

**FACTORS AFFECTING THE GROWTH OF MOBILE BANKING  
STRATEGIC ALLIANCES IN KENYA.**

**BY**

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**DECLARATION**

I hereby declare that this is my original work and has not been submitted to any other academic body.

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## **DEDICATION**

This research study is dedicated to my parent for the tireless sacrifices of their precious family time throughout the entire MBA program and especially during this research project.

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## ABSTRACT

Strategic partnership success is very essential to the organizations that enter into alliances with others. Strategic alliances with other companies are some of the methods used by the commercial banks in order to deal with the contemporary market forces of competition. The factors that play in the strategic alliances in the United States may not be similar to those that are at play in Kenya. The characteristics of the buying companies may not be similar to the banking and the mobile telecommunication industry in Kenya. The mobile banking involves strategic alliances between the banking and mobile telecommunication companies. In Kenya, strategic alliances between the commercial banks and the mobile telecommunication companies has not been successful. The objective of the study was to identify the forms of strategic alliances between the banking industry and the telecommunication sector in Kenya and to assess the importance of growth of strategic alliance between the banking industry and the telecommunication sector. Cross sectional research design was used in this study. The target population for the research was employees from the mobile telecommunication companies in Kenya and the Banking institutions that have formed strategic alliances in the use mobile banking. This study used questionnaires and document analysis as the data collection methods. Descriptive statistics approach was adopted for analyzing and presenting the data in this research. The researcher used qualitative and quantitative analysis to interpret the data obtained from the field. The study revealed that corporate culture of companies affected growth of strategic alliance in mobile banking services. The study revealed organization faced impediments when formulating a strategic alliance with other companies such as lack of trust, different in priority interest of the companies, failure by top management to be committed toward strategic alliance and failure by management to allocate sufficient resource toward strategic alliance formulation and legal and regulations government commercial undertakings. The study concluded that corporate culture of companies affected growth of strategic alliance in mobile banking services. The study concluded that commitment of the top leadership in their organization strategic alliance in the mobile banking services was essential to the growth of the strategic alliance in the mobile banking services. The study concluded that companies could improve growth of the strategic partnership between companies and other players in the mobile banking sector through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules, designing of good models of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market. The study recommends that management of firms should focus on promoting positive corporate culture through improving on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies. From the findings, management should ensure commitment of the top leadership in their organization strategic alliance undertaking is achieved to influence success formulation and growth of strategic alliance

## **ABBREVIATIONS/ ACRONYMS**

SAD -Strategic Alliance Dynamism

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

The liberalization of the financial markets in Kenya has necessitated the commercial banks to come up with new strategies of competition. Strategic alliances with other companies are some of the methods used by the commercial banks in order to deal with the contemporary market forces of competition. In the strategic alliances, the companies enter into working agreements with other players where they roll out goods or services to customers. There has been growth in the number of strategic alliances in the country between the commercial banks and other companies.

The mobile banking services are some of the innovations that banks have had to come up with in order to survive the competition. Some of the commercial banks have entered into strategic partnerships with mobile telecommunication companies in order to offer the mobile banking services to the customers. Zmijewska and Lawrence (2006) observed that there exists a strong link between the commercial banks, mobile telecommunication companies and the regulatory authorities. This link fosters the strategic partnership between the banking institutions and the mobile telecommunication companies. Even though Wray (2008) observes that mobile banking services have been successful to an extent of helping the people who have no access to the brick and mortar banking services, the commercial banks have not penetrated the entire population with the services. It is essential to understand the factors that affect the growth of the strategic alliance in mobile banking services between the commercial banks and the mobile telephone companies. This research proposal intends to carry out a study to find out the factors that affect the

strategic alliance between the commercial banks and the mobile telecommunication companies.

### **1.1.1 The Concept of Strategic Alliance**

In a strategic alliance, two commercial entities can enter into a formal working agreement in order to achieve some strategic objectives. Such alliances are made formal by the use of business contracts. Strategic alliances are useful for companies that have different assets that are essential for each other's benefit. For instance, one company can possess an asset that the other one does not have. The other company can likewise be in possession of another asset that its partner does not have (Kodama, 2002).

Strategic alliances between corporate entities happen on many platforms. Companies can collaborate in the product development, the provision of engineering platforms, branding, capital financing, creation of specialized new products, marketing, distribution and supplies, and creative expertise. When firms form strong partnerships, they both benefit from the relationship and offer customers quality services (Applegate *et al*, 2007). Strategic partnerships always give rise to various issues in the course of business between firms. Issues of intellectual property rights, transfer of technology, profit sharing, expenses and termination of partnerships are prevalent in such arrangements. However, these issues cannot be an impediment to working relationships between firms. Such firms always have legal frameworks in place meant to iron out any arising issues that may be an obstacle to their operations (Jamali *et al*, 2011).

### **1.1.2 The Banking Sector in Kenya**

Kenya has 44 licensed commercial banks. Commercial banks in Kenya have undergone major changes since the market liberalization in the 1990s. The banks have had annual profit efficiency of average 65.6 % between 1995 and 2004. The studies that came up with this data indicated that banks had suffered a decline in profits because of the oligopolistic nature of the commercial banking sector in Kenya. The reforms that have been taking place in the financial sector have not fully stimulated the macroeconomic factors that drive growth in the commercial banks (Meso & Kaino, 2008). There has been of late competition among most players in the banking sector in the country. Banks have adopted new technology and have introduced new products that are targeting different market segments.

This segmentation is projected to see the banking sector in the country taking an improvement in its business operations. In the early 90s, commercial banking sector in Kenya only targeted high-income earners. The banks have now made forays into the population segment with low-income earners (Mathuva, 2009). Even though the banking sector has worked well in improving its customer base in the country, there is still need to do more to improve on profits. The banking sector's efforts to increase the customer base have been complimented by the mobile telecommunication companies in the country. Mobile banking has been one of the methods used by the companies to increase the number of customers.

### **1.1.3 The Telecommunication Sector in Kenya**

Kenya's mobile market experienced rapid growth throughout the last decade and is forecast to grow even further over the next five years through the expansion in its mobile data services, particularly mobile banking. The price of handsets has reduced due to the duty being waived by the Government and the increase in operators has intensified competition leading to price competition in the market. Lower handset prices and service tariffs brought mobile services to the reach of a greater proportion of the population. The competition among these companies is very commendable because it has contributed to vast improvement in transformation and access quality communication for people across Kenya (Albo, Díaz& Ng, 2012).

In Kenya, three players, namely, Safaricom, Orange and Airtel, dominate the mobile telephone industry. Safaricom takes the bigger share of market (Mas & Radcliffe, 2010). Mobile phone users in the country have hit 30.7 million mark. Safaricom commands 19 million of the customers who use mobile phone services. Of the number, 15 million customers use M-Pesa service, a customer-to-customer money transfer system that uses the short message service. In Kenya as well as other African countries, the mobile phone service provision companies only give service platforms but do not give out the mobile phones. The service companies are therefore independent of the mobile phone provision companies (Buku& Meredith, 2013).

#### **1.1.4 Strategic Alliance between the Banking Sector and the Telecommunication Companies**

The strategic alliances between banks and mobile phone companies have been common. In 2012, for instance, in India, Bharti Airtel, through its subsidiary of mCommerce Services Limited entered into a strategic partnership with Axis Bank. In this alliance, the banking payment services were extended to unbanked millions of Indian citizens through a mobile telephone platform. This alliance was meant to empower the Indian citizens that were financially excluded from the mainstream banking services.

In Europe, similar strategic alliances have been formulated between mobile telecommunication companies and the commercial banks. In 2013, T-Mobile Polska and Alior Bank, all from Poland, entered into a strategic partnership. The partnership involved offering of banking services to the clients of T-Mobile. The services are meant to ensure that the clients have access to the internet banking, transaction banking, and mobile technology. The report about this alliance stated that it would be the first comprehensive cooperation between a bank and a mobile telecommunication company in Europe. The support points to these services include the use of the mobile phone devices, the contact centers, the virtual branches and the T-Mobile points of sales. In a bid to enhance the success of the alliance, the Alior Bank planned to create a dedicated unit of an organizational structure. The structure would enable the alliance to work well within the new complex structure of operation.

In South Africa, as early as 2001, the retail banking sector had already entered into mobile banking technology. Absa, the largest retail banking in South Africa, started an e-

Commerce program. This program was hoped to help in cutting costs of operation. The company launched a mobile banking service where its customers would be able to transact using online services. This service was formed through a strategic alliance between Absa and Cisco. The internet presence was lauded as one of the major factors that influenced the success of this partnership. Customers were able to purchase goods using their mobile phones by use of the mobile internet.

In Kenya, the commercial banks have ventured into new products in order to target the population that cannot access the conventional banking services. Mathuva (2009) cites the adoption of new technology and introduction of products like mobile banking as some of the banking revolution witnessed in the current financial services market. The mobile banking involves strategic alliances between the banking sector in Kenya and the mobile telecommunication companies.

## **1.2 Research Problem**

Strategic partnership success is very essential to the organizations that enter into alliances with others. Several factors contribute to the success of strategic alliances between organizations. Mohr and Spekman (1994) observe that the antecedents to the formation of the partnership and the characteristics of the organizations are important for the success of the involved parties. As such, the authors insist that it is important to understand the factors and characteristics that influence the success of the strategic alliances between organizations. Coordination and trust, communication quality and participation, techniques of conflict resolution and trust are only but some of the factors that should be



understood when investigation the antecedents to the success of strategic partnerships between companies.

Strategic alliances between the banking sector and the mobile telecommunication companies can be affected by different factors Haleblian et al (2006) listed some of the factors that affect the success of the strategic alliances between banks and other companies in the United States. The authors state that organizational learning and past experience is very important during the strategic alliances. The recent acquisition performance, the prior acquisition experience and the level of prior interaction between the organizations are some of the elements that should be studied when discussing the strategic alliance performance.

Monczka et al (1998) carried out a survey to establish the factors that affected the strategic alliances in supply chain from a perspective of buying companies. In the study, the researchers sampled 200 companies. They used qualitative and quantitative methods of analysis to synthesize the data. From the findings, several factors were listed. They included information quality and participation, joint problem solving, avoiding the use of severe conflict resolution tactics, resource commitment, interdependence, and information sharing and smoothing over techniques. All these findings are very instrumental in the understanding of the factors that affect the strategic partnerships between banks and telecommunication companies. The findings have carried out a radical analysis of the factors that affect the working of strategic alliances. However, they fall short of providing answers to the problem of the research. The study was carried out in the United States. The factors that play in the strategic alliances in the United States may

not be similar to those that are at play in Kenya. As well, the researchers used buying companies as their population. The characteristics of the buying companies may not be similar to the banking and the mobile telecommunication industry in Kenya.

Adero and Jun (2012) carried out a study to the success of the strategic alliance between Equity Bank of Kenya and Safaricom Ltd. In the study, the authors found out that the effective management of alliance between the two companies was a contributing factor to the success. The study focused on the employees from the two companies. Interviews were used to collect data from the sampled subjects. The authors observed that separate teams were used to manage the partnership between the two companies. In their findings, they stated that Safaricom Ltd and Equity Bank have a proper joint working relationship where each team comes up with its own suggestions then they meet to harmonize the solutions. This study is instrumental in explaining some of the factors that affect the strategic alliances between the commercial banks in Kenya and the telecommunication companies. Moreover, the study discusses the issue of mobile banking. However, the authors only focus on the issue of management between the two organizations. Other factors like technology and the culture of the organizations have not been evaluated in this study. It is thus clear that there is an information gap that should be bridged.

From the analysis of some of the study findings, it is evident that more knowledge should be generated about the factors that affect the strategic alliances between the banks and the telecommunication companies in Kenya. This study intends to bridge the information gap. The research intends to carry out a study that will come out clearly with the factors that affect the strategic alliances between the commercial banks and the

telecommunication companies. At the end of the study, this research will provide answers to the question: what are the factors that affect the strategic alliance between the commercial banks and the telecommunication companies in Kenya?

### **1.3 Research Objectives**

The objectives of this research were:

- i.To identify the forms of strategic alliances between the banking industry and the telecommunication sector in Kenya.
- ii.To assess the importance of growth of strategic alliance between the banking industry and the telecommunication sector.

### **1.4 Value of the Study**

The results that would be found in this research would of use to different parties. The mobile phone companies will benefit in the results of the study. They would be learn from the most successful cases. From this, the companies can put in place proper measures for the success of their business in strategic alliances. Such measures would help the mobile telephone companies improve their mobile money services and increase their customer base.

The commercial banks would benefit from the information that would be obtained in this study. The increase in the number of people that use mobile phones has presented a good opportunity for the banks to use mobile banking to penetrate the untapped market. The information obtained from this study was used by the banks to improve their strategic

alliances with the telecommunication companies. The results of this study would be help the banks to come up with strategies that will help them to increase on their profit base and increase the number of customers.

The research findings will be useful for further research. Researchers who wish to do more studies about the strategic partnership will use the information to do literature review for future studies. Mobile banking in Kenya has recorded success and most researchers across the world are interested in the models that have made the Kenyan success story of mobile money transfer. The results found in this study will be useful to most researchers who wish to get data about Kenya mobile banking sector yet they cannot access the country due to their geographical location. In the same breath, this study will come up with recommendations for further studies. Future research can thus be modeled from the recommendations of this research.

The government of Kenya is a major player in development of businesses in the country. The state gives an enabling environment for banks and mobile firms to work well, through its regulatory authorities. The results of this study will be useful for the government because it will get enough information that will help it in making decisions on regulations governing strategic partnerships between commercial banks and the mobile telecommunication firms.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter discusses the literature on the study concept. The chapter is arranged in two sections. The first section discusses the concept of strategic alliances in mobile banking. The second section discusses the factors that affect the growth and success of strategic alliances between organizations.

### **2.2 Theoretical Basis of the Study**

Tan (2000) proposed a conceptual framework that could be used to study the growth of strategic alliances between companies. The author came up with a 3 D framework called the strategic alliance dynamism (SAD). In order to understand the factors that determine the growth of the strategic alliances between companies, the SAD model can be used. Here, various elements that define alliances between companies are used.

The first model discusses the passive, the friendly or the hostile alliance strategies between companies. By analyzing the alliances using the three elements, it is possible to come up with a list of factors that determine their successes. According to this category, an alliance can be more successful if it takes place in a friendlier environment. It is thus of essence that companies look for partners that enable them have a friendly rather than a hostile working relationship. If hostility is developed during the partnerships, the growth would reduce or even fail. A passive relationship between the partners would undermine the success of the strategic alliance. It is important for the organizations to ensure that they pursue proactive measures in order to improve the relationships (Tan, 2000).

The second model in this theoretical framework is the loose, tight or amalgamated structure of operation between the players. In a loose relationship, the level of the difficulty in exiting from the alliance is very low. Here, the partners would leave the relationship when and as they wished. In a moderate relationship, the level of the difficulty in leaving the relationship is moderate. In this arrangement, the partners will work harder to ensure that the relationship works because leaving would equally be costly. The poor, moderate or excellent strategic alliance performance can also be used to analyze the factors that affect the growth of the strategic alliances (Tan, 2000).

### **2.3 The Strategic Alliances in Mobile Banking Services**

Mobile banking services, according to Ivatury and Mas (2008), are relatively new in the financial markets. The authors have come up with a list of elements associated with the mobile banking services the world over. Technology use is one of the elements that identify the mobile banking services. The customers use mobile phones or payment cards to transact electronically. As well, third party outlets are used in this arrangement. Post offices and small retailers act as the agents for the service providers. These agents perform services like cash handling and due diligence opening of the accounts. Such services should also have a backing of government recognized, deposit taking institutions like commercial banks. All this description means that a strategic alliance has to exist between the commercial banks and the mobile telecommunication companies.

Mobile banking services are in various countries of the world. Kenya, South Africa, Japan and Philippines have had a good uptake of the mobile banking services in the world. Among other factors, the availability of the platform of technology has been an

important determinant of the success of these services. Commercial banks and mobile telecommunication companies have entered into strategic partnerships in order to offer the mobile banking services to customers. The already established telecommunication structure has helped most banks and mobile telecommunication companies establish robust systems that enable the customers' access mobile banking services(Jenkins, 2008).

Even though some countries have recorded success in the strategic partnerships between the commercial banks and the mobile telecommunication companies, other countries do not have such happy ending stories. O'Doherty et al (2010) reports a study carried out in Australia where the growth in strategic partnerships between the commercial banks and the mobile telecommunication companies has had gloomy prospects. The use of mobile banking in the country is in infancy stage and is taking long to be fully accepted. This is despite the fact that 94 % of Australians under the age of 40 years have mobile telephones. In the survey reported 16 % of Australians use mobile banking services, compared to the global use of 30%. In the Asian Pacific region, a trading and geographical block where Australia belongs, 43% of the population uses mobile banking.

O'Doherty et al (2010) observed that the strategies employed by the banks and the mobile phone service providers were to be blamed for the slow uptake of the mobile banking services. According to the report of the study, 40% of Australians did not have any idea whether their banks offered mobile banking services or not. 21% stated that they had confidence in mobile banking. The global population that has confidence in mobile banking services is 34%. These findings indicate that multiple ranges of factors affect the growth and uptake of the mobile banking services in Australia. These factors may be

affecting the growth of the strategic alliances between the commercial banks and the mobile telecommunication companies.

In Kenya, the mobile banking services have been on the growth. The services are as a result of strategic alliances between the commercial banks and the mobile telecommunication companies. Several studies have been carried out to understand the nature of strategic alliances in mobile banking between the commercial banks and the mobile phone companies. Jack and Suri (2011) carried out such a study. The study was intended to carry out an analysis of the extent to which mobile banking penetrated Kenya. The most salient strategic alliance mentioned was that between the Commercial Bank of Africa and Safaricom Ltd. The partnership was found to have helped transform lives of many people in Kenya. The mobile banking service, termed as M-Pesa, is used for saving money, depositing cash, sending and receiving.

Mas and Radcliffe (2010) have explained some of the factors that made M-Pesa mobile money transfer services to be successful after the launch in 2007. Three sets of factors were explained as the causes of the M-Pesa success. They include the preexisting market conditions, good design that facilitated integration of the mobile phone services and money transfer and business execution strategy that enabled the company to get a critical mass. This critical mass helped to avoid the chicken and egg problem that would have affected the new payment system. All these factors went into a long way to improve the strategic alliance between Safaricom Ltd and Commercial Bank of Africa.

Mbiti and Weil (2011) discussed the growth of the mobile banking services in Kenya. The authors aver that initially, the commercial banks were opposed to the M-Pesa mobile



banking service. However, with time, most banks have entered into strategic partnerships with Safaricom Ltd and other mobile telecommunication companies with an aim of reaching out to a larger customer base. M-Pesa mobile banking service, according to the author, enhances money transfer and banking services among the people.

## **2.4 Factors Affecting Growth of Strategic Alliances**

Strategic alliances can only be successful if the partners meet certain expectations of the partnership. Different authors, scholars and management experts have suggested many factors that affect the growth of the strategic alliances. Zollo et al (2002) came up with an explanation of the factors that can help improve strategic alliances between biotech companies. The technology of the parties, the management of the individual partners and the cultural fit were mentioned as some of the important elements that influenced the growth and sustainability of the strategic alliances. The performance of the alliance was also pegged on the experience of the partners in forming of partnerships.

Park et al (2002) agree with Zollo et al's (2002) thoughts about the role of technology in the success of the growth of strategic alliances. The authors insist that the technology resources of the partner firms are important in any strategic partnerships. The internal drivers like the technological capabilities of organizations to provide a platform for joint business is stated to be one of the major factors that influence the success of growth of strategic alliances. One of the benefits that organizations get from strategic alliances is the opportunity to use technology that they did not have.

Hagedoorn (1995) points out that most of the strategic partnerships take the form of inter-firm technology alliances. As a result, states the author, technology contributes to the

growth of the strategic partnerships between firms. The growth of inter-firm cooperation in sectors like the chemicals, defense, aviation, automotive and heavy electrical equipment is highly influenced by the technology trends within the companies. Improved technological trends in companies tend to increase the success of the strategic alliances.

Das' (2012) contribution to the element of the growth of strategic alliances bails out the argument that technology is an important factor in the growth of strategic alliances between organizations. According to the thoughts postulated by the author, the adoption of technological standards by a market may lead to the shakeup of the industry. Such a shakeup may push some organizations out of the field. The small firms therefore seek to form strategic alliances with company that are well established in terms of technology. During the emergence of any technology, some firms may be resource deficient. This means they may not have the required technology to pursue a given service. Such a firm thus has to look for a company that is well established in terms of technology in order to form a strategic alliance.

Morosini (1998) reasons out that the strategic alliances between organizations cannot work well if the corporate cultures are not managed well. The author reckons that global corporate alliances rely on the how well the cultural differences are managed. According to the explanation, strategic alliances can only work well if the organizations find a harmonious way of synergistically tapping into the different cultures. If the culture is not managed well, the strategic alliance can lose its purpose.

Ulijn et al (2010) are of the same opinion that corporate culture affects the success and the growth of strategic alliances between organizations. The author has mentioned six

important elements of corporate culture that may help build or reduce the success of the strategic alliances. According to the explanation, the elements include work discipline, focus, result oriented staff, professional focus of interest, job orientation and employee orientation. If these cultural elements clash between organizations that have a strategic alliance, there is a possibility of failure. However, if the six are well managed, then the strategic alliances will be successful. In any strategic alliance, the dominant parent culture can also play a role in the success.

Cartwright & Cartwright (2010) are also of the opinion that corporate culture is very essential in the success of the growth of strategic alliances. The authors stress on the need for the partnering organizations to learn the corporate cultures and try to merge them for the betterment of the alliance. Before organizations enter into any partnerships, it is important to assess the culture and find out ways of improving the relationships. Values and beliefs, artifacts and symbols, patterns of behavior and basic assumptions should be understood properly before the formation of strategic alliances.

Harris & McDonald (2004) while discussing the four stages that should be followed to ensure success of strategic alliances, stressed on the need of negotiating for an alliance that has a senior management commitment to it. Here, the authors observe that senior management commitment to strategic alliances is very important. The commitment of the major partner in the alliance helps improve the performance of the alliance. If the major partner interferes with the functioning of the other partner, then there is a possibility of failure of the partnership.

Kuglin (2002) has come up with case studies where the management commitment led to success of strategic alliances between organizations. The alliance between CISCO and Microsoft is described as one where the commitment of top management has been important in improving the business operations. The websites for CISCO and Microsoft have strong supporting comments from Bill Gates and John Chambers. This means that the two top managers in the respective organizations are committed to the strategic alliance. As well, the leaders are said to have done numerous press releases, showing the high commitment they both have to the strategic alliance. From the charts provided by the authors, it is clear that the strategic alliance between the two companies is at the high growth stage of the alliance lifecycle. It is worth noting that any plan that has the backing of the management was always benefit from resource commitment. If top managers are committed to a certain cause of action, they committed resources towards the same.

## **CHAPTER THREE: METHODOLOGY**

### **3.1 Introduction**

This section deals with the methods that were used to collect the required data for the research. It explained the research design, the target population, data collection and the method of data analysis.

### **3.2 Research Design**

Cross sectional research design was used in this study. By using the analysis of data collected from the target population at one specific point in time, an incisive analysis of the factors that affect the growth of strategic alliances between commercial banks and the telecommunication companies was carried out. The design is the most suitable for this study. Given that the human mind cannot extract the full import of large volumes of data, descriptive statistics are important for reducing the available data to manageable forms. When using this design, an in-depth and narrative description of numbers organizes the data into patterns that are easy to understand allowing me to compare the many different variables at the same time.

### **3.3 Population of the Study**

The target population for the research was the mobile telecommunication companies in Kenya and the Banking institutions that have formed strategic alliances in the use mobile banking. Three mobile telecommunications companies, Airtel, Orange Mobile and Safaricom Limited, and the eleven banks in mentioned in appendix two were the target population. All these companies have formed strategic alliances in the use of mobile banking services. These organizations offered invaluable information about the factors

that affect the growth of strategic alliances between the banking industry in Kenya and the mobile telecommunication industry.

### **3.4 Data Collection**

This study used questionnaires and document analysis as the data collection methods. A questionnaire is a data collection instrument that has a series of questions and other prompts whose purpose is to gather information from respondents. Questionnaires were preferred to other data collection instruments because they are cheap; they do not require efforts on the side of the questioner and always have standardized answers. Its disadvantage is that it gives the user limited chance of expressing anything. Again, given that they are in writing form, they necessitate the user to read before giving answers (Kothari, 2008). Document analysis involved collection of financial data which was collected for each firm. It evaluated total assets, total revenue, net income and total equity.

The questionnaires were handed to the respondents who were heads of Corporate strategy, marketing and or finance of these organizations were targeted as the subjects of study in hard copy. In cases where the respondents were not reached for the study, the researcher used emails to send the questionnaire in soft copy. The questionnaires were collected three days after they had been handed over to the respondents. This ensured that most of the respondents have had time to respond to the questions.

### **3.5 Data Analysis**

The data was collected, coded and analyzed in order. The data from the completed questionnaires was recorded. It was then analyzed and presented by use of the computer applications. Descriptive statistics approach was used for analyzing and presenting the data in this research. Measures of central tendency were used to analyze the results. These included the use of mean, mode and median. Graphs, tables and charts was used to present the findings. The researcher used qualitative and quantitative analysis to interpret the data obtained from the field.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

### 4.1 Introduction

This chapter presents the discussion and interpretations of the study. The chapters present findings on background information of the respondents , strategic alliance adopted by banks and telecommunication and finding on factors affecting the growth of mobile banking strategic alliance.

### 4.2 Response Rate

The study was collected from the Heads of Corporate strategy, Marketing and or Finance officer of the eleven commercial bank and three telecommunication companies Safaricom, Airtel and Oranges making a response rates of 14 respondents who filled the questionnaires constituting a 100 % response rates.

### 4.3 Background Information of the Respondents

#### 4.3.1 Whether company had strategic partnerships with other companies

**Table 4. 1: Whether company had strategic partnerships with other companies**

|       | Frequency | Percentages |
|-------|-----------|-------------|
| Yes   | 14        | 100         |
| No    | 0         | 0           |
| Total | 14        | 100         |

Source :Author (2014)

The respondents were requested to indicate whether the company had strategic partnerships with other companies to offer mobile banking services to the customers From the finding in Table 4.1 , all 100% of the respondents indicated that their company



had adopted strategic partnership with other companies offering mobile banking services to customers. This implied that the data for the study was collected from relevant firm and respondents who were in a position of offering valid and reliable information on factors that affected growth of mobile banking strategic alliances.

#### **4.3.2 Period the Organization had been Offering Mobile Banking Services**

**Table 4. 2: Period the Organization had been offering Mobile Banking Services**

|                    | Frequency | Percentages |
|--------------------|-----------|-------------|
| Less than 2 years  | 1         | 2           |
| 2-5 Years          | 5         | 42          |
| 5-10 years         | 7         | 51          |
| More than 10 Years | 1         | 5           |
| Total              | 14        | 100         |

Source :Author (2014)

The respondents were requested to indicate the period of time the organization had been offering mobile Banking services to the customers. From the findings in Table 4.2, 51% indicated that they had been offering Mobile Banking services to customers for 5 -10 years, 42% indicated that the companies had been offering mobile banking services to customers for 2-5 years, 5% of the respondents indicated that the companies had been offering Mobile banking services for less than 2 years. This implied that most of the company had been offering mobile banking services to customer for more than 2 years. This implied that the firm had been offering mobile banking services to customers and hence had experience on factors that were affecting the growth of mobile banking service strategic alliances.

## 4.4 Research Findings

### 4.4.1 Status of Growth of Strategic Alliance

**Table 4. 3: Whether Strategic Alliance in Mobile Banking was growing or Falling**

|         | Frequency | Percentages |
|---------|-----------|-------------|
| Growing | 14        | 100         |
| Falling | 0         | 0           |
| Total   | 14        | 100         |

Source :Author (2014)

The study sought the opinion of the respondents on whether strategic alliance in offering of mobile banking services was growing or failing. From the finding, all 14% of the respondents indicated that strategic alliance in offering mobile banking services were growing. This implied that companies were adopting strategic alliances in offering mobile banking services to customers making the strategic alliance on mobile banking services was growing.

### 4.4.2 Status of Strategic Alliance in Mobile Banking Services

**Table 4. 4: Status of Strategic Alliance in Mobile Banking Services**

|         | Frequency | Percentages |
|---------|-----------|-------------|
| Loose   | 1         | 1           |
| Tight   | 11        | 84          |
| Hostile | 1         | 7           |
| Passive | 1         | 8           |
| Total   | 14        | 100         |

Source: Author (2014)

The respondents were requested to indicate whether the alliance between the company and other companies were loose, tight, friendly, hostile or passive. From the findings in Table 4.5, 84% of the respondents indicated that the strategic alliance for mobile banking services was tight, 8% indicated that the status of strategic alliance for mobile banking services was passive, 7 of the respondents indicated that their strategic alliance for mobile banking services was hostile while 1% of the respondents indicated that their strategic alliance with other firm in offering mobile banking services to customers was loose. This implied that strategic alliances among the companies in offering mobile banking services were growing. This further indicated that strategic alliances in mobile banking services was facing challenges resulting to loose, hostile and passive strategic alliance in mobile banking service provision was not growing as it would be expected.

#### **4.4.3 Culture Affecting growth of strategic alliance**

**Table 4. 5: Culture Affecting growth of strategic alliance**

|       | Frequency | Percentages |
|-------|-----------|-------------|
| Yes   | 11        | 79          |
| No    | 3         | 11          |
| Total | 14        | 100         |

Source: Author (2014)

On whether culture of the organization affected the growth of this alliance, 79% of the respondents indicated that organizational cultures did affected growth of strategic alliance for mobile banking services while 11% of the respondents indicated that culture of the organization did not affect growth of strategic alliance of mobile banking services. This implied that corporate culture of companies affected growth of strategic alliance in mobile banking services. This was in line with Morosini (1998) who found that strategic

alliances between organizations cannot work well if the corporate cultures were not managed well and that strategic alliances could be only work well if the organizations find a harmonious way of synergistically tapping into the different cultures. Thus if the culture was not managed well, the strategic alliance could lose its purpose.

#### 4.4.4 Cultivating Organizational Culture Favouring Growth of Strategic Alliance

**Table 4. 6: Cultivating Organizational Culture Favouring Growth of Strategic Alliance**

|       | Frequency | Percentages |
|-------|-----------|-------------|
| Yes   | 14        | 100         |
| No    | 0         | 0           |
| Total | 14        | 100         |

Source :Author (2014)

The respondents were requested to indicate whether companies were cultivating culture that favours growth of strategic alliance in offering mobile banking services to customer. From the finding in Table 4.6, all 100% of the respondents indicated that companies were cultivating favorable culture that would influence growth of strategic alliance in offering mobile banking service. This implied that favorable corporate culture influence growth of strategic alliance in offering mobile banking services to customers.

On culture that were cultivated by the companies, the respondents indicated that this included work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between

companies. These findings were similar to Ulijn et al (2010) who opined that corporate culture affected the success and the growth of strategic alliances between organizations.

#### 4.4.5 Impediments Face by Firm in Formulating Strategic Alliance

**Table 4. 7: Whether Organization Face Impediment When Formulating Strategic Alliance**

|       | Frequency | Percentages |
|-------|-----------|-------------|
| Yes   | 8         | 57          |
| No    | 6         | 43          |
| Total | 14        | 100         |

Source: Author (2014)

The respondents were requested to indicate whether their organization faced any impediments when it was formulating a strategic alliance with other companies. From the Findings in table 4.7, 57% indicated that they faced impediments such as lack of trust , different in priority interest of the companies, failure by top management to be committed toward strategic alliance and failure by management to allocate sufficient resource toward strategic alliance formulation and legal and regulations government commercial undertakings. The study also found that 43% of the companies did not face impediments in formulating their strategic alliance in offering mobile banking service

The respondents indicated that impediment that occasioned by the legal structures put in place by government of Kenya were different priorities of companies that were seen as competitors and failing to properly understood the values and assumptions of formation of strategic alliance. The respondents explain that poor relationship between companies

that did not trust each other ended up in introducing restrictions with example given between Safaricom and Equity Bank Mkesho mobile banking services.

#### **4.4.6 Role played by Customers in Formation of Strategic Alliance**

The respondents were requested to explain the role of customers in formulation of strategic alliance in companies. From the findings, the respondents indicated that customers plays a role of offering feedback of their experience of the mobile banking services offered by the companies so that companies can then utilize the feedback to enhance strategic alliance. The respondents also explained that customers play a critical role in strategic alliance in that through their acceptance, they motivate the companies to be committed to success strategic alliance.

The respondents further explained that the other role the customer plays in formulating strategic alliance is their awareness of the existing of the strategic alliance in mobile banking service so as to increase the uptake of the services and foster growth of strategic alliance. The findings were similar to O'Doherty *et al* (2010) who found that 60% of Australians had idea of their banks offered mobile banking services with 21% stating that they had confidence and willing to use mobile banking which increased growth of the strategic alliances.

#### **4.4.7 Commitment of Top leadership in Companies**

**Table 4. 8: Commitment of Top leadership in Companies**

|     | Frequency | Percentages |
|-----|-----------|-------------|
| Yes | 14        | 100         |
| No  | 0         | 0           |

|       |    |     |
|-------|----|-----|
| Total | 14 | 100 |
|-------|----|-----|

Source :Author (2014)

On whether commitment of the top leadership in their organization was essential to the growth of the strategic alliance in the mobile banking services, all 100% of the respondents indicated that top leadership commitment was essential to the growth of the strategic alliance in the mobile banking services. The respondents explained that top leadership commitment influence success formulation of strategic alliance as they would sufficient allocate resources that would be required for successful strategic alliance formation. Commitment of the top leaders was also found to foster good relationship between companies there promoting trust among the companies that influence smooth formation of strategic alliance. The respondents also explained that through commitment of top leadership toward strategic alliance formulation enable companies to creates good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance in the mobile banking services.

This clearly implied that strategic alliance between the two companies experience high growth when it have the backing of the management who commit resource toward success strategic alliance. The findings concurred with Kuglin (2002) who found that management commitment led to success of strategic alliances between organizations and that alliance between CISCO and Microsoft was successful due to commitment of top management which led to improving the business operations. The findings were also similar to Harris & McDonald (2004) findings who revealed that top management commitment to strategic alliance provides high profile of publicity and advertisement of

for the strategic alliance, showing the high commitment they both have to the strategic alliance.

#### **4.4.8 Ways of Improving Growth of strategic Partnership in Mobile banking sector**

The respondents were requested to indicate ways through which companies could improve growth of the strategic partnership between companies and other players in the mobile banking sector. From the findings, the respondents indicated that existing market conditions should be enhanced to promote strategic alliance formation such as removing of stringent legal rules, designing of good models of partnership formulation that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market.

The respondents also indicated that companies should embrace technological advancement in offering mobile banking services. The respondents further indicated that top management should develop a good working relationship between its partners to foster growth of growth of strategic alliance in the mobile banking services. Zollo et al (2002) found that factors that could help improve growth of strategic alliances included adoption of technology of the parties, the commitment of top management of the individual partners and the cultural fit, The internal drivers like the employees and technological capabilities of organizations to provide a suitable platform for growth of strategic alliances.



## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of the findings from chapter four, conclusions and recommendations of the study based on the objectives of the study. The chapter also presents limitations of the study and suggestion for further study.

### **5.2 Summary of findings**

The study established that the firm had been offering mobile banking services to customers and hence had experience on factors that were affecting the growth of mobile banking service strategic alliances. The study found that strategic alliance in offering of mobile banking services was growing although not to the expected level clearly indicating that companies were adopting strategic alliances in offering mobile banking services to customers making the strategic alliance on mobile banking services was growing. Strategic alliance for mobile banking services was strongly growing as indicated by most of the respondents. However, there existed strategic alliance parties that were in conflicts leading to hostility indicating that growth of strategic alliances in mobile banking services was facing challenges

The study revealed that corporate culture of companies affected growth of strategic alliance in mobile banking services. Strategic alliances between organizations cannot work well if the corporate cultures were not managed well and that strategic alliances could be only work well if the organizations find a harmonious way of synergistically tapping into the different cultures. The study found that favorable corporate culture influence growth of strategic alliance in offering mobile banking services to customers.

On culture that were cultivated by the companies to enhance growth of strategic alliance in mobile banking services included work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies.

The study revealed organization faced impediments when formulating a strategic alliance with other companies such as lack of trust , different in priority interest of the companies, failure by top management to be committed toward strategic alliance and failure by management to allocate sufficient resource toward strategic alliance formulation and legal and regulations government commercial undertakings. The study revealed that legal structures put in place by government of Kenya, different priorities of companies that were seen as competitors, poor relationship between companies and failing to properly understand the values and assumptions of formation of strategic alliance also hindered formulation of strategic alliance between banks and mobile telecommunication companies.

The study established that customers plays a role critical of offering feedback of their experience of the mobile banking services offered by the companies so that companies could then utilize the feedback to enhance strategic alliance, customer acceptance of strategic alliance mobile banking services and willingness to uptake mobile banking services from the firms that partnered hence motivating the companies to be committed to success strategic alliance.

The study established that commitment of the top leadership in their organization strategic alliance in the mobile banking services was essential to the growth of the

strategic alliance in the mobile banking services. This was due to their influence on success formulation of strategic alliance as they would sufficient allocate resources that would be required for successful strategic alliance formation, foster good relationship between companies there promoting trust among the companies that influence smooth formation of strategic alliance, enable companies to creates good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance in the mobile banking services. This clearly revealed that strategic alliance between the two companies experience high growth when it had the support of the management who commit resource toward success strategic alliance. Top management commitment to strategic alliance provides high profile of publicity and advertisement of for the strategic alliance, showing the high commitment they both have to the strategic alliance.

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

The study revealed that top management developed a good working relationship between its partners to foster growth of growth of strategic alliance in the mobile banking services through adoption of technology of the parties, the commitment of top management of

the individual partners and the cultural fit , The study further found that internal drivers like the company's employees and technological capabilities of organizations to provide a suitable platform for growth of strategic alliances.

### **5.3 Conclusions**

The study concluded that corporate culture of companies affected growth of strategic alliance in mobile banking services. This was particularly when there was unfavorable corporate culture affects growth of strategic alliance in offering mobile banking services to customers. The study concluded that for growth of strategic alliance in the mobile banking services culture companies need to improve on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies.

The study concluded companies faced impediments when formulating a strategic alliance such as lack of trust , different in priority interest of the companies, failure by top management to be committed toward strategic alliance and failure by management to allocate sufficient resource toward strategic alliance formulation, legal and regulations government commercial undertakings, different priorities of companies that were seen as competitors, poor relationship between companies and failing to properly understand the values and assumptions of formation of strategic alliance also hindered formulation and hence growth strategic alliance between banks and mobile telecommunication companies.

The study concluded that customers plays a role in the growth of strategic alliance in mobile banking service as they provided offering feedback of their experience of the

mobile banking services offered by the companies so that companies could then utilize the feedback to enhance strategic alliance, customer acceptance of strategic alliance mobile banking services and willingness to uptake mobile banking services from the firms that partnered hence motivating the companies to be committed to success strategic alliance.

The study concluded that commitment of the top leadership in their organization strategic alliance in the mobile banking services was essential to the growth of the strategic alliance in the mobile banking services. This was due to their influence on success formulation of strategic alliance as they would sufficient allocate resources that would be required, foster good relationship between companies thereby promoting trust among the companies for smooth formation of strategic alliance, enable companies to creates good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance in the mobile banking services. Therefore strategic alliance between the two companies experience high growth when it had the support of the management who commit resource toward success strategic alliance. Top management commitment to strategic alliance provides high profile of publicity and advertisement of for the strategic alliance, showing the high commitment they both have to the strategic alliance.

The study concluded that companies could improve growth of the strategic partnership between companies and other players in the mobile banking sector through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules , designing of good model s of partnership formulation

of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market.

The study concluded that adoption of technology of the parties, and technological capabilities of organizations provide a suitable platform for growth of strategic alliances between companies

#### **5.4 Recommendations**

The study recommends that management of firms should focus on promoting positive corporate culture through improving on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies.

The study recommend that management of firms should focus on minimizing impediments facing formulating a strategic alliance and promote trust among the firms, eliminate different in priority interest of the companies, improve top management support and committeemen toward strategic alliance and allocate sufficient resource toward strategic alliance formulation, regulate legal and regulations in the government commercial undertakings, improve relationship between companies and enhance properly understanding the values and assumptions of formation of strategic alliance also hindered formulation and hence growth strategic alliance between banks and mobile telecommunication companies.

From the findings, management should ensure commitment of the top leadership in their organization strategic alliance undertaking is achieved to influence success formulation

and growth of strategic alliance as top management would sufficiently allocate resources that would be required, foster good relationship between companies thereby promoting trust among the companies for smooth formation of strategic alliance, enable companies to create good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance in the mobile banking services. Strategic alliance experience high growth when it had the support of the management who commit resource toward success strategic alliance and provides high profile of publicity and advertisement for the strategic alliance.

The study recommend companies improve growth of the strategic partnership through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules , designing of good models of partnership formulation of that facilitated integration of the mobile phone services, adoption of technologies and execution strategies that enabled the company to get a critical mass market and provide firms with a suitable platform for growth of strategic alliances among companies

### **5.5 Limitations of the Study**

The main limitation of study was inability to include more organizations. This study only sampled telecommunication companies and commercial banks. The study would have covered more institutions across all sectors so as to provide a more broad based analysis. However, resource constraints placed this limitation.

The study also faces challenges of time resources limiting the study from collecting information for the study particularly where the respondent delay in filling the questionnaire and travelling for collection the filled questionnaire.

The respondents were found to be uncooperative from the respondents because of the sensitivity of the information required for the study. The research explained to the respondents that the information they provided was to be held confidential and was only for academic purpose only.

### **5.6 Areas of further research**

The study focuses on factors that influence growth of strategic alliance of mobile banking strategic alliances in Kenya. The study focuses on ChildFund strategic responses on external environmental challenges. Further studies need to be done on areas to determine effects of growth of strategic alliance on performance of companies in telecommunication sector and in banking sector. The study further recommends that a study should be carried out to determine strategies that influence adoption of strategic alliance in the mobile banking sectors

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## APPENDICES

### Appendix One: Questionnaire

Good morning sir/madam. I am Evelyn Bor, Master of Business Administration student from the University of Nairobi. I am carrying out a study to investigate the factors that affect the growth of the strategic alliances between the banking industry and the telecommunication sector in Kenya. The study focuses of the mobile banking services. This study is only meant for academic purposes and the information obtained from this interview will not be used for any other purposes and your identity will not be revealed anywhere. Kindly respond to the following questions.

**Question One:** Does your company have strategic partnerships with other companies to offer mobile banking services to the customers?

Yes ( ) No ( )

**Question Two:** For how long has your organization been offering these services to the customers?

Less than 2 years ( ) 2-5 Years ( ) 5-10 years ( ) More than 10 Years

**Question Three:** In your opinion, is the strategic alliance to offer the mobile banking services growing or is it failing?

Yes ( ) No ( )

**Question Four:** Is the alliance between your company and other companies loose, tight, friendly, hostile or passive?

Loose ( ) Tight ( ) Hostile ( ) Passive ( )

**Question Five:** Does the culture of your organization affect the growth of this alliance?

Yes ( ) No ( )

**Question Six:** Does your company cultivate an organizational culture that favors the growth of strategic alliances?

Yes ( ) No ( )

Kindly list some of the cultures

.....  
.....  
.....

**Question Seven:** Did your organization face any impediments when it was formulating a strategic alliance with other companies?

Yes ( ) No ( )

If so, were these impediments occasioned by the legal structures put in place by government of Kenya?

Yes ( ) No ( )

Kindly explain

.....  
.....  
.....

**Question Eight:** What is the role played by the customers in the formulation of strategic alliances between your company and other players in the mobile banking sector?

.....  
.....  
.....

**Question Nine:** Is the commitment of the top leadership in your organization essential to the growth of the strategic alliance in the mobile banking services?

Yes ( ) No ( )

Kindly explain further

.....  
.....  
.....

**Question Ten:** How, in your opinion, can the growth of the strategic partnership between your company and other players in the mobile banking sector be improved?

.....  
.....  
..

Thank you very much for taking your time to answer these questions.

## **Appendix Two: Banks Offering Mobile Banking**

1. Barclays Bank,
2. Co-operative Bank,
3. Equity Bank,
4. Family Bank,
5. I & M Bank Limited,
6. K-Rep Bank Limited,
7. KCB Bank,
8. NBK Bank,
9. NIC Bank,
10. Standard Chartered Bank
11. CFC Stanbic