THE EFFECT OF BUSINESS MODEL INNOVATION ON PERFORMANCE AT SAFARICOM PUBLIC LIMITED COMPANY (PLC)

BY

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

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A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2019
STUDENT'S DECLARATION

I, the undersigned declare that this is my original work and has not been submitted to any other institution, or University other than the United States International University – Africa, Nairobi for academic credit

Signed: ___________________________ Date: ___________________________

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This research project has been presented for examinations purpose with my approval as the appointed supervisor

Signed: ___________________________ Date: 6th September, 2019

Dr. Joyce W. Ndegwa

Signed: ___________________________ Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT

The general objective of this study was to establish the effects of business model innovation on performance at Safaricom PLC. The specific objectives of the study were to determine the effect of value proposition on the performance at Safaricom PLC, to establish the effect of value creation on the performance at Safaricom PLC and to investigate the effect of capture on the performance at Safaricom PLC.

The research methodology took a descriptive approach and the target population was 318 employees working at the Safaricom PLC Care Centre in Westlands, Nairobi. The sample size of 177 was computed using the Yamane formula. The study administered structured questionnaires containing closed ended questions to collect primary data from respondents. Statistical Package for Social Science (SPSS) software was used to analyze data. Descriptive and Inferential statistics were used to analyze data. Descriptive statistical analysis included the computation of mean and standard deviation and results presented in tables, charts and graphs. Inferential statistics incorporated the Pearson’s Correlation test to ascertain statistical relationships between the predictor and independent variables. Linear Regression analysis was computed to determine the influence of the independent variables on the dependent variable, the Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic and p-value.

The findings on the effect of value proposition and performance at Safaricom PLC revealed that respondents strongly agreed that value propositions impacted performance. The analysis of the Pearson’s Correlation tests indicated that there was a strong positive significance between value proposition and performance (r = 0.934) and the linear regression model indicated that value proposition predicts 87.3% at Safaricom PLC. The linear regression coefficients indicated that increasing one unit of value proposition, performance increases by 0.996 units.

The findings on the effect of value creation and performance at Safaricom PLC revealed that respondents also strongly agreed that value creation influenced performance. The Pearson’s Correlation test indicated that there was a strong positive significance between value creation and performance (r = 0.965) and the linear regression model indicated that value creation predicts 93.2% of performance at Safaricom PLC. The results of the linear...
regression indicate that increasing one unit of value creation, performance increases by 0.892 units.

Regarding the effect of value capture on performance, respondents strongly agreed that value capture had an impact on performance. The Pearson’s Correlation test revealed that there was a strong positive significance between value capture and performance \( (r = 0.970) \) and value capture predicts 94.1\% of performance at Safaricom PLC. The findings indicate that increasing value capture by one unit increases performance by 0.928 units.

This study concluded that value propositions has a positive significant influence on performance. Safaricom PLC should increase its efforts at branding to retain its position as the market leader in the provision of mobile telecommunications services. Innovative value propositions should be developed in all areas of that bring value to the organization specifically in product, price, place, promotion, people, process, and physical evidence to enhance its value proposition.

This study concluded that value creation is an important component of business model innovation. Safaricom PLC should enhance its efforts and capabilities in ensuring that value creation for all its stakeholders is achieved. This can be achieved through activities such as stakeholder mapping in order to appreciate the different perceived values in use unique to each stakeholder. This study concluded that value capture is a critical component of business model innovation because it mostly determines revenue collection from business. Safaricom PLC and all firms should ensure that mechanisms to captures value from its innovative products and services are streamlined. Innovations should be accompanied by effective mechanisms to effectively appropriate value.

This study recommended further research on how firms can craft innovative value propositions especially for industries highly impacted by uncertainties. In addition, the co-creation of value propositions was not exhaustively interrogated in this research. It is recommended that comprehensive studies on stakeholder value propositions are undertaken. This study recommended further investigation on the mechanisms of value creation especially those that were not specifically incorporated in this study. These include targeted questions on participation at industry conferences, open communication
with all stakeholders including competitors. This study recommends an interrogation on whether Safaricom PLC has joint legal agreements with its partners and stakeholders, whether Safaricom PLC ensures their innovations are legally protected and the lead time taken to commercialize innovations because these mechanisms are fundamental for value capture.
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I hope the Jura’s and Ochola’s namely; Clement, Bianca and Bradley are proud of me and will be motivated to push on and soar to great heights

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# TABLE OF CONTENTS

STUDENT'S DECLARATION ......................................................................................... ii  
COPYRIGHT .................................................................................................................. iii  
ABSTRACT .................................................................................................................... iv  
ACKNOWLEDGMENT ...................................................................................................... vii  
LIST OF TABLES ........................................................................................................... xi  
LIST OF FIGURES ......................................................................................................... xii  

## CHAPTER ONE ........................................................................................................ 1  
1.0 INTRODUCTION ..................................................................................................... 1  
1.1 Background to the Study ....................................................................................... 1  
1.2 Statement of the Problem ..................................................................................... 6  
1.3 General Objective ................................................................................................ 8  
1.4 Specific Objectives ............................................................................................... 8  
1.5 Rationale of the Study .......................................................................................... 8  
1.6 Scope of the Study ................................................................................................ 9  
1.7 Definition of Terms ............................................................................................. 10  
1.8 Chapter Summary ................................................................................................ 11  

## CHAPTER TWO ....................................................................................................... 12  
2.0 LITERATURE REVIEW ......................................................................................... 12  
2.1 Introduction ........................................................................................................... 12  
2.2 Value Proposition and Firm Performance ............................................................. 12  
2.3 Value Creation and Firm Performance .................................................................. 17  
2.4 Value Capture and Firm Performance .................................................................. 22  
2.5 Chapter Summary ................................................................................................ 27
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Sections</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CHAPTER THREE</strong></td>
<td>3.0 RESEARCH METHODOLOGY</td>
</tr>
<tr>
<td></td>
<td>3.1 Introduction</td>
</tr>
<tr>
<td></td>
<td>3.2 Research Design</td>
</tr>
<tr>
<td></td>
<td>3.3 Population and Sampling Design</td>
</tr>
<tr>
<td></td>
<td>3.4 Data Collection Methods</td>
</tr>
<tr>
<td></td>
<td>3.5 Research Procedures</td>
</tr>
<tr>
<td></td>
<td>3.6 Data Analysis Methods</td>
</tr>
<tr>
<td></td>
<td>3.7 Chapter Summary</td>
</tr>
<tr>
<td><strong>CHAPTER FOUR</strong></td>
<td>4.0 RESULTS AND FINDINGS</td>
</tr>
<tr>
<td></td>
<td>4.1 Introduction</td>
</tr>
<tr>
<td></td>
<td>4.2 Response Rate</td>
</tr>
<tr>
<td></td>
<td>4.3 Demographic Information</td>
</tr>
<tr>
<td></td>
<td>4.4 The Effect of Value Proposition on Performance</td>
</tr>
<tr>
<td></td>
<td>4.5 The Effect of Value Creation on Performance</td>
</tr>
<tr>
<td></td>
<td>4.6 The Effect of Value Capture on Performance</td>
</tr>
<tr>
<td></td>
<td>4.7 Chapter Summary</td>
</tr>
<tr>
<td><strong>CHAPTER FIVE</strong></td>
<td>5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS</td>
</tr>
<tr>
<td></td>
<td>5.1 Introduction</td>
</tr>
<tr>
<td></td>
<td>5.2 Summary</td>
</tr>
<tr>
<td></td>
<td>5.3 Discussion</td>
</tr>
<tr>
<td></td>
<td>5.4 Conclusions</td>
</tr>
<tr>
<td></td>
<td>5.5 Recommendations</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1: Staff Compliment at the Safaricom PLC Care Centre, Westlands, Nairobi ..... 29

Table 3.2: Sample Size Distribution ................................................................................. 30

Table: 3.3: Results of the Cronbach Alpha Reliability Test ............................................. 31

Table 4.1: Descriptive Statistics of Value Proposition on Performance ......................... 38

Table 4.2: Correlation between Value Proposition and Performance at Safaricom PLC . 39

Table 4.3: Linear Regression of Value Proposition and Performance at Safaricom PLC . 39

Table 4.4: ANOVA of Value Proposition on Performance at Safaricom PLC ............. 40

Table 4.5: Coefficients of Value Proposition and Performance at Safaricom PLC ......... 40

Table 4.6: Descriptive Statistics of the Effect of Value Creation on Performance ......... 42

Table 4.7: Correlation between Value Creation and Performance at Safaricom PLC ...... 42

Table 4.8: Regression of Value Creation on Performance of Safaricom PLC ............. 43

Table 4.9: ANOVA of Value Creation on Performance at Safaricom PLC ................. 43

Table 4.10: Coefficients of Value Creation and Performance at Safaricom PLC ........... 44

Table 4.11: Descriptive of Value Capture on Performance ............................................. 45

Table 4.12: Correlation between Value Capture and Performance at Safaricom PLC ..... 46

Table 4.13: Correlation between Value Capture and Performance at Safaricom PLC ..... 46

Table 4.14: Regression of Value Capture and performance of Safaricom PLC ............ 46

Table 4.15: ANOVA of Value Capture and Performance at Safaricom PLC ............... 47

Table 4.16: Coefficients of Value Capture and Performance of Safaricom PLC ............ 47
LIST OF FIGURES

Figure 4.1: Age Distribution ................................................................. 34
Figure 4.2: Gender of Respondents ....................................................... 34
Figure 4.3: Level of Education ............................................................... 35
Figure 4.4: Employment status ............................................................. 35
Figure: 4.5: Level of Jobs at Safaricom PLC Care Centre ......................... 36
Figure 4.6: Divisions at Safaricom PLC Care Centre ............................... 36
Figure 4.7: Duration of Employment with Safaricom PLC ....................... 37
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background to the Study

A business model consists of value propositions which define the products or services that a firm offers to deliver to customers, value creation and delivery systems which are processes, systems of activities, capabilities and resources through which the firms deliver value proposition to customers and achieves competitive advantage and value capture which illustrate the way in which firms generate revenues and profits from delivering its value propositions (Baldassarre, Calabretta, Bocken, & Jaskiewicz, 2017).

Shafer, Smith and Linder (2005) noted that authors have attempted to define business models but none of the definitions appear to be generally accepted and scholars posit that business models comprise four elements namely; strategic choices, the value network, creating value and capturing value. Morris, Schindehutte and Allen (2005) agree that there is diversity in defining business models and the context of business models incorporates economic and operational components each with its own decision variables adding that business models may be defined as brief representations of how interrelated sets of decision variables in a firm’s strategy, architecture and economics are addressed to create sustainable competitive advantage in defined markets.

According to Clinton and Whisnant (2019), business models are the underlying structures of how firms create, deliver and capture value and the essence of business models is in defining how enterprises deliver value to its customers, entices customers to pay for the value, converts the payments into profits and management’s proposition about what customers want, how they want it and how the firm can organize to meet the needs of the customers, get paid in doing so and earn a profit (Teece, 2010). The Boston Consulting Group on the other hand viewed business models as consisting of the value proposition and the operating model (Lindgardt, Reeves, Stalk & Deimler, 2009) adding that value propositions describe the firm offerings to its customers or consumers and provide the revenue model illustrating how the company will be compensated by its offering. Santos, Spector, and Van der Heyden (2009) distinguished business models from business model innovation by explaining that a business model is a configuration of activities of the organizational units within and outside the firm designed to create value in the production and delivery of a product or market set while business model innovation is the
reconfiguration of activities in the existing business model of a firm that is new to the product or market in which the firm competes. Study findings from the IBM CEO study indicate that competition pressures have pushed business model innovation to higher than expected levels on the priority lists of CEOs and business leaders are in a quest to discovering new models so as to remain competitive in the industries they operate or seek growth by entering into new business (Pohle & Chapman, 2006). Roos (2014) confirmed that firms compete through their business models and a superior business model becomes a source of competitive advantage adding that the significance of business model innovations can be witnessed in the airline industry where new business models have driven shares up to five fold and in retailing where business models have doubled their share in Australia.

Clinton and Whisnant (2019) stated that business models are the underlying structures of how companies create, deliver and capture value and they form the engine of the economy. In addition, business models determine the speed at which the economy grows, the intensity at which resources are consumed, the types of jobs available, the cost of food and the origin of products. Business models encourage conversations around early warning signs of model weaknesses prompting the search for new ones. McGrath (2010) observed that business models evolve and mature implying that they are driven by discovery as opposed to planning. Business models provide an important means to commercialize innovation because they provide the framework for the firm to create and capture value out of an innovative idea or technological development (Schneider & Spieth, 2013).

Firms operating in a technology intensive sector such as Safaricom PLC face challenges such as large infrastructural investment, short product life-cycles and emergence of copy-cat competition (Trimi & Berbegal-Mirabent, 2012). This implies that technology-based ventures function in a highly uncertain and evolving environment. In this set up, innovation speed, product development, customer behavior, competition threat, government regulation, suppliers, investors and other environmental factors impact the firm. Business model innovations describe how things have to be done in order to deliver value to customers, where to invest money for sustainability of the firm and how to manage an organization. These strategic choices outline the logic for firms to earn profits and define the landscape in which the firm will operate (Trimi et al, 2012).
According to Richard, Devinney, Yip, and Johnson (2009), stated that organizational performance is essential for the survival of firms. Santos and Brito (2012) observed that firm performance is a relevant construct in strategic management research and is frequently used as a dependent variable adding that organizational performance covers three firm outcomes namely; financial performance, product-market outcomes, and shareholder returns. The components of financial performance are profits, return on assets and return on investment while product market outcomes consider sales, market share among other attributes. Shareholder returns include total share-holder returns and economic value add.

There are two major streams of research on the determinants of firm performance in business policy literature according to (Hansen, 1989). The economic tradition emphasizes the importance of external market factors in determining firm success and the behavioral and social paradigm which view organizational factors and their fit with the environment as the major determinants of firm success. The economic model considers industry variables, variables relating the firm and its competitors such as market share and firm variables such as size while the organizational model is biased towards the organizational structures, systems and people where employee satisfaction and shareholder wealth are relevant variables.

A study by Visser, Sluiter and Background (2007) on performance measures of a telecommunications company in Mozambique discussed some published methodologies for measuring performance as; the balanced scorecard. A balance scorecard measure extends traditional financial measures with benchmarks for performance in three non-financial areas namely; a company’s relationship with its customers, its key internal processes as well as learning and growth. When performance measures of these areas are added to the financial matrices, the results provide a broader perspective on the company’s health and activities (Harrington et al., 2017). A comprehensive performance evaluation system has greater predictive validity than one that is purely financial oriented according to (Olson & Slater, 2002). The balance scorecard is distinct from other strategic measurement systems because it contains outcome measures and the performance drivers of the outcomes, linked together in a cause-effect relationship and thus aims to be a feed-forward control system (Nørreklit, 2000).
Hoque and James (2000) stated that larger firms in 66 Australian manufacturing companies make more use of balance scorecard and suggests that greater balance scorecard usage in these companies is associated with improved performance. The use of balance scorecard brings together critical measures in a single report in a way that establishes cause and effect relations transparent and keeps managers from sub-optimizing by improving one measure at the expense of others. Gumbus and Lussier ((2006) recommended that small businesses should embrace the balance scorecard based on findings from case studies of three small to medium sized businesses which were able to achieve breakthrough results by setting strategies and aligning them to their operations. (Geuser, Mooraj, & Oyon, 2009) agreed that by stating that the balance scorecard improves the integration of management of business process by empowering people adding that sources of performance derived from the balanced scorecard are; better translation of strategy into operational terms, strategizing becomes a continuous process and there is greater alignment of various process, services and competencies and units of an organization

According to Robert and Norton (1996), the four perspectives of the balance scorecard namely financial, customer, internal business process and learning and growth permit a balance between the short and long term objectives, desired outcomes and performance drivers of those outcomes and between hard objective measures and softer more objective measures. In addition, properly constructed scorecards contain unity of purpose because all measures are directed towards achieving an integrated strategy. Financial performance measures define the long-term objectives of the business unit such as achievement of revenue growth and mix, cost reduction or productivity improvement and asset utilization/investment strategy. Regarding the customer perspective, managers identify customer and market segments in which the business will compete and measure performance in the targeted segments using generic outcome measures such as customer satisfaction, customer retention, new customer acquisition, customer profitability and market or account share in targeted segments. The critical internal business processes enable the business unit to deliver value propositions of customers in targeted segments and satisfy shareholder expectations of excellent financial returns. Finally, organizational learning and growth perspective come from three principal sources namely; people, systems and organizational procedures (Robert & Norton, 1996).
The bias to adopt the balance score card as a measure of performance for this study is motivated by (Robert & Norton, 1996) who posited that the balance scorecard approach will usually identify entirely new processes which the organization must excel to meet customer and financial objectives and the balance scorecard approach incorporates innovation processes into the internal business process objective. The innovation process provides a long wave value creation process and is a more powerful driver of future financial performance. In addition, the common attributes of customer value propositions namely; product or service, customer relationship and image or reputation are vital to measuring the customer perspective performance of the balance score card.

Safaricom PLC is a limited company established in 1997 and is the leading mobile network communications company in Kenya, Central and East Africa region (Mpuga, 2017). Mudavadi and Weber (2013) confirmed that Safaricom PLC has dominated the mobile telephony industry in Kenya and has come to be known as the most innovative company in Africa adding that Safaricom PLC has maintained the largest market share and dominance in the industry since its launch. Ombati (2018) notes that Safaricom PLC has experienced sustained growth and development over the last seven years. Mpuga (2017) stated that the company commanded 65.2% market share of the country’s mobile telephone subscribers and 42% market share of enterprise solutions business in the year, 2016. Other players in the industry are Airtel which controls 16.6% of the market share, Orange Telkom Kenya commands 13.2% while Equitel has a market share of 5.1%.

Besides provision of mobile telephone network services, Safaricom PLC provides voice, SMS, data, mobile money transfers, handsets, financial services and enterprise solutions to businesses and government (Safaricom PLC, 2016). The ownership structure is divided among Vodafone Group Plc of the United Kingdom which holds 40% shares, 35% shares is owned by the government of Kenya and 5% shares are traded at the NSE (Mpuga, 2017). USD 1.96 billion was realized as revenue in the year 2016 which translated to a growth of 20% from the previous year, 2015. Mpuga (2017) observed that Safaricom PLC is a well-managed company with a good understanding of and interaction with its internal stakeholders and shareholders. Kesenwa, Oima, and Oginda (2015) stated that Safaricom PLC has defined their stakeholders and their needs, and has developed a high level of employee satisfaction which has led to high effort, high quality products and services. In addition, Kesenwa et al. (2015) stated that Safaricom PLC has identified
Some of Safaricom PLC achievements over time include increase in subscriber base from below 20,000 to over 14 million by July, 2009, new and innovative products and services including M-Pesa, total revenue growth from under Kshs.50 billion to over Kshs.200 billion, improvements in pre-tax profit between 2007 and 2015, dramatic increase in profitability between the year 2012 and 2015 from slightly over Kshs.25 billion to over Kshs.45 billion, increase in share price from Kshs.2/= to Kshs.20/= by the year 2016, increase in partnerships with firms such as Western Union, I&M bank and Visa card to optimize capability of M-Pesa mobile money transfer and the launch of Little Cab an app taxi service which offers relatively cheaper fares compared to its competitors (Kiggundu & Ogola, 2017).

1.2 Statement of the Problem
Sanjari et al. (2018) explained that there has been a shift to focus on business model innovation from product innovation. Business model innovation lays emphasis on ongoing relationships with customers and business model partners capture ongoing value from both hardware and software in their business models as opposed to introduction of product, software or new hardware to the market in product innovations. Emphasizing that product innovation without business model innovation may not always provide competitive advantage to firms in a fast moving technology market. The business model concept offers both new ideas and ideas that have not been adequately addressed in strategy formulation (McGrath, 2010).

Njeri (2017) concluded that there is a positive and significant relationship between product innovation strategy and performance at Safaricom PLC. Process innovation strategy has no significant effect on the performance at Safaricom PLC and market innovation strategy has a significant effect on performance at Safaricom PLC. Makimi (2015) posited that there is a strong positive correlation and significant relationship between sound management and board strategies, product and service diversification, employee innovation autonomy, innovative market strategies with performance at
Safaricom PLC. However, going by the study conducted by Sanjari Shahrezaei et al. (2018), product innovation and market innovations do not deliver more value than Business Model Innovation. While the study by Njeri (2017) provided relevance of context, the variables of study were different from those under study in this research.

The relationship between competitive strategies and organizational performance among firms in the mobile telecommunication industry in Kenya concluded that product differentiation and low cost leadership adopted by Safaricom PLC improves the overall firm performance (Arasa & Gathinji, 2014). Other strategies that impacted positively of performance include strategic alliance strategies and specific market focus strategies. The key performance indicators influenced by these strategies were market share, customer retention, profitability, and product innovation. A study on the influence of transformational leadership role on performance of virtual project teams at Safaricom PLC revealed that virtual team project performance success was determined by how leaders inspired team members to deliver a project within the agreed scope, time, cost and quality while maintaining a relationship and not burning out the project team (Tiri & Ogollah, 2015). In addition, study findings indicated that there is a positive relationship between the influence of transformational leadership styles and virtual team performance at Safaricom PLC. A census survey comprising of 78 staff working in public telepresence and digital city projects was used to collect data because the sample population was small. The gap identified by this study is in the lack of research on the effect of business model innovation on performance at Safaricom PLC. Specifically, value proposition, value creation, and value capture were not investigated in the studies cited.

There is a clear correlation and relationship between business model innovation and sustainability of Small and Medium Enterprises (Muugi, 2018). While the study considers value proposition innovation, value creation innovation, and value capture innovation as the drivers to achieve sustainability in small and medium enterprises in Nairobi and Kisumu and recommends detailed research in energy saving companies, medical related areas, technology, and online marketing industries in order further evaluate the impact of business models. However, the industry in which Safaricom PLC belongs is in technology which is characterized by rapid and disruptive changes in the micro and macro environment. In addition, this study will focus on the capital city, Nairobi. There may also be a difference between value proposition innovation, value creation innovation and
value capture innovation and value proposition, value creation and value capture which are the components of Business model innovation under investigation of this study. In so far as a number of studies have been undertaken to explain performance at Safaricom PLC, there were no studies found on the effect of value proposition, value creation and value capture at Safaricom PLC. Other studies have investigated the effect of similar variables on performance but the context in which previous studies were undertaken were divergent from that of Safaricom PLC in terms if industry and size.

1.3 General Objective
The general objective of the study was to investigate the effect of Business Model Innovation on performance at Safaricom PLC

1.4 Specific Objectives
1.4.1 To determine the effect of value proposition on the performance of Safaricom PLC
1.4.2 To establish the effect of value creation on the performance of Safaricom PLC
1.4.3 To investigate the effect of value capture on the performance of Safaricom PLC

1.5 Rationale of the Study
1.5.1 Competitors
Mobile telecommunications companies in Kenya namely Airtel and Telkom will find it useful to familiarize with this study because Safaricom PLC dominates the industry in Kenya. Competitors in Kenya as well as those in the region will find it useful to benchmark with Safaricom PLC and find ways in which they can innovate in the areas of value proposition, value creation and value capture. In addition, competitors may gain better understanding on why some firms do better than others.

1.5.2 Researchers and Academics
Further studies on the variables that contribute to firm performance and Safaricom PLC specifically can draw from this research to enhance the breadth and depth of knowledge. The findings and recommendations from this study can be used to develop or build on theory.
1.5.3 Strategists
Business models provoke a shift from an outside-in approach to an inside-out approach. In so doing, focus shifts from analyzing internal core competencies and capabilities to creating value for customers and by extension creates value for the firm. In addition, Business Models have an appreciation of the dynamic business environment. The traditional orientation of strategy formulation for sustainable competitive advantage gives rise to temporary advantages because firms exploit the advantages until competition catches up.

1.5.4 Safaricom PLC
This study will benefit Safaricom PLC executives who seek an understanding of the centrality of experimentation to aid discoveries and development of new business models is important because business models are learned over time and cannot be anticipated.

1.6 Scope of the Study
This study was conducted at the Safaricom PLC Care Centre located in the Westlands area of the capital city Nairobi. The location provided convenience for the researcher to access respondents for purposes of data collection as well as diversity in key demographic factors. In addition, the respondents located at the head office were diverse with respect to key demographic factors such as such as age, gender, department, division, level of education among other factors.

This study was conducted during the time when Safaricom PLC had been sued for alleged breach of data privacy of its 11.5 million customers. Safaricom PLC had allegedly exposed its customers sports betting history and biodata. The plaintiff in the matter had sued Safaricom PLC to the tune of Kshs 10 million to each of the 11.5million affected subscribers for violation of data protection. As a result of this, data collection which took place between July and August, 2019 from Safaricom PLC followed a stringent approval process.

Business model innovations emphasize the development of value across multiple levels of the firm such as social value, value delivery, value chain and value networks among others which may in their own way contribute to the overall performance at the Safaricom PLC. There are also other variables beyond the business model framework that either
contribute significantly or work in sync with other variables and relationships to explain performance. This study was limited to the investigation on how value proposition, value creation and value capture as components of business model innovation affect performance at Safaricom PLC.

1.7 Definition of Terms

1.7.1 Strategy
Mintzberg, (2012) defines strategy as a plan consisting of consciously intended action, a pattern of consistent behavior whether or not intended, a position by which an organization is located in an environment, a perspective which the organization adopts in relation to the environment or a ploy which the organization uses to outwit its competitors.

1.7.2 Competitive Advantage
Competitive advantage is a position where a company controls over a business competition arena, they have advantage that are not easily imitated and can seize and maintain market leadership position (Kuncoro & Suriani, 2018).

1.7.3 Sustainable Competitive Advantage
In the long term firms acquire sustainable competitive advantage through their ability to develop a set of main competence so that they can serve their customers better than competitors (Kuncoro & Suriani, 2018)

1.7.4 Value Proposition
Berkhout and Duin (2007) state that value proposition defines the relationship between supplier offerings and customer purchases by defining how the supplier fulfills customer needs across different consumer roles. Value Proposition describe how a firms offers differ from its competitors and explains why customers buy from the company (Lindič & da Silva, 2011).

1.7.5 Value Capture
The most explicit exchange is between a company and its customers. Value capture occurs when firms are able to revenue from customers in an exchange transaction and
customers capture the same value from superior offerings from firms Clinton and Whisnant (2009). Value capture is the appropriation and retention by the firm of payment made by customers in expectation of future value from consumption (Johannessen & Olsen, 2010). It ‘increases the cut of the pie’ and is associated with the supply side of business.

1.7.8 Value Creation

Value creation involves innovation that establishes or increases the customer’s valuation of the benefit of consumption (Johannessen & Olsen, 2010). It increases the ‘size of the pie’ and is often associated with the demand side of business.

1.8 Chapter Summary

This chapter has set the foundation of the study into the effect of business model innovation on firm performance at Safaricom PLC. The background of the problem provides both the conceptual and contextual context of the study, statement of the problem identifies gaps in previous studies undertaken, the general objective is stated and the specific objectives has identified some of variables pertinent to business model innovation. The benefits of the study are enumerated under rationale of the study, the scope of the study explains the target respondents and limitations of the study and the definition of terms include concepts that the study makes reference to. Chapter two explores literature review on previous scholarly work with respect to the specific objectives for purposes of establishing gaps. Chapter three will focus on the research methodology describing the methods and procedures used to carry out the study. The results and findings are provided in chapter four and conclusions with recommendations stated in chapter five.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviewed empirical studies by scholars with the specific aim of investigating whether related studies had been undertaken. Theoretical, empirical and general literature was accessed in order to present the views and findings from literary works similar to this research. As much literature on how value propositions, value creation and value capture explain performance was sourced for purposes of identifying gaps in theory and literature in addition to following up on recommendations and suggestions from other scholarly writings.

2.2 Value Proposition and Firm Performance

2.2.1 Human Resource Value Propositions

Gowan (2004) states that employee value propositions spell out why high-potential job applicants would wish to be employed by a firm and companies with successful value propositions design job offers to attract the job applicants it desires to hire for current and future opportunities. Value propositions for employee recruitment consists of job and work characteristics, total rewards and corporate image which mirror marketing concepts for value propositions for products or services. Specifically, Gowan (2004) equates the job and work characteristics to products or services offered to customers, total rewards correspond to pricing of products and corporate image corresponds to corporate brand. In addition, cultural differences influence perception of the elements stated for global assignments. However, since more information on about recruitment of employees in domestic markets especially the USA, little or no research has addressed recruitment of employees globally hence the need for further investigation.

According to Bell (2005), as firms become increasingly competitive in seeking top talent, company attractiveness and responsibility in terms of corporate conduct and ethics emerge as key differentiators adding that companies involved in strongly branded such as luxury goods and mobile phones or desirable business sectors such as airlines and banks have the potential advantage of being perceived as attractive employers and there are several drivers to improving a firm’s reputation which include corporate conduct, ethics and governance. Frow & Payne (2011) add that employee value propositions should be considered from both the employer’s and employee’s perspectives. From the vantage
point of an employer, value proposition aims at motivating and retaining employees who are best equipped to achieve organizational goals and aspects of value include cost of turnover and links between employee satisfaction and shareholder returns. Employee’s on the other hand assess value propositions of firms along with other companies to determine the employer of choice and remuneration, attractiveness of company, brand and corporate ethics are major differentiators.

2.2.2 Customer Value Propositions
Origins of the customer value proposition concept was developed by strategy consultants in early 1980’s to implement market orientations and to shift focus from production centered orientation. Frow et al.(2014). Value propositions cannot be created in isolation from stakeholders because within the paradigm of exchange, the primary focus is on value-in-exchange between buyers and sellers and hence, co-created value propositions should be developed by firms with the intention of creating mutual value which enhance relationships and secure future benefits for the firm and its key constituents (Frow et al., 2014). Value propositions define how organizations work by focusing their activities around how to best serve customer’s problems profitably and firms differentiate products using characteristics of feature, quality, timing, location, service and product mix among others. Customers on the other hand do not buy these characteristics. Instead, they purchase the benefits of the products or services (Lindič & da Silva, 2011).

According to Camlek (2010), value propositions describe a customer’s problem, and provides a solution to the problem and value propositions should resonate with customers. Successful value propositions use simple and easy to understand statements based on the jargon practiced within the customer’s home market or industry because complex equations and detailed technical explanations destroy the essence of the message which must be delivered. Oloko, Anene, Kiara, Kathambi, and Mutulu (2014) illustrate Safaricom PLC value propositions in product development which borrow from the local Swahili names such as Okoa Jahazi a mobile airtime credit top up, the M-pesa the revolutionary mobile money transfer service, M-Shwari a banking product within M-pesa which denotes making things better and the Safaricom PLC slogan was rebranded from ‘The better option’ to Twaweza which is a Swahili word meaning together we can make it. This explains that content localization through simplicity in language and cultural appeal are incorporated and emphasizing value proposition.
Market driven businesses focus commitment on understanding customer’s assessment and define their own supply to propose superior performance compared to competitors observes (GncECHI, 2009). Hassan (2012) begins by stating that loyal customers are the key factors of success in all organizations. The study findings reveal that value proposition is a widely used concept and can be created through more than one element including price, location and quality in supermarkets in Southampton, United Kingdom. The study methodology involved interview of respondents with findings indicating that customers perceive different types of value depending on their demographics. Some supermarkets communicate their values while others do not and some propose more than one value while others propose only one. The limitations of the study included the fact that the study was done during an economic crisis and in such times, customers tend to define value in terms of cheaper product prices and low cost shopping.

Loyal customers are vital to the success of organizations because loyal customers tend to spend money and recommend goods and services to other potential users according to (Mcnaughton, Osborne, & Imrie, 2002). The scholars propose a model that identifies important intermediate variables between a market orientation and increased firm value. The scholars posit that a market orientation guides investment in market based assets and other types of assets which may be leveraged to create competitive advantage and value for customers resulting in loyalty and easier customer attraction. In addition, increased customer perceived value attracts customers and results in satisfied customers who are more loyal and who act as marketing agents by positive word of mouth concluding that a growing pool of retained customers accelerate cash flows, increase residual value of cash, and decrease the volatility of cash flow concluding that a market orientation firm may improve the performance of service firms by contributing to service quality.

2.2.3 Mechanisms of Value Proposition

Value propositions do not guarantee success unless managers in the organization re-architect the organizational systems in ways that facilitate delivery of the value proposition to create a unique defensible position (Kambil, Ginsberg, & Bloch, 1996) and firms that succeed create value architectures that cut across the organizational structure and process, technology, organizational leadership and culture to fit their value propositions. The study illustrates this point with case studies of Amazon, Dell Computers and IKEA. Both Amazon and IKEA were successful in matching the value
architectures to the value propositions of low cost prices for a high selection of books ordered through an anytime, anywhere and convenient mechanism and high quality furniture at rock bottom prices respectively. Dell computers failed to do so because it attempted to address multiple value proposition with a single architecture leading to low profitability.

In the same study, Kambil et al. (1996) note that competitors converge more quickly to offer similar products and service features in the airline industry and imitation leads to increased commoditization and shrinking of profit margins limiting shareholder value. The scholars suggest that market value leaders should break away from the pack and consistently outperform competitors to increase profits and performance in their industries by consistently creating new value propositions and architectures for delivering value to customers. This can be done by extending the value proposition to the low end or high end. Southwest Airlines a low cost airline which extended its value frontier towards the low end by identifying the tradeoffs customers were willing to trade performance for price increasing their market value by 19.6% per year.

In some industries customers are willing to spend more to get high level service such as the case of Contadina, a subsidiary of Nestle which extended the pasta market by offering fresh pasta which can be easily boiled or microwaved. The product is five time more expensive but offers an unequalled level of freshness and quality. The customers that switched to Contadina did not come from the home market but from people who traditionally ate in restaurants. Extending the value frontier to the high end caters for customers willing to pay the price for extra performance (Kambil et al., 1996). Shifting the value frontier occurs within an industry by providing better performance or lower cost than the competitors in the industry forcing others to follow suit as illustrated by Dell computers. The net sales grew from USD 890 million in the year 1991 to USD 5.3 million in the year 1995 (Kambil et al., 1996). Dell offered products with similar performance of industry players but at a lower cost.

2.2.4 Value Proposition in Telecommunications and Technology

Mobile devices have been the fastest adopted products of all time in Taiwan according to (Clarke Iii & Harrisonburg, 2001). The study estimated that there would be 1.4 billion mobile phones worldwide and half would be internet enabled by the year 2003. The
research explored how managers can incorporate potential m-commerce value propositions into overall e-commerce value propositions through creating a new market space and posits that the potential accumulation of wireless and internet devices, an enhanced understanding of m-commerce could acutely improve a company’s overall ability in e-commerce formulation. In addition, the study suggests that e-commerce will leverage on m-commerce to increase its overall market because of the unique value proposition offered by m-commerce in terms of personalization, convenience, localization and ubiquity. The study concludes that value for time proposition advantages are derived from the factors of mobility which enhance the success factors of mobile e-commerce businesses translating to rewards to providers in increased user acquisition and retention. The scholars recommend more research to find out specific value propositions most highly related to profitability, the interactions of amongst value propositions, whether the bundles of propositions are relevant to all industries and detailed case studies to enhance the understanding and implementation of successful m-commerce strategies. Since this study was conducted in the year 2003, the findings may not reflect the current state of the relationship between m-commerce and e-commerce because technology driven firms are highly susceptible to rapid and disruptive technological changes.

In India, technological advancements, market liberalization and the cost of providing telecom services has substantially reduced but the cost reductions have not resulting in the lowering of prices and market structure observes (Sharma, 2014). The study surveyed mobile users who had changed their mobile connections in the recent past prior to the survey. Findings of the study point to the fact that operators had resorted to non-pricing competition strategies to retain customers and provide value in the various calling schemes designed to suit the needs and preferences of a varied group of customers. Service providers now earn normal profits and the potential sources of revenue is derived from value-add services. For the additional value add services to be more productive, operators have to ensure customer loyalty and retention as well as strengthening network connectivity as value propositions to customers. This explains the number of call rates available to Safaricom PLC customers on both pre-paid and post-paid services.
Chen and Cheng (2010) confirm that due to the intense voice service competition and subscriber growth saturation the average revenue per user of mobile communication service providers continues to decline affecting total revenue and profitability and to counter this challenge, mobile communication service providers are moving from tariff competition to service competition in Taiwan. These studies share the experiences from mobile telecommunications services in Asia and the findings may not represent the local terrain of this study. In addition, these studies do not indicate the nature of competition in the countries where the studies were conducted which justifies the aim of this research.

2.3 Value Creation and Firm Performance

Individuals create value by developing new tasks, jobs, products, processes or other contributions perceived to be of value by target users such as employers, clients or customers relative to the target’s needs. When the monetary amount realized from the new product or service is greater than what might have been derived from an alternative source producing the same job or task, new value is created. Similarly, new value is created when firms develop or invent new ways of doing things, using new methods, new technologies and new materials (Lepak, Smith, & Taylor, 2007).

Value is created at the point of proposition and firms that design and deliver better value offering than competitors obtain positional advantage (Cass & Ngo, 2011). An understanding of what constitutes value enables managers to develop, deliver and manage what is of value to customers. Value is embedded in the products or services added during the production process and the value is obtained from the price paid by the customer which is the measure in monetary terms (Echeverri & Skålén, 2011). Firms create superior customer value by offering benefits to its customers that are larger than the costs the firm bears in the product or service life cycle and a strong market-oriented organizational culture is an effective means of creating a superior customer value (Guenzi & Troilo, 2007).

A value creation index developed by Low, Ernst, and Low (2006) identify nine critical categories of non-financial performance that determine corporate value creation namely; innovation, quality, customer relations, management capabilities, alliances, technology, brand value, employee relations and environmental and community issues. Value is also created when firms convert inanimate resources such as machines and equipment by
activating human interventions for production according to (Bowman & Ambrosini, 2000). In the same way, resources such as brands are inanimate and can be traded to create greater levels of perceived use values from the perspective of the customer.

### 2.3.1 Value Co-Creation

According to Prahalad (2004), firms can no longer act autonomously in designing products, developing production processes and developing marketing messages without making reference to consumers because consumers today seek to influence the business system using new available tools thereby creating co-value. Co-creation is a joint, collaborative, concurrent and peer like process of producing new value (Galvagno & Dalli, 2014) and the essence of business is to create and maintain value according to (Cass & Ngo, 2011). Profit is realized when the amount of exchange value is greater than the sum of price of input resources.

Firms must create value for all stakeholders is a common phrase in business literature (Argandoña, 2011). This study posits that if the values created by firms are of different types, it is possible to find better ways of creating both economic and non-economic value in a sustained way to enable stakeholders who contributed to the creation of value enjoy the benefits. Harrison and Wicks, (2013) confirm that a stakeholder performance based measures provokes managers to broadly examine the values their firms are creating from the point of view of their stakeholders who are involved in creating it. This perspective enables managers to develop a higher level of well-being for the stakeholders involved in a system of value creation led by the firm although numerous performance measures reduces the influence of any one measure in terms of what managers on.

### 2.3.2 Mechanisms of Value Creation

There is evidence of large learning effects on value creation through joint ventures and research and development and production but no evidence on value creation through learning in alliances formed through licensing (Anand & Khanna, 2000) adding that that the learning effects are more important in situations characterized by greater contractual ambiguity. The study focused on 2000 joint venture and licensing agreements and value creation measures derived from abnormal stock returns surrounding alliance announcement. The effects of learning appeared strongly in research & development as
well as production in joint ventures. The findings of this study allude to the fact that learning effects are more important in situations characterized by ambiguity.

The capacity to differentiate new products and services is a critical function of marketing because without a unique position, businesses struggle to survive or thrive and creativity in creating customer value provides an opportunity for marketers to become more successful in discovering opportunities (Brock & Colgate, 2014). The framework provided by this study describes product concepts and positioning strategies as well as assist marketers specify value creation processes they could embark on to create the value which they will use to compete. Starbucks for instance has developed expertise in facilities management, interior design and merchandizing to create value for their purchase/consumption environment. The study recommends further investigation on identifying conditions under which some types of customer value creation activities are more or less appropriate than others among other recommendations. Faster and more extensive penetration, shorter sales cycles and reduced marketing and sales costs enhance cash flows of market oriented firms translating to higher share prices and wealth creation for shareholders (Mcnaughton et al., 2002).

Social capital facilitates value creation according to Everett, Gulati, Nahapiet, Ring, and Willman (1998). Informal social relations and tacit social arrangements encourage productive resource exchange which promotes value creation in the business units of a large multinational electronics company. The study examined the relationship among structural, relational and cognitive dimensions of social capital and between these dimensions and patterns of resource exchange and product innovation within the company and concluded that social interaction, a manifestation of the structural dimension of social capital and trust, a manifestation of relational dimension significantly related to extent of inter-unit resource exchange which as a result, had a significant effect on product innovation. The study recommends further study on how social capital is created and accumulated in the organization and further probe on other value creation activities besides product innovation. The context of the study differs from that of Safaricom PLC which operates locally and whose core business is in the provision of mobile telecommunications service.
The 21st century has seen an increase in the use of the internet to conduct business referred to e-business (Amit & Zott, 2001). The study observes that new ways of creating value are opened up by new forms of connecting buyers and sellers in an existing market and by innovative market mechanisms and economic exchanges. New value creation in e-business is created by the ways in which transactions are enabled. The study examined how 59 American and European e-businesses that had recently become publicly traded corporations and note that value chains are redefined on virtual networks. The characteristics of virtual markets work in a combined fashion to reduce costs of information processing and accommodate changes in the manner companies conduct business especially in how economic transactions are conducted and how new opportunities are opened for wealth creation in activities such as outsourcing. However, the findings of the study indicate that no single entrepreneurship or strategic management theory can fully explain the value creation potential of e-business. In addition, the scope of this study was limited to e-business while Safaricom PLC is essentially a mobile telecommunications company offering an integrated and value addition services which include m-business and e-business.

Using data from 20 case studies, Rohrbeck (2012) provides three illustrations of value creation from a corporate foresight perspective. The study establishes that corporate foresight can among others identify relevant change by scouting for trends both on the market and technology, trigger innovation initiatives directly through a process or indirectly by rely on individuals in research and development, project insights into the future to start new R&D projects, challenge innovation development by providing future insights such as information on emerging technologies throughout research and development project lifecycles, moderate strategic discussions through workshops or scenario analysis where internal stakeholders participate and support the search, development and acquisition of strategic resources. Value creation can also be achieved through offshoring ways according to Farrell (2005) who explains that companies in the USA save costs by outsourcing certain jobs to India, offshoring benefits companies in Germany by increasing flexibility to changing market conditions, offshoring contributes to export growth and repatriated earnings. Safaricom PLC on the other hand operates within the local boundaries and there is no evidence that some operations are conducted out of Kenya.
2.3.3 Value Creation in Technology and Telecommunications

In western economies, innovation and creativity are new driving forces and research shows that in order to sustain competitive strength and continued growth, western companies need to build innovation into their cultures and structures as an essential condition for value creation because telecommunications is under pressure from software and content industries some of which offer talk time at no cost according to (Verna & Taug Jan, 2006). There is a necessity to find new ways to doing business and Telenor, a global telecom headquartered in Norway identified several organizational learning and knowledge sharing opportunities to meet the business needs which included preparing new customer offerings through Telenor’s own experiments with collaboration services and technologies, positioning the organization for change by experimenting with new communication services, drastically improving time to market through instant sharing and fast implementation of best practices and innovations, increasing market responsiveness by systematically improving internal and external knowledge sharing and value networks and capitalizing on global presence to improve local competiveness through best practice transfers and value linkages across organizational borders. These was only possible through collaboration between management groups, business development, R&D, Human Resources and strategy executives.

A study on the usefulness of processes-based approach adopted by Romtelecom, a Romanian telecommunications operator to support appropriate costs management and value creation states that survival in a changing environment requires firms to create value from all its actions and a link between the value perceived by the customer and costs involved in in activities performed to provide that value should be created (Almasan, 2009). Activity Based Costing and Activity Based Management were found to be the most appropriate tools used to support value creation because they allow better understanding of cost causes. Establishing a correlation between the amount customers are charged and the cost of activities a business must engage in order to provide the requisite attributes of value, the capacity of managers to assess different possibilities for resource allocation for purposes of increasing profits and strengthen market position are sources of value creation. The study recommends future research aimed focused on management control through implementing specific tools for better control of activities and analyzing the possibility of adapting the managerial accounting model in other highly regulated industries among other proposals for future research.
An event study of 230 announcements for marketing alliances in the software industry reveal that in general, marketing announcements create value for the firm in the announcement period of the event window adding that network efficiency and network density have the strongest positive impact when they are moderate while network reputation and network centrality have no effect (Swaminathan & Moorman, 2009). Further, that marketing alliance capability which reflects a firm’s ability to manage a network of previous marketing alliances has a positive impact on value creation. The researchers in this study conclude that software firms that announce marketing alliances generate positive abnormal returns because networks multiply alliance benefits, facilitate alliance compliance as well as signal firm and alliance quality. A similar study investigated 367 software firms and 20,779 alliances in the US software observe that the contribution of network resources to value creation varies with the complementarity of resources and in turn the firms market performance improves with the intensity of competition among partners in its alliance portfolio (Lavie, 2007).

2.4 Value Capture and Firm Performance

Business models should describe how a firm captures value from its value creation (West, 2007). Among the steps recommended is to develop of a revenue model indicating how products will be priced and ensuring that the cost structure aligns with the customer perceived value. In addition, firms must sustain value capture against competition through unique and valuable internal characteristics such as resources, capabilities and core competencies only to mention a few. Cox (2004) argues that value capture is the basic rationale for all companies entering into a dyadic exchange relationship. Many executives have a tendency of focusing on creating value than on capturing value which makes their firms unable to capture the corresponding economic returns in relation to the value they create (Shafer, Smith, & Linder, 2005).

Social enterprises are faced with the dilemma of whether to aim for value capture also referred to as value appropriation to improve their impact or success of their investment or prevent mission drift by avoiding value capture (Agafonow, 2015). This is because social enterprises are gray sector organizations which are neither pure non-profit organizations nor sheer profit entities. Social enterprises charge fees for services rendered or goods produced but must be self-sustaining and do not distribute profits to
shareholders. In addition, social enterprises aim maximize on value creation but satisfice on value capture (Agafonow, 2013).

2.4.1 Mechanisms for Value Capture

The concept of the smiling curve predicts that the greatest value in the global electronics industry is captured by upstream and downstream firms (Shin, Kraemer, & Dedrick, 2012). Upstream activities comprise design, basic and applied R&D, downstream activities include marketing, distribution, brand management and aftersales service while middle activities are manufacturing, assembly and other repetitive processes associated with mass scale production. The concept was tested using the electronics business 300 data set for the year 2000 to 2005 with results indicating that lead firms and component suppliers earn higher gross margins and net margins compared to contract manufacturers. In addition, component suppliers gain higher profits than passive component suppliers. The study observes that in today’s global electronic industry, companies outsource production and product development to global networks of contract manufacturers and original design manufacturers. Lead firms capture a significant amount of the value by focusing on creation, penetration and defending of markets for their products and other firms benefit by pursuing technological innovations and offering complimentary products and or services.

Business to Business firms can increase their value capture by dividing their customer base into customer portfolios which are managed with differentiated customer management concepts targeted to increase economic profit contribution of each customer portfolio (Nenonen & Storbacka, 2014). The study was motivated by the increase in the interest of value in business markets against the bias of focus on consumer markets because a lot of existing literature had placed more emphasis on customer asset management and consumer markets. Safaricom PLC has both B2B and B2C categories of customers and while the information is useful for the B2B segment, different findings may be elicited from a company with both B2B and B2C customers.

Latecomer firms can capture value from disruptive technologies by developing a secondary business model innovation perspective in emerging economies (Wu, Ma, & Shi, 2010). This is because, although they are disadvantaged in technological capabilities and market resources, they can successfully introduce disruptive technologies from
advanced economies by providing cheaper, simpler but good enough products or services which ordinary citizens from the emerging economies can afford and access. By articulating an appropriate value proposition, the study recommends that latecomer firms should fully embrace strategic partners’ complementary assets to build a unique value network embedded within the local infrastructure. In so doing, the latecomer firms can by-pass the substantial first movers and global advantages of multinationals to leverage their latecomer advantages of low price and local savvy. This is particularly possible due to the growth opportunities within the large population of mass customers and non-consumers in emerging economies. In China, Taobao a subsidiary of Alibaba and UTStarcom are among the Chinese local companies which successfully developed secondary business models to dominate the online shopping industry and personal handy phone system from the disruptive technologies originally introduced by Japan and eBay of the UK. The dynamics presented in the study differ from those of this research because Safaricom PLC operates in Kenya which is a developing country where fewer innovations have been commercialized.

Netscape may have been the first commercially viable web browser, but Microsoft garnered the larger market share. The early search engine innovators lost market share first to Yahoo, then to Google (Pisano, Teece, Pisano, & Teece, 2007). These scenarios allude to the fact that a challenge exists in capturing value from innovation more than it is to create value and insufficient capture hurts an enterprise as much as it does society. Pisano et al (2007) state that it is necessary for innovators to earn sufficient profits to warrant more investment in R&D and related innovative activity as well as curtail imitators, customers, suppliers and other providers from siphoning returns from their innovation. Barriers which can take the form of legal protection such as patents, copyrights or trade-secrets and other complementary strategies such as investment in complementary assets namely; distribution, manufacturing brands and technologies play a key role to ensure value is captured and appropriated by innovators.

The fundamental objective of firms which possess advantages is to generate the maximum possible Net Present Value of anticipated revenue streams as well as capture the maximum possible value created by other firms and the economy at large (Pitelis, 2009). Market power, strategy, ingenuity, imagination and luck, are methods firms deploy to outwit competition to capture value. Pitelis (2009) states that the size of the pie
captured by firms is dependent upon factors such as barriers to entry which allow incumbents to capture super normal profits, absolute cost advantages and economies of scale, firm level generic strategies such as cost leadership, differentiation and niche strategies, as well as integration co-operation and diversification strategies. In addition, technology and innovativeness, unit cost economies or increasing returns to scale and resources contribute to overall value creation.

Distribution of returns from innovations are shaped by appropriability regimes and industry architecture according to (Pisano & Teece, 2007). Appropriability regimes refer to protection afforded to innovators through legal mechanisms which include copyrights, patents, trade secrets, non-disclosure agreements and natural barriers to imitation; difficulty in reverse and tacit relevant technology. Industry architecture characterizes the nature and degree of specialization of industry players and the structure of the relationships between the players such that distributions of returns are shaped by the relationships and profits can be captured by component-level innovators.

### 2.4.2 Value Capture in Technology and Telecommunications

Venkatesh, Morris, Davis, and Davis (2014) observe that value capture in mobile ecosystems involves complex coordination between app developers, the mobile operating systems either Apple, Android, Windows or Blackberry, hardware manufacturers, telecom operators and service providers such as Facebook, Google and You Tube among others. In addition, value appropriation through control of digital industry architecture enables firms extract higher premium on their products or services. Apple has a small market share but leads profit share in the mobile industry because it earns profits through its products and revenue streams from telecom carriers earn from end users. A study by Kraemer, Linden, & Dedrick (2011) observes that Apple continues to capture the largest share of value from innovations in the global supply chains of the Apple iPad and Apple iPhone. While the products and most of their components are manufactured in China, the primary benefits are realized in the US economy because Apple retains product design, software development, product management and marketing and other high wage functions in the USA.
The effect of partner substitutability and alliance network structure on organizational profitability in the U.S telecommunications industry posit that literature on strategic alliances contains little information on about how firms realize benefits from cooperation (Gargiulo & Jonghoon, 2004). In addition, Gargiulo and Jonghoon (2004) explain that this cost may increase when partners are in a position to induce inordinate contributions from the firm or to appropriate a disproportionate fraction of the value created by the relationship concluding that an organization that depends heavily on its partners may have to pay a hefty cost for those partnerships especially if the partners are also competitors typical of horizontal alliances. The limitations of this study include the fact that the 1990s was a period when the U.S telecommunications industry was characterized by deregulation and emergence of new services such as the internet and wireless communications.

In Europe, a study on mergers and acquisitions and control of telecommunications firms in Europe confirms a paradox from previous studies which find that bidding shareholders do not benefit from takeovers (Trillas, 2002). This implies that value is not captured by shareholders from acquirer firms. However, the dispersion of results in this study suggest that detailed studies should be done to uncover important aspects of the constraints that exist in the corporate control market of telecommunications firms. Trillas (2002) illustrates a case study of Spanish telecommunications firm Telefonica and suggests that corporate governance problems and political intervention contribute to agency constraints and implies that value capture by shareholders is influenced by flawed privatization and poor corporate governance on one hand and political constraints in the form of golden shares or partial privatization play a crucial role in shaping the market for corporate control in European telecommunications.

Ghezzi, Cortimiglia, & Frank (2015) suggest that among strategic choices Mobile Network Operators in Italy can use to solve issues of bandwidth scarcity is revamping the value appropriation dimension of business models so as to align revenue mechanisms with cost structures for instance by limiting flat data traffic plans through a network cap or contract diversification according to user choices such as quality of service desired or user profile and time of day connections. Solutions to the decreasing voice related revenue may be solved by contract differentiation mechanisms such as with or without Voice over Internet or price reduction actions so as to increase market share which has
been successfully implemented by Mobile Virtual Networks Operators all over Europe (Ghezzi et al., 2015). In addition, Mobile Network Operators in Italy can consider exploring disruptive changes through strategic investments in innovative marketing opportunities illustrating that Telecom Italia Mobile decided to invest in mobile payment, cloud computing, and application stores among other activities. This explains the portfolio of revenue sources from Safaricom PLC business cuts across the provision of voice, mobile money transfer, mobile data, fixed data, SMS services as well as provision of handsets among other sources (Safaricom PLC, 2016). However, the nature of economies in developing countries differs from the European set up.

2.5 Chapter Summary

This chapter shared related studies undertaken by scholars demonstrating the effect of value proposition, value creation and value capture on performance in different industries and location the mechanisms and processes of value proposition, value creation and value capture were covered in each sub section. In addition, the effect of each of the variables in the mobile and telecommunications industries were highlighted because of the industry is mostly faced with rapid and disruptive technological changes. However, the gaps identified included missing or little literature on the objective of this research. Chapter three presented the research methodology, research design, population, sample size and procedures used to conduct the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter is outlined the blue print of the study. The methods and procedures to conduct the research will include descriptions of the research design, population and sampling design, data collection methods, research procedures, data analysis methods, and the chapter summary.

3.2 Research Design
Abutabenjeh and Jaradat (2018) state that research designs may be perceived as plans that guide decisions about when and how often to collect data, what data to collect and from whom, how to collect and analyze data. In addition, research design are plans and the procedures for research that span the decisions from broad assumptions to detailed methods of data collection and analysis.

Dunlock (1993) explains that the purpose of descriptive approach includes to provide an accurate account of characteristics of a specific individual, situation or group adding that descriptive studies are a means of discovering new meaning, describing what exists, determining the frequency with which events occur and or categorizes information. In addition, descriptive studies discover associations or relationships between and among variables and answer questions based on the ongoing events of the present. The parameters of the descriptive approach best describe the nature of this study. This is because this research sought to establish whether a relationship exists between Business Model innovation and performance at Safaricom PLC.

3.3 Population and Sampling Design
3.3.1 Population
A population may be defined as a collection of elements or objects in a certain region at a particular point in time and is often a subject of study (Raghunath, 2017). Population may be referred to as a complete listing, or a collection of all the elements of interest in a statistical study. Research usually draw a sample from a population to make inferences about a population (Robbins, 2019). The total number of employees Safaricom PLC Care Centre in Westlands was 318 (Safaricom PLC, 2018).
Table 3.1: Staff Compliment at the Safaricom PLC Care Centre, Westlands, Nairobi

<table>
<thead>
<tr>
<th>No</th>
<th>Department</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human Resources</td>
<td>40</td>
<td>12.6</td>
</tr>
<tr>
<td>2</td>
<td>Customer Service</td>
<td>60</td>
<td>18.9</td>
</tr>
<tr>
<td>3</td>
<td>Technology</td>
<td>50</td>
<td>15.7</td>
</tr>
<tr>
<td>4</td>
<td>Financial Services</td>
<td>46</td>
<td>14.4</td>
</tr>
<tr>
<td>5</td>
<td>Enterprise Business</td>
<td>50</td>
<td>15.7</td>
</tr>
<tr>
<td>6</td>
<td>Corporate Affairs</td>
<td>32</td>
<td>10.1</td>
</tr>
<tr>
<td>7</td>
<td>Business Development</td>
<td>20</td>
<td>6.3</td>
</tr>
<tr>
<td>8</td>
<td>Strategy</td>
<td>20</td>
<td>6.3</td>
</tr>
<tr>
<td></td>
<td><strong>Total Number of Staff</strong></td>
<td><strong>318</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Safaricom PLC (2016)*

3.3.2 Sampling Design

3.3.2.1 Sample Frame

A sample frame may be defined as a list of all units of a population with proper identification (Raghunath, 2017) and sampling consists of selecting some part of the population to observe so that one may estimate something about the whole population (Thomson, 1945). In this study, the sampling frame was the employees working at the Safaricom PLC Care Centre in Westlands, Nairobi. The Table 3.1 highlights the total staff compliment at the Safaricom PLC Care Centre.

3.3.2.2 Sampling Technique

The stratified random sampling technique was used for this study. Since this technique is a probability method, it reduces the chances of bias by giving every member of the population an equal chance of being selected (Robbins, 2019). Probability sampling rules require that each sample has definite pre-assigned probability selection (Raghunath, 2017). Stratified random sampling further reduces sampling errors. The stratified samples first creates homogeneous groups from the population before making proportional but random selection from each of the ‘strata’ or homogeneous groups (Robbins 2019).

3.3.2.3 Sample Size

A sample is a subset of the population. Considerations for obtaining an appropriate sample size include variability the risk that a sample that is a poor representation of the population and the precision required by the research (Robins 2019). The general rule in
quantitative research is that the larger the sample, the more accurate the results and a high sample size will cater for non-response rates (Dawson, 2009).

The Yamane’s formula is generally used to compute the sample size from the sampling frame as illustrated below:

$$n = \frac{N}{(1 + Ne^2)}$$

Where $n$ is the sample size, $N$ is the population size and $e$ refers to the alpha level.

$$n = \frac{318}{(1 + 318(0.05)^2)} \approx 177$$

The sample size of 177 was equivalent to approximately 55.6% of the total population at Safaricom PLC Care Centre, Westlands.

<table>
<thead>
<tr>
<th>No</th>
<th>Department</th>
<th>Number</th>
<th>Sample Size</th>
<th>Sample Size (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Human Resources</td>
<td>40</td>
<td>22</td>
<td>6.9</td>
</tr>
<tr>
<td>2</td>
<td>Customer Service</td>
<td>60</td>
<td>33</td>
<td>10.3</td>
</tr>
<tr>
<td>3</td>
<td>Technology</td>
<td>50</td>
<td>28</td>
<td>8.8</td>
</tr>
<tr>
<td>4</td>
<td>Financial Services</td>
<td>46</td>
<td>26</td>
<td>8.1</td>
</tr>
<tr>
<td>5</td>
<td>Entreprise Business</td>
<td>50</td>
<td>28</td>
<td>8.8</td>
</tr>
<tr>
<td>6</td>
<td>Corporate Affairs</td>
<td>32</td>
<td>18</td>
<td>5.6</td>
</tr>
<tr>
<td>7</td>
<td>Business Development</td>
<td>20</td>
<td>11</td>
<td>3.5</td>
</tr>
<tr>
<td>8</td>
<td>Strategy</td>
<td>20</td>
<td>11</td>
<td>3.5</td>
</tr>
<tr>
<td></td>
<td><strong>Total Number of Staff</strong></td>
<td><strong>318</strong></td>
<td><strong>177</strong></td>
<td></td>
</tr>
</tbody>
</table>

### 3.4 Data Collection Methods

The study administered structured questionnaires containing closed ended questions to collect primary data from respondents. The questionnaire was structured into four sections as follows; Section A: demographic information, Section B: the effect of value proposition on performance, Section C: the effect of value creation on performance and Section D: the effect of value capture and performance. The responses were categorized on a 5-point Likert rating scale ranging from 1 indicating strongly disagreed to 5.
indicating strongly agreed. The study considered it advantageous to administer closed ended questions because not only are they easier and faster to administer, they tend to be easier to code and can be subjected to a wide variety of statistical analysis.

3.5 Research Procedures

An introductory statement in form of a letter of introduction summarizing the objective of the study was developed and included in the questionnaire. The data collection instrument was subjected to the Cronbach Alpha test to confirm its reliability. Reliability refers to the degree of consistency with which an instrument measures the attribute it is designed to measure (Nyakomitta, 2015). Cronbach’s Alpha test was done to investigate reliability of the constructs of the variables of the study. The results revealed that all the constructs were significantly reliable with all the Cronbach’s alpha values are above the threshold of 0.7 as shown in Table 3.2:

Table: 3.3: Results of the Cronbach Alpha Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>No of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Effect of Value Proposition on Performance</td>
<td>0.932</td>
<td>11</td>
</tr>
<tr>
<td>The effect of Value Creation on Performance</td>
<td>0.957</td>
<td>10</td>
</tr>
<tr>
<td>The effect of Value Capture on Performance</td>
<td>0.956</td>
<td>10</td>
</tr>
</tbody>
</table>

The research proposal which included chapter 1 to chapter three, together with the questionnaire were used to apply for the National Commission for Science, Technology and Innovation permit as required by regulation. The questionnaire was shared with Safaricom PLC prior to its administration for vetting before it was shared on google drive for dissemination this method was preferred because it enhanced real time responses and was less costly to administer. However, to improve distribution and response rates, the hard copies of the instrument were made available. The questionnaires were collected after one week. To enhance the response rate, constant reminders were sent to the contact person at Safaricom PLC.
3.6 Data Analysis Methods
The data collected was subjected for analysis using SPSS statistical package to generate tables and figures in order to present graphical findings of the outcomes. The advantage of using computers to analyze data include; minimizing time consuming on monotonous tasks, programs can cope with both multiple and overlapping codes and programs can pick out pre-defined categories left out by the research (Dawson, 2009).

The results of the demographic data were presented graphically and explanations provided for each of the attributes under study. In addition, descriptive statistical analysis included the computation of mean and standard deviation to obtain measures of central tendency and skewness of data respectively. Finally, inferential statistics incorporated the Pearson’s Correlation test to ascertain statistical relationships or associations between the predictor and independent variables. Linear Regression analysis was computed to determine the influence of the independent variables on the dependent variable, the Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic and p-value. And the linear regression relationship followed the linear regression model: \( Y = B_0 + B_1X_1 \).

3.7 Chapter Summary
This chapter has demonstrated the descriptive nature of the study. Definitions of the components of population and sample size were provided and the sampling frame was presented in tabular form. The justification for using stratified random sampling was demonstrated and the procedure followed in developing and administering the tool was explained. The measures used for the descriptive and inferential statistical analysis were explained. The next chapter four presented the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings based on the information collected from employees working at the Safaricom PLC Care Centre, Westland, Nairobi. The demographic analysis was computed and presented in graphs and narratives with respect to the graphs were provided. Both descriptive and inferential statistical analysis have been computed. Tabular summaries were used for descriptive and inferential statistics to explain data as well as forecast the outcome of results from inferential statistics.

4.2 Response Rate

A total of 177 questionnaires were issued out of which 128 were received translating to a response rate of 71% which this study found sufficient to proceed with data analysis. However, 4 respondents did not complete the questionnaires in full and 2 respondents did not respond to some questions. Bearing in mind the challenges that had persisted in accessing information and obtaining data from Safaricom PLC, the response rate was considered adequate enough to proceed with the research.

4.3 Demographic Information

4.3.1 Age of Respondents

The aim of this study was to sample respondents of all age groups to reduce biases and possible stereotyping by respondents based on age, the study sought to determine the age distribution of the respondents. Figure 4.1 presents the findings of the age distribution of the respondents which indicate that out of the 124 respondents, 30.1% were of the age between 20-29 years, 52.0% were of the age between 30-39 years, 16.3% were of the age between 40-49 years and 1.6% were of age between 50-59. The majority of the respondents (52.0%) were of age between 30-39 years. Although more than 50% of the respondents were between the age of 30 to 39, other age groups were represented.
4.3.2 Gender of Respondents

The study aimed to achieve a gender ratio representing the total number of male and female employees Safaricom PLC. Respondents were asked to indicate their gender. The findings indicated that out of the 124 respondents, 48.7% were female and 51.3% were male. Although the male gender was not significantly more than female, the findings may depict that more males and females were employed at Safaricom PLC the difference was however not significant enough to affect the results as presented in Figure 4.2:

4.3.3 Level of Education

Respondents were requested to indicate their level of education and the results revealed that of 124 respondents 5.7% had attained certificate and diploma level of education, 25.2% were holders of undergraduate degrees and graduate degree and 43.9% had a postgraduate degree. Majority of the respondents (43.9%) had post-graduate degree as shown in Figure 4.3. The findings confirm that a majority of respondents were competent and skilled enough to understand the aim of the research and to respond accurately. This enhanced the quality of responses.
4.3.4 Employment Status
The study aimed to investigate the respondents’ employment status. The findings showed that, 20.3% were engaged on contract while 79.7% were full time employees. The objective of the study was to ensure representation of both full time and contractual employees. The Majority of the respondents (79.7%) were employed on full time basis as shown in Figure 4.4 which could depict the global distribution of employees based on this demographic component.

4.3.5 Level of Job at Safaricom PLC
The research aimed to establish the levels of the respondents’ jobs to identify the spread of positions across the organization. The results presented in Figure 4.5 indicated that, 25.4% were on entry level, 51.6% were on middle level, 18.9% were on senior level and 4.1% were not sure the level they are. The finding indicated that a majority of employees (51.6%) considered that their jobs to be at middle level.
4.3.6 Divisions at Safaricom PLC Care Centre

This study aimed at sampling respondents from all divisions at Safaricom PLC. Respondents were asked to indicate the division in which their jobs belonged. The findings revealed that out of the 124 respondents, 21% worked in customer service, 0.8% worked in security, 4.8% were in corporate affairs, 12.9% were in technology, 10.5% were in financial services, 18.5% were in human resources, 13.7% were in enterprise development, 8.9% were in business development and strategy & innovation. The majority of the respondents (18.5%) were in human resource as shown in Figure 4.6. Since the study did not focus on obtaining ideal numbers of responses based on the divisions, the findings were considered appropriate for use in this study.

4.3.7 Duration Employed at Safaricom PLC

The research sought to determine the duration respondents had served in employment at Safaricom PLC and the findings indicated that 3.2% have served for over 15 years, 14.5% have served for 11-15 years, 25.8% have served for 6-10 years, 44.5% have served for 1-5 years and 12.1% have served for less than 1 year. Therefore, majority of the respondents
(44.5%) have served for 1-5 years shown in Figure 4.7. The duration of employment reflects on both the level of staff turnover. Staff turnover may indicate that employees are highly marketable and Safaricom PLC breeds a pool of attractive staff for competitors and other industries while a high number of new hires may indicate that there is a high number of new vacancies created by Safaricom PLC.

![Figure 4.7: Duration of Employment with Safaricom PLC](image)

4.4 The Effect of Value Proposition on Performance

4.4.1 Descriptive Statistics

The constructs on the effects of value proposition on performance were rated on a Likert scale of 1 to 5 where 1 means the respondents strongly disagreed with the statements, 2 disagreed with the statements, 3 were neutral about the statement, 4 agreed with the statement, 5 — strongly agreed with the statement. The range of the mean scores ($m$) was between 4.15 to 4.36 indicating that the majority of respondents either agreed or strongly agreed with the statements. The range of the standard deviations for each of the statements were between 0.851 to 1.060 indicating that views from respondents were consistent and the data points were close to the mean.

The study analyzed the effect of value proposition on performance and the study revealed that Safaricom PLC offers competitive employment terms to employees ($m=4.27$, $std dev=1.060$). It was also established that Safaricom PLC provides a conducive work environment ($m=4.43$, $std dev=0.978$) and also provides opportunities to learning and growth for its employees ($m=4.36$, $std dev=1.015$). The study also revealed that Safaricom PLC constantly access different customer needs to develop relevant products and services ($m=4.27$, $std dev=0.999$). The study also indicated that Safaricom PLC offer superior products and customers relative to its competitors ($m=4.32$, $std dev=0.851$). The study
revealed that Safaricom PLC products and services are competitively priced \((m=4.32, \text{std dev} = 0.961)\) and also its products and services are easily accessible \((m=4.31, \text{std dev} = 0.971)\). The research also indicated that Safaricom PLC provides adequate customer support systems which improve and increase customer satisfaction levels \((m=4.17, \text{std dev} = 0.935)\) and is also indicated that it communicates its value to its customers resulting in increased brand awareness \((m=4.29, \text{std dev} = 0.918)\). The study revealed also that Safaricom PLC is open to strategic partnerships and collaboration with other companies, institutions and organizations \((m=4.15, \text{std dev}=1.004)\). It also indicates that Safaricom PLC develop Products and services that are simple and easy to use \((m=4.35, \text{std dev}=0.875)\) as shown in Table 4.1:

Table 4.1: Descriptive Statistics of Value Proposition on Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safaricom PLC offers competitive employment terms to employees</td>
<td>124</td>
<td>4.27</td>
<td>1.060</td>
</tr>
<tr>
<td>Safaricom PLC provides a conducive work environment</td>
<td>122</td>
<td>4.43</td>
<td>.978</td>
</tr>
<tr>
<td>Safaricom PLC provides opportunities for learning and growth for its employees</td>
<td>124</td>
<td>4.36</td>
<td>1.015</td>
</tr>
<tr>
<td>Safaricom PLC assesses customer needs to develop relevant products and services</td>
<td>124</td>
<td>4.27</td>
<td>.999</td>
</tr>
<tr>
<td>Safaricom PLC offers superior products and services to customers relative to its competitors</td>
<td>124</td>
<td>4.32</td>
<td>.851</td>
</tr>
<tr>
<td>Safaricom PLC products and services are competitively priced</td>
<td>123</td>
<td>4.32</td>
<td>.961</td>
</tr>
<tr>
<td>Safaricom PLC products and services are easily accessible</td>
<td>122</td>
<td>4.31</td>
<td>.971</td>
</tr>
<tr>
<td>Safaricom PLC had adequate customer support systems which improve &amp; increase customer satisfaction</td>
<td>124</td>
<td>4.17</td>
<td>.935</td>
</tr>
<tr>
<td>Safaricom PLC communicates its values to customers resulting in increased brand awareness</td>
<td>124</td>
<td>4.29</td>
<td>.918</td>
</tr>
<tr>
<td>Safaricom PLC is open to strategic partnerships and collaboration with other companies/ organizations</td>
<td>124</td>
<td>4.15</td>
<td>1.004</td>
</tr>
<tr>
<td>Safaricom PLC develops products and services that are simple and easy to use.</td>
<td>124</td>
<td>4.35</td>
<td>.875</td>
</tr>
</tbody>
</table>
4.4.2 Inferential Statistics

4.4.2.1 Correlation between Value Proposition and Performance at Safaricom PLC

The r value of the Pearson’s Correlation test range between +1 and -1 where a score of 1 indicates a perfect positive relationship and -1 indicates a perfect negative relationship. The findings indicated that there was a strong positive significance between value proposition and performance \((r=0.934, p=0.000)\) as shown in Table 4.2:

**Table 4.2: Correlation between Value Proposition and Performance at Safaricom PLC**

<table>
<thead>
<tr>
<th>Performance</th>
<th>Value proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>114</td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.934**</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.4.2.2 Linear Regression of Value Proposition and Performance at Safaricom PLC

The R-square \(R^2\) measures the strength of relationship between the model and the dependent variable. From the findings of this study, the model summary Table 4.3 results indicate that \(R^2 = 0.873\) which implies that value proposition predicts 87.3% of Performance at Safaricom PLC.

**Table 4.3: Linear Regression of Value Proposition and Performance at Safaricom PLC**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.934a</td>
<td>.873</td>
<td>.872</td>
<td>.25976</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Value proposition
4.4.2.3 ANOVA of Value Proposition on Performance at Safaricom PLC

The Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic and p-value. The results indicated that the linear regression model was significantly of good fit at (F=762.366, p=0.000)

Table 4.4: ANOVA of Value Proposition on Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>51.441</td>
<td>1</td>
<td>51.441</td>
<td>762.366</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>7.490</td>
<td>111</td>
<td>.067</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>58.931</td>
<td>112</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Value proposition

4.4.2.4 Linear Regression Coefficients of Value Proposition and Performance at Safaricom PLC

The formula used to determine the linear regression relationship followed the linear regression model \( Y = B_0 + B_1X_1 \)

From the table 4.6 \( Y = -0.018 + 0.996X_1 \)

Where:
\( Y \) = Performance
\( X_1 \) = Value Proposition.

The coefficients Table 4.5 indicates that increasing value proposition by one unit performance increases significantly by 0.996 units. Value Proposition has a positive and significant effect on performance.

Table 4.5: Coefficients of Value Proposition and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-.018</td>
<td>-.110</td>
<td>.913</td>
<td></td>
</tr>
<tr>
<td>Value proposition</td>
<td>.996</td>
<td>.934</td>
<td>27.611</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
4.5 The Effect of Value Creation on Performance

4.5.1 Descriptive Statistics

The constructs on the effect of Value Creation on Performance were rated on the scale of 1 to 5. Where 1 indicated that the respondents strongly disagree with the statements, 2 indicated that respondents disagreed with the statements, 3 indicated that respondents were neutral about the statement, 4 indicated that respondents agreed with the statement and 5 indicated that the respondents strongly agreed with the statement. The range of the observed mean scores \((m)\) was between 4.07 to 4.43 indicating that the respondents either agreed or strongly agreed with the statements explained in the following paragraph. The range of the standard deviations for each of the statements were between 0.925 to 1.12 indicating that views from respondents were consistent and the data points were close to the mean.

Majority of the respondents agreed and strongly agreed that Safaricom PLC’s diversified products and service portfolio are developed for targeted clients \((m=4.07, \text{ std dev}=1.12)\) and also has an established dividend policy for its shareholders \((m=4.19 \text{ std dev}=1.077)\). Findings also revealed that Safaricom PLC creates new job opportunities \((m=4.19, \text{ std dev}=1.114)\) and also has developed programs that protect environment \((m=4.31, \text{ std dev}=1.055)\). Findings established that Safaricom PLC has developed programs to support and improve lives of communities around \((m=4.38, \text{ std dev}=0.925)\) and Safaricom PLC has established systems to promote diversity among its employees \((m=4.43, \text{ std dev}=0.997)\). It was also revealed that Safaricom PLC’s operations are designed to benefit its customers and increase customers’ satisfaction \((m=4.25, \text{ std dev}=0.993)\) and has integrated research & innovation programs in its to support organizational learning \((m=4.22, \text{ std dev}=1.041)\). Results also revealed that Safaricom PLC has developed systems to recognize and reward its employees, customers and clients \((m=4.27, \text{ std dev}=1.07)\) as shown in table 4.5. Therefore, results showed that the average means of all the constructs were above \(m=4\) indicating that the respondents agreed with all the statements.
Table 4.6: Descriptive Statistics of the Effect of Value Creation on Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safaricom PLC has diversified Products and Service Portfolio</td>
<td>4.07</td>
<td>1.12</td>
</tr>
<tr>
<td>Safaricom PLC has an established Dividend Policy</td>
<td>4.19</td>
<td>1.077</td>
</tr>
<tr>
<td>Safaricom PLC creates new jobs Opportunities</td>
<td>4.19</td>
<td>1.114</td>
</tr>
<tr>
<td>Safaricom PLC develops programs to protect environments</td>
<td>4.31</td>
<td>1.055</td>
</tr>
<tr>
<td>Safaricom PLC develops programs to support and improve lives</td>
<td>4.38</td>
<td>0.925</td>
</tr>
<tr>
<td>Safaricom PLC creates new jobs Opportunities</td>
<td>4.19</td>
<td>1.114</td>
</tr>
<tr>
<td>Operations at Safaricom PLC are designed to benefits its customers</td>
<td>4.25</td>
<td>0.993</td>
</tr>
<tr>
<td>Safaricom PLC had established programs and systems to promote gender equality</td>
<td>4.44</td>
<td>0.841</td>
</tr>
<tr>
<td>Safaricom PLC has integrated research &amp; innovation programs</td>
<td>4.22</td>
<td>1.041</td>
</tr>
<tr>
<td>Safaricom PLC has developed systems to recognize and reward its employees</td>
<td>4.23</td>
<td>1.07</td>
</tr>
</tbody>
</table>

4.5.2 Inferential Statistics

4.5.2.1 Pearson’s Correlation Test between Value Creation and Performance at Safaricom PLC

The Pearson’s Correlation test provides r-value ranges between +1 and -1 where a score of 1 indicates a perfect positive relationship and -1 indicates a perfect negative relationship. The second objective of the study sought to determine the effects of value creation on the performance of Safaricom PLC. Findings showed that there was a strong positive significance between value creation and performance ($r=0.965$, $p=0.000$) as shown in Table 4.7:

Table 4.7: Correlation between Value Creation and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Performance</th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>1</td>
<td>1</td>
<td>114</td>
</tr>
<tr>
<td>Value Creation</td>
<td>.965**</td>
<td>.000</td>
<td>112</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.5.2.2 Linear Regression of Value Creation on Performance at Safaricom PLC

The R-square (R²) value of the linear regression measures the strength of relationship between the model and the dependent variable. The model summary table results show that R square = 0.932 which implies that value creation predicts 93.2% of Performance at Safaricom PLC.

Table 4.8: Regression of Value Creation on Performance of Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.965a</td>
<td>.932</td>
<td>.931</td>
<td>.19343</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Value Creation

4.5.2.3 ANOVA of Value Creation on Performance at Safaricom PLC

The Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic. The ANOVA indicated that the linear regression model is significantly of good fit at (F=1505.728, p=0.000).

Table 4.9: ANOVA of Value Creation on Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>56.337</td>
<td>1</td>
<td>56.337</td>
<td>1505.728</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>4.116</td>
<td>110</td>
<td>.037</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>60.453</td>
<td>111</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Value Creation

4.5.2.4 Linear Regression Coefficients of Value Creation and Performance at Safaricom PLC

The formula used to determine the regression relationship followed the linear regression model was: \( Y = \beta_0 + \beta_1 X_1 \)

From table 4.11, \( Y = 0.450 + 0.892 X_1 \)

Where

\( Y = \text{Performance} \)
X1 = Value Creation.

The coefficients Table 4.10 indicates that increasing value creation by one unit performance increases by significantly by 0.892 units. Value creation has a positive and significant effect on performance.

Table 4.10: Coefficients of Value Creation and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.450</td>
<td>.102</td>
<td>4.413</td>
</tr>
<tr>
<td></td>
<td>Value Creation</td>
<td>.892</td>
<td>.023</td>
<td>.965</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance

4.6 The Effect of Value Capture on Performance

4.6.1 Descriptive Statistics

The constructs on the effect of value capture on performance were rated on the scale of 1 to 5. Where 1 means the respondents strongly disagreed with the statements, 2 means that the respondents disagreed with the statements, 3 means that the respondents were neutral about the statement, 4 means that the respondents agreed with the statement, and 5 means that the respondents strongly agreed with the statement. The range of the mean scores (m) were between 4.16 to 4.34 indicating that the respondents either agreed or strongly agreed with the statements explained in the following paragraph. The range of the standard deviations for each of the statements were between 0.867 to 1.071 indicating that views from respondents were consistent and the data points were close to the mean.

Findings revealed that employee performance is entrenched at Safaricom PLC (m=4.26, std dev=1.059) and has developed robust systems to protect against loss of its revenue through fraud and corruption (m=4.24, std dev=0.952). Results also revealed that Safaricom PLC manages an efficient revenue distribution system for its products and services to enhance its financial stability (m=4.34, std dev=0.913) and develop integrated services to sustain its profitability (m=4.29, std dev=0.867). It was also investigated that Safaricom PLC has developed long term and recurring revenue models to realize long term financial returns (m=4.26, std dev=0.931) and also it has developed an effective organizational structure to enhance operational efficiencies. The firm also elaborate
systems which act to retain and grow its customer base ($m=4.19$, $std dev=1.007$) and has developed differentiated pricing strategy for different customer segments to diversify its revenue streams ($m=4.16$, $std dev=1.059$). Results also revealed that innovation at Safaricom PLC has resulted in the introduction of affordable products and services ($m=4.33$, $std dev=0.901$) and also loyalty programs, complimentary products and services are among services that boost profitability at Safaricom PLC ($m=4.18$, $std dev=1.071$)

Table 4.11: Descriptive of Value Capture on Performance

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee performance is entrenched at Safaricom PLC</td>
<td>122</td>
<td>4.26</td>
<td>1.059</td>
</tr>
<tr>
<td>Safaricom PLC has robust systems to protect against loss of its revenue through fraud and corruption</td>
<td>123</td>
<td>4.24</td>
<td>.952</td>
</tr>
<tr>
<td>Safaricom PLC manages an efficient revenue distribution systems for its products and services to enhance its stability</td>
<td>123</td>
<td>4.34</td>
<td>.913</td>
</tr>
<tr>
<td>Safaricom PLC has developed integrated services to sustain its profitability</td>
<td>122</td>
<td>4.29</td>
<td>.867</td>
</tr>
<tr>
<td>Safaricom PLC has developed long term and recurring revenue models to realize long term financial returns.</td>
<td>123</td>
<td>4.26</td>
<td>.931</td>
</tr>
<tr>
<td>Safaricom PLC has developed an effective organizational structure to enhance operational efficiencies.</td>
<td>122</td>
<td>4.28</td>
<td>.990</td>
</tr>
<tr>
<td>Safaricom PLC has an elaborate systems which act to retain and grow its customer base</td>
<td>122</td>
<td>4.19</td>
<td>1.007</td>
</tr>
<tr>
<td>Safaricom PLC has developed differentiated pricing strategy for different customer segments to diversify its revenue streams</td>
<td>123</td>
<td>4.16</td>
<td>1.059</td>
</tr>
<tr>
<td>Innovation at Safaricom PLC has resulted in the introduction of affordable products and services</td>
<td>123</td>
<td>4.33</td>
<td>.901</td>
</tr>
<tr>
<td>Loyalty programmes, complimentary products and services are among services that boost profitability at Safaricom PLC</td>
<td>123</td>
<td>4.18</td>
<td>1.071</td>
</tr>
</tbody>
</table>

4.6.2 Inferential Statistics

4.6.2.1 Pearson’s Correlation between Value Capture and Performance at Safaricom PLC

The third objective of the study was to determine the effects of value capture on the performance of Safaricom PLC. The r value ranges between +1 and -1 where a score of 1 indicates a perfect positive relationship and -1 indicates a perfect negative relationship. Findings showed that there was strong positive significance between value capture and performance ($r=0.970$, $p=0.000$) as shown in Table 4.13:
Table 4.12: Correlation between Value Capture and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Value Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>114</td>
</tr>
<tr>
<td>Value Capture</td>
<td>Pearson Correlation</td>
<td>.970**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>114</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.6.2.2 Linear Regression of Value Capture and performance at Safaricom PLC

Regression analysis was used to determine the influence of the independent variable (value capture) on the dependent variable (performance). The R-square ($R^2$) measures the strength of relationship between the model and the dependent variable. The model summary table results show that $R^2 = 0.941$ which implies that value capture predicts 94.1% of Performance at Safaricom PLC as illustrated in Table 4.13:

Table 4.13: Correlation between Value Capture and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Value Capture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>114</td>
</tr>
<tr>
<td>Value Capture</td>
<td>Pearson Correlation</td>
<td>.970**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>114</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Table 4.14: Regression of Value Capture and performance of Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.970a</td>
<td>.941</td>
<td>.940</td>
<td>.18282</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Value Capture
4.6.2.3 ANOVA of Value Capture and Performance at Safaricom PLC

The Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic. The ANOVA test results indicates that the linear regression model is significantly of good fit at (F=1785.094, p=0.000)

Table 4.15: ANOVA of Value Capture and Performance at Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>59.663</td>
<td>1</td>
<td>59.663</td>
<td>1785.094</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>3.743</td>
<td>112</td>
<td>.033</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>63.407</td>
<td>113</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
b. Predictors: (Constant), Value Capture

4.6.2.4 Linear Regression Coefficients of Value Capture and Performance at Safaricom PLC

The formula used to determine the regression relationship followed the linear regression model was \( Y = B_0 + B_1 X_1 \)

From table 4.16, \( Y = 0.315 + 0.928 X_1 \)

Where:

\( Y \) = Performance

\( X_1 \) = Value Capture.

The coefficients contained in Table 4.16 indicate that increasing value capture by one-unit performance increases significantly by 0.928 units. Value Capture has a positive and significant effect on performance.

Table 4.16: Coefficients of Value Capture and Performance of Safaricom PLC

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.315</td>
<td>.096</td>
<td>3.271</td>
<td>.001</td>
</tr>
<tr>
<td>1</td>
<td>.928</td>
<td>.022</td>
<td>.970</td>
<td>42.250</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance
4.7 Chapter Summary

The chapter presented findings and results in tabular and graphical forms. The first segment presented demographic information, followed by descriptive and inferential statistics of the effects of value proposition on performance at Safaricom PLC, then the effects of value creation on performance at Safaricom PLC and the effects of value capture on performance at Safaricom PLC customers and lastly it presents how value proposition, creation and capture relate to performance of Safaricom PLC. The next chapter presents findings, discussion, recommendation and conclusion.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction
This chapter provides the summary of findings from the study and discussions in relation to findings. The conclusions drawn from the findings and recommendations for improvement and further studies are included to guide future research.

5.2 Summary
The general objective of this study was to establish the effects of business model innovation on performance at Safaricom PLC. The specific objectives of the study were to determine the effect of value proposition on the performance at Safaricom PLC, to establish the effect of value creation on the performance at Safaricom PLC and to investigate the effect of capture on the performance at Safaricom PLC.

The research methodology took a descriptive approach and the target population was 318 employees working at the Safaricom PLC Care Centre in Westlands, Nairobi. The sample size of 177 was computed using the Yamane formula. The study administered structured questionnaires containing closed ended questions to collect primary data from respondents. Statistical Package for Social Science (SPSS) software was used to analyze data. Descriptive and Inferential statistics were used to analyze data. Descriptive statistical analysis included the computation of mean and standard deviation and results presented in tables, charts and graphs. Inferential statistics incorporated the Pearson’s Correlation test to ascertain statistical relationships between the predictor and independent variables. Linear Regression analysis was computed to determine the influence of the independent variables on the dependent variable, the Analysis of Variance (ANOVA) test was done to test the overall significance of the regression model using the F-statistic and p-value.

The findings from the study indicate that respondents either agreed or strongly agreed with the questions contained in the questionnaire. The range of scores obtained from the mean of value proposition and performance at Safaricom PLC was between 4.15 to 4.36. The analysis of the Pearson’s Correlation tests indicated that there was a strong positive significance between value proposition and performance \((r = 0.934)\) and the linear regression model indicated that value proposition predicts 87.3% at Safaricom PLC.
linear regression coefficients indicated that increasing one unit of value proposition, performance increases by 0.996 units.

The findings also revealed that respondents either agreed or strongly agreed with the questions asked with respect to value creation and performance at Safaricom PLC. The range of mean scores were between 4.07 and 4.43. The Pearson’s Correlation test indicated that there was a strong positive significance between value creation and performance \((r = 0.965)\) and the linear regression model indicated that value creation predicts 93.2% of performance at Safaricom PLC. The results of the linear regression indicate that increasing one unit of value creation, performance increases by 0.892 units.

The study found that respondents either agreed or strongly agreed to the question regarding value capture and performance at Safaricom PLC. The range of means scores were between 4.16 and 4.34. The Pearson’s Correlation test revealed that there was a strong positive significance between value capture and performance \((r = 0.970)\) and value capture predicts 94.1% of performance at Safaricom PLC. The findings indicate that increasing value capture by one unit increases performance by 0.928 units.

These findings indicate that value capture had the strongest positive significance with performance \((r = 0.970)\) followed by value creation \((r = 0.965)\) and value proposition \((r = 0.934)\). In addition, value capture predicts the highest level of performance (94.1%), followed by value creation (93.2%) and value proposition predicts the least level of performance (87.3%) at Safaricom PLC. The linear regression findings revealed that an increase of one unit of value proposition explains the most performance at Safaricom PLC (0.996) followed by value capture (0.928) and value creation (0.892).

5.3 Discussion

5.3.1 The Effect of Value Proposition on Performance
Bell (2005) state that company attractiveness, remuneration, responsibility, opportunities for personal and professional growth, respect and work-life balance. Respondents in this study confirmed that Safaricom PLC offers competitive employment terms to employees, Safaricom PLC provides a conducive work environment and whether Safaricom PLC offers opportunities for learning and growth of its employees. Gowan (2004) proposes a
framework which suggests that cultural differences impact employees perception of the job and work characteristics, total rewards and corporate image and concludes that wording of a job advertisement enables potential employee make inferences about the characteristics of the job.

Hassan (2012) concludes that managers must listen and think like customers because customers define value differently depending on product features and by comparing perceived benefits and performance which include price, effort and risk adding that superior value can create competitive advantage through a firm’s ability to shape and reconfigure assets to serve customers’ needs. The findings from this study confirm that Safaricom PLC assesses customer needs to develop relevant products and services Safaricom PLC offers superior products and services to customers relative to its competitors. Similarly, Camlek (2010).concludes that among the fundamental components of value proposition lies in positioning all value statements from the customer’s perspective in a simple and easy to understand language.

Mcnaughton et al. (2002) acknowledge that a market orientation may improve firm performance by contributing to service quality and an increase in customer perceived value attracts customers, and leads to loyal and satisfied customers who can act as agents of the firm through word of mouth. This research found that Safaricom PLC had developed adequate customer support systems which improve and increase customer satisfaction. Similarly, Cass and Ngo (2011) agree that value offerings lead to superior customer-centric performance and explains that by developing superior value offerings, firms acquire, retain as well as satisfy customers. In addition, Payne and Frow (2014) confirm that value proposition deconstruction permits granular and transparent identification of constituents of customer value. Sharma (2014) on the other hand finds that mobile telecommunications companies earn normal profits in business and the potential sources of revenue is derived from different value-added services and for these sources to be productive, mobile telecommunication operators have to ensure customer loyalty towards their service offering which can be achieved by providing excellent service to ensure customers remain loyal and committed to the mobile service providers adding that by strengthening the core offering which is network connectivity, companies would be able to retain the existing customer base while simultaneously attract new customers.
Respondents in this study confirmed that Safaricom PLC products and services were easily accessible and are competitively priced which reflect similar to findings from a study by (Hassan, 2012) which finds that the highest delivered value was location, distance, other distribution channels among other access factors. This study however found that value proposition on price was more important than other factors such as accessibility. Hassan (2012) on the contrary reveals that although customers value cheap prices, a fewer number perceived value in cheaper pricing.

Respondents in this study indicated that Safaricom PLC develops products and services that are simple and easy to use. Lindič and da Silva (2011) confirm that the easier it is to use an innovative application or feature, the more likely it to be accepted by users and as a result, ease of use reduces cost or effort included in the value proposition equation and increases value. The role of communication to increase sales is recommended by (Hassan, 2012). Respondents in this study agreed that Safaricom PLC communicates its values to customers and this had resulted in increased brand awareness. Payne and Pennie (2014) suggest that the marketing function in an organization is best placed to ensure that value propositions is relevant to customers and the propositions are communicated to all stakeholders.

Regarding whether Safaricom PLC was open to strategic partnerships and collaborations with other companies or organizations, Roos (2014) find that firms depend on the networks of collaborating organizations which conforms to the findings of this research. Tuominen (2004) finds a strong positive association between channel collaboration and a firms value proposition in the context of supply chains. Further, empirical evidence is provided in that firm capabilities in managing close channel relationships facilitate to fulfill value propositions (Tuominen, 2004).

5.3.2 The Effect of Value Creation on Performance
Moran (1996) find that strategies that focus on creating new value lead to some of that value spilling over to other firms and to society as a whole and persistently successful firms focus their energies on creating new value which increases their own value as well as that of society. These findings are confirmed by this study which found that Safaricom PLC had developed programs to protect the environment and Safaricom PLC had developed programs to support and improve lives. In addition, Ritala et. al., (2013) find
that managerial actions which act to create value includes improving the social behavior of the firm. According to Argandona (2011), the stakeholder theory of the firm overcomes the narrow view of the theory of the firm which advocates for maximizing the economic value of the firm because if value created by a firm is both economic and non-economic, stakeholders who help to create value also share in its enjoyment in different and changing ways over time.

This study also found that Safaricom PLC creates new jobs. Lepak et al. (2007) identify value creation processes by individuals which include developing new jobs, products, processes or other contributions perceived as value. At organizational level, value is created when firms invent new ways of doing things using new methods and technologies and new forms of raw materials while at the societies level, value is perceived in terms of programs, and incentives for entrepreneurship as well as new entrepreneurial ventures to innovate and expand their value to society and members. Bowman and Ambrosini (2000) find that entrepreneurial labour has to be dynamic in order to help the firm adapt to changing conditions and where labour is tacit, the firm is at risk of either destroying a source of value or it is at risk because of management’s inability to know what to change and what to change it to.

Findings from this study indicate that Safaricom PLC had a diversified products and service portfolio and this is empirically confirmed by Shin, Kraemer, and Dedrick (2012) who conclude that for higher profits, firms can either move upstream to develop innovative components or downstream to develop brands. Mcnaughton, Osborne, and Imrie (2002) model on market orientation and performance relationship posit that creating value for customers can also improve a firm’s financial position, a growing pool of retained customers and helps to accelerate cash flows. This study found that operations at Safaricom PLC are designed to benefit its customers. Grönroos and Gro, (2008) find that customers are value creators because they determine the fulfilment of value-in use and firms use and combine resources at disposal in order to create the value in exchange.

This study found that Safaricom PLC had established programs and systems to promote gender equality, Safaricom PLC had developed systems to recognize and reward its employees and Safaricom PLC had established systems to promote diversity. Employee relations was rated as the third attribute on the value creation index by respondents in the
study by (Low et al., 2006). Everett et al. (1998) however finds that three dimensions of social capital namely; social interaction, trustworthiness and shared vision significantly affects either directly or indirectly resource exchange suggesting that investing in the creation of social capital inside a firm creates value.

This study found that Safaricom PLC had integrated research & innovation programs. Low et al., (2006) find that innovation as measured by research and development in a value creation index and the number and importance of patents has the greatest impact on market value and firms should constantly innovate in order to effectively compete in the new economy. Rohrbeck (2012) demonstrates that corporate foresight can trigger innovation initiatives directly through a process or indirectly by relying on individuals such as research and development managers to use the insights into the future to start new research and development projects and challenge innovation development by providing future insights such as information on emerging technologies throughout the research and development project lifecycles among other corporate foresight activities.

Sensitivity analysis by Iturriaga and Crisóstomo (2010) confirm that dividends are positively related to firm value because it disciplines managers access to free cash flow and have a dual effect of signaling and the needs for funds to finance profitable projects but the effect was not found significant for dividends on firms with growth opportunities. This study revealed similar findings which indicated that Safaricom PLC had an established dividend policy.

5.3.3 The Effect of Value Capture on Performance
According to Argandoña (2011), increasing employee productivity through incentives and activities to measure performance enables firms capture value from them. This study also found that employee performance was entrenched at Safaricom PLC. The findings of this study revealed that Safaricom PLC had robust systems to protect against loss of its revenue through fraud and corruption and Safaricom PLC manages an efficient revenue distribution system for its products and services to enhance its stability. Ritala et. al., (2013) confirm that the mechanisms to build value capture include taking into account the goals of different actors in an industry early, collaboration contracts and commonly agreed upon principles and keeping complementary technologies proprietary. However, Trillas (2002) demonstrates that that corporate governance problems and political
intervention contribute to agency constraints and implies that value capture by shareholders is influenced by flawed privatization and poor corporate governance on one hand and political constraints in the form of golden shares or partial privatization play a crucial role in shaping the market for corporate control in European telecommunications.

The study findings indicate that Safaricom PLC had developed integrated services to sustain its profitability and that Safaricom PLC has developed long term and recurring revenue models to realize long term financial returns. Pisano et. al. (2007) concludes that for innovators to earn sufficient profits it is necessary to curtail imitators, customers, suppliers and other providers from siphoning returns from their innovation. Venkatesh et. al. (2014) observe that value capture in mobile ecosystems involves complex coordination between app developers, the mobile operating systems. Nenonen and Storbacka (2014) propose that economic profit as a measure of value capture is easy to calculate since it portrays economic profitability. Ghezi et al., (2015) find that the key managerial issues that emerge in an attempt to relate open innovation initiatives and the firm’s overarching strategy include achieving competitive advantage through value capture.

The study findings include the fact that Safaricom PLC had developed an effective organizational structure to enhance operational efficiencies. Similarly, Amit and Zott (2001), found that total value created can be expressed as a sum total of value appropriated and efficiencies such as speed, convenience and costs among other values created by firms including with complementarity products add to the total value captured by firms. Pitelis (2009) finds that the size of the pie captured by firms is dependent upon factors such as barriers to entry which allow incumbents to capture super normal profits and technology and innovativeness, unit cost economies or increasing returns to scale and resources contribute to overall value creation. This study also found that Safaricom PLC’s loyalty programmes, complimentary products and services are among services that boost profitability at Safaricom PLC. Wu, Ma and Shi (2010) recommend that firms should fully embrace strategic partners’ complementarity assets to build a unique value network embedded within the local infrastructure.
Cass and Ngo (2011) find that customer acquisition does not significantly contribute to the constructs of value capture in terms of firm profitability and instead, customer retention, customer satisfaction and add-on selling are key contributors to profitability adding that customer retention and satisfaction is more profitable than their acquisition. This study found that Safaricom PLC had elaborate systems which act to retain and grow its customer base. When customer values are realized, both brand loyalty and customer satisfaction increases and effective customer relationship management has an impact on product and service retention, repurchases and spreading of the word to other potential customers.

According to this study, Safaricom PLC had developed differentiated pricing strategy for different customer segments to diversify its revenue streams. This is confirmed by Ritala et al. (2013) whose study found that mechanisms to help and maintain value capture include differentiation in growing markets to ensure individual share of ICT ecosystems in Europe while in Aerospace and Defense ecosystems in Europe, common commercial exclusivity practices on certain geographical territories were methods to help and maintain value capture. In this study, innovation at Safaricom PLC has resulted in the introduction of affordable products and services confirming Verdin and Tackx (2015) observations that value created in a sustained way to achieve cheaper, better or a faster offering is a key condition for value capture.

5.4 Conclusions

5.4.1 The Effect of Value Proposition on Performance

This study found that Safaricom PLC offers competitive employment terms to employees, Safaricom PLC provides a conducive work environment, Safaricom PLC provides opportunities for learning and growth for its employees, Safaricom PLC assesses customer needs to develop relevant products and services, Safaricom PLC offers superior products and services to customers relative to its competitors, Safaricom PLC products and services are competitively priced, Safaricom PLC products and services are easily accessible, Safaricom PLC had adequate customer support systems which improve & increase customer satisfaction, Safaricom PLC communicates its values to customers resulting in increased brand awareness, Safaricom PLC is open to strategic partnerships and collaboration with other companies/organizations and Safaricom PLC develops products and services that are simple and easy to use. In addition, there was a strong
positive significance between the value proposition and performance and the linear regression model found that value proposition predicts 87.3% of Performance at Safaricom PLC. This study concludes that value propositions explains a positive significant influence on performance. Safaricom PLC should increase its efforts at branding to retain its position as the market leader in the provision of mobile telecommunications services. Innovative value propositions should be developed in all areas of that bring value to the organization specifically in product, price, place, promotion, people, process, and physical evidence to enhance its value proposition.

5.4.2 The Effect of Value Creation on Performance
The study found that Safaricom PLC has diversified Products and Service Portfolio, Safaricom PLC has an established Dividend Policy, Safaricom PLC creates new jobs Opportunities, Safaricom PLC develops programs to protect environments, Safaricom PLC develops programs to support and improve lives, Safaricom PLC has established systems to promote diversity, Operations at Safaricom PLC are designed to benefits its customers, Safaricom PLC had established programs and systems to promote gender equality, Safaricom PLC has integrated Research & innovation programs and Safaricom PLC has developed systems to recognize and reward its employees. The study found there was a strong positive significance between value creation and performance at Safaricom PLC and value creation predicts 93.2% of Performance at Safaricom PLC. This study concludes that value creation is an important component of business model innovation. Safaricom PLC should enhance its efforts and capabilities in ensuring that value creation for all its stakeholders is achieved. This can be achieved through activities such as stakeholder mapping in order to appreciate the different perceived values in use unique to each stakeholder.

5.4.3 The Effect of Value Capture on Performance
This study found that employee performance is entrenched at Safaricom PLC, Safaricom PLC has robust systems to protect against loss of its revenue through fraud and corruption, Safaricom PLC manages an efficient revenue distribution systems for its products and services to enhance its stability, Safaricom PLC has developed integrated services to sustain its profitability, Safaricom PLC has developed long term and recurring revenue models to realize long term financial returns, Safaricom PLC has developed an effective organizational structure to enhance operational efficiencies, Safaricom PLC has
an elaborate systems which act to retain and grow its customer base, Safaricom PLC has
developed differentiated pricing strategy for different customer segments to diversify its
revenue streams, Innovation at Safaricom PLC has resulted in the introduction of
affordable products and services and loyalty programmes, complimentary products and
services are among services that boost profitability at Safaricom PLC. The study found
that there was strong positive significance between value capture and performance at
Safaricom PLC and value capture predicts 94.1% of Performance of Safaricom PLC.
This study concludes that value capture is a critical component of business model
innovation because it mostly determines revenue collection from business. Safaricom
PLC and all firms should ensure that mechanisms to captures value from its innovative
products and services are streamlined. Innovations should be accompanied by effective
mechanisms to effectively appropriate value.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 The Effect of Value Proposition on Performance at Safaricom PLC
This study recommended further research on how firms can craft innovative value
propositions especially for industries highly impacted by uncertainties. In addition, the
coopreation of value propositions was not exhaustively interrogated in this research. It is
recommended that comprehensive studies on stakeholder value propositions are
undertaken.

5.5.1.2 The Effect of Value Creation on Performance at Safaricom PLC
This study recommends further investigation on the mechanisms of value creation
especially those that were not specifically incorporated in this study. These include
targeted questions on participation at industry conferences, open communication with all
stakeholders including competitors,

5.5.1.3 The Effect of Value Capture on Performance at Safaricom PLC
This study recommends an interrogation on whether Safaricom PLC has joint legal
agreements with its partners and stakeholders, whether Safaricom PLC ensures their
innovations are legally protected and the lead time taken to commercialize innovations
because these mechanisms are fundamental for value capture.
5.5.2 Recommendations for Further Studies

This study recommends research on the joint effect of value proposition, value creation and value capture on performance at Safaricom PLC and the extent to which the variables contribute to performance at Safaricom PLC. In addition, an investigation on how other value components of the business model innovation cause changes in performance at Safaricom PLC.
REFERENCES


APPENDICES
APPENDIX I: LETTER OF INTRODUCTION FROM THE DEAN, CHANDARIA
SCHOOL OF BUSINESS/REQUEST TO CONDUCT RESEARCH AS
SAFARICOM PLC

15th July, 2019

TO WHOM IT MAY CONCERN.

Dear Sir/Madam,

RE: PERMISSION TO CONDUCT RESEARCH – MAUREEN JURA OCHOLA
STUDENT ID. NO. 652048

The bearer of this letter is a student of United States International University (USIU) -Africa
pursuing a Master of Business Administration.

As part of the program, the student is required to undertake a dissertation on “The effect of
Business Model Innovation on performance at Safaricom” which requires her to collect data.

Please note that information provided will be treated with utmost confidentiality and will only be
used for academic purposes.

Kindly assist the student get the appropriate data and should you have any queries contact the
undersigned.

Yours faithfully,

Prof. Teresia K. Linge
Dean – Chandaria School of Business
Tel: 0730 116 419
Email: ilinge@usiu.ac.ke
APPENDIX II: COVER LETTER

16th July, 2019

Maureen Jura Ochola
United States International University - Africa
P.O. Box 14634-00800
Nairobi, Kenya
Email: mjochola@usiu.ac.ke

Dear Respondent,

THE EFFECT OF BUSINESS MODEL INNOVATION ON PERFORMANCE AT SAFARICOM PLC

I am a graduate student at United States International University pursuing a Master’s degree in Business Administration (MBA). In partial fulfillment of the requirement for the degree, I am carrying out a research project on “The effect of Business Model Innovation on Performance at Safaricom PLC”. The variables under consideration are value proposition, value creation, value capture and performance.

You have been selected as one of the respondents for this study. It is estimated that it will take between ten to fifteen minutes to complete the questionnaire. Kindly respond as objectively and as candid as possible.

Your views and perspectives on the topic will remain confidential and will be used only for academic purposes.

Thanking you in advance,

Yours faithfully,

Maureen Jura Ochola
APPENDIX III: QUESTIONNAIRE
SECTION A: DEMOGRAPHIC INFORMATION

1. What is your age bracket (years)?
   20 - 29 □  30 – 39 □  40 - 49 □  50 – 59 □  Over 60 □

2. What is your Gender?
   Male □  Female □

3. Level of education
   Certificate/Diploma □  Undergraduate □  Graduate □
   Post-graduate □

4. Employment status
   Full Time □  Contract □

5. What is your status or position in this organization?
   Junior/Entry Level □  Middle level □  Senior Level □
   Other □ (please specify) ...........................................

6. Which division does your role fall under?
   Strategy & Innovation □  Human Resources □  Corporate Affairs □
   Business Development □  Financial Services □  Security □
   Enterprise Business □  Technology □  Customer Services □
   Other □ Please Specify……………..

7. How long have you worked with the company (years)?
   Less than 1 year □  1 – 5 □  6 – 10 □  11 – 15 □  Over 15 □
### SECTION B: The Effect of Value Proposition on Performance

To what extent do you agree with the following statements on The Effect of Value Proposition on Performance. Kindly use a scale of 1 to 5 where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = Agree and 5 = strongly agree.

<table>
<thead>
<tr>
<th>No</th>
<th>Statement</th>
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<tbody>
<tr>
<td>1</td>
<td>Safaricom PLC offers competitive employment terms to prospective employees</td>
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<td>2</td>
<td>Safaricom PLC provides a conducive work environment</td>
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<td>3</td>
<td>Safaricom PLC provides opportunities for learning and growth for its employees</td>
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<td>4</td>
<td>Safaricom PLC constantly accesses different customer needs to develop relevant products and services</td>
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<td>5</td>
<td>Safaricom PLC offers superior products and services to customers relative to its competitors</td>
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<td>6</td>
<td>Safaricom PLC products and services are competitively priced</td>
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<td>7</td>
<td>Safaricom PLC products and services are easily accessible</td>
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<td>8</td>
<td>Safaricom PLC provides adequate customer support systems which improve and increase customer satisfaction levels</td>
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<td>9</td>
<td>Safaricom PLC communicates its value to its customers resulting in increased brand awareness</td>
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<td>10</td>
<td>Safaricom PLC is open to strategic partnerships and collaboration with other companies/institutions/organizations</td>
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<tr>
<td>11</td>
<td>Safaricom PLC develops products and services that are simple and easy to use</td>
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</table>
SECTION C: The Effect of Value Creation on Performance

To what extent do you agree with the following statements on the effect of value creation on performance. Kindly use a scale of 1 to 5 where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = Agree and 5 = strongly agree.

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<tbody>
<tr>
<td>1</td>
<td>Safaricom PLC’s diversified product and service portfolio are developed for targeted clients</td>
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<td>2</td>
<td>Safaricom PLC has an established dividend policy for its shareholders</td>
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<td>3</td>
<td>Safaricom PLC creates new job opportunities</td>
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<td>4</td>
<td>Safaricom PLC has developed programs to protect the environment</td>
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<td>5</td>
<td>Safaricom PLC has developed programs to support and improve lives of communities around which it operates</td>
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<td>6</td>
<td>Safaricom PLC has established systems to promote diversity among its employees</td>
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<td>7</td>
<td>Safaricom PLC’s operations are designed to benefit its customers and increase customers’ satisfaction</td>
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<td>8</td>
<td>Safaricom PLC has established programs and systems to promote gender equality at all levels of employment</td>
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<td>9</td>
<td>Safaricom PLC has integrated Research &amp; Innovation programs in its operations to support organizational learning</td>
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<td>10</td>
<td>Safaricom PLC has developed systems to recognize and reward its employees, customers and clients</td>
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### SECTION D: The Effect of Value Capture on Performance

To what extent do you agree with the following statements on the effect of value capture on performance: Kindly use a scale of 1 to 5 where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = Agree and 5 = strongly agree.

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<tbody>
<tr>
<td>1</td>
<td>Employee performance evaluation is entrenched at Safaricom PLC</td>
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<td>2</td>
<td>Safaricom PLC has developed robust systems to protect against loss of its revenue through fraud and corruption</td>
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<td>3</td>
<td>Safaricom PLC manages an efficient revenue distribution systems for its products and services to enhance its financial stability</td>
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<td>4</td>
<td>Safaricom PLC has developed integrated services to sustain its profitability</td>
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<tr>
<td>5</td>
<td>Safaricom PLC has developed long term and recurring revenue models to realize long term financial returns</td>
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<td>6</td>
<td>Safaricom PLC has developed an effective organizational structure to enhance operational efficiencies</td>
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<td>7</td>
<td>Safaricom PLC has elaborate systems which act to retain and grow its customer base</td>
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<tr>
<td>8</td>
<td>Safaricom PLC has developed differentiated pricing strategy for different customer segments to diversify its revenue streams</td>
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<td>9</td>
<td>Innovation at Safaricom PLC has resulted in the introduction of affordable products and services</td>
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<td>10</td>
<td>Loyalty programs, complimentary products and services are among services that boost profitability at Safaricom PLC</td>
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By ticking/marking the box you are indicating that you have consented to participate in this research study. □

**Thank You**
APPENDIX IV: NACOSTI PERMIT

RESEARCH LICENSE

This is to Certify that Ms. Maureen Ochola of United States International University Africa, has been licensed to conduct research in Nairobi on the topic: The Effect of Business Model Innovation on Performance at Safaricom for the period ending:
29/July/2020

License No. NACOSTI/LP/19/280
Applicant Identification Number 970860

Date of Issue: 29/July/2019

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

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