Change Management Practices in the Implementation of Differentiation Strategy at Safaricom Plc, Kenya

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Abstract

The purpose of the study was determining the change management practices adopted by Safaricom Plc, Kenya in the implementation of differentiation strategy. A case study methodology was used for this research. The study used primary and secondary data sources. The study also relied on secondary sources of data such as strategy and policy documents to evaluate the internal environment and the enablers of differentiation strategy in Safaricom. The results revealed Safaricom Plc used a variety of change management strategies in order to adapt to an environment that is volatile and always changing. Safaricom Plc makes use of formal communication channels which effectively contributes positively to the process of change implementation. The outcomes of the research indicated that leadership style that was shown by purposeful action was considered to be the most important component in the successful management of strategic change. The change management at Safaricom Plc has resulted the firm to be able to differentiate its product and services in the market.

Introduction

Today, the business environment changes more often. Change management, more than ever, is significantly important as businesses seek to get things right first time. The process of managing change, however, is still a challenge to firms seeking to implement the changes. This is because different dimensions of change require different mix of change management practices. Change management practices refer to a mix of different organizational interventions which when applied effectively support the implementation of change processes. In a competitive environment spiced by the rapid changes in technology, companies increasingly seek to change their approach, processes, products, and services (Kubai, Karanja, & Kihara, 2021). The choice timing and implementation of the different change management practices play a major role in change management. According to Harun (2021), when companies see the environment in which they operate as being volatile, complicated, and competitive, they adjust their strategies to either capitalize on the possibilities presented or mitigate the dangers posed by the shifts in the environment. In a fiercely competitive environment, organizations heavily rely on the differentiation strategy to distinguish themselves in the market (Githumbi & Ragui, 2017). The benefits of these strategies are fully realized only when the organizations successfully manage the implementation. Therefore, change management is an extremely important factor in determining the level of success that will result from the execution of the differentiation strategy.

Over the years, Safaricom Plc, Kenya has implemented both planned and emergent change management practices as approaches for strategy differentiation. For instance, in 2012 when Safaricom Plc launched M-shwari, its aim was to differentiate itself from its competitor, Airtel that was also offering both airtime, data and mobile money (Safaricom Plc, 2021). M-Shwari was a differentiation strategy since it allowed the customers to create a culture of saving and earning interests. Moreover, the emergent change management practices have been evident in Safaricom Plc especially following the Covid-19 pandemic. In 2020, the company lowered the charges of sending mobile money as a form of price differentiation to not only support its customers navigate the difficult times but to also encourage the use of mobile money (Safaricom Plc, 2022).

Change Management practices and Implementation of Differentiation Strategy

Change management is crucial in the fulfillment of implementation of strategy. The practice of change management gives firms the opportunity to shape the direction which the implementation of strategy is taking. Change management, therefore, has a direct effect on the realization of the strategy. Change can be necessitated by internal adjustments or as a result of changes in the operating environment. Porter (1996) identified five competitive forces as being key influences on a company adopting a change. These forces include, bargaining

powers of the buyers, the entry of new players, bargaining power of the suppliers, level of competition and threat of substitutes. Porter opined that a firm may be forced to strategize to balance the change caused by a change in one or a combination of these forces.

Strategic management is the complex process of formulating and managing the major strategies of the company in order to realize the desired outcomes. It involves objectively identifying the strengths and weaknesses of the company and correctly reacting to the changes in the external environment. According to the propositions of strategic management, successful firms are those that are dynamic in their operations. These successful firms continuously recalibrate their internal configurations depending on the variations of the conditions in the environment in which they operate (Ansoff, 2007). In an environment where flexibility is key, the management of change from one state to the desired state is more critical.

Mcgaw, (2018) observes that the implementation of a strategy involves a change for the human resource in an organization. The reaction of the people towards strategic changes can take different directions depending on many factors. These reactions can make the implementation of change either easy or difficult. Where the workforce is enthusiastic about the changes, the implementation of strategy becomes easy and otherwise where they are resistant to change. In addition, there other factors that pose a challenge to the implementation of change. Availability of finance and resources, changes in the regulatory environment and the organization's preparedness all play a major role in the management of change. The result of managing change can be traced in the complexities in the methods of production, changes in jobs, the changes in combination of skill required for given roles, and the level of integration of technology in the company processes.

Differentiation strategy enables company to distinguish their products and services from those of the competition in the market. According to Githumbi, and Ragui, (2017), the implementation of differentiation strategy is utilizing a technique that aims to create goods or services with advantages that are distinct from those offered by rivals and are highly appreciated by purchasers. Whereas the result of the implementation of differentiation strategy can be traced in the uniqueness of the end product in the market, it is equally easy for the organizations to fall short in their quest to distinguish themselves from other players if they fail to manage the process of evolving from their current state to the target state. Change management therefore plays a critical role in the implementation of the differentiation strategy from conception to realization.

Safaricom Plc, Kenya

Safaricom Plc is the largest telecommunications company in Kenya. A leading player in the digital industry and a key player in the Kenyan communications industry, Safaricom Plc was founded in 2000. All the many services that Safaricom offers, like mobile phone sales, messaging, data, financial services, and convergent services, are offered with the intention of bringing about positive change in people's life (Safaricom PLC, 2021). With the goal of becoming a purpose-driven technology company by the year 2025 and being supported by its four transformative pillars strengthening the core, being a financial services provider, winning in select digital ecosystems, and achieving cost leadership the company uses its strengths in data and analytics, network and IT, mergers, acquisitions, and partnership, and people and organization to ensure that it stays in the line of sight to achieve its goal of becoming a purpose-driven technology company.

The success of Safaricom Plc is attributed to its ability to continuously change in response to the business environment. Over the years, Safaricom Plc has encountered change within its business environment. Key changes experienced in the telecommunication sector is the embrace of technology and innovation as a core element for business success. To address the changes in the business environment, Safaricom Plc has embraced the need to constantly evolve both their processes and products. For instance, Safaricom Plc has created a culture of innovation where young people are encouraged to offer their innovative ideas. For instance, in 2016, Safaricom Plc introduced Blaze Be Your Own Boss, an initiative that encourages innovation among the youth (Safaricom Plc, 2016). With regards to leadership, Safaricom Plc has won awards for including women in the top tier management. Safaricom Plc received the Visionary Award for Leadership and Governance in 2019 in recognition of its dedication to advancing women in the C suite and fostering workplace inclusion and diversity (Safaricom Plc, 2019).

Through the implementation of change and management practices, Safaricom Plc has differentiated itself from the other telecommunication companies. For instance, a key differentiation strategy adopted by Safaricom Plc is its provision of financial services through the M-Pesa platform. M-Pesa is a platform that allows people to send money, receive money, and make transactions (Safaricom Plc, 2021). The M-Pesa services have boosted the profits of the company, since unlike its competition that only relies on income from airtime and bundles packages, Safaricom Plc has positioned itself as competition for financial institutions. In 2012, Safaricom, adopted the differentiation strategy through the introduction of M-shwari, whose main aim was to encourage people to save money while at the same time have access to quick loans (Safaricom Plc, 2022).

Further, Safaricom Plc provided the lipa na bonga points services that allows individuals to use the bonga points earned to pay for products in supermarkets. In 2019, Safaricom Plc launched Fuliza, a service that allows the mobile service subscribers to pay on credit (Safaricom Plc, 2021). Safaricom Plc has been effective in implementing these differentiation strategies, despite the changes that have occurred over time in the business environment.

Statement of the problem

In Kenya, where the telecommunication industry is competitive, Safaricom Plc, which is one of the main players continue to cement its dominance by customizing its products and services to stand out from those availed by the competitors. These strategies which includes providing the customer with the flexibility to customize the mix of products they are buying, automating customer onboarding journeys and better customer service continues to strengthen the Safaricom's dominance in this industry. The business environment is increasingly becoming more turbulent. The changes in both internal and external environments continue to exert pressure on businesses. The convergence of these forces has led to a business environment that is unpredictable, straining, taxing, and challenging to business establishments that are not ready and flexible to recalibrate their internal processes to respond to the changes.

Lok (2017) in Finland found that differentiation strategy was essential in driving competitiveness and improving performance in a dynamic business environment. However, the study was based in a developed country, hence cannot be used to make generalizations in a developing country. Kazinguvu, (2011) discovered that the successful implementation of management of change has played an essential role in the differentiation of goods and services in Rwanda. Aupal, Ngaka, and Odubuker, (2016) the findings of the research, change is inevitable, and while strategies and goals for the management of change might vary from one organization to the next, all businesses struggle with the same challenge. Kihara (2010) study identified leadership engagement, training of staff in specific areas of specialization, motivation of the employees, creating awareness and management support through ensuring availability of finances as some of the management practices employed by the Kenya Road Authority. The study, however, change management as a whole did not focus squarely on the practices. Research carried out on a global and local scale in Kenya, such as the studies that were described above, reveals the presence of change management methods in the process of putting various strategies or change initiatives into effect. The philosophical and contextual factors of these research diverge to varying degrees. None of these studies, however, has specifically attempted to study the change management approaches that were used in the execution of the differentiation strategy at Safaricom. Therefore, the purpose of this study was to provide information on this research gap that has not been assessed.
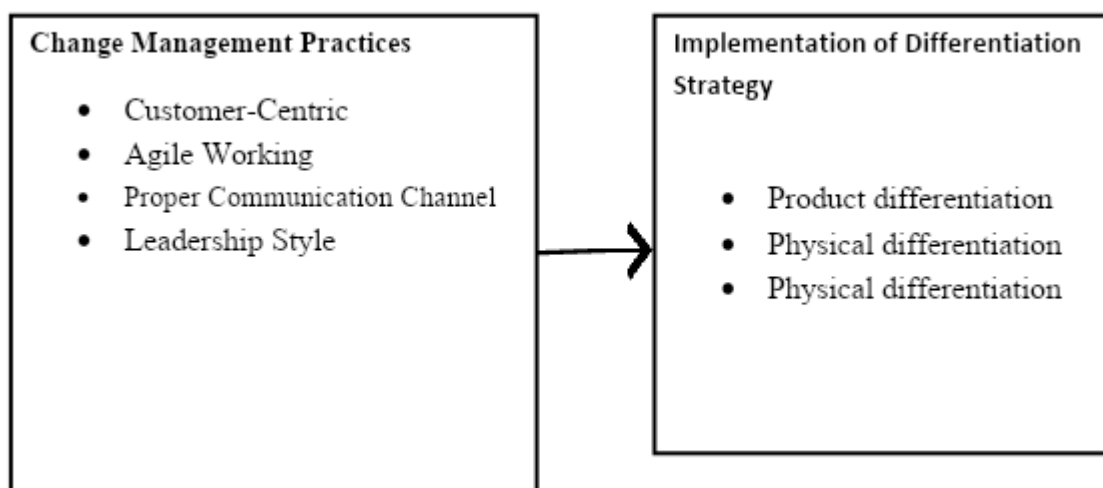
Objective of the study

The purpose of the study was determining the change management practices adopted by Safaricom Plc, Kenya in the implementation of differentiation strategy.

Relationship between change management practices and implementation of differentiation strategy
Conceptual Framework

Conceptual Framework

Research Design

A case study methodology was used for this research. The researcher was able to conduct an in-depth examination of the change management methods involved in the execution of the differentiation strategy in Safaricom.

Data Collection

The study used primary and secondary data sources. The interview guide was developed based on open-ended questions. The interviews were conducted within the vicinity of Safaricom Plc at the convenience of the respondents. The study also relied on secondary sources of data such as strategy and policy documents to evaluate the internal environment and the enablers of differentiation strategy in Safaricom.

Data Analysis

The qualitative data was collected using the interview guide. As a result, the data examined using content analysis.

Results

In pursuance of the 2025 Strategy, Safaricom Plc has designed a customer-centric organisation that aims at achieving the strategic ambition of being a purpose-led Tech by 2025.The organisation has adopted Agile as an integral vehicle in driving efficiency and productivity and thus the organisation structures have been and still are in the process of transformation. The company's customer service center is located in Mlolongo, and it responds to the automated voice machine instructions to solve any issues that may arise with clients. Technology has made it possible to handle complaints from customers in a more timely and effective manner. Corporate processes are also in scope of the changes in a quest to ensure effective decision-making and seamless delivery of expected outcomes. Virtual modeling has resulted in an improvement in the level of communication with customers and many other stakeholders. The workers were able to share their thoughts and suggestions with management through the upward communication channel, while the horizontal communication channel was used for the purpose of conveying information across the various departments. The information was then disseminated to the rest of the personnel at the departmental meetings that immediately followed this event.

All of the respondents were in complete agreement that the degree to which an organization's structure is able to support strategic changes is a major factor in determining how well strategic changes may be implemented. According to the opinions expressed by respondents, the organizational structure of a company is never static; rather, it is often reorganized in order to ease the transition to the organization's desired future state objectives. It was stated that the firm adopts several avenues to enable implementation of change via leadership forums, CEO and divisional townhalls, e-learning platforms, set up of learning microsites as well as outsourcing to capacity building consultants when required. After top management established a strategic vision for the company, participants saw intermediate managers working to bring their own functional plans into line with that vision. Senior management kept the transition process flowing while also retaining the operational integrity of the firm.

Change Management and Differentiation Strategy

Safaricom Plc is able to maintain its position as a market leader thanks to a product differentiation strategy that distinguishes it from other participants in the telecommunications business. Safaricom Plc differentiates its goods in a variety of ways, including the use of uncommon characteristics, rapid product creation, being at the forefront of technology advancement, and an apparent grandeur and status. The firm has been able to implement the right/targeted initiatives at the right time, optimising resources and leveraging data and insights to enable effective and successful implementation of customer centric differentiation strategy focused on protecting the core as we leverage new growth areas/opportunities.

The change management at Safaricom Plc has resulted the firm to be able to differentiate its product and services in the market. The firm has adopted agile ways of working that have driven the effective design, execution, and customer feedback in the delivery of its products and services. The company has made expenditures to ensure that the services it offers are of the highest quality. The firm is also committed to providing a superior client experience by investing in the network to guarantee top performance. The company has been able to implement the right or targeted initiatives at the right time, optimizing resources and leveraging data and insights to enable effective and successful implementation of a customer-centric differentiation strategy focused on protecting the core while leveraging new growth areas or opportunities. Several strategies have been used by the corporation in order to achieve this goal. These strategies include phasing out scratch card top-ups in favor of encouraging consumers to make use of M-PESA, as well as reorganizing the organizational structure in order to reduce the amount of role overlap that exists.

Summary

The outcomes of the research indicated that leadership style that was shown by purposeful action was considered to be the most important component in the successful management of strategic change. Safaricom Plc makes use of formal communication channels which effectively contributes positively to the process of change implementation. The direction of the channels that were in place was downhill, upward, or horizontal. The change management at Safaricom Plc has resulted the firm to be able to differentiate its product and services in the market. Safaricom Plc has been able to implement differentiation strategy through agile ways of working.

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