



**INFLUENCE OF DYNAMIC CAPABILITIES ON COMPETITIVENESS OF ORGANISATIONS IN
TELECOMMUNICATION INDUSTRY: A CASE OF SAFARICOM PLC**

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Accepted: May 6, 2019

ABSTRACT

This study aimed at establishing the influence of dynamic capabilities: knowledge management capabilities, ICT capabilities, innovative capabilities and physical infrastructural capabilities on the competitiveness of organizations in the telecommunication industry with specific focus on Safaricom PLC. The study used evolutionary economics, resource based theory and the dynamic capabilities theory. Descriptive design was used. The population of target included the 56-top level, middle level and lower level managers at the Safaricom PLC Headquarters. The size of the sample was 48 people selected using Stratified random sampling. The study did a collection of primary and secondary data. Primary data was obtained by use of questionnaires. For secondary data, it was collected from publications, books and journals. This study used descriptive statistics in the analysis of data collection through the help of the SPSS. In addition, correlation was calculated in order to determine how the independent variables associated with dependent variable. The researcher then adopted employed a multiple regression approach to test the association between the capabilities of the management and marketing and innovation capabilities in Safaricom PLC on the other. The study found that organizational competitiveness at Safaricom PLC was positively influenced by knowledge management capabilities, ICT capabilities, Innovative capabilities and marketing infrastructural capabilities as all the p values were significant hence the relationships were significant. Innovative capabilities emerged to be the most significant dynamic capability at Safaricom PLC. The study hence recommended that Safaricom PLC should ensure that it is innovative enough to take up any opportunity for business that may arise and ensure that it develops products that matches changing scenarios in the market whether permanent or temporary.

Key Words: Knowledge Management, ICT Capabilities, Innovation, Infrastructural Capabilities, Telecommunication Industry

CITATION: Kinuthia, M. W., & Deya, J. (2019). Influence of dynamic capabilities on competitiveness of organisations in telecommunication industry: A case of Safaricom PLC. *The Strategic Journal of Business & Change Management*, 6 (2), 1088 –1099.

INTRODUCTION

The global competitive battles in high technology industries have shown the urge for an expounding pattern in order to comprehend how to achieve and maintain the advantage of competitiveness. Top achievers at the global marketplace are those firms which show time consciousness, rapid innovations that are flexible backed with the capability of the management act of ensuring coordination and deployment of competences from the inside and outside the organization (Utterback & Abernathy, 2015).

Dynamic capabilities do transform the potential of operations in an organization, make it efficient for the use the resources of the organization, processes of working; that is progress in terms of the organization's performance. The dynamic potentials are processes that a company's resource are representative of the threats and opportunities in the environment (Zolloand & Winter, 2012).

Dynamic capabilities help in modification of units, extension and restructure their capabilities into better ones that suits the environments that are ever changing (Hubbard, 2014). Advancements in technology, shifting needs of customers, paradigms that are competitive drive companies to finish various projects like development of products, communications as well as marketing. The pattern of effective dynamic capability depends upon the market dynamism (Utterback & Abernathy, 2015). Dynamic markets therefore require effective dynamic capabilities relying heavily on existing knowledge.

In the USA companies like the IBM, Phillips amongst others seem to have gone through the 'resource-based strategy' which involves accumulation of technological assets which are always an item of intellectual property. Nevertheless, the strategy is insufficient to sustain a reasonable level of competitiveness and needs the firm's dynamic potential.

In the UK, GlaxoSmithKline (GSK) avails illustrations of regenerative dynamic capabilities. There are three phases of the processes of learning R&D. The first stage consisted of a combination of similar firms, the second one had firms that are not similar and the current and last stage involved outsourcing and the restructuring of the firm's activities (Utterback & Abernathy, 2015). That captured the presence of dynamics potentials resulting from problems with performances resulting from a decrease in resources. The insufficiency of R&D dynamic capabilities did not satisfy or improve resources in stock of the firm.

Dynamic capabilities that are incorporated by companies in Nigeria explains processes used to make profits in that type of changes in the environment (D'Aveni, 2014). The environment of the economy in Nigeria can be explained as being unstable and needs resources that can adapt to the variances in external and internal variables of the environment .The change in technology, economy, and the social structure in Nigeria may have resulted to firms adjusting slowly. This can be as a result of lack of the potential to discover dynamic capabilities and create connections to market their resources amongst other industries.

In Kenya, Deya, Oloko and Orwa (2015) carried out a research on the association of competitiveness, entrepreneurship, technical training together with dynamic capabilities in Western Kenya. This study revealed that the TVET Institutions in Kenya has developed knowledge management and curriculum capabilities unlike ICT and physical infrastructural capabilities which are still low and are contrary to their positioning in modern day industry dynamics. The study outcomes showed that there exists a positive correlation linking competitive advantage and dynamic capabilities in TVET, Kenya.

Statement of the Problem

According to Angeline (2018) smaller telecommunication firms in Kenya accuse that Safaricom has monopolistic impact on pricing methods for products hence lacking the level of

beating competition potential in the sector of telecommunication. Angeline (2018) highlighted that attempting to focus on competition at the sector of telecommunication would impact on Safaricom as the most dominant mobile operator and its customers.

This stiff competition has resulted in; promotional and price wars, technology innovations to support services and products in order to satisfy the changing wants of a customer. Some of the main challenges facing this company include: government policy changes create unlevelled playing field, opening up the market for new competitors with more capital resources through further liberalization and demanding more contributions to corporate social responsibility, and allowing new entrants to provide both fixed line and mobile phone services such as Telkom Kenya (NCC, 2015). Therefore, it is clear to point out that dynamic potential for a big company like Safaricom is supposed to be deployed for the competitiveness of the company.

Studies done in this field include the study by Tuan and Yoshi (2010) who did a study on concepts of competitiveness, capabilities and performance towards supporting companies in Vietnam. Schilke, (2014) carried out a study on dynamic capabilities, environmental dynamism and performance of fruit processing companies while locally Awino, (2015) conducted a study on core competences, core capabilities, strategy implementation and corporate productivity of big companies in the Kenyan market. The studies done are from different industry sector with varied focus, which can inhibit generalization and none has specifically studied the association existing between competitiveness and dynamic capability of an organization. Against this backdrop, the current study diverged from past studies by seeking to determine impacts of dynamic capabilities on competitiveness of organizations in the industry of telecommunications.

Objectives of the Study

The general objective of the study was to establish the impact of dynamic capabilities on the competitiveness of organizations in the telecommunication industry with specific focus on Safaricom PLC. The specific objectives were:-

- To determine impacts of knowledge management capabilities on organizational competitiveness in Safaricom PLC
- To study the impact of influence of ICT capabilities on organizational competitiveness in Safaricom PLC
- To establish the influence of innovative capabilities on organizational competitiveness in Safaricom PLC
- To find out the influence of marketing capabilities on the organizational competitiveness in Safaricom PLC

LITERATURE REVIEW

Theoretical Review

Resource Based Theory

It suggests that competitiveness of companies is a result of resources gathered (Barney, 1991). The uniqueness of resources makes the firms better in terms of competitiveness in the global market.

Barney (1991) first formalized the term RBV perspective into a theoretical framework while clarifying the comprehending of the impact of a firm's environment on firm performance (Newbert, 2014). The RBV theory makes two assumptions, which conjointly allow for differences in firm resources endowments to both exist and persist over time (Newbert, 2014). First that resources which are proportioned to this firms are heterogeneous and secondly that these resources are imperfectly mobile (Barney, 1991).

Critiques have faulted the RBV theory to be static in nature and lacking in empirical scrutiny (Priem & Butler, 2015). To address this discrepancy several scholars have suggested linked exploitation and the possessions (Mahoney & Pandian, 2012). They

argued that a company can obtain rents just because of its ability to make better use of the available resources.

The Evolutionary Economic Theory

The concept of dynamic capabilities is supported by the evolutionary economics theory (Nelson & Winter, 1982). Nelson and Winter (1982) can be perhaps be credited for developing the evolutionary economic theory and their motivation was on the need to explain a phenomena regarding the stemming of changes in the economy.

Becker (2004) identified four activities that routines can allow organizations to do. Primarily routines enable coordination. Secondly, routines provide some degree of stability of behaviour. Thirdly, tasks become routine in the realm of sub-consciousness, thereby economizing on limited cognitive resources. Fourthly, routine bind knowledge, including tacit knowledge and thus the application of knowledge enable routines to become building blocks of organizational capabilities (Winter, 2013). In relation to this study, this theory is therefore proficient in explaining the need of knowledge management and innovative capabilities especially in the adoption of the four routines specifically routine bind knowledge, discussed for a firm to gain competitive advantage over others.

Dynamic Capabilities Theory

It is the potential of a firm to incorporate and develop the external and internal competitiveness in order to cope with the adjusting dynamics in the market (Teece et al. 2015). Dynamic capabilities approach attempts to join ends through adoption of approaches through serving as a medium of the changing environments in the markets and the resources of the firm. Dynamic resources help a firm adjust its resource mix and thereby maintain the sustainability of the firm's competitive advantage which otherwise might be quickly eroded.

Conceptual Framework

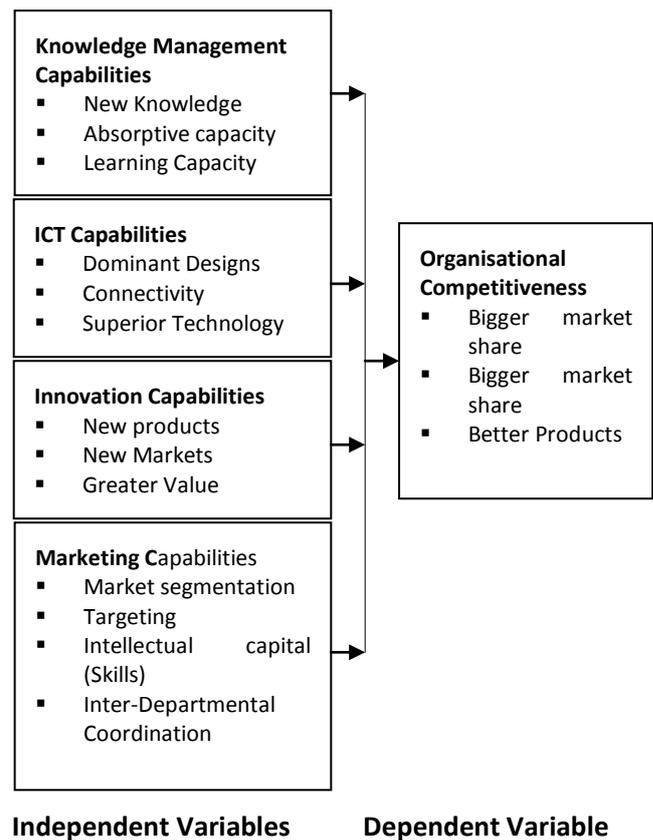


Figure 1: Conceptual Framework

Source: Author (2019)

Empirical Literature

Knowledge Management Capabilities

Knowledge is expensive and even investing on it is expensive, just because creating knowledge is not a certainty process, there is no possibility that knowledge distribution will be even (Salvato, 2013)

The capability of learning can be thought to be a way of achieving renewal of strategies. Teece et al. (2015) discussed that the process of learning is key where through repetition and also experimentation results to good and quick solutions for specific challenges and also facilitates the ability to beat competition. Azarian et al. in 2013 suggested that in the process of transferring knowledge from an employee to another, productivity is improved.

ICT Capabilities

Davenport et al., 2013 suggested that organizations are supposed to adopt a technology policy which

considers adoption of the newly emerging technologies which are flexible to change with regard to the dynamics in the market.

According to World Development Report (2014), infrastructure consists of physical infrastructure and social infrastructure. Physical infrastructure includes buildings, land, plants and equipments, electricity, roads, water system, etc, while social infrastructure includes social services such as education and health facilities. Grant (2013) pointed out tangible resources such as physical resources are easily identified and evaluated because they are recorded in the firm's financial statements. Physical resource which includes size and location of land and buildings, plant, equipment, machinery and tools.

Galbreath (2014) and Fahy (2012) indicated that physical infrastructural capabilities are important for sustainable competitive advantage. Further, Wernerfelt (2013) opined that these immobile strategic resources and the scarce resources critical for the firms' survival possessed by a firm are a key source of competitive advantage and proper management of physical resources is necessary for the firms to achieve their objectives.

Innovative Capabilities

This is the potential of a firm in introducing or entering services and goods newly produced, by aligning strategic orientation with organizational processes (Wang & Ahmed, 2014). It recognizes the potential of an organization to incorporate innovativeness while still deploying knowledge on innovating new services and goods as well (Kaur & Mehta, 2016; Manuj, Omar, & Yazdanparast, 2013). Innovation is key in every fast growing economy for firms to cope with it and maintain their competitiveness potential (Zhou & Wu, 2010). It threatens competitors on entering or leaving of the competitors and focuses on distinguishing an organization from those that compete with the organization.

Dynamic capabilities create an understanding on the changes which help an organization to

incorporate measures to do with innovation. This proposition is therefore termed as important in the performance of a firm.

Marketing Capabilities

According to Vorhies and Morgan (2015) a firm aims at developing non substitutable, valuable and inimitable potentials so as to increase their competitiveness in a dynamic environment barked with competition. This improves the performance of firms and improves their competitiveness. They assist a firm to develop relations with customers, distributors and the suppliers which then improve their productivity. According to Mamoun (2012), marketing capabilities impact positively on the speed of the market and the quality of a product, which gives an organisation competitive edge over the others.

Organizational Competitiveness

The competitiveness of a business depends on the strategies adopted by the organization to suit success factors for working in its market and exceeding those of its competitors (Dash & Das, 2010). That is, the ability to achieve a sustainable competitive advantage over its rivals. Hana (2013) opines that in the volatile and dynamic business operating environment, the goal of every organization is to outperform its rivals and attract potential buyers to its products and services while still retaining current customers. Competitiveness is achieved when an organization can offer better products or services when compared with its contemporaries (Dess, Lumpkin, & Taylor, 2015), which has to do with the adoption of the right capabilities. Achieving competitive advantage helps the firm to dictate the price in its operating sector while maintaining a leadership position within the industry. It is also a very important aspect of strategic management (Dash & Das, 2010).

Competitiveness has been defined in several ways, Kay's (2013) definition of competitive advantage as an advantage a firm has against its rivals or competitors in the industry. When competitors are not able to implement these strategies, it is known

as a sustained competitiveness. Competitiveness comes as a result of the core competence of the organization. It is the one outstanding difference between a company and its rivals.

Literature available has emphasized that the dynamic capabilities of the firm are the primary source of its competitiveness. Leonard-Barton (2012) submits that dynamic capabilities of the firm reveal the capacity of the organization to successfully implement actions that will lead to a sustainable competitiveness. That is the use of creative and innovative ideas to handle any changes in the business environment.

METHODOLOGY

Descriptive design was used. It studied the influence of dynamic capabilities on the competitiveness of organizations in the telecommunication industry with specific focus on Safaricom plc. The population targeted for the study was the 56-top level, middle level and lower level managers at the Safaricom Plc. headquarters. The study did a collection of primary data using questionnaires. Questionnaires enabled the researcher to save time and costs and at the same time reaching many respondents. This study generated both the qualitative and quantitative data. Data collected on quantitative measures were tested for accuracy. Analysis was done through content analysis and descriptive statistics. Analysis

of closed questionnaires was through the use of SPSS, Version 23. The study also adopted correlation for measuring how related the dependent and independent variables were. The researcher further used a multiple regression approach in studying the association between knowledge management capabilities and ICT capabilities innovative capabilities on one hand and organizational competitiveness in Safaricom PLC on the other. The equation for regression model approach:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where:

Y = Organizational Competitiveness in Safaricom PLC;

X₁ = Knowledge Management Capabilities;

X₂ = ICT capabilities;

X₃ = Innovative capabilities;

X₄ = Marketing capabilities; β_0 = Constant; β_1 β_2 β_3 and β_4 = coefficients of variables; ϵ = error.

FINDINGS

Correlation

In this study, Pearson Product moment correlation was deployed to examine relationship amongst the independent variables; knowledge management capabilities, ICT capabilities, innovative capabilities and physical infrastructural capabilities with the dependent variable; organizational competitiveness at Safaricom PLC.

Table 1: Pearson Correlation

		Organizational competitiveness Capabilities	Knowledge management Capabilities	ICT Capabilities	Innovative capabilities	Marketing Capabilities
Organizational competitiveness	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	44				
Knowledge management capabilities	Pearson Correlation	.680 **	1			
	Sig. (2-tailed)	.033				
	N	44	44			
ICT Capabilities	Pearson Correlation	.791 **	.735 **	1		
	Sig. (2-tailed)	.017	.049			
	N	44	44	44		

Innovative capabilities	Pearson Correlation	.755**	.730**	.748**	1	
	Sig. (2-tailed)	.011	.023	.031		
	N	44	44	44	44	
Marketing Capabilities	Pearson Correlation	.723**	.664**	.748**	.767**	1
	Sig. (2-tailed)	.029	.037	.040	.047	
	N	44	44	44	44	44

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

According to Table 1, there was a very high positive relationship between organizational competitiveness on one hand and ICT capabilities, innovative capabilities, marketing capabilities and knowledge management capabilities on the other shown by 0.791, 0.755, 0.723 and 0.680

respectively. The positive relationship indicated that there was a correlation between the factors and the organizational competitiveness with ICT capabilities having the highest value and knowledge management capabilities having the least value of correlation.

Multiple Regression Model

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.9206	0.8474	0.8318	2.2513

The Table 2 showed the overall model summary of the study. It showed that 84.7% of the variation in organizational competitiveness of Safaricom PLC was explained by factors inclusive in the model i.e. knowledge management capabilities, ICT

capabilities, and innovative capabilities. The other variation, 15.7% was explained by factors that were not included in the model. This implied that the dynamic capabilities used in this study had an impact on the competitiveness at Safaricom PLC.

Table 3: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1182.223	4	295.5558	54.1474	.000
	Residual	212.876	39	5.4584		
	Total	1395.099	43			

The significance level of the model was 0.000 which was less than 0.05. This detailed that the relationships between the knowledge management capabilities, ICT capabilities, innovative capabilities and the organizational competitiveness at Safaricom PLC were significant. The F calculated

was 54.1474, which was greater than the F critical (F critical = 2.09) implying significance of the model. Additionally, the P- value < 0.05 showing that the model was significant. This explained that the impact of the dynamic capabilities used in this study has a significant influence on the organizational competitiveness at Safaricom PLC.

Table 4: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	43.77	0.451		97.051	0.012
	Knowledge management	0.682	0.121	0.146	5.636	0.041
	ICT capabilities	0.767	0.079	0.126	9.709	0.018
	Innovative capabilities	0.701	0.073	0.045	9.603	0.023
	Marketing Capabilities	0.697	0.073	0.142	9.548	0.035

Multiple regression analysis was carried out to determine the influence of knowledge management capabilities, ICT capabilities, and innovative

capabilities on the organizational competitiveness at Safaricom PLC. The equation $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ now becomes: $Y = 43.77 + 0.682X_1 + 0.767X_2 + 0.701X_3 + 0.697X_4$

The constant illustrated that when there were no dynamic capabilities employed in the organization, the competitiveness at Safaricom PLC was 43.77. A unit increase in the knowledge management, ICT capabilities innovative capabilities and marketing capabilities each led to 0.682, 0.767 0.701 and 0.697 unit increases on the competitiveness of Safaricom PLC. These findings showed that ICT capability influence the competitiveness at Safaricom PLC the most while knowledge management capabilities influenced it least. At 5% level of significance and confidence level of 95% the all variable had a significant p values p value < 0.05. The study findings were in line to those of Deya, Oloko and Orwa (2015) who revealed that a positive correlation between dynamic capabilities and competitiveness.

SUMMARY

The study findings illuminated that knowledge capabilities influenced competitiveness in Safaricom PLC by great extent. There was a positive significant effect of knowledge management capabilities on the competitiveness of Safaricom PLC. This is in line with George (2015) finding that the company's potential to incorporate knowledge from its externalities and its capability to generate knowledge is a key factor in a firm in helping it meet the dynamics in a market.

The study revealed that learning capacity of the employees influenced competitiveness by very great extent, absorptive capacity of the employees and the generation of new knowledge influenced competitiveness by great extent. This depicted that knowledge management capacity aspects used in the study effect competitiveness at Safaricom PLC. This collaborates with Cohen and Levinthal (2011) finding that absorptive capability of the employees improves competitive advantage and Teece et al. (2015) discussed that the process of learning is key where through repetition and also experimentation results to good and quick solutions for specific challenges and also facilitates the ability to beat competition.

The study identified that there exists an association between ICT capabilities and organizational competitiveness at Safaricom PLC. ICT potential has a positive significant impact on the competitiveness at Safaricom PLC. This finding is in line with Davenport et al., 2013, who suggested that organizations are supposed to adopt a technology policy which considers adoption of the newly emerging technologies which are flexible to change with regard to the dynamics in the market

The study findings depicted that physical infrastructural capabilities influenced competitiveness by great extent. This is in line with the finding by Galbreath (2014) and Fahy (2012) that physical infrastructural capabilities are important for sustainable competitive advantage. The study also showed that there exists a positive significant association between physical infrastructural capabilities and competitiveness in Safaricom PLC. This liaises with the findings by Lippman and Rumelt (2013) who stated that physical assets generate high value for competitive advantage for a firm.

That there exists a positive significant relationship between innovative capabilities and organizational competitiveness. That new products and new markets influence competitiveness at Safaricom PLC by very great extent while greater value of products influenced the competitiveness by great extent. This portrays that the aspects of innovative capabilities used in the study influenced the competitiveness of Safaricom PLC by great extent. This conclusion is in harmony to Wijekoon and Galahitiyawwe (2015) who argued that those firms with a higher level of innovativeness such as new markets and new products defeat their competitors, obtain higher profits and have a great chance of surviving in the world full of competition.

Additionally, the study revealed that the firm develops products to match different consumers' needs in a fast-changing turbulent environment and uses innovative marketing methods to ensure that its products are consumed far. The firms also

deemed to be innovative enough to take up any opportunity for business that may arise.

The study found out that marketing potential influence organizational competitiveness at Safaricom to a great extent. Further the results reveal that Safaricom Plc uses various aspects of marketing potential that include market segmentation, target marketing, having personnel with high marketing skills and coordination between department to ensure organisational competitiveness. Also, it was established that marketing potential enable an organisation to satisfy customers' needs and wants, build relationships with suppliers and distributors and assists a firm in product development activities and obtaining information on the needs of the market, developing new services to satisfy the requirements.

The study revealed that Safaricom PLC had greatest coverage in the country and that it boasted of high levels of performances. Additionally, the respondents strongly agreed that the firm has the greatest number of customers compared to other telecommunication companies. Nevertheless, the study also displayed that Safaricom PLC has offered employment to many compared to its competitors. These findings are in line with that of Dash and Das (2010) that achieving competitive advantage helps the firm to dictate the price in its operating sector while maintaining a leadership position within the industry improving its competitiveness.

CONCLUSION

The study identified that there was a high positive relationship between organizational competitiveness and innovative capabilities, knowledge management capabilities, physical infrastructural capabilities and ICT capabilities. The positive relationship indicated that there was a correlation between the factors and the organizational competitiveness with innovation capabilities having the highest number and ICT capabilities having the lowest correlation value. This

depicted that the dynamic capabilities chosen were legible and efficient for this study.

That the correlation between competitiveness and knowledge management capabilities was positive at Safaricom PLC. The study also revealed that learning capacity of the employees influenced competitiveness by very great extent, absorptive capacity of the employees and the generation of new knowledge influenced competitiveness by great extent.

Further, the study concluded that ICT capabilities impacted the organizational competitiveness at Safaricom PLC positively. The research also concluded that superior technology, adopting a dominant design of its products and services and the larger connectivity of Safaricom PLC gave it the competitive advantage t over other competitors. The researcher concluded that Safaricom PLC embraces new technologies to cope with market dynamics to remain competitive and it puts in place resources, policies and systems to ensure security of the ICT system.

The study concluded that organizational competitiveness at Safaricom PLC was positively influenced by knowledge management capabilities, ICT capabilities, Innovative capabilities and physical infrastructural capabilities as all the p values were significant hence the relationships were significant. The study concluded that the competitiveness at Safaricom PLC was illustrated by the greatest coverage in the country and the high levels of performances.

RECOMMENDATIONS

That since learning capacity of the employees, absorptive capacity of the employees and the generation of new knowledge influenced competitiveness by great extent; Safaricom PLC should hence work on enhancing these aspects of knowledge management capabilities. This will enhance incorporation of new solutions to technological issues and development of a product.

New knowledge application in the organisation will result in enhanced organisational competitiveness.

Safaricom PLC should improve the ICT capabilities used since it deemed to be less significantly used in the firm. The firm should work on adopting dominant designs, use of superior technology and enlarge their connectivity. The study also suggests that the firm should embrace new technologies to cope with market dynamics to remain competitive and put in place resources, policies and systems to ensure security of the ICT system. The firm should also have adequate resources to invest in new ICT systems that enhance competitiveness.

That the physical infrastructural capabilities aspects such as service outlets including Mpesa Shops, customer care centres, plants and equipments as well as communication lines which influence competitiveness positively should be enhanced and properly managed. Since Safaricom PLC has different types of physical resources, it should deploy policies that render it effective.

Innovative capabilities at Safaricom PLC emerged to be the most significant according to this study. The firm should hence continue producing new products and entering new markets as well as

ensure that products and services are of greater value to maintain the competitiveness. The firm should continue developing products to match different consumers' needs in a fast-changing turbulent environment and use the innovative marketing methods to ensure that its products are consumed far.

Suggestions for Further Studies

After establishing that dynamic capabilities influence competitiveness at Safaricom PLC, the researcher suggests that another research should be done to determine the remaining 22.6% that affect the same were not included in this study. Further, since the study was conducted at Safaricom PLC, the researcher proposes that another study can be carried out with the other telecommunication firms in the country and even globally. Another study can be conducted to establish the difficulties and challenges affecting the telecommunication industry in the country.

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