Kenya Commercial Bank (KCB). Other companies visit the facility with the aim of leasing them for training purposes as well as outsourcing their call center services. The training rooms are fully equipped with services such as video conferencing as well as fully operational computers and projectors.

The technological infrastructure in the call center is IP based and highly dynamic. It runs a very efficient CRM system; it also hosts the quality, workforce (for shift allocations) and call routing system which is an integrated system. The system allows for user preference changes which are crucial in a dynamic environment like the call center. Premium Rate Providers have been a major headache to the mobile phone service providers in Kenya. This is because of the many customer complaints of having been subscribed to services they are not interested in and without their permission. As a means to curbing this vice, acting on the information provided by the call centers, there is now

redrafting of contract documents with the providers to ensure fair play. This is due to the pressure exerted by the call center on behalf of the customer to ensure that the customers' voice is heard. A system which will enable the control of these services from the call center is also in the pipeline.

#### **4.2.4 Customer Ambassador**

The call center has also positioned itself as a customer focused entity which results at times in conflict with other departments. This has resulted in a lot of positive outcome for the customers. Some of the major products that have resulted from this stance are like the reduction of the minimum Mpesa transaction amount to SH10/-, low denomination recharge cards and data bundles packaging. This is as a result of positioning itself as a data mining hub for the rest of the company. Embracing multichannel support systems like SMS, Social media, Chat, E-mail has allowed for better access levels to the call center. This coupled with a dedicated retention team has helped retain customers to the business. It has also seen the Customer delight Index (CDI) rise from 7% to a steady 8% aligning with the competitors.

New customers (on boarding) are given preference in reaching the call center via routing. Dormant customers are given monetary incentives to use their lines by recommendation from the call center. In all major events organized by Safaricom, customer care is always on the ground offering services to the customer e.g. Sakata ball, Safari sevens, medical camps. These events service as invaluable sources of customer feedback as well as giving a face to customer care. All these efforts have served to retain our customers and see to an ever increasing customer base translating to higher profits for the company.

Lastly, to ensure that the quality of service is kept at an acceptable level, the call center uses a score card on a monthly basis that measures an agent's performance in all aspects of the call center operations as determined by the company's strategic objectives. This scorecard has call quality scores that measures how an agents handles a call to its resolution, conformity to escalation procedures, adherence to the set schedule, adhering to the average handling time for calls, short messaging, social media and Emails, customer delight index and living the safaricom way of speed, simplicity, and trust. In a nutshell, it is used to drive, evaluate performance and close any gaps evident from the constant monitoring.

Imitation is said to be the best form of flattery. The call center in safaricom was the pioneer in social media use to reach customers. This saw the other mobile service providers cash in on the same platform bench marking with the social media team in the Safaricom Call Center in offering the same service. Other companies in the other industries followed suit and would make visits to the call center to see how the social media team is run with the intention of doing the same in their respective companies. These are companies like Standard Chartered Bank, KCB, The Kenya Red Cross and The Kenya Power.

#### **4.3 Challenges experienced in the call center.**

The regulation by the Communication commission of Kenya (CCK) has served as the biggest challenge to safaricom Kenya Ltd. In July 2010, the mobile termination rate was slashed to 2.21/- from 4.42/-. This resulted in price wars within the industry with some industry players charging as low as 1/- to make a call. The telecom industry is among the

most expensive industry to run in the world based on the ever changing technology and cost of laying and running a network. These rates were not sustainable but a means to gain customers in the short run by the competitors. Safaricom found itself in uncharted waters where it was forced to follow suit and drop its prices to avoid losing its customers. The drop in calling rates whoever did not come immediately.

#### **4.3.1 Serving as a major retention center**

During this time, the Call Center was bombarded by customers asking whether safaricom would reduce its prices and it was left to the Call Center to take the blunt of the customers' calls and craft a strategy to retain the customers. Mpesa proved to be the main competitive edge especially since the move was followed shortly after by the launch of Mobile Number portability (MNP). Most customers upon realizing that even with the drastically reduced calling rates and an option to move with their numbers to a rival network they would not be moving with their Mpesa account chose to stay with safaricom. Considering that the call center handles more than 100000 customers a day, the customer education that followed from the call center during that period proved invaluable in retaining a majority of the customers. This was especially so because there was a lot of misinformation to customers about what they would be able to use from their former providers once they changed networks.

The churn expected was kept at a minimum and MNP has proved not to be as effective as sold by the providers. In September 2011 Safaricom raised its internetwork rates to 4/- and across network to 5/- pointing blame on high inflation and depreciating Kenyan shilling. The other competitors were charging 3/- for across network calls. The prices

currently have risen to an average of 3/- for on net calls and across network for the other providers and hence bridging the once wide price gap to a much narrower one with Safaricom. The call center during the current fiercely competitive climate often finds itself on the receiving end and has to come up with convincing and effective strategies to retain a very price sensitive market. This usually involves convincing customers to stay on even when a competitor is charging a shilling less. This forms a major challenge since the Kenyan market has evolved to be a very informed and demanding market.

#### **4.3.2 Budgetary Constraints**

Another challenge is budgetary constraints and being viewed by the rest of the company as a cost center. Owing to the fact that the income generated by the call center as compared to other divisions in the company is not as much, the call center's operation's budget is not as much as the other divisions'. This translates to a budget that is just enough to run its operations where anything else above budget has to run through the supply chain process which is lengthy and time consuming.

Dynamism in the call center means new systems or implements have to be sourced occasionally which normally takes too long. This is due to the supply chain policy which has to be followed to the letter.

#### **4.3.3 Stakeholder Alignment**

Stakeholder alignment across cross functional team with different agendas also proves to be quite a huddle. Sometimes an agenda sold by the call center to the stakeholders takes

too long to get a buy in. These results in a lot of time lost in the negotiation process. New systems normally mean training for the staff which means they have to be pulled from the floor. Since the call center runs on Service Level Agreements (SLAs), this is normally compromised during these periods. The training costs associated with these trainings is normally very high. Support from the Human Resources through policies to drive call center agendas often takes too long and even longer to implement.

#### **4.3.4 Absenteeism**

Absenteeism has been a major challenge in most call centers in the world due to the repetitive, laborious and scheduled nature of the job. Since call flows are normally forecasted, breaks are allotted according to the call flows meaning the agent has little control of their day once at work.

Due also to the large number of agents, preferred shifts are always not possible. This often results in burn outs and in the process a lot of absenteeism.

#### **4.3.5 Shortage of Manpower and Understanding of KPIs**

Due to shortage of manpower, delivering Service level agreements is a big challenge as illustrated by the table below. The average SLA is to answer 80% of the calls within 20 seconds.



**Table 2: End of day report at the call center**

	Calls offered	Answered	Call answered in 20 sec
All queues	142048	82571	46.65%

Derived from the end of day statistics from the 27th Sep 2012

Another challenge often experienced is understanding of Key Performance Indicators (KPIs) by the agents. Due to the dynamic nature of the industry, the KPIs keep on changing. The agents find it a challenge keeping up with the changes as well as understanding the changes in relation to the overall performance of the business. These changes are normally as a result of the constant customer surveys done by the call center.

#### **4.3.6 Limited Growth Opportunities**

Growth opportunities are another area of discontent in the call center. Owing to the high number of agents and available positions for growth, the competition is very stiff and those that do not make it normally have low motivation for the job.

The bid to keep the agents motivated is a constant challenge. This is especially so if they have been in the same position for more than three years and answering calls during this time.

## **4.4 Discussion of the Findings**

According to Chandler (1962), Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of actions and the allocation of resources necessary to carry out these goals. Organizations wishing to survive competition must strive to achieve competitive advantage. Strategy is the overall performance design while Sustained Competitive advantage is the lifeblood of any profit making organization wishing to have an extended profit margin over time. In all the studies explored, there was none that focused on any call center in Kenya and hence comparison was done on studies across industries covering competitive advantage.

### **4.4.1 Competitive strategies employed in the Safaricom Ltd call center**

The call center's main strength is in the utilization of resources to meet customers' needs as well as creating an enabling environment for the employees to work in. This environment is like the provision of a gym, creche, internal doctor and cafeteria and E-learning courses to keep knowledge relevant. This utilization of resources in the call center is in line with (Barney, 1986) Resource Based view of strategy. The resource-based view stipulates that in strategic management the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney, 1986).

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better

than or different from the products of the competition. The Safaricom call center employs differentiation in its customer segmentation in order to focus on the different segments particular needs. These focus on segments also rhymes with Porter's focus strategy in its implementation. There is also cost leadership strategy in the way the call center strives to bring down its costs by in sourcing, leasing space to other companies and zoning of residential places for its employees to reduce on transport costs. These findings show consistency with early findings from Ndhiwa (2010), in his study of the relationship of competitive strategies and firm performance in the mobile telecommunication service industry and Muthangya (2007), Strategic Response to Competitive environment: a case study of Safaricom. In studying strategies employed by Barclays bank of Kenya to achieve competitive advantage Ndede (2010) found out that Barclays used the differentiation strategy to attract clientele with a higher per-capita income. Even though this strategy locks out huge numbers in the mass market, it has earned it a position of preferred superior brand and more profits from its high end clientele. Ndede's findings corroborate the effectiveness of differentiation in attaining competitive advantage, the findings were also found to reflect and support to a large extent observations in the literature. This is especially in Porter's (1980) competitive strategies of differentiation, cost and focus.

#### **4.4.2 Challenges faced by the Safaricom Ltd call center in the implementation of competitive strategy.**

Call centers all over the world are faced with similar challenges in their operating environment. The challenges however vary depending on geographical and cultural

backgrounds. As Manesh Mathew, director of HR consultancy People Equity India, elaborates, "A number of unique factors peculiar to the call center work environment impact the call center professionals and their perception of their work. These range across a gamut of human issues which include odd working hours, working days/holidays determined by geographic considerations, assuming pseudo identities, learning foreign accents, operating in alien business environment, altered social and family life, besides harboring the risk associated with working in a fledgling industry (Shushmul, 2004)."

This study appreciated the role played by the external and internal environment in achieving competitive advantage and hence set an objective to find out the challenges experienced by the Safaricom Call Center. The focus was in the telecommunications industry with particular emphasis on the call center in Safaricom Limited in line with Johnson and Scholes (2005), framework for analyzing the business environment. With Porter's generic strategies, there are various challenges faced by companies implementing them.

Differentiation and cost strategy especially in the telecommunication industry is always under threat of duplication by other competitors and hence there is a lot of drive on innovation and technological advancement which serves to drive costs even higher. Policies also to drive cost leadership can also be duplicated by other companies and in the process driving profits down due to the low pricing across the board. Barney & Hesterley (2006) explain that the ability of a valuable cost leadership strategy to create a sustainable competitive advantage is conditional upon the strategy being rare and costly to imitate.

They continue that "the rarity of a differentiation strategy depends on the ability of individual firms to be creative in finding new ways to differentiate their products."

Mutua (2008) studied response strategies of Family bank to competition in the Kenyan banking industry and identified the challenges facing the bank as competition, regulation, customer demands, technological advancement, globalization, resource limitation and weak brand recognition. In studying the challenges faced by Montessori colleges in Kenya in implementing competitive strategies, Mureithi (2010) came up with the following challenges, high operational cost and lack of collaboration with other colleges, high competition and a limited budget. Apart from the weak brand recognition by Family Bank, the rest of the challenges are largely consistent with the internal and external challenges faced by the Safaricom call center. This demonstrates that across industries in Kenya, the challenges in implementing competitive strategies are similar.

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

### **5.1 Introduction**

The chapter highlights the findings, conclusions recommendations and suggestions for further study. It has been structured to give the reader an appreciation of the study topic through an overview.

### **5.2 Summary of the findings**

The Safaricom Call Center is run in line with Safaricom's policy of speed, simplicity and trust. It is guided by the vision to be the best company in Africa through the provision of excellent customer service.

#### **5.2.1 Strategies employed by the Safaricom Call Center**

The Safaricom Call Center follows Porter's generic strategies i.e. Differentiation strategy, cost focus and the resource based view of strategy as espoused by Barney (1991). It aims to achieve competitive advantage by providing superior customer service at minimum cost with the help of a highly efficient workforce and an environment suitable for effective performance. By classifying customers into segments (postpaid and prepaid segments) and focusing on these segments particular demands, there is evidence of differentiation.

The other major focus is to control operating costs so as to as much as possible distance itself from the tag "cost center." The evidence of cost focus is in the use of an insourced

call center, leasing of space to Business Process Outsourcing and zoning its staff to reduce on transport costs.

The resource based view is quite evident in the way the call center has marshaled its resources in response to the highly competitive environment. There are various dedicated teams to deal with the various categories of customers, the availing of an in-house doctor, Creche, E-Learning courses to keep employees knowledge relevant, and ensuring the manager to agent ratio (1/19) is relevant for effective performance monitoring and evaluation.

## **5.2. 2 Challenges facing the Safaricom Call Center**

The challenges experienced by the call center are both internal and external. Internal in this case are those challenges experienced inside the call center and external challenges come from dealing with the rest of the company as well as with customers.

Internally, the major challenge is to do with scheduling where not all agents can get their desired shifts due to their large number and hence resulting in absenteeism where the schedule conflicts with an agent's external schedule. This is especially so since a majority of the agents are enrolled in morning and evening classes. Another challenge is keeping the workforce motivated considering the limited promotional avenues available. Inability to achieve service level agreements in some skillsets is common due to shortage of manpower.

Externally, the major challenges are in sourcing for implements necessary to the call center via the supply chain which is a rigorous process and time consuming. Getting a buy in from the various departments on matters affecting the call center is another challenge. Budgetary constraints play a major part in a call center's daily operations especially its inaccessibility. Other challenges include changing customer needs and constant technological changes which the call center has to keep up with.

### **5.3 Conclusion**

This research was undertaken with the objective of finding out the strategies employed by the Call center in Safaricom Ltd Kenya as an approach to achieve competitive advantage as well as to unearth the challenges facing the call center. The study was meant to check for implemented strategies that contribute to the overall success of the company. To achieve this, the competitive advantage model in the field of strategic management was tested to determine the model used by the Call Center.

The challenges experienced in the Call Center are typical of challenges facing large call centers worldwide. These are derived from the internal and external call center environment. Owing to the highly skilled workforce, challenges like inaccessibility are innovatively mitigated upon by use of various communication mediums like Short messaging, Chats, Social media and E-mail advocacy in a bid to reduce the desire for calling the call center. This has resulted in favorable reviews and the call center being used as a bench mark of quality service by different companies in different industries. This is evidenced by the companies that constantly send their staff to learn call center operation mechanics from the Safaricom Call Center among then large banks like KCB.



It was consistently evident from the interviews with senior management that the call center had placed itself at a position of strength as a customer's advocate through the use of the Resource based view of strategy, cost focus and customer segmentation.

#### **5.4 Implications of the study**

The results of this study form an important base upon which further research on the issues of strategic management in attaining competitive advantage shall be undertaken. These are in areas like absenteeism management, cost reduction and employee motivation.

In view of the findings of this study, the following strategies are recommended for adoption and drive by the call center: provision of excellent customer service, pursuit of cost reduction strategies, customer segmentation with particular focus on each segment's demands to create brand loyalty, the use of a scorecard to monitor, drive and evaluate performance and effective resources utilization.

Combined with research done in other call centers across the industries, the study will aid in policy formulation in the field of strategic management and in the running of organizations.

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

The study had limitations in that of the four senior managers lined up for the interviews, only three were available while one submitted a written submission due to unavailability

caused by a busy schedule. In as much as the feedback was largely consistent, there would have been an added value in interviewing all the four.

The scope of the study could be a limiting factor since it covered only Safaricom Ltd out of the other four providers namely Airtel, YU and Orange. The findings hence might not be representative of the population of the mobile phone provider companies in Kenya.

The dynamic nature of the call center also meant that there was limited time to go through the interviews uninterrupted and hence the interviews often took longer than expected. Sustaining a line of thought was a tough call in that environment. The interviewees also were guarded concerning the information they felt they could release without flouting confidentiality. The respondents were assured that all information would be treated with confidentiality.

## **5.6 Suggestions for further research**

The study focused only on the safaricom Call Center and yet there are call centers in most industries in Kenya today. There are also fully outsourced call centers in the telecoms industry which might be facing different challenges and employing different strategies effectively that might be of benefit to the knowledge of strategic management.

Research should be done focusing on other call centers in different industries like Banks, insurance, pay TV providers like ZUKU and DSTV which have call centers. This will bring to light the strategies employed by these call centers and in the process pick on best practices employed by the different call centers in Kenya.

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## **APPENDICES**

### **APPENDIX I: LETTER OF INTRODUCTION**

**University of Nairobi**

Dear Respondent,

I am a student pursuing a Master of Business Administration (MBA), Strategic Management Degree at The University of Nairobi. I am glad to inform you that you have been selected to participate in this study investigating the use of the call center by safaricom ltd Kenya, as an approach for competitive advantage. The interview attached asks questions about the challenges faced by the call center and the strategies employed to achieve competitive advantage. The interview shall be semi structured and conducted face to face and the guide is to help you prepare adequately. It will last about 45 minutes and will rely on your in-depth understanding of your area of assignment to enrich the study.

I wish to assure you that all information with respect to this research will be treated with the strictest of confidence and will only be used for academic purposes. At no instance will your name be mentioned in the research without your prior permission. If you would like, we can send you the report of the findings on request.

Your assistance will be highly appreciated.

Yours faithfully,

Anthony Gichuki

Prof: Evans Aosa

Supervisor

## APPENDIX 2: INTERVIEW GUIDE

### Section A: Background Information

#### 1. Sex

a) Male

b) Female                    ^     Δ

#### 2. Age    ^     ^

a) 21-25 years

b) 26-30 years                    I—'—'

c) 31-35 years

d) 36-40 years

e) 40 and above

#### 3. Working experience                    ^     ^

a) 1-4 Years

b) 5 Years and Above

#### 4. Position in the call center

a) Senior Manager                    ^     ^

b) Shift Manager                    L \_ I

c) Team Leader                                    ^

Setting up the interview environment and explaining the following:

- Purpose of the interview
- Why the stakeholder has been chosen
- Duration of the interview
- His/her consent to take the interview

**Section B: Specific information**

1. Please explain the company's mission and vision and how it guides the division's operators?
2. Could you discuss the key external factors that shape the direction and actions of the company's mission and vision?
3. In your understanding what are the things that the call center does better than its competitors in providing better service to customers?
  - i) Prompt on, resource allocation, cost management, HR policies, absence management, internal controls, systems and service
4. What strategies does the call center employ to sustain the activities mentioned?  
Do you consider them effective?
  - i) Prompt on the competitive strategy models
  - ii) Prompt on the external environmental factors and how they are tackled using internal resources
5. In your experience, what are the challenges faced during the strategy implementation and how are they overcome.