DRIVERS OF STRATEGIC ALLIANCES GROWTH IN THE KENYA TELECOMMUNICATION INDUSTRY: A CASE OF SAFARICOM LIMITED

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ABSTRACT

Strategic alliances are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field. The purpose of the study was to establish the Key drivers affecting the growth of strategic alliances in telecommunication industry with reference to Safaricom Ltd. The objectives of the study included: to establish the influence of cost sharing on the growth of the strategic alliances in telecommunication industry; to assess the influence of risk sharing influence on the growth of strategic alliance in telecommunication industry and to determine the influence of skill sharing on the growth of alliances in telecommunication industry. This study adopted a descriptive research design carried out as a case study of Safaricom Limited. The target population of this study comprised of 337 management employee working at Safaricom Limited and their alliances partners from which a sample of 125 respondents was picked using stratified random sampling. Both primary and secondary data was employed in the study. The researcher used a questionnaire as the primary data collection tools and was administered using both email and a 'drop and pick later' method to the sampled respondents. A pilot study was undertaken on at least (10) respondents to pre-test the data collection instrument for accuracy, completeness and relevancy for the data to be collected. The quantitative data in this research was analyzed by descriptive statistics using appropriate statistical tools. The data collected was analyzed using of Microsoft Excel 2010 and Statistical Package for Social Sciences (SPSS) Version 21. In addition, the study conducted a multiple regression analysis to establish the relationship between the variables.The study found out that to a great extent cost sharing affects the growth of strategic alliances in the telecommunication industry and that earning economy of scale in R & D, pursuing R&D cost reduction, avoidance of wasteful duplication, sharing fixed cost and Sharing R&D resources were the aspects of cost sharing that influence the growth of strategic alliances in the telecommunication industry, reducing competition, reducing uncertainty in cooperative R&D, buffering threats from external competitors and risk spreading among participants were the aspects of risk sharing that influence the growth of strategic alliances in the telecommunication industry and Information exchange, technology transfer, researcher training, management training and access to complementary knowledge were the aspects of skill sharing that influence greatly the growth of strategic alliances in the telecommunication industry. The study concludes that strategic decisions are driven by the evaluations of present and future benefits that a firm stands to gain, strategic alliances are trading partnerships that enhance the effectiveness of the participating Safaricom alliances competitive strategies by providing technology, skills and products exchanges and companies could improve growth of the strategic partnership between companies and other players in the mobile banking sector through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules ,

designing of good model s of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market. The study recommends that the Safaricom limited should include competitive intelligence in its strategic alliance practices, Safaricom limited could look into partnering with non-aligned businesses with a view to diversification in order to spread risks and companies need to adopt strategic alliances as a policy to strengthen their competitiveness and increase their efficiencies.

Key Words: *strategic alliances, growth, Kenya telecommunication industry, Safaricom Limited*

INTRODUCTION

In an era of globalization, the nature and the intensity of competition among companies have changed drastically; companies must now compete against domestic as well as foreign counterparts. This intense global competition has shaped the way businesses pro-act or reacts to shorter lead time for new product development, recovering huge Research and Development, investments quicker due to product obsolescence, reducing risks of product failure, and obtaining easier access to foreign markets (Aufuah, 2002). This has led to a surge in strategic alliances among competing companies located in the same country or among those across national boundaries. Strategic alliances often represent a variety of collaborative agreements among competing firms, which are in nature more than a standard customer-supplier relationship or venture capital investment but falling short of an outright acquisition (Barney, 2001).

Globally, companies in all types of industries and in all parts of the world have elected to form strategic alliance and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. More and more enterprise, especially in fast changing industries is making strategic alliances a core part of their overall strategy. Toyota has forged long-term strategic partnerships with many of its suppliers of automotive parts and components. Samsung, a South Korean corporation has entered into strategic alliances involving companies such as Sony, Yahoo, Hewlett–Packard (HP), Intel, Microsoft, Dell, Mitsubishi and Rockwell Automation.

The telecom market is not only one of the largest and most profitable sectors in the world but also one of the ‘hottest’ due to its convergence with the information technology and media industries. In recent times, developing nations have witnessed significant transformation within this sector due to the impact it has had on their economies. The Kenyan telecom industry experienced strong growth in the year 2012 and the same is likely to continue over till 2017. With increasing subscribers for both mobile and fixed line sectors, the Kenyan telecom industry is anticipated to post healthy growth rates in the coming years.With competition heating up between the four mobile subscribers in the country, evolution of the Internet and broadband services and as a result of intensified foreign and global competition, shortened product cycles and the ever-growing demand for new technologies, strategic alliances are becoming more and more popular since their general and comprehensive goal is

to strengthen the competitiveness of the undertakings concerned. This is achieved through the exploitation of each other's core competence and the results thereof, i.e. resources and connected strategic competitive advantages responsible for the undertaking's success (Bengtsson, Holmquist&Larsson, 2008).This has forced the telecom companies to rethink and reposition themselves and to look for potential co-operation partners all over the world.

Safaricom Limited is a leading mobile network operator in Kenya. It was formed in 2007 as a fully owned subsidiary of Telkom Kenya. In May 2000, Vodafone group Plc of the United Kingdom, the world's largest telecommunication company, acquired a 40% stake and management responsibility for the company. Following an Initial Public offering in 2008, the shareholding structure for Safaricom is; Government of Kenya 35%; Vodafone 40%; Free Float 25%. Safaricom is in the business of Provision of mobile telecommunication services namely voice, messaging, data and fixed broadband. Declining average revenue per user (ARPU) and increased competition in the telecommunications landscape in Kenya requires innovation to maintain a competitive edge in the market and sustain revenue required to sustain operations. Safaricom has had various initiatives among which are mobile money transfer known as M-Pesa which can be adapted for various applications. The main mobile payment solutions in Kenya at present are M-Pesa from the dominant telecoms player – Safaricom – and Airtel Money from Airtel Kenya. There is also a mobile payments system known as Posta-pay among others. M-Pesa is a mobile money transfer product where the money is in electronic value and is stored and conveyed through mobile phones. It is a product of Safaricom Kenya Limited in a joint venture with Vodafone (Brock, 2011).

Today, the world of telecommunications is changing technologically, accelerating rapidly (Brock, 2011; Picot, 2006) and becoming intertwined with other industries. Technology makes it possible to supply telecommunications services in a wide variety of ways. Mobile money transfer has become popular in formation of strategic alliances between Mobile Network operators and other organizations that require transfer of funds from one party to another to facilitate their running. The mobile network operator would provide a platform over which the technical aspect of the mobile transfer will be managed in addition to its existing subscriber base. On the other hand the other partner in the alliance provides a business application for use of the mobile money transfer platform. In this case, this would be settling of Kenya Power & Lighting company electricity bills. The mobile operator benefits by engaging in the alliance through finding a business use for its technology. This would be against the backdrop of competition and declining revenue from the traditional voice calls. Mobile payments can be seen as enhancing the telecoms operator competitive position and creating an additional revenue stream. The other partner seeking to use mobile payments in its operations is able to cost-effectively take advantage the mobile operator's infrastructure and existing customer base in carrying out its operations. Organizations at all levels of the supply chain (vertical and horizontal) are embarking on partnership alliances and forming a vital part of today's business environment (Pyka&Windrum, 2003).

In today's highly competitive environment, many companies are aiming to gain a share of the global market and to take advantage of higher production and sourcing efficiencies.According to Geletkanyczand Black (2001), in a new economy, strategic

alliances enable business to gain competitive advantage through access to a partner's resources, including markets, technologies, capital and people. Teaming up with others adds complementary resources and capabilities, enabling participants to grow and expand more quickly and efficiently. Fast-growing companies rely heavily on alliances to extend their technical and operational resources. In the process, they save time and boost productivity by not having to develop their own, from scratch. They are thus freed to concentrate on innovation and their core business. Many fast-growth technology companies use strategic alliances to benefit from more-established channels of distribution, marketing, or brand reputation of bigger, better-known players, pre-empting competitors, gaining access to new technologies, diversifying into new businesses, economies of scale, achieving vertical integration, and overcoming legal or regulatory barriers (Zajac, 2010). Generic needs of firms seeking alliance include cash, scale, skills, access, or their combinations as highlighted by Bleeke and Ernst (2009). Alliances permit companies to leverage their own capabilities and those of their partners in a dynamic business environment.

STATEMENT OF THE PROBLEM

The drive to create alliances has evolved quickly over the last few decades. Despite the advantages of strategic alliances, they do not always achieve desired results (Rai,Borah &Ramaprasad, 2006). Strategic alliances have been characterized as inherently instable; often involving unplanned and premature termination of the alliance by partnering firms. This perfunctory formation of alliances without learning the other partner's organization culture, management style among others often leads to failure (Patton, 2002; Youssef and Hansen, 2005). This has slowed the rate at which strategic alliances are adopted as a means of gaining competitive advantage by telecommunication firms. Therefore, whether a strategic alliance will be successful depends on various factors such as finance, technology, marketing and management and they have to be based on a "win-win" relationship, i.e. mutual benefit must exist. The choice of partner is of course essential since that choice determines the mix of skills and resources available to the alliance. It is crucial to determine whether the selected partner has the capacity to meet the performance expectations of the alliance and therefore the values, commitment and capabilities of potential partners must be carefully scrutinized (Rai&Svernlöv, 2007). It has been projected that the failure rate of strategic alliances could be as high as 70%. Arend and Amit, (2005) have shown that between 30% and 70% of alliances fail, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford*et al*, 2004). The strategic alliances in the telecommunication industry are extremely complex relationships and present a challenge to those involved in their management due to low commitment (no champion, minimal executive support), poor operational integration, poor adaptability and hidden agenda leading to distrust and lack of understanding of what is involved. Other problems include inconsistencies in executing responsibilities and lack of understanding on responsibility. This is coupled with incompetency which lead to poor formulation of strategic alliances, hinder effective solving of problem that arises, influence occurrence of failure in executing assigned responsibilities and in some cases, led to point the failure finger at the partnering company, shifting the blame when problem occurred increasing the tension

between Safaricom and partnering companies and often leads to strategic alliance failure. There are also coordination difficulties due to informal cooperation settings and highly costly dispute resolution. These types of challenges become important factors affecting alliances growth leading to failure in others as such asthe alliance between Safaricom and Equity bank in May, 2010 to form M-KESHO which did not last longer as it failed within two years after its formation. The management therefore need to look at the value of these alliances on the growth of alliances as strategic alliances are relationships based on trust, empathy and a win-win philosophy, where these words are over used and misunderstood and many managers do not know what an alliance really is (Spekman, Isabella &MacAvoy, 2000). Trustis critical in a strategic alliance since each partner depends on the other to share information and to satisfy mutual goals. Other critical success factors are the congruity between the partners about the purpose of the strategic alliance or about the process by which the agreed purpose is to be realized (Raiet al., 2006). In Kenya, while several studies have been done on strategic alliance (Park & Cho, 2007; Lei& Slocum, 2002), none has focused on the Key drivers affecting the growth of the same.Therefore this study aims to breach this gap by establishing the Key drivers affecting the growth of strategic alliances in telecommunication industry with reference to Safaricom Ltd.

GENERAL OBJECTIVE

To establish the Key drivers affecting the growth of strategic alliances in telecommunication industry with reference to Safaricom Ltd.

SPECIFIC OBJECTIVES

1. To establish the influence of cost sharing on the growth of the strategic alliances in telecommunication industry.

2. To assess the influence of risk sharing influence on the growth of strategic alliance in telecommunication industry.

3. To determine the influence of skill sharing on the growth of alliances in telecommunication industry.

THEORETICAL REVIEW

Transactions Cost Theory

As is well known, transaction cost theory has been advocated most strongly by Williamson (2005). A transaction occurs when a good or service is transferred across a technologically separable interface, such as when a firm buys an input from an independent supplier. He proposes that firms choose how to transact according to the criterion of minimizing the sum of production and transaction costs. For analytical purposes, this can be broken down into two parts: minimizing production costs and minimizing transaction costs. Production costs may differ between firms due to the scale of operations, learning, or proprietary knowledge.

Transaction costs refer to the expenses incurred in writing and enforcing contracts, in haggling over terms and contingent claims, in deviating from optimal kinds of investments in order to increase dependence on a party or to stabilize a relationship, and in administering a transaction (Kogut, 2002).

Proponents of the transaction cost perspective also claim that the firm has distinct advantages over markets, but argues that these advantages primarily relate to the control or reduction of opportunism threats posed by transaction characteristics (Williamson, 1985). In the absence of opportunism, all transactions could be organized by a series of contracts, such that the firm would be an unnecessary organizational form. By the imposition of bureaucracy, partner incentives to behave opportunistically are diminished because there is greater monitoring and control over partner actions and greater incentives to work out disputes privately. As a result, incentives to cooperate and share resources or/and knowledge are preserved (Sampson, 2004).

It has been argued that, the smaller the number of capable partners for a desired relationship, the lower the bargaining power of the firm relative to any given potential partner. Likewise, the need to invest in assets specific to the cooperative project and of limited value outside the relationship can lead to higher switching or exit costs for the firm (Kogut, 2002). These two factors are particularly pertinent for technology-based relationships. There are generally a limited number of firms capable of providing expertise in advanced technology development or customization. Leading-edge technology can also require extensive sophisticated training and equipment, which may be of limited value outside its relatively narrow domain. Such conditions constrain the opportunities for the firm and may increase its dependence upon the partner. This dependence can allow the partner to charge excessive prices and perhaps behave opportunistically unless such actions are offset through stringent contracting and monitoring (Tyler and Steensma, 2010).

It is well recognized that it is economical to produce a certain product or service in a large volume or jointly with other products/services. It is often argued that increases in the minimum efficient scale of a number of economic activities have led firms to enter into strategic alliances. For example, the desire to reduce costs through economies of scale in the aluminum industry is usually given as a cause for the spate of strategic alliances in this industry. Recently, the minimum efficient scale of a bauxite mine or of an alumina refinery is larger than that of an aluminum smelter. Only the largest aluminum firms have enough downstream capacity to absorb the output of an efficiently sized upstream facility. As a result, most bauxite mines and alumina refineries after 1980 have been built by consortia of aluminum producers, and strategic alliances account for more than half of the world's bauxite and alumina capacity (Hennart, 2002).

Risk Theory

Risk theory provides an additional lens through which technological cooperative partnerships can be evaluated. According to risk theory, executives consider the risks and rewards associated with investment choices in order to maximize their expected returns. A

collaborative relationship can contribute. Companies may through technological collaboration gain valuable experience and skills, which lower the risks associated with R&D and thus improve the probability of success. Such is often the case when two or more firms with related skills combine those skills to develop technology. In these situations the expertise of the various firms causes the combined effort to have a higher probability of success than would be the case if a single firm tried to develop the technology alone. Collaborative technological arrangements that are likely to increase the probability of success are attractive to executives (Tyler and Steensma, 2010).

Empirical studies have identified one objective of research partnerships, that is, to share risks and decrease market and technological uncertainty. Such risks are thought to increase the further away the subject of the cooperative research is from extant activities of the .Porter and Fuller (1986) identify strategic alliance as a mechanism through which companies can hedge risk. The high levels of uncertainty and failure in R&D allow for risk-balancing organizational arrangements, such as alliances (collaborations) with other organizations and firms to promote innovation and to mitigate the risk. Option theory – a subcategory of risk theory extends the concept of risk taking under uncertainty to a consideration of strategic flexibility afforded firms that purchase a portfolio of options. An option contract allows an investor to make an investment to buy an option, hold it until the opportunity arrives, and then decide between buying the option to capture the opportunity or abandoning it (Tyler and Steensma, 2010). For a given cost, a technological cooperative relationship that allows these costs to be committed incrementally contingent on positive outcomes will be more attractive than one in which costs must be committed up front. A project of this sort can be thought of as a series of options where the firm can stop buying subsequent options contingent on the outcomes of the collaboration.

Organization Learning Theory

Resource-based view (RBV) and organizational learning theory can be used to explain the skill sharing motives on R&D alliances. RBV takes a firm as a collection of physical and human resources, and these tangible and intangible resources have to be used by the firm to achieve growth. According to the RBV, sources of sustained competitive advantage are the firm's resources that are valuable, rare, costly to imitate and non-substitutable. A firm's broad-based skills and capabilities are often referred to as core competencies. These resources are generally much harder to acquire, imitate, or substitute than physical resources and are more likely to provide the company with a longer-term competitive advantage (Tyler & Steensma, 2010). But the skills and capabilities can only be gained or enhanced through innovation and learning for firms to grow (Odagiri, 2003).

Organizational learning theory is regarded as the key factor in achieving sustainable competitive advantage. Organizational learning refers to the process by which the organizational knowledge base is developed and shaped. The ability of firms to acquire knowledge and to transfer it into a competitive weapon has long been a part of the research agenda. Stata (2010) even predicts that the rate at which individual and organizational

learning may grow to become the only sustainable competitive advantage. As Hamel (2007) says, learning through internalization, which refers to acquiring skills to close the gap between partners, and sustainable learning helps reapportion the value-creating core competencies in an alliance context, giving partner the ability to match or overtake competition. Therefore, learning, be it related to technology transfer, acquiring skills, or improving learning capability ("absorptive capacity," Cohen &Levinthal, 2010), is a critical consideration for firms (Iyer, 2002).

Winners in the global market place have been firms that can demonstrate timely responsiveness and rapid and flexible product innovation, coupled with the management capability to effectively coordinate and redeploy internal and external competences. Teece, Pisano and Shuen (2007) have proposed the "dynamic capability" approach to firm-level advantage suggesting that a firm's ability to continually learn, adapt, and upgrade its capabilities is key to competitive success. The term "dynamic" refers to the capacity to renew competences so as to achieve congruence with the changing business environment; certain innovative responses are required when time-to market and timing are critical, the rate of technological change is rapid, and the nature of future competition and markets difficult to determine. The term "capability" emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. Dynamic capabilities thus reflect an organization's synthetic ability to gain competitive advantage and dynamic capability can be created and enhanced through experience, learning, investment and innovation.

As Teece et al. (2007) posit, the concept of dynamic capabilities as a coordinative management process opens the door to the potential for inter-organizational learning. Alliances are viewed by partner firms as vehicles that provide opportunities to learn to enhance their strategies and operations. Kogut (2002) argues, based on organizational learning theory, that alliances by their inherent long-term partnering nature provide opportunities for partners to transfer embedded knowledge between them. This embedded or tacit knowledge is generally difficult to transfer between firms.

Alliances are like a short-circuit method for acquiring critical tacit knowledge (Hamel, 2007). Characteristically, however, alliances are long-term exchange relationships. Learning occurs all along the evolutionary path, and the dynamics of learning and relationship interactions continuously change as the alliance grows. Learning priorities evolve and change with the alliance process. The different phases of alliance evolution represent an ongoing managerial task of balancing cooperation and compatibility between partners on the one hand and learning/building of new sources of competitive advantage on the other (Iyer, 2002). So in a sense, the alliance creates a laboratory for learning (Inkpen, 2008).

Strategic Behavior Theory

In the theory of strategic behavior, strategic competitiveness is achieved when a firm successfully formulates and implements a value-creating strategy. When a firm implements

such strategy and other companies are unable to duplicate it or find it too costly to imitate, this firm has a sustained (or sustainable) competitive advantage, which is also called competitive advantage .So, according to the strategic management theory, the main objective of strategic management theory is to help firms to gain competitive advantage in the market competition. A cooperative strategy is one in which firms work together to achieve a shared objective. Strategic alliances, as cooperative strategies in which firms combine some of their resources and capabilities to create a competitive advantage, are the primary form of cooperative strategies (Hitt et al., 2005).

In an era of intense global competition, firms realize that the effective use of proper strategy contributes significantly to their market performance. Increasingly, successful firms use a higher level of strategic alliance to gain competitive advantage. Strategic alliances may enhance a firm's superior performance through the combination of resources and capabilities in unique ways (Murray, 2001). Many firms enter into strategic alliances with a wish to strengthen their competitive advantages in the market.But "competitive advantage" is an ambiguous term and there is much confusion about the term. Day and Wensley (2008) in their article, "Assessing competitive advantage: a framework for diagnosing competitive superiority," have developed a process that can be used to ensure a thorough assessment of the reasons for competitive success or failure. They propose that a firm, which has superior sources of advantage (superior skills and superior resources), will win a superior position in the markets. A positional advantage will lead in turn to superior performance outcomes such as greater customer satisfaction and loyalty, and obvious result of greater customer satisfaction and loyalty is more market share.

EMPIRICAL REVIEW

In their study of cross-border alliances (Bierly and Coombs, 2004) found that two third of alliance ran into serious managerial or financial trouble within the first two years, in existence. In a study that examined the fate of 880 alliances, Coombs and Deeds (2000) found that only 40% survived four years in existence and that 15% lasted longer than a decade. Other studies highlight the fact that more than 50% of all joint ventures with shared management disappear or are completely reorganized within less than five years of their creation (Ireland, Hitt & Vaidyanath, 2002).

An example of failed strategic alliance is between Apple Computer and IBM to create a new, object-oriented operating system called Taligent in 2009. As reported by Forbes, the amount lost by both companies on the Taligent project exceeded $150 million (Young, 2002). Another example is Cisco Systems Ltd which has had two failed alliances with Motorola and Ericsson when the partners turned into competitors because of acquisitions. Stefanovic (2010) attributed Renault-Volvo strategic alliance failure to the failure of the alliance to address real cultural differences, while the joint decision-making structure was very poor.

Cost Sharing

In the literature about the formation of strategic technology alliances, cost arguments have received attention. Often, the question whether to enter into an alliance has been addressed as a make-or-buy decision. The strategic alliance is considered as the buy option. Cost arguments can be divided into accounting-based arguments and transaction cost arguments. For instance, Contractor and Lorange (2010) present a cost-benefit analysis of the choice between cooperative arrangements and fully owned investments in international business. The motivation for entering an alliance is cost savings from the alliance. Particularly for basic research, it has been argued that the increasing cost of innovation might be an important motivation for firms to enter into alliances (Glaister& Buckley, 2006).

Within transaction cost literature, alliance formation has often been analyzed in combination with the choice of governance mode. However, it seems important to distinguish here between institutional arrangements and the governance mechanisms these institutions use. Institutions include, for instance, joint ventures or markets. In contrast, governance mechanisms include price system, hierarchy, or social control. There is not one-to-one correspondence between the two (Hennart, 2009). Often institutions rely on several governance mechanisms. Within transaction cost economics, alliances are often considered as intermediate forms of governance that combine elements of markets and hierarchies. The basic argument of transaction cost economics is that firms enter into alliances to economize on the combination of production and transaction cost (Madhok, 2008). Kogut (2002) points out that integration within a firm are connected with diseconomies of acquisition. On the other hand, the use of market might be limited due to potential opportunism if assets are relationship specific and a high degree of uncertainty exists.

Eisenhardt and Schoonhoven (2006) argue that firms in strategic vulnerable positions, such as operating in highly competitive markets, following an innovative strategy, or being faced to emergent-stage markets, tend to form alliances at higher rates than those which are not. This is probably due to the fact that in such situations additional resources, e.g. technical know-how, cash, and legitimacy, would provide a competitive advantage. In addition, the findings reveal that sample firms, which maintain only few alliances, have only few resources. The authors assume that this is either due to a lack of interest in the formation of alliances, or a reduced attractiveness to potential partners. The latter leads to the assumption, that it requires resources to get access to new ones. However, Eisenhardt and Schoonhoven (2006) also suggest that alliance formation is not only a result of rational calculus. Social aspects like skills, status, and past relationships of the top-management team also play a vital role. Hence, organizations with large top-management teams, which are experienced and well connected, tend to form alliances at higher rates.

Transaction costs refer to costs that arise when firms interact with other organizations. Williamson (1985 cited in Kogut, 2002) subsumes under this term expenses, which incur for setting up contracts, negotiating its terms and enforcing rights, determination of optimal investments in order to minimize dependence on partners, and stabilizing relationships.

Kogut (2002) suggests that international strategic alliances are means by which large organizations increase control over smaller companies and over each other. In other words, organizational coordination replaces markets. Thus, with increasing coordination transaction costs drop.

Risk Sharing

Risk sharing is a common rationale for undertaking a cooperative arrangement - when a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important. The competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm's risks (Kogut, 2002).Strategic Alliances for the purpose of reducing risk are as old as capitalism - the English East India Company used it in the 17th century to finance risky voyages. In the 20th century, oil exploration companies often teamed up for similar reasons. To manage the business risks they face, they are choosing an organizational strategy that is itself notoriously risky - many joint ventures and other alliances end in nasty divorce or mutual disappointment.

In a sense, alliance strategies enable companies to buy protection from business risk only by taking on additional "relationship" risks. As a rule, alliances enable companies to make incremental commitments to an unfolding strategy, a useful feature when environmental uncertainties preclude decisions that are more definite. In addition, the partial commitments involved in alliances leave the company with resources to invest in more than one such arrangement, thus spreading and diversifying the risk (Hamel, 2000).

Risk management is a companywide concern and strategic alliances have their share of risks. Insights on managing risks in alliances including: managing reputation and relationship risks; risk assessment and legal issues in alliances; intellectual property protection; dealing with breaches of alliance contracts; termination triggers; re-structuring versus termination; when and how to exit an alliance with minimal risk. Risk sharing is another common rationale for undertaking a cooperative arrangement when a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important. The competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm's risks (Soares, 2007).

Alliances are effective in managing the business risk of firms, especially for those operating in an international business domain. Thus, alliances are not only vehicles for growth, but also provide avenues to mitigate risk. Specifically, alliances can address to a large extent environmental uncertainty (Burgers, Hill & Chan, 2009), assist in sharing costs of risky projects (Harrigan, 1985), and help businesses re-establish themselves in their competitive domain (Staber, 2006). Devlin and Bleackley (2002) suggested that firms seek alliances when confronted with mature, low-growth markets.

Skill Sharing

Skill sharing can be a motivation to enter into alliances (Mowery, Oxley & Silverman, 2006). Several authors argue that, in many instances, firms enter into alliances to acquire new skills or technologies from the partner (Hamel, 2000). However, the motivation in many alliances might be asymmetrical. While one partner enters with the goal to avoid investments the other tries to learn new skills. Within the resource-based literature, it has been pointed out that building new resources and capabilities suffers from time compression diseconomies (Dierickx & Cool, 2000). This means that a firm can only compress the time for developing a resource or technology at the expense of disproportionately higher cost. Alliances might enable firms to avoid some of these costs. In a competitive setting, the role of alliances can be seen from the perspective of strategy formulation, allowing firms to keep up with the pace of new developments (Booz and Hamilton, 2006) with the objective of creating value for the firm. The scarcity of resources as well as the need to build strengths to sustain value has driven firms to use alliances as a key strategy to gain a competitive advantage. Notably, alliance networks with competitors, suppliers and customers, and firms in other industries have been used as key strategies for value creation (Lewis, 2010).

Kogut (2002) argues that alliances are formed because they might help transfer of tacit knowledge that is not easily transferred in arms-length relationships. Transferring tacit knowledge might be easier in alliances that foster intense interaction and collaboration. The transfer of knowledge context is often needed for successful knowledge transfer. Alliances might enable this context transfer better than market transactions. The learning motive of alliances has recently received increased weight. In some industries, the convergence of formerly separate technologies requires firms to draw upon technologies in which they have no ore only very weak capabilities (Hamel, 2000). Companies that rely heavily on strategic alliances should have formal training for managers and team members. Formal training not only enables learning, but also ensures that practices in the alliances are consistent and that they use standard processes. Mentoring is an effective learning mechanism that allows personnel to provide guidance to inexperienced alliance team members. Also, rotating experienced alliance managers across different alliance teams or alliance groups within the company allows for alliance know-how to be shared.

Lorenzoni and Lipparini (2010) suggest that firms enter into strategic alliances in order to get access to complementary competencies, rather than to physical assets. They argue that it is the transfer of knowledge that enables organizations to keep up with technological development. Because proficiency is not only located internally but also externally, partners within a network are seen as some sort of intelligence unit that can be drawn of through alliances. Establishing relationships in order to access external expertise does not only foster learning, it further makes it harder for unconnected competitors to imitate products and services.

George et al. (2001) are in support for above mentioned argument. They too see the necessity of firms for constant innovation in order to remain competitive. This is especially the case for

players in the high-technology industry. However, the ability to innovate depends on a firm´s capability to assimilate and exploit diverse types of knowledge. Georgeet al. (2001) recommends strategic alliances as an effective way to achieve this objective. Kogut (2007) provides a similar recommendation. He argues that, in a world of uncertainty, joint ventures should be used as platforms for potential future developments.

Despite all arguments, which highlight the advantages of enhancing a firm´s skill set and expertise via alliances, Inkpen (2000) points towards some limitations. For him it is crucial that organizational learning is constraint by managers´ ability to understand the consequences of newly acquired knowledge. That means that the focal firm needs to be able to exploit knowledge in a way that it leads to an improved strategy and operations (Cohen and Levinthal, 2010 cited in Inkpen, 2000). Consequently, in order to make alliances successful, the engaging firms need to be able to acquire and transform knowledge.

RESEARCH METHODOLOGY

Research Design

This study employed a descriptive research design carried out as a case study of Safaricom Limited. Descriptive research according to Kothari (2003) is a powerful form of quantitative analysis. He also pointed out the same to be a comprehensive study of a social unit. The unit of study could be an institution, family, district, community, or person. Babbie (2012) argues that a case study is a form of qualitative analysis where studies are done on institutions and from the study, data generalization and inferences are drawn. The study method gave in-depth information on the factors influencing the growth of strategic alliances in the telecommunication industry with reference to Safaricom Limited. In general, a case study is a qualitative study that has been narrowed down to a specific unit but comprehensive enough to give representative information for similar units operating in the same environment. The use of case study in research is of particular importance taking in to account the advantages that come along with it. It is the easiest research free form material bias and enables one to study intensively a particular unit (Creswell, 2003).

Target Population

The population of the study consisted of management employees of the Safaricom Limited. The samples consist of 317 employees from the top, middle and low level management employment categories. The population also comprised 30 representative management staff of the partners in the alliances. This brings the target population for the study to 337 respondents.

Sample Size

A stratified random sampling technique was employed to select the respondents who are stratified based on the various employment levels in the organization. The sample size was obtained from the management employees of Safaricom Limited. Conventionally, a sample

size of 30 elements is acceptable for research purposes (Mugenda&Mugenda, 2003). The study had a sample size of 125 which is sufficiently representative of the target population. This sample size is justifiable it represents 30% of the total population. According to Mugenda and Mugenda (2003), a sample size of 10% or more is good representation of the whole population.

Data Collection Procedure

Both primary and secondary data was employed in the study. Primary data was collected through a questionnaire which contained both open-ended and closed-end questions and with staff currently working at Safaricom Limited. It was administered on a 'drop and pick later' technique. For the secondary data on the strategic alliances by Safaricom and their trends, sources was employed whereby use of previous document or materials to support the data received from question and information that includes e-resources, books and magazines available in the libraries was visited as well as information from the websites.

Data Analysis and Presentation

Data collected is both quantitative and qualitative in nature. Quantitative data is analyzed by the use of descriptive statistics with the help of software programme SPSS version 21 which is the most current version in the market and Microsoft Excel to generate quantitative reports and presented through percentages, means, standard deviations and frequencies. On the other hand, a content analysis was be used to analyze the qualitative responses obtained from the open ended questions. This method is preferred due to the fact the study involves generating respondents' feelings on the process. This method was not limit the respondents from giving information hence its suitability for the study. The information was presented by use of bar charts, graphs and pie charts. In addition, the study also conduct a multiple regression analysis analysis to establish the relationship between the variables. Multiple regression analysis was used to establish the relationship between the study variables. The multiple regression equation was

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where: Y = Growth of strategic alliance, X_1= Cost Sharing, X_2= Risk Sharing and X_3= Skill sharing, while β_1, β_2 and β_3 are coefficients of determination and ε is the error term.

RESEARCH RESULTS

The study found out that to a great extent cost sharing affects the growth of strategic alliances in the telecommunication industry. The study reveal that earning economy of scale in R & D, pursuing R&D cost reduction, avoidance of wasteful duplication, sharing fixed cost and Sharing R&D resources were the aspects of cost sharing that influence the growth of strategic alliances in the telecommunication industry.

The study also established that to a great extent risk sharing affects the growth of strategic alliances in the telecommunication industry. Reducing competition, reducing uncertainty in cooperative R&D, buffering threats from external competitors and risk spreading among participants were the aspects of risk sharing that influence the growth of strategic alliances in the telecommunication industry.

The study also found out that to a very great extent skill sharing affects the growth of strategic alliances in the telecommunication industry. Information exchange, technology transfer, researcher training, management training and access to complementary knowledge were the aspects of skill sharing that influence greatly the growth of strategic alliances in the telecommunication industry.

On the trend of the company for the last five years the study found out that customer based had greatly improved, firm size had improved and firm size had improved thus improve in the growth of strategic alliance.

REGRESSION ANALYSIS

A regression analysis was conducted to determine how cost sharing, risk sharing and skill sharing influence growth of strategic alliance. The statistical package for social sciences (SPSS) was used to code, enter and compute the measurements of the multiple regressions for the study.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769	.591	.502	.6544

Table 1 shows a model summary of regression analysis between three independent variables: cost sharing, risk sharing and skill sharing and dependent variable growth of strategic alliance. The value of R was 0.769; the value of R square was 0.591 and the value of adjusted R square was 0.502. From the findings, 59.1% of changes in the growth of strategic alliance were attributed to the three independent variables in the study. Positivity and significance of all values of R shows that model summary is significant and therefore gives a logical support to the study model.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	19.070	3	6.357	14.840	.010
Residual	39.837	93	.428		
Total	58.907	96			

The probability value of 0.010 indicates that the regression relationship was highly significant in predicting how the three independent variables (cost sharing, risk sharing and skill sharing) influence growth of strategic alliance. The F critical at 5% level of significance was 1.96. Since F calculated 14.84 is greater than the F critical (value = 1.96) this shows that the overall model was significant.

Table 3: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.573	.379		4.154	.000
Cost Sharing	.464	.087	.479	5.341	.000
Risk Sharing	.122	.081	.168	1.508	.035
Skill Sharing	.035	.095	.042	.373	.010

From the findings on Table 4.13, the regression model can be written as:

$$Y=1.573 + 0.464X_1 + 0.122X_2 + 0.035X_3$$

The regression equation above has established that taking all factors constant at zero, the growth of strategic alliance will have an autonomous value of 1.573. The findings presented also show that taking all other independent variables at zero, a unit increase in cost sharing would lead to a 0.464 increase in the growth of strategic alliance. A unit increase in risk sharing would lead to a 0.122 increase in the growth of strategic alliance. A unit increase in skill sharing would lead to a 0.035 increase in the growth of strategic alliance. All the variables were significant as the P-values were less than 0.05.

CONCLUSION

The study concludes that strategic decisions are driven by the evaluations of present and future benefits that a firm stands to gain. On the other hand operational decisions are based on transaction cost calculations. Strategic alliances are not driven by the expected direct impact on costs, profits, and other tangible benefits but by indirect positive outcomes from their intangible benefits. These intangible benefits where a firm ends up gaining dominant or leadership position in the market lead to their competitiveness in terms of superior service delivery, differentiated and unique products and even profitability.

The study also concluded that strategic alliances are trading partnerships that enhance the effectiveness of the participating Safaricom alliances competitive strategies by providing technology, skills and products exchanges. They also enable partners to enhance and control their business relationships. Alliances provide opportunity for participating companies to tap into the resources, knowledge, capabilities and skills of their partners.

The study concluded that companies could improve growth of the strategic partnership between companies and other players in the mobile banking sector through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules , designing of good models of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market.

RECOMMENDATIONS

The study recommends that the Safaricom limited should include competitive intelligence in its strategic alliance practices. Especially the impact of technological intelligence will have huge benefits in the level of automation, cost reduction and efficiency in service delivery that the company can achieve. Safaricom limited should therefore adopt instruments to gather market intelligence, product intelligence, technological intelligence, and strategic alliance intelligence to complement its strategic alliance practices to ensure it positions itself strategically as the most competitive company in terms of innovation and customer value-add as compared to rivals.

The study recommends that Safaricom limited could look into partnering with non-aligned businesses with a view to diversification in order to spread risks. Common examples could be partnerships with insurance companies, stock brokerage firms, investment firms and even pension companies. This will broaden the range of services offered and increase revenues and profits.

The study recommends that companies need to adopt strategic alliances as a policy to strengthen their competitiveness and increase their efficiencies. Strategic alliance is vital for companies as a way of expanding their presence. The study suggests that there is need for organization planning to engage in alliances to take note of the pre alliance and post alliance formation factors for the alliance to be successful.

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