FACTORS CONSIDERED IN ADOPTING DIVERSIFICATION STRATEGIES BY SAFARICOM KENYA LIMITED

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DECLARATION

This research project is my original work and has not been presented for award of a degree in any other University.

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

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DEDICATION

I dedicate this research project to my lovely wife and my children Bilal and Liban for their support, understanding and patience.

I would also like to dedicate this research project to my dear parents for their guidance from infancy and instilling in me the discipline of hard work which enabled me to reach this far.
# TABLE OF CONTENTS

DECLARATION..................................................................................................................... ii
ACKNOWLEDGEMENT........................................................................................................ iii
DEDICATION........................................................................................................................ iv
LIST OF FIGURES ............................................................................................................... viii
ABSTRACT........................................................................................................................... Error! Bookmark not defined.

## CHAPTER ONE: INTRODUCTION ................................................................................... 1
1.1 Background of the Study ............................................................................................. 1  
  1.1.1 Adopting Diversification Strategy ........................................................................ 2  
  1.1.2 Telecommunications in Kenya ............................................................................ 4  
  1.1.3 Safaricom Limited ............................................................................................... 5  
1.2 Research Problem .................................................................................................... 7  
1.3 Research Objective ................................................................................................. 9  
1.4 Value of the Study .................................................................................................... 9

## CHAPTER TWO: LITERATURE REVIEW ................................................................... 10
2.1 Introduction .............................................................................................................. 10  
2.2 Theoretical Foundation ........................................................................................... 10  
  2.2.1 Stakeholder Theory ............................................................................................ 10  
  2.2.2 Systems Theory ................................................................................................ 11  
2.3 Concept of Strategy ................................................................................................ 11  
2.4 Diversification Strategies ...................................................................................... 12  
2.5 Factors Influencing Diversification Strategies ....................................................... 15  
2.6 Summary .................................................................................................................. 17

## CHAPTER THREE: RESEARCH METHODOLOGY ............................................... 18
3.1 Introduction .............................................................................................................. 18  
3.2 Research Design .................................................................................................... 18  
3.3 Data Collection ...................................................................................................... 18
### CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION 21

4.1 Introduction ..............................................................................................................21

4.2 General Information ...............................................................................................21
   4.2.1 Level of Education .........................................................................................21
   4.2.2 Respondents Work Experience .......................................................................22
   4.2.3 Department/Division .......................................................................................23

4.3 Diversification Strategies Adopted by Safaricom Kenya Limited .........................23

4.4 Factors Considered by Safaricom Kenya Limited in Adopting Diversification Strategies ........................................................................................................25

4.5 Discussion ................................................................................................................28

### CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ...33

5.1 Introduction ..............................................................................................................33

5.2 Summary ..................................................................................................................33

5.3 Conclusion ...............................................................................................................34

5.4 Recommendations ..................................................................................................35

5.5 Limitations of the study ..........................................................................................36

5.6 Recommended areas of Further Research ...............................................................36

### APPENDIX: INTERVIEW GUIDE ...........................................................................41
LIST OF FIGURES

Figure 4.1 Respondents Level of Education .................................................................22

Figure 4.2 Respondents Work Experience .................................................................23
ABSTRACT

The objective of this study was to establish the factors considered by Safaricom Kenya Limited in adopting diversification strategies. This study was a case study since the unit of analysis was one organization. The researcher collected both primary and secondary data for this study. Primary data was collected using an interview guide. The data collected from the interviewees was edited for completeness and consistency. Both the primary and secondary data was qualitative in nature. Given this fact, content analysis was used to analyze the data. Factors considered by Safaricom Limited in adopting diversification strategies can be broadly categorized into: availability of workforce, government regulations, financial capability, attractiveness of the market and availability of resources and institutions. In developing a product that focuses on a particular segment, Safaricom limited looks at the functional, social, budget, age and social characteristics of the respondents to developing products that meet the needs of the targeted market. The strategy is mostly done on the basis of product bundling and marketing campaign like enrollment drives. The respondents also noted that version are informed by value proposition targeted at specific market segments where there's need to maximize on the opportunity. Safaricom Limited has mainly adopted related diversification strategy and as mentioned early, Safaricom’s core business is mobile voice service; however over the years it has diversified to mobile data service; fixed data services, video conferencing and recently and most success the mobile money transfer under the brand name M-Pesa. It was also established that Safaricom Business has evolved into an integrated service provider through delivery of a host of advanced IP, data, voice, video collaboration tools, and security solutions to meet the needs of business and government customers. This has been driven by Safaricom’s desire to become the most admired business partner by developing cost effective solutions that will enable business succeed. Safaricom Kenya Limited has given the SME Segment, which is estimated at 120,000 formal businesses, special focus in the course of the year as part of diversification. From the findings, the following recommendations are made; Safaricom Limited which is a major player in the telecommunication industry in Kenya needs to consider other factors in adopting diversification strategies such as the cost of entry into the new business, the future technological changes and changes in consumer preferences. These factors would have impact in the dynamic telecommunication industry. To ensure survival, Safaricom Limited needs to respond effectively to the changes in policies and regulations which will have impact in telecommunication industry; Safaricom Limited needs to diversify products that fit its purpose and are economical.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study
The word strategy has entered the field of management quite recently. At first the word was used in military science to mean what a manager does to offset actual or potential actions of competitors. The word strategy was derived from Greek “Strategos” which means generalship. Strategy therefore means the art of the General. In management, the word strategy is taken more broadly. However, various experts do not agree on the precise scope of strategy. There are as many definitions of strategy as there are the experts. Lack of unanimity has resulted in two broad categories of definitions; strategy as action inclusive of objective setting and strategy as action exclusive of objective setting.

Diversification is a form of corporate strategy for a company. Corporate strategy defines the business in which a company will compete preferably in a way that focuses resources to convert distinctive competence into competitive advantage (Andrews, 1980). Lynch (2006) stated that corporate strategy is concerned with an organization’s basic direction for the future: its purpose, its ambitions, its resources and how it interacts with the world in which it operates. The corporate centre is at the apex of the organization. It is the head office of the firm and will contain the corporate board. In his book, Lynch stresses that corporate strategy is typically concerned with determining the overall purpose and scope of the organization, in other words the type of business or businesses the organization should be involved in.

Diversification seeks to increase profitability through greater sales volume obtained from new products and new markets. It involves venturing out into new business, new products or new markets to increase profits. It is a form of growth strategy involving a significant increase in the performance objectives beyond past performance records (Andreas, 2009). Diversification allows a company to venture out into new lines of business that are different from the present operations. Companies employ different diversification
strategies to expand firms' operations by adding markets, products, services, or stages of production to the existing business for better results. According to Allio, (2005), the strategies of diversification can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company.

1.1.1 Adopting Diversification Strategy

There are three types of diversification: concentric, horizontal, and conglomerate. Concentric diversification strategy is applied where there is a technological similarity between the industries, which means that the firm is able to leverage its technical know-how to gain some advantage (Bunker and Wakefield, 2006). Horizontal diversification is where a company adds new products or services that are often technologically or commercially unrelated to current products but that may appeal to current customers. Finally, conglomerate diversification strategy is where a company markets new products or services that have no technological or commercial synergies with current products but that may appeal to new groups of customers (Andreas, 2009).

There are many different modes of diversifications, they include; franchising, licensing, acquisition and mergers, common stock, preferred stock, bond and call- option. The risk and return for each mode is different. Mix them so that one gets maximum return with minimum risk. The firm knows the performance index of other firms in same line of business and market index of all possible potential markets. Diversification is one among the most challenging decisions for a company. According to Lippitti (2007), when strategy fails to achieve expected results it is often because the strategy execution was flawed. The failure to execute is a major concern of executives because it limits organizational growth, adaptability, and competitiveness. Lippitti (2007) argues that in the rush to act on strategy, too little attention is paid to finding the best adoption
initiatives. Shortcuts such as repackaging existing projects which appear to support the new strategy, cannot work because while strategic plans can be copied, factors to be considered cannot be duplicated. Adoption must address the intangibles of cross functional integration, reward systems, and cultures as well as the tangibles captured in most planning documents. For many firms, false starts, delays and confusion characterize implementation. It is against this background that the study seeks to establish the factors considered by Safaricom in adopting diversification strategies.

Though diversification into new markets and production areas can be an exciting and profitable step for business owners, consultants caution them to "look before they leap." As entrepreneur Steven (1998) remarked, when presented with opportunities to diversify, the factors to be considered are firstly financial health; business owners should undertake a comprehensive and clinical review of their present fiscal standing and future prospects before expanding a business into a new area. Secondly, the cost of entry should be considered, this is closely linked to a business's examination of its fundamental financial health. Diversification, whether through licensing or acquisition, typically requires financial outlays of significant size. Does your company have the means to meet those requirements while simultaneously keeping the existing business running smoothly? (Steven and Marks, 1998).

Attractiveness of the industry and/or market is another reason. Analysts attach varying level of importance to this factor. Obviously, diversification into an industry or market that is dragging, whether because of general economic conditions or local problems, can result in a significant loss of income and security. As Mintzberg and Quinn (1992) observed, some businesses attach little significance to this, relying instead on vague beliefs that the industry or market is a good fit with its existing operations," Another common reason for ignoring the attractiveness test is a low entry cost," they added. "Sometimes the buyer has an inside track or the owner is anxious to sell. Even with a low price, a one-shot gain will not offset a perpetually poor business." Finally, some
businesses mistakenly interpret recent market or industry trends as indications of long term health.

1.1.2 Telecommunications in Kenya

Telecommunications services in Kenya have a long history. Telecommunications services were first introduced in Kenya in 1888; ten years after Alexander Bell patented the telephone. Then, the earliest telecommunications connections to the outside world were the submarine cables (laid by the Eastern & South African Telegraph Company in 1888) linking Zanzibar, Mombasa, and Dar es Salaam. By 1908, Nairobi had its first eighteen customers. Up to 1977 telecommunications services in Kenya were managed as part of the East African Community regional network with neighbouring Tanzania and Uganda. In 1977 the Community collapsed, and the Kenya Government established the Kenya Posts and Telecommunications Corporation (KPTC) to run telecommunications services. Global trends in telecommunications industry reform—towards liberalization and privatization, the inability of the telecommunications monopoly to satisfy demand, and demand for advanced services forced the Government to reform the telecommunication sector. The market structure in Kenya is competitive and the licensing framework is converged and technology-neutral with concentration in fixed and mobile segments. The regulatory framework was improved to allow for a technology-neutral and horizontal licensing framework. Third Quarter Report for 2013/2014 released by CCK shows that the sector experienced marginal growth in the number of mobile subscriptions. This was recorded at 0.02 percent to register 31.309 million subscriptions up from 31.301 million subscriptions recorded during the previous quarter.

Internet subscriptions in the country also continue to increase, with the number of internet subscriptions rising to 8.5 million up from 7.7 million in the previous quarter, representing a 10.2 percent increase. This brings the number of Internet users in the country to nearly 13.53 million, with 34.2 per cent of the population accessing the Internet via the mobile phone. Broadband subscriptions grew by 38.4 percent to about 1,006,000 subscriptions from some 726,800 subscriptions recorded during the previous period during the period under review.
According to CCK, the growth was accelerated by a promotion ran by one of the operators that offered reduced costs to handsets that have the capability to access 3G services. The upward trend was also attributed to Kenya’s international internet connectivity bandwidth, with the international internet used bandwidth recorded standing at 278,329 Mbps up from 264,584 Mbps recorded in the previous period, bringing the total available bandwidth in the country to 576,186 Mbps.

In the voice calls and short messaging sector, a total of 7.0 billion minutes of calls were made on the mobile networks up from 6.3 billion minutes recorded in the previous period representing an increase of 10.5 per cent. About 1 billion SMS text messages were sent in the quarter up from 986 million in the previous period representing a 10.1 per cent increase.

The mergers and acquisitions in ICT Sector are regarded as horizontal mergers simply because of the reason that the entities going for merger or acquisition are operating in the same industry that is telecommunications industry. In the majority of the developed and developing countries around the world, mergers and acquisitions in the telecommunications sector have become a necessity.

Many factors influence the competitiveness of companies and their products. These can for example financial aspects, complexity, supply chain management, quality, education of the employees, engineering capacity, networking or corporate culture. Further factors can be marketing, a product strategy, sensitivity to weak signals and the ability to be innovative on all company levels.

1.1.3 Safaricom Limited

Safaricom Limited, started as a department of Kenya Posts & Telecommunications Corporation, the former monopoly operator, which launched operations in 1993 based on an analogue ETACS network and was upgraded to GSM in 1996 and awarded a license in 1999. Safaricom Limited was incorporated on 3rd April 1997 under the Companies Act as a private limited liability company. It was converted into a public company with limited liability on 16th May 2002. By virtue of the 60% shareholding held by the Government of Kenya (GoK), Safaricom was a state corporation within the meaning of
the State Corporations Act (Chapter 446) Laws of Kenya, which defines a state corporation to include a company incorporated under the Companies Act which is owned or controlled by the Government or a state corporation (www.safaricom.co.ke).

Until 20 December 2007, the GoK shares were held by Telkom Kenya Limited (“TKL”), which was a state corporation under the Act. Following the offer and sale of 25% of the issued shares in Safaricom held by the GoK to the public in March 2008, the GoK ceased to have a controlling stake in Safaricom under the State Corporations Act and therefore the provisions of the State Corporations Act no longer apply to it (www.safaricom.co.ke). Currently, Safaricom is one of the leading integrated communications companies in Africa with over 17 million subscribers (CCK 2014). It provides a comprehensive range of services under one roof: mobile and fixed voice as well as data services on a variety of platforms. It is engaged in the provision of mobile phone services such as, fixed line wireless telecommunication, Internet and data services. It provides such products and services, as general packet radio services (GPRS), third generation (3G), enhanced data GSM environment (EDGE) and mobile money transfer solution M-Pesa. Safaricom Prepaid services include international dialing, voice mail and prepaid roaming. Messaging include ways of communication, such as short message service (SMS), e-mail and multimedia. With messaging service, customers also get daily updates for news, sports and entertainment. Other services include Safaricom Shop, which offers handsets and laptops. As of March 31, 2012 Safaricom Limited operated through PacketStream Data Networks Limited, its wholly owned subsidiary and One Communications Limited, in which it held a 51% stake. (www.safaricom.co.ke).

It is important to note that M-PESA service has grown from being a peer-to-peer money transfer service into a fully accepted financial mode of operation. With applications in m-Banking, Micro finance, salary payment, school fee payment and in Health services. Indeed, mHealth is a key pillar in Safaricom’s strategy. So far Safaricom has rolled out several mHealth initiatives such as dial-a-doc and drug authentication and Tele-health solutions among others. Despite an onslaught by competitors, especially Airtel in the
recent years in what has been dubbed Kenya’s mobile operators’ war; Safaricom held its grip as leader in the market share and profitability as the recently released annual financial report for the year ending March 2013 shows (www.safaricom.co.ke). Going by the aforementioned, Safaricom is diversifying into data and money transfer services which offer the best chance for growing revenues, as income from airtime sales shrink from increasing competition following a 50 per cent drop in calling charges in March, 2011. The company announced that it will venture into offering managed services in information technology, which involves providing data storage, software and hardware leasing to third parties.

1.2 Research Problem

The adoption of diversification strategy must be well coordinated so as to fit into the firm’s vision. Lack of a clear understanding of business diversification strategy by company managers will result in flawed implementation. In some cases, the diversifying firm will often try to complete the deal too quickly before other potential buyers begin a bidding war resulting in managers focusing on the attractive features of a candidate, while giving less attention to the negative features of the transaction. Though diversification into new markets and production areas can be an exciting and profitable step for business owners, the factors to be considered are firstly financial health; business owners should undertake a comprehensive and clinical review of their present fiscal standing and future prospects before expanding a business into a new area. Secondly is the cost of entry, this is closely linked to a business's examination of its fundamental financial health (Steven and Marks, 1998).

Despite the growing competition in the telephony industry mainly from Airtel Kenya, Orange/ Telkom and the entry of Yu Mobile, Safaricom has attained an ever increasing subscriber numbers. Although the company has been reporting some very positive financial results, it has had to diversify so as to competitively compete in an increasingly dynamic industry. There has been intensive competition, technological and policy challenges requiring changes and the strategic, operational and tactical responses to these
changes. Government policy changes have created more activity, opening up the market for new competitors with more capital resources through further liberalization and privatization, and demanding more contributions to corporate social responsibility, and allowing new entrants to provide both fixed line and mobile phone services. Although numerous studies acknowledge that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient implementation, strategy adoption has received less research attention than strategy formulation. Many studies done in Safaricom have not focused at the various challenges facing the implementation of diversification strategy in the company.

Many empirical studies have been done on diversification but on different context and concept from what the current study seeks to cover. The strategy of product diversification of a company may be explained in terms of branching-out from its existing dominant key competences, and the application of these to the marketing of new and improved products and services (Meyer and Utterback, 2003). Hill, (2004) studied the link between diversification and economic performance while Grant, Jammie, and Thomas (2008), studied diversity, diversification, and profitability among british manufacturing companies. Oluoch (2000) surveyed the relationship between organization diversification, profitability of commercial banks in Nairobi and found that the two relationships had a greater yield scale in an organization. Obado (1991) investigated the influence of perceived organizational climate on Kenya’s pharmaceutical diversification, and found that advancement and growth within the organization was a dominant factor. Wambua (2004) studied factors influencing implementing diversification in insurance companies in Kenya and found that structured incentives, diversified training and development, more customers and reach recognition were the outstanding factors. More recently, Kamanda (2012) did a study on Kenya Commercial Bank with the objective of determining the factors that influence its regional growth strategy. His study, however, did not cover the issues of strategy implementation. Situma (2013) covered the same company but focused on its turnaround strategy. Muguni (2007) studied the role of executive development in strategy positioning. The study also did not capture the factors
considered in diversification. Given the importance of this strategy, this study sought to: What are the factors considered by Safaricom in adopting diversification strategies?

1.3 Research Objective
The objective of this study was to establish the factors considered by Safaricom Kenya Limited in adopting diversification strategies.

1.4 Value of the Study
The study is invaluable to several stakeholders in the mobile telephony industry including the management of firms, the policy makers as well as the scholars. The management of mobile phone operators in Kenya will find the results of this study of paramount importance as a source of information on what factors are considered in adopting diversification strategies in the market and what they need to do in order to be more competitive in the market. The immediate beneficiary of this research will be the Safaricom Kenya limited where the researcher will be getting information from and therefore any recommendation made by the researcher will be directly addressing issues that affect the firm.

The policy makers will obtain knowledge of the industry dynamics and the responses that are appropriate and specific for Safaricom Kenya Limited; they will therefore obtain guidance from this study in designing appropriate policies that will regulate the sector.

The study will provide information to potential and current scholars on strategic management. This will expand their knowledge on diversification strategies and also identify areas of further study. Moreover, the researcher and other academicians will be in a position to comprehend the concept of diversification strategies more so in the context of the mobile telephony industry.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This section reviews the literature that relates to the factors considered in diversification. It covers the theoretical underpinnings of the study, literature on the concept of strategy, diversification strategies, factors influencing diversification strategies and conclusions and summary.

2.2 Theoretical Foundation
This study is grounded on stakeholder theory and systems theory.

2.2.1 Stakeholder Theory
Stakeholder theory begins with the assumption that value is necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with stakeholders to deliver on their purpose, (Rick, 2006).

The focus of stakeholder theory is articulated in two core questions (Freeman, 1994). First, it asks, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value they create, what brings its core stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and market place financial metrics. Secondly, stakeholders theory asks, what responsibility does management have to stakeholders? This pushes managers to articulate how they want to do the business. Specifically the kind of relationships they want and need to create with their stakeholders to deliver on their purpose. Many firms have developed and run their businesses in terms highly consistent with stakeholder theory.
2.2.2 Systems Theory
Systems Theory is the trans-disciplinary study of the abstract organization of phenomena, independent of their substance, type or spatial or temporal scale of existence. It investigates both the principles common to all complex entities and the models which can be used to describe them. This theory was proposed in the 1940s by the biologist Ludwig and furthered by Ross Ashby (1956). They emphasized that real systems are open to, and interact with their environments, and they can acquire qualitatively new properties through emergence, resulting in continual evolution. Rather than reducing an entity the properties of its parts or elements, systems theory focuses on the arrangement of and relations between the parts which connect them into a whole.

Systems analysis developed independently of systems theory, applies systems principles to aid a decision-maker with problems of identifying, reconstructing, optimizing, and controlling a system while taking into account multiple objectives, constraints and resources. It aims to specify possible courses of action, together with their risks, costs and benefits.

2.3 Concept of Strategy
A strategy is a long term plan of action designed to achieve a particular goal, most often winning. Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for a plan of action that will develop a business’s competitive advantage and compound it. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm’s expense (Hamel and Prahalad, 1994).

Strategic management is a combination of three main processes namely strategy formulation; strategy implementation and strategy evaluation. On the same note, strategy development is a multidimensional process that must involve rational analysis and
intuition, experience, and emotion. Whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process (Hamel and Prahalad, 1994). Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Rantakyro, 2000).

2.4 Diversification Strategies

Although formulating a consistent strategy is a difficult task for any team, making that strategy work and implementing it throughout the organization is even more difficult (Hrebiniak, 2006). A myriad of factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science, and its research history has previously been described as fragmented and eclectic Noble (1999). It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent strategy implementation or execution process (Johnson, and Scholes, 2002).

The best-formulated strategies may fail to produce superior performance for the firm if they are not successfully implemented, as Noble (1999) notes. Results from several surveys have confirmed this view: An Economist survey found that a discouraging 57 percent of firms were unsuccessful at executing strategic initiatives over the past three years, according to a survey of 276 senior operating executives in 2004 (Allio, 2005). According to the white Paper of Strategy Implementation of Chinese Corporations in 2006, strategy implementation has become “the most significant management challenge which all kinds of corporations face at the moment”. The survey reported in that white paper indicates that 83 percent of the surveyed companies failed to implement their
strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process.

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

Mwangi (2008) conducted a study on factors affecting diversification of supermarkets in Kenya. He posted that, management of the whole strategy required a turnaround concept into the environment challenging assumptions, crafting a vision, using diplomatic skills to get favorable responses, keeping actions moving by handling interferences and resistance, maintaining the momentum incorporating emergent developments and never losing sight of the overall goals of proper revenue management. Jones (1994) argued that firms increase their market share for reputation. Market leaders have clout that they can use to their advantage. Also a firm may want to increase bargaining power. A larger player has an advantage in negotiations with suppliers and channel members than a smaller player (Andreas, 2009).

The importance of enabling sound “two-way” communications within organizations is seen as fundamental to the effective adoption of strategy (Rapert et al., 2002), with a particular emphasis on facilitating useful feedback and “bottom-up” messages (Otley, 1999). The process of creating an organizational balanced scorecard essentially
commences with a full strategic appraisal and the clear articulation of the organization’s strategic vision and objectives (Kaplan & Norton, 1992; Atkinson & Brown, 2001), this process can in itself can build consensus and engender learning which can be of enormous value (Neely et al., 2000).

Successful strategy adoption, it is suggested, requires sound mechanisms for directing activity and behavior of employees towards performance, especially including effective communication systems as well as appropriate strategic and management controls. The balanced scorecard's four perspectives as manifested in Kaplan and Norton's (2004, p. 10) strategy maps provide “a level of granularity that improves clarity and focus” thereby creating clear direction and, potentially, through the development and publishing of the strategy map, facilitate understanding and coordination across the organization. Through this process of definition and communication of core values throughout an organization, moreover, the Balanced Scorecard provides an effective “boundary” control system (Mooraj et al., 1999).

The process of building and utilizing the scorecard provides an opportunity to identify priorities and reconcile different stakeholder demands as well as enhancing strategic feedback and learning (Denton & White, 2000) thus also enabling effective “diagnostic” control (Nyambok, 2005) through the monitoring of financial and other “lag” indicators against pre-set targets (Mooraj et al., 1999). In addition to substantially meeting Lynch and Cross (1995) necessary conditions, the balanced scorecard appears to offer a range of attributes that may also support strategy adoption.

Pearce and Robinson (2003) argue that, while structure provides overall framework for strategy adoption, it is not in itself sufficient to ensure successful execution. Within the organizational structure, individuals, groups and units are the mechanisms of organizational action, and the effectiveness of their actions is a major determinant of successful adoption (Ansoff and McDonnell, 1990). In this context, two basic factors encourage or discourage effective action-leadership and culture. Two leadership issues of
fundamental importance here are the role of the Chief Executive Officer (CEO) and the assignment of key managers. One practical consideration in making key managerial assignments when implementing strategy is whether to emphasize current (or promotable) executives, or bring in new personnel (MacCrimmon, 1993). This is obviously difficult, sensitive and a strategic issue. Pearce and Robinson (2003), continue to postulate that, culture is a set of important assumptions (often unstated) that members of an organization share in common. These shared assumptions (beliefs and values) among members of an organization set a pattern for activities, opinions and actions within that firm (Pryor, Anderson, Toombs and Humphreys, 2007).

Kotter and Leonard (1979) contents that without the right leadership; employees remain skeptical of the vision for strategy from management. The management would likewise be frustrated and stymied by employee resistance. One major task of the Manager is to implement strategy which entails overcoming resistance. According to Bunker and Wakefield (2006) the reality of ongoing strategy is not news for most leaders. Even so, few are prepared to lead in the context of significant, unrelenting strategy. Often, strategy sets up leaders to struggle between managing the business and addressing the needs of the people. But if leaders don’t establish an effective balance between business and people priorities they can destabilize the organizational culture and erode trust, generating fear and skepticism among employees at a time when a loyal, productive, and enthusiastic workforce is essential for success (Meyer and Stensaker, 2006). In conclusion, it is thus obvious that strategy implementation is a key challenge for today’s organizations. There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control (Eisenhardt and Brown, 1998).

2.5 Factors Influencing Diversification Strategies

There are various factors that influence diversification strategies. Availability of workforce resources is a factor to be considered. When considering diversification,
companies need to analyze the ways in which such a step could impact their current employee work forces. Does your current work force possess the skills and knowledge to handle the requirements of the new business, or the company need to initiate a concerted effort to attract new employees (Machel and Grisby, 2007). Access to distribution channels should also be considered. A company engaged in introducing a new product into the market should first ensure they have adequate access to distribution channels within the targeted market. "The more limited the wholesale or retail channels for a product are and the more existing competitors have these tied up, obviously the tougher entry into the industry will be," wrote Porter (1980) in Competitive Strategy: Techniques for Analyzing Industries and Competitors. "Existing competitors may have ties with channels based on long relationships, high-quality service, or even exclusive relationships in which the channel is solely identified with a particular manufacturer. Sometimes this barrier to entry is so high that to surmount it a new firm must create an entirely new distribution channel (Porter, 1980).

Government regulatory policies can also have an impact on the diversification decision. "Government can limit or even foreclose entry into industries with such controls as licensing requirements and limits on access to raw materials," confirmed Porter (1980), who added that regulatory controls on air and water pollution standards and product safety and efficacy should also be weighed. "For example, pollution control requirements can increase the capital needed for entry and the required technological sophistication and even the optimal scale of facilities. Standards for product testing, common in industries like food and other health-related products can impose substantial lead times, which not only raise the capital cost of entry but also give established firms ample notice of impending entry and sometimes full knowledge of the new competitor's product with which to formulate retaliatory strategies." Many of these regulations, while enormously beneficial to society, can have a bearing on the ultimate wisdom of a diversification strategy (Porter, 1980).
2.6 Summary

It is an empirical fact that the diversified multi-business organization is the prevailing model of the firm of the contemporary capitalist economy. In today’s business environment, products and services can be rendered obsolete within months and corporate market shares at risk almost on a daily basis, hence the reason why strategic management and diversification are topics of great interest in the mobile telephony industry today. The telecommunication industry experiences various challenges in its operating environment especially in the developing countries like Kenya. There is widespread customer dissatisfaction in the industry, stemming from failure to provide diversified product and service portfolio to satisfy customers’ ever changing needs and wants. In an effort to cope with such challenges the companies use different diversification strategies to not only remain profitable but also become stable financially. Whereas the literature and research reviewed implicitly assumes some kind of equilibrium thinking, one can also see the diversified firms in a more dynamic, longitudinal perspective as a transformation mechanism to continuously adjust the organization to the changing environment. Diversification in this sense secures the survival of the organisation as different from the single business firm, which grows and dies along with the industry in which it is positioned (Amit and Livnat, 1989).
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter gives the methodology of the research, which includes the research design, data collection and analysis.

3.2 Research Design
This study was a case study since the unit of analysis was one organization. Case study designs are appropriate when in-depth information is desired for describing phenomena of interest in a single unit study (Kothari, 1990). Kandie (2001) argues that a case study is a form of qualitative analysis where studies are done on institutions and from the study, data generalization and inferences are drawn.

Yin, (1994) said that to refer to a work as a case study might mean that its method is qualitative, small-N; and that the research is ethnographic, clinical, participant-observation, or otherwise “in the field”. According to Yin (2003) a case study design should be considered when the focus of the study is to answer “how” and “why” questions; you cannot manipulate the behavior of those involved in the study; you want to cover contextual conditions because you believe they are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context. The study method gave in-depth information on the factors considered by Safaricom in adopting diversification strategies.

3.3 Data Collection
The researcher collected both primary and secondary data for this study. Primary data was collected using an interview guide. The interview guide consisted of two sections: the first section captured the respondents’ general information while the second section
captured the factors considered by Safaricom in adopting diversification strategies. The
interview guide had open-ended questions that enabled the researcher to collect
qualitative data. The interview guide was administered through face interviews to allow
for further probing. Secondary data comprised competitive strategies adopted by the firm
and was collected from the company’s website, strategic plan and board papers.

The respondents of the study were ten (10) managers drawn from various departments.
They included: Marketing Managers, Sales Managers, Regulatory/Corporate Affairs
Manager, Human Resource Manager, Finance Manager, IT Manager, Financial Services
Manager, and Customer Care Manager. Managers are better placed to provide required
data because they play a leading role in ensuring that they position the Company
favorably within the changing environment through instituting appropriate timely
responses. The interview guide comprised of two sections. The first section comprised of
general questions relating to the respondents, part two was related to the factors
considered by Safaricom in adopting diversification strategies.

3.4 Data Analysis
The data collected from the interviewees was edited for completeness and consistency.
Both the primary and secondary data was qualitative in nature. Given this fact, content
analysis was used to analyze the data. According to Nachmias and Nachmias (1996),
content analysis is a technique for making inferences by systematically and objectively
identifying specified characteristics of messages and using the same to relate trends. The
data obtained was compared with existing literature in order to establish areas of
agreement and disagreement.

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

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, interpretations and discussions. Information in this chapter is divided into two sections. The first section details the analysis of general information of the respondents while the second section deals with analysis of data on the objectives based on descriptive statistics.

4.2 General Information

In order to achieve the main purpose of this study, the researcher found it useful to collect general information of the respondents. The general information of the respondents included level of education, work experience and division in the organization.

4.2.1 Level of Education

The study sought to find out the respondents’ level of education. From the findings, majority (50%) of the respondents had attained postgraduate qualification while (30%) had attained first university degree. Further analysis indicated that 20% of the respondents were diploma holders. It was also established that the respondents had attended many other short courses both in-house and outside on the job training. Figure 4.1 displays the findings.
4.2.2 Respondents Work Experience

The respondents were asked about their experience in Safaricom Kenya Limited. The findings in Figure 4.2 show that majority (50%) of the respondents had over 10 years experience while 30% had between 5-10 years. It was also established that 20 of the respondents had an experience not exceeding 5 years.
4.2.3 Department/Division

The respondents of the study were ten (10) managers drawn from various departments. They include: Marketing Managers, Sales Managers, Regulatory/Corporate Affairs Manager, Human Resource Manager, Finance Manager, IT Manager, Financial Services Manager, and Customer Care Manager. Managers are better placed to provide required data because they play a leading role in ensuring that they position the Company favorably within the changing environment through instituting appropriate timely responses. This implies that the interviewees of this study are well distributed across the strategic business units and key departments and thus the results can be generalized for the whole organization.

4.3 Diversification Strategies Adopted by Safaricom Kenya Limited

Safaricom Kenya Limited have launched various diversification strategies to broaden out of core telecoms services into software, mobile money transfer, media and content, and IT services. The firm has developed a range of products and services which include Roaming services, top-up services, Loyalty programs, Data messaging, M-pesa, Voice
services, Simu ya jamii, Sambaza, Okoa Jahazi and Fixed Data Solutions which comprises of Internet, MPLS, Cloud, Video Conferencing and TelePresence. The other techniques employed by Safaricom in diversification include offering incentives such as bundling services, giving devices tied to services and also recent rolling out retail shops and partner with device manufactures which is focused to availing access devices to customer to help them enjoy the network earn revenue from increased usage. Safaricom Kenya Limited runs the safaricom shops across the country selling handsets, laptops, tablets among others. In an effort to make these gadgets affordable, Safaricom continuously work with suppliers to provide good deals on notebooks and netbooks.

Over 25 banks have partnered with M-PESA to allow their customers transfer money between their bank account and their M-PESA account. With this service customers are able to move money from their bank account into their M-PESA account and vice versa. M-PESA Ticketing a mobile ticketing service that enables Safaricom Subscribers to search, book, pay and get a ticket on their mobile phones for various services spanning from entertainment, travel, sport and others anytime, anywhere. It was also established that Safaricom Business has evolved into an integrated service provider through delivery of a host of advanced IP, data, voice, video collaboration tools, and security solutions to meet the needs of business and government customers. This has been driven by Safaricom desire to become the most admired business partner by developing cost effective solutions that will enable business succeed.

Safaricom Kenya Limited has given the SME Segment, which is estimated at 120,000 formal businesses, special focus in the course of the year as part of diversification. To cater for this segment the company launched ‘Zidisha Biashara’, an integrated bundled offering of voice, data, and communication devices. Further the bundle has a website offer to get the SMEs online, emails as well as capacity building programs to enhance the productivity of SMEs. The company has moved into the Machine to Machine (M2M) and mobile applications space where it is now able to offer corporate and government customers’ value added services around areas such as workforce management,
transportation, retail distribution, security and building management as well as smart utilities.

4.4 Factors Considered by Safaricom Kenya Limited in Adopting Diversification Strategies

Factors considered by Safaricom Limited in adopting diversification strategies can be broadly categorized into: availability of workforce, government regulations, financial capability, attractiveness of the market and availability of resources and institutions. Availability of workforce resources is an important factor considered by Safaricom Kenya Limited in adopting diversification strategies. In developing a product that focuses on a particular segment, Safaricom limited looks at the functional, social, budget, age and social characteristics of the respondents to developing products that meet the needs of the targeted market. The strategy is mostly done on the basis of product bundling and marketing campaign like enrollment drives. The respondents also noted that version are informed by value preposition targeted at specific market segments where there's need to maximize on the opportunity.

When considering diversification, companies need to analyze the ways in which such a step could impact their current employee work forces. Some of the diversification strategies adopted by Safaricom Kenya Limited that require skilled workforce include: online software solutions, data storage and hardware leasing, cloud computing among others. Caution must also be exercised in entering businesses with seemingly promising opportunities, especially if the management team lacks experience or skill in the new line of business. Without some knowledge of the new industry, a firm may be unable to accurately evaluate the industry's potential. Even if the new business is initially successful, problems will eventually occur. Executives from the conglomerate will have to become involved in the operations of the new enterprise at some point. Without adequate experience or skills (Management Synergy) the new business may become a poor performer. The study also suggests that different diversification strategies (concentric vs. conglomerate) require different skills on the part of a company's top
managers, and that the factors should be taken into consideration before firms are joined. Without some form of strategic fit, the combined performance of the individual units will probably not exceed the performance of the units operating independently. In fact, combined performance may deteriorate because of controls placed on the individual units by the parent conglomerate. Decision-making may become slower due to longer review periods and complicated reporting systems.

The interviews indicated that the company considers government regulations in adopting diversification strategies. For instance the mobile money transfer (M-pesa). Government regulatory policies can also have an impact on the diversification decision. Government limit or even foreclose entry into industries with such controls as licensing requirements and other statutory requirements. Safaricom Kenya Limited operates within a regulated environment which is subject to legal and economic constraints not faced by firms in unregulated environments. As such, the firm is exposed to high levels of determinism which can severely limit the strategic choices available. Specifically, regulated firms operate in industries where returns may be limited by regulation. Thus, to maintain shareholder satisfaction managers may find themselves seeking ways to increase the overall returns earned by the firm. Faced with this dilemma, the firm has had to diversify to earn greater return. Overall, regulators have numerous statutory obligations and face complex political problems. Ultimately, regulators have the responsibility of representing the public interest, consisting mainly of the customers (rate-payers) and the stockholders. They must see that mobile phone service providers like Safaricom provide adequate service at reasonable rates, while also maintaining the financial viability of the firm.

In adopting diversification strategy, Safaricom Limited considers the cost of investment. Diversification depends on financial health of a firm. Business owners should undertake a comprehensive and clinical review of their present fiscal standing and future prospects before expanding a business into a new area. The cost of entry into a market should consider before diversification process start. Diversification, whether through diversification or acquisition, typically requires financial outlays of significant size. A company must have the means to meet new financial requirements while simultaneously
keeping the existing business running smoothly. The need for external finance can improve the allocation of capital even in instances in which it introduces inefficiencies at the firm level.

Attractiveness of the industry and/or market is another factor that influences diversification in Safaricom Kenya Limited. Analysts attach varying level of importance to this factor. Diversification into an industry or market that is dragging, whether because of general economic conditions or local problems, can result in a significant loss of income and security. Some businesses attach little significance to this, relying instead on vague beliefs that the industry or market is a good fit with its existing operations. Other businesses ignore the attractiveness test due to low entry cost. Besides, some businesses mistakenly interpret recent market or industry trends as indications of long term health. Dimensions of market attractiveness include market size/potential and market development. Market size/potential has to do with the size of the market and the amount of sales, profits, etc. that can be obtained from entry and throughout the presence of firms in that market or in a planning period.

The general economic environment is strongly influenced by the availability of resources and the presence of institutions. Since the availability of resources and institutions have a significant impact on a company’s strategy, it also influences the choice and the direction of corporate diversification. The degree of resources and institutions in a country is measured by the level of environmental munificence. Environmental munificence can be described as the availability of crucial factors and institutions in a home country environment. Factors, which are more tangible, can be classified into endowed factors (natural resources), advanced factors (physical infrastructure, financial resources, and capital goods accumulation), and human factors (labor quality, education). Obviously, firms need these resources in order to grow. Institutions are less tangible and can be divided into political institutions, legal institutions and societal institutions. Institutions are responsible of an efficient and well functioning of the external market. Therefore, competitive advantage is created by forming specialized resources and skills. In order to
avoid a deterioration of a firm’s market position, the source of competitive advantage rests on continuously improvement of a firm’s core strategic assets.

4.5 Discussion

The study sought to find out the factors considered in adopting diversification strategies by Safaricom Kenya Limited. Findings indicate that mobile telephony firms have over the years adopted diversification strategies which are touted as its vehicles to growth and advancement. For example Safaricom Limited has used creativity and innovativeness to create the best products and services and it has managed to partner with other service providers. The M-Pesa product has brought many customers into the network and helped Safaricom to gain a competitive edge over its rivals. Safaricom Limited also continuously upgrades its network and supports and rewards creative thinking. This innovation at Safaricom is backed by a full department, Value Added Service.

It has been found that the factors considered in adopting diversification strategies by Safaricom Limited include: promise for attractive financial gain, availability of resources which makes diversification economically feasible, in order to gain from superior skills of top management people, build shareholder value, profit erosion in maturing markets, in order for the company to reduce risks, in order to increase profitability by exploiting general organization competencies, highly fluctuating industry, in order for the company to learn and the business environment lacking the necessary institutions and factors to compete successfully. Moreover industry profitability, firm characteristics and general economic environment influence the insurance companies to pursue unrelated diversification strategies. The findings were consistent with Yu and Pan (2008) findings that the direction of diversification strategy is influenced by industry conditions in which the company operates.

In the study, the level of competition in the Kenyan telecommunication industry has been found to have increased especially in the last ten years. From one dominant player in the 1990s, the number of players as increased to four at present which has meant that the firms have had to come up with new strategies that will give its products competitive
edge over the competitors. This position is similar to that posited by Kim et al., (2004) who pointed out that business firms need to consider the overall strategy and provide unique products that will help it capture a particular segment of the market.

In the implementation of a diversification strategy, a firm should also be aware of challenges that might affect the success of the strategies. In the case of the mobile telephony industry, the findings show that the companies have been able to reduce challenges relating to organizational structure, leadership, lack of adequate resources and also its culture. The present day management has really strived to make it less of a hindrance to successful implementation of the organizational strategies. The management is cognisant of the challenges and the need to reduce their effect on the success of the adopted diversification strategies and have come up with several mitigating factors. In addition, there are innovations which have taken place in a narrowband context, applications like PesaPal, a locally developed payment platform that is a sort of hybrid of PayPal and M-Pesa, will find greater relevance as broadband take up increases. PesaPal enables Kenyans to buy and sell on the Internet using mobile money or a credit card and has targeted applications such as school fee payment, e-ticketing and e-commerce.

The findings of the study corroborates Tushman and Nadler (2006) who argued that strategic management in the telecommunication sector demand that the institutions should have effective systems in place to offset unpredictable events that can maintain their operations and reduce the risks implicated through diversification. According to Davila, Epstein and Shelton (2006) innovation is a necessary ingredient for sustained success and is an integral part of the business. For bigger the companies, the task is slightly easier as they have bigger product portfolios. This allows them to offer some less profitable services while they are some financially successful services making enough profit. For example, Safaricom admits that some of their apps for bottom of the pyramid are not making much profit, but allow reaching the mass-market among the low-income people and Virtual City enjoys a steady income stream from its general business which allows its do some longer-term research and development for new products.
With numerous players in the telecommunications industry, competition intensified leading to an unsustainable price war that accelerated subscriber growth. This growth is also attributed to increased network coverage, increased on-net price promotional campaigns leading to multiple SIM-card ownership and marketing strategies by the telephone operators. Another strategy that was identified by the respondents to lead in the market by Safaricom is the low cost strategy on the company products and services. The respondents noted that since the services offered by the company is similar to that offered by competitors, Safaricom has not employed this strategy to a large extent. They noted that the company has faced stiff competition in this area to the extent that some competitors have even reduced their calling rates to zero and also the money transfer services, which the firm considers not to be sustainable. The findings of the study concurs with Slade (1989) who observed that price wars entail that one competitor cuts price to punish another competitor for violating a rule of competitive conduct. Consequently, the firm to be punished reacts through another price cut, prompting further such cuts by the competitor, and so on. Thomas and Soldow (1988) state that if a price cut violates industry rules, competitive turmoil may result.

Majority of the interviewees indicated that diversification has contributed positively both financially and in the well being of the organization generally. Safaricom has been able to build a very strong brand in the market to the point that it is now considered an opinion leader among its competitors; whatever products it introduces to the market they becomes an instant success prompting competitor to copy and develop similar products. This has assisted Safaricom Limited greatly in its diversification strategy, its new innovations are usually received with a lot of good will by the market and hence success despite challenges or product shortcomings. This has lead to Safaricom being very profitable and as a result it has accumulated a lot of retains earning that enables it to invest in new innovations. For its organizational structure Safaricom is able to attract the best human resource talents in the market giving it another advantage over its competitor as human resources are very critical to organizational success in the service industry.
From the findings, the interviewees indicated that diversification is very critical to the overall success of Safaricom limited. The interviewees indicated that diversification has enabled Safaricom not only increase its revenue streams but also deal with competitors and market threats that threaten the organizations. Diversification has immensely contributed to Safaricom Limited in gaining competitive advantage over competitors.

Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization culture, structure, management, leadership, resources and capacity. Just as the strategy of the organization must be matched to the external environment, it must also fit the multiple factors responsible for its implementation. The interviewees noted that Safaricom still faces several challenges in implementing its strategies. All the respondents identified different factors that have hindered effective implementation of the strategy in the organization and how the same factors impacts on strategy implementation in the organization. The challenges ranged from: organizational culture, organizational structure, leadership and management and inadequate resources.

Majority of the interviewees agreed that by all accounts the growth of Safaricom Limited and successes of its ground breaking strategies over the past decade has been remarkable. However despite the many successes in the past some challenges have been faced while implementing diversification strategy. First, while the number of subscribers continues to grow, marginal revenue per subscriber has declined precipitously, this has redefined the traditional parameters of mobile telephony operators profitability and compelled operators to minimize the amount of resources devoted to serving and maintain users since operating expenses are growing faster than revenues. Secondly, inadequate realignment of company resources with the new strategy, it was found out that despite the runaway success at Safaricom, resources are not always available compared to needed resource to diversify. Diversification being the risked of the various strategic options, it is always underfunded due to the high risk associated with it, most of the time diversification plans are mostly considered after less risky option have been funded. Thirdly, misinterpretation of the big strategic idea vision as it moves out of the executive
suite into the implementing team within the organization and third party partners. This is mainly caused by not starting the process with a thorough unpacking of the detailed changes required to implement the new strategy.

The firm has also developed a range of products and services which include Roaming services, top-up services, Loyalty programs, Data messaging, money transfer services, Voice services and Fixed Data Solutions which comprises of Internet, MPLS, Cloud, Video Conferencing and TelePresence. According to Lehr and Lichtenberg, (1999), niche marketing, which can be understood as focused marketing that is directed at a limited and specialised market with relatively few customers and competitors, is often viewed as a potentially superior approach for specialized telecommunication firms. The underlying reason for this view is that niche markets have been claimed to be more profitable.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study and makes conclusion based on the findings. The recommendations of the study and areas for further research are also presented.

5.2 Summary

Safaricom Kenya Limited have launched various diversification strategies to broaden out of core telecoms services into software, mobile money transfer, media and content, and IT services. The firm has developed a range of products and services which include Roaming services, top-up services, Loyalty programs, Data messaging, M-pesa, Voice services, Simu ya jamii, Sambaza, Okoa Jahazi and Fixed Data Solutions which comprises of Internet, MPLS, Cloud, Video Conferencing and TelePresence. It was also established that Safaricom Business has evolved into an integrated service provider through delivery of a host of advanced IP, data, voice, video collaboration tools, and security solutions to meet the needs of business and government customers. This has been driven by Safaricom desire to become the most admired business partner by developing cost effective solutions that will enable business succeed. Safaricom Kenya Limited has given the SME Segment, which is estimated at 120,000 formal businesses, special focus in the course of the year as part of diversification.

It has been found that the factors considered in adopting diversification strategies by Safaricom Limited include: promise for attractive financial gain, availability of resources which makes diversification economically feasible, in order to gain from superior skills of top management people, build shareholder value, profit erosion in maturing markets, in order for the company to reduce risks, in order to increase profitability by exploiting general organization competencies, highly fluctuating industry, in order for the company
to learn and the business environment lacking the necessary institutions and factors to compete successfully. Moreover industry profitability, firm characteristics and general economic environment influence the insurance companies to pursue unrelated diversification strategies. In developing a product that focuses on a particular segment, Safaricom limited looks at the functional, social, budget, age and social characteristics of the respondents to developing products that meet the needs of the targeted market. The strategy is mostly done on the basis of product bundling and marketing campaign like enrollment drives. The respondents also noted that version are informed by value preposition targeted at specific market segments where there's need to maximize on the opportunity.

5.3 Conclusion

The study noted that the core business of Safaricom Limited business remains voice and voice revenues continue to show good growth. The company is executing well against its strategy of growing revenues beyond voice - M-PESA and broadband being the main drivers of non-voice revenue growth. The study concludes that there are various diversification strategies used by Safaricom which allows it to expand its product lines and operate in several different economic areas.

The study also concluded that the factors considered by Safaricom in adopting diversification strategy include: availability of workforce, government regulations, financial capability, attractiveness of the market and availability of resources and institutions. The study further concludes that the reasons for adopting diversification strategies include improving product value/quality, to gain competitive edge and to maintain product loyalty.

The Kenyan case offers sufficient evidence to the claim that competition triggers creativity and innovation hence adoption of diversification strategies. To survive in a competitive market firms must maintain new products. The sustained presence of mobile products being floated to customers on a consistent basis depicts high standards of
innovativeness. Continuous innovation not only yields new products but rather promotes efficiently in performance of activities. As a result the price for new services introduced to the market declines consistently.

5.4 Recommendations

From the findings, the following recommendations are made: Safaricom Limited which is the major player in the telecommunication industry in Kenya need to continually reinvigorate itself to remain relevant in the telecom industry which over the years has proved to be dynamic, complex and turbulent. Safaricom Limited needs to consider other factors in adopting diversification strategies such as the cost of entry into the new business, the future technological changes and changes in consumer preferences. These factors would have impact in the dynamic telecommunication industry. To ensure survival, Safaricom Limited needs to respond effectively to the changes in policies and regulations which will have impact in telecommunication industry; Safaricom Limited needs to diversify products that fit its purpose and are economical.

This calls for investment in incorporating a culture of creativity in employees and rewarding innovative ideas. It is also recommended that while price has been used successfully as a basis of competitive advantage in the past, today customers seek value and may pay more if they perceive they are getting more value from the service provider. Hence service managers in Safaricom Limited should adopt a paradigm shift from penetration pricing strategies to value pricing through diversification.

The study also recommends that the Safaricom Limited should also strive to ensure product range extension, product replacement, product improvement, product repositioning and new product introduction to enable it to be more productive, to grow faster, to invest more and also to earn more performance.
5.5 Limitations of the study

The findings were gathered from a small sample, a replica study with large sample size should seek validity.

This study was conducted at Safaricom Limited one of the four licensed mobile telephony companies in Kenya. Therefore there is a need for confirmatory research involving all the mobile operators to allow for generalization of findings of the study in the Kenyan context.

5.6 Recommended areas of Further Research

The telecommunication industry in Kenya is comprised of four licensed mobile operators namely Safaricom Limited, Airtel Kenya, Essar Telecom, and Telkom/Orange Kenya; these organizations differ in their style of management and are at different stages of development in the market. This warrants the need for another study which would cover all the licensed Mobile operators in Kenya and allow for generalization of the study findings for all the telecommunication companies in Kenya. The study therefore recommends another study be done with an aim to investigate the diversification strategy adopted by mobile telephony companies in Kenya.
REFERENCES


Ministry of Information and Communications.


APPENDIX: INTERVIEW GUIDE

This Interview guide is designed to collect data from the Safaricom Ltd on factors considered by Safaricom in adopting diversification strategy. The data shall be used for academic purposes only and will be treated with strict confidence.

SECTION 1: RESPONDENT'S BACKGROUND

1) What position do you hold in the company? ...........................................................

2) What’s the highest level of education you have attained? ...........................................

3) How long have you worked in the company? ............................................................

4) In which department or division do you work? ...........................................................

SECTION 2: FACTORS CONSIDERED BY SAFARICOM IN ADOPTING DIVERSIFICATION STRATEGY

5) What is your role in the Company’s strategy implementation process?
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6) What are the factors considered by Safaricom in adopting diversification strategy?
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7) Safaricom has traditionally been a voice based service provider. What were the factors considered by Safaricom to diversify into the following products and services?

Please explain.

i. Internet and data services (mobile & fixed corporate data).................................

ii. Mobile money transfer - M-pesa (Financial Services)................................................

iii. Online Software Solutions (i.e. SME payroll) ........................................................

iv. Managed Services (Data Storage, hardware leasing)...........................................

v. Cloud Computing.................................................................................................

vi. Safaricom Shops (handsets, laptops, modems etc.) ...............................................

vii. Network deployments (security network) ............................................................

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8) What has been the implication of the diversification strategies adopted by Safaricom?

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9) What challenges has the company faced with diversification? How has the Company addressed these challenges?

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10) Overall, how successful has Safaricom implemented diversification strategies it has adopted?

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