STRATEGIC COLLABORATION AMONG THE RETAIL SUPERMAKETS IN NAIROBI KENYA

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DECLARATION

I, the undersigned, declare that this research project is my original piece of work and has not been submitted to any other university for assessment or award of a degree.

Signature……………………………… Date…………………………………….

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D61/61233/2013

This research project has been submitted for examination purposes with my approval as the supervisor.

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DEDICATION

I dedicate this project to all my ever supportive family members for their moral support.

I am indebted to my parents for their love and support throughout my life.

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LIST OF ABBREVIATIONS

KNBS	Kenya Bureau of Statistics
PWC	Price water house Coopers
GDP	Gross Domestic Product
KPMG	An International Financial reporting Group
KIPPRA	Kenya Institute of Public Policy and Research.
COFEK	Consumer Federation of Kenya

ABSTRACT

The aim of the research was to establish the extent of strategic collaborations among the retail supermarket in Nairobi, Kenya, the factors that influence these collaborations and the benefits of engaging in strategic collaborations. A sample of 63 supermarkets was chosen from the list of 134 supermarkets. Structured questionnaires were administered through drop and pick later method. The response rate was about 63% that is 40 out of 63 questionnaires were returned dully filled. Global competition takes place even in 'local' businesses; partnerships have become central to competitive success in the fast changing Global markets. Many of the skills and resources essential for the future prosperity of a company lie outside the firm's boundaries and outside management's direct control hence strategic partnerships are not an option but a necessity (Doz and Hamel 1998).The findings indicate that collaboration was practised among the retail super markets and to a large extent with suppliers and the large supermarkets. These collaborations were mainly influenced by the need for market power, mutual benefit, source of competitive advantage, increase efficiency, continuous development, pressure from consumer groups and advanced technology. Technological advancement is rapid and costly and requires investment hence collaborations can cushion partners against costly investments. The benefits to strategic collaboration are varied and the highest ratings from respondents were improved flexibility, improved resource utilization and persuading retailers to give special displays. From the findings, strategic collaboration with the small and medium supermarkets was only practised to a very small extent almost nil. It is further recommended that the small supermarkets should create a niche for themselves so that they can attract the large supermarkets to partner with them more. Due to time and cost constraints, the study could not be carried out nationwide but was carried out on a small sampled population in Nairobi. The study also targeted to get responses from the General Managers of employees of equivalent position but most of them delegated to their juniors. Collaboration with authorities such as Government is essential for inclusivity of all stakeholders in friendly policy formulations and implementation. The study findings indicate a considerable level of strategic collaboration with Government. However, the study could not establish whether this collaboration with retailers and Government as supplier, customer or in policy making. Further research should be carried out to establish the forms of collaboration between the retailers and the Government.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Firms today are not only engaged in constant exploration for strategies to beat competition but also exploring strategies to work best with competition collaboratively for the mutual benefit of all parties involved. Strategic collaborations occur when two organizations are strong competitively, both parties and one of them may want to acquire knowledge while at the same time maintain their own capabilities (Doz and Hamel, 1998). Kotler (1991), the turbulent and highly dynamic environment with increasing deregulation and liberalization has forced businesses to continue being proactive and formulate strategies to cope. These dynamic forces are social, economic technological and political factors. Strategic collaborations have been adopted by firms in order to deal with their deficiencies. Firm addressable resources and competencies which are external to the firm can be leveraged through other firms by collaboration arrangements.

The study draws from the strategic theories namely; resource based theory, competence and capability theory and the stake holder's theory. According to Penrose (1959), organizations are a distinct bundle of resources and competencies which have evolved over time and are embedded in their relative business environments. Competence and dynamic capability of the firm is the ability of the firm to adopt, integrate, and reconfigure internal and external organizational skills resources to match the changing environment (Barney 1986, Wennerfelt 1984). Stakeholder theory asserts that a business is a coalition of stakeholders including employees, suppliers, customers, competitors, shareholders, community and the Government as well (Freeman 1984). The stakeholder theory requires firms to build cooperative relationships with all stakeholders as it formulates its strategies to improve business performance.

The retail industry is very dynamic globally with the rise in competition. Many Global retail chains are embracing cooperation strategies. The dynamics of a changing competitive environment is what organizations have to contend with today. One of the environmental influences to a business is competition. It exerts pressure on firms to be more proactive and explore formulation of successful strategies that facilitate proactive response to perceived and actual change is in the business environment. In order to cope with the increasingly competitive environment, firms have had to rethink their marketing strategies (Pearce and Robinson, 2001). Kenya is considered the gateway to East Africa, and is in the list of most promising country for retail development. The rapid economic growth and increasing middle class has led to shift in shopping trends. Kenya is also taking the lead in the continent on mobile money (KPMG, 2013). Kenya's retail supermarket experienced immense growth between the years 2005-2010 of average 5.5%. Kenya's GDP grew to 4.7% in 2013 compared to 4.6 % in 2012 with the inflation rate easing from 9.4% 2012 to 5.7% in 2013 (KNBS, 2014). Retail was one of the major drivers in 2013.Traditional retailing is dispersed across with highest concentrations in Kiosks and Dukas, open air markets and street hawking. However, growth in Supermarkets and hypermarkets is expected to grow in the coming years. Kenya's retail market comprise of a mixture of modern retail outlets that supply consumer goods from major international firms as well as informal traders or family run concerns that sell more basic goods.

1.1.1 Strategic collaboration

Kogut and Zander (1992) explain that collaborations are new learning resulting from a firm's combinative capabilities to generate new applications from existing knowledge. They further describe combinative capabilities as the intersection of the firm's capability to exploit its knowledge and the unexplored technological potential. The firm's ability to cooperate revolves around its resources. This ability is referred to as absorptive capacity. The value of collaboration will be bounded by the firm's ability to comprehend what the other partner is doing

It is a smart strategy provided the relationship benefits both parties without compromising each of the firm's competitive position in the industry. Norris-Tirell and Clay (2010) defined strategic collaboration as an intentional collective approach to address problems or issues through building of shared knowledge, designing innovative solutions and lastly, forging consequential change. They argued that most problems faced by managers in today's world are too complex to be addressed individually or by organizations working independently in their silos. However, organizations will only be compelled to collaborate when they cannot get what they want without collaborating according to (Hudson et al. 1999). Effective networking is important for organizations especially since it helps overcome limitations relating to both financial and human resource that are the major constraints in accessing technologies and innovation (Anderson et al., 1994). Collaborations help a company to intercept the technology of another company. It also helps in closing the skill gaps faster compared to internal development (Doz and Hamel, 1997). Intense interaction through collaboration amongst members facilitates transfer of tacit knowledge to members.

Collaborations fail when distrust and conflict spoil the relationship. For example, in collaborations between western firms and Asian firms, the Western firms have technology to transfer while the Asian firms more often have competence. The risk of mismatch between partners should be avoided in order to reap the full benefits. Hence, for successful collaborations, organizational, cultural and strategic compatibility is critical. Organizations, therefore, need to hone the skills of finding strategic partners and understanding the contextual factors like competition, market situation, and existing knowledge base. Equally, even after finding the right partner, establishing the right kind of governance for the cooperation is very important.

1.1.2 The Kenya retail-supermarket sector

Retailing can be defined as the sale of goods or merchandise from a fixed location, outlet, and department store or kiosk for direct consumption by the buyer who may be individuals or commerce. These may be located in the residential areas, central business district or shopping malls. Kibera and Wairuingi (2007) define supermarkets as a large scale retailing institution operating on a self service basis and have several departments.

The retail sector is one of the focus areas in the Kenyan Vision 2030 with a potential to contribute to the 10% GDP growth (Wycliffe, 2012). Vision 2030 is based on 3 pillars namely The Economic pillar, the social pillar and the political pillar. There are six key areas under the economic pillar of which retail is one of it. The six priority sectors were Tourism, Agriculture, Wholesale and Retail Trade, Manufacturing, Business Process Out sourcing, and Financial Services. The wholesale and retail sector comprises a sizeable part of the economy contributing 30 percent of GDP and 50percent of employment in both formal and informal establishments. It is extremely fragmented and highly informal as 97 percent of its employment and 70 percent of value is informal. It has very inefficient supply chain and there's tremendous opportunity to formalize the sector. The vision of Wholesale and Retail Trade sector is, therefore, to "Move towards a formal sector that is efficient, multi-tiered, diversified in product range, and innovative". In the formal retail, the strategy is to "Attract and develop large formal retails through Joint and standalone domestic and foreign ventures" (Vision 2030).

Kenya's retail industry is said to have huge potential as it is largely untapped, with the penetration of formal retailers at a low 30 per cent despite a growing middle class. However, the country is not very attractive for investors in the industry due to a mix of factors that include a difficult business environment and low economic growth rates that translate to a longer waiting period for returns on investment (PWC, 2014). The large and growing Kenyan population is set to provide steady and ever-growing demand for retail products. In addition, the anticipated entry and expansion of international retailers is set to continue driving growth. The increasing rate of urbanization at 4% per annum (KIPPRA, 2013), rapid growth in the Kenyan middle class and rising demand for specific goods and services are set to combine with Kenya's overall positive economic outlook to boost growth in retailing.

The National Government is focused to creating an enabling environment for stimulating investment for competitive and sustainable counties (KIPPRA, 2013). The role played by counties and regional governments to ban street trading and revitalize and encourage investment and the application of modern trading standards in retailing have not, however, led to the complete overhaul of the informal retail sector. Informal retailers in Kenya include traditional open air markets, kiosks, small corner shops and street traders, all of which are very popular and conveniently provide a wide array of products, making them easy to access.

Retailers like Nakumat, Tusky's, Uchumi and Naivas have already expanded into the neighbouring countries except for the latter- Naivas. Nairobi has over three hundred supermarkets (KNBS). Impending entry of other retailers like Wal-Mart (through its South African subsidiary Mass mart), Games stores, Jet and Edgars are expected to establish base has also stirred Kenya's retail market (COFEK, 2014).

With the growing complexity of compliance issues and costs related to the need for capacity building, retailers' are moving increasingly towards collaboration despite the competitiveness of the industry. Collaboration is happening both locally and globally as recognizing that sustainability is a companywide strategy and not a discrete program. The idea of collaborating can be perceived as a challenge for private sector companies. At the same time, pressure from

NGOs and consumers will continue to be a major driver for the industry and will likely grow; as consumers are able to access more information on firm policies, procurement and activities through the internet and social media, scrutiny will likely grow and as will the possibility of less than desirable publicity. Consequently, retailers' ability to understand their supply chain will be crucial. This, of course, will require significantly more resources, making it increasingly challenging for retailers to manage their issues individually, thus driving the industry towards collaboration.

Growing interest in joint auditing through collaborative organizations such as the Global Social Compliance Program is resulting in practical programs and tools that can help members reduce their costs and time commitments. As the value of collaboration becomes increasingly tangible, it is likely that even reluctant retailers will see its benefits, as it will be too costly and time consuming to manage the tasks on their own. Engagement with a range of stakeholders will also likely grow, as the issues ranging from life cycle analysis to materials procurement to disposal can be complex. The types and benefits of collaboration with different parties are diverse.

1.2 Research problem

Organizations seek strategic collaborations in order to exploit current resources and competencies or explore new possibilities to remain competitive in the market place. However, they must have the ability to conceive, shape and sustain a broad variety of strategic partnerships (Doz and Hamel, 1998). Many corporations across the world have been considering collaboration strategies to realize cost synergies against increased competition, pricing pressures, gaps in product mix and asset concentration. Strategic collaborations represent a positive towards a stronger future move to some organizations through combining resources within a natural operational fit. For others, collaborations are more of a threat and represent a challenge to identity, flexibility and autonomy. Collaboration members should be chosen based on their geographic and technological context.

The retail industry has continued to face relentless and rapid changes globally. The retail sector has been forced to adapt to the new methods of conducting business and abandon the traditional ways which were more individualistic, highly closed and secretive, to being open to collaborations in order to reap the maximum benefits from the synergies. The Kenyan population has continued to grow, about 40 Million currently (KNBS, 2014), this means the customer base has also increased tremendously and as a result the retail sector has also had to experience rapid growth to meet the market needs. Not only has the expansion been in the Kenyan market but also to the regional market-Uganda, Tanzania and Rwanda. However, the expansion and growth have not been without challenges, but have also been subjected to constraints in the changes in demographies, consumer tastes, and changes in consumer cultures, consumer lobby groups and government regulations such as the competitions authority Act. Recently, there was the legal tussle between the Tuskys supermarket and the Ukwala supermarket with the Competitions Authority Act officials claiming an unauthorized collaboration agreement between the two. Other than this, we have also witnessed ownership struggles in both Naivas and Tuskys chains. The rapid technological advancements have also meant that the industry has to catch up and improve on services and efficiency or else they become obsolete. The supermarkets run on an extremely low profit margins and hence the need for a lean and efficient operation through collaborations and pooling of synergies.

Cardilohn et al.,(2005), in their study of collaborative commerce in Ho Chi Minh City, Viet nam concluded that collaboration is the solution for many retailers struggling with inefficient practices with respect to promotional planning, demand management and inventory control. They also emphasized the fact that collaborative trading practices is not the preserve of graduates in big branded stores and does not require the services of expensive consultants to implement. Cricelli and Grimaldi (2010) in their study, knowledge based and inter-organizational collaborations described global competition and complexity of current economic context as driving firms to device quicker profitable solutions. They recommend firms to focus on exclusive resources such as knowledge and capability. This exigency drives firms to go beyond the traditional geographical and organizational boundaries.

Previous studies have looked at different aspects of the retail industry and particularly the supermarkets but none that I reviewed had looked at the strategic collaborations in the Kenya retail supermarket sector. Kamori (2013) studied the green marketing practices of medium and large supermarkets in Kenya and recommended the need to have Government cooperation in assisting to implement supermarket strategies. Gacheri (2010) conducted a case study on the strategic responses by Tusky's Supermarket in Nairobi and challenged retail managers to always stay alert for any possible environmental factors that may have an implication on the company's operation and formulate appropriate strategic responses. Lagat (2011) studied strategic responses to changes in the external environment by supermarkets in Kenya. He recommended that the supermarkets should embrace technology in planning which enhance inclusivity whereby many stakeholders are consulted and incorporated in the process. The outlook for the retail sector is strong and Kenya is continuously being seen as an ideal point of entry for launching retail outlets and consumer goods distribution into East and Central Africa (PWC, 2014). This study therefore seeks to establish the extent of collaboration amongst the retail supermarkets in Kenya-Nairobi and the factors that influence these collaborations. What extents have the retail supermarkets in Nairobi Kenya practiced collaboration? What are the factors influencing strategic collaborations in the retail supermarkets in Kenya and what are the benefits of engaging in strategic collaboration?

1.3 Research objectives

The study has the following specific objectives:

i. To establish the extent to which retail supermarkets in Nairobi practice Strategic collaboration.

ii. To determine factors influencing Strategic collaborations among retail supermarkets in Nairobi.

iii. To establish the benefits of strategic collaboration among the retail supermarkets in Nairobi.

1.4 Value of the study

The study materials are useful as a source of reference materials for future researchers and academicians who would want to explore further on the topic of strategic collaborations in the retail supermarkets. For scholars in the area of Strategic management who would want to do further research on strategic collaborations, the study will add to the body of knowledge. Other scholars may also want to validate the findings.

To the policy makers and the Government, the information is quite useful in monitoring the vision 2030 objectives on Retail sector in Kenya and reformulation of policies and strategies. The competition Act authority could also use the study materials to further refine the act and appeal some of the unfavorable sections by reviewing the opinions of the industry players thus improving the regulatory act.

This area of study on strategic collaborations is of immense value to the Retailers in Kenya who still seem not to have embraced the collaboration strategies fully, and some who still have cold feet towards collaborating with competitors. They are able to understand the opportunities that lay in collaborating with competitors and the extent to which they can collaborate. This applies to both the Large, medium and small supermarkets to explore the potential growth areas.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This section of the paper presents the literature review, both local and global on strategic collaborations. It entails the theoretical foundation of the study and literature on strategic collaborations. It further explores the forms of collaboration the factors that influence strategic collaboration. In addition, the benefits of strategic collaboration is discussed and lastly, a review of the empirical literature on strategic collaborations.

2.2 Theoretical foundation of the study

The study draws form the strategic management theories discussed herein namely; resource based theory, competence and dynamic capabilities theory and finally stakeholder theory which reflect on organizational management and business ethics that addresses morals and values in managing organizations Freeman (1984).

2.2.1 Resource based theory of the firm

This theory asserts that a firm can only achieve superior performance if its resources have the characteristic of valuable, rare, inimitable and non substitutable (Barney 1986, 1991, Wernerfelt 1984). Organizations are considered distinct bundles of resources which have evolved over time and are embedded in their day to day business environments. Grant (1991) defined resources as inputs into a production process which include, capital equipment, skills of employees, patents, Brands, finance hence productive activity requires coordination of teams of resources. It focuses on the firm's ability to maintain a combination of resources that cannot be possessed or built up by competitors in similar manner without great effort.

Gaining new knowledge time and again on a market often prompts entrepreneurs to rethink their strategies on how the future would be like while at the same time it also initiate the process of preparing for future market requirements and plan to adjust a firms strategic plans in order to be ready to serve new requirements through a visionary shaping of firms resources and competencies (Hamel & Prahalad 1994). Penrose (1959) further emphasizes that the evolution process of resources is primarily made up of rebundling and relearning hence improving the ability to repeatedly render competitive output with the resources

2.2.2 Competence based theory and dynamic capability of the firm

This theory considers environmental restrictions of actions but also allows for proactive entrepreneurship. Becker (2004), Competence is the ability to repeatedly render the same quality of output using the resources based on Knowledge and usually they are none randomly managed by rules and are channeled by routines. Competences help to improve competitiveness and even competitive advantage by enabling goal oriented processes to facilitate future readiness for action. Wernerfelt (1984), stressed that competence can also rely on a relationship with a third party, specific resource owned by third party. The competence based theory enables the understanding for evolution of an organization in a market that is undergoing some transition

Grant (1991) explained that capability is the ability of a team of resources to perform a prescribed task or resources. He further emphasizes that capability is the firm's ability to deploy resources in combination with organizations processes to produce desired outcome. Teece (1997) explained dynamic capabilities as the firm's ability to integrate build and reconfigure internal and external competencies in response to the rapidly changing environment. They may include search or ability to changing customer needs, technological opportunities and competitive developments.

2.2.3 Stakeholder theory

Freeman (1984) put forward the theory whose central idea was that an organizations success is dependent on how well it is able to manage relationships with key groups including competitors, suppliers and customers. The central idea of this theory is that an organization's success is dependent on how well it manages the relationships with key groups such as customers, employees, suppliers, communities, financiers, and others that can affect the realization of its purpose. The manager's job is to keep the support of all of these groups, balancing their interests, while making the organization a place where stakeholder interests can be maximized over time. Stakeholder theory asserts that managing inter-organizational relationships is a firm's very important assets without which it cannot gain access to others resources, acquire the supplies it needs, solve customer problems and generate revenue (Ford et al, (2003). Firms operate within a complex of linkages at both intra and inter organizational level (Wrigley et al 2000). Managing long term business relationships with stakeholders is vital for development and survival of businesses (Zineldin, 2007). The theory does not imply that all stakeholders, however they may be identified should be equally involved in all processes and decisions. However, stakeholder theory argues that every legitimate person or groups participating in the activities of a firm do so to obtain benefits and that the priority of the interest of all legitimate stakeholders is not self evident (Donaldson & Preston, 1995). Greater collaborations go hand in hand with increasing firm’s performance (Wang et al., 2006).

2.3 Strategic collaborations

Strategic Collaborations are organizational arrangements that make use of resources and government structures from more than one existing organization (Inkpen, 2003). This is the strategy whereby firms gain competitive advantage by working with as opposed to working against each other (Hunger and Wheelen, 2003). Strategic co operations have received wide interest in literature specifically with regards to the growth in popularity amongst competitors (Clarke-hill et al., 1998). They describe collaboration as set of norms and beliefs for which the cooperating partners subscribe to pursue individual and common goals, putting aside opportunistic goals, which has a high degree of dependence.

Some modes of collaboration may effectively increase the operating efficiency while others may primarily enhance the bargaining power of the cooperation. A horizontal cooperation is a means through which the firms can gain from size related advantages above and beyond their actual size. Inter partner competition coupled with concerns of potential opportunism may limit the extent to which some vital information is fully shared with partners (Hamel, 1991; Khanna et al., 1998). According to Khanna et al., (1998), strategic collaborations cover only a part of the entire firms business or portfolio and may deal with only certain functions or tasks. The scope tends to be even narrower when the cooperation is between competitors.

Teece et al. (1997) expressed the importance of inter-organizational relations for competencies development. Competencies are viable across multiple product lines and may be extended externally to embrace collaboration partners since co operations are ways to leverage resources and competencies to build new competencies. Further to this, they allow flexibility and maximum efficiency by grouping resources. Quelin (1997) further states that interfirm co operations are organizational mechanisms adopted by firms to gain access to capabilities that they are short of but are useful for the firm's development.

2.4 Forms of strategic collaborations

The forms of strategic collaboration can be viewed from a perspective where retailers develop collective actions on areas of joint product buying, joint merchandise and promotion, standardization of stores and uniforms, creation of joint credit cards, joint production of private labels, joint training, joint legal actions, joint logistics and employee recruitment and selection, shared inventory. Frazier and Rody (1991), describes joint actions as the degree to which partners work together to attain individual or joint goals. Sharing of Logistic information; in the retail chain, logistics encompasses delivery costs, product return costs, out of stock costs and logistics risk costs. For optimal negotiation, the members are required to share information on target inventory turnover, ordering frequency, mode of transport capacity, lead times, product availability, flexibility of supplier schedule to meet urgent request.

Wilkinson and Young (2002) prescribe that knowledge based collaborations affect the strategic initiatives of the collaborating firms through combining competencies, sharing resources, distributing risks and moving from minor incremental improvements to radical innovation. In retailing, horizontal co operations are often formed for the partners to pull together their procurement activities thus allowing the partners to scale benefit that would accrue to firms of their combined size. The volume of the combined purchases may increase their bargaining power and additionally spreading the fixed procurement costs also translates to improved efficiency (Hennert, 1988). Inventory control and order planning are also very critical to the purchasing process.

ICT is the backbone of many organizations today in ensuring efficiency in operations and reducing response time. Through ICT, E-business is enabled. E- Business is the buying, selling, serving customers, collaborating with business partners and conducting electronic transactions. It is all about cycle, speed, reaching new customers and partners, knowledge sharing across organizations to gain competitiveness. Partnering on an ICT platform can increase coverage and visibility for the partner organizations. Marketing Activities include sale promotions, advertisements, public relations, research and design which partners may use to improve their business processes. They are aimed at stimulating sales and create customer awareness (Kibera & Waruingi, 1988). Government relations are more effective in the numbers /power created through collaborations. According to stakeholder theory, inter organizational strategies are pursued so as to mitigate against adversarial effects of external forces and thereby enhance the efficacy of an organizations strategy (Ford et al., 2003). Freiling et al (2008) in their study of as a strategy in volatile environments summarized the forms of strategic collaborations into three aspects that is, gap closing aimed to close resource and competence gaps, secondly option networks aimed at preparing for the unexpected and lastly steering intending to influence the relevant business environment.

2.5 Factors influencing strategic collaboration

Ink pen (2003), the main reasons for collaboration include various driving forces namely; mutual benefit, synergy, competencies, resources extension, overcoming the barriers to organizational development and growth. Quelin (1997) explains that inter firm cooperation plays a vital role in extending a firms knowledge base and that the management of competencies is inseparable from managing the limits of an organization. Innovation is also an important factor in collaborations. Being part of a collaboration means that there is a goal the organization is seeking to improve effectiveness and efficiencies, therefore one must be willing to put in investments towards this goal. Technological investments can be costly; however a tradeoff has to be agreed upon. Teece (1986) in his definition of complimentary assets shows that the commercialization of an innovation requires that the knowhow be linked to the technology should be used in conjunction with other assets or competencies such as production, marketing, after sales service. More often than not these competencies are specialized to one firm or are difficult to acquire or they could be co-specialized used jointly with other assets or competencies.

Cardilhon et al (2005) noted that collaboration was only being practiced by some large supermarkets in china and with only the largest branded manufacturers with systems capability, the knowhow and resource to adopt, implement and exploit collaborations full potential. He further states that the most common reasons advanced for the failure of retail organizations and their suppliers to adopt collaborative strategies and embrace the principles of collaboration are; mistrust among members, too expensive, too complex, incompatible organization structure and lack of clear strategic Vision. He noted that cooperative planning between trading partners yields better matching of supply and demands, elimination of waste, reduction in inventory on hand, increase in on shelf availability and elimination of stock outs.

Cost efficiencies; Competitive forces have put pressure on companies to improve quality, delivery performance whilst at the same time reducing costs. Whipple et al., (2002) described collaboration as partners working together in a trustful, loyal and mutual environment aimed at reducing cost, optimizing equipment use or resources thereby improving performance. Collaboration between two companies may generate cost savings. First they can gain by elimination of duplicative cost in operation and labour. A key strategy for high performance retailers is low price. Low Cost strategies yields improvements in operational efficiencies that retailers can use to price and holding other variables constant achieve an increase in market share and sales growth.

Economies of scales advantage; qualified economists have described this over time; economies of scale exist when costs tend to increase on a less than proportionate rate from the increase in output. One way of accomplishing this is to by spreading the fixed costs over a larger output volume. In collaborative agreements particularly joint actions, economies are to be derived from the sharing of services like management, accounting, logistics, sales promotions, research and development. The combined actions of firms through collaboration can increase profitability with an increase in the market share. Authorities have disapproved a number of potential collaboration activities based on the notion that the arrangement would provide excess market power.

Scholes (2005) identifies synergies as a motive and asserts that collaborations are typically the results of organizations coming together voluntarily because they are actively seeking synergistic benefits perhaps as a result of common impact of changing environment in terms of opportunities or threats or excessive cost of innovations. The above trigger affects firms' growth and survival. Reciprocity deals with benefits, risks and losses that should be shared amongst the partners. Reciprocal acts are a basis for joint projects and mutual commitment from partners as reciprocal investments protect specific investments from opportunistic behaviours.

Identification and selection of the 'right partner' and strategic fit with partners is vital especially in international retail operations (Wrigley et al., 2005). In order to deploy resources successfully in international operations, an effective and operational relationship is required with partners hence the selection criteria of partner commitment, strategic compatibility and value alignment is critical. Shared vision is the utmost important factor that influences collaboration. Vision provides consistent directions on the goals to be achieved by the collaboration and the individual units as well. It is necessary that members set clear goals and expectation at the beginning in order foster understanding and co-ordination of all parties. Different planning levels require different policies of integration therefore, the highest managerial level should be responsible for long term decision making and advising (Kanter 1994). Cultural similarity and common characteristics among members is another essential, collaborating partner's share a set of relationship amongst members who interact socially and economically to share resources and capabilities. This relationship is complex and requires that members openly share their ideas and ideals. Cultural similarities help in quick conflict resolution and facilitate cooperation. This is also referred to as ‘cultural fit’. Collaboration with members who own similar size organizations in terms of financial, human and technology are more likely to succeed due to similar capabilities and resources besides dealing with similar problems.

Interpersonal integration, according to Kanter (1994), broad synergies born only on paper do not develop naturally until many members of the collaboration make efforts to know each other personally and become willing to exchange technology, refer clients, or participate in joint teams altogether. Relationships between firms involve much more than mere functional integration in pursuit of organizational goals. The personalities and emotions of the decision maker are also an integral part of the relationship (Golicic and Mentzer, 2005). The key elements here include trust, interdependence and flexibility. Trust is based on interpersonal or contractual behavior when the negotiations are non biased and commitments adhered to during joint actions. Consequently interdepence is the degree to which members work together to obtain mutual benefit since each firm depends on the other firms knowledge during joint actions. The greater the degree of dependency between partners the more the collaboration. In addition, member flexibility facilitates modifications and continuous adaptations by members in a rapidly evolving environment.

Governments at both national and local level can affect business through its laws, policies and authority. Governments also create opportunities and threats to existing businesses at strategic level through political/legal environment climate. At Government level politics and economics are highly linked (Ford, 2003). Firms can benefit from the fiscal and trade policies through regional development programmes and industrial regeneration policies which bestow cost benefits in return. Firms therefore establish good relationships with government bodies to obtain competitive advantages, more so if operating internationally. When scale cooperations are formed between competitors, each partner may pursue its own individual objective thereby optimizing the use of resources at the firm level rather than at the collective level which may in effect limit the extent of gains in efficiency (Wang, 2003). Potential opportunism may further hinder the optimal use of assets and resources owned separately by the partnering firms (Hamel, 1991). This is because direct rivalry between competitors is almost inevitable. Partnering firms should therefore try and focus on the mutual benefit. It is possible when the strategic objectives converge while the competitive objectives diverge.

According to Hamel (1991), barriers to acquisition of competencies by a partner essentially consist of limiting transparency to a partner. However, it is important to build protective mechanisms for the key competencies of a firm. Thus, the details and definition of the cooperation agreement and employee behaviour play an important role (Hamel, Doz and Prahalad 1998). Furthermore, by participating in successful co operations, the firm is able to attract high potential partners by creating a reputation for itself as a 'good partner'. Hence the transfer of competencies for creation of new competencies will not be the only benefit to the firm but attraction of new partners by benefiting from 'network effects'.

2.6 Benefits of strategic collaboration

Benefits of Strategic Collaboration are varied and the most important is building strategic business relationships crucial for effective and operational efficiency of a company (Yu et al, 2005). It is thus important to understand business relationships with key external stakeholders while developing operations strategies to improve business performance (Freeman, 1984). Moreover, business relationship with government is critical in influencing policies and regulations. Integrated technological systems and willingness to be flexible has changed the market place. Cooperation among firms help reduce lead times, improve communications, speed up flow of merchandise and ensure correct inventory availability using strategies such as quick response and other intangible resources such as connection with networks. (Yu and Ramanathan, 2005).

Cooperation's are the logical means to overcome market barriers and maintain company's competitive position and increased market share, improve customer loyalty , improve product quality with low cost and innovation which in turn have an effect on the financial performance of the firms (Yu and Ramanathan, 2005). Low cost is a key strategy in retail operations given the thin profit margin as it leads in operational efficiency that a retailer can use to reduce prices and achieve an increase in market share and sales growth (Berry et al, 1997).

According to Berry et al (1997), a retailer with high flexibility is expected to respond faster to changes in the market and therefore achieve higher performance. Moreover, decreasing waiting time in the line allows a retailer to achieve higher customer satisfaction that can potentially increase business performance outcomes.

2.7 Empirical literature on strategic collaborations

Fearne et al (2005), in their study on justice in UK supermarket buyer-supplier relationship revealed that the integrity issues had led to adversarial relationships between the supermarkets and the suppliers. Those large supermarkets that were price oriented were not courteous to suppliers as supermarkets who were quality driven. In their quest to establish procedural and distributive justice, the study further revealed that the code of practice implemented by competition commission in the year 2000 had not impacted the attitude of the retailers towards the suppliers. The suppliers were still hesitant to complain for fear of being delisted from the list of preferred suppliers. Yu and Ramanathan (2012) carried out a study in managing strategic business relationship in retail operations- China. The results indicated that business relationships appear to have a substantial impact on the overall performance of the firm. However, choosing the right partner and building collaboration relationship is critical for international retail operations in concurrence with the stakeholders approach theory.

According to Ghisi et al (2008), research on horizontal alliances amongst small retailers in Brazil, concluded that collaborations are formed by retailers mainly due to buy cheaper products since they are focused on survival rather than competitive advantage. The study conducted in Brazil an environment different from those in developed nations, and also different from those developing nations. They recommended further research in countries with contrasting cultures on the topic to add a broad comprehension and perspectives of this phenomenon. Freiling et al (2008), in their study ‘alliances as a strategy in a volatile environment’, concluded that in rapidly changing environment, a firm may not be able to build up resources and competencies in a timely manner. Firms therefore seek to attain their desired necessary readiness for action by cooperating with other players who possess the necessary competencies and resources. He further went on to classify the main reasons for alliances as Gap closing, option networks which aims at ensuring access to a large pool of resources. Lastly steering cooperation’s which aim at exerting influence jointly and to steer changes in the relevant business environment, market process and industry transformations.

Bore Lewis (2007) study revealed that most supermarkets in the CBD Nairobi pursue almost similar strategic responses common to the others in response to competition, he recommends that the supermarkets should try and identify unique prepositions. They should also develop strategies that reflect, accommodate as well as necessitate changes associated with increasing population and urban growth, changing lifestyle and diversity. Lagat, C.K (2011), studied the strategic responses to changes in external environment by supermarkets in Kenya and established that supermarkets were mainly challenged by economic and technological factors topping the list of the industry challenges in Kenya. He further explained that Supermarkets are forced to respond to the high inflation and the high technological advancement which in turn jeopardize their profitability and even survival. Nyangweso (2013), in his study on collaborative public procurement among the state cooperations found that 21.1% of the state corporations are yet to adopt collaborative public procurement practices despite the benefits. His study revealed that the major benefits of collaborative procurement are: the agency's ability to access capabilities critical for its competitiveness; the agency's ability to enhance flexibility and responsiveness to changes in customer demands; the ability to share tasks in form of lead buying and the ability to share design processes successfully. He further states the critical success factors to include; sharing of technical expertise, the fulfillment of the roles and responsibilities set out among the supply chain members and ensuring proper selection of partners and members.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the research methodology that was adopted in order to meet the study objectives. It includes, research design, target population, sampling techniques and sample size, data collection and data analysis.

3.2 Research design

The study adopted a descriptive survey research design. Descriptive design help describe what exists and answer the questions how, what, which, when and why as framed in the questionnaire (appendix II), and can yield to rich quantitative data which can be analyzed using descriptive and inferential statistics (Zickmund, 2003) that will `lead to important recommendations in practice. The method was considered suitable because it would focus on establishing the facts and describe the current state of the phenomena as they are with regards to the variables in strategic collaboration, the factors that influence collaboration among the retail supermarkets in Nairobi, and the benefits of partnering in strategic collaboration.

3.2 Target population

Mugenda (1999), refer to the population as an aggregate or totality of all the objects, subjects or members of a group who conform to some predefined specifications, any set of persons or objects possessing at least one common characteristic. The population of interest entailed all retail supermarkets in Nairobi area. This is because of the high concentration of supermarkets in this region and most of the supermarkets also have their headquarters in Nairobi. The total number is about 134 supermarkets within 50Km radius (www.yellowpageskenya.com, 2014), (See appendix III). It is from this list that the researcher sampled the ones to be considered for the study.

3.3 Sampling techniques and sample size

Stratified sampling technique was applied because of the variations in the target population. The supermarkets were divided into two stratums, that is, those with one outlet and those with more than one outlet. Proportional stratified sampling was used to select samples from each of the stratum representing the population. However, selection from the stratum was done randomly. Yamane's (1967) formula below for obtaining the sample sizes was used.

$N= \quad N/ (1+N (e)^2)$ Where; N= Sample size and e= Level of precision.)The study assumed a precision level of 10%; the supermarkets with more than one branch are 7 while those with one branch only are 127. Using the formula above, the size for each stratum was therefore;

$N1=7/ (1+7(0.1)^2) = 6.5$ rounded up to 7.

$N2=127/ (1+127(0.1)^2) =55.9$ rounded up to 56.

Where N1 represents the supermarkets with more than one branch and N2 represents supermarkets with one branch. The total sample was thus (56+7) equal to 63 supermarkets.

3.4 Data collection

The primary data was collected through the use of structured questionnaires (refer to appendix 11). Zickmund (2003) describes primary data as data gathered primarily for the sake of the research on hand. The questionnaire had two sections of which the first section (section A) covered the demographic data and general profile questions on the supermarket. This section was also important in identifying the supermarkets that responded.

The second section (Section B) had three parts, the first part covered the extent of strategic collaboration which helped uncover with whom the retail supermarkets were the collaboration. The second section covered factors influencing strategic collaborations in the retail supermarkets in Kenya. The questions were both closed and open ended questions. The open ended questions intention was to give the respondents opportunity to express themselves freely and give more information to the researcher. Lastly, the third section covered the benefits of strategic collaborations to the collaborating partners. The closed ended questions included Likert type questions that were intended to weigh the perceptions of respondents on factors under study. The questionnaire was distributed to the General Managers or persons with an equivalent position trough drop and pick later.

3.3 Data analysis

Primary data obtained through the questionnaires was first checked for completeness. The data analysis entailed editing to ensure accuracy and correctness, coding, classifying and tabulation. Coding entailed identifying and classifying each answer with a numerical score so that they can be tabulated and appropriate statistics be applied. The responses to extent of strategic collaborations and factors that influence collaborations in the retail sector were analyzed by use of descriptive statistics which include mean scores, percentages, frequency and ratios. Statistical package for social sciences analysis (SPSS) was used. Factor analysis was also used to determine the validity of the data and correlation between the variables.

Mugenda (1999), descriptive statistics enables logical use of distribution of scores using indices of statistics. It helps the researcher in summarizing and organizing data effectively. The results from the analysis have been presented graphically by use of tables and graphs for ease of interpretation.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS.

4.1 Introduction

This chapter aims to present data analysis, results and discussions with reference to the research objectives. The data was collected from the supermarkets in Nairobi and was analyzed by use of Statistical Packages for Social Sciences (SPSS). A total of 63 questionnaires were distributed to respondents, the General Managers or their equivalents through drop and pick later method. A total of 40 questionnaires were completed and returned. This represents a response rate of about 64%. This was considered adequate for analysis and general to generalize findings of the total population.

4.2 General profile of the supermarkets studied

The supermarket profile data was collected from the first section of the questionnaire aimed at understanding the general profile of the supermarkets in terms of ownership, years in service of the supermarkets, number of outlets, and the number of employees in the organization.

The respondents were required to indicate their positions in the organization, from Table 4.1 below, 30% of the respondents were General Managers, 28% were area marketing managers, 25% were Branch Managers and the least at 18% were Assistant managers. This indicated that the respondents were in better position of giving factual information with regards to strategic collaboration.

Table 4.1 Designation of Respondents

Designation	Frequency	Percent	Valid percent	Cumulative Per cent
General Manager	12	30%	30%	30%
Branch Manager	10	25%	25%	55%
Assistant Manager	7	18%	18%	73%
Area Marketing Manager	11	28%	28%	100%
Total	40	100%		

Source: Survey data (2014)

The researcher also sought to know the ownership structure of the supermarkets. The findings on Table 4.2 below indicate that most supermarkets in Nairobi are family owned businesses representing about 88%. Only 13% have international ownership.

Table 4.2 Ownership of the supermarkets

Ownership	Frequency	Percent	Valid percent	Cumulative Per cent
Family	35	88%	88%	88%
Local Company	-	-	-	88%
International	5	13%	13%	100%
	40	100%		

Source: Survey data (2014)

The number of years in operation for the supermarkets was also sought, Table 4.3 below shows the ages of the various supermarkets in Nairobi, Kenya. 85% of the supermarkets have been in existence for the last 5yrs. 15% of the supermarkets are relatively young and have been in operation for less than 5 yrs.

Table 4.3 Years in operation of the supermarkets

No. of Yrs in Operation.	Frequency	Percent %	Valid Percent	Cumulative Percent
<5	6	15	15	15
05-10	11	27.5	27.5	42.5
11-25	12	30	30	72.5
>25	11	27.5	27.5	100
Total	40	100	100	

Source: Survey data (2014)

The number of the outlets or branches each supermarket had is represented in Table 4.4 below. Most retail supermarkets have 3 outlets. The highest number of outlets reported by one retail supermarket is 50 while the least is 1. A large number of the supermarkets had less than ten branches/outlets about 59%. This means that only 40% of the supermarkets have more than ten outlets.

Table 4.4 Number of outlets/branches for the supermarkets

	No. Outlets	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	4	10	10.3	10.3
	2	3	7.5	7.7	17.9
	3	8	20	20.5	38.5
	4	4	10	10.3	48.7
	5	3	7.5	7.7	56.4
	6	1	2.5	2.6	59
	12	1	2.5	2.6	61.5
	13	3	7.5	7.7	69.2
	15	3	7.5	7.7	76.9
	28	2	5	5.1	82.1
	32	1	2.5	2.6	84.6
	37	2	5	5.1	89.7
	50	4	10	10.3	100
Missing		1	2.5		
Total		40	100	100	

Source: Survey data (2014)

The total number of employees for most supermarkets was found to lie between 100 - 250 employees. This represented 32% of the respondents in Table 4.5 below. This was followed by those supermarkets employing more than 250 employees at 22%. This data was also used to determine the size of the supermarkets that responded in this study through establishing the number of employees in each supermarket. This implies the retail sector is of great value in terms of employment opportunities to the country with more than 50% employing greater than 100 employees.

Table 4.5 Number of employees in the organization

No. Employees	Frequency	Percent	Valid Percent	Cumulative Percent
<50	11	27.5	27.5	27.5
50-100	7	17.5	17.5	45.0
100-250	13	32.5	32.5	77.5
>=250	9	22.5	22.5	100.0
Total	40	100.0	100.0	

Source: Survey data (2014)

4.3 Extent of strategic collaboration

The first objective of this study was to establish the extent of strategic collaboration adoption among the retail supermarkets in Nairobi, Kenya. Using a Likert scale of 1-5 where 1= no extent, 2= small extent, 3= some extent, 4= large extent 5= very large extent. The respondents were required to indicate the level to which they were partnering with the sets of possible partnerships as shown in Table 4.6 below. The data presented in Table 4.6 below indicates that the 21 out of 40 supermarkets representing 53% of the respondents were actually practicing strategic collaboration with suppliers to a very large extent , 33% to a large extent. 17 supermarkets were collaborating with the large supermarkets; this is 43% of the respondents. There was no collaboration with the small and medium supermarkets represented by 40% of the respondents and another 40% indicated that any collaboration was only up to a small extent.

Table 4.6 Extent of strategic collaboration

Rating	Suppliers Frequency	Frequency %	Large Supermarkets Frequency	Frequency %	Small Supermarkets Frequency	Frequency %
No extent	2	5%	15	38%	16	40%
Small extent	0	0%	17	43%	16	40%
Some extent	2	5%	5	13%	5	13%
Large extent	13	33%		-	3	8%
Very large extent	21	53%	3	8%	-	-
Missing	2	5%	-	-	-	-
Total	40	100%	40	100%	40	100%

Source: Survey data (2014)

Table 4.7 below further illustrates the extent of strategic collaboration with international retailers, Government and Others not specified in the questionnaire. 7 out of the 40 supermarkets who responded confirmed there was some form of partnerships with international retailers to some extent with a frequency distribution of 18%. However, 70% of the respondents had not partnerships with international retailers. The findings also show that the retails supermarkets have found strategic collaboration with the Government. The extent of collaboration with Government is at 9% to a very large extent, 9% to a large extent, 13% to a small extent and 52 % to no extent at all. Cumulatively at least 39% of the respondents had some form of strategic collaboration with the Government.

Table 4.7 Extent of strategic collaboration

Rating	International retailers Frequency	Frequency %	Government Frequency	Frequency %	Others	Frequency %
No extent	28	70%	7	18%	12	52%
Small extent	5	13%	9	23%	3	13%
Some extent	7	18%	15	38%	4	17%
Large extent	-	-	3	8%	2	9%
Very large extent	-	-	5	13%	2	9%
Missing	-	-	1	3%	-	-
Total	40	100%	40	100%	23	100%

Source: Survey data (2014)

4.4 Factors that influence strategic collaboration among the retail Supermarkets in Nairobi

The second objective focused on the factors that influence strategic collaboration among the retail supermarkets. Statements aimed at weighing the factors that influence strategic collaboration on a scale of 1-5 and mean scores computed to determine their weights. From the results obtained, presented in the Table 4.8 below, market power and mutual benefit were the main influencers on strategic collaboration to a large extent with a mean of 4.32 and 4.04 respectively. Competitive advantage (mean= 3.93), continuous improvement (mean=3.75), efficiency (3.68), advanced technology (mean=3.54), pressure from consumer groups (mean=3.64) and stiff competition (mean=3.57) also contribute to a large extent on the factors that influence strategic collaboration.

The results also indicated the factors that only had an influence to some extent include partnering for Stability (mean=3.43), learning and development (mean=3.43), industry dynamics (mean=3.39), resource sharing (mean=3.36), demographic trends (mean=3.32), Improve business performance (mean=3.25), survival (mean=3.32), synergy (mean=3.18) and value alignment (mean=3.07), interdependence (mean=3.07), influence retail policies (mean=2.75) interpersonal relationships (mean=2.71), strategic compatibility (mean=2.61). Some of the factors were considered by respondents to have influence on strategic collaboration to a small extent. These factors include cultural fit (mean=2.39), joint assessment at (mean=2.32). All the factors were considered to have some degree of influence on strategic collaboration among the retail supermarkets; none was considered to have no influence at all that is there was no response rated as 'no extent'.

Table 4.8 Factors that influence strategic collaboration

Factors that Influence Strategic Collaboration.	Mean	Std. Deviation	Analysis N
Resource sharing.	3.36	.826	28
Synergy.	3.18	1.124	28
Mutual benefit.	4.04	.744	28
Learning and development	3.43	1.289	28
Continuous Improvement.	3.75	1.005	28
Joint assessment.	2.32	1.156	28
Competitive advantage.	3.68	.772	28
Survival.	3.32	1.467	28
Stability.	3.43	1.399	28
Efficiency.	3.68	1.416	28
Industry dynamics	3.39	1.423	28
Stiff competition.	3.57	1.451	28
Market power.	4.32	.905	28
Advanced technology.	3.54	1.201	28
Demographic trends.	3.32	1.124	28
Competitive advantage.	3.93	1.016	28
Pressure from consumer groups.	3.64	1.446	28
Strategic compatibility.	2.61	.916	28
Value alignment.	3.07	.900	28
Cultural fit.	2.39	1.100	28
Interpersonal relationships.	2.71	1.084	28
Influence retail policies.	2.75	1.143	28
Interdependence.	3.07	1.120	28
Improve business performance.	3.25	1.378	28

Source: Survey data (2014)

The Principle component analysis (PCA) model was used to analyze the data in Table 4.9 below. The PCA is a dimension reduction tool that is used to reduce a large set of variables to a small set that still contains variables in the large set. Table 4.9 below shows all the factors extractable from the analysis along with their Eigen values, the percent of variance attributable to each factor, and the cumulative variance for each factor and the previous factors. Five factors were considered significant to be retained for the analysis with Eigen values greater than one. These five factors comprise of 83.7% of the cumulative variance as shown in the table 9 below. The 1st factor need for market power accounts for 55% of the variance, the second mutual benefit, third competitive advantage, fourth continuous improvement and fifth efficiency contribute 10%, 8%, 5.8% and 4.408% respectively.

Table 4.9 Total variance explained- Factors that influence strategic collaboration

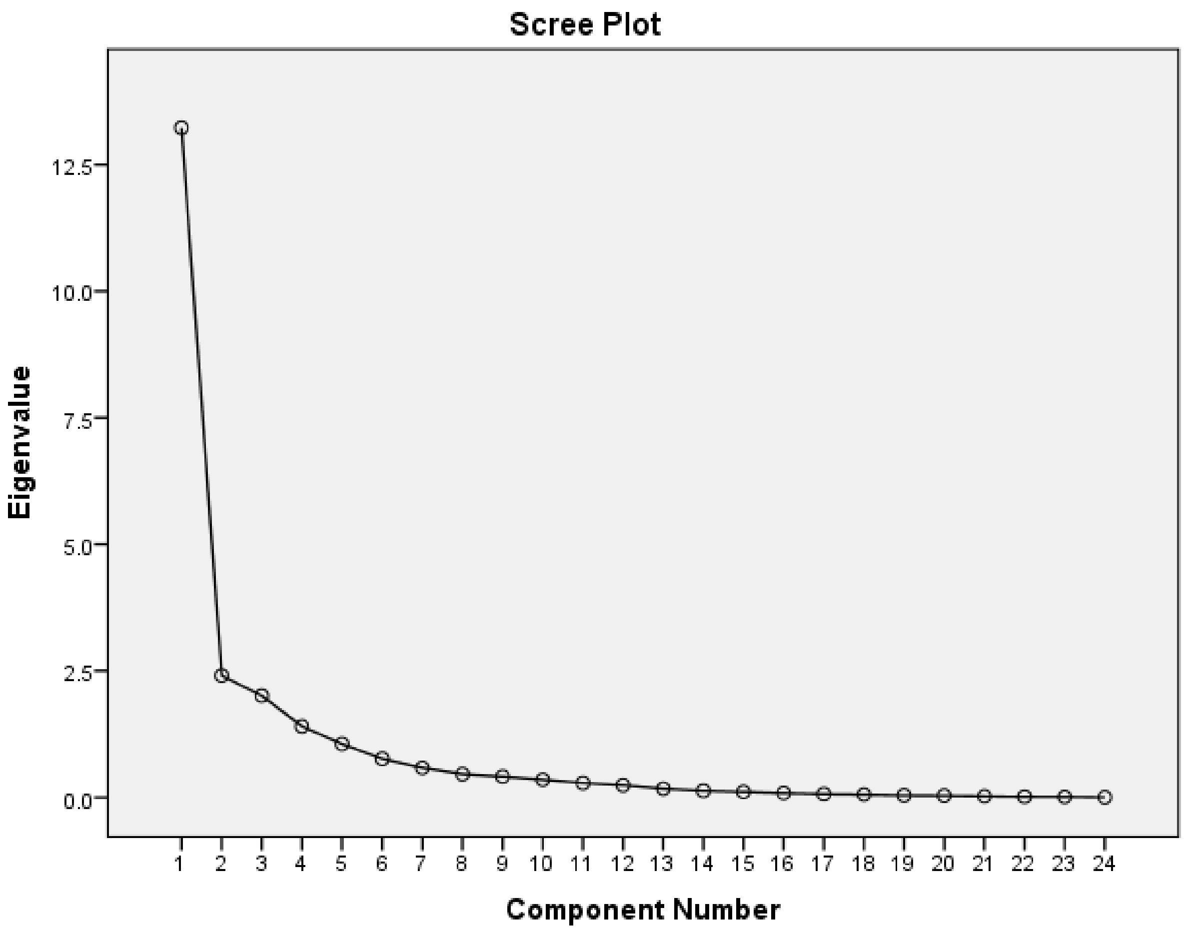
Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	13.226	55.110	55.110	13.226	55.110	55.110
2	2.409	10.036	65.146	2.409	10.036	65.146
3	2.012	8.382	73.528	2.012	8.382	73.528
4	1.406	5.857	79.385	1.406	5.857	79.385
5	1.058	4.408	83.792	1.058	4.408	83.792
6	.766	3.191	86.984			
7	.586	2.443	89.427			
8	.461	1.921	91.347			
9	.413	1.722	93.069			
10	.353	1.470	94.540			
11	.286	1.193	95.733			
12	.244	1.018	96.750			
13	.175	.730	97.481			
14	.134	.557	98.038			
15	.111	.464	98.501			
16	.090	.373	98.875			
17	.068	.283	99.158			
18	.061	.253	99.410			
19	.044	.182	99.592			
20	.039	.161	99.754			
21	.025	.104	99.858			
22	.017	.072	99.930			
23	.012	.050	99.980			
24	.005	.020	100.000			

Source: Survey data (2014)

Extraction Method: Principal Component Analysis

The Scree plot Fig 4.1 below, is a graph of the Eigen values against all the factors. The graph is useful for determining how many factors are significant worth retaining. These are from factor 1-5 as shown in table 13 above. These factors represent market power (mean =4.32), mutual benefit (mean 4.04), competitive advantage (mean= 3.93), continuous improvement (mean=3.75) and operational efficiency (3.68) in order of their derived mean from table 11 above. Factor 6 which is advanced technology has an Eigen value of less than 1 so only the first five factors have been retained. The curve starts to flatten between factor 5 and 6. If a factor has low Eigen value, then it is contributing little to the explanation of the variances in the variables and may be ignored as redundant with more important factors.

Figure 4.1: Scree plot- Factors that influence strategic collaboration



4.5 Benefits of strategic collaboration among the retail supermarkets in Nairobi

The researcher sought to establish the benefits of strategic collaboration, Likert type questions with statements were to be rated on a scale of 1-5 (where 1 =poor and 5=Excellent) by respondents to indicate their extent of agreement on the benefits of strategic collaboration. Listed in the Table 4.10 here below the following were described as excellent benefits accrued from collaboration. Improved flexibility (mean= 4.94), improved resource utilization (mean= 4.71), and persuading retailers to give brand special displays (mean= 4.83). Other benefits that can be achieved from strategic collaboration considered very good by most respondents include, relationship with suppliers (mean= 4.46), business relationship with customers (mean= 4.31), Customer Loyalty (mean= 4.43), improved customer service (mean= 4.29), selling products and services (mean=4.17), Improved quality (mean= 4.14), building good reputation and experience (mean=4.14), Engineering customer relations (mean= 4.11) and relationship with government (mean=3.71). Cost reduction (mean=3.71).

There were other factors that the respondents also felt were of average benefits to strategic collaboration which included quick response to change in demand (mean=3.40), sales growth (mean=3.40), testing ground for innovation (mean=3.34), influence changes to retail regulation (mean=3.34) and culture building (mean=3.17). It is important to note that none of the benefits to strategic collaborations was rated low as poor or very poor. That is all factors were considered to have some essential benefits.

Table 4.10 Benefits of strategic collaborations

Benefits of Strategic Collaborations.	Mean	Std. Deviation	Analysis N
Business relationship with customers.	4.31	.631	35
Relationship with Suppliers.	4.46	.657	35
Relationship with Government.	3.71	.957	35
Engineering Customer relations.	4.11	.900	35
Selling Products & Services.	4.17	.857	35
Reputation experience.	4.14	1.115	35
Culture building.	3.17	1.317	35
Sales growth.	3.40	1.265	35
Influence changes to retail regulation.	3.26	1.197	35
Cost reduction	3.71	.789	35
Improved resource utilization.	4.71	4.974	35
Improved quality.	4.14	.692	35
Improved customer service.	4.29	1.045	35
Improved flexibility.	4.94	6.868	35
Customer loyalty.	4.43	.698	35
Special Brand display.	4.83	6.862	35
Testing ground for innovation.	3.34	.838	35
Quick response to change in demand.	3.40	1.090	35

Source: Survey data (2014)

Principle component analysis was used to summarize the total variance in Table 4.11 below so as to extract the maximum variance from the variables given. This is a variance focused approach seeking to reproduce both the total variable variance with all the components. The six factors with the cumulative variance of 80% were extracted due to their significance level.

Table 4.11 Total variance explained- Benefits of strategic collaborations.

Com-ponent	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.306	40.590	40.590	7.306	40.590	40.590
2	2.085	11.582	52.172	2.085	11.582	52.172
3	1.528	8.487	60.659	1.528	8.487	60.659
4	1.271	7.064	67.722	1.271	7.064	67.722
5	1.190	6.614	74.336	1.190	6.614	74.336
6	1.035	5.748	80.083	1.035	5.748	80.083
7	.734	4.078	84.161			
8	.572	3.178	87.339			
9	.497	2.762	90.101			
10	.442	2.454	92.554			
11	.369	2.049	94.603			
12	.269	1.495	96.098			
13	.180	.999	97.097			
14	.173	.959	98.056			
15	.127	.706	98.762			
16	.103	.572	99.334			
17	.075	.417	99.751			
18	.045	.249	100.000			

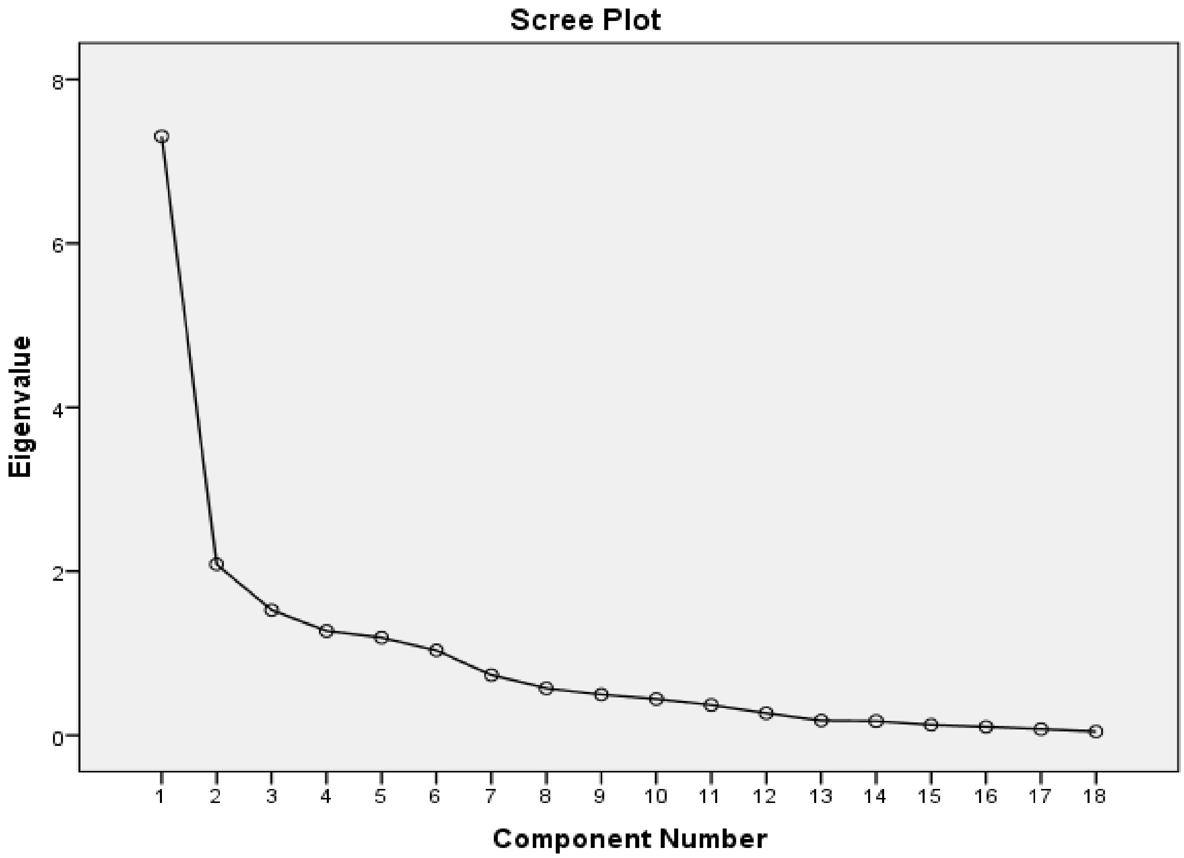
Source: Survey data (2014)

Extraction Method: Principal Component Analysis

The significant factors to be retained include factor 1 to 6 as presented in Table 4.11 above which contribute to a high percent of the variances with Eigen values of greater than 1. Cumulatively these factors account for 80% of the variances. These include, improved flexibility (mean= 4.94) accounts for 40%, improved resource utilization (mean= 4.71) 11.5%, persuading retailers to give brand special displays (mean= 4.83) at 8.4%, relationship with suppliers (mean= 4.46) at 7.064%, business relationship with customers (mean= 4.31) at 6.61% and Customer

Loyalty (mean= 4.43) at 5.74%. The Scree plot diagram Fig 4.2 below further illustrates diagrammatically as the curve begins to flatten at factor 7.

Figure 4.2 Scree plot- Benefits of strategic collaboration



4.6 Discussion of findings

Vision 2030 objective to attract and develop large formal retails through joint and standalone domestic and foreign ventures is slowly coming into play. There are 13% of retail supermarkets in Nairobi whose ownership is foreign based. This is evident from the results of Table 4.2 above; it confirms the impending entries of international retailers into the growing Kenyan market (KNBS, 2014). This is also evident from Table 4.7 where the extent of collaboration with international retailers is rated 18% to some extent and 13% to a small extent by the respondents in this study. The vision 2030 also has one of its focus areas for economic growth as wholesale and retail because of the massive job opportunities created by this sector. As shown in Table 4.5 above, 55% of the supermarkets have employed more than 100 employees. Most of the supermarkets have retail experience since most of them have been in operation for more than 10years. Table 4.3 above shows that 57.5% of the supermarkets have been operating for more than 10years.

The findings indicate that indeed strategic collaboration does exist among the retail supermarkets in Nairobi. Table 4.6 above, extent of strategic collaboration indicates that most supermarkets are partnering with the large supermarkets to a large extent, the Government to some extent and small & medium supermarkets to a small extent. The bias is more on collaborating with the suppliers probably because of the domineering factor by retailers over suppliers. Cardilhon et al (2005) concluded that collaboration was only being practiced by some large supermarket in China and with only the largest branded manufacturers with systems capability. This is replicated in our environment in Kenya as a developing country. The strategic collaboration is more prominent with the large supermarkets compared to the small and medium supermarkets.

According to Kanter (1994), on the factors that influence strategic collaborations broad synergies born only on paper would not be useful if members did not make effort to know each other personally that is interpersonal integration. However, from this study, this factor only contributed a small margin to some extent with a (mean =3). The factors that had the greatest influence include the need for market power, mutual benefit, continuous improvement and increased efficiency.

The country may not be very attractive to the investors due to factors that include difficult business environment and low economic growth rates that translate to a longer waiting period for returns on investment (PWC, 2014). The respondents expressed their frustration at the length of time it takes to get approvals from the authorities. Governments at both local level and National level can affect businesses through its laws, policies and authority. Firms therefore establish good relationships with Government to obtain competitive advantages (Ford, 2003). The findings indicate that there exists a level of engagement with the Government in strategic collaboration; however, it is not clear from the study the area of collaboration whether the retail supermarkets are partnering with the Government as suppliers, customers or in policy making.

The benefits of strategic collaboration are immense and the most important being building strategic business relationships crucial for effective and operational efficiency of the company, (Yu et al, 2005). This study too has revealed that the most valued benefits to strategic collaboration among the retail supermarkets include improved flexibility, improved resource utilization, persuading retailers to give special brand displays thereby increasing sales and building relationships with customers and suppliers. Understanding business relationships with key stakeholders is crucial to developing operational strategies to improve business performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECCOMMENDATIONS

5.1 Introduction

This chapter aims to present the summary of findings, conclusion based on the findings, recommendations to the stakeholders based on the findings, the study limitations and the suggestions for further research.

5.2 Summary of findings

The research was aimed at establishing the extent of strategic collaboration among the retail supermarkets in Nairobi. In addition, it also sought to establish the factors that influence strategic collaborations among the retail supermarkets. Lastly, it sought to establish the benefits of engaging in strategic collaboration among the retail supermarkets. The research was carried out through use of structured questionnaires which were filled and returned by the respondents. A total of 40 out of the 63 questionnaires distributed were returned duly completed. This response rate of about 63 per cent was fair enough.

The retail sector ownership is mainly family business. The study findings show that there exist strategic collaborations among the retail supermarkets with most of them collaborating with suppliers, the large supermarkets and the Government. There was very little or no collaboration with the small supermarkets. The factors that influenced strategic collaborations in the retail supermarkets sector were found to be mainly need for market power and mutual benefit as the main influencers on strategic collaboration to a large extent with a mean of 4.32 and 4.04 respectively. Competitive advantage, continuous improvement, efficiency, advanced technology, pressure from consumer groups and stiff competition also contribute to a large extent on the factors that influence strategic collaboration. This could be as a result of wanting standardized services and products across the supermarkets and the costs involved in standardization. Coupled with the litigation that may occur thereof and consumer sensitization by these consumer groups may have led this factor to top the list.

The benefits of strategic collaboration among the retail supermarkets were found to be improved flexibility, improved resource utilization and persuading retailers to give special displays are excellent benefits accrued for collaborating partners. Building good relationships with customers, customer loyalty and retention were also rated highly as benefit of strategic collaboration. From the open questions, many supermarkets highlighted that there was need for the approval process to be hastened as it took too long to get business approval. The other issue that also came up was the biased application of the law which needs to be applied fairly to all players.

5.3 Conclusion

Following the study findings, it is possible to conclude that most supermarkets in Nairobi are mainly family businesses. International retailers are slowly infiltrating the market but still to a very small extent. This is true from the ownership data obtained from the study. There exists strategic collaboration among the retail supermarkets and with suppliers and Government to a large extent. The factors that influence strategic collaboration have most of them having a mean greater than 3, which means the respondents acknowledged that the factors actually do have an influence on strategic collaborations. Market power, Mutual benefit and competitive advantage were described among the factors that entice the supermarkets to collaborate to a large extent.

It can also be concluded that Supermarkets that were engaging in strategic collaboration experience benefits such as improved flexibility, improved resource utilization due to reciprocity in the partnerships. Creating good relationships with customers and suppliers are among the most excellent benefits that are derived from the strategic collaboration accounting for 80% variance as shown in Table 17. This is so because networks foster superiority due to size, collaborating partners whether small or big will only do so if the benefit is mutual, that is win win situation. Due to the other factors like efficiency and cost reduction, which are big contributors to competitiveness, competitive advantage automatically becomes a significant benefit.

5.4 Recommendations

It was important to understand if the strategic collaborations as a strategy had been adopted in Kenya amongst the retail supermarkets. This is an area that if well managed can yield benefits from sales growth, building relationships, operational efficiencies that in turn have a positive effect on the company's business performance. It is important that the small supermarkets find a way and means of partnering more in strategic collaborations for economies of scale, sharing knowledge and tecnologies. They should find a niche that will attract the large supermarkets to partner with them however small they may be.

The authorities also need to improve on the approval processes which many respondents felt that it was taking too long to obtain business approvals. The need to reduce dominance by a few was also highlighted and lastly the need for equal opportunities and fairness in resolving competition issues.

5.5 Limitation of the study

The study was carried out in Nairobi being the capital city f Kenya. It was considered representative of the Kenyan population however; obtaining samples from supermarkets in each county would have yielded more external validity to the findings. However, due to time constraints and cost implications, it was not possible to obtain larger countrywide samples.

The studies had targeted the general managers of the various supermarkets as respondents, due to their busy schedules were hardly available and delegated the completion of the questionnaire to junior members of staff. The drop and pick method also did not allow for guiding of the respondents and some respondents only attempted part of the questions and left others un attempted.

5.6 Suggestions for further Research

The area of strategic collaboration is wide and many international retailers are embracing this strategy. Further research should therefore be carried out to establish why the supermarkets are not embracing this strategy to a very large extent especially collaboration between the small and small supermarkets. Research should also be carried out to establish whether the collaboration taking place to a large extent between the large supermarkets is because of the family ties between the supermarkets and hence facilitating interpersonal relationships for these groups of supermarkets.

Lastly, the relationship between strategic collaboration and the increase in profits and sales growth ought to be investigated so as to entice the supermarkets who are still averse to collaborating with competitors particularly the small and medium supermarkets.

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APPENDIX 1: LETTER OF INTRODUCTION

Hellen Onyango,

C/O University of Nairobi.

Faculty of Commerce,

P.O.BOX 30197-00100, Nairobi.

Kenya.

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

<u>RE: REQUEST TO CONDUCT A RESEARCH STUDY</u>

I am a student in the School of Business, university of Nairobi. I intend carry out a research entitled, strategic collaborations, in the Retail supermarkets in Nairobi Kenya'. This is in partial fulfillment of the requirement for the award of MBA.

Consequently, your institution has been selected for this study. I therefore seek your approval to grant authority for interviewing and collecting data from respondents regarding the subject.

The information and Data to be gathered is purely for academic research purpose and shall be treated with strict confidentiality. Your positive cooperation will be highly appreciated.

Thanking you in advance.

Yours Truly

Hellen Onyango

MBA Student Supervisor.

APPENDIX 11: QUESTIONAIRE

SECTION A : GENERAL INFORMATION

(Kindly (✓) as appropriate or fill in your response in the space provided).

1. Designation ____
2. Name of Company ____
3. Date: ____
4. Highest level of Education attained.

   O' levels 【 】

   College Diploma 【 】

   Bachelors Degree 【 】

   Post Graduate Degree 【 】

5. How would you describe the organization Ownership:

   Family Owned 【 】

   Local Company. 【 】

   International 【 】

6. How many years has the supermarket been in operation?

   Less than 5yrs 【 】 5-10yrs 【 】 11-25yrs 【 】 >25yrs 【 】

7. How many outlets/branches do you currently have? ____________________
8. What is the total numbers of employees in your organization?

   <50 【 】 >50<100 【 】 >100<250 【 】 >250 【 】

SECTION B

i) Extent of Strategic Collaboration

Please indicate with a tick the extent to which you agree with the following statements.

Key:

1=No extent 2=small extent 3=some extent 4=Large extent 5=Very large extent.

(Tick as appropriate)

1. In your view, who are the main partner firms with your organization?

	Ratio Scale				
Collaborating partners	1	2	3	4	5
Suppliers					
Large supermarkets					
Small and medium supermarkets					
International retailers					
Government					
Others					

Other Comments………………………………………………………………………………........

…………………………………………………………………………………………………

………………………………………………………………………………………………….

ii Factors that influence Strategic Collaborations

2. In your view, which of the following are the main reasons for cooperation with other stake holders in your organization?
   1=No extent 2=small extent 3=some extent 4=Large extent 5=Very large extent.

(Tick as appropriate)

	Ratio Scale				
Item	1	2	3	4	5
Resource sharing					
Synergy					
Mutual benefit/Reciprocity					
Learning and Improvement					
Continuous development					
Joint assessment					
Competitive advantage					
Survival					
Stability					
Efficiency					
Industry dynamics					
Stiff competition					
Market power					
Advanced Technology					
Demographic trends					

Item	Ratio Scale				
	1	2	3	4	5
Pressure from consumer groups.					
Strategic compatibility.					
Value alignment.					
Cultural fit.					
Interpersonal relationships					
Influence retail policies					
Interdependence					
Improve business performance.					

iii Benefits of strategic collaboration among Retail Supermarkets in Nairobi

3. Please assess the benefits of partnering with other stakeholders in carrying out joint business activities.Following aspects on a scale of 5-1 where 5 is excellent and 1 very poor.

1=Very poor 2=Poor 3=Good 4= Very Good 5=Excellent

(Tick as appropriate)

	Ratio Scale				
Item	1	2	3	4	5
Business relationship with customers.					
Relationships with suppliers					
Relationship with Government					
Engineering customer relations					
Selling products and services					
Reputations experience.					
Culture building					
Sales growth.					
Influence changes to retail regulations					

	Ratio Scale				
Item	1	2	3	4	5
Cost reduction-overhead cost.					
Improved resource utilization					
Improved quality					
Improved customer service.					
Improved Flexibility					
Giving consumers extra reason to stay loyal to the brand					
Persuading retailers to give brand special displays					
Testing ground for innovation					
Respond quickly to change in demand					

Additional Comments……………………………………………………………………….....
…………………………………………………………………………………………………
………………………………………………………………………………………………….

Thank you for your Participation

APPENDIX III: LIST OF SUPERMARKETS IN NAIROBI

No	Supermarket Name	No.	Location
1	Acacia Supermarket	1	Factory Street
2	Aflose Supermarket Lt	1	Rabai/Gaturo Rd Junction ,Buruburu Ph 5
3	African Grocers Ltd.	1	Pan African Insurance Arcade Gr. Flr, Arwing Kodhek Road
4	Amana Supermarket	1	12th Street
5	Anal Supermarket	1	
6	Alves Distributors	1	Pangani Shoping centre, Gr Floor.
7	Banshi Supermarket	1	Jambo Plaza 3 st floor, 3 rd Parkland Av
8	Betccam Savers	1	Kahawa West
9	Broadway supermarket	1	Thika Road
10	Buru Buru Mini Market	1	Wab Hotel building, Mumias Road
11	Basabra Supermarket.	1	Jambo plaza, 3rd Floor,Parklands Avenue.
	Bei Poa Supermarket	1	Waiyaki way.
13	Cash and carry limited	1	Off Mombasa Road
14	Centaline Supermarket	1	2nd Avenue , 2nd Street Eastleigh
15	Centaling Supermarket	1	
	Chandarana	8	
16			Mobile Plaza Building, Thika H. W
17			Ngara Road
18			Yaya
19			Masari Road
20			Diamond Plaza
21			Muthaiga.
22			ABC Place
23			Enterprise Road.
24			Lavington

No	Supermarket Name	No.	Location
25	Clean Way Limited	1	Valley Arcade, Gitanga Road
	Cleanshelf		
26		1	Kahawa West.
27		1	Kiambu Road.
28	Continental	1	ABC Place, Waiyaki Way
29	Country Mattresses Limited	1	Manan Building, Gr. Flr., Tom Mboya St
30	Deepak Cash and Carry Lt	1	Ole Shaparava Avenue
31	Defence Forces Canteen Organization Limited	1	Juja Road Eastleigh
32	Eagles Supermarket	1	Wab Hotel Complex, Mumias South Road.
33	Eastleigh Mattresses Lt	1	Lokitaung Road
34	Munshira	1	Munshra Mansions, Mufangano St
35	Ebrahim and Company	1	Wazir House Moi Avenue
36	Esajo Supermarket	1	Githurai off Thika Road
37	Fairdeal Shop and Save	1	Rahmutulia Trust BL.Tom Mboya St
38	Fairlane Supermarkets	1	Fairlane Hs, Gr Flr, Mbaghathi Rd
39	Foodies Supermarket	1	Ngong road
40	Galmart Supermarket	1	Behind New Garissa lodge,1 st Eastleigh Av

No	Supermarket Name	No.	Location
41	Goodfare Store	1	City Market Muindi Mbingu St
42	Guestcare Ideal Homes	1	Section III
43	Happy Valley Supermarket	1	Neghbors Bld, Kahawa Sukari, off Thika Rd
44	Home Choice	1	Bhavesh Building, after Fig Tree Ht
45	Jack and Jill	1	Haile Selassie Avenue
46	Jack and Jill	1	Race Cource Road
47	Janamu Supermarket	1	
48	Jawa’s Supermarket Lt	1	Park Place Magadi Road
49	Jeska Supermarket	1	Benrose House, Kangundo Rd
50	Jey Supermarket	1	
51	Jopampa Provision Stores	1	Muhini House,Grd Flr, Muchumbi Road
52	Joster Mini Market	1	General Warungi Street
53	Juja Road Fancy Store	1	Pangani
54	K and A Self Selection Store lt.	1	Caxton house, Koinange street
55	Kaaga Mini Market	1	
56	Kaka Self Service	1	
57	Karen Supermarket	1	
58	Kalumos Trading	1	Wanja Hs, Moi Drv off Kangundo
59	Kaymamunguba	1	
60	Kenton Supermarket	1	Kawangware Shopping Centre
61	Marketways Limited	1	Gitanga Road
62	Master supermarket	1	
63	Mathai supermarket	1	
64	Mensora supermarket	1	Mumias South Road

No	Supermarket Name	No.	Location
	Metro Cash and Carry	2	
66			Corner of Mbsa Rd, off Airp. N. Rd.
67			Off Obote Rd.
68	Midas Touch Limited	1	Vumira Hs, South B Shopping Centre, Daidi/Shirazi Road
69	Mulika Mini Market	1	Off Thika Road
70	Mustard Supermarket	1	Mj. Kinyanjui St off 1 st Eastleigh Av
71	Muthaiga Mini Market	1	Limuru Road
	Naivas Supermarkets	6	
72			Kasarani/ mwiki Rd
73			Komarock/ Kayore Road
74			Biashara Street
75			Mombasa Road
76			Kitengela.
77			Ronald Ngara Street
78	Nakumatt Holdings Limited.	13	Behind Panari Sky Center, Rd c, off Enterprise road
79			Village Market, Limuru Rd.
80			Ronald Ngala, Ngala Street.
81			Embakasi Airport North road.
82			Ngong Road branch.Prestige plaza.
83			Karen Branch.
84			Karen Mall, Lang'ata Road
85			Moi Avenue.
86			Haile Selassie Ave
87			Galleria Mall , Langata Road.
88			Junction Mall.
89			Nakumatt Lifestyle branch.
90			Express branch.
91			Highridge Bldg. 3rd Parklands

No	Supermarket Name	No.	Location
92	Neibas supermarket	1	
93	New Westlands Store	1	Waiyaki Way
94	Parklands Price Rite Lt.	1	Parklands Road
95	Portway Store Limited.	1	Uhuru Highway
96	Rikana Supermarkets	1	Off Outering Road
96	Safeway Hypermarkets	1	Buru Buru Shop.Centre, Safeway Hs Mumias Rd
97	Satellite Supermarket	1	
98	South C. Supermarket	1	
99	Stop & Shop	1	Pangani Shopping Cen, Pangani
100	Stagen Enterprise Limited	1	Umoja East
101	Superbgains Cash and	1	
102	Tesco Corporation	1	
103	Trolleys and Baskets	1	Kasuku Centre
104	Tumaini Supermarket	1	Airport View Estate, Airport N. Rd
	Tusky Mattresses	11	
105			Accra Road
106			Adams Arcade, Ngong Road
107			Dagaruando Bld,Gr Flr,Tom Mboya St
108			Mombasa Road
109			Muindi Mbingu Street
110			Mumias South Road
111			Opposite KBS,Mfangano/Hakati Rd
112			OTC Building, Ronald Ngala Street
113			Pioneer
114			Ronald Ngala Street
115			Tmall Lan’gata Road

No	Supermarket Name	No.	Location
	Uchumi Supermarkets	14	
116			Adams Arcade, Ngong Road
117			Buru Buru
118			City Square
119			Jipange, Thika Road
120			Jogoo Road
121			Koinange/Monravia Street
122			Lan'gata Hyper
123			Mombasa Road
124			Nairobi West
125			Ngong Hyper Ngong Road
126			Sarit Hyper Westlands
127			Taj Mall, North Airport Road
128			Westlands
129			Yarrow Rd, off Nanyuki Rd ind. A
	Ukwala Supermarkets	2	
130			City Stad., Lusaka Rd/ Factory St
131			Ronald Ngala Sreet.
132	Uncle Jim's	1	Huruma shopping centre
133	Vantage Supermarket Ltd.		Ruaraka/Garden Estate Road
134	Westlands General store		Mpaka road.

Source: www.yellowpageskenya.com (2014)