EFFECTS OF STRATEGIC ALLIANCE ON COMPETITIVE ADVANTAGE IN AIRTEL KENYA LIMITED

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Declaration

This research project is my original work and has not been presented for a degree in any other university or institution.

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REG. NO: D61/80333/2012

This research project has been submitted for examination with my approval as the University Supervisor.

Signature:……………………………… Date:………………………………

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Dedication

I dedicate this work to my parents and siblings; truly you have inspired me to achieve this goal by supporting and believing in me.
Acknowledgements

Dear Lord, Thank you for giving me the strength and conviction to complete the MBA course. Thank you for guiding me straight and true through the many obstacles in my path and for keeping me resolute, for your protection and many signs along the way.

Special thanks to my supervisor Dr. Reginah Kitiabi Kiti for her mercurial counsel, guidance and invaluable advice that came in handy in the preparation of this work. I thank Dr. J. Munyoki, the Departmental Chairman for his support.

Sincere gratitude to my parents and siblings for their continuous support and encouragement throughout my studies and their selfless commitment to ensuring I received the best possible education. My most sincere and heartfelt gratitude to my MBA Classmates especially Catherine, Kevin, Brain, Linda, Sandra, Heyla, Patrick, Olive, Makur and Esther. To my friends who in one way or another made a contribution to my life during this period, I thank you so much.
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## Acronyms and Abbreviations

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<tr>
<td>ATM</td>
<td>Automated Teller Machines</td>
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<tr>
<td>CAK</td>
<td>Communications Authority Of Kenya</td>
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<td>CCK</td>
<td>Communication Commission Of Kenya</td>
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<td>COFEK</td>
<td>Consumer Federation Of Kenya</td>
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<td>KP&amp;TC</td>
<td>Kenya Posts And Telecommunications Corporation</td>
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<td>MVNO</td>
<td>Mobile Virtual Network Operators</td>
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<td>RDT</td>
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Abstract

Strategic alliances have gained popularity in the Kenyan telecommunication industry becoming increasingly favorable choice for companies that intend to achieve competitive advantage over rival firms. Firms are faced with rapid changing global trends and dramatic economic development, it is always impossible for firms to grow individually. This study examines the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd. The study adopted a case study design so as to undertake an in-depth and comprehensive inquiry in strategic alliances adopted and competitive advantages gained by Airtel Kenya Ltd. The research objective was to establish the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd. Primary data was collected through interviewing seven senior managers who were involved in the formation of the strategic alliance by virtue of their position in the company. Secondary data was obtained in the form of relevant documented materials on strategic alliances, news papers, research reports, books, journals and website press releases. The data obtained in qualitative form was analyzed through content analysis. This approach helps in getting areas of consensus and disagreements from various interviews done and the already documented data.

The key findings of study indicate that Airtel Kenya engaged in strategic alliances with the aim of gaining competitive advantage in the market through partnership with banks, airlines, internet providers, mobile handset makers and health insurance firms with the aim of growing their subscriber base, improve revenue and strengthen their brand identity. The benefits behind the motives for formation of strategic alliances were transfer of new technologies, creating customer value, leveraging on economies of scale and scope, gaining access to specific markets and distribution channels, reduce operational costs. The key challenges were unclear goals and objectives setting, performance risks, mistrust issues, cultural differences, change in technology, regulatory barriers and differences in target market. Moreover, turbulence in the market, resources constraint, market uncertainties, risk sharing and technology transfer were a constant challenge faced by the management team.

The study indicated Airtel Kenya’s motive to form strategic alliances with dominating domestic firms in the airline, commercial banking and insurance industries had implications on practice and support of theory building. It recommended that Airtel Kenya should continue to partner with other service providers in order to gain market share and also impact positively on the livelihoods of the citizens to boost its brand image and credibility. The study recommended on policy that the policy making process by government agencies should be prudent in sealing loopholes that lead to unwarranted legal barriers by rival firms. The study had limitations in terms of the scope of the study, time and resources. The study recommended that further research should be replicated in other mobile phone service providers in the country and the results of the findings be compared for more accurate generalization as well as on firms that partner with Airtel Kenya.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Studies on strategic alliances have increasingly attracted the attention of scholars, policy makers, trade practitioners and international organizations in the last two decades (Foss, 1999). Its proliferation has led to a growing stream of research by scholars who have examined some of the causes and consequences of such partnerships. Scholars who have studied in the area of strategic alliance have given a lot of different definitions of these relationships.

The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it difficult to go it alone. More than ever before, many of the skills, capacities, and resources that are essential to a firm’s current and future prosperity are to be found outside the firm’s boundaries and outside the management’s direct control. Accordingly, managers must think outside these boundaries in order to remain competitive. Therefore, relationships that tend to give a firm these competences that are outside its current tangible and intangible assets are important.

Chesbrough (2003) argues that in order to stay competitive, even the most capable and knowledge intensive companies have to identify and leverage knowledge produced beyond the borders of their own organizations as part of the innovation process. This underscores the importance of such alliances for the survival of businesses. A competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, with stand competitive pressures and improve its market position (Thompson and Strickland, 1993).

Despite the fact that academics and consultants see in strategic alliances a source of competitive advantage and supports with multiple benefits and reasons this type of partnership ventures, high levels of failure showed by statistics presented by different studies makes the development and implementation of strategic alliances a challenging task. Many companies rely on alliances for up to 25 percent of their activities and the top 500 global companies have an average of 60 alliances each (Dyer and Singh, 2001).
Airtel Kenya Limited provides mobile communication services in the Kenyan Telecommunication Industry. Airtel Kenya Limited operates as a subsidiary of Bharti Airtel Africa B.V. (www.airtel.africa.com/Kenya). With regard to market shares as measured by subscriptions, Airtel Networks Limited shares remained unchanged at 16.5% at 5,121,082 while its fellow rivals realized marginal decline. The market share for the mobile operators as measured by data/internet subscriptions changed with Airtel Networks lost 1.2 percentage points to record 13.7 per cent from 14.9 per cent shares during the last quarter to stand at 1,821,938 (www.ca.go.ke/Sector Statistics Report Q3 2013-2014).

1.1.1 Strategic Alliance
Channon (1999) defines strategic alliances as coalitions and cooperation agreements formed between a corporation and others in order to achieve certain strategic goals. The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it difficult to go it alone. Strategic alliances are cooperative arrangements that are formed between two or more firms in order to improve the competitive position and performance of the firms by sharing resources (Jarillo, 1988).

Strategic alliances pool specific resources and skills by the cooperating organizations in order to achieve common goals as well as goals specific to the individual partners. Strategic alliances are inter-organizational cooperative structures formed to achieve strategic objectives of the partnering firms. A prominent view of strategic alliances suggests that inter-firm collaboration is a mechanism by which a firm can leverage its skills, acquire new competencies as well as learn. More than ever before, many of the skills, capacities, and resources that are essential to a firm’s current and future prosperity are to be found outside the firm’s boundaries and outside the management’s direct control (Doz and Hamel, 1998).
These inter-firm relationships may involve two or more firms from the same industry or from varied parts of the world and cover a range of activities and functions (Yoshino and Rangan, 1995). For the partnering firm, alliances represent interfaces with its environment that provide access to valuable external information and knowledge. As such, these arrangements can provide opportunities for firms to assimilate information, internalize skills, and develop new capabilities.

Smith and Smith (2003) observe that strategic alliances are broad ranging relationships and can encompass joint ventures, franchises, joint research and development, joint marketing ventures, long-term supply arrangements, and outsourcing relationships. Effective alliances can be growth and profitability engines in both domestic and global markets. Strategic alliances offer an opportunity for companies to collaborate in doing business thereby overcoming individual disadvantages.

1.1.2 Competitive Advantage
According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. To gain competitive advantage over its rivals, a firm must either provide comparable value to the customer, but perform activities more efficiently than its competitors or perform activities in a unique way that creates greater buyer value and commands a premium price.

Moreover, the common function in either of the strategies therefore is value creation. When a particular high-value strategy of a firm cannot be implemented, imitated or replicated successfully by a potential competitor, the strategy provides the firm with a source of sustainable competitive advantage. A firm assures its profitability if it has the capacity of generating sufficient value that exceeds the costs involved in creating the product, and this creation of value shall be the goal of any generic strategy.
Further, Barney (1991) pointed out that sustained competitive advantage results from strategic assets; which he regarded as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependant not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate but rather on the valuable, rare, and hard-to-imitate resources that reside within an organization.

Kotler (2009) contends that a satisfaction is a function of performance and expectations. If the performance falls short of expectations, the customer is dissatisfied. If performance matches the expectations, the customer is satisfied. If performance exceeds expectations, the customer is highly satisfied or delighted. Value therefore reflects the growing customer concern of getting more for money, time, and effort invested.

The competition strategy of a firm is to seek an advantageous competitive position in a particular industrial environment or to build up a profitable, consistent market position by drawing on various factors that are decisive to being competitive. Both industry type and competitive strategies are two central points to be considered by managers in a market economy.

1.1.3 Telecommunication Industry in Kenya

From Introduction of Telecommunication services in the colonial times up to 1977, the services in Kenya were managed as part of regional network with neighboring East African community. It collapsed as a result of Establishment of Kenya Posts and Telecommunications Corporation (KP&TC). A telecommunications policy statement was issued in 1977 that set out the Government vision on telecommunications development to the year 2015. The challenge at that time was to transform the existing policy structure from one designed for a monopoly to a policy managing by liberalized market.
In 1998/1999, the government launched the Telecommunications sector reform and introduced competition in certain market segments, while at the same time Disbanding KP&TC (CCK, 2001). Telkom Kenya was established as a telecommunications operator under the Companies Act in April 1999. It was previously a part of the Kenya Posts and Telecommunications Corporation which was the sole provider of both postal and telecommunication services. In 1999, it was split into the Communication Commission of Kenya (CCK), the Postal Corporation of Kenya (PCK) and Telkom Kenya. Telkom Kenya held the monopoly on land-line operations in Kenya.

Safaricom, Ltd is a leading mobile network operator in Kenya that was formed in 1997 while Airtel was launched in Kenya in 2000 as Kencell and rebranded to Zain in 2008 and finally Airtel in 2010 and finally, Essar Telecom Kenya under the brand yuMobile was launched in December 2008.

The Communications Authority of Kenya (CA) is responsible for the development and implementation of policies and strategies with respect to telecommunications services in Kenya. The Authority licenses, telecommunications operators, service providers monitor their performance on a continuous basis to ensure that they discharge the obligations as stipulated in their licenses and are adhering to the provisions of the Kenya Information and Communications Act, 1998 and the Kenya Communications Regulations, 2001. (www.ca.go.ke)

1.1.4 Airtel Networks Kenya Limited

Airtel Kenya Limited provides mobile communication services. It offers pre paid and post paid services, messaging, mobile number portability services, bill payment services, top ups, and Internet-services. The company offers phones, SIM cards, airtime top-up cards, and accessories through its shops in Kenya. Airtel Kenya Limited was formerly known as Zain Kenya Limited and changed its name to Airtel Kenya Limited in 2010. It offers a host of value added services including: Airtel Money, Prepaid and Postpaid plans, One Network, Blackberry devices and services, International roaming, Local and international text messaging, 24-hour customer care centre, Internet access, Directory enquires, SMS information services, Mobile Top up and Me 2 U.
Airtel Kenya prides itself of being the most innovative mobile phone operator company in Kenya. This is attested by the many value added products that it currently offers in the market. It recognizes the role its services play in the way that people live and work by making business easier and more efficient. In addition the company makes business easier and more efficient. They help families and communities to stay in touch, and individuals to feel connected through the process of taking the mobile communications to Kenya’s vibrant and diverse communities.

Several opportunities exist in the company due to the unique services and value added services it offers. The strengths that the company enjoys include having a wide network coverage, clarity of the network and having a coverage of 82% of the Kenyan population, improved distributor investment on bank guarantee, dedicated account developers, a changed perception of the company being expensive as well as developing segment specific products. Airtel Kenya signed up mobile virtual network operators (MVNOs) namely Equity’s Finserve, Kenya Airways, Tangaza and Zioncell, that use the Airtel’s mobile network infrastructure to roll out their services.

Airtel Kenya, Pan Africa Life Assurance Limited and MicroEnsure entered into a strategic partnership to provide a life insurance product dubbed ‘Bima Mkononi’ into the Kenyan market. Airtel and Nokia entered into a partnership to under the agreement that, Nokia provides Airtel subscribers with value added services such as Nokia Life, Nokia Xpress Browser and Nokia Store Operator Billing on their mobile phones. Airtel Kenya partnered with Chase Bank and Visa to allow Airtel Money users to withdraw money from their Airtel Money accounts. Airtel Kenya in partnership with Samsung Inc. and Apple Inc., offered mobile phone customers across the country an opportunity to purchase the smartphone in Airtel outlets.

1.2 Research Problem
The telecommunications industry in Kenya had been expanding rapidly with cut-throat competition in the sector reaching a fever-pitch. Airtel Kenya Ltd found itself in a very competitive market where customers were demanding more value for their money. Various strategies have been pursued to gain competitive with the most popular tactic being used in the market is price cuts according to their official website.
In August 2010, Airtel Kenya trail blazed the local mobile phones tariff scene with a pioneering reduction by more than 50% of its call rates to Kshs.3 across all networks for both its prepaid and post-paid customers. The firm has embraced formation of strategic alliances with other organizations in order to be able to compete effectively in the telecommunications market. Das and Teng (2001), argue that strategic alliances have value creating potential that makes them an important source of competitive advantage. Historically, strategic alliances are undertaken because the partners want to develop in-house capabilities to supplant the partner when the contractual arrangement between them reaches its termination date.

Strategic alliances are tricky arrangements where-by corporate espionage as well as attempts by partners to “steal” each other know-how may ensue. Organizations are becoming less self-sufficient and their survival largely depends on successful strategic alliances and co-operation with others. While the industry market leader has been renowned for actively been involved in strategic alliances to keep their tuff strong, no research has been conducted to analyze whether market followers in the industry stand to benefit or are at risk of practicing “me-too” endeavors.


Wanjiru (2010) studied Strategic Alliances and Competitive Advantage: A Case Study Of Safaricom Limited, where she recommended further studies should be done on other market players in the Telecommunication Industry in Kenya. In order to determine whether the research findings apply to other market players in Kenya’s Telecommunication Industry, additional research is required. The study therefore aimed to research on, what are the effects of strategic alliances on competitive advantage in Airtel Kenya Limited?
1.3 Research Objectives
The objective of the study was to establish the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd.

1.4 Value of the Study
This study has established that strategic alliances bear positive effects in enabling an organization to gain competitive advantage in the market. It has thus contributed to the theory building in the sense that the gap concerning whether or not strategic alliances improves an organization competitive advantage has been narrowed down. Moreover, it contributes to theory building because it asserts the theoretical propositions under study. For instance strategic behavior theory is supported by the findings in this study because the firm is involved in cooperative behavior that seek to coordinate their actions and limit completion.

This study has provided information to policy developers to enable them to formulate, implement and evaluate relevant and viable policies. It has provided information that the Ministry of Information and Communication and Communications Authority of Kenya can use to assess and improve implementation of the registration and regulation of the telecommunication industry that is core towards achieving Vision 2030 in Kenya. The study therefore provides insight into the policy making process.

The findings of this study are also highly relevant to management team of Airtel Kenya. The findings highlight the practices that develop and harness strategic capabilities in the present day competitive business environment. For instance, some of the challenges faced in the implementation of strategic alliances have been highlighted with possible solutions on how to avoid them. The authorities will strive to avoid the pitfalls and capitalize on the firms strengths that eventually lead to attain competitive advantages in the industry. This study informs the foundation upon which other related and replicated studies can be based upon by scholars who may wish to carry out further research.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section will examine the theories of strategic alliance, motives of strategic alliance, challenges and failures of strategic alliance and the concept of strategic alliance and competitive advantage.

2.2 Theories of Strategic Alliance

There are two basic philosophies which underlie the theories of the firm’s behavior. They are: companies either adapt to their environment or that companies attempt to influence their environment. Theories of firm behavior can be used as a basis for explaining strategic alliance formation. They include: transaction cost theory, resource dependency theory, organizational learning theory and strategic behavior theory.

2.2.1 Transaction Cost Theory

Based on an economic approach, transaction cost theory was proposed to explain the decision regarding markets or hierarchy in a firm's behavior. The main concepts are that when the transaction cost of an exchange is high, the form of internalization will predominate, and vice versa. The theory has been developed to facilitate an analysis of the comparative costs of planning, adapting, and monitoring task completion under alternative governance structures.

However, there is the restriction that transaction cost theory only explains the motivation and resource-allocation under extreme conditions, and this limitation is extended to explain the situation in the formation of strategic alliances (Williamson, 1995). This theory further suggests that an organization will base its partner upon a trade-off between two criteria of the transaction cost incurred in allying with a particular partner and the ability to control the particular partner’s action. Thus, the optimal candidate partner is the one that necessitates the lowest transaction cost, which at the same time is most controllable.
2.2.2 Resource Dependency Theory

The resource-based view of the firm suggests that firms’ derive competitive advantages from their preferential access to idiosyncratic resources, especially tacit knowledge-related (based) resources. Approaching alliance formation from a resource-based perspective has, traditionally, meant a focus on existing competencies (or lack thereof) that may propel firms to enter into new alliances rather than the conditions that determine the opportunity set firms may perceive (Gulati, 1999). This internal, static focus implicitly considers firms as atomistic actors engaging in strategic actions in an a social context, thereby encapsulating the external context within measures of competitiveness in product or supplier markets.

Resource dependency theory (RDT) posits that power is based on the control of resources that are considered strategic within the organization (Pfeffer and Salancik, 1978). RDT has its origins in open system theory as such organizations have varying degrees of dependence on the external environment, particularly for the resources they require to operate. A deficiency in one or more strategic resources is seen as the driving force for collaboration and a means of reducing uncertainty and managing this dependency. Confronted with the costly situation of this nature, management actively directs the organization to manage the external dependence to its advantage.

2.2.3 Organizational Learning Theory

The theory argues that in order to be competitive in an ever changing environment, organizations must change making it easier to reach those goals. To allow learning to occur the organization must make a conscious decision to change actions in response to a change in circumstances, there must be a conscious link to action and outcome. Organizational learning has many similarities to psychology and cognitive research because the initial learning takes place at the individual level, however, it does not become organizational learning until the information is shared and stored in organizational memory in such a way that it may be transmitted, accessed and used for organizational goals (Cha et al., 2008).
This theory sits at the midpoint of the two underlying philosophies; organizations could be seen to view knowledge as a means of retaining or acquiring competencies, in an approach to resource dependency theory and therefore adapting to their environment. Alternatively, organizations could be seen as acquiring knowledge in order to compete at different points in the value chain, thereby changing the industry structure in which they operate. Organizational learning theory parallels models of individual learning grounded in cognitive and social psychology and defines learning as organizational change.

2.2.4 Strategic Behavior Theory

Strategic behavior refers to actions which a firm takes to improve its competitive position relative to actual and potential rivals; in order to gain a permanent commercial advantage, thereby increasing its long-run profits. Carlton and Perloff (1994) refers to actions that influence the market environment and so increase profits. Strategic behavior thus refers to conduct which is not economically inevitable, but which is the outcome of a conscious attempt to shape the firm’s market environment to its own lasting advantage and to the competitive disadvantage of rivals.

There are two categories of strategic behavior: Non-cooperative behavior occurs when a firm tries to improve its position relative to its rivals by seeking to prevent them from entering a market, driving them out of business or reducing their profits. Cooperative behavior occurs when firms in a market seek to coordinate their actions and therefore limit their competitive responses (Smith and Round, 1998). Companies are expected to form cooperative agreements if they believe that the arrangements will better enable them meet their strategic objectives, with the focus being on maximizing profits. Both relationship marketing and strategic behavior theories propose that firms form strategic alliances as a means of acting proactively and in so doing, altering their environment.
2.3 Motives of Strategic Alliance

There are several parameters that determine strategic alliances, though literature shows that there is no consensus. Kogut (1993) summarize the motives for strategic alliances formation. He stresses enhancement of competitive position and provision of mechanisms for transfer of organizational knowledge. Strategic alliances lower the risk of entering an unfamiliar business territory.

The most common types of drivers that influence the propensity of firms to enter strategic alliances are turbulence in markets, resource constraints, market uncertainty, and globalization of the industry, fast technological change and economies of scale, prior involvement in strategic alliances, risk sharing and consolidation of market position. Competitive forces also play a critical role in strategic alliance formulation in organizations (Lorange 1992).

Sakakibara (1997) makes a distinction between cost-sharing and skill-sharing motivation for collaborating and finds that cost sharing tends to involve partners with homogeneous capabilities, while skill sharing tends to involve partners with heterogeneous capabilities. A synergistic perspective shifts the unit of analysis from the firm and its resources to the collaboration of firms, focusing on intra-firm capabilities combined with inter-firm dependencies through the concept of “co-opetition” (cooperation combined with competition).

Spekman et al. (1998) argues that the types of strategy employed to cope with uncertainties that are inherent in the environment are the determinants. They categorize alliances as offensive alliances or defensive alliances. Offensive alliances focus on the expansion and creation of new markets while defensive alliances focus on solidifying the current markets by creating high entrance barriers for new comers. They further argued that what partly drives the organization into the alliance forms the basis of that alliance.
Rindfleisch & Moorman (2003) argues for inter-firm cooperation as means of gaining access to new knowledge and of reducing the costs and risks associated with developing new products. They further argue that over time, the inter firms co-operation leads to the firms being less customer oriented which leads to a situation whereby customers become dissatisfied with the level of services given and will usually opt for alternatives.

Oxley & Sampson (2004) on the other hand argue that in today’s fast paced knowledge intensive environment, alliances are becoming a popular vehicle for acquiring and leveraging technological capabilities. However such alliances also pose particularly thorny challenges related to the protection of technological knowledge since successful completion of alliance objectives often require a firm to put valuable knowledge at risk of appropriation by alliance partners.

Bleeke and Ernst (1993) summarize the generic needs of firms seeking alliance as cash, scale, skills, access, or their combinations. Such motivational diversity characterizes alliance formation in many industries, and theorists have proposed several explanatory schemes to classify and analyze the range of collaborative solutions adopted by firms. The level of cooperation between businesses seems much less influenced by internalized costs and benefits than by: the history of the partnering firms’ relationships; the current market positions of each firm; their joint resource capabilities; and informational asymmetries relative to firms engaging in arm’s-length market transactions.

The benefits of strategic alliances are derived from the motives for formation of strategic alliances. Lower cost of technology, sharing of risk in high-risk projects, ability to accrue economies of scale and scope in value-added activities, access to partner’s technology, knowledge, proprietary processes and a basis for future competition in the industry involved in terms of sustained competitive advantage are all benefits of strategic alliances (Varadarajan and Cunningham, 1995).
As in all business dealings, commitment to the strategic alliance relationship must have an instrumental base. For a relationship to continue there must be a positive benefit cost analysis for the partners. Managers must see a potential for returns and/or a need to avoid switching costs. This is the rational and economic of commitment. It is called calculative commitment. Commitment has an emotional and effective component. In this regard, commitment means that partners, in a sense, internalize the alliance relationship.

### 2.4 Challenges and Failures of Strategic Alliance

According to Johansson (1997), lack of unclear goals and objectives has caused many strategic alliances to demise since they were formed for the wrong reasons. For example some companies enter in an alliance to combat industry competitors thinking that this will deter competition. This may not be the case since the action will raise flags that problems exist in the joining companies and as a result the firm will be on the spotlight causing more competition.

Zineldin and Dodourova (2005) found out, managers who consider forming an alliance with a partner firm in international markets should be very clear what their performance objectives are and what achievements they anticipate from the alliance. In many instances action taken by subordinates that are not in congruence with top-level management can prove disruptive, especially in instances where companies remain competitors in spite of their strategic alliance.

A sense of commitment must be generated throughout the partnership. In many alliance cases one company will point failure finger at the partnering company. Shifting the blame does not solve the problem, but increases the tension between the partners and companies often lead to ruin. Building trust is the most important and yet most difficult aspect of a successful alliance. Many managers enter into alliances without properly researching the steps necessary to ensure the basic principle of cooperation (Lewis, 1992).
Performance risk is the probability that an alliance may fail even when partner firms commit themselves fully to the alliance. The sources of performance risks according to study by Das and Teng (1999) include, environmental factors, such as government policy changes, wars and economic recession; market factors such as fierce competition and demand fluctuations and, internal factors, such as lack of competence in critical areas, or sheer bad luck.

Ariño & Ring (2004) argue that the most important decision that executives make when forming an alliance is whether it will be equity-based or a non-equity agreement. This is because of the consequential decision about the type of governance the alliance will have; without proper governance the whole alliance will fail. Other aspects are incentives and control mechanisms to shape inter-firm exchanges. The contractual terms help firms devise remedies for foreseeable contingencies or design processes for unforeseeable outcomes.

Kanter (1994) focuses on the risks of free-riding (shirking) and leakage (stealing) of technology. One of the most important sources of moral hazard risk in alliances is the sequential performance obligation of the partners. This risk is typically confronted through various contractual mechanisms. For example, the larger alliance partner often makes a substantial upfront investment in the smaller partner. After the initial investment, staging is a conspicuous feature of most alliance agreements. In addition, each alliance partner typically owns separate assets, which, though dedicated to the alliance, are subject to the alliance partner’s exclusive control and revert back to the separate partners upon dissolution.

Setting the alliance up in order to facilitate the cooperation of both partners is essential. An alliance not based on a "win-win" relationship will most likely fail, either immediately or over time. In addition, the proposed alliance must take steps to protect the proprietary data of each of the key players. This is also the time to specify with precision the people, resources and capital that each of the participants is going to contribute to the process as well as the control mechanism for the alliance's conduct of its affairs and the use and dissemination of its property and information (Hatfield 2001).
A strategic alliance can fail for many reasons, among them are failure to understand and adapt to a new style of management, failure to learn and understand cultural differences between the organizations, lack of commitment to succeed and strategic goal divergence. Insufficient trust, operational and geographical overlap coupled with unrealistic expectations adds to the same (Duysters, 2003).

Antitrust regulations may also restrict the benefits of an alliance with a major partner and invite governmental intervention. These disadvantages contribute to the failure of strategic alliances. Court injunctions petitioned by industry rivals may derail the whole process of commencing and implementing a strategic alliance venture.

2.5 Strategic Alliance and Competitive Advantage

The benefits of strategic alliances are derived from the motives for formation of strategic alliances. Lower cost of technology, sharing of risk in high-risk projects, ability to accrue economies of scale and scope in value-added activities, access to partner’s technology, knowledge, proprietary processes and a basis for future competition in the industry involved in terms of sustained competitive advantage are all benefits of strategic alliances (Varadarajan and Cunningham, 1995).

Drucker(1996) states that strategic alliances are fast becoming a trend in the corporate business. In fact, the biggest change in corporate culture and the conduction of business is the rapidly growing number of corporate deals based not on ownership, but on partnerships. He further states that companies now simply do not have the time to create new markets in every potentially profitable location one by one.

The firm that can effectively cope with environmental uncertainty and ambiguity, proactively reposition in competitive markets and minimize transaction costs through strategic alliances increases the probability of maintaining competitive advantages. Beyond this, alliances are an important value creating option in markets that are more efficient because of the increasing symmetry of information flows between firms and their suppliers and customers (Oliva, 2001).
In the global economy, a well developed ability to create and sustain fruitful collaborations gives companies a significant competitive leg up. The ability to form and manage strategic alliances more effectively than competitors can become an important source of competitive advantage (Dyer et al., 2001). Strategic alliances are a fast and flexible way to access complementary resources and skills that reside in other companies. Cooperating to compete in any form gives participants greater opportunity for growth and a stronger competitive edge.

Certain resources are not perfectly tradable, as they are either mingled with other resources or embedded in organizations (Chi, 1994). The resource based view considers strategic alliances as strategies used to access other firms’ resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm. Researchers and practitioners of this idea attribute sustainable competitive advantage to the possession of valuable, non-substitutable and inimitable resources. Knowledge of these underlying sources of competitive pressure provides the groundwork for a strategies agenda of action.

Alliances improve the strategic position of firms in competitive markets by providing resources from other firms that enable them to share costs and risks. Such resources give firms a cushion to withstand business downturns and other setbacks, and ensure more even and predictable resource flows. This buffering and cost sharing eases profit pressures, which are particularly intense in highly competitive industries. It gives firm partners the slack they need to ride out difficult times and to learn better ways to compete. Core competencies are the collective learning in the organization (Prahalad and Hamel, 1990).

Strategic maneuverability in this revolutionized millennium requires collaboration. Strategic alliances value creating potential makes them an important source of competitive advantage (Das and Teng, 2001). The firm that can effectively cope with environmental uncertainty and ambiguity, proactively reposition in competitive markets and minimize transaction costs through strategic alliances increases the probability of maintaining competitive advantages.
The alliance can be within the same market or across different markets. Moreover, research has suggested that social networks, competencies and the relative configuration of skills and organizational practices of the partnering firms can influence the level of learning through alliances. As such is the case, forming an alliance with a company already existing in the target market is a very appealing option, since it makes the expansion into unfamiliar grounds easier and less stressful for the company (Elmuti & Kathawala, 2001).

The decision to enter a strategic alliance should be taken seriously by management because history has shown that alliances tend to be unstable and prone to failure (Berquist et al. 1995). This is because firms that enter into strategic alliances often focus on the benefits that the alliances will provide without considering costs involved in the formation and maintenance of the alliance.

Even giant companies like IBM, Philips, Nokia and Unilever often cannot achieve leadership nationally or globally without forming alliances with domestic or multinational companies that complement or enhance their capabilities and resources (Kolter et al., 2009). Airtel Kenya Ltd has been involved with both domestic and multinational companies that enhances its capabilities and resources aimed at achieving its organizational goals and objectives.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This section sets out the research methodology that was adopted to meet the objectives stated in chapter one of this study. The research design, data collection, data analysis and presentation techniques were discussed.

3.2 Research Design
The study adopted exploratory case study design that entail detailed investigation of individuals from the organization by use of an interview guide. A case study enables a researcher to collect in-depth data on the population being investigated. The case study research design is appropriate where a detailed analysis of a single unit is desired as they provide a focused and valuable insight into phenomenon that otherwise would be wrongly and vaguely known. It would also be necessary to seek various clarifications on important issues that probably would have not been formally laid bare by the interviewees. A case study on Airtel Kenya Ltd was used to determine the effects of strategic alliance on competitive advantage by probing motives and challenges faced by the organization.

3.3 Data Collection
In order to investigate the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd, the study targeted seven senior managers in the following departments: Finance, Marketing, Human Resources, Legal & Regulatory, Networks, Wholesale Business & Alliances and Airtel Money. These senior managers have been charged with duty of formulation, implementation and evaluation of strategic management within the company.

The researcher personally conducted the interviews. An interview guide is utilized in the study for the purposes of getting detailed information on the area under investigation. Open ended questions were used in the interview guide to measure sensitivity or disapproval behavior, discover salience and encourage natural modes of expression.
The questions were prepared in line with the literature review and were pre-tested before the actual data collection. Secondary data was gathered from newspapers, research reports, books, journals, websites and other firm documents that provide additional information which augments primary data collection.

3.4 Data Analysis

Content analysis was used to analyze the data. Content analysis is a qualitative research technique that enhances compressing many words into fewer content categories based on explicit rules of coding. It enables the researcher to sift through large volumes of data with relative ease in a systematic fashion. It provided a qualitative picture of the respondents concerns, ideas, attitudes and feelings. It guarded against selective perception of content. Therefore there was improved reliability and validity.

The researcher summarized the various opinions, assessed the degree of consensus or differences expressed by the respondents and synthesized the themes and patterns that emerged. This enabled development of supportive evidence for conclusions and findings.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter presents the analysis and findings with regard to the research objective and discussion of the same. The purpose of this research was to investigate the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd. The data analysis was designed with the intention of answering the interview guide questions.

4.2 Respondents Profile
This section covers the demographic information which was to establish the respondents’ educational and professional background, respondents’ current position in the organization, and the duration the respondents have been holding the position. The data was collected from seven senior managers of which only six were interviewed and one did not avail himself for interview. This represent 86 percent response rate which the researcher felt was adequate.

All the respondents were top managers who had worked in the organization for over four years and were involved in the strategic alliance formation and implementation by virtue of their position in the organization as such they were appropriate candidates for the interview. All the respondents had university degrees; four of the respondents had masters’ qualifications as well professional charters in their respective careers. This implies that all the respondents were well educated to understand the concept of organizational capabilities and competitive advantage.

4.3 Strategic Alliance
This section of the interview guide was to establish the strategic alliances that exist in the company. The respondents were in agreement that the organization recognizes the existence of strategic alliances that are aligned to the achievement of organizational goals and objectives. The research found out that Airtel Kenya has largely been involved in strategic alliances with both domestic and foreign organizations.
4.3.1 Motives of Strategic Alliance

According to the findings of the study, the respondents observed that there are several internal resources that led Airtel to collaborate with partners. These resources were enumerated to include information access, workforce empowerment, highly creative workforce, financial support, superior network, advancement of technology, and quick and proactive response to feedback by employees and customers. The internal resources alone aren’t sufficient enough to battle the turbulence in the telecommunication market in Kenya without resulting to resources constraints.

The respondents observed that Airtel Kenya targeted to retain customer loyalty within the organizations. Therefore the alliance with Chase Bank was facilitated to provide better and quicker customer service while keeping the service cost minimal. Thus Airtel customers could enjoy withdrawing cash from any Chase Bank ATM avoiding the challenges experienced through dealer shops and agents in relation to float management through their Visa Cards linked to their Airtel Money e-wallet. The respondents said that customers were very happy with this service since they can access their cash easily even very late at night through the ATMs.

On the other hand Chase Bank customers had the chance to transfer cash from their Airtel Money to their bank accounts. Therefore customers avoid queuing in the bank halls to pay their bills thus saves time and money. Respondents vividly explained that the strategic alliances were formed to boost innovation associated with developing new services and capturing a wider market. In relation to the partnership with Kenya Airways, the alliances were aimed at bringing Airtel Kenya closer to achievement of improved quality service delivery, profitability and increased market share.

They noted that the mobile operator had pioneered the MVNO services that would run on the unused capacity on Airtel’s network. The MVNO solution would specifically appeal to millions of Kenya Airways guests seeking a convenient, available, accessible and affordable roaming service and experience. This means the Kenya Airways MVNO will provide cellular mobile services including customer registration, SIM card issuance, billing and customer care to end users without holding a spectrum license.
A brand name is the cornerstone for successive marketing and consistence loyalty of customers. The Equity MVNO would continue furthering financial inclusion and innovative service offerings for all Kenyans by offering a single platform that made banking services more accessible, flexible convenient and more affordable. The respondents from equity bank appreciated the fact that Airtel Kenya is a brand name that many Kenyans associate with in relation to telecommunication companies. On the other hand Airtel Kenya appreciated the fact that Equity bank has targeted many middle and low level income earners all over the country. Therefore this partnership was a major channel for Airtel Kenya to capture and encourage many customers to register and use the Airtel Money Service hence increase customer base.

Many Kenyans regard Equity bank as the bank that caters for low level and middle level citizens who appreciate that it gives them the services and products that satisfies their needs. From the information gathered by the respondents, a pooling of resources between partners made it easier to cope with technology changes, upgrade and transfer. By combining the resources the organizations were able to realize saving the cost of purchasing their own systems and equipments that are expensive to acquire and maintain. Airtel Kenya in partnership with global technology leader Google, aimed to make Internet products accessible to a greater number of consumers.

The two companies teamed up to bring the value of Google products to SMS users. Users can now use Google+ Messenger and Google Chat to communicate between all mobile phones and platforms, even if they are offline or have an SMS and voice only phone. With Google+ SMS notifications and ability to post status updates via SMS, users are always connected with the people in their circles. The respondents indicated that third parties play a critical role in the effective utilization of the distribution network as they give mutual support to the company in terms of how to effectively utilize the network, assist the company in customer evaluation and help the company to deal with market events and trends, and its strategic planning processes and the related processes it uses for analyzing market information.
While partnering with Tangaza and Zioncell, MVNO telecommunication companies, it would enable the company to anticipate more accurately the response to actions designed to retain or attract customers, improve channel relations, or thwart competitors. The respondents affirmed that consolidated market position would be achieved by Airtel Kenya’s partnership agreement with Samsung, the world’s second largest mobile manufacturer through collaborative sales and marketing. The partnership would leverage both Airtel’s and Samsung's strong brand equity, well developed distribution infrastructure and footprint across country to achieve common goals and drive penetration.

This agreement gave Airtel exclusive distribution rights for selected Samsung products after they are launched. The two companies worked together to provide market-specific products based on trends and consumer preferences, ensuring Airtel customers have access to products that are tailor made to their individual needs. The wide range of innovative products that Samsung will collaborate with Airtel on include smart phones, mass market handsets, tablets, dongles and routers. The respondents noted that Airtel Kenya, Pan Africa Life Assurance Limited and MicroEnsure entered into a strategic partnership to provide a life insurance product dubbed ‘Bima Mkononi’ into the Kenyan market.

The partnership enabled Airtel Money customers to access affordable life insurance via their mobile phones. Pan Africa Life would underwrite the product, while MicroEnsure would perform customer service and administration. The partnership was considered timely and significant to the company’s customers as it would diversify product offering and differentiation thus ensuring that the subscribers get added value from the company. Airtel become the pioneer mobile operator to offer insurance as a strategic differentiator in its portfolio of products. As a company, they are committed to entering strategic partnerships that meet the ever-changing needs of their subscribers. The respondents indicated that Airtel Kenya’s well established distribution network attracted mobile phone users to stock in their Airtel shops. Airtel Kenya in partnership with Apple Inc., makers of the iPhone range of smartphones, launched the iPhone 5s on the Airtel network. Airtel would officially stock the iPhone 5s handset in its outlets.
The partnership would offer mobile phone customers across the country an opportunity to purchase the smartphone in Airtel outlets. A smartphone of this nature is best used on a network that offers high speed internet services, out 3.75G network which is fast and available in major cities and towns in Kenya. Customers could enjoy all the multimedia services on the iPhone 5s on Airtel network: make clearer calls, access high speed internet and enjoy live streaming at high speeds. This provided a leverage to empower customers to enjoy high-speed Internet services on their devices and mobile phones on our network. The researcher found out that among other reasons for the formation of strategic alliance by Airtel Kenya were mutual benefits and goal, economies of scale, image and reputation and ability and competence.

Based on the content analysis of the in-depth interviews, one common reason was the desire to gain mutual beneficial goals and benefits such as to complement the customer base and to access the partners’ distribution channel. Moreover, reaping economies of scale in terms of capital and other type of resources. Access to customer data base at lower cost, lower marketing cost by utilizing of partners resources. Expand exposure to customers at a lower cost as well as avoid overlapping marketing resources between the firm and the partner by leveraging advertising.

4.3.2 Challenges and Failures of Strategic Alliance

The findings revealed that Airtel Kenya was seen to be satisfied with the strategic alliance at the initial formation stages. However, after sometime there were challenges that came up that indicated signs of dissatisfaction or inefficiency between strategic partners. One of the challenges is responding to changes in technology by partnering firms whereby Airtel Kenya had to up-grade its systems whenever the partners upgrade theirs in order for systems of both firms to be compatible and work efficiently. Whenever 3.75G transmission equipments were changed, Airtel Kenya had to upgrade too. Another challenge is discontentment for some partners who feel they are getting less out of the alliance. This was the case with Samsung Inc who felt discontented resulting into dissolution of the alliance and later agreeing upon a 2-Year contract term.
This was a very big loss for Airtel because it lost its sole exclusivity to stock the Samsung products in its shops due to Samsung signing distributorship deals with other telecommunication companies in Kenya. The target customers were given the alternative to shop from rivals leading to decline in customer service. Control related problems are another major challenge especially in the use of commercial banks ATM outlets. Airtel Kenya does not have control for use of commercial banks ATMs to access money through Airtel Money services and as a result, customers are forced to bear with commercial banks ATM down times.

If the ATMs are not loaded with cash, Airtel Money customers cannot make withdrawals. This results to multiple complaints to Airtel Customer Care department yet the firm is not in a position to manage the issues of ATM inefficiencies. Moreover, malfunctions of Visa Cards lies as sole responsibility of the bank and card issuing firms that can’t be dictated by Airtel Kenya. The respondents blamed lack of recruitment of talented personnel to manage the alliances as a critical factor for alliance success. However, the partnering firms were reluctant in the appointment of a steering committee and specialized human resource to manage the partnerships. One of the conditions that the partners gave was to retain the managers who were initially there before the alliance.

This resulted in time lapse and wastage before they could catch up with the other rival companies hence delaying the implementation of the strategic alliance standard operations to match what is across the board. Competition has been the major game in both the banking and mobile industry in the Kenyan market as explained by the respondents. Change of customer needs and improved technology has brought all about new services. Many banks have also partnered with other mobile service operators to offer the same services. For instance the major competitors of Airtel Kenya include Safaricom Ltd and Orange Ltd that offers related services. The price wars as explained by the respondents have generated lower revenue for the last six months as compared to previous years that experienced a boom. But the respondents insisted on consistence and better quality service to maintain the current customers.
Cultural difference was also a major challenge in coping with management across cultures. Airtel Kenya, a subsidiary of the parent firm located in India, clearly demonstrates different beliefs and values with its strategic partner’s culture in the leadership style and management. It was perceived that decision making was a long process which involved painstaking approvals from Airtel Africa and Bharti Airtel International. It was noted that there was very little attempts during the implementation to marry its culture to those of domestic partners that are wholly owned or traded at the bourse.

Mistrust was also key evidence noted by the respondents. Sources of these challenges were from the negotiations phase where key negotiators could not clearly elaborate their motives. Numerous suspicions was deemed to emanate from fear of performance risks bearing in mind that Airtel Kenya is not the dominant telecommunication firm operating in Kenya as well as it history of being mired with acquisitions and hostile takeovers. The challenges were resolved by Top Management reassuring its partners of their commitment to gain market share.

Prior to the launch of mobile virtual network operations, the Consumer Federation of Kenya (COFEK) asked the Communication Authority of Kenya (CAK) director that the mobile operators entering the market should not be granted MVNO (Mobile Virtual Network Operator) licenses. COFEK raised concerns that at the opaque license issuance process had lack of consumer sensitization on the MVNOs, lack of public participation, competition, lack of specific guidelines and required Kenya Gazette Notice of the guidelines as well as intended licensing. This has led to delays of launching the MVNO operations of Equity Bank and Kenya Airways on Airtel Kenya’s network.

4.4 Competitive Advantage

Respondents indicated that Airtel Kenya’s physical infrastructure was considered a source of competitive advantage as the company has a stable network with strong signals across the country which ensures that the company’s network users enjoy the services whenever they are. The company has also outsourced its information technology and network maintenance to IBM and Ericsson/Nokia Siemens respectively so that they can gain from the expertise of the companies and at the same time reduce its operating costs.
The infrastructure of the company plays a critical role in the company’s overall competitive advantage as the strength of the network boost reliability of service use by the customers as they do not face drop calls. This attracted firms seeking to launch their MVNO platforms to seek partnership with Airtel Kenya. The researcher found out that the company appreciates the role its distribution network play as basing competitive advantage on the organization as a whole rather than on specific offerings. This allows the organization to place considerable emphasis on trust and confidence to mitigate the doubts and uncertainties experienced by consumers in relation to the purchase of products which are complex and difficult to comprehend.

In order to protect this capability, the company has ensured that they enforce a code of conduct with all channel partners and inclusion of exclusivity clauses in contracts with channel partners. This attracted mobile handset and accessories makers to partner with Airtel Kenya. The operation of Airtel in Africa gave Airtel Kenya the edge over its competitors as the company operates a one-network call rate across Africa. Customers enjoy seamless transition in fifteen countries. Strategic partners seeking to lower the roaming costs across borders were attracted to Airtel Kenya to host them. This delivered competitive advantage by offering consumers greater value through reduced roaming costs due to one network, cost optimization due to outsourcing and competitive pricing. The company distinctive competence has enabled it to differentiate its products-provide something unique that is valuable to buyers, or achieve substantially lower cost than its rivals.

The results obtained indicate that demonstrating and improving the reputation, image and prestige of the organization was a measure of gaining competitive advantage. All the respondents agreed that increasing the awareness and exposure to a particular type of customers was critical in the alliances objectives. In addition, improving the image and market position of Airtel Kenya as well as building customer loyalty was very critical in differentiating the organization from its rivals. The desire of a firm to increase its ability and competence in terms of their competitiveness was deemed as gaining a competitive edge in the market.
Strategic alliances have contributed to Airtel Kenya’s ability in dealing with uncertainties and challenges in business posed by globalization in various ways. Globalization has led to the infiltration of many products and services in the Kenyan market and therefore posing a risk to domestic companies such as a Airtel Kenya. Respondents noted that partnering with other firms to roll out new products and services to the market was an effective way of dealing with this challenge. It has helped Airtel Kenya save on costs and therefore offer more value to customers as well as enter new markets.

It was noted through research findings that Airtel Kenya had benefited from strategic alliances by developing new products and services to keep it abreast with the competition. Some of these new products and services include Bima Mkononi, cash transfers to and from bank accounts with various commercial banks as well as utility bill payments. This has made it easier for Airtel customers to transact almost all their businesses through the mobile phone. The service charges attracted by these services are a source of revenue stream for the organization. These services have also been received well by customers because it’s easy to pay almost all bills through the mobile phone, and therefore, as a result of these strategic alliances, Airtel Kenya has helped improve livelihoods of many Kenyans.

4.5 Discussion of findings

This section endeavors to look at how the findings of this study relates to the strategic alliance theory and to compare the findings with the studies that have been carried in the area of strategic alliance in Kenya and globally. The discussion is intended to demonstrate the importance of the findings in corroborating existing knowledge and areas that require further attention for those companies that would like to enter into strategic alliance and for researchers and practitioners.
4.5.1 Comparison of Findings with Theory

Airtel Kenya lacked the local market knowledge and distribution network within the East African market. The findings supported the organization learning theory that organizational learning doesn’t materialize until the information is shared and stored in organizational memory in such a way that it may be transmitted, accessed and used for organizational goals. Most firms are competent in some areas and lack expertise in other areas as such, forming a strategic alliance can allow ready access to knowledge and expertise in areas that a company lacks. The information, knowledge and expertise that a company gains can be used, not just in the strategic alliance but for other projects and purposes. The learning can range from knowing how to deal with a government regulations, product knowledge or learning how to acquire resources. A learning organization is a growing organization.

According to the findings, reaping economies of scale is one of the important motives for the alliance formation. This finding corroborates the transaction cost theory which proposed that the choice between market and hierarchy for complementing transactions depends on the relative efficiency of each mode (Williamson, 1975). Sharing of organizational resources was a key factor that led Airtel Kenya to enter into an alliance with Equity Bank and Chase Bank in order to enable more users to utilize the Airtel Money service. Airtel Kenya has therefore been able to realize huge savings in its capital expenditure as a result of this partnership. This cost saving has directly translated to higher profits and value for stakeholders.

According to the findings, alliance formation from a resource-based perspective focused on existing competencies that may propel firms to enter into new alliances rather than the conditions that determine the opportunity set firms may perceive (Gulati, 1999). The Communication Authority of Kenya (CAK) licensed three firms: Zioncell, Tangaza Pesa and Finserve (owned by Equity Bank), to provide Mobile Virtual Networks in the country, without necessarily building their own infrastructure. This implied that these companies would ride on the existing network infrastructure currently owned by established telcos in the country in providing their services of which Airtel Kenya offered it idle capacity.
The research findings supports Carlton and Perloff (1994) theory of strategic behaviour based on actions that influence the market environment and so increase profits. Airtel Kenya conduct were the outcome of a conscious attempt to shape the firm’s market environment to its own lasting advantage and to the competitive disadvantage of rivals. By pioneering in the MVNO hosting of Tangaza Pesa, Zioncell, Finserve and Kenya Airways, it set precedence of an entrepreneurship spirit aimed at turning profits from its innovative ventures.

4.5.2 Comparison with Other Studies

The findings were similar to a study done by Koigi (2002) on the strategic alliance implementation between Kenya Posts and Savings and City Bank. The latter company had difficulties in cheque clearing as it had not been given the authority by the Central Bank of Kenya. City Bank, a multinational firm, had vast experience in international money transfer and cheque clearing. In both studies, there was both organizational learning transfer as well as challenges faced between the strategic partners and the government regulatory authorities.

The study had a similar findings with Karuri (2012) research findings on Determinants Of Strategic Alliances In The Airline Industry In Kenya. The study concluded that the major determinants of strategic alliances in the airline industry in Kenya were market entry and market position-related motives, resource use efficiency-related motives and uncertainties, technical standard and access to new technologies.

The study noted that Airtel Kenya’s motives for formation of strategic alliances was similar to a study done by Wanjiru (2010) on Safaricom Ltd, the telecom market leader in Kenya. They include; acquisition of new technologies, means of creating customer value, leveraging on economies of scale and scope, gaining access to specific markets and distribution channels, enhancing new product development capabilities, capturing international markets as well as sharing organizational resources. In both studies, the firms sought to gain competitive advantage in the market.
The findings further pointed out that differences in target market, image, culture, pace of work, management styles between the partners tended to impede the alliance from forming. However they perceived these barriers as a must in doing business and attempted to solve these difficulties. The sources of performance risks according to study by Das and Teng (1999) include, environmental factors, such as government policy changes; market factors and internal factors. The findings were similar to efforts by government regulatory bodies refusal to award licenses for MVNO operators.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, the conclusions of the study, the recommendations, the limitations of the study and suggestions for further research based on the objective of the study. The study sought to investigate the effects of strategic alliance on competitive advantage at Airtel Kenya Ltd.

5.2 Summary

The study established that the respondents have been holding their current position for over four years hence; they had knowledge of the strategies formulated and implemented by the company in order to achieve competitive advantage. The results of the finding showed that Airtel Kenya had engaged in strategic alliances with partnering firms that gave it a competitive advantage over the other mobile telecommunication operators. Some of the partnering firms included both local and multinational firms; Kenya Airways, Equity Bank, Chase Bank, Pan Africa Life, Visa Inc. Google Inc, Nokia, Apple Inc, and Samsung Inc.

The study agreed with Kogut (1993) summary of motives for strategic alliances formation by the noting the factors that led Airtel Kenya into entering in strategic alliances with other firms that included; transfer of new technologies, creating customer value, leveraging on economies of scale and scope, gaining access to specific markets and distribution channels, reducing operational costs, utilizing its idle infrastructure capacity, organizational learning, innovate new products, market uncertainties, consolidate market positioning as well as sharing organizational resources.

From the study, the major challenges and failures faced by Airtel Kenya in strategic alliance formation are; unclear goals and objectives, performance risks, mistrust issues, regulatory barriers, differences in target market, brand image, culture, management styles between the partners all tended to impede success. Moreover, turbulence in the market, resources constraint, market uncertainties, risk sharing and technology transfer were a constant challenge faced by the management team.
Airtel Kenya recognizes the importance of strategic alliances in establishing competitive advantage in the market. This was appreciated by the respondents as a necessary strategy in the present day uncertain business environment characterized by changing subscribers demand, fast changing technology, and unpredictable products. As an avenue to the realization of the same, it was found out that company’s specific objectives, the company policies, need to keep customers satisfied, and partnership with both domestic and multinational firms were identified as necessary. It was noted that that the mobile subscribers have a wide variety of options to choose from hence the organization must have something different and unique to offer to its subscribers.

5.3 Conclusion

Theoretical conjectures and empirical investigations of strategic alliances over the past two decades reveal an accelerating proliferation of these inter-organizational phenomena. Arm’s-length market exchanges may prove less efficient than alternative inter-firm arrangements for carrying out many complex co-production processes, such as R&D on highly uncertain technologies, as well as for overcoming legal-political-cultural barriers to cross-national transactions. Mixed advantages and drawbacks accruing from collaborative enterprises reflect the current ambiguous state of knowledge about strategic alliance networks and their multidimensional consequences.

The strategic orientation of a firm should reflect the willingness of the firm to enter into strategic alliances and to adopt innovative strategies. With new innovative strategies, future media alliances will be possible as both parties will join the alliances with different and new ways of improving the alliance critical success. Globalization of business systems emphasizes how both local and international environments foster international joint venture partnerships, but these environments may also inhibit the full realization of benefits obtainable through such relationships.

The study found out that Airtel Kenya had gained competitive advantage as a result of entering into strategic alliances with various partners across different industries.
The respondents noted the benefits of strategic alliances that are derived from the motives for formation of strategic alliances include; Lower cost of technology, sharing of risk in high-risk projects, ability to accrue economies of scale and scope in value-added activities, access to partner’s technology, knowledge, proprietary processes and a basis for future competition in the industry involved in terms of sustained competitive advantage which was similar to Varadarajan and Cunningham (1995) summary of their research findings.

5.4 Recommendations for Policy, Theory and Practice

The research was similar to Elmuti & Kathawala (2001) study that states forming an alliance with a company already existing in the target market is a very appealing option, since it makes the expansion into unfamiliar grounds easier and less stressful for the company. This was evident in Airtel Kenya’s alliances with dominating domestic firms in the airline, commercial banking and insurance industries was motivated in positioning itself in the market.

This study therefore recommends that strategic alliances are the major ways in which organizations can survive and sustain their operations in the competitive environment. This is because an organization cannot be able to acquire all the resources need for its operation at the same time. Because of this stiff competition in the mobile industry I recommend Airtel Kenya to continue partnering with other service in order to gain market share and also impact positively on the livelihoods of many citizens.

Future alliances should involve a steering committee charged with the mandate of formation, implementation and evaluating strategic alliances between partners drawing human resources from firms as well as including non-executive experts and consultants in the team. To enable such managers to identify any challenges in alliance implementation. Companies entering alliances should conduct sufficient market study, have clear plans and goals that they want to achieve before coming to any alliance. Moreover, a deeper understanding of a nation’s laws and regulations that govern commerce and industry should be well articulated to avoid unnecessary court battles.
Not all alliances are intentionally designed to achieve mutually beneficial outcomes for all parties. Some organizations may enter strategic alliances as cautious, lower-risk pathways for exploring opportunities for subsequent mergers, takeovers, or business-unit divestitures. Researchers need a deeper understanding of conditions promoting such manipulative behavior, with or without partner consent, and how such arrangements differ from collaborations intended to preserve partner autonomy. The corporate legal and regulatory team should come up with air-tight deals that protect the firm from exploitation by partnering firm.

Analysts should increasingly disentangle the relative impacts of organizational, relational, and environmental contexts on various performance measures. Formal governance structures interact with organizational components to boost learning and knowledge transfer and how the corporate social capital embedded in inter-firm trust relations combine with social norms emerging from a collaboration to shape the distribution of outcome rewards among the partners. Strategy orientation of both partners coming to any alliance must be aligned towards a common objective and vision.

5.5 Limitations of the Study

This research was carried out at a time when there were continuing court battles filled by rival firms, employer associations and public citizens concerning strategic alliances, and therefore the respondents, who were in the senior management team of Airtel Kenya, were very cautious with giving information. The interviewer felt that some information was being withheld. It was also difficult to collect and analyze information on all the alliances that Airtel Kenya had entered into because the alliances were numerous while others spilled over from the era of Zain Kenya.

Another limitation of the study is the time allocated to the entire project. Finances for the research were scarce for travelling to the Airtel Kenya offices and procuring stationery. The scope of the study was also limited by focus only on Airtel Kenya and no information was acquired from partnering firms to verify the respondents’ views.
5.6 Suggestions for Further Research

The study confined itself to Airtel Kenya. This research therefore should be replicated in other mobile phone service providers in the country and the results of the findings be compared for more accurate generalization. More studies should be conducted in order to find out the kind of alliances that other mobile telephony service providers have engaged in and whether they have been a source of any competitive advantage. A similar study should also be carried out on firms having strategic alliances with Airtel Kenya. More studies should be done on the preparedness of firms in the case of sudden termination of alliances and the strategies deployed when those partners turn to competitors.
REFERENCES


APPENDICES

APPENDIX I: University Letter of Introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

DATE: 10 Oct 2014

TO WHOM IT MAY CONCERN

The bearer of this letter

ERYK KIMANI MUTUNA

Registration No: D61/80333/2012

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Source: Author 2014
APPENDIX II: Interview Guide

This interview guide has been prepared in relation to the objectives of the study. Any issue that requires clarification will be discussed with the researcher during or after the interview.

Instructions
Please provide the answers as correctly and honestly as possible.

Section A: General Information

1. Which Position do you hold in the organization?
2. For how long have you been holding the current position?
3. What is your highest educational and professional qualification?

Section B: Strategic Alliance

1. Is your organization in congruence with the intention to form strategic alliances with other firms?
2. Explain and list the factors that have led to your organization decision to form strategic alliances with other firms?
3. Does your organization communicate the motives of forming strategic alliances with the concerned stakeholders of the organization?
4. To what extent did your organization’s expectations vary with the overall result of strategic alliances?
5. Were there any problems/challenges encountered during the process of forming the alliance?
   a. Were these problems /challenges resolved (being addressed)?
   b. How were they addressed (being addressed)?
Section C: Competitive Advantage

1. In your opinion, has strategic alliance helped the firm to effectively gain a competitive advantage in the market?

2. List and explain methods in which your organization has been able to gain a sustainable competitive advantage as a result engaging in strategic alliances?

3. Of all the factors that led the organization to enter into strategic alliances, name and explain the factors that have helped the company get tangible benefits and hence to gain a sustainable competitive advantage? Please give illustrations where possible.

4. What are your future expectations towards strategic alliance role in gaining sustainable competitive advantage in the ever changing market?

5. What other issues relating to the effects of strategic alliances on competitive advantage in your organization would you consider important to share?

Thank You
### APPENDIX III: Research Gap Table

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Further Research Recommendations</th>
<th>Findings Of The Study</th>
<th>Gaps &amp; Difference From My Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Stanley M.</td>
<td>A Study Of Strategic Alliances In Kenya_Money Transfer Industry</td>
<td>Further research to be done in different industries which are involved in frequent strategic alliances, especially the ever versatile ICT sector to determine the potential and future of the industry</td>
<td>From the findings of the study it comes out clear and evident that increased trust, a suitable partner, goal congruency, a common strategy and increased commitment are key factors leading to strategic alliances success</td>
<td>Study focused on the money transfer industry. It fails to address how strategic alliance influences competitive advantage</td>
</tr>
<tr>
<td>2 Karuri L.</td>
<td>Determinants Of Strategic Alliances In The Airline Industry In Kenya</td>
<td>Further studies to be done on factors other than strategic factors, that may significantly explain the performance of strategic alliance.</td>
<td>The study concludes that the major determinants of strategic alliances in the airline industry in Kenya are market entry and market position-related motives, resource use efficiency-related motives and uncertainties, technical standard &amp; access to new technologies</td>
<td>Study focused narrowly on horizontal alliances in the airline industry. It fails to probe how strategic alliance influences competitive advantage</td>
</tr>
<tr>
<td>3 Chebet F.</td>
<td>Strategic Alliances In The Hotel Industry: A Case Study Of Sarova Group Of</td>
<td>This study can be extended from the process of alliance formation to alliance management and implementation as there may also be</td>
<td>Findings suggest that competence and image enhancement are motives which significantly influenced the</td>
<td>Study focused on pre-alliance and post-alliance formation factors in hotel industry. My study focuses on</td>
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<tr>
<td></td>
<td>Authors</td>
<td>Title</td>
<td>Description</td>
<td>Source</td>
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<tr>
<td>4</td>
<td>Nzengya J. (2013)</td>
<td>Strategic Alliances Among Commercial Banks In Kenya</td>
<td>The major motives for entering into these business alliances were to increase competitiveness, maximise profits, increase branch network, maximize revenues and increase regional presence. Most commercial banks surveyed also agree to a large extent that strategic alliances have numerous benefits.</td>
<td>Study focused on motives of entry in the banking industry.</td>
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<td>Further investigations on other key issues relating to strategic alliances to validate or invalidate the findings as well as widening the scope of the study to cover the views of other key stakeholders other than firms' management point of view only.</td>
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<tr>
<td>5</td>
<td>Wanjiru E. (2010)</td>
<td>Strategic Alliances And Competitive Advantage: A Case Study Of Safaricom Limited</td>
<td>The research found out that Safaricom had gained a sustainable competitive advantage due to formation of strategic alliances. This was as a result of increased market share and profitability.</td>
<td>Study focused on Safaricom, Kenya's Telecommunication market leader. This research will probe into Airtel, a market follower in the telecommunication industry.</td>
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<td>The study confined itself to Safaricom. This research therefore should be replicated in other mobile phone service providers in the country and the results of the findings be compared for more accurate generalization.</td>
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<td></td>
<td>Ogega L. (2010)</td>
<td>Strategic Alliance Between Safaricom And Equity Bank In The Money Transfer Service</td>
<td>Further research on the strategies that one of the partners may pursue if the partner engage in partnering with other competitors in the same industry of the former partner.</td>
<td>The study recommends that strategic alliances are the major ways in which organizations can survive and sustain their operations in the competitive environment. This is because an organization cannot be able to acquire all the resources need for its operation at the same time.</td>
</tr>
</tbody>
</table>

Source: Author, 2014