COMPETITIVE POSITIONING THROUGH STRATEGIC ALLIANCES: A CASE OF SAFARICOM LIMITED

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STUDENT’S DECLARATION

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

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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ______________________ Date: _____________________

Prof. Paul Katuse

Signed: ______________________ Date: _____________________

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ABSTRACT

The purpose of this study was to establish if Safaricom Ltd has attained a competitive positioning through the various strategic alliances it has. This study was developed through three objectives namely; to establish how competitive positioning at Safaricom Ltd has been achieved through the various types of strategic alliances it has; to establish the benefits of strategic alliances in Safaricom Ltd; to establish the of challenges of strategic alliances in Safaricom Ltd. There are different types of strategic alliances and some examples are licensing, joint ventures, cooperative agreements, and franchises. From the scholarly works, the benefits of strategic alliances were identified as acquisition of resources, shared risks, shared knowledge and expertise, organizational learning, and entry into new markets and business growth. Reviewed literature on the challenges faced by strategic alliances included poor strategy, role ambiguity, lack of top management commitment, lack of trust, and failure to learn and understand the differences in culture.

The research methodology that was used to carry out the study is the descriptive research method. It was focused on middle and upper level management for Safaricom Limited. From the population a sample size was drawn based on the stratified random sampling method. Data collection was carried out by administering questionnaires made up of structured as well as open ended questions. This data was analyzed through the descriptive statistics while using Microsoft Excel and SPSSS as the analysis tools. The data was presented using tables and graphs.

On analysis of the objectives it was revealed that when looking at competitive positioning, most respondents highly supported the idea that firms enter into strategic alliances to become more competitive on a global scale and that time was crucial in determining when a firm should enter into a strategic alliance. It was also highly agreed that a high competitive positioning of a firm will lead to high premium prices. Respondents also agreed that a firm can enhance its competitive positioning by forming alliances with its competitors and also that, firms enter into strategic alliances so as to leverage knowledge and resources.

On analysis of the benefits received by Safaricom through strategic alliance most respondents said strategic alliances can be used as a means to diversify into new markets and the higher the level of resource complementarity in the alliance, the higher the probability of success. The findings also reveal that firms determine how alliances will help in developing new products,
firms are also able to grow through strategic alliances. Strategic alliance was also found to help firms to gain competitive advantage and firms were able to learn through strategic alliances. While looking at challenges received through strategic alliance, poor strategy was found to be the main cause of failure in strategic alliances, lack of commitment from top management results in failure of strategic alliances, and different management styles lead to failure of strategic alliances.

In conclusion, the study has revealed that companies enter in to strategic alliances to become more competitive especially in the global scene and that time also played a major role in determining when a firm should enter in to a strategic alliance. This study has shown that the main benefits of strategic alliances were to diversify into new market opportunities, and to increase resource complementarity within the alliances. According to the study, the main challenges to strategic alliances were poor strategy and cultural differences that led to different management styles.

The study recommended that firms should enter into strategic alliances so as to enter into a new market. The study further recommends that firms should thoroughly screen their potential alliance partners before entering into an alliance.

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DEDICATION

I dedicate this project report to my mother and siblings. To my mother, you are a true blessing. You guided me, funded me, gave me hope, showed me unconditional love, opened my mind to new ideas, and continuously encouraged me when things got tough. Thank you.

To my brothers, thank you for planting, watering and watching the seed grow to maturity. You gave me hope, support and guidance needed to complete this journey. Thank you.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the problem
The competitive positioning (CP) seeks to identify the segment that is being targeted and the differentiated value proposition intended to be delivered to that segment (Burke, 2011). Strategic alliances are becoming more and more popular in the world of business today. Organizations can achieve competitive positioning by combination of their capabilities and assets through formation of strategic alliances. An examples of strategic alliances is in the airline industry which has three multipartner alliances - Star Alliance (which has Air Canada, Lufthansa, SAS, United Airlines etc.), Sky Team (Delta, Korean Air, Air France etc.), and One World (British Airways, Qantas, American Airlines etc.) (Peng, 2009).

Strategic alliances are becoming an important form of business activity in several industries, mainly in view of the recognition that firms are competing on a global field. Strategic alliances are not a solution for every company and every situation. However, through strategic alliances, firms can increase their competitive positioning, increase chances of entry to foreign and new markets, and share the risk and cost of key development projects (Isoraite, 2009). Strategic alliances are developed and propagated as inter-organizational relationships that are formalized, especially among companies in international business systems or those that seek an identity in the global scene. These cooperative arrangements want to achieve their organizational objectives better by collaboration instead of competition (Todeva and Knocke, 2005). However, strategic alliances also generate problems at several analysis levels. It is vital for a strategic alliance to be naturally strategic for it to contribute to the effective implementation of the strategic plan. The relationship has to be reinforced by top management and formed by lower management.

Organizations in the space of technology are heavily impacted by increased competition globally due to the industry’’s dynamic nature and so they have resulted to forming strategic alliances with the aim of entering new markets, developing new products faster, and meet the growing market demands. Strategic alliances enable firms are to respond to technological changes with greater efficiency and speed (Sompong, Igel, and Helen, 2014).
Organizations have been able competitively position themselves through strategic alliances. However, the alliance needs to be carefully created for it to realize the expected benefits and advantages to both partners (Rajasekar and Fouts, 2009). The partners have to be well defined, the goals of the alliance have to be clear and aligned, the communication should be excellent, and trust has to be built among the partners in the alliance (Arino, Torre, and Ring, 2001).

The advantages/benefits of forming strategic alliances are: facilitation of entry into foreign markets; organizations share the fixed costs and risks of developing new processes or products; alliances bring together skills and assets that are complementary that the partners cannot develop on their own (Hill and Jones, 2009).

Various theories have been put forward to explain strategic alliances. The commonly used theories include game theory, transaction cost economics, and resource based view of the firm (Rajasekar and Fouts, 2009). Game theory proposes that partners in an alliance are not sure of the intentions of each other and so they may choose not to cooperate (Das, 2012). Because of this, firms expect that the payoffs from non cooperation will be higher than those from cooperation. For the game theory, firms cooperate rather than compete when they maximize the benefits. However, in the nature of an alliance, especially when there are two partners in the same industry involved, suffers from some inherent contradictions which occur due to the positive and defensive objectives associated with the alliance (Gopinath and Siciliano, 2014). In the transaction cost theory, the transaction’s characteristics determine the components of a good governance structure i.e. alliance, market, or hierarchy.

Organizations normally attempt to minimize the transaction’s costs in the process of developing a structure of governance. Firms will then form alliances to reduce costs and risk (Saxena and Bharadwaj, 2009). According to the resource based view theory, firms are not able to internally generate all the resources and functions necessary for success since resources are imperfect and mobile. The manager then delves into the environment of the firm so as to gain resources, skills, and competencies that the firm does not have. Alliances provide a solution to such constraints resource constraint problem in a much faster way (Veilleux, Haskell, and Pons, 2012). Resources facilitate the implementation of strategies in a firm leading to increased efficiency and effectiveness. This enables firms to achieve above normal profits and sustain their competitive positioning by use of their existing resources (Saxena and Bharadwaj, 2009).
Strategic alliances also come with a number of challenges and some of them include: differences in culture, lack of commitment to succeed, failure to understand and adapt to new style of management, difficult to manage, lack of trust, and they decrease the flexibility of organizations (Drago, 1997). Such challenges and issues need to be addressed by the management of firms forming alliances in order to document and clearly state the objectives and goals of the alliance.

Most multinationals, if not all, have greatly used strategic alliances as an entry strategy in the untapped markets, especially in Africa. Examples of MNCs that have either their regional or headquarters in Kenya are: Google, Visa, MasterCard, KFC, Pepsi, Travelport and Dow Chemicals (Gachiri, 2014). In the local Kenyan market, a number of strategic alliances have been formed. One example is AIG and Metropolitan Life Insurance to provide insurance services (MetLife, 2010). AIG offers general insurance only whereas Metropolitan Life Insurance provides Life insurance only. Another alliance is between Nakumatt Holdings Limited forming partnerships with local manufacturers such as Mumias Limited (Sugar), Tropical Heat Limited (spices), Unilever Limited (washing powder) to produce the “Nakumatt Blue Label” brand (Business Daily, 2013). Through the alliance they are able collaborate and benefit from each other’s markets.

Safaricom is the leading telecommunication company in Kenya commanding a market share of 67% based on customer numbers (Business Daily, 2015). Safaricom Limited was incorporated on 3 April 1997 under the Companies Act as a private limited liability company as a subsidiary of Telkom Kenya and it was converted into a public limited liability company on 16 May 2002 (Safaricom, 2016). Vodafone Group Plc. acquired 40% stake in the company while the Government of Kenya (GoK) owned 60% (Safaricom, 2016). In 2008, the company listed 25% of its shares on the Nairobi Stock Exchange (Safaricom, 2016). Safaricom products and services include: telephony (devices such as mobile phone handsets, tablets, broadband modems, SMS); broadband internet; and financial services. One of the company’s innovative product, M-PESA, has enabled money transfer at the click of a button. The product has also aided in banking the huge unbanked population. M-Shwari is another service and it rides on M-PESA enabling customers to save at attractive interest rates and at the same time get loans. Okoa Jahazi, which is an emergency Top Up service, enables customers to borrow airtime when their accounts are zero. Skiza tunes entertain callers by having a ring back tune play as you make your call. The main mission of the company is to transform lives. The company aims to achieve this through corporate sponsorships (Safaricom 7s, Groove Party); the Michael
Joseph Centre where performing arts events take place; M-PESA Foundation; Safaricom Foundation; and M-PESA Foundation Academy (Safaricom, 2016).

Safaricom has been forming strategic alliances in order to maintain their competitive position in the industry. In the 2007, they entered into a mutual agreement with Commercial Bank of Africa (CBA) leading to the birth of M-PESA (CBA, 2016). In November 2012, the same mutual and trusting relationship between the two led to another birth, M-Shwari with the aim of revolutionizing products in the banking industry. This is a suite of banking products that are offered to M-PESA customers through their handsets with the aim of enhancing the MPESA value proposition. It allows customers to access deposit and loan products that are reliable, convenient, and cost-effective for making micro-savings and taking micro-loans (CBA, 2016).

Through M-Shwari and M-PESA, both firms have benefited substantially. Safaricom was able to increase usage of M-PESA and revenue while CBA was able to increase the number of customer accounts from ninety five thousand borrowers to 3.8 million borrowers (Business Daily, 2013). Other strategic alliances Safaricom has entered into is with partnership with the Government of Kenya for the provision of closed circuit security cameras for the exchange of 4G spectrum; with Kenya Power for the provision of electricity on credit, a product known as “Okoa Stima”; and also alliances with Kenya Airways (KQ) for the sale of tickets using Safaricom customer loyalty points known as „Bonga Points” (Safaricom, 2016).

In 2014, Safaricom entered into a strategic alliance with Qatar Airways. The alliance launched a service that will enable customers to purchase their Qatar Airways tickets using M-PESA (Payments Afrika, 2014)). This new service would offer greater flexibility for passengers as they can book their tickets online or through the reservations office and simply pay using M-PESA. Qatar Airways is an award winning airline, while M-PESA commands more than one third of all mobile money transactions globally and has a subscriber base of more than 18.1 million individual customers (Payments Afrika, 2014) This research study will seek to evaluate the impact of the strategic alliances on the competitive positioning of Safaricom.

1.2 Statement of the problem
There is need to establish whether Safaricom Ltd has achieved competitive positioning through strategic alliances. Strategic alliances are an emerging concept in the Kenyan industry and are slowly taking shape. Some of the theoretical issues that are being experienced are in relation to rivalry between the firms in the alliance, lack of trust and control, and ambiguity in roles among others (Todeva and Knoke, 2005). A number of theories have been put forward to
explain more about strategic alliances. Some of these theories are game theory, transaction cost theory, and resource based view theory.

Various researches have been conducted concerning strategic alliances especially in the developed countries. Hudson (2004) did a research on the telecommunications regulatory environment in particular countries. He specifically looked at the strategic alliances conducted by telecommunication firms. In Kenya, the same studies have also been conducted. One example is a research on strategic alliances and organizational competitiveness among Kenyan commercial banks that was conducted by Makau (2012), focusing on Kenya Commercial Bank. Mutuva (2014) did a study on the effects of strategic alliances on competitive advantage on Airtel Limited.

However much these studies are related to the current one, there still is a knowledge gap on competitive positioning and strategic alliances especially in the telecommunication industry where Safaricom is. This research seeks to bridge this gap by conducting research on how companies can achieve competitive positioning through strategic alliances using Safaricom as the case study.

1.3 General objective
The general objective of this study was to establish how the Safaricom Ltd has achieved competitive positioning through the various strategic alliances it has.

1.4 Specific objectives
This study has the following specific objectives:

1.4.1 To establish the achievement of competitive positioning through the various types of strategic alliances Safaricom Ltd has

1.4.2 To establish the benefits of strategic alliances to Safaricom Ltd

1.4.3 To establish the of challenges of strategic alliances in Safaricom Ltd

1.5 Significance of the Study
The study aims to discover the various strategic alliances that Safaricom Ltd has entered into so as to attain competitive positioning. The following groups will benefit from this information;

1.5.1 Safaricom Ltd stakeholders
The information gained from this study will enable Safaricom Ltd to gain knowledge of the benefits that the company has gained from past alliances. This will enable the company to be well informed when entering into such alliances in the future. The various alliance partners of
Safaricom Ltd will also be able to assess the strengths of their partnership in terms of benefits achieved and challenges faced. The employees of the company will be beneficiaries of this study. They will be able to assess if their input towards the success of the alliances was valid or not and whether the strategic alliances have been beneficial to the company or not.

1.5.2 Academicians and Researchers

The research will contribute to the body of knowledge to academicians and researchers who would to conduct further research with regards to how companies can competitively position themselves through strategic alliances.

1.5.3 Regulators

The study will be useful to the industry regulators such the Communications Authority of Kenya (CAK), the Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA). It will help these regulators know the type of strategic alliances that Safaricom Ltd enters into especially when they are making decisions that will affect the industry policies.

1.5.4 Strategists

Strategists would be able to understand how strategic alliances have enabled Safaricom to has achieve and maintain their competitive positioning in the market and what challenges the company has faced in this process. Using this information they can be able to come up with better strategies or duplicate the same in their organizations.

1.5.5 Alliance partners

This study will benefit alliance partners in similar or different industries. They will be able to know how to create more value by aligning their resources within their current and potential partnerships.

1.6 Scope of the Study

This study will limited to the organization of study which is Safaricom Limited and the subject of study limited to the middle and top level management located at the Westlands headquarters in Nairobi. The research will be carried out in the month of May 2016. There exists a potential limitation of lack of responsiveness from the target respondents. This limitation will be overcome by providing an assurance of confidentiality and anonymity to the respondents.
1.7 Definition of Terms

1.7.1 Strategy

A strategy can be defined as the determinator of the common long-term goals of a firm, and the adoption of courses of action and the resource allocation necessary for carrying out and achieving these goals (Weigl, 2007). A strategy can define what business the firm is in or is to be in.

1.7.2 Competitive positioning

The competitive positioning (CP) seeks to identify the segment that is being targeted and the differentiated value proposition intended to be delivered to that segment (Burke, 2011).

1.7.3 Strategic Alliances

Strategic alliances can be defined as a formal agreement between two or more companies that are separate in which there is strategically relevant collaboration, shared risk, joint contribution of resources, mutual dependence, and shared control (Heidtmann, 2011). The relationship between the partners may be based on contract or collaboration.

1.8 Chapter Summary

An overview of the research has been presented in this chapter by covering background of the study. The background has illustrated why organizations enter into strategic alliances and the benefits that they derive from such alliances. The problem statement has been identified as lack of sufficient knowledge pool on how firms can achieve competitive positioning through strategic alliances in the Kenyan market and specifically the telecommunications industry. The general objective of the study is to establish if Safaricom Ltd has achieved competitive positioning through strategic alliances. The research will be developed through two objectives; to establish how competitive positioning at Safaricom Ltd has been achieved through the various types of strategic alliances it has; and to establish the challenges of strategic alliances in Safaricom Ltd. Chapter Two will be the Literature Review followed by Chapter Three which will be the Research Methodology. Chapter Four will be the Results and Findings and Chapter Five will be the Discussion, Conclusions and Recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter evaluates the several views and perceptions of different scholars based on the three specific objectives that have been introduced in Chapter one. The literature review will be made up of the research objectives. A chapter summary will be provided at the end of this chapter.

2.2 Strategic alliances and competitive positioning

2.2.1 Competitive positioning

The competitive positioning (CP) of a product seeks to identify the segment that is being targeted and the differentiated value proposition intended to be delivered to that segment (Burke, 2011). If the CP is strong, this indicates that the stakeholders know the intended customers of the product and why they need it with regards to the value proposition relative to competitive alternatives. Burke (2011) continues to state that competitive positioning is developed to drive brand choice in a certain segment of a market.
There are a number of steps that are required so as to identify competitive positions, assess them and ensure that they are built in efficient and effective ways. These steps include examination of: (1) internal capabilities; (2) competitive factors; (3) scanning the environment; (4) consumer segments; (5) fit between strategic business units” (SBU”s) capabilities and alternative position requirements and; (6) profitability of the positions (Burke, 2011).

A high competitive positioning of a firm, according to Burke (2011) will lead to a product commanding high premium prices due to differentiation and the fact that the product’s value proposition is relevant to the market segment. Another importance is that high competitive positioning of products will lead to economic improvements in the industries in which the products compete in. Industries where firms compete with distinctive propositions of value that are strongly and consistently perceived by the stakeholders of a market as having a high competitive position should be healthier. This is so because the products will not face collapsing margins brought by price competition because they will not compete on the same attributes.

2.2.2 Strategic alliances
A strategic alliance can be referred to as an agreement where two or more firms or partners share the commitment to reach a common goal by pooling resources together and activities coordination (Vonortas and Zirulia, 2015). Todeva and Knoke (2005) state that many analysts consider strategic alliances as contemporary phenomena even though interorganizational linkages have been in existence since the origins of the firm as a unit of production. According to Ladki and Shatila (2002), alliances vary with the nature and size of the firms involved. Most strategic alliances usually include companies of unequal size. The size itself may contribute to bringing the partners together. Alliances also differ based on the needs, capabilities, and objectives of the partner firms involved. Various factors, such as structure of the alliance, characteristics of partners, and nature of specialization, have an impact on the formation of the alliance, maintenance, performance, and consequently its success.

Apart from being trading partnerships that enhance the effectiveness of the participating organizations” competitive strategies by providing common exchange of resources, strategic alliances are new forms of businesses that allow partners to improve and control their business relationships in different ways. The alliances can be used to add-on incomplete gaps of capacity, to acquire critical resources in order to impede competition, acquire means of distribution, overcome barriers associated with regulations, pool resources, reduce risk,
achieve competitive advantage, and to generate innovation in areas that it would have otherwise been impossible if they were working alone (Todeva and Knoke, 2005).

According to Rajasekar and Fouts (2009) there are six categories of strategic alliances. They are: collisions between competitors (direct competitors as partners), alliances of the weak (two or more weak corporations form alliances), disguised sales (a weak corporation joins a strong one, usually a direct competitor), bootstrap alliances (a weak firm joins a strong one, usually a competitor with a complementary product), evolutions to a sale (sale of one partner), and alliances of matching equals (involves two complementary partners). Theoretical and research literatures have presented a number of basic forms of interorganizational relations/strategic alliances (Todeva and Knoke, 2005). These classifications are:

(1) Hierarchical relations: whereby one organization or firm takes full control of the other’s assets and operations by the ownership rights mechanism through merger or acquisition. (2) Equity investment: occurs where an organization directly purchases stock shares in another organization to become a majority or minority equity holding. (3) Joint venture: where one or more organizations jointly create a legally owned organization that will serve a limited purpose like marketing or R&D (Research and Development), for the parent/mother organizations. (4) Licensing: occurs when one company is granted the right to use production processes or patented technologies in return the company issuing these rights receives fees and royalties. (5) Franchising: a franchisee is granted the use of brand name identity within a certain geographic location by a franchiser, who still retains control over certain core functions such as marketing, pricing, and standardized service norms. R&D consortia: this happens when inter-firm contracts for research and development collaboration are formed in industries that typically experience rapidity in technological changes. (6) Cooperative: this is a partnership of small enterprises that combine, organize, and manage their resources collectively. (7) Strategic cooperative agreements: these are contractual business systems on the basis of joint multi-party strategic control. The partners work together over vital strategic decisions and share responsibilities for performance outcomes. (8) Cartels: are large conglomerates that conspire to constrain competition by controlling production and/or determining prices in certain industries. (9) Action sets: are short-term firm coalitions where members coordinate their lobbying efforts with the aim of influencing public policy making. (10) Industry standard groups: they are committees that look at the member organizations’ agreements on the adoption of technical standards concerned with trade and manufacturing.
Subcontractor networks: these are organizations that are inter-linked where a subcontractor negotiates its suppliers’ long-term costs, delivery schedules, and production runs. Market relations: price mechanism is the main guideline for arm’s-length transactions between organizations.

According to Heidtmann (2011), strategic alliances can be grouped into diagonal, vertical, and horizontal types according to the industry they belong to and their level of the value chain. Horizontal strategic alliances is a collaboration between two companies that operate on the same value chain level and are in the same industry, with the intention to realize economies of scale. Examples are sales and distribution, and joint R&D. A diagonal strategic alliance describes collaboration of two companies in different industries. A vertical strategic alliance can be defined as cooperation between two companies from a different value chain level, whose main aim is optimization within a company by outsourcing proceeding or subsequent activities of the value chain. An example is collaboration between a yoghurt and dairy producer.

2.2.3 Motives for entering a strategic alliance

Gottinger (2007) presented three drivers for alliances which are: network economics, competencies and market structure. Under market structure, Gottinger (2007) argues that certain types of structures force firms to enter into strategic alliances. Because of market power, especially that found in monopolies and monopsonies, firms which want to enter into these markets will be forced to ally with an existing player. The same might happen for highly disaggregated markets whereby firms may form alliances in order to lower costs, create economies of scale, and develop bargaining power against suppliers.

Under competencies, Gottinger (2007) argues that firms enter into strategic alliances so as to leverage knowledge and competencies between firms, create/learn new knowledge and competencies or both combinations. Most common type of alliance under this motivation is licenses where intellectual property is shared. Strategic alliances based on competencies require a lot of cooperation and careful integration of learning, operational and managerial processes between firms.

Network economics refers to industries that are characterized by intensity of information (Gottinger, 2007). Industries impacted by network economies are usually characterized by the demand-side of economies of scale, meaning that the relative number of users can hugely impact the failure or success of a venture.
There are various forces or motives that drive companies into forming strategic alliances locally or globally. Gulati (1998) highlighted three main motivations for entering into strategic alliances: transaction costs that result from small numbers bargaining; strategic behavior that leads firms to try to increase their competitive positioning or market power; and a search for organizational knowledge or learning that results when one or both partners want to obtain some vital knowledge from the other or one partner firm wants to keep its capability while seeking another firm’s knowledge.

In the manufacturing industries, numerous structural changes have led to strategic alliances. According to Chan and Wong (1994), strategic alliances are formed to share costs and risks especially where an individual firm cannot recover initial investment costs caused by slow growth rates, market crowding, or rapid technological changes. For example, pharmaceutical companies in Japan want to expand overseas because the Japanese market is too small to recover the heavy costs incurred in Research and Development. On the other hand, American companies want to enter into the Japanese market because it is the second largest market worldwide accounting for $13 billion of business (Chan and Wong, 1994). Joint ventures like Takeda and Abbott emerged due to such dynamics.

Companies may also enter into strategic alliances to acquire strategic capabilities rapidly which are needed for global competition. Global competition needs global-scale efficiencies, local responsiveness, and worldwide learning simultaneously. A firm cannot single-handedly possess all these resources and strategic capabilities in order to attain global competitiveness (Chan and Wong, 1994).

According to Vonortas and Zirulia (2015) other motives for entering into strategic alliances are: In cases of international agreements, companies want to access product and financial markets, as well as legal political benefits in the host countries; Increase revenues for research organizations that are public especially universities; Creating economies of scale, rationalization and specialization by deploying resources efficiently; and Creation and optimal exploitation of new investment opportunities by increasing strategic flexibility.

When organizations are looking for competitive positioning, advantage, and new efficiencies at the same time avoiding uncertainties and rigid hierarchies, they may choose to enter into strategic alliances.
2.3 Benefits of strategic alliances

Market dynamics especially in technology businesses force firms to react quickly. The market is continually changing in the technological space. According to Yasuda (2005), organizations form alliances to react to the market conditions quicker and thus gain competitive positioning especially where time is critical. Alliances provide an opportunity for firms to adjust competences in order to meet the market's dynamic demand. Firms will therefore determine how alliances will help in developing new products that deviate from existing market demand. This enables firms to take advantage of the existing opportunities in the market and have an advantage over other firms (Pateli, 2009).

2.3.1 Entry to new markets and business growth

Firms use different strategies in order to enter new markets. Strategic alliances have been one of the most common ways a firm can diversify into new markets or use this as a market entry strategy. Firms entering a new market will reap more benefits from a strategic alliance (Drago, 1997). Drago (1997) argues that increased market and operational uncertainty are associated with new markets. Firms can reduce these uncertainties through strategic alliances. The greater the variations in the new market for an organization, the greater the potential for benefiting from alliances. Alliances speed up market entry and increase product lines especially for multinationals seeking to expand into markets that are foreign. They also enable firms to penetrate foreign markets that have entry barriers. Strategic alliances enable firms to control regulatory bodies by partnering with firms that already have the essential license and thus speed up the process of market entry (Sompong, Igel, and Helen, 2014).

According to Isoraite (2009), in retail, entering a new market is a process that is expensive and time consuming. Forming strategic alliances with an established company which has a good reputation can help create favorable brand image and efficient networks of distribution. Even established reputable companies need to introduce new brands to market. Leveraging off the alliance will help to capture the shelf space which is key for the success of any brand. Strategic alliances have also been used as a strategy for business growth (Anslinger and Jenk, 2004). Most organizations greatly rely on strategic alliances to grow business. From the alliances, firms are able access to new markets by tapping into segments that they would have been unable to reach individually due to limitations based on the geography or size of the firm (Gilmore, Carson, and Rocks, 2006).
2.3.2 Acquisition of resources

The resource-based view of the firm suggests that firms derive competitive advantages from their preferential access to particular resources, especially tacit knowledge-based resources. The resource-based view rejects the assertion that resources are perfectly mobile and homogeneous (Saxena and Bharadwaj, 2009). Approaching alliance formation from a resource-based perspective has, traditionally, meant a focus on existing competencies (or lack thereof) that may propel firms to enter into new alliances rather than the conditions that define the opportunity set firms may perceive (Gulati, 1998). Organizations are able to outsmart their competition by using their existing internal resources to sustain competitive advantage by way of taking advantage of the market opportunities and neutralizing threats they face from the same competitors. Firms can only take advantage of the available opportunities if they have adequate resources (Gulati, 1998).

Firms which lack resources will greatly benefit from strategic alliances (Drago, 1997). Partners in the strategic alliances will leverage the resources across the board enabling the partners to do more with less. Small organizations tend to experience scarcity in resources, will more likely inhabit volatile environments that create marketing uncertainty, and will also have minimal access to knowledge that will lead to competitive advantages. All these environmental uncertainties among many others can be minimized through strategic alliances.

Forming strategic alliances is a fast way for acquiring resources. The nature of the resources to be shared may be the same or different. Resources may be complimentary or supplementary. When complimentary resources are pooled together, they enable the creation on new capabilities (Satta, Parolla, Penco, and Falco, 2015), stimulate technological innovation, and favor mutual relations amongst partners because of the non-overlapping nature of the resources (Sà and Lee, 2012).

According to Kale and Singh (2009), the higher the level of resource complementarity among the partners, the higher the probability of success. This is also supported by Shah and Shaminathan (2008) who emphasize that complimentary resources are a fundamental requirement in alliances and therefore contribute greatly to the formation of strategic alliances.
2.3.3 Shared risks

Risk sharing is another common benefit from undertaking a strategic alliance. When there is a new market, or when there is a lot of uncertainty and instability in a particular market, sharing risks becomes very important. The competitive nature of business makes it difficult for a firm entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm’s risks. Strategic alliances provide an important avenue for firms to venture into risky projects whose outcome is both uncertain and unstable and involve a huge outlay of capital and other resources. The competitive nature of the business environment makes it difficult for a firm venturing into a risky project to bear the impact of project failure alone because this could lead to closure of the business due to the huge capital investment involved. With the strategic alliances firms are able to pool resources into big projects and share the expected risk of if the project(s) fail (Isoraite, 2009).

As the firms embark on the strategic alliance, they will need to ensure that risk is borne by all partners involved so that benefits from the alliance are enjoyed. This will prevent lack of trust or feelings of being shortchanged by either of the partners.

2.3.4 Shared knowledge and expertise:

Many firms are knowledgeable in some areas especially their core business areas and lack expertise in other areas. Forming a strategic alliance can lead to access to knowledge and expertise in an area that a company lacks. Knowledge is an intangible resource critical in the firm gaining competitive advantage. The information, knowledge and expertise that a firm gains can be used for other projects and purposes. The expertise and knowledge can range from dealing with government regulations, production, marketing, or learning resource acquisition (Isoraite, 2009).

2.3.5 Synergy and competitive advantage:

Accomplishing synergy and a competitive advantage may be another reason why firms enter into a strategic alliance. Synergy is one of the most important reasons for the formation of strategic alliances because some firms are stronger than others. Strategic alliances are efficient, effective and are more competitive as compared to individual partners performing activities and tasks alone. As compared to entering a market alone, forming a strategic alliance becomes
a way to decrease the risk of market entry, international expansion, and research and development (Isoraite, 2009). Competition becomes more effective when partners leverage off each other’s strengths, leading to synergy that would be hard to achieve if attempting to enter a new market or industry alone.

2.3.6 Organizational learning
Organizational learning is a systematic procedure whereby organizations create knowledge through its employees, teams and groups. It pushes the organization towards better performance and results through development and generation of competences (Leal, Roldán, and Real, 2006). Wittman, Hunt, and Arnette (2009) state that firms involved in strategic alliances tend to have greater performance due to learning and knowledge sharing as well as opportunities available to gain competitiveness. Through organizational learning firms are able to make use of their existing resources and capabilities by converting them into unique capabilities which is a source of sustainable competitive advantage (Real and Roldán, 2014). The process around the creation, transfer and use of knowledge greatly contribute to the success of the alliance and how the alliance performs. Organizational learning enables firms to avoid mistakes which minimize costs that would have been spent during the learning phase.

2.4 Challenges of strategic alliances
Various factors, including the inherent conflict resulting from goal divergence, partner opportunism and cultural differences contribute to failure of alliances (Ireland, Hitt and Vaidyanath, 2002). Ireland, Hitt and Vaidyanath (2002) also highlight that selecting the wrong partner, failure of anticipated cooperation to emerge and variances in expectations about the value that can be created, also make management of strategic alliances difficult.

2.4.1 Failure to learn and understand the differences in culture.
Cultural differences will definitely exist among global organizations that are seeking strategic alliances. Corporate cultures may however be different among organizations that are from the same nation. This barrier may be overcome through learning and flexibility. Hofstede (1980) defines organizational culture as the collective thinking that distinguishes people from different organizations. According to Hofstede (1984), there are five cultural dimensions. These dimensions are: power distance, uncertainty avoidance, individualism vs. collectivism and
femininity vs. masculinity, and long term orientation. These dimensions distinguish members of one national group from another. Cultural differences especially for cross-border alliances lead to widespread differences in managerial philosophies. To ensure maximum success of a strategic alliance, companies should look for partners with similar philosophies of management or draft an agreement between the partners that will address the differences and provide their resolution.

Failure to understand and adapt to new style of management, which requires a change in corporate culture and should be initiated and nurtured from the top management, is a major challenge in strategic alliances. Organizational culture demonstrates how things are done in an organization (Smith, 2003). Strategic alliances often face the challenge of failure to adapt in the new management styles. Partners in the alliance often suffer from incongruence of organizational cultures and management ideologies. This is mostly manifested when the partners have varying national cultures which generate misunderstanding (Brito & Silva, 2009).

2.4.2 Lack of commitment from top management

People who negotiated or helped in implementing the preliminary alliance may change due to transfers, retirement, terminations, or promotions. Such instances may make continuity of total commitment quite difficult. Elmuti and Kathawala (2001) propose that commitment from the senior management is very critical for the success of a strategic alliance. The senior management should be fully committed to formulating, implementing, managing, and monitoring the overall strategic plans. Commitment to strategic alliances from the senior management will ensure that the alliances receive the required resources and convince others in the organization of the importance of the alliance. Many employees in organizations view strategic alliances as not the core business. The senior management should demonstrate a strong commitment and play a strong leadership role so as to minimize such a view by the employees. Senior management has to overcome the fear of loss of control and so they will not be able to have control over personnel, investment choices, and brand decisions especially for global strategic alliances (Elmuti and Kathawala, 2001). The two authors state that a good alliance should not be on the basis of control or ownership but rather commitment and enthusiasm.
2.4.3 Ambiguity of roles

There always exists a possibility that partners in a strategic alliance may act in an opportunisti
c manner. While setting up the alliance it is vital that there is no role ambiguity (Kumar, 2014). Am
guity in role promotes instability in the alliance. While alliances provide an opportunity for 
resource complementarity, the realization of the alliance benefits depends on how role 
ambiguity will be managed in the alliance (Kumar and Patriotta, 2011). Running an alliance 
with ambiguity requires having circumstances where there are many analyses to situations. In 
such situations managers find it difficult to make decisions. Decision makers work in an 
ambiguous environment with low level of information that can be used for decision making. 
Role ambiguity makes it difficult for the partners to plan for the alliance since the partners 
don”t know what they expect from it. Alliance partners should be determined to clear 
ambiguity while negotiating, executing and evaluating the alliances. Ambiguity can arise in 
the form of partner, interaction or evaluative ambiguity (Das and Teng, 2002). Kale and Singh 
(2009) propose that role ambiguity can be reduced by having top management support, 
collaborative problem solving, subdividing tasks, building relationships amongst the alliance 
partners, and an enhanced effort towards governance of the alliance. Clarity in roles ensures 
all the parties know what is expected of them. Elmuti and Kathawala (2001) argue that clearly 
understood roles will increase the chances of success for a strategic alliance. The question of 
control should be addressed before the alliance is formed. The degree to which each partner 
has control over operations and can offer input that is influential on decision making must be 
determined before formation of the alliance. When a strategic alliance is being formed, all the 
partners should decide each others roles up front so as to prevent misunderstanding and 
uncertainty leading to an amicable relationship.

2.4.4 Lack of trust

Trust has been identified as an important factor for the success of strategic alliances. Mutual 
trust and commitment are key values for strategic alliances. Aalbers (2010) contends that trust 
is assumed to lower transaction costs mainly in an uncertain environment and, as such, it is a 
valuable source of competitive positioning and advantage. The concept of trust is gradually 
receiving attention in studies on strategic alliances. Trust is assumed to guard against 
unscrupulous behaviour, thereby stimulating an environment that stimulates knowledge and 
skills exchange to take place.
Understanding the role of network facilitators in nurturing trust among partners entails greater comprehension of how it may leverage on the trustor’s insights of ability, benevolence and integrity to foster the development of trusting relationships (Cannatelli and Antoldi, 2012). Trust therefore involves choice and existence of risk. It develops over a period of time. For trust to be there, a fundamental condition is that there must be an opportunity to abuse the trust (Chaturvedi and Gaur, 2009). No contract or agreement, however detailed it is, can account for all issues or contingencies in a strategic alliance. It is also not practical to rewrite the alliance agreement every time a new issue arises. Most of the activities in the alliance will develop informally as the alliance develops and therefore trust will be critical (Kale and Singh, 2009). In an atmosphere of no trust, transaction costs are not minimal thus there are no benefits increased from the alliance. According to Nielsen and Nielsen (2009), trust has been shown to facilitate transfer of knowledge, improve flexibility, reduce the cost of running business, and create an environment where there is potential for learning and innovation.

2.4.5 Poor Leadership

Leading a strategic alliance often has exceptional challenges. Most alliances are organized in a manner whereby there is a shared leadership function but informal leadership structures evolve within the partnership. The leader will need to factor in different leadership skills that encompass issues such as the nature of the contract between the organizations, relationship between the partners, and the characteristics between the team members in the alliance (Schweitzer, 2014). The alliance manager’s leadership will have an impact on how the team interacts and their effort of working together towards achieving the objectives and goals of the alliance. Ineffective communication between partners may lead to dissolution of an alliance resulting from mistrust or doubt between parties. Effective communication will build and maintain relationships in strategic alliances.

Transformational leadership supports organizational learning and effectiveness of teams. This leadership style inspires the team, is charismatic, stimulates their intellectual capacity and considers the opinion of everyone in the team. Leadership is most effective if managers are able to encompass different styles of leadership depending on the situation at hand. This way the informal aspects of an alliance are addressed while leading the alliance. Conflict is eliminated and the alliance is unified enabling to move in one direction (Schweitzer, 2014).
2.4.6 Poor strategy

Clearly defined, shared goals and objectives also determine the success of a strategic alliance as Elmuti and Kathawala (2001) state. Some companies are highly integrated with the parent organizations and share resources like management staff, manufacturing facilities, and support functions such as research and development. On the other hand, some organizations are autonomous and independent from their parent organizations. It is very important that strategic alliances be aligned to the company strategy because two or more partners with separate corporate cultures merge. Elmuti and Kathawala (2001) recommend that the best strategy for growth through alliances would be to move slowly, and begin with not-so-complex alliances and upon success, these organizations can move towards more complex ones after gaining the necessary experience and talent. Top management need to articulate a clear link between expectations of where the industry’s profit pools in the future will be, how the alliance will capture a larger share, and how the alliance fits in the plan. According to Elmuti and Kathawala (2001), a McKinsey study found that 50 percent of strategic alliances fail due to poor strategy.

2.5 Chapter Summary

This chapter has provided a literature review based on the three research objectives of the study. The chapter evaluated the views of various scholars on strategic alliance and competitive positioning. The first research objective was on competitive positioning and strategic alliances. There are different types of strategic alliances that a firm can enter and some are joint ventures, licensing, and franchising among others. The second research objective was based on benefits of strategic alliances. Some of the benefits of strategic alliances discussed are acquisition of resources, shared risks, shared knowledge and expertise, and entry into new markets and business growth. Finally, this chapter has reviewed literature on the challenges faced by strategic alliances which was the third research objective. They included poor strategy, role ambiguity, lack of top management commitment, lack of trust, and failure to learn and understand the differences in culture. The next chapter will discuss the research methodology and design to be used in conducting the research.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter studies the methodology used to carry out the study and the choice of research design used to undertake the study. It shows the population of the study and the sampling design which is a description of the sample size and sampling technique. The chapter further expounds on the justification for the selection of the population, sample, sampling design and sampling technique.

3.2 Research Design

A research design is the plan and structure that is used to analyze the subject matter being researched on with the intention of answering the research questions (Cooper and Schindler, 2014). A research design can also be described as a systematic planning of research, usually including; the formulation of a strategy to resolve a particular question; the collection and recording of the evidence collected; processing and analysis of these data and its interpretation; and finally the publication of results (Cooper and Schindler, 2014). It is the blueprint that guides the whole study to attain the research objectives as well as answer the questions. The choice of research design is influenced by, among other things, the availability of a large pool of methods, techniques and sampling plans. This study used the descriptive research design. A descriptive research design explains the behaviour and characteristics of a population (Sloman, 2010). Burns and Bush (2010) also define descriptive research as the set of techniques and procedures that can be used to describe variables. The principal use of descriptive research
Statistics is to describe information or data using numbers. Saunders, Lewis, and Thornhill (2007), have shown that surveys are one of the most utilized methods in business research because they allow the collection of large amount of data from a sizeable population in a highly economic and effective way at the same time describing the status quo. The survey method was therefore justified for this study as it had many characteristics that were advantageous given the large sample size and short time span for administration. Some of the characteristics include; control of the data collection environment, flexibility of data collection, range of questions, sample management, number of data, response rate, rate and expenditure.

A survey was undertaken in the population with the dependent variable being competitive positioning. The independent variables are going to be the types of strategic alliances, benefits of the strategic alliances, and the challenges of the strategic alliances.

3.3 Population and Sampling Design
3.3.1 Population
The population is the collection of total elements that will be studied and inferences made on (Cooper and Schindler, 2014). In this study the target population was made up of the employees of Safaricom Limited. The study targeted six hundred and twenty two employees who are in the middle and top level management. This was described by Safaricom human resources as the employees in Band G, F, E and the Top Leadership (based on their organization structure) comprised of six hundred and twenty two employees. These are employees who are directly involved in strategy formulation and implementation.

3.3.2 Sampling Design
A sampling design is a procedure that guides the researcher towards selecting the suitable sample. It involves choosing some elements of a population in order to enable that conclusions be made about the whole population (Cooper and Schindler, 2014). It guides the process of grouping units to the frame, determining the sample size, distributing the sample to the classes of the frame units and finally selecting the sample. Sampling was done because the cost is lower, the rate of data collection is faster, it ensures homogeneity since the data set is smaller; it was possible and to improve the accuracy and quality of the data.
3.3.2.1 Sampling Frame
The sampling frame is the list of elements from which the sample will be drawn (Cooper and Schindler, 2014). Saunders, Lewis, and Thornhill (2007) define a sampling frame as the complete list of the population cases from which the sample is selected. The sampling frame in this study comprises all employees of Safaricom Limited headquarters in Nairobi who are involved in strategy formulation and implementation. These are employees who are in the middle and upper level management. The list of these employees was provided by the human resources department of Safaricom Limited.

3.3.2.2 Sampling Technique
This is the method of selecting a sample from the population that is representative of the characteristics of the total population (Cooper and Schindler, 2014). This study uses the stratified random sampling technique. Stratified random sampling is a method whereby the members of the homogeneous group are segmented into several separate subgroups and then random samples are picked from the subgroups. In this study the various departments within Safaricom form the subgroups. This method prevents the bias of having feedback concentrated in a few departments. This method ensures equal distribution of the sample, increasing the efficiency of the samples.

3.3.2.3 Sample Size
According to Roxy, Olsen, and Devore (2008), a sample size is the number of elements or people to be studied. Based on the sample size determination formula by Raosoft Inc (2004), sample size = N/[(N-1)E²+x] where N is the population and E the margin of error. Based on this formula, the appropriate sample size to use for a target population of 622 and a confidence interval of 90% is 189. The sample size was distributed across the divisions in the same percentage as the population.

<table>
<thead>
<tr>
<th>Table 3.1 Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
</tr>
<tr>
<td>Consumer Business Unit</td>
</tr>
<tr>
<td>Enterprise Business Unit</td>
</tr>
<tr>
<td>Financial Services</td>
</tr>
<tr>
<td>Customer care</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>Technology</td>
</tr>
<tr>
<td>Finance</td>
</tr>
<tr>
<td>Resources</td>
</tr>
<tr>
<td>Corporate Affairs</td>
</tr>
<tr>
<td>Marketing</td>
</tr>
<tr>
<td>Risk</td>
</tr>
<tr>
<td>Internal Audit</td>
</tr>
<tr>
<td>Strategy and Innovation</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

This study used primary data. The information was collected using a structured questionnaire. Questionnaires enable a large amount of information to be collected from many people at the same time thus speeding up the research process. The results from the questionnaire can be analyzed more scientifically and objectively. The questionnaire comprised of both open ended and close ended questions that will measure the types of strategic alliances for attaining competitive positioning, benefits of strategic alliances, and the challenges of strategic alliances. It used the five Likert scale whereby a set of statements about the topic were presented and for each statement the respondents would indicate if they strongly disagree, disagree, are neutral, agree or strongly agree.

The questionnaire was made up of four parts. Section one was seeking to understand the general information of the respondent i.e. the background information. The second section was based on the first objective, identifying the types of strategic alliances. The third section was based on the second objective, identifying the benefits of strategic alliances and the last section was on the challenges of strategic alliance.

3.5 Research Procedures

A pilot study was carried out first to ensure the effectiveness of the questions in the questionnaire used to carry out the research. The feedback obtained from the pilot study was used to determine whether the questionnaire was understood by the respondents and also determine whether they had the ability and willingness to answer the questions. It helped to indicate the period of time the respondents would take to fill the questionnaire. The pilot study was carried out amongst fellow students and peers. Five percent of the sample size was used to pretest. The questionnaires were administered via email. Feedback from the pretest was
incorporated before proceeding to do the final fieldwork. Follow up calls and reminders were used to make certain that the response rate was high. The respondents were assured of the confidentiality and anonymity of their feedback. They were incentivized by assuring them of giving them the final copy of the research work.

3.6 Data Analysis Methods

Data analysis involves the process of reducing the accumulated information to a manageable size, summarize the data, and outline the patterns by applying various statistical techniques with the aim of identifying useful information that can be used for decision making purposes (Hand, Adêr, and Mellenbergh, 2008). Standard Package for Social Sciences (SPSS) and Microsoft Excel were the tools used to analyze the data. The data is prepared for analysis by editing, coding, transcribing and cleaning the data. Descriptive statistics such as measures of central tendency and dispersion were used to analyze the data. Data was presented in the form of figures, tables, graphs and charts make the research findings at a glance easy to understand.

3.7 Chapter Summary

The chapter has described the research methodology used to carry out the research. The study is descriptive and was focused on middle and upper/top level management for Safaricom Limited. Data collection was carried out using questionnaires and analyzed through the descriptive statistics. Microsoft Excel and SPSS were used as the tools of analysis. The next chapter presents the results and findings of this study.

CHAPTER FOUR

RESULTS AND FINDINGS

4.1 Introduction

This chapter displays the results of the study and their interpretations. The chapter has results on the demographic data of the respondents such as age, gender, duration of work, management position and the departments. Further, the chapter shows perceptions of the respondents towards competitive positioning through strategic alliances. The last section will be the chapter summary.
4.1.1 Response rate

The response rate is used in determining the statistical strength of a test and the higher the rate the more accurate the test is expected to be. In this study, the researcher distributed 189 questionnaires where all were filed and returned. This represents a response rate of 100% as shown in table 4.1.

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Filled and collected</td>
<td>189</td>
<td>100%</td>
</tr>
<tr>
<td>Non Responded</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>189</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

4.2 Demographic Information

This section offers the findings on the various demographic factors of the respondents who participated in this study.

4.2.1 Gender of the Respondents

Safaricom is the leading telecommunication company in the country in terms of the size and performance and looking at the respondents by gender the firm has employed almost equal number of male and female. The gender results are shown in figure 4.1 below. From the findings, majority of the respondents were female accounting for (52%) while the male respondents were (48%).
4.2.2 Age of the Respondents

Age of a person is a significant factor of study in a population and in this study (as shown in table 4.2), majority (30.2%) of the respondents (staff) were of age bracket 35-44 years, followed by those aged between 18-24 years (25.9%), the third age bracket was 25-34 years (22.8%), and finally the age bracket above 40 at (21.2%). The distribution shows views expressed towards competitive positioning through strategic alliances.

Table 4.2: Age of the Respondents

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>49</td>
<td>25.9</td>
<td>25.9</td>
<td>25.9</td>
</tr>
<tr>
<td>25-34</td>
<td>43</td>
<td>22.8</td>
<td>22.8</td>
<td>48.7</td>
</tr>
<tr>
<td>35-44</td>
<td>57</td>
<td>30.2</td>
<td>30.2</td>
<td>78.8</td>
</tr>
<tr>
<td>above 45</td>
<td>40</td>
<td>21.2</td>
<td>21.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>189</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.3 Duration of Employment at Safaricom in Years

Duration of employment of a person in an organization is an important factor of determining the experience in a population, in this study (as shown in figure 4.2), majority (32.8%) of the respondents (staff) had been at Safaricom for over 10 years, followed by those who have worked between 6-10 years at (26.5%), then followed by those who had worked for less than age three years (22.2%), and finally those who have worked for between 3-5 years (18.5%).
4.2.4 Position in the Organization

In any firm the number of managerial levels is largely dependent on its size. The various management levels whether, top, middle, or first-line managers are orderly organized with a clear separation of their functional roles. In this study, majority of the staff interviewed were middle level management accounting for (60%) of the respondents while only (40%) of the respondents were top level management.

4.2.4 Department

According to the data collected the top three departments with the highest respondents were
Customer care at 20%, this was followed by the Consumer Business Unit (CBU) at 19% and Technology had 15.1%. Internal audit had the least number of respondents at 1.1% as shown in table 4.3.

Table 4.3: Respondents by Department

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBU</td>
<td>36</td>
<td>19.0</td>
<td>19.0</td>
<td>19.0</td>
</tr>
<tr>
<td>EBU</td>
<td>23</td>
<td>11.7</td>
<td>11.7</td>
<td>30.7</td>
</tr>
<tr>
<td>Care risk</td>
<td>8</td>
<td>4.5</td>
<td>4.5</td>
<td>35.2</td>
</tr>
<tr>
<td>Customer</td>
<td>40</td>
<td>20.1</td>
<td>20.1</td>
<td>55.3</td>
</tr>
<tr>
<td>Technology</td>
<td>27</td>
<td>15.1</td>
<td>15.1</td>
<td>70.4</td>
</tr>
<tr>
<td>Finance</td>
<td>14</td>
<td>7.8</td>
<td>7.8</td>
<td>78.2</td>
</tr>
<tr>
<td>Resource</td>
<td>10</td>
<td>5.6</td>
<td>5.6</td>
<td>83.8</td>
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<tr>
<td>Corporate affair</td>
<td>9</td>
<td>5.0</td>
<td>5.0</td>
<td>88.8</td>
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<tr>
<td>Marketing</td>
<td>6</td>
<td>3.4</td>
<td>3.4</td>
<td>92.2</td>
</tr>
<tr>
<td>FS</td>
<td>9</td>
<td>5.0</td>
<td>5.0</td>
<td>97.2</td>
</tr>
<tr>
<td>Internal audit</td>
<td>2</td>
<td>1.1</td>
<td>1.1</td>
<td>98.3</td>
</tr>
<tr>
<td>Strategic and Innovation</td>
<td>3</td>
<td>1.7</td>
<td>1.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>189</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.3 Competitive Positioning Achievement through Strategic Alliances

4.3.1 Descriptive Statistics of Respondents

The researcher collected data on the achievement of strategic alliance using a likert scale. The findings are shown in table 4.3. The respondents were asked to indicate their perception about competitive positioning, mean and standard deviations were as follows in the table. A mean value of more than 4.0 indicated approval while a mean of less than 4.0 indicated disapproval. According to table, the respondents highly supported the idea firms enter into strategic alliances to become more competitive on a global scale (55%), and that time is crucial in determining when a firm should enter into a strategic alliance(55%). It was also highly agreed that a high competitive positioning of a firm will lead to high premium prices (53.3%). Respondents also agreed that a firm can enhance its competitive positioning by forming alliances with its competitors (64.5%) and also that, firms enter into strategic alliances so as to leverage knowledge and resources (62.4%).
### Table 4.4: Competitive Positioning through Strategic Alliances

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firms enter into strategic alliances to become more competitive on a global scale</td>
<td>4.302</td>
<td>5.19</td>
</tr>
<tr>
<td>Time is crucial in determining when a firm enters into an alliance</td>
<td>4.249</td>
<td>5.39</td>
</tr>
<tr>
<td>A high competitive positioning of a firm will lead to high premium prices</td>
<td>4.212</td>
<td>1.11</td>
</tr>
<tr>
<td>A firm can enhance its competitive positioning by forming alliances with its competitors</td>
<td>4.111</td>
<td>3.89</td>
</tr>
<tr>
<td>Firms enter into strategic alliances so as to leverage knowledge and resources</td>
<td>4.016</td>
<td>3.14</td>
</tr>
<tr>
<td>The type of strategic alliance formed will depend on the firm’s business</td>
<td>3.963</td>
<td>3.95</td>
</tr>
<tr>
<td>Firms that form strategic alliances in different industries will enhance their competitive positioning</td>
<td>3.841</td>
<td>1.10</td>
</tr>
<tr>
<td>Alliances are new forms of businesses that allow partners to improve and control their business relationships in different ways</td>
<td>3.767</td>
<td>1.18</td>
</tr>
<tr>
<td>Firms enter into strategic alliances to reduce transaction costs</td>
<td>3.741</td>
<td>1.16</td>
</tr>
</tbody>
</table>

#### 4.3.2 Comparing Means across Competitive Positioning and Departments

An Anova was undertaken to compare means of the twelve departments against the competitive positioning achieved through strategic alliances as shown in figure 4.4 below. At 95% confidence levels only the factor: type of strategic alliance formed will depend on the firm’s business was significant with a P-value of (0.04) at a variation in mean between groups; MSB = (311.287); variation in means within the groups; MSE = (2619.454) F Value = MSB/MSE = (1.912).

### Table 4.5: Anova Competitive Positioning and Departments

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic alliance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>66.342</td>
<td>11</td>
<td>6.031</td>
<td>.380</td>
<td>.963</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2812.018</td>
<td>177</td>
<td>15.887</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2878.360</td>
<td>188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Competitive alliance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>151.341</td>
<td>11</td>
<td>13.758</td>
<td>.906</td>
<td>.536</td>
</tr>
<tr>
<td>Within Groups</td>
<td>2689.326</td>
<td>177</td>
<td>15.194</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2840.667</td>
<td>188</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Know resource</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>109.783</td>
<td>11</td>
<td>9.980</td>
<td>1.010</td>
<td>.439</td>
</tr>
<tr>
<td>Within Groups</td>
<td>1749.170</td>
<td>177</td>
<td>9.882</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1858.952</td>
<td>188</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 4.3.3 Correlation

A Pearson multivariate correlation was done to determine how the various factors of strategic alliance correlate with each other and at 95% confidence level a weak negative correlation (0.154) and P-value (0.035) was established between how a firm can achieve competitive positioning through strategic alliances, and how firms that form strategic alliances in different industries enhance their competitive positioning. Similarly, weak negative correlation (-1.52) and P-value (0.037) was also established between how firms that form strategic alliances in different industries enhance their competitive positioning and how time was crucial in determining when a firm enters into an alliance.

#### Table 4.6: Correlation

<table>
<thead>
<tr>
<th></th>
<th>Strategic alliances</th>
<th>Competitive positioning</th>
<th>Alliance timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>-.154*</td>
<td>-.007</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.035</td>
<td>.927</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>189</td>
<td>189</td>
<td>189</td>
</tr>
</tbody>
</table>

**Competitive position**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>16.672</td>
<td>214.566</td>
<td>231.238</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>1.516</td>
<td>1.212</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.257</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Global competition**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>323.167</td>
<td>4742.642</td>
<td>5065.810</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>29.379</td>
<td>26.795</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.367</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Less transaction cost**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8.621</td>
<td>243.675</td>
<td>252.296</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>.784</td>
<td>1.377</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.569</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.852</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Firms business**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>311.287</td>
<td>2619.454</td>
<td>2930.741</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>28.299</td>
<td>14.799</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.040</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**High premium**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>165.382</td>
<td>5326.153</td>
<td>5491.534</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>15.035</td>
<td>30.091</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.902</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Alliance control**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19.395</td>
<td>244.361</td>
<td>263.757</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>1.763</td>
<td>1.381</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.241</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Alliance timing**

<table>
<thead>
<tr>
<th></th>
<th>Between Groups</th>
<th>Within Groups</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>408.729</td>
<td>5064.584</td>
<td>5473.312</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>177</td>
<td>188</td>
</tr>
<tr>
<td></td>
<td>37.157</td>
<td>28.613</td>
<td></td>
</tr>
<tr>
<td></td>
<td>.228</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Competitive positioning

<table>
<thead>
<tr>
<th></th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-.154*</td>
<td>.035</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>.037</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>-.152*</td>
<td></td>
<td>189</td>
</tr>
</tbody>
</table>

Alliance timing

<table>
<thead>
<tr>
<th></th>
<th>Pearson Correlation</th>
<th>Sig. (2-tailed)</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-.007</td>
<td>.927</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>-.152*</td>
<td>.037</td>
<td>189</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td></td>
<td>189</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

4.4 Benefits of Strategic Alliances to Safaricom Ltd

4.4.1 Descriptive statistics of Respondents

The researcher collected data on the benefits of strategic alliance using a 5 point likert scale and the findings are shown in table 4.4. When asked about their perception on the benefits received by Safaricom through strategic alliance. The distribution was as follows in table 4.4 below. A mean value of more than 4.0 indicated approval while a mean of less than 4.0 indicated disapproval.

According to findings, most respondents said strategic alliances can be used as a means to diversify into new markets (63%), and the higher the level of resource complementarity in the alliance, the higher the probability of success (60.3%). The findings also reveal that firms determine how alliances will help in developing new products (57.3%), firms are also able to grow through strategic alliances (60.8%). Strategic alliance was also found to help firms to gain competitive advantage (60.9) and firms are able to learn through strategic alliances (59.2%).

Table 4.7: Distribution of Strategic benefits

<table>
<thead>
<tr>
<th>Factor</th>
<th>mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic alliances can be used as a means to diversify into</td>
<td>4.344</td>
<td>5.38</td>
</tr>
<tr>
<td>new markets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The higher the level of resource complementarity in the</td>
<td>4.317</td>
<td>5.40</td>
</tr>
<tr>
<td>alliance, the higher the probability of success</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms determine how alliances will help in developing new</td>
<td>4.259</td>
<td>5.38</td>
</tr>
<tr>
<td>products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firms are able to grow through strategic alliances</td>
<td>4.090</td>
<td>3.91</td>
</tr>
</tbody>
</table>
Strategic alliances help firms to gain competitive advantage  4.079  3.90
Firms are able to learn through strategic alliances  4.037  3.92
Firms are able to achieve synergy through strategic alliances  3.937  1.15
Risk can be reduced through strategic alliances  3.804  1.14
Strategic alliances aid firms in resource acquisition  3.767  1.13
Firms are able to acquire expertise and knowledge  3.651  1.22

4.4.2 Regression Analysis

A regression analysis was conducted between a firm can achieve competitive positioning through strategic alliances and combined variable of competitive positioning, and combined benefits of competitive alliances. The values of $B_0$ (0.29), $B_1$ (0.997) and $B_2$ (-0.061) where; $B_0$: The expected strategic alliances when competitive analysis and benefits of alliances are not considered is (0.29); $B_1$: The expected increase in strategic alliances when competitive analysis is considered is (0.997); $B_2$: The expected decline in strategic alliances when the benefits of alliances are not considered is (-0.06). $B_1$ is significant with a p-value 0.000< 0.05 as shown in table 4.6

Table 4.8: Coefficients

<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>.290</td>
<td>.219</td>
<td>.827</td>
<td></td>
</tr>
<tr>
<td>Competitive analysis</td>
<td>.997</td>
<td>.303</td>
<td>4.335</td>
<td>.000</td>
</tr>
<tr>
<td>Benefit of alliance</td>
<td>-.061</td>
<td>-.018</td>
<td>-.260</td>
<td>.795</td>
</tr>
</tbody>
</table>

a. Dependent Variable: strategic alliance

There is a significant positive correlation between strategic alliance, competitive analysis, and benefits of alliances, (R=0.303). Coefficient of determination ($R^2$) is (0.092/9.2%) and this means that 9.2% of the variation in strategic alliances can be explained by the variation in competitive analysis and benefits associated with forming such alliances as shown in table 4.7.
Table 4.9: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjust R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.303(^a)</td>
<td>.092</td>
<td>.082</td>
<td>3.7489</td>
<td>.092</td>
<td>9.402</td>
</tr>
</tbody>
</table>

\(^a\) Predictors: (Constant), competitive analysis, Benefits of alliances

4.5 Challenges of Strategic Alliances in Safaricom Ltd

4.5.1 Descriptive

The researcher collected data on the challenges of strategic alliance using a 5 point likert scale and the findings are shown in table 4.8. When asked about their perception on the challenges received by Safaricom through strategic alliance. The distribution was as follows in table 4.8 below. A mean value of more than 4.0 indicated approval while a mean of less than 4.0 indicated disapproval. Poor strategy was found to be the main cause of failure in strategic alliances (57.7%), lack of commitment from top management results in failure of strategic alliances (56.1%), and different management styles lead to failure of strategic alliances (59.8%).

Table 4.10: Challenges of Strategic Alliances

<table>
<thead>
<tr>
<th>Challenge</th>
<th>mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor strategy is the main cause of failure in strategic alliances</td>
<td>4.2</td>
<td>5.43</td>
</tr>
<tr>
<td>Lack of commitment from top management results in failure of strategic alliances</td>
<td>4.1</td>
<td>5.44</td>
</tr>
<tr>
<td>Different management styles lead to failure of strategic alliances</td>
<td>4.0</td>
<td>3.92</td>
</tr>
<tr>
<td>Cultural differences especially for cross-border alliances lead to widespread differences in managerial philosophies</td>
<td>3.9</td>
<td>3.94</td>
</tr>
<tr>
<td>Role ambiguity leads to confusion among partners</td>
<td>3.9</td>
<td>3.94</td>
</tr>
<tr>
<td>Differences in culture slow down the working of strategic alliances</td>
<td>3.9</td>
<td>3.95</td>
</tr>
<tr>
<td>Lack of trust is common</td>
<td>3.8</td>
<td>3.95</td>
</tr>
<tr>
<td>Organizations prefer working independently instead of working as a combined force</td>
<td>3.8</td>
<td>3.95</td>
</tr>
<tr>
<td>Lack of a clearly defined strategy is a challenge in managing strategic alliances</td>
<td>3.6</td>
<td>1.25</td>
</tr>
<tr>
<td>Poor leadership results in friction in the strategic alliance</td>
<td>3.5</td>
<td>1.33</td>
</tr>
</tbody>
</table>

4.5.2 Correlation in Challenges of Strategic Alliance

A Pearson multivariate correlation was done to determine how the various challenges of strategic alliance correlate with each other and at 95% confidence level. The research revealed that there was a weak negative correlation of (-1.56), and a p-value of (0.033) between how organizations prefer working independently instead of working as a combined force and lack of a clearly defined strategy is a challenge in managing strategic alliances Table 4.11:

<table>
<thead>
<tr>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Lack of a clearly defined strategy</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>work independent</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).

4.6 Summary of Chapter

This particular chapter presents the findings based on the information collected and received from the respondents. The first section shows the results related to the demographic information which includes gender, age and duration worked in Safaricom. This section was followed by a descriptive analysis of the objectives which were: achieving competitive positioning through the types of strategic alliances, the benefits of strategic alliances, and the challenges of strategic alliances. An Anova was undertaken to compare means of the twelve...
departments against the competitive positioning achieved through strategic alliances. A Pearson multivariate correlation was done to determine how the various factors of strategic alliance and how the various challenges of strategic alliance correlate with each other. A regression analysis was conducted between a firm can achieve competitive positioning through strategic alliances. Further insights and inferences are offered in chapter five. This chapter also includes the summary, the discussions, conclusions and recommendations.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This particular chapter will comprise of four sections which are, summary, discussion, conclusion and recommendation. The summary will provide the main components of the study which will include the specific objectives, methodology and the results and findings. The next section will discuss the major findings with reference to the specific objectives. The third section reflects on the conclusion referring to the specific objectives. The last section provides the recommendations for further improvement based on the findings of the research work.

5.2 Summary
The purpose of the study was to establish how an organization has achieved competitive positioning through the various strategic alliances it has. The case study was Safaricom Limited. The study had three specific objectives which were; to establish the achievement of competitive positioning through the various types of strategic alliances Safaricom Ltd has; to establish the benefits of strategic alliances to Safaricom Ltd; and to establish the of challenges of strategic alliances in Safaricom Ltd. A descriptive research methodology guided the research. The population of the study comprised of those who are in management, especially those involved in the formulation and execution of the company’s strategies. From the population, a sample was drawn using the stratified random sampling method so as to prevent bias from the sample. Primary data was collected with the use of online questionnaires which had open ended questions and structured questions on the likert scale.

The gender results from the findings revealed that majority of the respondents were female accounting for (52%) while the male respondents were (48%). The respondents age group was between 18 and 40 years, and (30.2%) of the respondents (staff) were of age bracket
35-44 years, followed by those aged between 18-24 years (25.9%), the third age bracket 25-34 years (22.8%), and finally the age bracket above 40 at (21.2%).

While looking at the duration of working at the company the study revealed that majority (32.8%) of the respondents (staff) had been at Safaricom for over 10 years, followed by those who have worked for between 6-10 years at (26.5%), then followed by those who had worked for less than three years (22.2%), and finally those who have worked for between 3-5 years (18.5%). The research also revealed the largest number of the staff interviewed were middle level management accounting for (60%) of the respondents while only (40%) of the respondents were top level management.

The first specific objective of the research planned to establish the achievement of competitive positioning through the various types of strategic alliances Safaricom Ltd has. On analysis of this objective, it was revealed that most respondents highly supported the idea that firms enter into strategic alliances to become more competitive on a global scale (55%), and that time was crucial in determining when a firm should enter into a strategic alliance (55%). It was also highly agreed that a high competitive positioning of a firm will lead to high premium prices (53.3%). Respondents also agreed that a firm can enhance its competitive positioning by forming alliances with its competitors (64.5%) and also that, firms enter into strategic alliances so as to leverage knowledge and resources (62.4%). The second specific objective was to establish the benefits of strategic alliances to Safaricom Ltd. On analysis of the benefits received by Safaricom through strategic alliance most respondents stated that strategic alliances can be used as a means to diversify into new markets (63%), and the higher the level of resource complementarity in the alliance, the higher the probability of success (60.3%). The findings also reveal that firms determine how alliances will help in developing new products (57.3%), firms are also able to grow through strategic alliances (60.8%). Strategic alliance was also found to help firms to gain competitive advantage (60.9) and firms were able to learn through strategic alliances (59.2%).

The third specific objective was to establish the challenges of strategic alliances to Safaricom Ltd. Based on the respondents’ feedback, poor strategy was found to be the main cause of failure in strategic alliances (57.7%), lack of commitment from top management results in failure of strategic alliances (56.1%), and different management styles lead to failure of strategic alliances (59.8%).
5.3 Discussion

5.3.1 Achievement of Competitive Positioning through Various Types of Strategic Alliances

The findings revealed that most respondents highly supported the idea that firms enter into strategic alliances to become more competitive on a global scale. According to Chan and Wong (1994) companies enter into strategic alliances to acquire strategic capabilities rapidly which are needed for global competition. Global competition needs global-scale efficiencies, local responsiveness, and worldwide learning simultaneously. A firm cannot single-handedly possess all these resources and strategic capabilities in order to attain global competitiveness.

The findings also show that time was crucial in determining when a firm should enter into a strategic alliance. It was also highly agreed that a high competitive positioning of a firm will lead to high premium prices. A high competitive positioning of a firm, according to Burke (2011) will lead to a product commanding high premium prices due to differentiation and the fact that the product’s value proposition is relevant to the market segment.

Respondents also agreed that a firm can enhance its competitive positioning by forming alliances with its competitors. According to Heidtmann (2011), strategic alliances can be grouped into diagonal, vertical, and horizontal types according to the industry they belong to and their level of the value chain. Horizontal strategic alliances is a collaboration between two companies that operate on the same value chain level and are in the same industry, with the intention to realize economies of scale. A diagonal strategic alliance describes collaboration of two companies in different industries. A vertical strategic alliance can be defined as cooperation between two companies from a different value chain level, whose main aim is optimization within a company by outsourcing proceeding or subsequent activities of the value chain. Gottinger (2007) argues that certain types of structures force firms to enter into strategic alliances. Because of market power, especially that found in monopolies and monopsonies, firms which want to enter into these markets will be forced to ally with an existing player. The same might happen for highly disaggregated markets whereby firms may form alliances in order to lower costs, create economies of scale, and develop bargaining power against suppliers. When organizations are looking for competitive positioning, advantage, and new efficiencies at the same time avoiding uncertainties and rigid hierarchies, they may choose to
enter into strategic alliances. Vonortas and Zirulia (2015) support this finding by stating that other motives for entering into strategic alliances are: In cases of international agreements, companies want to access product and financial markets, as well as legal political benefits in the host countries; Increase revenues for research organizations that are public especially universities; Creating economies of scale, rationalization and specialization by deploying resources efficiently; and Creation and optimal exploitation of new investment opportunities by increasing strategic flexibility.

Respondents also agreed that, firms enter into strategic alliances so as to leverage knowledge and resources (62.4%). This finding is supported by Gottinger (2007) who argued that firms enter into strategic alliances so as to leverage knowledge and competencies between firms, create/learn new knowledge and competencies or both combinations. Strategic alliances based on competencies require a lot of cooperation and careful integration of learning, operational and managerial processes between firms.

5.3.2 Benefits of Strategic Alliances
The findings show that strategic alliances have benefits. Organizations that have been entering into alliances have been seen to be more profitable than those that don’t. The study found out that organizations enter into strategic alliances generally to diversify into new markets. From previous research, strategic alliances have been pushed as one of the market entry strategies for firms that seek to enter into new markets (Anslinger and Jenk, 2004). Through strategic alliances, firms are able to tap into new or foreign markets hence overcoming restrictions that would have existed if they chose to go it alone. Being a telecom firm, Safaricom is often forced to continuously react to the market environment that is turbulent. This can be achieved quickly through strategic alliances. Yasuda (2005) also found out that firms enter in to alliances so as to react to market conditions faster especially in instances where time is of the essence. According to Isoraite (2009), in retail, entering a new market is a process that is expensive and time consuming. Forming strategic alliances with an established company which has a good reputation can help create favorable brand image and efficient networks of distribution.

The study also established that through strategic alliances, firms are able to succeed through resource complementarity. According to Kale and Singh (2009), the higher the level of resource complementarity among the partners, the higher the probability of success. This is also supported by Shah and Shaminathan (2008) who emphasize that complimentary resources
are a fundamental requirement in alliances and therefore contribute greatly to the formation of strategic alliances.

The findings of the study further collaborates those of Todeva and Knoke (2005) who found that strategic alliances helped to complete capacity gaps within organizations, kept out competition by securing key resources, reduced risks associated with running the business, overcame regulatory barriers, as well as innovate new products. These benefits enable firms that enter into strategic alliances achieve competitive positioning. This is also in agreement with the study by Sompong, Igel and Helen (2014), who stated that strategic alliances helped firms to acquire scarce resources, lock out competition, expand/diversify into new markets as well as obtain economies of scale.

From the study, it was also found out that firms also enter into strategic alliances in order to gain a competitive position over other firms. Competitive positioning ensures that organizations are in top positions in terms of placement in the market, which may enable the company to have premium prices or produce below the industry cost. Through strategic alliances, firms are able to cooperate with similar firms which enable them to do better than other companies within the same industry. This supports Todeva and Knoke’s (2005) work, who wrote that strategic alliances are used to enhance onto incomplete capacity gaps thus achieve competitive positioning over other firms. Pateli (2009) further supports this, by stating that strategic alliances enable firms to take advantage of the market opportunities that are available therefore getting an advantage over other organizations.

The study revealed that most of the respondents felt that strategic alliances help an organization to leverage knowledge and resources. According to Isoraite (2009), many firms are knowledgeable in some areas especially their core business areas and lack expertise in other areas. Forming a strategic alliance can lead to access to knowledge and expertise in an area that a company lacks. Isoraite (2009) further reiterates that knowledge is an intangible resource critical in the firm gaining competitive advantage. The information, knowledge and expertise that a firm gains can be used for other projects and purposes. The expertise and knowledge can range from dealing with government regulations, production, marketing, or learning resource acquisition.

Strategic alliances also help organizations to innovate new products/services and therefore have a first mover advantage in the market that they operate in. Based on the respondents’ feedback from the study, they were in agreement that strategic alliances help organizations to innovate new products faster as compared to operating alone. This is supported by Schweitzer
(2014) who discovered that firms enter into alliances so as to generate innovation that they would otherwise have found to be impossible if they were working alone. It is anticipated that when two firms combine their technological know how, they are likely to come up with bigger and better ideas. Todeva and Knoke (2005) were also of a similar opinion that strategic alliances assist firms to generate new ideas thus further supporting the feedback from the respondents in this study.

5.3.3 Challenges of Strategic Alliances
The findings from this research indicate that strategic alliances have quite a number of challenges. According to Yasin, Masqsood and Sandhu (2013), strategic alliances face challenges in the form of lack of similarity in management ideologies, cultural differences, lack of management commitment and lack of shared goals and objectives. This agrees with the findings of this study whereby the respondents agreed that the main challenges faced by strategic alliances were cultural differences, incongruence of management ideologies and lack of management commitment. The findings of this study established that incongruence of management ideologies is one of the reasons why strategic alliances fail. This is driven by management focusing in different directions that makes the alliance lose concentration, often resulting in conflict in the operations of the alliance. According to Brito and Silva (2009), this arises especially when the goals and objectives of the alliance are not aligned, when the organizations do not have shared values thus lacking any binding factor within the organization”s management. Based on this research, partners should select alliance partners who have the same ideologies, goals and objectives to avoid friction and misunderstanding when the alliance operations have started. Yasin, Maqsood and Sandhu (2013) further assert that similarity in management system is important for the success of the alliance. Management formulates the policies of the organization hence it is imperative for them to have the same ideology so that they can develop policies and procedures that will move the strategic alliance in one direction enabling it to work as one unified organization.

The findings of this research reveal that lack of commitment from top management is a challenge in strategic alliances that can lead to failure. Elmuti and Kathawala (2001) propose that commitment from the senior management is very critical for the success of a strategic alliance. The senior management should be fully committed to formulating, implementing, managing, and monitoring the overall strategic plans. The senior management should demonstrate a strong commitment and play a strong leadership role so as to minimize such a
view by the employees. Senior management has to overcome the fear of loss of control and so they will not be able to have control over personnel, investment choices, and brand decisions especially for global strategic alliances (Elmuti and Kathawala, 2001).

The findings of this research also indicate that respondents largely felt that poor strategy was a key challenge that eventually led to failure of strategic alliances. According to Elmuti and Kathawala (2001), a McKinsey study found that 50 percent of strategic alliances fail due to poor strategy. According to Elmuti and Kathawala (2001), top management need to articulate a clear link between expectations of where the industry’s profit pools in the future will be, how the alliance will capture a larger share, and how the alliance fits in the plan.

The findings show that the respondents largely felt that different styles of management due to cultural differences pose one of the greatest challenges to strategic alliances. This can be attributed to the fact that the culture of an organization drives how things are done in the organization. Strategic alliances will therefore face such a challenge as the organization adapts to a new style of management. Other scholars have mentioned cultural differences as the reason why strategic alliances fail mostly due to the clash of the different ideologies while managing the firm (Kelly, Schaan, and Joncas, 2002). Differences in cultural backgrounds affect the relations of the alliance partners. The partners should therefore select partners who are flexible and ready to understand the others’’ cultures. From Brito and Silva’s study (2009), it was found that strategic alliance partners frequently suffer from incongruence of organizational cultures and management ideologies. Brito and Silva (2009) continue to state that this is mostly manifested when the partners have varying national cultures which generate misunderstanding.

Strategic alliances also experience change resistance. This is one of the major reasons for their downfall if not addressed by management of the organization in the near future. Resistance to change is highly connected to organizational culture whereby employees prefer working in the already well-known ways instead of embracing new ways of doing things. According to Schweitzer (2014), the success of the strategic alliance will rest on on its ability to create trustworthy relationships and manage any conflict that may arise. Resistance to change has to be proactively managed to prevent conflict in the organization.
5.4 Conclusions

5.4.1 Achievement of Competitive Positioning through Various Types of Strategic Alliances
The study has revealed that companies enter into strategic alliances to become more competitive especially in the global scene. The study also revealed that time played a major role in determining when a firm should enter into a strategic alliance. Most of the respondents also agreed that a high competitive positioning of a firm will lead to high premium prices and this was supported by literature. The high premium prices would occur due to differentiation in the market. Respondents were in agreement that a firm can enhance its competitive positioning by entering into alliances with its competitors. This can be done by entering into either a diagonal, vertical, or horizontal type of strategic alliance according to the industry they belong to. Firms also enter into strategic alliances so as to leverage knowledge and resources.

5.4.2 Benefits of Strategic Alliances
This study has shown that companies enter into strategic alliances mainly to diversify into new market opportunities. This provides access to new opportunities as compared to starting from the beginning. The respondents seemed to agree with this based on the response they gave in the questionnaires. The benefits from the strategic alliance will come in the form of sustainable competitive positioning and higher profitability compared to other firms within the same industry. This ensures that the firm’s activities take place smoothly in the long run. Other reasons why firms enter into alliances include achieving competitive positioning, growth, learning from alliance partners, and innovation of new products.

5.4.3 Challenges of Strategic Alliances
According to the study, the main challenge to strategic alliances was poor strategy. Another key challenge was cultural differences that led to different management styles. This was perceived to slow down progress within strategic alliances. Cultural differences make the processes of the strategic alliance to have nonstop conflict. When the challenges to the strategic alliance are not addressed in time, they often result to the downfall of a strategic alliance in the long run. The progress of the strategic alliance has to be constantly monitored and evaluated to ensure that the challenges are addressed before they lead to failure. Other challenges experienced include, incongruence of management ideologies, resistance to change and lack of clearly defined goals in managing the strategic alliance.
5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Achievement of Competitive Positioning through Various Types of Strategic Alliances
The study recommends that firms should consider entering into strategic alliances so as to achieve competitive positioning. The firms may enter into the alliances with competitors to block competitive threats and instead promote cooperation. In doing so, the firms are able to improve their competitive position in the market. The firms should clearly state the objectives and goals of the cooperation when entering into the different types of alliances and make sure they align with their own. The study highly recommends that firms get the time right before entering in to a strategic alliance and that the firm should also choose the right partner(s).

5.5.1.2 Benefits of Strategic Alliances
The study recommends that firms should enter into markets using strategic alliances as the main entry strategy. This is due to the quick entry into the market enabling firms to experience growth in business. Technological companies should especially be mostly keen into entering into strategic alliances because of the highly turbulent nature of the environment they operate in. The high turbulence in the environment forces firms to respond rapidly hence the need for entering into alliances.

5.5.1.3 Challenges of Strategic Alliances
This study recommends that alliance partners should be carefully and thoroughly screened so as to reduce conflict arising due to differences in culture as well as incongruence of management ideologies. The organizations working together should ensure congruity in their goals and objectives, review the highlights of the alliance on a regular basis, as well as have clear channels of communication.

5.5.2 Recommendations for further studies
The researcher highly recommends that upcoming researchers could use this research in other industries so as to establish whether the findings would be viable using the same specific objectives. Future researchers could also focus on the effect of strategic alliances in attaining a sustainable competitive positioning and general profitability of the firm.
REFERENCES


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**APPENDICES**

**APPENDIX I: LETTER OF INTRODUCTION**

MBAU MAUREEN WANGUI,
USIU-A,
P.O BOX 14634-00800, NAIROBI.
June 2, 2016.
Dear Respondent,

**RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROJECT.**

I wish to request you to kindly participate in a research project that I am currently undertaking on “**Competitive positioning through strategic alliances**”.

The objectives of this study are to determine the types of strategic alliances that help attain competitive positioning, benefits of strategic alliances, and the challenges of strategic alliances. The information you will provide is strictly for academic purposes and therefore your feedback will be treated with utmost confidentiality.

Please take time to fill the questionnaire which will take approximately 10 minutes.

Yours Sincerely,

Mbau Maureen Wangui.

**APPENDIX II: QUESTIONNAIRE**

**Section A: Bio Data of the Respondents**

1. Indicate your gender
   - Male ☐
   - Female ☐

2. What is your age in years?
   - 18-24 years ☐
   - 25-34 years ☐
   - 35-44 years ☐
   - Above 45 years ☐

3. Duration of employment at Safaricom in years
4. What is your position in the organization?
- Middle level management  
- Top management

5. In which department are you placed?
- CBU  
- EBU  
- Care Risk  
- Customer  
- Technology
- Resources  
- Corporate Affairs  
- Marketing  
- FS  
- Internal Audit  
- Strategy and Innovation

**Section B: Competitive Positioning**

The following concerns aspects of competitive positioning. (Please tick as appropriate on a scale of 1-5 where 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

<table>
<thead>
<tr>
<th>Competitive positioning</th>
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<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>1 A firm can achieve competitive positioning through strategic alliances</td>
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<td>2 A firm can enhance its competitive positioning by forming alliances with its competitors</td>
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<td>3 Firms enter into strategic alliances so as to leverage knowledge and resources</td>
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<td>4 Firms that form strategic alliances in different industries will enhance their competitive positioning</td>
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<td>5 Firms enter into strategic alliances to become more competitive on a global scale</td>
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</table>
Firms enter into strategic alliances to reduce transaction costs

The type of strategic alliance formed will depend on the firm’s business

A high competitive positioning of a firm will lead to high premium prices

Alliances are new forms of businesses that allow partners to improve and control their business relationships in different ways

Time is crucial in determining when a firm enters into an alliance

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Section C: Benefits of Strategic Alliances

The following are the benefits of strategic alliances. (Please tick as appropriate on a scale of 1-5 where 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

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<tr>
<th>Benefits of Strategic Alliances</th>
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<td>Risk can be reduced through strategic alliances</td>
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<td>Strategic alliances help firms to gain competitive advantage</td>
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<td>Strategic alliances aid firms in resource acquisition</td>
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<td>Firms are able to learn through strategic alliances</td>
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<td>Strategic alliances can be used as a means to diversify into new markets</td>
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<td>Firms are able to grow through strategic alliances</td>
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<td>Firms are able to achieve synergy through strategic alliances</td>
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<td>Firms determine how alliances will help in developing new products</td>
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The higher the level of resource complementarity in the alliance, the higher the probability of success

Firms are able to acquire expertise and knowledge

What other effects not listed above has Safaricom benefited from strategic alliances?

Section D: Challenges of Strategic Alliances

The following are the challenges of strategic alliances. (Please tick as appropriate on a scale of 1-5 where 1=Strongly Disagree, 2= Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree)

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<th>Challenges of Strategic Alliances</th>
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<tr>
<td>1 Role ambiguity leads to confusion among partners</td>
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<td>2 Lack of trust is common</td>
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<td>3 Poor leadership results in friction in the strategic alliance</td>
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<td>4 Lack of a clearly defined strategy is a challenge in managing strategic alliances</td>
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<td>5 Lack of commitment from top management results in failure of strategic alliances</td>
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<td>6 Organizations prefer working independently instead of working as a combined force</td>
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<td>7 Differences in culture slow down the working of strategic alliances</td>
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<td>8 Cultural differences especially for cross-border alliances lead to widespread differences in managerial philosophies</td>
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<td>9 Poor strategy is the main cause of failure in strategic alliances</td>
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<td>10 Different management styles lead to failure of strategic alliances</td>
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</table>
What other challenges not listed above has Safaricom experienced in managing strategic alliances?