# IMPLEMENTATION OF STRATEGIC ALLIANCES AT ACCESSKENYA GROUP

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## DECLARATION

This is my original work and has not been submitted to any other college, institution or university for examination.

Signed: ____________ Date: 10/11/2009

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

Signed: Justus Munyoki Date: 10/11/2009

**DR. JUSTUS .M MUNYOKI**

# DEDICATION

This research project is dedicated to my family with whose support I have been able to complete this research project.

## ACKNOWLEDGEMENT

It is my sincere gratitude to a number of people who have made the compilation of this research project possible. I am heartily thankful for the encouragement, guidance and support received from my supervisor Dr. J.M Munyoki who enabled me complete the project.

In conclusion, I wish to state here categorically that the support received from all parties is fully appreciated.

## ABSTRACT

The study sought to investigate the factors that contributed to the AccessKenya Group alliance and also to investigate the challenges of the strategic alliance faced by AccessKenya Group, and establish how they counter these challenges.

The study used a descriptive case study design.This design was chosen because it enabled the researcher to find out the effect of the strategic alliance without influencing or affecting the organization's normal behaviour. This study targeted 25 managers and 10 senior administrative staff. From the target population, a sample of 10 respondents made up of managers and the senior staff was chosen using stratified sampling technique. Primary data was obtained by use of a questionnaire which was administered to the respondents, while secondary data was collected from publications, journals and other write ups available on the topic of study. The quantitative data was entered into the computer and then analyzed using the statistical package for social sciences (SPSS) computer programme. Data was presented in form of Tables and charts for ease of understanding and interpreted using frequencies, percentages and mean scores.

The study found out that the factors that contributed to AccessKenya's group alliance were to broaden the partner's strategic options, to add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge, it was a means to an end, to reduce operation costs, to allow the capture of new developments without a major investment, to provide the opportunity to upgrade both firms positions more rapidly than individually, through pooling of resources and capabilities, and also to allow entry into new business more easily and cost effectively.

There were also challenges of the strategic alliance which included each party reserving certain key proprietary knowledge so as to preserve its competitive advantage, lack of confidence in each other to commit valuable know-how, the risk that one partner would take advantage of another partners commitment and trust, lack of sensitivity to each other's cultures in the joint operation and unexpected developments. In general, the alliance cooperation was good and the success rate of the strategic alliance at AccessKenya was high. In order to deal with the challenges, the company looked at the reputation of the partner and the people involved in alliance before entering into the alliance, how long the partner had been in business (experience

of the partner), whether the relationship was going to be formalized - agreements, legal structure, the damage that could be done to the business if the alliance goes wrong and also the company defined who would be contributing what, the terms, conditions, limitations, and expectations of the strategic alliance.

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alliances. The research design and methodology that was used to carry out the research is dealt with in chapter three. Chapter four presents the data analysis and interpretations of the data collected from the field. Finally chapter five is a summary of the findings from chapter four and it goes further to give conclusions and recommendations for this study.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter presents the available literature that has been reviewed for the study. The literature is mainly on the implementation of the strategic alliance and the challenges of strategic alliance.

## 2.2 Concept of Strategic alliances

An alliance is any governance structure to manage an incomplete contract between separate firms and in which each partner has limited control. These structures may be more or less formal; it is the degree of incompleteness that determines whether we are dealing with an alliance, not whether or not there is a stand-alone structure to govern the relationship. In fact, alliances may be structured as complex equity joint ventures or they may be looser arrangements for cooperating in research and development or marketing or for managing supply and sales relationships. A constellation is a set of firms linked together through such alliances and that competes in a particular competitive domain; the constellation may compete against other constellations, or against single firms (Gomes-Casseres, 1996).

Baker et al. (2001), stresses the relational nature of the contracts between the firms. A constellation, sometimes also referred to as an alliance group (Gomes-Casseres, 1994), is related to strategic blocks (Nohria and Garcia-Pont, 1992), strategic networks (Jarillo, 1988), and webs (Hagel, 1996); for a review, see Gulati (1998). A constellation is an alternative to the single firm as a way of governing a bundle of capabilities (Powell, 1990). As a result, one might see single firms competing against constellations. This simply means that the single firm has more required capabilities inhouse than do the members of the constellations. The underlying theme of this essay is that the design of a constellation affects how it competes and that the position of a firm among and within constellations influences the gains made by the firm.

## 2.3 Types of Strategic Alliances

Strategic alliances are agreements between two or more firms to co-operate with each other in some way for varying lengths of time (Doz and Hamel, 1998). The degree of co-operation falls within a broad range of parameters from informal swapping of knowledge to more formal agreements such as joint ventures. Similarly, the structure and duration are variable depending

on the type of strategic alliance formed (Osborn and Hagedoorn, 1997). Strategic alliances can be classified as: *pro-competitive* – inter-industry, manufacturer/supplier; *non-competitive* – intra-industry, non-competing firms; *competitive* -- direct competitors; and *pre-competitive* – unrelated industries (Yoshino and Rangan, 1995).

Nooteboom (1999) classifies alliances as either vertical, i.e. alliances between buyers and suppliers, horizontal, i.e. alliances between competitors, or diagonal, i.e. alliances between firms in different industries. The common theme running through each class of alliance is that of knowledge transfer. There is an exchange of knowledge in each case between firms – normally in both directions but not always in equal measure. Strategic alliances include collaboration, joint ventures, consortia, licensing agreements, offset agreements and essentially any form of co-operation or exchange of resources between two or more partners.

In strategic alliances, at least two entities agree to combine economic resources –financial resources, know-how, or material assets—in a contractual framework in order to achieve pre-defined strategic objectives. A simple arrangement is the granting of a license to use technology, within which one company provides the know-how and another company pays royalties in consideration for the know-how, either in the form of equity or cash, in amounts that may be conditioned upon performance or be fixed in advance.

Other setups combine in a single agreement an investment by one of the companies in the other, with the other company allotting equity in consideration for the investment, and providing know-how or products to be incorporated into the investing company's manufacture, production, marketing, or development systems. In such setups, it is often hard to evaluate each of the various individual components of the transaction. Such distinction is essential for the companies' financial statements, since many transactions combine capital components (i.e., an investment) with components in the income statements.

Arrangements that include components of an investment in equity have been highly popular in recent years and usually produce long-term alliances. In many cases, a new entity is created in which the companies invest money and know-how. For example, FDC, one of the largest companies in the world for money transfer services, established a new company for Internet-

based payment systems, together with the investment bank Goldman Sachs and the venture capital fund General Atlantic, for a total investment in excess of one billion dollars.

A main component of FDC's investment was its share in ventures in which it had invested beforehand. Such transactions are common when one of the parties to the transaction is not interested in diluting a sTable and profiTable company, but is interested in allotting shares in a new activity in which it invested, which could arouse investors' enthusiasm. Cooperation arrangements bestow on both parties many of the advantages involved in mergers and acquisitions, without the need to bear the high premium entailed by a change of ownership.

Such arrangements further provide the option to choose the essential components in the other party to the transaction, without the need to acquire and then sell the segments that are of no interest to the acquiring company. Furthermore, strategic alliances typically do not require the approval of the company's shareholders, and are generally welcomed by capital markets more than are acquisitions.

Various researches have demonstrated that joint ventures are more successful when the management cultures of the partners are compatible and when the senior management of the companies is committed to them. In many cases, one of the parties invests more money if the other party agrees to run the business or, alternatively, transfers know-how to the business. In other cases, the partners take equal shares in the ownership but not in the management, and both parties have the right to veto various material resolutions, such as large transactions, the acquisition or sale of assets, and so forth.

Like mergers and acquisitions, transactions that could affect competition in the market are subject to the scrutiny of the antitrust authorities. The examinations that are made are similar to those made in cases of mergers or acquisitions. In recent years, many alliances have been exposed to scrutiny by the authorities. As a result of the creation of many e-commerce platforms in recent years, various rules of reporting to the authorities were fixed for the establishment of such platforms.

## 2.4 From Traditional Competition To Collective Competition

Traditional competition, in which firms compete against other firms, are good starting points for understanding collective competition, in which constellations of allied firms are the competitive units. But the traditional models need to be amended and expanded. The organizational form of the competitive unit affects how it competes and how value is distributed among its constituent parts. This is true for companies, and even more so for alliance constellations. Collective competition exists in many domains. Constellations do not necessarily confer advantage to a firm.

Depending on the context, they can be helpful or not, just like with vertical integration. The advantages of a constellation, as compared with a single firm, depend on the need for integration among parts of the value chain and the need for scale and specialization in each of the parts (Chesbrough and Teece, 1996).

In the traditional model, firms are competitive units in an oligopolistic industry. In collective competition, the competitive units are constellations, and industry structure can be conceived of as an oligopoly of constellations (Nohria and Garcia-Pont, 1992, Gomes and Casseres, 1996, Suen, 2002). In the traditional oligopoly, firms rely on firm-based advantages for differentiation. In collective competition, constellations rely on group-based advantages to differentiate themselves from rivals. The resource-based view helps us think about both firm- and group-based advantages. In the traditional model, firms control resources through ownership and govern them through their corporate structures.

A constellation assembles the resources of its members and governs these resources by the way the group is structured and managed. The last element of this 'big-picture' comparison of traditional competition and collective competition is the origin of a firm's profit. Simplifying again, the traditional model reasons that firms appropriate a share of the rent in the value chain in which they are operating (Gadiesh and Gilbert, (1998). That pool of rent in the chain is influenced by industry-wide pressures, such as those in Porter's five-forces model.

This gains a piece of this pool by exploiting its valuable resources or, in game-theory language, by bargaining for a share of the value-added that they bring to the pool (Brandenberger and Nalebuff, 1996). In collective competition the constellation becomes both a player and a

mediator in the bargaining process. Given a pool of rent available in an industry segment, rivalry among constellations determines the rent that each group appropriates from the pool, and then bargaining among the firms in each constellation determines the share of the constellation's rent that each firm can appropriate for itself. This argument is analogous, and in some contexts the same, as the analysis of the standards battle in (Shapiro and Varian, 1999).

In sum, the model of collective competition proposed here is one of resources, control mechanisms, and bargaining power nested in at least two layers.2 Firms control firm-level resources that are aggregated to make group-level resources. These aggregate resources then determine the share of industry value that a group can appropriate. This group-based rent in turn forms the total from which member firms appropriate profits. This argument begs the question of what determines total group profits and what determines each firm's claim on the profits of its group. Again, traditional models of competition do not address these questions, but any theory of collective competition must.

**2.5 The nature of group-based advantage**

The group-based advantage of a constellation differentiates it from rival constellations and determines the share of the industry profits that it can earn. Analogous to the traditional model based on firms, group-based advantage stems from the relative value of the resources controlled by the constellation. Let us focus on the two elements in this statement: first, the nature of the resources in each constellation; and second, how the constellation controls these resources. Because constellations are groups of allied firms, the resources in the constellation are the sum of the resources contributed to the group by member firms. But these resources are not controlled as tightly as they would be inside a firm, because of the incomplete contracts (and possibly partial ownership) in the alliances that tie the member firms together.

Leadership is important in making collective decisions and in disciplining constellation members that stray from the collective goals; constellations that are weak at the center tend to be pulled in multiple directions by their members, as happened with Mips (Lorenzoni and Baden-Fuller, 1995). Group size is a self-evident factor: the larger the group, the harder it is to manage, all else being equal. Those constellations that have grown large and successful (e.g. Coca-Cola and Visa) managed their size by issuing norms and rules that make management of the group more of a



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routine as in franchising (Bradach. 1998). Again, this list is not exhaustive, but the point should be clear: a constellation only gains advantage from member resources if it is able to combine and govern them effectively.

### 2.6 Forces shaping a firm's claim on group advantage

Although constellations are created to generate group-based advantages, they must yield value at the level of the firm in order to attract and retain members. The game of competition may have changed, but we still keep score the old way. What determines the value that a firm can actually appropriate from participation in a constellation. Two strands of work on alliances and networks are relevant to this question. Authors taking a structural approach have argued that the position of the firm in a network shapes its power over partners (Nohria and Garcia-Pont. 1992; Burt, 1992; Lorenzoni and Baden-Fuller, 1995).

Others have emphasized that the scarce resources added by each firm shapes its ability to extract profit from partners (Pfeffer and Salancik, 1978). These different approaches are related to the debate in social network analysis between the roles of structural position and identity (Nohria and Eccles, 1992). As with many such debates, it is likely that both perspectives are important; a recent attempt to combine the two sets of ideas is (Suen, 2002). In addition, the two sets of factors are often interdependent.

### 2.7 Importance of strategic alliances

The last two decades have witnessed a significant increase in the frequency and magnitude of strategic alliances. Despite their increasing popularity, both management scholars and practitioners (Das and Rahman 2001; Seligman 2001) agree that most strategic alliances have failed to fully accomplish their goals. For example, strategic alliances have been described as unsTable organisational forms (Inkpen and Ross, 2001). Hutt and colleagues (Hutt and Stafford and Walker and Reingen, 2000) note that many strategic alliances fail to meet expectations because little attention is given to nurturing the close working relationships and interpersonal connections that unite the partnering organisations. Formal contracts generally play a necessary part in establishing the conditions and performance milestones for collaboration. They may even provide the only basis on which business partners are prepared to work together in the first

instance. Yet such contracts are rarely enough by themselves (Child. 2001). Informal understanding, based on dimensions such as trust and commitment, often prove to be more powerful factors in determining how the collaboration actually works.

Managing strategic alliances is therefore difficult. Organisations must select potential alliance partners wisely, which includes identifying partners with compatible goals and those willing and able to commit the needed resources (Ring and Van de Ven. 1994). Once selected, alliance partners must reconcile the purposes of each organisation, at least in part, into a common purpose as well as develop compatible expectations for each other and for the strategic alliance (Doz, 1996). Partners often have different goals not only for themselves, but also for the strategic alliance. Further, partners need to work with potentially different cultures, operating procedures, and governance structures (Borys and Jemison, 1989). Such challenges are possibly more complex in strategic partnerships between SMEs and corporates due to the differences in size and power asymmetries.

Many startups find that cooperating with stronger and better known companies can help them break into the market faster and secure less costly financing than would otherwise have been available to them. In the past, joint ventures focused on the representation of companies in various countries or geographic areas. In the past decades, the phenomenon of joint ventures for predefined activities has become more prevalent. An alliance can impart to the company a relative advantage in size or an ability to learn the field faster, or provide a complement to areas in which it is lacking (for instance, an alliance between a startup with an advantage in development and production with a company with proven marketing skills). When the joint venture is performed in a formal manner, by establishing a separate legal entity for it (also known as the joint venture), it is similar in nature to a partial acquisition in consideration for shares. This is because the transaction creates an entity that combines the relative advantages of both parties and ties their futures together, at least with respect to the field in question.

## 2.8 Challenges of strategic alliances

According to the The OECD, (2000), many of the traditional problems facing strategic alliances are the availability of debt and equity financing, difficulty in exploiting technology where that is not the focus of the firm, constrained managerial capabilities, poor skill development and low productivity, regulatory burdens and international market access - become more acute in a globalised, technology-driven environment. This can hamper strategic alliance start-up, growth and competitiveness.

The second challenge relates to globalization. The effects of globalisation and/or hypercompetition (D'Aveni, 1998) have intensified traditional barriers to growth for SMEs. Confronted with such challenges, SMEs have increasingly turned to strategic alliances to deal with these problems (Kishida, 2002). Sulej for example, observes that there has been an increasing use of strategic alliances as a mechanism for growth by SMEs, especially in innovative, technology-based industries (Sulej et al., 2001). Strategic alliances between large companies and small firms in particular are increasingly common (Alvarez, 2001; Slowinski and Seeling, 1996). Alvarez illustrates that strategic alliances between biotechnology firms and pharmaceutical firms increased 341% between 1993 and 1995. Similar growth rates can be found in the telecommunications, internet, electronics, and oil and gas industries (Alvarez, 2001).

Although the potential benefits of strategic alliances with large firms are significant, they can easily be offset by the costs and risks of such alliances (Kishida, 2002). Alvarez for example, reports that almost 80% of managers from small firms felt unfairly exploited by their large firm partners and that many firms went bankrupt. If indeed the effective use of strategic alliances is viewed increasingly as an important issue facing small, growth-oriented firms (Bekmann and Robinson, 2004; Slowinski and Seeling, 1996), understanding better what makes strategic alliances and/or collaborative partnerships effective within the SME sector is critical.

Although some literature has begun to address various issues associated with inter-organisational collaboration between SMEs and large firms (see for example Alvarez, 2001; Farkas-Conn, 1999; Hagedoorn and Narula, 1996; Kishida, 2002; Sulej et al. 2001), relatively little is known from this literature on how to successfully manage the relational aspects of collaboration

between SMEs and corporates. Alvarez and Sulej, for example, predominantly investigate the potential pitfalls and risks involved in these kinds of partnerships. This paper attempts to explore this gap in literature by portraying the relationship dynamics of four New Zealand strategic alliances between SMEs and large firms.

Despite the increasing popularity of strategic alliances, many partnerships tend to fail and are terminated at excessively high rates. Das and Teng offer valuable insights into likely explanations for instability of strategic alliances. One of the pervasive problems faced by firms in strategic alliances is the potential for opportunistic behaviour (Das and Teng, 2001). In extreme situations, companies might join the alliance with the objective of using the partnership to exploit its partner company by, for example, trying to extract core competencies from the venture, or by using its influence over the investment and development process to reduce its partner's competitiveness (Barlett and Ghoshal, 2000). Such alliances, however, are presumably short-lived. Kishida (2002) suggests that small firms have a limited buffer against the negative outcomes of strategic alliances with large partners. Indeed, in some circumstances, strategic alliances with large firms can even threaten the very survival of a small firm (Alvarez, 2001).

One way to negate the problem of opportunistic behaviour is to develop an adequate level of confidence in ones partner's cooperative behaviour (Ring and Van de Ven, 1992). Das and Teng (1998) define confidence in partner cooperation as "a firm's perceived level of certainty that its partner firm will pursue mutually compatible interests in the alliance, rather than act opportunistically" (Das and Teng, 1998, p 491). Confidence arises from three distinct sources - trust, commitment and control (Das and Teng, 1998; Whipple and Frankel, 2000). All three dimensions are parallel concepts and their relationship is of a supplementary nature in generating confidence.

## 2.9 The Disadvantages of Strategic Alliances

### 2.9.1 Cost

Alliances are costly, not only due to cash leaving the company's hands, but rather due to returns from which it could be denied. First, joint ventures involve the investment of managerial time resources in establishing the venture, managing it, and resolving possible conflicts of interest

between the partners over the functioning of the venture. Even when a proper set of contracts, incentive schemes, and various transfer prices from the partners to the joint venture resolve most conflicts, almost no joint venture manages to entirely avoid conflicts between its respective parties.

Moreover, alliances can create indirect costs by blocking the possibility of cooperating with competing companies, thus possibly even denying the company various financing options. For instance, an alliance with Ericsson in the area of cellular communications could reduce the likelihood of contracts with Nokia, thereby putting the company at risk that if Ericsson is weakened, so will be all the companies that depend upon it. Joint ventures also expose the company to its partners, and the unique technologies that it has are sometimes revealed to its partner company, which could later become a competitor or could utilize the fruits of the venture or the know-how better than the startup itself. In addition, strategic partners may often lead the company in directions that serve the partner company better than they do the company itself.

Although a material part of the costs of joint ventures may be forecasted during the negotiations for its establishment, in many cases the balance of power between the parties changes during the course of the venture's life, and the parties to it may have a change of mind. For instance, many joint ventures that were signed before the stock market crises of 2001-2002 between public companies and startups never materialized due to the drop in the stock prices of some such public companies. The fact that some of the private companies had meanwhile raised capital and actually had become stronger than the public companies, utterly changed the balance of power. Likewise, the non-raising of capital by the startup could motivate the public company to try to renegotiate the terms of the venture, while taking advantage of the startup's weakness. A change in the competitive environment in the field could also affect the alternative cost of the venture. For instance, if Nokia were to increase its share in the cellular market, then the alternative cost of the venture with Ericsson (namely, the economic value of the reduced opportunity to do business with Nokia) would be augmented over time.

### 2.9.2 Lack of trust

Child (2001) suggests that trust is vital for any relationship - particularly when there is insufficient knowledge and understanding of the other party. His insights parallel those who

argue that "virtually every commercial transaction conducted has within itself an element of trust" (Arrow, 1972). In the context of interorganisational partnerships a certain minimum level of interfirm trust must exist (Das and Teng, 1998). In fact, trust is a precondition to success of alliances of all forms (Volberda and Elfring, 2001). A number of authors on the subject emphasise how trust promotes cooperation (Das and Teng, 2001: Whipple and Frankel, 2000), facilitates investment in relationship-specific assets (Dyer and Singh, 1998; Hamel, 1991), minimises transaction costs associated with the exchange (Volberda and Elfring, 2001), accelerates negotiations (Reve, 1990), and serves as an efficient governance mechanism (Ring and Van de Ven, 1994). However, defining trust is not an easy task. Partly, one suspects, this is because of the numerous definitions that are put forward by various streams of academic traditions (Lewicki et al, 1998).

One common trait found in numerous fields, however, is the relationship between trust and vulnerability, as well as predictability and or dependence (Volberda and Elfring, 2001). Some researchers conceptualize trust in multidimensional terms. For example, (Whipple and Frankel, 2000) examine trust from two distinct perspectives: characterbased trust and competence-based trust. Character-based trust deals with the qualitative characteristics of behaviour inherent in partners' strategic philosophies and cultures, while competence-based trust looks at specific operating behaviours and day-to-day performance (Whipple and Frankel, 2000). Trust may concern a partner's ability to perform (competence-based trust), or their intentions to do so (character-based trust) (Das and Teng, 2001).

Several authors stress inseparability and vitality of trust and open communication if a strategic alliance is to succeed. When trust is present, certain characteristics in a relationship can be identified. These include more open communication, the willingness to listen and confidence in the future success of the relationship (Howarth et al., 1995). This proposition is strengthened by the work of Hutt (Hutt et al., 2000). The essence of their argument is that many strategic alliances fail to meet expectations because "little attention is given to nurturing the close working relationships and interpersonal connections that unite the partnering organisations" (Hutt et al., 2000). However, human factors appear to have remained unconsidered or, at worst, dismissed in strategic alliance research (Hutt et al., 2000). A defining characteristic of trusting relationships,

in this regard, are frequent interactions, the timely exchange of information, and accurate feedback on each partner's actions (Hutt et al., 2000).

Moore (1998) argues that the existence of trust in a relationship reduces the perception of risk associated with opportunistic behaviour and allows each party to believe that its goals will be fulfilled in the future. An extension of this argument, from a theoretical point of view, is that trust facilitates the creation of relation-specific investments (resource-based view) and stands as an effective governance mechanism by lowering transaction costs (Dyer and Singh, 1998). They propose that trust facilitates the willingness of the alliance partners' to make relation-specific investments and combine resources in unique ways. In addition, informal psychological contracts, which are based on trusting personal relationships, by and large substitute for formal legal contracts (Hutt et al., 2000).

### 2.9.3 Lack of Commitment

Besides trust, commitment has also been argued to be a key factor to strategic alliance success. In general, commitment in a strategic alliance concerns a partner's intention to continue in a relationship (Cullen et al, 2000). Commitment to an alliance signals both a sense of trust and a belief that the alliance has merit (i.e. creates value for both) (Spekman et al., 2000).

Commitment in strategic alliances can be examined from two distinct perspectives, as rational and attitudinal commitment (Cullen et al., 2000). The former focuses on tangible rewards from the strategic alliance, whereas the latter focuses on internalising the alliance relationship and making the extra effort to make the alliance work. Generally, rational commitment refers to the investment in relation specific, non-recoverable assets in the strategic alliance (Schreiner, 2002). With attitudinal commitment, the strategic alliance assumes a position of status and importance because "there is a fairly deep psychological identification with the relationship and a pride of association with the partner and with the strategic alliance" (Cullen et al., 2000).

However, too much senior management commitment (i.e. attitudinal commitment) may have its negative sides too (Inkpen and Ross, 2001). In particular, the more committed senior management becomes to a particular partnership, the more 'socially bound' they become and, thus, the more difficult it becomes to admit failure and withdraw from an alliance (Inkpen and

Ross, 2001). This is particularly true when senior management has invested not only a great deal of the firm's financial capital, but also a great deal of their 'personal political capital' (Inkpen and Ross, 2001).

Nevertheless, management commitment is important not only to ensure the alliances receive the necessary resources, but also to convince others throughout the organisation of the importance of an alliance (Lorange et al, 1992). The latter is particularly relevant in the context of large firms forming partnerships with SMEs. In many companies, however, strategic alliances are viewed as outside of the Organizational mainstream' (Elmuti and Kathawala. 2001). Therefore, organisational members may tend to view them as not as important as the company's core business. These 'internal' stakeholders, it is argued, may make or break the alliance. Thus, any company needs to ensure that their employees are committed to and enthusiastic about the strategic alliance. The task of senior management is to sufficiently explain the alliance idea and motivate others throughout the organization (Lorange et al., 1992).

### 2.9.4 Inadequate control

Control can be defined as "a regulatory process by which the elements of a system are made more predicTable through the establishment of standards in the pursuit of some desired objective or state" (Das and Teng, 2001). Firms in strategic alliances tend to be more confident about partner cooperation when they feel that they have an adequate level of control over their partners (Beamish, 1988). From this perspective, formally established system of control will ensure (or, at least, raise the probability of) predicTable behaviour among alliance partners (Spekman et al., 2000). However, Ohmae claims that "good partnerships, like good marriages, don't work on the basis of ownership and control ...[because]...you cannot own a successful partner anymore than you can own a husband or wife" (Ohmae, 1989).

Insights from the works of Das and Teng (1998, 2001) might clarify matters in this regard. First, it is important to note that there are different types of control mechanisms. For example, the authors argue that alliance control can be achieved through governance mechanisms, contractual provisions, managerial arrangements, and some more informal means. Thus, "control in alliances is of two types: controlling the partner and controlling the alliance per se" (Das and Teng, 2001).

Ohmae's marriage analogy, put into the context of informal mechanisms of control, is of value as proved by numerous empirical studies (see for example Das and Teng 1998, 2001; Kumar and Seth, 1998).

Accordingly, there are two basic approaches to control - external measure-based control and internal value-based control (Eisenhardt, 1985). Building on her work, Das and Teng discusses these two types of control in strategic alliances. They describe the former as 'formal control' and the latter as 'social control' (Das and Teng, 1998). Formal control includes "outcome control and behaviour (or process) control, which measures, evaluates, and rewards either outcomes or behaviours" through the use of rules, standards and regulations (Das andTeng, 1998). In order to exert formal control, it seems, alliance partners require equity and/or contract-based form of control. The authors suggest that the use of formal control mechanisms undermine trust among partners. Surely, the excessive use of formal control mechanisms indicates a sense of distrust of the other party and may, therefore, not be conducive to the management of strategic alliances.

Social control, on the other hand, is about inducing desirable behaviour through 'soft' measures (Leifer and Mills, 1996), such as creating shared values, beliefs, and goals. In the context of strategic alliances, two main mechanisms are identified through which this can be achieved (Das and Teng, 2001) First, partner firms can create shared vision and values through a participatory decision-making process (Grandori, 1997). Such a process ensures that the preference of each party is understood and integrated into mutually accepTable goals and plans. This is likely to reduce potential conflicts among the alliance partners and facilitate more cooperative working relationships. Second, partner firms can also stress cultural activities such as rituals and ceremonies to help create a culture of cooperation.

## 2.10 Chapter Summary

This chapter has presented various reasons why strategic alliances are becoming popular. Top most is the flexibility which the collaboration gives the participating entities to quickly allocate opportunities for a range of resources at minimum investment. The different authors have highlighted that for collaborations to be effective, the players must be committed to choosing the correct relationship process to deliver the desired output. However, there is no guarantee that the

strategic alliance will succeed as relationships are not static and may be disbanded for one reason or another. The sharing of risks and rewards is central to a strategic alliance. This issue is generally the most fiercely negotiated item in any alliance agreement. Profit sharing in proportion to each party's ownership interest in the alliance is often used. This does align the interests of all parties because each seeks to maximize profit. Losses can be shared in the same manner or limited to the extent of capital contribution. Great care must be taken in defining how net profits will be calculated.

In conclusion, when negotiating strategic alliance agreements, a "no partnership" provision must be prominently included, and the issues of confidentiality of information, party contributions, and allocation of risks and rewards generally require substantial negotiation. If the parties approach that negotiation creatively and work cooperatively to consider a variety of options, provisions can be negotiated that provide accepTable protection to all parties and support a common strategy.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter presents the research design and methodology that was used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data collection and analysis.

## 3.2 Research design

The study used a descriptive case study design. This design involves the investigation in which quantity data was collected and analysed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time. Descriptive research design was chosen because it enabled the researcher to find out the effect of the strategic alliance without influencing or affecting the organizations normal behaviour. This case study was therefore able to generalise the findings to all the strategic alliances in Kenya.

## 3.3 Data collection

Data was collected from the managers of Access Kenya Group and other senior administrative staff. There are 25 managers and 10 senior administrative staff. This is the group from which the respondents were drawn. Interview guides were used to obtain information from the respondents. The interview guide contained structured and closed as well as open ended questions. These types of questions are accompanied by a list of possible alternatives from which respondents were required to select the answer that best describes their situation. The main advantage of close ended questions is that they are easier to analyse since they are in an immediate usable form. They are also easy to administer because each item is followed by an alternative answers and are economical to use in terms of time saving.

The study sample was 10 respondents made up of managers and the senior staff. The sample had been chosen using stratified sampling technique. This technique meant that the population was first of all categorised into strata. For this study, the strata were managers and the senior staff.

This method was considered appropriate as it enabled the researcher to get diverse views from the different category of respondents in the company.

The study collected both primary and secondary data. Primary Data was obtained by use of the questionnaire which was administered to the respondents. The respondents were senior managers and administration staff. Secondary Data was collected from publications, journals and other write ups available on the topic of study.

### 3.4 Data analysis

The primary data collected through the interview guide was compiled, sorted, edited and classified. The data was then entered into the computer ready for analysis. The quantitative data entered into the computer was then analyzed using the statistical package for social sciences (SPSS) computer programme. This software was used to aid in the analysis of data. The analysed data was then presented in form of Tables and charts for ease of understanding and interpreted using frequencies, percentages and mean scores.

# CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

This chapter presents the data analysis and interpretations of the data from the field, from a study population of 35 respondents, 30 respondents responded and returned the questionnaires comprising of 85.7% response rate.

## 4.1 Demographic Data of the Respondents

The respondents were requested to indicate their gender, length of service in the organization, education qualification, amongst other demographic variables. The findings are given in Table 4.1.

**Table 4.1: Gender of the Respondents**

| | Frequency | Percent |
|---|---|---|
| Male | 6 | 60.0 |
| Female | 4 | 40.0 |
| Total | 10 | 100.0 |

From the findings, the study established that the majority of respondents were male comprising 60%, while females represented 40%. This information shows that there was gender imbalance at Access Kenya as the male respondents were more than the females. The study also sought to establish the number of years that the respondents had been working at access Kenya group. The length of service is given in Table 4.2.

**Table 4.2: Length of Service**

| | Frequency | Percent | Cumulative percentage |
|---|---|---|---|
| 0-5 years | 2 | 20.0 | 20 |
| 6-10 years | 4 | 40.0 | 60 |
| 11-15 years | 3 | 30.0 | 90 |
| Over 15 years | 1 | 10.0 | 100 |
| Total | 10 | 100.0 | |

According to the finding in Table 4.2, most of the respondents had been working in the organization for 6-10 years as indicated by 40%, while 30% of the respondents had been working in the company for 11-15 years. 20% had been working in the organization for 0-5 years while 10% of the respondents reported that they had been working in the organization for over 15 years. This information explained that most of the respondents were well aware of the how strategic alliance was implemented in the company as most of them (80%) had been working in the organization for over 6 years. The study also shows that 60% of the respondents had been working in the company for 10 years and below, while 40% of the respondents had been working in the company for over 10 years. The findings in Table 4.3 show the respondents education qualification.

**Table 4.3: Education Qualification**

| Level of Education | Frequency | Percent |
|---|---|---|
| Diploma | 3 | 30.0 |
| Bachelor Level | 4 | 40.0 |
| Masters Level | 2 | 20.0 |
| others | 1 | 10.0 |
| Total | 10 | 100.0 |

On the respondents' level of education, the study found that the majority of respondents as shown by 40% had a degree level of education, 30% had a diploma, and 20% of the respondents had a master's level of education, while 10% of the respondents said that they had other levels of education such as higher national diploma.

**Range Of Access Kenya Products**

AccessKenya Group Limited is engaged in the sale of electronic mail and Internet services it provides residential and business broadband, outsourced information technology (IT), telephone, Internet connectivity over satellite, wireless data network, antivirus and antispam solutions, Web hosting and co-location, and virtual private network and security services. It also offers IT equipment and related services, and electronic mail.

The study required the respondents to rank the importance of the selection criteria for the strategic partner, where 1 represents low, 2 represents middle and 3 represents high.. The findings were shown in Table 4.4.

**Table 4.4: Selection Criteria for the Strategic Alliance Partner**

| | Low (%) | Middle (%) | High (%) | Mean |
|---|---|---|---|---|
| The partner possesses the desired source of competitive advantage. | 10.0 | 20.0 | 70.0 | 2.6 |
| The need for a complementary or balanced contribution from the partner | 0 | 10.0 | 90.0 | 2.9 |
| There is a low risk of the partner becoming a competitor. | 20.0 | 40.0 | 40.0 | 2.2 |
| The partner has pre-emptive value in relation to rivals. | 10.0 | 20.0 | 70.0 | 2.6 |
| The partner's organizational compatibility is high. | 10.0 | 10.0 | 90.0 | 3.0 |
| A good strategic fit is likely to involve partners of similar size and/or strength. | 0 | 30.0 | 70.0 | 2.7 |

From the study, the selection criteria that were ranked as high by the majority of respondents was the partner's organizational compatibility was high as shown by a mean score of 3.0, in each the need for a complementary or balanced contribution from the partner as shown by a mean score of 2.9, a good strategic fit is likely to involve partners of similar size and/or strength as shown by a mean score of 2.7, the partner had pre-emptive value in relation to rivals and the partner possessed the desired source of competitive advantage as shown by a mean score of 2.6 in each. There is a low risk of the partner becoming a competitor was ranked as middle by most of the respondents as shown by a score of 2.2.

### 4.3 Factors Contributing To Strategic Alliance Formation

Strategic alliances have recently become popular mainly due to increasing levels of competition, the emergence of new markets, technological developments as well as need for extra resources. The study therefore required the respondents to indicate the extent to which they agreed with the factors where 1 represents strongly disagree, 2 disagree, 3 indifferent, 4 agree and 5 represents strongly agree. The findings are shown in Table 4.5.

**Table 4.5: Factors Contributing To Strategic Alliance Formation**

| | Strongly disagree (%) | Disagree (%) | Indifferent (%) | Agree (%) | Strongly agree (%) | Mean |
|---|---|---|---|---|---|---|
| Strategic alliances reduce operation costs. | 10.0 | 0 | 30.0 | 30.0 | 30.0 | 3.7 |
| Strategic alliances allow the capture of new developments without a major investment. | 10.0 | 10.0 | 20.0 | 40.0 | 20.0 | 3.5 |
| Strategic alliances broaden the partner's strategic options. | 0 | 0 | 10.0 | 50.0 | 40.0 | 4.3 |
| Strategic alliances pre-empt competitive threats. | 10.0 | 20.0 | 30.0 | 40.0 | 0.0 | 3.0 |
| Strategic alliance provide the opportunity to upgrade both firms positions, more rapidly than individually, through pooling of resources and capabilities. | 0 | 10.0 | 20.0 | 40.0 | 30.0 | 3.9 |
| Strategic alliances allow entry into new business more easily and cost effectively. | 0 | 10.0 | 30.0 | 40.0 | 20.0 | 3.7 |
| Strategic Alliances are opportunities to learn from your partner skills not previously available in – house. Has this alliance created the opportunity? | 0 | 20.0 | 40.0 | 20.0 | 20.0 | 3.6 |

Table 4.5 continued

| | Strongly disagree (%) | Disagree (%) | Indifferent (%) | Agree (%) | Strongly agree (%) | Mean |
|---|---|---|---|---|---|---|
| Alliances are a means to an end, and consequently they are not necessarily formed with a long-term co-operative relationship in mind. | 0 | 0 | 20.0 | 30.0 | 50.0 | 4.3 |
| Strategic Alliances add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge. Is this applicable to your organization? | 0 | 0 | 20.0 | 30.0 | 50.0 | 4.3 |

From the study, the majority of the respondents were in agreement that Strategic alliances broaden the partner's strategic options, Strategic Alliances add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge and this alliance was applicable in their organization and Alliances are a means to an end, and consequently they are not necessarily formed with a long-term co-operative relationship in mind as shown by a mean score of 4.3 in each case, Strategic alliance provide the opportunity to upgrade both firms positions, more rapidly than individually, through pooling of resources and capabilities as shown by a mean score of 3.9, Strategic alliances reduce operation costs and Strategic alliances allow entry into new business more easily and cost effectively as shown by a mean score of 3.7 in each case, Strategic alliances allow the capture of new developments without a major investment, as shown by a score of 3.5.

Further most of the respondents were indifferent on the fact that Strategic alliances pre-empt competitive threats as shown by a score of 3.0 and also Strategic Alliances are opportunities to learn from your partner skills not previously available in – house as shown by a mean score of 3.4.

### 4.4 Challenges of Strategic Alliances

The study also sought to establish whether the respondents had experiences any challenges with alliance so far. All the respondents (100%) reported that they had experienced challenges with the alliance.

The respondents were also requested to indicate their level of agreement on whether various factors suggested to them had affected the firm's alliance. The respondents were then given options where 1 represents strongly agree, 2 disagree, 3 indifferent, 4 agree and 5 strongly agree. The findings were shown in Table 4.6.

**Table 4.6: Challenges Affecting the Firm's Alliance**

| | Strongly disagree (%) | Disagree (%) | Indifferent (%) | Agree (%) | Strongly agree (%) | Mean |
|---|---|---|---|---|---|---|
| Poor Planning | 0 | 20.0 | 50.0 | 20.0 | 10.0 | 3.2 |
| Unexpected developments | 0 | 10.0 | 20.0 | 60.0 | 10.0 | 3.7 |
| Commitment and trust are the key attributes most strongly attributed with successful alliances. | 0 | 0 | 20.0 | 40.0 | 40.0 | 4.2 |
| There has been complete trust and honesty between the alliance partners | 20.0 | 20.0 | 40.0 | 20.0 | 0 | 2.6 |
| There has been noted sensitivity to each other's cultures in the joint operation. | 0 | 10.0 | 20.0 | 20.0 | 50.0 | 4.1 |
| Each party reserves certain key proprietary knowledge so as to preserve its competitive advantage and to ensure that the partners will have a continuing need for each other. | 0 | 10.0 | 10.0 | 20.0 | 60.0 | 4.3 |

Table 4.6 continued

| | Strongly disagree (%) | Disagree (%) | Indifferent (%) | Agree (%) | Strongly agree (%) | Mean |
|---|---|---|---|---|---|---|
| Sharing of exclusive knowledge or expertise might eventually cause the relationship to be terminated due to a reduced need | 0 | 0 | 10.0 | 40.0 | 50.0 | 4.4 |
| One must have sufficient confidence in a partner to commit valuable know-how despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment | 0 | 10.0 | 20.0 | 30.0 | 40.0 | 4.0 |

As shown in Table 4.6, most of the respondents were in agreement that sharing of exclusive knowledge or expertise might eventually cause the relationship to be terminated due to a reduced need as shown by a mean score of 4.4, each party reserves certain key proprietary knowledge so as to preserve its competitive advantage and to ensure that the partners will have a continuing need for each other as shown by a score of 4.3, commitment and trust are the key attributes most strongly attributed with successful alliances as shown by a mean score of 4.2, there been noted sensitivity to each other's cultures in the joint operation as shown by a mean score of 4.1, one must have sufficient confidence in a partner to commit valuable know-how despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment shown by a mean score of 4.0, and unexpected developments as shown by a mean score of 3.7.

Further, most of the respondents were indifferent on the fact that poor planning affected the firm's alliance as shown by a mean score of 3.2 and also that there had been complete trust and honesty between the alliance partners as shown by a mean score of 2.6.

## 4.5 Success/Failure of the Strategic Alliance

The respondents were required to give their opinions in general about alliance cooperation. Table 4.7 below shows the respondents general opinion on the alliance cooperation.

**Table 4.7: Respondents Opinion in General about Alliance Cooperation**

| | Frequency | Percent |
|---|---|---|
| Negative | 1 | 10.0 |
| Neutral/Indifferent | 2 | 20.0 |
| Good | 5 | 50.0 |
| Excellent | 2 | 20.0 |
| Total | 10 | 100.0 |

According to Table 4.7, most of the respondents (50%) felt that alliance cooperation was good. the respondents who felt that the alliance cooperation was neutral (neither negative nor good) and those who felt that it was excellent were shown by 20%, while a small proportion of respondents as indicated by 10% felt that it was negative.

The study also sought to find out the success rate of the strategic alliance AccessKenya. The results were shown in Table 4.8.

**Table 4.8: Rating the Success Rate of the Strategic Alliance**

| | Frequency | Percent |
|---|---|---|
| Low | 1 | 10.0 |
| Medium | 2 | 20.0 |
| High | 4 | 40.0 |
| Highest | 3 | 30.0 |
| Total | 10 | 100.0 |

According to Table 4.8, most of the respondents (40%) rated the success rate of strategic alliance as high, while 30% of the respondents rated it as highest. This means that the strategic alliances were able to meet the expectations and in general they were successful. 20% of the respondents rated the success rate of the strategic alliance in their businesses as neutral, while 10% of the respondents rated it as low.

The respondents were asked to state the extent that strategic alliance had an impact to the business. The results were shown in Table 4.9.

**Table 4.9: Impact of Alliance to the Business**

| | Frequency | Percent |
|---|---|---|
| To some extent | 4 | 40.0 |
| To a large extent | 6 | 60.0 |
| Total | 10 | 100.0 |

Most of the respondents (60%) felt that strategic alliance had an impact to the business to a large extent, while 40% said that strategic alliance had an impact to the business to some extent.

The respondents were also requested to state how long it took to observe impact of the alliance membership in the business. The findings were shown in Table 4.10.

**Table 4.10: Duration It Took To Observe Impact of the Alliance Membership in the Business**

| | Frequency | Percent |
|---|---|---|
| Less than 1 year | 3 | 30.0 |
| 1-2 years | 5 | 50.0 |
| More than 2 years | 2 | 20.0 |
| Total | 10 | 100.0 |

From the findings, most of the respondents said that it took 1-2 years as shown by 50%. 30% of the respondents said that it took less than 1 year, while 20% of the respondents said that it took more than 2 years to observe impact of the alliance membership in the business. This therefore implies that it took over 1 year to observe impact of the alliance membership in the business as only 30% of the total 10 respondents saw the impact in less than 1 year.

**Dealing with the Challenges Affecting the Firm's Alliance**

In order to deal with the challenges affecting the firm's alliance, the respondents suggested that the firm looks at the reputation of the partner and the people involved in alliance before entering into the alliance, how long the partner has been in business (experience of the partner), whether the relationship is going to be formalized - agreements, legal structure, the damage that can be done to the business if the alliance goes wrong and also the company defines who is contributing what, the terms, conditions, limitations, and expectations of the strategic alliance.

**Chapter Summary**

This chapter presented the data analysis and interpretations of the findings. From this chapter, it has been shown that trust, honesty and commitment have a great impact to the success of the strategic alliance and it is not felt immediately the collaboration is formed. It does however, show that if parties are willing to commit to the alliance, the success results can be felt much faster.

# CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter gives the summary of the findings from chapter four, makes conclusions and gives recommendations to the study based on the objectives of the study. The objectives of this study were to investigate the factors that contributed to the AccessKenya Group alliance and also to investigate the challenges of the strategic alliance faced by AccessKenya Group, and establish how they counter these challenges.

## 5.2 Summary

From the study, the researcher found that the selection criteria of the strategic alliance partner that were ranked as high by the majority of respondents were the need for a complementary or balanced contribution from the partner, the partner's organizational compatibility was high, the partner had pre-emptive value in relation to rivals and the partner possessed the desired source of competitive advantage and a good strategic fit is likely to involve partners of similar size and/or strength.

Most of the respondents agreed that Strategic alliances broaden the partner's strategic options, they add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge and this alliance was applicable to AccessKenya Group, they are a means to an end, and consequently they are not necessarily formed with a long-term co-operative relationship in mind, Strategic alliances reduce operation costs, they allow the capture of new developments without a major investment, they provide the opportunity to upgrade both firms positions, more rapidly than individually, through pooling of resources and capabilities and also they allow entry into new business more easily and cost effectively.

The study found that the company experiences challenge with the alliance. These challenges were; sharing of exclusive knowledge or expertise might eventually cause the relationship to be terminated due to a reduced need, each party reserves certain key proprietary knowledge so as to preserve its competitive advantage and to ensure that the partners will have a continuing need for each other, one must have sufficient confidence in a partner to commit valuable know-how despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment, there been noted sensitivity to each other's cultures in the joint operation,

commitment and trust are the key attributes most strongly attributed with successful alliances which has affected the firms alliance and unexpected developments.

The study found from most of the respondents that in general, the alliance cooperation was good and the success rate of the strategic alliance at AccessKenya was high. The study also revealed that alliance had an impact to the business to a large extent and in most cases; it took 1-2 years to observe the impact of alliance membership in the business.

To deal with the challenges affecting the firm's alliance, the respondents the firm looks at the reputation of the partner and the people involved in alliance before entering into the alliance, how long the partner has been in business (experience of the partner), whether the relationship is going to be formalized - agreements, legal structure, the damage that can be done to the business if the alliance goes wrong and also the company defines who is contributing what, the terms, conditions, limitations, and expectations of the strategic alliance.

**5.3 Conclusions**

From the findings of this study, it can be concluded that the factors that contributed to the AccessKenya Group alliance were to broaden the partner's strategic options, add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge, it's a means to an end, to reduce operation costs, to allow the capture of new developments without a major investment, to provide the opportunity to upgrade both firms positions, more rapidly than individually, through pooling of resources and capabilities and also to allow entry into new business more easily and cost effectively.

The study also concludes that there were challenges of the strategic alliance faced by AccessKenya Group. These challenges were such as sharing of exclusive knowledge or expertise might eventually cause the relationship to be terminated due to a reduced need, each party reserves certain key proprietary knowledge so as to preserve its competitive advantage and to ensure that the partners will have a continuing need for each other, one must have sufficient confidence in a partner to commit valuable know-how despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment, sensitivity to each other's cultures in



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the joint operation, lack of commitment and trust and unexpected developments. In general, the alliance cooperation was good and the success rate of the strategic alliance at AccessKenya was high.

It was also concluded that in order to deal with the challenges of strategic alliance the firm looks at the reputation of the partner and the people involved in alliance before entering into the alliance, how long the partner has been in business (experience of the partner), whether the relationship is going to be formalized - agreements, legal structure, the damage that can be done to the business if the alliance goes wrong and also the company defines who is contributing what, the terms, conditions, limitations, and expectations of the strategic alliance.

## 5.4 Recommendations

The study recommends that for complete success of alliance, the partners should have sufficient confidence with each other, the partners should respect each others cultures in joint operations, there should be a complementary or balanced contribution from the partner, the partner's organizational compatibility should be high, the partners of similar size and/or strength and also there should be full commitment and trust of each partner towards the alliance.

The study also recommends all the firms to take a move an engage in strategic alliances as they will help these organizations to reduce operation costs, its it's a means to an end, to allow the capture of new developments without a major investment, to provide the opportunity to upgrade both firms positions, more rapidly than individually, through pooling of resources and capabilities and also it will allow the organizations to be able to entre into new business more easily and cost effectively.

## 5.5 Limitations of the study

This study suffered from the limitation that all case studies suffer from, that is, generalising of findings to a larger proportion. The topic of study was also a sensitive one as institutions were not willing to give out information. This secrecy is important in this age of competition as the information might be used by others to their competitive disadvantage.

## 5.6 Suggestions for Further Research

This study focused on the implementation of strategic alliance at AccessKenya group. The researcher therefore suggests that further research should be conducted in other organizations in order to establish how they implement strategic alliance.

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**Appendix 1: Research Questionnaire**

## IMPLEMENTATION OF A STRATEGIC ALLIANCE AT ACCESSKENYA GROUP

These interview questions are part of the fulfilment of the requirements for the award of Master of Business Administration, School of Business, University of Nairobi.

The responses given to the various questions will be used for analyzing, recommending and concluding on the effect of the topic of study to the organization. The Information given will be treated as confidential.

### PART A: DEMOGRAPHIC DATA

1. Please fill in the following information:

| Gender | **Male** | **Female** |
|---|---|---|
| Length of Service | | |
| Educational qualification | | |
| Age of company | | |
| Range of AccessKenya products | | |
| How many Directors and Managers are at AccessKenya | **Directors** | **Managers** |
| Total number of staff | | |

2. Please rank the selection criteria for the Strategic alliance partner on the basis of importance.

| **Question** | **Low** | **Middle** | **High** |
|---|---|---|---|
| | **1** | **2** | **3** |
| i. The partner possesses the desired source of competitive advantage. | | | |
| ii. The need for a complementary or balanced contribution from the partner | | | |

| | | | |
|---|---|---|---|
| iii. There is a low risk of the partner becoming a competitor. | | | |
| iv. The partner has pre-emptive value in relation to rivals. | | | |
| v. The partner's organizational compatibility is high. | | | |
| vi. A good strategic fit is likely to involve partners of similar size and/or strength. | | | |

**PART B: FACTORS CONTRIBUTING TO STRATEGIC ALLIANCE FORMATION**

Strategic alliances have recently become popular mainly due to increasing levels of competition, the emergence of new markets, technological developments as well as need for extra resources.

3. To what extent do you agree or disagree with the following statements.

| Question | Strongly Disagree | Disagree | Indifferent | Agree | Strongly Agree |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| **i.** Strategic alliances reduce operation costs. | | | | | |
| **ii.** Strategic alliances allow the capture of new developments without a major investment. | | | | | |
| **iii.** Strategic alliances broaden the partner's strategic options. | | | | | |
| **iv.** Strategic alliances pre-empt competitive threats. | | | | | |
| **v.** Strategic alliance provide the opportunity to upgrade both firms | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| positions, more rapidly than individually, through pooling of resources and capabilities. | | | | | |
| vi. Strategic alliances allow entry into new business more easily and cost effectively. | | | | | |
| vii. Strategic Alliances are opportunities to learn from your partner skills not previously available in-house. Has this alliance created the opportunity? | | | | | |
| viii. Alliances are a means to an end, and consequently they are not necessarily formed with a long-term co-operative relationship in mind. | | | | | |
| ix. Strategic Alliances add value to the partnering firms by creating an organizational mechanism that better aligns decision authority with decision knowledge. Is this applicable to your organization? | | | | | |

**PART C: CHALLENGES OF STRATEGIC ALLIANCES**

4. Have you experienced any challenges with the alliance so far?

Yes [ ] No [ ]

5. If answer is yes, please indicate whether the following factors have affected the firm's alliance.

| Question | Strongly Disagree | Disagree | Indifferent | Agree | Strongly Agree |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| • Poor Planning | | | | | |
| • Unexpected developments | | | | | |
| i. Commitment and trust are the key attributes most strongly attributed with successful alliances. | | | | | |
| ii. Has there been complete trust and honesty between the alliance partners? | | | | | |
| iii. Has there been noted sensitivity to each other's cultures in the joint operation. | | | | | |
| iv. Each party reserves certain key proprietary knowledge so as to preserve its competitive advantage and to ensure that the partners will have a continuing need for each other. | | | | | |
| v. Are you of the opinion that the sharing of exclusive knowledge or expertise might eventually cause the relationship to be terminated due to a reduced need? | | | | | |
| vi. One must have sufficient confidence in a partner to commit valuable know-how despite the fact that, in so doing, there is a risk the partner will take advantage of this commitment. | | | | | |

## PART D: SUCCESS/FAILURE OF THE STRATEGIC ALLIANCE

6. What is your opinion in general about your alliance cooperation so far?

   Negative [ ] Neutral [ ] Good [ ] Excellent [ ]

7. On a Scale of 1 to 10 (with one being the least and 10 the highest), how would you rate the success rate of the strategic alliance?________ please give a comment

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8 a). Has the alliance had any impact on the business?

a) Not at all { }

b) To some Extent { }

c) To a large extent { }

b) If yes. how long did it take to observe impact of the alliance membership in your business?

   Less than 1 year [ ] 1-2 Years [ ] More than 2 years [ ]

28. Any additional comments/suggestions?

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**THANK YOU.**

**ALICE N. KIRERA**

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