AN ASSESSMENT OF STRATEGIC ALLIANCES IN BUSINESS ORGANISATIONS: A CASE OF SAFARICOM LIMITED

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UNITED STATES INTERNATIONAL UNIVERSITY – AFRICA

SUMMER 2015
AN ASSESSMENT OF STRATEGIC ALLIANCES IN BUSINESS ORGANISATIONS: A CASE OF SAFARICOM LIMITED

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

USIU-A

SUMMER 2015
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 – Africa for academic credit.

Signed: ________________________________ Date: ________________

Philip Muchaba, ID 642215

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

Signed: ________________________________ Date: ________________

Dr. Juliana M. Namada

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Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to establish the effect of strategic alliances in organisations using Safaricom Limited as a case. This study was developed through three objectives namely; to determine the benefits of strategic alliances, the challenges that firms face and determine the critical success factors necessary to sustain strategic alliances. From the works of other scholars, the benefits of strategic alliances were identified as resource acquisition, diversifying into new business, obtaining economies of scale and organizational learning. The scholars have further identified the challenges that alliances encounter as control related problems, cultural value differences, trust and poor leadership. The literature review further touches on critical success factors necessary to sustain alliances amongst them; mutual needs of the strategic alliance partners, achievement of strategic fit, informed decision making and alliance management capability.

The research methodology to used to carry out the research 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 via questionnaires made up of structured as well as open ended questions. This was analyzed through the descriptive statistics while using Microsoft Excel and SPSSS as the analysis tools. The data was presented using tables and graphs.

From the study it was found out that Safaricom indeed has benefited from strategic alliances. The key benefits were in the form of diversification into new markets, gaining competitive advantage and innovation of new products. In the process of managing the strategic alliance, some challenges come on board amongst them the following; cultural differences which slow down the working of the alliance, incongruence of management ideologies and also resistance to change in the organisation.

Some critical success factors are required for the success of the strategic alliance. The main factors that were observed to be necessary include the following; top management involvement, making sure the needs of the strategic alliance partners are mutual and achievement of strategic fit between the alliance partners.
The researcher concludes that strategic alliances are thus beneficial to organisations if they are well implemented while making sure the critical success factors are put into consideration and at the same time addressing the challenges before they are out of hand. There should be careful screening of the alliance partners in order to minimize conflict arising from cultural differences.

The study recommends that strategic alliances can be used as a market entry strategy which allows firms to grow business. The researcher further recommends that cultural differences should be minimized for the strategic alliance to operate effectively and at the same time select partners carefully as a critical success factor.
ACKNOWLEDGEMENT

I would like to thank the almighty God for his support and providence during this study. Special thanks to my dearest mum for her undying love, support and encouragement during this endeavor. Special thanks to my supervisor Dr. Juliana M. Namada for guiding me through the entire project and being available for review. My deep appreciation also goes to my research lecturer Dr. Kiriri for imparting the skills necessary to undertake the project. I would like to thank my classmates for constantly challenging me when I got stuck, their support in the many hours we spent in the library and for their contribution to this project.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Strategic alliances are a critical component for the success of any business in the 21st century which is characterized by a highly competitive environment (Parise & Prusak, 2006). Firms in the technology space are particularly impacted by increased competition in the global arena due to the dynamic nature of this industry and they have therefore resulted to strategic alliances in order to be able to develop new products faster, enter new markets and meet the evolving market demand. With the strategic alliances, firms are able to respond to changes in technology with greater efficiency and speed (Sompong, Igel, & Helen, 2014).

An alliance is a long term relationship between two or more organizations designed to achieve mutual objectives which are achieved by sharing or creating resources. Example of alliances includes the Star Alliance which is a global airline network that was established in 1997. Members in this alliance include Brazilian airline, Air China, Singapore airline, Continental airline, Lufthansa etc. (Tjemkes, Vos, & Burgers, 2012). The Star Alliance enables airlines to access markets that they do not operate in and therefore do not lose any business.

Organisations have been able to get competitive advantage through strategic alliances. However, the alliance needs to be carefully crafted for it to realize the expected benefits to both partners (Rajasekar & Fouts, 2009). Benefits can only be accrued from the alliance if the roles of the partners are well defined, the goals of the alliance are joint, there is good communication process between the partners and building an environment of trust (Arino, Torre, & Ring, 2001). Other critical success factors necessary for the alliance to be successful include a clear and common vision, mutual needs, strategic fit, shared risk and reward, shared control, cultural compatibility and shared decision making (Biggs, 2006).

The benefits accruing from the alliance will be in the form of acquisition of scarce resources, impede competition by locking critical resources, ease in diversifying into new markets as well as obtaining economies of scale (Sompong, Igel, & Helen, 2014). However, this does
not come about easily and the business will have to face a number of challenges before the alliance operations can be smooth. Some of the common challenges experienced include; conflict arising from control related problems, cultural value differences, lack of trust and poor leadership in the alliance (Schweitzer, 2014).

A number of theories have been used to explain strategic alliances. The popular theories that have been used to explain strategic alliances include transaction cost economics, game theory, strategic behavior model and resource based view of the firm (Rajasekar & Fouts, 2009). According to the transaction cost theory, the characteristics of a transaction determine the components of a good governance structure i.e. market, hierarchy or alliance. While developing a governance structure, organizations normally strive to minimize the transactions costs. Firms will form alliances to reduce costs and risk (Saxena & Bharadwaj, 2009). The resource based view demonstrates that organizations are unable to generate internally all the resources and functions necessary to be successful since resources are imperfect and mobile. The manager engages the firms’ environment so as to gain resources and competencies that the firm does not have. Alliances provide a solution to this resource constraint problem in a much faster way (Veilleux, Haskell, & Pons, 2012). Resources facilitate the implementation of strategies in a firm leading to improved efficiency and effectiveness. Organizations are thus able to achieve above normal profits and sustain their competitive advantage by use of their existing resources (Saxena & Bharadwaj, 2009). According to game theory, a firm is surrounded by five external factors namely competitors, government, social change, technological change and ecological environment. Of these five factors, the one that concerns most marketers is competition. It is therefore paramount to take account of possible reaction by competitors when formulating strategy (Sheang, Hua, & Tai, 2000). In the case of game theory, alliances are used as a way to keep competition in check by bringing them closer as allies.

While many researchers and scholars regard strategic alliances as new phenomena, inter firm ties have existed since the beginning of the firm as a production unit e.g. firm and entrepreneur alliance with credit companies, firm and suppliers of raw materials alliance, firm to trade associations. Strategic alliances do not only enhance trading relationships but also provide avenues for mutual exchange of resources e.g. technologies, skills and products
(Todeva & Knoke, 2005). This exchange of resources allows firms to access resources that they don’t have in a convenient way.

Strategic alliances have their fair share of challenges. Part of the challenges experienced include; clash of cultures between the firms, lack of cohesion between the management teams, difference in policies and procedures, lack of clear goals and objectives, lack of trust between the firms and the possibility of creating a future competitor (Zineldin & Dodourova, 2005). These are issues that the management of the firms forming the alliance needs to address before entering into strategic alliances so that all the objectives and goals are clearly documented.

Multinationals have largely used strategic alliances as an entry strategy in the untapped African market. An example includes Norton Rose Fulbright, a global legal services company, which signed strategic alliance agreements with the leading law firms in East Africa and Zimbabwe (Norton Rose Fulbright, 2015). The Kenyan market has not been left behind in the forming of strategic alliances. Some of the alliances that have been taken place in the recent past include Nakumatt Holdings Limited which announced a partnership with local manufacturers like Tropical Heat Limited (spices), Mumias Limited (Sugar), Unilever Limited (washing powder) to produce the “Nakumatt Blue Label” brand (Business Daily, 2013). Other alliances that have taken place include AIG and Metropolitan Life Insurance to provide insurance services (MetLife, 2010). AIG offers general insurance only whereas Metropolitan Life Insurance provides Life insurance only. Through the alliance they are able collaborate and benefit from each other’s markets.

This research was centered on Safaricom Limited to demonstrate the impact strategic alliances have had on the company. Safaricom is the leading telecommunication company in Kenya commanding a market share of 67% based on customer numbers (Communications Authority of Kenya, 2014). Safaricom Limited was formed in the year 1997 as a subsidiary of Telkom Kenya. In 2002, it was converted into a public company and Vodafone Group Plc. acquired 40% stake in the company while the Government of Kenya (GoK) owned 60%. In 2008, the company listed 25% of its shares on the Nairobi Stock Exchange (Safaricom, 2015).
The company has one of the most innovative products including the following; M-Pesa which has made the transfer of money to the click of the button. The product has also aided in banking the huge unbanked population. M-shwari product which rides on M-Pesa and allows customers to save at attractive interest rates and at the same time borrow. Skiza tunes which entertain callers by having a tune play as you make your call. Okoa Jahazi (Emergency Top Up), a product that makes it possible for customers to borrow airtime when their accounts run dry. Safaricom Mission is to transform lives. This is to achieved by realizing the following goals; Deepen financial inclusion through the use of M-Pesa, delight customers, democratize data, have a youth appeal, become the partner of choice for business, staying ahead of the curve (competition) and deliver best network in Kenya (Safaricom, 2015).

Safaricom has been undertaking strategic alliances in the recent past so as to remain competitive in the market. In the November 2012, they entered into an agreement with Commercial Bank of Africa (CBA) which led to the birth of M-Shwari. This product allows customers to save and at the same time borrow from CBA based on their M-Pesa usage records. Through M-Shwari, both firms have been able to benefit substantially. Safaricom was able to increase M-Pesa usage 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 alliances Safaricom has entered into include an alliance with Kenya Power for the provision of electricity on credit “Okoa Stima”, partnership with the government for the provision of closed circuit security cameras for the exchange of 4G spectrum and also alliances with airlines for the sale of tickets using customer loyalty points (Safaricom, 2015).

In 2014, Safaricom entered into a strategic alliance with Fibre Space Limited so as to tap into the lucrative public service vehicle industry. The industry grossed up annual revenue of Ksh 218.1 billion in 2013 and therefore Safaricom stood to benefit by raking in Ksh 2.1 billion annually in the form of commissions. Fibre Space on the other hand would be able to ride on the expansive M-Pesa network for customers to top up the card (Business Daily, 2014). This research study will seek to evaluate the impact of the strategic alliances on Safaricom’s profitability and determine whether the alliances have created any competitive advantage.
1.2 Statement of the Problem

Strategic alliances are an emerging concept in the Kenyan market. Some of the conceptual issues experienced include role ambiguity in the alliance, lack of trust and control, interfirn rivalry amongst others (Yamakawa, Yang, & Lin, 2011). Strategic alliances are based on the premise of a number of theories. Transaction cost theory demonstrates that firms enter into strategic alliances to reduce the cost of doing business. On the other hand, the resource based view theory shows that firms enter into alliances so as to acquire resources that they currently don’t possess. Game theory is used when firms want to keep competition in check by bringing them closer as partners in an alliance (Saxena & Bharadwaj, 2009).

Researchers have frequently analyzed strategic alliances in the developed countries. Rajasekar & Fouts (2009) studied how strategic alliances create a competitive strategy in the American airline industry. The research goes on to demonstrate how airlines have benefited from such alliances. In the UK, Ayoubi & Massoud (2012) studied the challenges faced by universities when developing international partnerships. In Kenya, Koskey (2013) studied strategic alliances in the hotel industry. Adero (2011) studied how firms maintain competitiveness through strategic alliances. She was particularly analyzing the banking industry and used Equity bank as case. Mathooko & Ogutu (2014) researched on how public universities can adapt to the changing external environment using strategic alliances.

While these studies compare well with the current study, there is a knowledge gap in the telecommunications industry in that there is limited literature in this sector. This research study will bridge the knowledge gap by carrying out a study of strategic alliances in developing countries specifically in the telecommunications industry using Safaricom Limited as a case and also address the management dilemma of whether the strategic alliances the company has undertaken are sustainable in the future.

1.3 General Objective

The general objective of the study was to assess strategic alliances in Kenya using a case of Safaricom Limited.
1.4 Specific Objectives

1.4.1 To determine the benefits of strategic alliances in Safaricom Limited.
1.4.2 To establish the challenges of strategic alliances in Safaricom Limited.
1.4.3 To identify critical success factors necessary to sustain the strategic alliances in Safaricom Limited.

1.5 Significance of the Study

The study seeks to uncover the benefits Safaricom Ltd has drawn from strategic alliances. This information will be useful to the following stakeholder groups;

1.5.1 Academicians and Researchers

The research will contribute to the body of knowledge to academicians and researchers who would want to further their studies in understanding the competitive advantage arising from strategic alliances.

1.5.2 Regulators

The study will be useful to the industry regulators namely the Communications Authority of Kenya (CAK), the Central Bank of Kenya (CBK) and the Kenya Revenue Authority (KRA). It will aide them in understanding strategic alliances especially when they are making industry policy decisions.

1.5.3 Safaricom Owners and Management

The information acquired from this study will help safaricom Ltd to gain knowledge of the benefits that the company has gained from past alliances. The company will be well informed when entering into such alliances in the future.

1.5.4 Strategists

Strategists would be able to understand how Safaricom has consistently remained ahead in the market and appreciate the benefits firms can accrue from strategic alliances. Using this information they can be able to replicate the same in their organizations.
1.6 Scope of the Study

This research was limited to the organization of study which was Safaricom Limited and the subject of study limited to the employees located at the Westlands headquarters in Nairobi. The research was carried out in the month of May and June 2015.

There exists a potential limitation of lack of responsiveness from the target respondents. This limitation was overcome by providing an assurance to the respondents that the feedback was going to be confidential and at the same time anonymous.

1.7 Definition of Terms

1.7.1 Strategic Alliances

This is a partnership between two or more organizations formed to achieve strategically important objectives that are mutually advantageous (Hunger & Wheelen, 2007).

1.7.2 Competitive Advantage

This occurs when a company is able either to operate at a lower cost or prices its products at a premium or both resulting in superior performance (Porter, 1985).

1.7.3 Sustainable Competitive Advantage

This takes place when a company’s strategies enable it to produce above average profits for a long period of time (Jones & Hill, 2010).

1.8 Chapter Summary

This chapter has presented an overview of the research by covering background of the study which expounds on reasons why firms enter into strategic alliances and the benefits that they derive from such alliances. It also touches on critical factors that need to be considered before entering into an alliance. The problem statement has been identified as lack of adequate knowledge pool on strategic alliances in the Kenyan market and specifically the telecommunications industry. The purpose of the study is to establish the benefits that arise from strategic alliances thus highlighting their importance. The research is developed through three objectives namely; to determine the benefits of strategic alliances, the challenges that
firms face and determine the critical success factors necessary to sustain the strategic alliances. The research was intended to benefit the management of Safaricom, Safaricom’s competition, industry regulators and researchers. The next section covers the literature with regards to the specific objectives that have been identified in this research. The third chapter will cover the research methodology while the forth chapter will outline the results and findings. The last chapter will provide a discussion on the findings, draw conclusions and provide recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter evaluates the various views and perspectives of different scholars on the basis of the three specific objectives that have been introduced in chapter one. The literature review will comprise the research objectives. At the end of this chapter a chapter summary will be provided.

2.2 Benefits of Strategic Alliances

According to Gulati (1998) strategic alliances are engagements between independent firms or organizations, voluntary in nature and involve the exchange or sharing of products, technologies or services. On the other hand, Porter (1990) defines strategic alliances as long-standing agreements between two or more firms that span beyond the normal market relations but fall short of a merger. Hunger & Wheelen (2007) summarizes strategic alliances as partnership between two or more firms aimed at achieving strategically important objectives that are of mutual advantage to the firms and would not have been achieved if the firms were operating on their own. The alliances can be used to add-on incomplete capacity gaps, to impede competition by locking critical resources, acquire means of distribution, pool resources, reduce risk, overcome regulatory barriers, achieve competitive advantage and to generate innovation in areas that it would have otherwise been impossible if they were working alone (Todeva & Knoke, 2005).

In spite of the many definitions of strategic alliances, there exists similarities in the definitions. The similiarity is in the form of having two or more firms collaborating with each other for their mutual benefit which could not have been achieved if they were independently operating. Benefits from strategic alliances will flow into the business only if the alliance is successful and performs in a manner that is satisafctory (Yasin, Maqsood, & Sandhu, 2013). This can only be achieved if the alliance is structureed correctly in the initial phase. Many firms form alliances to pool their know-hows with third-party partners and create competitive advantage (Schweitzer, 2014).
2.2.1 Resource Acquisition

Resources owned by a firm are the main driver of its profitability and strategic advantage. They enable a firm to implement its strategies which enable it to operate in an efficient and effective manner. The resource based view rejects the assertion that resources are perfectly mobile and homogeneous (Saxena & Bharadwaj, 2009). Organizations are able to beat competition by utilizing their existing internal resources to sustain competitive advantage by way of taking advantage of the market opportunities and defusing threats they face from competitors. Firms can only take advantage of the available opportunities if they have adequate resources (Gulati, 1998).

Resources are valuable, rare, in-imitable and non-substitutable (Barney, 1991). Due to their nature of being rare, firms opt to seek the resources that they don’t have by forming alliances with partners who possess the resources. This is an immediate and fast way for resource acquisition. The nature of the resources to be shared may be similar or different. The resources will therefore either be supplementary or complimentary in nature. Complimentary resources also known as dissimilar, when pooled together enable the creation on new capabilities (Satta, Parolla, Penco, & Falco, 2015), stimulate innovation of technology and favor mutual relations amongst partners because of the non-overlapping nature of the resources (Sà & Lee, 2012).

According to Kale & Singh (2009), the higher the level of complementarity in resources amongst the partners, the higher the probability of success. Shah & Shaminathan (2008) further support this by asserting that complimentary resources are a must in alliances and therefore can be considered to be a fundamental requirement on the formation of strategic alliances. This is because the firms will gain what they don’t have in the form of the complimentary resources both tangible and intangible.

Past studies have shown that resources are becoming obsolete much faster and at the same time more specialized. It is therefore a necessity for firms to maximize on the resource capabilities by forming alliances (Morris, Kuratko, & Covin, 2008). Market dynamics are changing rapidly and therefore firms have to adapt to the changes in a similar manner which can only be achieved by fast resource acquisition. The above scholars affirm that firms will
tend to look for partners with complimentary resources in order to obtain what they do not have and in so doing they add onto their capabilities and consequently create competitive advantage. This therefore highlights the value derived by firms entering into strategic alliances thus bringing out their importance.

2.2.2 Diversifying into New Markets and Grow Business

Firms employ different strategies in order to enter new markets. Strategic alliances have been touted as one of the ways a firm can diversify into new markets i.e. as a market entry strategy. Alliances have also been used as an avenue to grow existing business (Anslinger & Jenk, 2004). Most organizations are now heavily relying on strategic alliances to expand into new markets and grow business. From the alliances firms benefit in access to new markets by tapping into segments that they would have been unable to reach individually due to geographical limitations or any other limitations that may exist (Gilmore, Carson, & Rocks, 2006). Alliances hasten the pace of market entry and increase product lines especially for multinationals seeking to expand into foreign markets. They also enable firms to penetrate foreign markets that have barriers to entry. Strategic alliances enable firms to curb regulatory bodies by partnering with firms that already have the prerequisite license and thus speed up the process of market entry (Sompong, Igel, & Helen, 2014).

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

2.2.3 Obtaining Economies of Scale

Strategic alliances are formed with the view of reducing the transaction costs. These are the costs of planning, organizing, staffing and monitoring transactions across the business. According to the transaction cost theory, transaction costs are the costs of producing goods or
services by making use of the market instead of producing from within the firm (Watkins, 2015). Partnering enables firms to reduce the operating costs thus introducing efficiencies in the business which result in economies of scale (Contractor & Lorange, 2002). Alliances enable firms to pool resources by work together. They are therefore able to save on various costs once resources are shared. According to (Pansiri, 2009), once firms collaborate, they enjoy economies of scale which is the unit cost reduction due to producing goods or services in large scale.

Firms that enter into alliances invest fewer resources compared to firms that work as lone rangers. Firms sharing resources will also strive to maximize the resources thus end up operating efficiently and effectively. Resource maximization is driven by the fact that they try to make sure that the other partner does not make use of the shared resources more than they do. The fixed costs of the firms are also subsequently reduced in the process since the scale of production is larger (Hill, Jones, & Schilling, 2014). Contractor & Lorange (2002) further affirm that Collaboration allows firms to reduce the unit cost as a result of purchasing in bulk due to the increased scale of operations. The economies of scale therefore enhance efficiency in terms of use of resources which enable firms to lower the cost of operations in the production process due to enhanced efficiencies.

### 2.2.4 Organizational Learning

Organizational learning is the systematic process whereby firms create knowledge through its employees, teams and groups. It drives the organization towards better performance and results through development and generation of capabilities (Leal, Roldán, & Real, 2006). Learning is an essential component in organizational performance and subsequent success. Through strategic alliances, firms get an opportunity to gain knowledge and new experiences. According to Wittman, Hunt, & Arnette (2009), firms taking part in strategic alliances tend to have superior performance due to learning and knowledge sharing as well as opportunities to gain competitiveness. Organizational learning enables firms to make use of their existing resources and capabilities by converting them into unique competencies which is a source of sustainable competitive advantage (Real & Roldán, 2014).
The process around the creation, transfer and use of knowledge contribute greatly to the success of the alliance and how the alliance performs. Knowledge is an intangible resource critical in the firm gaining competitive advantage. In the face of increased competition and globalization, strategic alliances are an important tool for gaining knowledge (Meier, 2011). Organizational learning enables firms not to repeat the mistakes made by others and therefore minimizes costs that would have been spent during the learning phase (Besanko, Dranove, Shanley, & Schaefer, 2013).

2.2.5 Risk Sharing

Strategic alliances provide an important avenue for firms to venture into projects that are risky. These are mostly projects whose outcome is both uncertain and unstable and involve a huge capital outlay. The competitive nature of the business environment makes it challenging for a firm venturing into a risky project to bear the brunt of project failure alone because this could mean closure of the business due to the huge capital investment that had been done. With the strategic alliances firms are able to pool resources into big projects and share the expected risk of project failure (Išoraitė, 2009).

As the firms embark on the strategic alliance, they will need to ensure that risk is borne by both partners so that benefits from the alliance are enjoyed. This will prevent a situation whereby one of the partners feels shortchanged. This subsequently sows the seed of distrust in the alliance relationship. The partners need to appreciate the value they will derive from the alliance so that they are willing to share the risk that will be borne by the strategic alliance (Jerry Mitchel, 2014). Strategic alliances thus enable firms to venture into risky projects that they would not have been able to enter into single handedly.

2.3 Challenges of Strategic Alliances

Strategic alliances are an important vehicle that can be used to gain competitive advantage. However, if they are not well planned and executed they normally pose great challenges. Executives who consider alliances should be very clear on their objectives and the achievements they hope to attain in order to avoid any ambiguity (Mosad Zineldin, 2005). According to Ritter & Johnston (2004), an estimated 60% of strategic alliances fail. Companies must therefore factor in costs and the risks involved before they embark on
forming strategic alliances. Exploitation due to an often opportunistic behaviour from the strategic alliance partners often leads to conflict in the alliance. Firms end up being suspicious of the partners as they perceive them to be exploitative (Nielsen & Gudergan, 2012). Challenges towards successful alliances often relate to the tension between competition and cooperation. Value can only be created if the partners share knowledge and build teamwork through cooperation. Since the benefits accruing from the alliance are available to all partners, there exists the potential for “free-riding” or getting benefits at the expense of the other partners (Agarwal, Crosson, & Mahoney, 2010).

Alliances will face challenges if the critical success factors are not met. These factors are, management commitment, similarities in the management ideologies, frequent feedback on the performance, clearly defined goals and objectives, shared goals and objectives, effective planning, well defined roles, effective communication between the parties and good relationship between the parties (Yasin, Maqsood, & Sandhu, 2013). Alliance success depends on the partners’ capability to match resources and align the cultures, systems and decision-making processes of the alliance team, ability to create trustworthy relationships and manage any conflict that may arise (Schweitzer, 2014).

2.3.1 Control Related Problems

Control plays the vital role of making sure everything is going according to plan. In alliances, control is achieved through making sure that the governance structures are formed well. It can also be achieved through managerial arrangements and other informal mechanisms that may arise (Das & Teng, 2002). Having conflict mechanisms ensures there is no conflict in the future. Control issues can be in the form of behavioral, output or social. Behavioral control issues arise when the manager is not able to achieve an understanding of the alliance cooperation process. This results in managers not being able to monitor the staff under them and also identify opportunistic behavior. On the other hand, output control issues arise when the managers are not able to measure output and consequently not able to measure performance.

Lack of performance measurement will mean that the alliance cannot be evaluated. Such a scenario will eventually result in suspicion amongst the partners whereby they are not able to
measure the benefit they are getting from the alliance. Social control strives to reduce discrepancies in goal and objective preferences. Social control becomes a challenge where organizational members do not have common culture and set of values. The partners therefore lack common goals that bring about cohesiveness. Social cohesion reduces the need for exercising opportunistic behavior (Adner & Helfat, 2003).

2.3.2 Cultural Values Differences

According to Hofstede (1980) organizational culture is the collective thinking that distinguishes people from one organisation from the rest. Organisational culture demonstrates how things are done in an organisation (Smith, 2003). Strategic alliances often face the challenge of failure to adapt in the new style of management. 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 and this generates misunderstanding (Brito & Silva, 2009). Hofstede (1984) further expounds that culture varies in four dimensions. These are large vs small power distance, uncertainty avoidance, individualism vs collectivism and femininity vs masculinity. These attributes distinguish members of one national group from another.

Cultural clash is cited as one of the reasons why alliances fail. It has been identified that culture conflict results in causing friction in working relationships. The greater the cultural divergence, the greater the probability that there will be barriers to effective communication which will subsequently result in misunderstandings. Conflict between bureaucratic and entrepreneurial culture is a common problem in alliances involving small and large organisations. Cultural divergence will likely lead to scuttling of the process of achieving success (Kelly, Schaan, & Joncas, 2002).

2.3.3 Lack of Trust

Trust is a critical aspect in strategic alliances because they entail a great amount of risk. Trust enhances the quality of the relationship between the partners thus allowing the free exchange of information amongst the parties. It is the belief that amongst a group of individuals that another person or group will make good-faith efforts to behave in accordance with past commitments they have entered into, they are honest in the negotiations that preceded such
commitments and do not take advantage of another even when an opportunity presents itself. (Yasin, Maqsood, & Sandhu, 2013). 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 & Gaur, 2009). No contractor or agreement, however detailed it is, can account for all issues or contingencies in a strategic alliance. It is also not feasible to rewrite the alliance agreement every time a new issue comes up. Most of the activities in the alliance will develop informally as the alliance develops and therefore trust will be critical (Kale & Singh, 2009).

In an atmosphere of no trust, transaction costs are not reduced thus there are no benefits accrued from the alliance. According to Nielsen & Nielsen (2009), trust has been shown to improve flexibility, reduce the cost of running business, facilitate knowledge transfer and create an environment where there is potential for learning and innovation.

2.3.4 Poor Leadership

Leading a strategic alliance often poses unique challenges. Most alliances are structured in a manner whereby there is a shared leadership function but with time informal leadership structures evolve within the partnership. The leader will need to use a range of various leadership skills that factor in issues like the relationship between the partners, the nature of the contract between the organizations’, and the characteristics between the team members in the alliance (Schweitzer, 2014). The alliance manager’s leadership will have an impact on the team interaction and their effort of working together towards achieving the alliances’ objectives.

Transformational leadership supports organizational learning and effectiveness of teams. This leadership style is charismatic in nature, inspires the team, stimulates their intellectual capacity and considers the opinion of everyone in the team. Only one study has shown transformational leadership to be ineffective for innovation in alliances (Osborn & Marion, 2009). Leadership is most effective if managers are able to use different leadership styles 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 able to move in one direction (Schweitzer, 2014).
2.3.5 Role Ambiguity

Organizations enter into alliances to achieve objectives that they would otherwise not be able to achieve on their own. However, there exists a chance that their partner may act in an opportunistic manner. While setting up the alliance it is paramount that there is no role ambiguity (Kumar R., 2014). Ambiguity in role creates 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 & Patriotta, 2011). Managing an alliance with ambiguity entails having circumstances where there are many interpretations to situations. In such situations managers find it difficult to make decisions. Decision makers operate in an ambiguous environment with low level of information that can be used for decision making. Ambiguity is at its peak when low quantity of information is coupled with low clarity (Beamish & Lupton, 2009). Role ambiguity makes it difficult for the partners to plan for the alliance since the partners don’t know what they expect from the alliance.

Partners should make efforts to clear ambiguity while negotiating, executing and evaluating the alliances. Ambiguity can arise in the form of partner, interaction or evaluative ambiguity (Das & Teng, 2002). According to Kale & Singh (2009), role ambiguity can be eliminated by having top management support, partitioning tasks, building relationships amongst the alliance partners, collaborative problem solving and an enhanced effort towards alliance governance. Clarity in roles ensures all the parties know what is expected of them and how they stand to benefit from the alliance.

2.4 Critical Success Factors in Strategic Alliances

When undertaking a strategic alliance, several factors need to be considered. First is to determine the motive behind the alliance which will influence partner selection, then consider level of control required. Other factors to be considered include organizational fit, cultural fit, resource fit, risk reduction, environmental fit and operational fit (Yamakawa, Yang, & Lin, 2011). Biggs (2006) further expounds that for an alliance to be successful, the following factors will have to be put into consideration; a clear and common vision, shared objectives, mutual needs, strategic fit, shared risk and reward, mutual trust, cultural
compatibility, shared problem solving and decision making and shared control. According to Inkpen & Ramaswamy (2006), the prospective partners should try and create an organization that will achieve their organizational goals. Synergies are more likely to be realized from such an organization.

One of the fundamental issues is the control of the alliance. Many organizations believe that they should enter into alliances only when they are assured of control. While developing strategies to sustain the alliance, firms should focus on determining elements of the alliance that are critical to success, they should ask themselves whether shared control will work and how they will share and control the resources. This will help eliminate any form of ambiguity once the alliance begins its operations. According to Teng & Das (2008), general outcomes to the alliance should be identified well in advance. These outcomes include revenues, costs, profits, knowledge and technological process.

For the alliance to be successful, there is need to focus attention and resources on building corporation wide alliance capabilities. Firms that have experience in alliance management have a streamlined corporate alliance business unit, an alliance mapping system and dedicated staff. According to Bamford et al. (2003) possession of internal alliance capabilities have the potential of creating substantial value and subsequently increase the alliances’ performance. When formulating strategies to make alliances successful, this factors will need to be considered. A firm will achieve competitive advantage over other firms in the industry if its able to achieve greater alliance success since most alliances have not been successful in their operations (Kale & Singh, 2007).

2.4.1 Mutual Needs of the Strategic Alliance Partners

When forming a strategic alliance it is paramount to select a partner whose needs are mutual. A partner whose needs are mutual will most likely have the required level of skills, resources, knowledge that is required when forming an alliance. Mutual needs will also ensure that the firms operating policies, procedures and organizational structure will gel with that of the collaborating firm (Dacin, Oliver, & Roy, 2007). According to Arino, Torre, & Ring (2001), a firms appeal as a suitable partner is achieved when the mutual needs are aligned since meeting the objectives of the alliance becomes easier.
Firms that refrain from unwarranted opportunism and portray values of equity, trust and have an orientation directed towards mutual gain will be viewed as attractive partners. Shah and Swaminathan (2008) further affirm that firms that reap the benefits of alliances are those that enter alliances with firms that have mutual needs. It is therefore essential to thoroughly analyse potential partners before picking the appropriate partner to avoid disappointment when the alliance kicks off.

2.4.2 Achievement of Strategic Fit

Partner selection will go hand in hand with determining the strategic fit of the potential firms. Strategic fit can be defined as the degree to which a firm matches its internal capabilities to the external environment. It is a fit between the firms’ strengths and weakness and the environments’ opportunities and threats (Grant, 2007). In this regard the external environment is matched by selecting a suitable partner. The alliance objectives need to be aligned so as to provide clarity between firms as they do their business (Holmberg & Cummings, 2009). Determining the strategic fit beforehand aids in finding out the degree of compatibility between the alliance firms in terms of their goals and objectives and thus this minimizes the risk conflict. According to Douma, et al., (2000), forming strategic fit is a must for any alliance to be successful. Firms that have a good strategic fit are able to work together and achieve the benefits of the alliance since there is lower transaction cost once the operations start.

There are various factors that promote a good fit amongst them the following; similar corporate culture and values, strategic goals that converge, good relations between the managers, partners that work towards a valuable reputation, compatible processes and procedures and partners that don’t work in secretive manner (Inkpen & Ramaswamy, 2006). Strategic fit provides an avenue for firms to form alliances so as to seek opportunities in the external environment. The opportunities will be in the form of resources not available to the firm as well as to get access to new product and geographic markets and acquire knowledge (Bierly & Gallagher, 2007). Achievement of strategic fit will ensure that there is no friction within the alliance since the objectives and goals of the partners are already aligned beforehand.
2.4.3 Informed Decision Making

Shared decision making through communication helps change the view of alliance partners from competition to cooperation. This is normally a potential area of conflict since at times alliance partners work in competition instead of cooperation due to suspicious relations between the firms caused by lack of communication when making decisions. It reduces the coordination costs of the alliance and also addresses management issues that relate to bounded rationality and biases in decision making (Agarwal, Crosson, & Mahoney, 2010). Bounded rationality arises when individuals make decisions based on available information and time (Gigerenzer & Selten, 2002). Bounded rationality causes management to incur additional costs due to mistakes that arise from the wrong decisions made. Rodan and Galunic (2004) further emphasize the need for personal communication among decision makers as a vehicle to achieve efficient coordination and cooperation. A flow of information is facilitated when managers invest time and efforts in good communication which consequently increases the economic returns from the alliance.

Shared decision making ensures that the decision makers are well aware of each others intentions and how aligned they are to the alliance. It prevents assumptions and instead relies on facts when making decisions. This eliminates fear and suspicion in the alliance (Adner & Helfat, 2003). The partners therefore act in a manner that does not exhibit opportunism. It is worth noting that the scholars agree that alliances succeed where information flow is smooth and where the communication channels are well spelt out. They agree that communication accelerates the effectiveness of strategic alliances which consequently enables the partners to achieve the intended goals and objectives of the alliance.

A good communication strategy enhances the frequency and quality of communication. It also builds interest in the alliance. High quality communication creates commitment to the alliance and builds trust. It ensures trust, minimizes misunderstanding, transparency and facilitates sustained cooperation (Kelly, Schaan, & Joncas, 2002). With sustained cooperation there is harmony in the alliance. Management is able to make informed decisions due to the cooperation in the alliance.
2.4.4 Alliance Management Capability

According to Schreiner, Kale, & Corsten (2009), alliance management capability is the firms ability to manage and direct the interdependence between alliance partners. It involves building a consensus about the requirements of a particular task in the alliance. It outlines the nature of association between the partners and the procedures to be followed in executing tasks. This involves outlining the roles and responsibilities of each participant in the alliance and how to adapt to changes that may arise due to the dynamic nature of the environment. Alliance management capability has the aspect of coordination, bonding as well as communication (Schreiner, Kale, & Corsten, 2009). There exists a high task interdependence between the partners which involves leading a complex and overlapping structure that links their specific roles with each other while at the same time making frequent adjustments to adapt to the changing environment (Kale & Singh, 2007).

Alliance strategists should understand the mechanisms to use when joining the capabilities from the firms in the alliance (Schweitzer, 2014). This entails managing the joint resource base and the shared resources and competencies. Through alliance management capability, management is able to acquire the capability to create, modify and extend the resources. The above scholars agree that it is therefore pivotal for that alliance management capability is incorporated as a strategy so that the alliance can be sustained in the future and benefits can be reaped from it.

2.4.5 Top Management Involvement

It is critical for top management to support the strategic alliance for positive results to be yielded. They are the custodians of resources owned by the firm and therefore will provide resources to fund the activities in the alliance. They also give direction that will influence how the company is run on a day to day basis. Top management will ensure that the organisations goals and objectives are aligned to those of the strategic alliance while developing the organisational strategy which should factor in the alliance (Whipple & Frankel, 2000).

According to the American Management Association (2014), a successful strategic alliance begins from the top with the support of the chief executive officer (CEO). The CEO will
influence the company’s culture and will set the priorities for the business. The top management will therefore need to be committed to the course of the strategic alliance by showing support to the rest of the employees in the organisation (Kale & Singh, 2009). The rest of the employees will feel motivated to support the alliance in instances where top management is supporting the alliance.

2.5 Chapter Summary

This chapter has provided a literature review based on three research questions of the study. The chapter evaluated the views of various scholars on the benefits of strategic alliances. Some of the benefits discussed include resource acquisition, diversifying into new business, obtaining economies of scale, shared risk and organizational learning. Challenges that alliances encounter were discussed as the second research question with focus on control related problems, cultural value differences, role ambiguity, trust and poor leadership. Finally the chapter has reviewed literature on critical success factors necessary to sustain alliances. Issues discussed here include mutual needs, achievement of strategic fit, shared decision making, top management involvement and alliance management capability. 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 examines 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 elaborates the rationale for the selection of the population, sample, sampling design and sampling technique.

3.2 Research Design

According to Cooper & Schindler (2014), research design is the plan and structure that is used to analyse the subject matter under study with the intention of answering the research questions. It is the blueprint that guides the overall study to achieve the research objectives as well as answer the questions. The choice of research design is influenced by amongst other things the availability of a large pool of methods, techniques and sampling plans. This study used the descriptive research design.

The descriptive research design explains the behaviour and characteristics of a population (Sloman, 2010). Similarly, Burns & Bush (2010) define descriptive research as the set of techniques and procedures that can be used to describe variables. A survey was undertaken in the population with the dependent variable being the effect of strategic alliances in organisations. The independent variables are going to be the benefits of the strategic alliances, the challenges and critical success factors necessary to sustain the alliances.

3.3 Population and Sampling Design

3.3.1 Population

The population is the collection of total elements that we wish to study and make inferences (Cooper & Schindler, 2014). In this study the population was made up of the employees of Safaricom Limited who are in the middle and upper level management. This was described by Safaricom human resources as the employees in Band G, F, E and the Top Leadership
Team (based on their organisation structure) comprised of six hundred and twenty two employees. These are employees who are directly involved in strategy formulation and implementation.

**Table 3.1: Population Distribution**

<table>
<thead>
<tr>
<th>Department</th>
<th>No. of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Business Unit</td>
<td>120</td>
<td>19</td>
</tr>
<tr>
<td>Enterprise Business Unit</td>
<td>76</td>
<td>12</td>
</tr>
<tr>
<td>Financial Services</td>
<td>27</td>
<td>4</td>
</tr>
<tr>
<td>Customer Care</td>
<td>132</td>
<td>21</td>
</tr>
<tr>
<td>Technology</td>
<td>91</td>
<td>15</td>
</tr>
<tr>
<td>Finance</td>
<td>48</td>
<td>8</td>
</tr>
<tr>
<td>Resources</td>
<td>34</td>
<td>5</td>
</tr>
<tr>
<td>Corporate Affairs</td>
<td>31</td>
<td>5</td>
</tr>
<tr>
<td>Marketing</td>
<td>21</td>
<td>3</td>
</tr>
<tr>
<td>Risk</td>
<td>26</td>
<td>4</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>7</td>
<td>1</td>
</tr>
<tr>
<td>Strategy and Innovation</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>622</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Safaricom Limited (2015)*

### 3.3.2 Sampling Design

This is the procedure that guides the researcher towards selecting the appropriate sample. It guides the process of grouping units to the frame, determining the sample size, allocating the sample to the classes of the frame units and finally selecting the sample (Shields & Rangarajan, 2013).

#### 3.3.2.1 Sampling Frame

The sampling frame is the list of elements from which the sample will be drawn (Cooper & Schindler, 2014). This definition is further collaborated by Saunders, Lewis, & Thornhill (2007) who 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 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 & Schindler, 2014). This study uses the stratified random sampling technique. Stratified random sampling is a method by which the members of the homogeneous group are segmented into various 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 the feedback concentrated in some few departments and therefore ensure equal distribution of the sample i.e. increase the samples statistical efficiency.

3.3.2.3 Sample Size

According to Roxy, Olsen, & Devore (2008), a sample size is the number of elements or people in the sample to be studied. Based on the sample size determination formula by Raosoft Inc (2004), sample size = \(N\times E^2 + x\) where \(N\) is the population and \(E\) the margin of error. Based on this formula, the appropriate sample size to use for a 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>Department</th>
<th>No. of Employees</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Business Unit</td>
<td>120</td>
<td>36</td>
<td>19</td>
</tr>
<tr>
<td>Enterprise Business Unit</td>
<td>76</td>
<td>23</td>
<td>12</td>
</tr>
<tr>
<td>Financial Services</td>
<td>27</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Customer care</td>
<td>132</td>
<td>40</td>
<td>21</td>
</tr>
<tr>
<td>Technology</td>
<td>91</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Finance</td>
<td>48</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Resources</td>
<td>34</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Corporate Affairs</td>
<td>31</td>
<td>9</td>
<td>5</td>
</tr>
<tr>
<td>Marketing</td>
<td>21</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Risk</td>
<td>26</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Internal Audit</td>
<td>7</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Strategy and Innovation</td>
<td>9</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>622</strong></td>
<td><strong>189</strong></td>
<td><strong>100</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 speeds 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 benefits of strategic alliances, the challenges and effectiveness of strategies used to sustain the competitive advantage. It used the five likert scale i.e. from strongly agree to strongly disagree.

The questionnaire was made up of four parts. The first part was seeking to understand the general information of the respondent i.e. the background information. The second part was based on the first objective, identifying the benefits of strategic alliances. The third part was based on the second objective, identifying the challenges of strategic alliances and the last part was on the critical success factors necessary to sustain the strategic alliances for them to be successful.

3.5 Research Procedures

The questionnaire was first pre-tested to ensure the effectiveness of the questions used to carry out the research. The feedback obtained from the pre-test was used to determine whether the respondents understood the questionnaire and also determine whether they had the ability and willingness to answer the questions. It helped to indicate the amount of time the respondents would take to fill the questionnaire. The pretest was carried out amongst fellow students and peers. Ten percent of the sample size was used to pretest. Feedback from the pretest was incorporated before undertaking the final fieldwork. Reminders and follow up calls were used to ensure 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, outline the patterns by applying various statistical techniques with the aim of identifying useful information that can be used for decision making purposes (Hand, Adèr, & Mellenbergh, 2008). 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. Standard Package for Social Sciences (SPSS) and Microsoft Excel were the tools used to analyse the data.

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 level management for Safaricom Limited. Data collection was carried out via questionnaires and analyzed through the descriptive statistics while using Microsoft Excel and SPSSS as the analysis tools. The next chapter presents the results and findings of this study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the results and findings of the effects of strategic alliances in Safaricom Limited. This is with regards to the data collected from the respondents after administering the questionnaires. The first section will provide a summary with regards to the respondents while the other sections will provide the findings from the specific objectives.

4.2 Response Rate

A total of 189 questionnaires were administered. Of the 189 questionnaires, 161 were returned. This represents an 85 percent response rate. The high response rate can be attributed to sending the questionnaires online which was well received by the respondents. Table 4.1 shows a summary of the response rate.

Table 4.1 Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires issued</td>
<td>189</td>
<td>100</td>
</tr>
<tr>
<td>Questionnaires returned</td>
<td>161</td>
<td>85</td>
</tr>
</tbody>
</table>

4.3 Bio Data of Respondents

4.3.1 Gender of Respondents

Table 4.2 represents a summary of the gender of the respondents. The male respondents were the majority at 61 percent while females were at 39 percent. This shows no bias in gender within the organisation.
Table 4.2 Gender of Respondents

<table>
<thead>
<tr>
<th>Gender of Respondents</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>98</td>
<td>60.9</td>
</tr>
<tr>
<td>Female</td>
<td>63</td>
<td>39.1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>161</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.2 Age in Years

Table 4.3 reveals that most of the employees are in the age bracket between 25 years and 34 years at 65 percent. This represents youthful employees. Very few employees were above 45 years i.e. only 4 percent. This can be attributed to the fact that Safaricom is an organisation that has been in operation for 14 years only.

Table 4.3 Age in Years

<table>
<thead>
<tr>
<th>Age in Years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 years</td>
<td>6</td>
<td>3.7</td>
</tr>
<tr>
<td>25-34 years</td>
<td>105</td>
<td>65.2</td>
</tr>
<tr>
<td>35-44 years</td>
<td>43</td>
<td>26.7</td>
</tr>
<tr>
<td>Above 45 years</td>
<td>7</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>161</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3.3 Duration of Employment at Safaricom

Table 4.4 provides a summary of the number of years employees have worked at Safaricom. 71 employees had worked in the organisation for duration of 3 to 5 years representing 44 percent of the employees and the highest number of employees. This was followed by 46 employees who had worked at Safaricom between 3 to 5 years representing 29 percent of the employees. Very few employees had worked at safaricom for more than 10 years. This shows that there is high employee turnover. It can also be attributed to the fact that the company has been in operation for the last 14 years only.
Table 4.4 Duration of Employment

<table>
<thead>
<tr>
<th>Duration of Employment</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 3 years</td>
<td>37</td>
<td>23.0</td>
</tr>
<tr>
<td>Between 3-5 years</td>
<td>71</td>
<td>44.1</td>
</tr>
<tr>
<td>Between 6-10 years</td>
<td>46</td>
<td>28.6</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>7</td>
<td>4.3</td>
</tr>
<tr>
<td>Grand Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.3.4 Position in the Organisation

Management is largely made up of middle level management. They comprise 93 percent of management. This is expected since middle level management implements the strategies made by top management and therefore expected to be more. Table 4.5 shows a summary of the composition of management at Safaricom Limited.

Table 4.5 Position in Organisation

<table>
<thead>
<tr>
<th>Position in Organisation</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle level management</td>
<td>150</td>
<td>93.2</td>
</tr>
<tr>
<td>Top management</td>
<td>11</td>
<td>6.8</td>
</tr>
<tr>
<td>Grand Total</td>
<td>161</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.4 Benefits of Strategic Alliances

The study sought to establish the benefits of strategic alliances in organisations. This was in reference to employees within Safaricom Limited and how they perceived the company to have benefited from strategic alliances.

4.4.1 Summary of the Benefits of Strategic Alliances

Table 4.6 provides a summary of the descriptive statistics with regards to the benefits of strategic alliances at Safaricom Limited. The variables had an average mean of 4 showing that the respondents largely agreed with the questions asked in this section. Respondents
particularly agreed to the question that strategic alliances have aided Safaricom to diversify into new markets with a mean of 4.32. Feedback on whether strategic alliances aid in avoiding regulatory barriers had the largest standard deviation of 0.85 and at the same time the least mean of 3.91. This shows that the respondents largely varied in their responses to this question. The question with the least standard variation asked whether Safaricom was able to acquire knowledge and therefore learn through strategic alliances. This question returned a mean of 4.14 and a standard deviation of 0.61 showing minimal variation to the responses in this question.

Table 4.6 Benefits of Strategic Alliances

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Acquisition</td>
<td>4.124</td>
<td>.630</td>
<td>161</td>
</tr>
<tr>
<td>Diversify Into new markets</td>
<td>4.317</td>
<td>.728</td>
<td>161</td>
</tr>
<tr>
<td>Acquire knowledge</td>
<td>4.142</td>
<td>.611</td>
<td>161</td>
</tr>
<tr>
<td>Economies of Scale</td>
<td>4.093</td>
<td>.789</td>
<td>161</td>
</tr>
<tr>
<td>Means to distribution</td>
<td>4.062</td>
<td>.756</td>
<td>161</td>
</tr>
<tr>
<td>Risk reduction</td>
<td>4.106</td>
<td>.712</td>
<td>161</td>
</tr>
<tr>
<td>Innovation of new products</td>
<td>4.162</td>
<td>.715</td>
<td>161</td>
</tr>
<tr>
<td>Avoid regulatory barriers</td>
<td>3.913</td>
<td>.854</td>
<td>161</td>
</tr>
<tr>
<td>Gain competitive advantage</td>
<td>4.199</td>
<td>.660</td>
<td>161</td>
</tr>
<tr>
<td>Ward off competition</td>
<td>4.118</td>
<td>.761</td>
<td>161</td>
</tr>
</tbody>
</table>

4.4.2 Strategic Alliances and Resource Acquisition

Figure 4.1 shows that 93 percent of the respondents were in agreement that strategic alliances aid in resource acquisition. This was made up of 71 percent of the respondents who agreed and 22 percent who strongly agreed. A paltry 3 percent either disagreed or strongly disagreed. 3 percent of the respondents were neutral to this question.
4.4.3 Strategic Alliances and Diversification Into Markets

As far as strategic alliances can be used as a means to diversify into new markets, there was a split between agree and strongly agree. Figure 4.2 shows that 48 percent of the respondents agreed and 43 percent strongly agreed. 2 percent of the respondents did not agree that Safaricom has been able to diversify into new markets using strategic alliances. 6 percent of the respondents neither agreed nor disagreed to this question.

Figure 4.2 Strategic Alliances and Diversification Into Markets

4.4.4 Strategic Alliances and Learning

Figure 4.3 shows that 90 percent of the respondents felt that Safaricom was able to learn from strategic alliances. This was made up of 65 percent who agreed and 25 percent who strongly agreed. 9 percent of the respondents were neutral. Only 1 percent of the respondents disagreed that Safaricom was able to learn through strategic alliances.
4.4.5 Strategic Alliances and Economies of Scale

Figure 4.4 shows that 54 percent of the respondents agreed that Safaricom was able to obtain economies of scale through strategic alliances while 30 percent strongly agreed with this question. However, 6 percent of the respondents disagreed that organisations obtain economies of scale through strategic alliances. 10 percent of the respondents were neutral to this question.

4.4.6 Strategic Alliances and Distribution

Figure 4.5 shows that 85 percent of the respondents were in agreement that strategic alliances can be used as a means to distribution. This was made up of 59 percent of the respondents who agreed and 26 percent who strongly agreed. 11 percent of the respondents were neutral while 5 percent of the respondents either disagreed or strongly disagreed to this question.
Figure 4.5 Strategic Alliances and Distribution

4.4.7 Strategic Alliance and Risk Reduction

Figure 4.6 shows that 86 percent either agreed or strongly agreed that risk can be reduced through strategic alliances. This was made up of 58 percent who agreed and 28 percent who strongly agreed. 11 percent of the respondents were neutral while 3 percent of them disagreed to this question.

Figure 4.6 Strategic Alliance and Risk Reduction

4.4.8 Strategic Alliances and Innovation of New Products

Based on the feedback from the respondents, Safaricom was able to engage in innovation of new products through strategic alliances. Figure 4.7 shows that 88 percent of the respondents either agreed or strongly agreed to this. 9 percent of the respondents were neutral to this question while 3 percent either disagreed or strongly disagreed.
Figure 4.7 Strategic Alliances and Innovation of New Products

4.4.9 Strategic Alliances and Regulation

Figure 4.8 shows that 78 percent of the respondents either agreed or strongly agreed that Safaricom was able to avoid regulatory barriers through strategic alliances. However, it was interesting to note that 7 percent of the respondents disagreed to the point that regulatory barriers can be avoided through strategic alliances. This was the highest number of respondents dissenting to any of the questions. 13 percent of the respondents were neutral.

Figure 4.8 Strategic Alliances and Regulation

4.4.10 Strategic Alliances and Competitive Advantage

Figure 4.9 shows that 90 percent of the respondents believed that strategic alliances aid firms in getting a competitive advantage. This was made up of 58 percent who agreed and 32 percent who strongly agreed. Only 2 percent of the respondents dissented to this question. 8 percent of the respondents were neutral to the question.
4.4.11 Strategic Alliances and Competition

Figure 4.10 shows that 90 percent of the respondents believed that strategic alliances aid firms in warding off competition. This was a big positive feedback showing that the respondents were in agreement that strategic alliance was an important tool to ward off competition. 5 percent of the respondents were neutral while 5 percent disagreed to this question.

4.4.12 Other Benefits of Strategic Alliances

There was an open question whereby respondents were asked to provide other benefits of strategic alliances not listed above. The respondents felt that Safaricom has benefited by enjoying better abnormal returns in the stock market, ability to choose partners that are politically correct such as Commercial Bank of Africa, diversification of human resource expertise, improved brand image. However, part of the feedback was not clear e.g. staff career growth. Due to the anonymous nature of the questionnaires administered, it was not possible to obtain further explanation to these responses.
4.5 Challenges of Strategic Alliances

The third section of the questionnaire was on challenges of strategic alliances. Respondents were asked to provide feedback based on ten questions that asked the challenges that Safaricom had faced in managing strategic alliances.

4.5.1 Summary of the Challenges of Strategic Alliances

Table 4.7 shows a summary of the descriptive statistics on the challenges of strategic alliances. The variables exhibited an average mean of 4 showing that the respondents agreed with the questions on challenges of strategic alliances. Respondents particularly felt that cultural differences were the greatest challenge to strategic alliances recording the highest mean of 4.09 in this section of the questionnaire. The question that suggested that organisations prefer working independently instead of working as a combined force had the least mean of 3.86. It also had the greatest standard deviation at 1.05. This shows that the responses to this question greatly varied between the respondents. Control related problems had the least standard deviation at 0.73 showing that the responses did not vary from the mean response of 3.99.

Table 4.7 Challenges of Strategic Alliances

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control related problems</td>
<td>3.9938</td>
<td>.7288</td>
<td>161</td>
</tr>
<tr>
<td>Cultural problems</td>
<td>4.0932</td>
<td>.8500</td>
<td>161</td>
</tr>
<tr>
<td>Lack of trust</td>
<td>3.8882</td>
<td>.9013</td>
<td>161</td>
</tr>
<tr>
<td>Poor leadership</td>
<td>4.0063</td>
<td>.8203</td>
<td>160</td>
</tr>
<tr>
<td>Role ambiguity</td>
<td>3.9938</td>
<td>.7945</td>
<td>161</td>
</tr>
<tr>
<td>Incongruence of management ideologies</td>
<td>4.0311</td>
<td>.8095</td>
<td>161</td>
</tr>
<tr>
<td>Lack of clearly defined goals</td>
<td>4.0124</td>
<td>.8440</td>
<td>161</td>
</tr>
<tr>
<td>Working independently</td>
<td>3.8571</td>
<td>1.0539</td>
<td>161</td>
</tr>
<tr>
<td>Unequal gains</td>
<td>3.8944</td>
<td>.8486</td>
<td>161</td>
</tr>
<tr>
<td>Resistance to change</td>
<td>4.0124</td>
<td>.7499</td>
<td>161</td>
</tr>
</tbody>
</table>
4.5.2 Strategic Alliances and Control Related Problems

Figure 4.11 shows that 70 percent of the respondents agreed that strategic alliances result in control related problems while 18 percent strongly agreed. This represents an 88 percent positive feedback to the question. 6 percent of the respondents were neutral while 4 percent disagreed.

Figure 4.11 Strategic Alliances and Control Related Problems

4.5.3 Strategic Alliances and Cultural Differences

Figure 4.12 shows that 57 percent of the respondents agreed while 30 percent strongly agreed that cultural differences normally slow down strategic alliances. This represents 87 percent of the respondents who had positive feedback. Nonetheless, 7 percent of the respondents either disagreed or strongly disagreed that cultural differences slow down strategic alliances.

Figure 4.12 Strategic Alliances and Cultural Differences

4.5.4 Strategic Alliances and Trust

Figure 4.13 shows that 77 percent of the respondents provided positive feedback to this question by either agreeing or strongly agreeing that there is often lack of trust in strategic alliances. This was made up of 55% who agreed and 22% who strongly agreed. However, it is worthwhile to note that 13 percent of the respondents neither agreed nor disagreed to this
question while 9 percent dissented by either disagreeing or strongly disagreeing to the question.

Figure 4.13 Strategic Alliances and Trust

4.5.5 Strategic Alliance and Leadership

Figure 4.14 shows that 63 percent of the respondents agreed that poor leadership results in friction within strategic alliances while 23 percent strongly agreed. This combined affirmation of 86 percent demonstrates the importance of good leadership in any organisation. 7 percent of the respondents were neutral while 5 percent disagreed.

Figure 4.14 Strategic Alliance and Leadership

4.5.6 Strategic Alliance and Role Ambiguity

Figure 4.15 shows that 61 percent of the respondents agreed that role ambiguity results in confusion within strategic alliances while another 22 percent strongly agreed. This shows the importance of agreeing on the roles of the partners in the strategic alliance to prevent confusion when the alliance kicks off. 13 percent of the respondents were neutral while only 1 percent disagreed.
Figure 4.15 Strategic Alliance and Role Ambiguity

4.5.7 Strategic Alliances and Incongruence of Management Ideologies

Figure 4.16 shows that 57 percent of the respondents agreed that incongruence of management ideologies can slow down the working of strategic alliances while another 26 percent strongly agreed. 12 percent of the respondents were neutral while only 2 percent disagreed.

Figure 4.16 Strategic Alliances and Incongruence of Management Ideologies

4.5.8 Strategic Alliances and Clearly Defined Goals

Respondents were asked to provide feedback on whether lack of clearly defined goals is a challenge in managing strategic alliances. Figure 4.17 shows that 62 percent of the respondents felt that this was a challenge while 24 percent strongly felt that it was a challenge. 7 percent were neutral while 4 percent disagreed.
4.5.9 Working of Strategic Alliances

Figure 4.18 shows that 51 percent of the respondents felt that organisations prefer working independently instead of working as a combined force while 27 percent strongly agreed. However, 11 percent of the respondents disagreed with this question representing the highest number of respondents dissenting to any one question in this section. On the same question 7 percent of the respondents neither agreed nor disagreed.

4.5.10 Strategic Alliances and Unequal Gains

Figure 4.19 shows that 61 percent of the respondents agreed that strategic alliances led to unequal gains while 19 percent strongly agreed. However, 10 percent were neutral while 8 percent disagreed. This is the second question with the highest number of respondents dissenting in this section.
4.5.11 Strategic Alliances and Resistance to Change

Figure 4.20 shows that 65 percent of the respondents agreed that strategic alliances have experienced resistance to change while 21 percent strongly agreed. However, 9 percent were neutral while 4 percent disagreed. A partly 1 percent strongly disagreed to this question.

4.5.12 Other Challenges of Strategic Alliances

The respondents were asked to point out other challenges that had not been listed in the questionnaire. Part of the feedback received was that strategic alliances focus on tactics rather than strategy, regulatory bottlenecks and industry dominance. One of the respondents said that there are often lack of clearly defined benefit sharing models, another pointed out that lack of funds is a challenge to alliances.

4.6 Critical Success Factors in Strategic Alliances

Section four of the questionnaire sort to find out the critical success factors necessary in a strategic alliance. The respondents were presented with 10 questions and were asked to provide feedback.
4.6.1 Summary of the Critical Success Factors of Strategic Alliances

Table 4.8 shows the descriptive statistics on the critical success factors. In this section too, the variables had an average mean of 4. This shows that the respondents agreed with the questions asked in this section. The variable with the highest mean was top management involvement is necessary for the success of the strategic alliance at 4.26. Partner reputation has the least mean at 3.90. This also had the greatest standard deviation of 0.92 showing that the respondents greatly varied in their feedback. Mutual needs of the partners had the least standard deviation of 0.53 and the second highest mean of 4.23 showing that the respondents agreed mutual needs were important and at the same time there was minimal variation in terms of feedback from the respondents.

<table>
<thead>
<tr>
<th>Critical Success Factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual needs</td>
<td>4.2298</td>
<td>.5274</td>
<td>161</td>
</tr>
<tr>
<td>Strategic fit</td>
<td>4.1180</td>
<td>.6836</td>
<td>161</td>
</tr>
<tr>
<td>Informed decision making</td>
<td>4.0688</td>
<td>.7015</td>
<td>160</td>
</tr>
<tr>
<td>Management capability of the partners</td>
<td>4.0186</td>
<td>.6752</td>
<td>161</td>
</tr>
<tr>
<td>Top management involvement</td>
<td>4.2609</td>
<td>.7460</td>
<td>161</td>
</tr>
<tr>
<td>Partner reputation</td>
<td>3.9006</td>
<td>.9166</td>
<td>161</td>
</tr>
<tr>
<td>Shared risk</td>
<td>3.9811</td>
<td>.8304</td>
<td>159</td>
</tr>
<tr>
<td>Mutual trust</td>
<td>4.1063</td>
<td>.7146</td>
<td>160</td>
</tr>
<tr>
<td>Cultural compatibility</td>
<td>4.1063</td>
<td>.7818</td>
<td>160</td>
</tr>
<tr>
<td>Shared reward</td>
<td>4.0313</td>
<td>.8790</td>
<td>160</td>
</tr>
</tbody>
</table>

4.6.2 Strategic Alliance and Mutual Needs

Respondents were asked to provide feedback on whether the needs of the strategic alliance partners should be mutual. Figure 4.21 shows that 71 percent of the respondents were in agreement while 27 percent strongly agreed that the needs of the partners should be mutual. A paltry 1 percent were neutral while 1 percent disagreed.
4.6.3 Strategic Fit

Figure 4.22 shows that 90 percent of the respondents were of the opinion that strategic fit is important in sustaining strategic alliances. This was made up of 65 percent who agreed to the question while 25 percent strongly agreed. 7 percent were neither agreed nor disagreed while 2 percent disagreed.

4.6.4 Informed Decision Making

Respondents were also asked whether partners need to engage in informed decision making. Figure 4.23 shows that 87 percent of the respondents either agreed or strongly agreed to this question. This was made up of 63% who agreed while 24% who strongly agreed. On the other side, 10 percent were neutral while 3 percent disagreed.
4.6.5 Management Capability

Figure 4.24 shows that 86 percent of the respondents either agreed or strongly agreed that managers need the capability to manage strategic alliances. 11 percent of the respondents were neutral while 4 percent disagreed to this question. This represents the highest number of respondents with neutral feedback.

4.6.6 Top Management Involvement

Respondents were asked whether top management involvement is necessary for the success of the strategic alliance. Figure 4.25 shows that 91 percent of the respondents either agreed or strongly agreed to this question. This was made up of 52% who agreed and 39% who strongly agreed. 5 percent were neutral while 3 percent disagreed to this question.
Figure 4.25 Top Management Involvement

4.6.7 Partner Reputation

Respondents were asked whether the reputation of the partner aids in sustaining the strategic alliance. Figure 4.26 shows that 81 percent of the respondents either agreed or strongly agreed to this question i.e. 59 percent agreed while 22 percent strongly agreed. 5 percent were neutral while 3 percent disagreed to this question.

Figure 4.26 Partner Reputation

4.6.8 Shared Risk

Respondents were asked whether shared risk aids in sustaining the strategic alliance. Figure 4.27 shows that 85 percent of the respondents either agreed or strongly agreed to this question i.e. 62 percent agreed while 23 percent strongly agreed. 7 percent were neutral while 7 percent disagreed to this question. This represents the highest number of respondents disagreeing to a question within this section.
Respondents were further asked whether strategic alliance partners should have mutual trust. Figure 4.28 shows that 90 percent of the respondents either agreed or strongly agreed to this question i.e. 64 percent agreed while 26 percent strongly agreed. 8 percent were neutral while 2 percent disagreed to this question.

Figure 4.28 Strategic Alliance and Mutual Trust

4.6.10 Strategic Alliance and Cultural Compatibility

Fifty six percent of the respondents agreed that strategic alliance partners should have cultural compatibility while 30 percent strongly agreed. However, 9 percent were neutral while 4 percent disagreed to this question. Figure 4.29 provides a summary to this question.
Respondents were further asked whether there should be shared reward from the strategic alliance. 59 percent of the respondents agreed to this while 27 percent strongly agreed. 7 percent were neutral while 4 percent disagreed to this question. Figure 4.30 provides a summary to this question.

The respondents were asked to give additional critical success factors that they felt that they were not covered in the questionnaire. The following additional factors were given, goal congruency of the partners, shared culture, resources, regular review of milestones and the tactics needed for competitive advantage to be attained.
4.7 Chapter Summary

This chapter has elaborated the findings of the research after data was collected and analyzed. The findings from the questionnaire have been captured under the specific objectives. Chapter five will give the summary, conclusion, discussion and findings of the research per specific objective and also provide a basis for further studies on the subject matter.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter will consist of four sections, namely, summary, discussion, conclusion and recommendation. The summary will provide the important components of the study which will include the specific objectives, methodology and the results and findings. The subsequent section discusses the major findings with reference to the specific objectives. The third section deliberates on the conclusion with reference to the specific objectives while the last section gives the recommendations for further improvement based on the findings of the research work.

5.2 Summary

The purpose of the study was to determine the effects of strategic alliances in organisations. This study used Safaricom Limited as a case. The study was guided by three specific objectives namely, to determine the benefits of strategic alliances in Safaricom Limited, to establish the challenges of strategic alliances in Safaricom Limited and to identify the critical success factors necessary to sustain the strategic alliances in Safaricom Limited.

The research was guided by the descriptive research methodology. The population of the study consisted of who are in management and therefore involved in the formulation and execution of strategy within the company. From the population, a sample was drawn using the stratified random sampling method in order to prevent bias from the sample. Primary data was collected using online questionnaires comprising of open ended questions and structured questions on the likert scale.

The first specific objective of the study intended to identify the benefits of strategic alliances at Safaricom Limited. Based on the feedback from the respondents, Safaricom entered into strategic alliances to diversify into new markets with a mean of 4.32, gain competitive advantage with a mean of 4.20 and to innovate new products with a mean of 4.16. Of all the questions in the questionnaire, diversification into new markets returned the highest mean thus showing the high level towards which the respondents agreed to this question within the
study. The standard deviation was the second lowest showing that there was no major variation in feedback from the respondents. From the same objective, the respondents seemed to least agree that strategic alliances aid in avoiding regulatory barriers with a mean of 3.91.

The second specific objective was to establish the challenges of strategic alliances at Safaricom. Based on feedback from the respondents, cultural differences slow down the working of strategic alliances with a mean of 4.09, incongruence of management ideologies slow down working of strategic alliances with a mean of 4.03 and strategic alliances experience resistance to change in the organisation with a mean of 4.01. In this section, respondents seemed to least agree that organisations prefer working independently instead of working as a combined force with a mean of 3.86.

The third specific objective was to identify the critical success factors in strategic alliances. The results from the respondents indicate that top management involvement is necessary for success of strategic alliances with a mean of 4.26, needs of the strategic alliance partners should be mutual with a mean of 4.23. The respondents also felt that strategic fit is important in sustaining the strategic alliance. This had a mean of 4.12. Respondents seemed to least agree that partner reputation was a critical success factor in the working of a strategic alliance.

5.3 Discussion

5.3.1 Benefits of Strategic Alliances

The findings indicate that indeed strategic alliances are beneficial to organisations. Companies that have been keen in entering into alliances have been seen to be more profitable than those that don’t. The findings of the study further collaborates that of Todeva and Knoke (2005) whereby strategic alliances were found to complete capacity gaps within organisations, lock out competition by securing critical resources, reduce risk of running the business, overcome regulatory barriers, achieve competitive advantage as well as innovate new products. This benefits enable firms that enter into strategic alliances have a competitive advantage over other firms. This also agreed with the research by Sompong, Igel and Helen (2014), who said that strategic alliances aid firms to acquire scarce resources, lock out competition, diversify into new markets as well as obtain economies of scale.
The study found out that firms enter into strategic alliances mainly to diversify into new markets. From past research, strategic alliances have been touted as one of the ways firms can enter into new markets as a market entry strategy (Anslinger & Jenk, 2004). Through strategic alliances, firms are able to tap into new markets thus overcoming limitations that would have existed if they chose to go it alone. Safaricom being a telecommunications company is regularly forced to continuously react to the turbulent market environment. This can be achieved rapidly via strategic alliances. This is in agreement to the study by Yasuda (2005) who found out that organisations form alliances in order to react to market conditions faster and therefore gain competitive advantage particularly in instances where time is critical.

From the study, it was also found out that firms also enter into strategic alliances in order to gain a competitive advantage over other firms. Competitive advantage ensures that firms are better placed in the market thus able to price their products at a premium or produce below the industry cost. Through strategic alliances, firms are able to collaborate with like-minded organisations which enable them to perform better than other companies within the same industry. This supports the work of Todeva and Knoke (2005) who wrote that strategic alliances are used to add onto incomplete capacity gaps thus achieve competitive advantage over other firms. Pateli (2009) further wrote that strategic alliances enable firms to take advantage of the available market opportunities and therefore get an advantage over other firms.

Strategic alliances also aid firms to innovate new products and therefore have a first mover advantage in the market that they operate in. Based on the feedback from the research, the respondents were in agreement that strategic alliances aid firms to innovate new products in a much faster way compared to operating alone. This collaborates with the work of Schweitzer (2014) who found out that firms enter into alliances in order to generate innovation that they would otherwise have found to be impossible if they were working alone. It is expected that when two firms combine their technological know how, they are likely to come up with better ideas. Todeva and Knoke (2005) were also of the opinion that strategic alliances aid firms to generate new ideas thus further supporting the feedback from the respondents in this study.
5.3.2 Challenges of Strategic Alliances

The findings from this study indeed show that strategic alliances have their fair share of challenges. According to Yasin, Masqsood and Sandhu (2013), strategic alliances face challenges in the form of cultural differences, lack of similarity in management ideologies, 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 resistance to change. This is also in agreement with the study by Zineldin and Dodourova (2005) who points out that the main challenges experienced are cultural clash, lack of cohesion between management teams, lack of clear goals and objectives as well as lack of trust.

The findings show that the respondents largely felt that cultural differences pose the greatest challenge to strategic alliances. This can be attributed to the fact that an organization’s culture drives how things are done in the organisation. Strategic alliances will therefore face this challenge as the firms adapt to this new style of management. Other scholars have cited cultural differences as the reason why strategic alliances fail largely due to the clash of the different ideologies while managing the organization (Kelly, Schaan, & Joncas, 2002). Different cultural backgrounds affect the interaction of the alliance partners. The partners should therefore pick allies who are flexible and ready to understand the cultures of others. From the study by Brito and Silva (2009), it was found that strategic alliance partners often suffer from incongruence of organizational cultures and management ideologies.

The findings further established that incongruence of management ideologies is another reason why strategic alliances fail. This is driven by management focusing in different direction that makes the alliance lose focus resulting in conflict in the operations of the alliance. According to Brito and Silva (2009), this arises especially when the goals and objectives are not aligned, when the organisations do not have shared values therefore lacking any binding factor within the management of the organisation. Based on this research, partners should choose alliance partners who have the same ideologies, goals and objectives to prevent friction and misunderstanding when the alliance operations have started. Yasin, Masqsood and Sandhu (2013) further affirm that similarity in management
ideology is important for the success of the alliance. Management formulate the organisation policy and therefore it is important for them to have the same ideology so that they can develop policies and procedures that will move the strategic alliance in one direction and thus work as one cohesive organisation.

Strategic alliances also experience resistance to change. This is a major reason for their collapse if not addressed by management of the company in the short run. Resistance to change is highly linked to organizational culture whereby employees prefer working in the already established ways instead of adopting new ways of doing things. According to Schweitzer (2014), the success of the strategic alliance will depend on its ability to create trustworthy relationships and manage any conflict that may arise. Resistance to change needs to be proactively managed to avoid conflict in the organisation. This was picked by this study whereby the respondents felt that resistance to change is a challenge within the management of strategic alliances.

5.3.3 Critical Success Factors in Strategic Alliances

According to Biggs (2006), a strategic alliance needs to be carefully executed in order to prevent failure in the future. Due to this fact, Biggs outlines that the following critical success factors need to be implemented among them the following; mutual needs, strategic fit, mutual trust and cultural compatibility. This collaborates the findings of this study whereby the respondents were of the opinion that the critical success factors with the highest weight in an organisation were, top management involvement, mutual needs of the strategic alliance partners and strategic fit. Yamakawa, Yang and Lin (2011) also picked out these factors as the most important for the success of the organisation when the operations of the alliance are being executed.

The findings from the study show that top management involvement is the most important factor in managing strategic alliances. This is because top management is involved in formulating the strategy for the organisation and at the same time in deploying the available resources necessary to have the alliance operate optimally. Top management ensures that the organisations goals and objectives are aligned to those of the collaborating partner (Whipple & Frankel, 2000). This collaborates with the study by American Management Association
(2014) who outlined that a successful strategic alliance should begin from the top with the full support of the Chief Executive Officer who influences the corporate culture and sets the priorities for the business. Top management will set the tone of the organisation and therefore drive the success of the alliance.

The findings from the study further affirm that the needs from the strategic alliance partners need to be mutual. This will ensure that the alliance objectives are aligned thus minimizing conflict between the collaborating firms. Mutual needs of the partners will ensure that the partners are pursuing the same goals and objectives. This collaborates with the findings of Dacin, Oliver and Roy (2007) who found that mutual needs are necessary for the optimal functioning of the strategic alliance. When the needs of the partners are mutual, there will be an atmosphere directed towards mutual gain of the partners thus reaping the benefits of the alliance. According to Swaminathan (2008), firms that reap the benefits of strategic alliances are those that enter into alliances with firms that have mutual needs. Firms with the same needs have cohesion and therefore likely to work together rather than working independently.

The respondents were in agreement that strategic fit is an important factor in sustaining strategic alliances. Strategic fit ensures that a firms internal capabilities match the opportunities in the external environment. According to Inkpen and Ramaswamy (2006), strategic fit will ensure that the collaborating firms have similar corporate culture, similar strategic goals and objectives, compatible processes and procedures as well as good relations between the partners. This underpins why the respondents agreed that strategic fit was an important component in sustaining the strategic alliance. Strategic fit provides a conducive environment for firms to form strategic alliances that are successful (Bierly & Gallagher, 2007). It will also ensure the smooth flow of operations since the two firms are highly aligned.

5.4 Conclusion

5.4.1 Benefits of Strategic Alliances

This study has demonstrated that firms enter into strategic alliances primarily to diversify into new market opportunities. This provides access to new opportunities compared to starting from scratch. The respondents seemed to resonate with this based on the feedback
they gave in the questionnaires. The benefits from the strategic alliance will come in the form of sustainable competitive advantage and higher profitability compared to other firms within the same industry. This ensures that the firm is in operation in the long run. Other reasons why firms enter into alliances include gaining competitive advantage, innovation of new products as well as to learn from the alliance partner.

5.4.2 Challenges of Strategic Alliances

The leading challenge to strategic alliances was cultural differences which were perceived to slow down the working of strategic alliances. Cultural differences make the operations of the strategic alliance to have continuous conflict. This study was able to come to this conclusion based on the past strategic alliances Safaricom has entered into. When the challenges to the strategic alliance are not addressed, they often result to the collapse of strategic alliance in the long run. The working of the strategic alliance has to be continuously monitored to ensure that the challenges are addressed before they lead to failure. Other challenges experienced include, incongruence of management ideologies which often brought conflict in the strategic alliance due to the ideological differences, resistance to change and lack of clearly defined goals in managing the strategic alliance.

5.4.3 Critical Success Factors in Strategic Alliances

There should be top management involvement for the strategic alliance to be successful. Top management is involved in the formulation and execution of strategy and therefore is paramount to the success of the strategic alliance. Top management will also allocate resources necessary for the alliance to operate. The critical success factors ensure the smooth operations of the alliance since the rules of operation have been laid out beforehand. Other factors include mutual needs of the strategic alliance partners, strategic fit which is important in sustaining the alliance as well as cultural compatibility between the strategic alliance partners.
5.5 Recommendations

5.5.1 Recommendation for Improvement

5.5.1.1 Benefits of Strategic Alliances

The study recommends that firms should use strategic alliances as a market entry strategy. This is due to the fast pace of entry into the market allowing firms to grow business. Technological firms should be particularly keen into entering into strategic alliances due to the turbulent nature of the environment they operate in thus the need to respond rapidly thus the need for entering into alliances.

5.5.1.2 Challenges of Strategic Alliances

This study recommends that there should be careful screening of the alliance partners in order to minimize conflict arising to cultural differences as well as incongruence of management ideologies. The collaborating organisations should blend their goals and objectives, regularly review the milestones of the alliance as well as have clear communication channels.

5.5.1.3 Critical Success Factors in Strategic Alliances

The study recommends partner selection as a critical component in making sure that a strategic alliance is successful. Selection of the right partner will ensure that there is cultural compatibility and no resistance to change. This can only be achieved when there is top management involvement, there is strategic fit and also when the needs of the strategic alliance partners are mutual.

5.5.2 Recommendations for Further Studies

The researcher recommends that future researchers could replicate this study in other industries in order to determine whether the findings would hold using the same specific objectives. Future researchers could also narrow down to the impact of strategic alliances in gaining competitive advantage and overall profitability of the firm.
REFERENCES


APPENDICES

APPENDIX I: COVER LETTER

MUCHABA PHILIP,
USIU-A,
P.O BOX 14634-00800,
NAIROBI.
June 10, 2015.

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 “The assessment of strategic alliances in business organisations”.

The objective of this study is to determine the benefits of strategic alliances, the challenges as well as the critical success factors necessary for a strategic alliance to be successful.

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,

Muchaba Philip.
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
   - Below 3 years
   - Between 3-5 years
   - Between 6-10 years
   - Above 10 years

4. What is your position in the organisation?
   - Middle level management
   - Top management
5. In which department are you placed?

- CBU
- EBU
- FS
- Customer Care
- Technology
- Finance
- Resources
- Corporate Affairs
- Marketing
- Risk
- Internal Audit
- Strategy and Innovation

Section B: 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)

<table>
<thead>
<tr>
<th>Benefits of Strategic Alliances</th>
<th>1</th>
<th>2</th>
<th>3</th>
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</thead>
<tbody>
<tr>
<td>1 Strategic alliances aid firms in fast resource acquisition</td>
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<td>2 Strategic alliances can be used as a means to diversify into new markets</td>
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<td>3 Firms are able to learn through strategic alliances</td>
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<td>4 Organizations obtain economies of scale through strategic alliances</td>
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<td>5 Strategic alliances can be used as a means to distribution</td>
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<td>6 Risk can be reduced through strategic alliances</td>
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<td>7 Strategic alliances result in innovation of new products</td>
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<td>8 Regulatory barriers can be avoided through strategic alliances</td>
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<tr>
<td>9 Strategic alliances help firms to gain competitive advantage</td>
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<td>10 Strategic alliances can be used as a means to ward off competition</td>
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What other effects not listed above has Safaricom benefited from strategic alliances?

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Section C: 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)

<table>
<thead>
<tr>
<th>Challenges of Strategic Alliances</th>
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<th>2</th>
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<tbody>
<tr>
<td>1 Strategic alliances result in control related problems</td>
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<td>2 Cultural differences slow down the working of strategic alliances</td>
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<td>3 There is often lack of trust in strategic alliances</td>
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<td>4 Poor leadership results in friction in the strategic alliance</td>
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<td>5 Role ambiguity results in confusion in the strategic alliance</td>
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<td>6 Incongruence of management ideologies can slow down the working of strategic alliances</td>
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<td>7 Lack of clearly defined goals is a challenge in managing strategic alliances</td>
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<td>8 Organizations prefer working independently instead of working as a combined force</td>
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<td>9 Strategic alliances have led to unequal gains</td>
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<td>10 Strategic alliances have experienced resistance to change</td>
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</table>
What other challenges not listed above has Safaricom experienced in managing strategic alliances?

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Section D: Critical success factors in strategic alliances

The following are the critical success factors in 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)

<table>
<thead>
<tr>
<th>Critical success factors in strategic alliances</th>
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<th>2</th>
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<tbody>
<tr>
<td>1  The needs of the strategic alliance partners should be mutual</td>
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<td>2  Strategic fit is important in sustaining strategic alliances</td>
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<td>3  Partners need to engage in informed decision making</td>
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<td>4  Managers need the capability to manage strategic alliances</td>
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<td>5  Top management involvement is necessary for the success of the strategic alliance</td>
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<td>6  The reputation of the partner aid in sustaining strategic alliances</td>
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<td>7  Shared risk aids in sustaining the strategic alliance</td>
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<td>8  The strategic alliance partners should have mutual trust</td>
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<td>9  The strategic alliance partners should have cultural compatibility</td>
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<td>10 There should be shared reward from the strategic alliance</td>
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What other critical success factors not listed above can Safaricom use to sustain strategic alliances?

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Thank you for your time.