CHALLENGES FACED IN THE STRATEGIC ALLIANCE BETWEEN SAFARICOM AND COMMERCIAL BANK OF AFRICA IN THE PROVISION OF M-SHWARI SERVICES.

BY

JANET AUMA OKEYO OWITI

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DECLARATION

This research project is my original work and has not been presented for any award in any other University.

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

JANET AUMA OKEYO OWITI

This research project has been submitted for examination with my approval as a university supervisor

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

ELIUD O. MUDUDA

Lecturer,

School of Business,

University of Nairobi

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DEDICATION

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ABSTRACT

The main objective of this study was to establish the challenges faced in the strategic alliance between Safaricom and Commercial Bank of Africa in the provision of M-Shwari services. The objective of the study is to establish the challenges experienced in the alliance between Safaricom Ltd and Commercial Bank of Africa as they provide M-Shwari services. The researcher targeted the staff of Safaricom Ltd and Commercial Bank of Africa with a targeted sample of 157 employees in total.

The study adopted descriptive survey research design in order to provide a framework to examine current conditions, trends and status of events. Descriptive research design is more investigative and focuses on a particular variable factor. It is analytical and often singles out a variable factor or individual subject and goes into details of describing them. Data was presented by use of table, charts and bar graph. Data analysis was done using quantitative and qualitative methods. The results showed that there was positive relationship between the independent and the dependent variables. The regression results also concurred with the correlation results. It can therefore be concluded that the service provider of M-Shwari services need to consider all the variables considered in this study in order to improve the success of M-Shwari services and consequently this will improve the performance of the strategic alliance. The research was confined to the selected strategic alliance between Safaricom and Commercial Bank of Africa, and the specific objectives and so the researcher was not able to cover all other areas and variables like market competition, customer service and accessibility among others that needed to be addressed. Further research should be done to cover the effects of strategic alliance in other organizations like the institutions of higher learning, and also the study variables can be further analyzed for more conclusive findings since this study can be of benefit to other organization in Kenya and the world.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The growing integration of the global market place since the 1970s to the new millennium termed as globalization has seen the emergence of all sorts of corporate relationships and linkages from alliances, mergers and acquisitions, partnerships and joint ventures. Strategic alliances have been formed to facilitate entry into new markets and to reduce operation costs. These inter-firm relationships may involve two or more firms from the same industry or from varied parts of the world and cover a range of activities and functions (Stout & Beaucaire, 2009). Competition has increased in the fast changing global market and companies find it hard to go it alone. Many of the resources, skills, capacities and resources that are required by a firm in its current and future prosperity are found outside the firm and out of the management's control. (Faulkner, 2011). Accordingly, managers must think outside these boundaries in order to remain competitive. This clearly indicates that relationships that give a company competitive advantage are not in the firm's assets (Stout & Beaucaire, 2009).

A firm may discover that it lacks at least a very important internal resource that cannot effectively enable it to extend its global reach. As a result, a firm may seek for partners with which to share the cost as well as the risk in the process. Through strategic alliances, companies can improve competitive positioning, gain entry to new markets, supplement critical skills, and share the risk or cost of major development projects.

Regardless of the industry or type of business, strategic alliances are the best way for a company to compete and succeed in today's networked economy (Maria, 2011). The global pace in doing business is accelerating in line with technology and customers continually become more demanding. Markets are moving so quickly that makes it very difficult for one company to stay current on all resources, technologies and competencies and also be successful in all. This further identifies the importance of forming strategic alliances among companies in order to remain current and competitive, maximize profits and be at the top position (Stout & Beaucaire, 2009).

In the 70's, the main factor that was considered was the performance of the product. Alliances aimed to acquire the best raw materials, the lowest costs, the most recent technology and improved market penetration internationally, but the main foundation was the product (Margarita, 2009). In the 80s, the main objective became consolidation of the company’s position in the sector, using alliances to build economies of scale and scope (Margarita, 2009). In the 90’s, collapsing barriers between many geographical markets and the blurring of borders between sectors brought the development of capabilities and competencies to the center of attention. It was no longer enough to defend ones position in the market. It became necessary to anticipate ones rivals through a constant flow of innovations giving recurrent competitive advantage (Harbison & Pekar, 2008).

Strategic alliances, if well implemented can enormously improve an organizations operations and competitiveness (Porter, 1998). Companies form alliances to benefit in technology, get access to target markets, bring down potential risk, to gain and maintain competitive advantage (Wheelen & Hunger, 2010). The global enterprises take advantage of alliances to remain relevant and competitive. According to Drucker, partnership has changed a large part of the corporate culture and the day to day business running. This was assumed to be affected by the business ownership before (Drucker, 1996). Certainly, everyday news reveals that numerous companies form strategic alliances. The number of alliances has almost doubled in the past ten years and is expected to increase even more in the future (Booz, et al., 1997).

Alliances have become a core component of business strategies today in competing market leadership positions. This brings to our attention to explore on two study theories, that is resource based and transaction cost theories. The two major theories are wern (1985) generic competitive strategies models. While the resource based theory suggests that the rationale for alliances is the value creation potential of firm resources that are pooled together, the transaction costs refer to costs that are incurred from activities necessary for an exchange such as writing and enforcing a contract. This research study relates to the use of strategic alliance as an instrument for rapid growth, citing the related challenges and benefits between Safaricom and CBA partners and how they may overcome business environment barriers through the use of M-Shwari banking platform.

1.1.1 Concept of strategic alliance

Strategic alliances have nowadays become a business concept that is aimed at changing the structure and dynamics of competition throughout the world. Relationships are hereby formed with the main objective of creating more value than they can on their own as they remain independent. Safaricom is a mobile service provider and Commercial Bank of Africa (CBA) a financial and banking service provider. These two industries are not in competition with each other but with other companies and banks. Their main objective is to remain together, be valid and competitive in business. According to Johnson et al (1995), a strategic alliance is where two or more organizations share resources and activities to pursue a strategy. This kind of development of joint strategies has become increasingly popular because organizations cannot always cope with increasingly complex environments (such as globalization) from internal resources and competences alone.

A company may find the need to obtain materials, skills, innovation and finances or gain market entry, and find out that these may be easily accessible through partnerships than through ownership. Strategic alliances gives companies a chance to do business hence overcome individual disadvantages (Li & Malin, 2009). According to the definitions above, competition drives companies into strategic alliances to enable them secure a better place in the dynamic global market.

Companies enter into strategic alliances for several strategically beneficial reasons (Stout & Beaucaire, 2009). The three most important are to gain economies of scale in production and/or marketing, to fill gaps in their technical and manufacturing expertise, and to acquire market access. They however posit that strategic alliances are more effective in combating competitive disadvantage than gaining competitive advantage.

1.1.2 M-Shwari Services

M-Shwari was launched in November 2012 through a strategic partnership between Commercial Bank of Africa (CBA) and Safaricom, and took the Kenyan market by storm. M-Shwari is a bank account issued by CBA and subject to all the regulatory requirements of a bank account in Kenya. M-Shwari leverages M-Pesas unparalleled mobile money reach (7 out of 10 Kenyans are active mobile money users) as M-Shwari accounts are the only financial service that customers can access directly via the M-Pesa menu on a mobile device.

Technology in this sector keeps on changing the way people live and work, and also the way banks provide online financial banking services. Almost all aspects of our lifestyles are highly influenced with technology. It involves the exceptional use of computers and cell phones for communication to meet the objectives of doing effective business to satisfy needs and wants of people. Several business enterprises swiftly incorporate the use of computerized financial services in their systems. This may be because of other benefits like speed, security, reduced costs, competition and reliability. Most of the banks in Kenya have rapidly embraced the new technology to enhance their performances enabling them to provide banking services locally and nationally. Mobile phones too have been put in use as a means of providing online banking and financial services (Rumelt, 2012).

Mature industries form alliances because of market and technology related reasons as is perceived between Safaricom and CBA. The quest for global relevance, survival, maintenance of the current market and sustainable development are also strongly related to telecommunication (Douma, 2010). Commercial Bank of Africa (CBA) and Safaricom also introduced Smart Loan, a loan facility for M-Shwari customers that enabled them to buy smartphones and tablets. The customers paid for 30% of the cost of the device and then pay for the difference in installments of up to six months. The service was available for all smartphones and tablets available in Safaricom shops. M-Shwari is a new banking platform that enables customers to save, earn interest, and access small amounts of credit instantly via their mobile phones. M-Shwari is a new banking product of Safaricom and Commercial Bank of Africa. Through M-Pesa platform, users of M-Shwari can now save and borrow money through the use of mobile phones while earning interest on savings. M-Shwari can be defined as a Swahili word that means making something better with the purpose of changing the lives of the users and Kenyans as a whole. With this product and service on mobile phone, users are assured of several benefits which include convenience of mobile banking, safety and fast self-service with no transactional charges between M-Shwari and M-Pesa. It also offers other exceptional services like access to credit facilities like loans.

This banking service has shown the way to several banks to reassess the services they offer in their pursuit for retail customers in order to remain relevant and competitive in this financial section. M-Shwari is spreading its tentacles very fast as it targets the over ten to twenty million M-Pesa users country wide with the objective of providing efficient and productive financial services (Sellitz et al., 2011). Strategic alliances are therefore being formed with such enthusiasm nowadays as no company on the market today is big and strong enough to do everything on its own (Douma, 2010).

1.1.3 Safaricom and Commercial Bank of Africa

As with any relationship, the aspect of communication is essential for the alliance to be considered successful. Any alliance relies on effective communication between the partners without which doubt and mistrust sails in manifesting a poor relationship between them which may lead to dissolution (Faulkner, 2011). As summed up by Faulkner, (2011) both the partners in the alliance strongly believe that they would be stronger together than when they go it alone. They all have to work with integrity over time to make their strategy successful over time (Ohmae, 2012).

The two organizations are in the alliance but have remained independent, current and relevant in providing financial services to Kenyans to stimulate growth at all levels. The country has majority of people especially low level income generators engaging in many small business activities. They now have access to money at their convenient, anywhere and at any time through mobile phones. Safaricom is the leading mobile service provider in Kenya since the year 1997 while CBA is a prominent bank too with vast experience in financial service provision from the time it established its branch here in Kenya. Both have teamed up to offer M-Pesa users a chance to save as well as access money in alliance that could make the bank popular to be the largest in terms of territory and customer base. The telecommunications industry is continuously changing and the change is also driven by intense competition. Improved cell phone service has prompted tens of millions of users to do away with their landlines in favor of mobile phones to speed up online banking solutions.

Strategic alliances allow a company to venture into an opportunity promptly, maximizing the available resources and knowledge of the other company (Porter, 1998). Less resources are utilized than if a company pursued a market individually. Implementing and managing all may be difficult because each alliance partner has a different way of operating. Mistrust could occur, particularly when competitive information is involved. The alliance partners could become more dependent on each other, making it difficult to operate again as separate entities if required. Safaricom is in strategic alliance with commercial bank of Africa (CBA) which has held the M-Pesa money transfer trust account since its inception. It is now the main channel through which agents of Safaricom enjoy their electronic money reserves. (Gulati, 2008) explains that strategic alliances involve exchange and sharing, or co-development of products, technologies, or services. The technology service in

Safaricom is now used to facilitate and offer banking services in collaboration with CBA bank.

1.2 Research Problem

During the past decade, companies in all types of industries and in all parts of the world have elected to form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness, in domestic and international markets (Ohmae, 2012). However as the number of strategic alliances continues to surge we also see companies getting out of such relationships quickly a trend that indicates that there intricate issues that have to be handled very well in alliances if they are to grow to maturity to achieve the initial objectives set for them (Sellitz et al., 2011).

Johnson & Johnson and Merck entered into an alliance to market Papcid AC; Merck developed the stomach distress remedy and Johnson & Johnson functioned as a marketer. The alliance made Pepcid products the best-selling remedies for acid ingestion and heartburn (Strickland, Thompson & Gamble, 2010). Another example is Microsoft and Toshiba in the development of the run-a-back-seat DVD player with wireless internet connection. The processes run a version of Microsoft Windows CE operating system. So Microsoft brings in the software engineering skills and Toshiba its skills to develop microprocessors. Strategic alliance can make sense to form an alliance that will help the firm establish technological standards for the industry that will benefit the firm. An example being; In 1999, Palm computers, the leading maker of PDA (Personal Digital Assistants) entered into an alliance with Sony whereby Sony agreed to license and use Palm's operating system in Sony's PDA's (Hill, 2011).

Chesang (2012), found out that restructuring policy need to be adopted to solve the banking crisis in the banking sector through the merger approach. It was observed from his study that most merged banks and those who were on alliances recorded improvement in terms of performance indicators within minimum statutory requirements. Hence mergers and strategic alliances can still be a considered option in the case of medium sized banks. This therefore is indicative that additional research is required to establish the factors that contribute to success and failure of such alliances, and the study will narrow in to the alliance between Safaricom and Commercial Bank of Africa in the banking service of M-Shwari (Dong & Glaister, 2007).

In the current competitive market, many organizations cannot operate alone without partnering with others. The main agenda is bringing together the resources available from both organizations that enhance synergy for better operation in the volatile business environment. Technological changes coupled with increased in demand for better services at a cheaper cost by customers has generated more competition. Innovation and consistent research is the only way forward for an organization to prosper in the competitive market. (Ogega, 2010). The research question here is therefore, what are the challenges encountered by Safaricom and CBA in the provision of M-shwari service?

1.3 Research Objective

The objective of the study was to establish the challenges experienced in the alliance between Safaricom Ltd. and Commercial Bank of Africa as they provide M-Shwari services.

1.4 Value of the Study

This study explored the CSF (Customer Service First) objective in the provisioning of the M-Shwari services. The study results may be relevant to the following groups of people and organizations in the service industry:

Decision makers at the various levels of management at Safaricom and Commercial Bank of Africa will gain value added information on challenges of strategic alliance and as a key enabler of enhancing performance and productivity. The government of Kenya will also be able to understand how lean six sigma influences performance of Organizations. This will assist the government to improve on areas that negatively influence strategic alliances to enhance performance.

This study is also significant to policy makers of the Republic of Kenya. As most alliances continue to perform dismally and even disintegrate, it is anticipated that policy makers will replicate findings from the study that best suit the Kenyan scenario which will improve the continuity of such strategic alliances. The study will be quite enriching to researchers, academic institutions and scholars. This is because it will add to their knowledge and enable them to be more informed when considering forming strategic alliances thus make proactive measures to eliminate such challenges. This is mainly so because the study aims to highlight challenges affecting strategic alliances in the service industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section extensively reviewed literature on the previous related studies relevant to the study topic. It was organized into the following sections: the concept of strategic alliances, financial challenges facing strategic alliances, operational challenges facing strategic alliances, application challenges facing strategic alliances, customer attitudes and strategic alliances and the theoretical orientation of the study. It also included the conceptual framework and the theoretical framework of the study.

2.2 Theoretical Foundation of the Study

Companies should not highly consider strategic alliances as a key answer for every condition in market but as a way of competitive advantage, relevance and affordability. Therefore, through strategic alliances companies may as well increase their viability and strategically re-position themselves to market as they develop skills, share risks and costs involved (Li &Malin, 2009). This study will be supported by the resource based theory and the transaction cost theory as discussed below;

2.2.1 The Resource Based View

According to RBV, it is more convenient to exploit external opportunities taking in to account the already existent resources in a new way than attempting to learn new skills for different opportunities. In the RBV model, resources have the major role in aiding companies to attain high organizational performance.

The resource based view (RBV) of the strategy takes into account that the company assets are primary input for overall strategic planning, giving prominence to the way in which competitive advantage can be achieved through uncommon combinations. To convert a short-term competitive advantage into a sustainable competitive advantage demands that the available resources are varied and not perfectly mobile. More so, this principle translates into valuable resources which may not be copied or replaces with less effort. If the firm’s strategy gives it special importance and achieve its goal, its resources can aid it to maintain above average returns.

The resource based theory suggests that the rationale for alliances is the value creation potential of firm resources that are pooled together (Wernerfelt, 2011). Porter’s (1985) generic competitive strategies propose that firms can focus on strategies that can enable them gain competitive advantage against their competitors. Major aspects of strategic alliances' resources include rationale, formation, structural preferences, and performance. And resources are defined as tangible and intangible assets which are tied semi-permanently to the firm (Wernerfelt, 2011). Porter (1985) defines competitive strategy as the art of relating a company to the economic environment within which it exists. The resource based theory pays close attention to the analysis of various resources possessed by a firm. A firm's competitive strategies are majorly affected by its accumulated resources and assets would determine what it accomplishes (Barney, 1991). The involvement of the resource based theory is that it develops the idea that a firm's competitive position is defined by a collection of unique resources and relationships and thus provides a balance on environmental models of strategy (Rumelt, 2012).

2.2.2 Transaction Cost Theory

The transaction cost approach to the theory of the firm was brought into existence by Ronald Coase in 1937. Transaction cost refers to the cost of providing for some good or service through the market rather than having it provided from within the firm. In order to carry out a market transaction it is necessary to discover who it is that one wishes to deal with, to conduct negotiations leading up to a bargain, to draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. Transaction cost theory explains why companies exist and the reasons for their expansion or outsource some of their activities to other firms. This theory also helps us to understand why firms tend to reduce the costs of exchanging resources with other firms, and that firms try to reduce the bureaucratic costs of exchanges within the company. Companies therefore tend to compare the cost of partnerships/outsourcing against performing the tasks on their own.

According to Ronald Coase (1937), every company will expand as long as the company's activities can be performed cheaper within the company, than by e.g. outsourcing the activities to external providers in the market. According to Williamson (1981), a transaction cost occurs when a good or a service is transferred across a technologically separable interface. Therefore, transaction costs arise every time a product or service is being transferred from one stage to another, where new sets of technological capabilities are needed to make the product or service. Strategically, managers must therefore weigh the internal transaction costs against the external transaction costs, before the company decides whether or not to keep some activity in-house, or to e.g. outsource the activity to the environment. This in effect leads to growth in the market share. This strategy is mostly associated with large businesses offering standard products that are clearly different from competitors who may target a broader group of customers (Porter, 1985). Even though, a low cost does not always lead to low prices, costs are reduced competitively to leverage on a bigger margin on competitors to exploit the benefits. A company like Toyota is good in producing quality vehicles at a lower price but has brand and marketing skills that enable it sell and survive amidst competition.

2.3 Empirical Foundation

Over the years, this fact has received considerable attention from a theoretical point of view. The primary aim of the enterprises entering into a strategic alliance is to ascertain a network for sharing each other's advantages and interests and for using each other's resources. Companies enter into an alliance with the same objective, the risks that they take are also collective (Li & Malin, 2009). This relationship is formed by common organizational goals or benefits in order to create an entry barrier (Gulati & Singh, 1998). Stout and Beaucaire (2009) defined a business strategic alliance as more than one person/company collaborating to achieve a result-ultimately to increase profitability.

Safaricom and CBA reached out for each other to share and combine new telecommunication and banking technology services to provide growth to micro-business enterprises.

The two partners, Safaricom and CBA, are financially involved in the alliance, they share the costs, profits and risks of the strategic alliance. Faulkner (2007) provides four factors which play a key role in the successful management of alliances; positive partner attitudes, clear organizational arrangements, a learning philosophy and congruency long-term goals. This explicitly state the specific demands placed upon managers in a strategic alliance. The success or failure of alliance mainly lies on its management than the circumstances that underlies its initial creation.

Faulkner's advice on successful alliance is to adopt the four concepts of the model. His model of successful alliance management further describes issues like lack of partner integration and customer management of which pose enormous management challenges. A deduction is here made that careful and strict management; organization and control are the three processes upon which the creation of the alliance development is based. Therefore the type of relationship determines the longevity of the alliance and level of interest. But then, the commitment to successful strategic alliance is higher when alliance partners are competitors than when they are not and with low turnover when they are non-competitors.

The stages of strategic alliance formation may take different approaches or divergent views depending on the objectives of partnership. But then, under normal considerations, first there needs to be a development plan which involves alliance's feasibility study on issues to do with objectives, challenges, resources and market. The next is partner appraisal which involves analyzing potentiality and motive for joining the alliance and resource capability. Another issue is signing of contract which determines partners' practical objectives, defining their roles and contributions, penalties related to performance and information protection procedures in the alliance. Another step is alliance operation or management which involves the skills, expertise, performance, assessment and resources within the alliances. The last one is alliance termination which involves ending the alliance whether objectives are met or not or when one partner fails to adjust to rules of performance (Coopers & Lybrand, 1997).

2.4 Challenges Faced in the Provision of M-shwari Services

Strategic alliance is the partnership between a firm and others which aim at achieving certain strategic/specific goals. This is achieved when two or more companies decide to come together, sharing resources and activities to pursue a common strategy (Wernerfelt, 2011). As the world becomes a global village, companies are faced with many challenges that they cannot address on their own and therefore find themselves reaching out to their counterparts to form an alliance that will help them counter financial, operational, application and customer attitude challenges. Companies continue to succeed in building strategic alliances and successful relationships with customers, suppliers, competitors among other partners. Evidently, strategic alliances and firm partnerships are becoming more important to success in almost all economic sectors thanks to the dynamics of economy. For instance alliances with other companies provide companies with expensive systems and technological knowhow and market access for key products, while passing some of the risks of product development to its clients and to gain access to the company's process technologies and manufacturing infrastructure (Faulkner, 2007).

Similarly, the giant and most financially stable companies have come to a conclusion that racing to be a global market leader and holding the highest stake in the industries future requires the company to have many and elaborate skills, resources, technological knowhow and be able to compete rather than start and run a business alone, or attempt to enter a market alone (Thompson et al 2004). The most common reasons why companies enter into strategic alliances are to collaborate on technology or the development of promising new products, to overcome deficits in their technical and manufacturing expertise, to acquire new competences, to improve supply chain efficiency, to gain economies of scale in production or marketing and to acquire or improve market access through joint marketing agreements (Wernerfelt, 2011).

Successful strategic thinking can help maximize resources, add value to business and induce positive change in business. Successful alliance builds on the strengths of each party to nurture the relationship which is very important during the early stages of service provision. An alliance needs to concentrate on the vision and strategy for the partnership, including market analysis and a competitive assessment (Maria, 2011). Another aspect in consideration is an honest self-assessment that articulates the organizational strengths and weakness as well as culture (Maria, 2011). She further illustrates that the outcome of such includes an alliance game plan, partner selection criteria, cultural self-assessment and a negotiating strategy.

2.4.1 Financial Challenges and Mobile Banking Services

Most alliances are not successful because of the dynamic business environment. Integrity in business is important for the business partners in strategic alliances aiding in having the difficult discussions that would change the alliance with time making it durable. As the corporate strategies change resulting from the dynamic business environment, the assumptions upon which the strategic alliance was formed at the beginning of the alliance also change. The change makes the strategic alliance valid as the business environment changes with time. What was once a strategic investment may no longer remain strategic without modification to the terms of the alliance. In the most extreme cases, the trust built between the two companies enables the adaptability and renegotiation of the financial terms to accommodate changes in market or other conditions that impact one of the partners.

Strategic alliance organizations are feeling increased pressure. As critical personnel become stretched and financial resources become scarce, strategic alliance organizations must allocate their resources in the most efficient manner possible so that truly strategic alliances can support and accelerate the strategy of the business. The management principles, also described above, are the next steps towards improving the effectiveness of the strategic alliances themselves (Douma, 2010).

Strategic planning for any business involves allocating resources toward long-range goals. Almost without exception, long-term planning involves depending on certain financial assumptions, whether they relate to product success, marketing costs, key employees, the outcome of litigation matters or any number of contingencies. Accordingly, various unexpected financial problems may arise which will impact strategic planning. The strategic vision for a company often comes from its executives. They are charged with evaluating the competition, identifying corporate opportunities and developing and implementing the business plan. A strategy may relate to certain markets (product markets or geographic markets) or it may relate to the improvement of internal work processes and overall efficiency of the enterprise, or a myriad of other goals. Regardless of the objective or objectives a corporation may have, it is important to plan for financial contingencies and be able to adapt since unwelcome surprises can frequently occur.

The success of strategic planning is largely dependent on the success of financial planning. Without access to capital, plans cannot be put into action. So, if a company is relying on credit to finance an expansion, and suddenly credit to consumers is unavailable due to adverse market conditions, strategic planning will suffer. Likewise, if a company is depending on equity capital to fund its strategic objectives, it may be disappointed if cash is misappropriated, or if due to an emergency the capital must be allocated to more urgent matters. Furthermore, assumptions about profitability may be overly optimistic, thus there may be insufficient retained earnings available for re-investment in strategic objectives.

2.4.2 Operational Challenges and Mobile Banking Services

Management frequently is responsible for the capital budgeting process. This involves forecasting sales and related expenses, and making financial estimates for future comparison. Inherent in these estimates are assumptions about financial performance, which may prove to be unreliable. For instance, sales can be down dramatically from previous years, costs of doing business can increase without notice, the sales cycle may be longer than expected, and market demand may be smaller than expected. These operational issues cause immediate financial problems that adversely impact strategic planning (Spratt et al., 2010).

Sophisticated management knows that strategic planning requires being able to adapt to innumerable changing operational and financial variables. Thus, if a company is experiencing financial problems, management may implement measures to lower its "burn rate," or negative cash flow, by cutting expenses until the unwelcome problems are resolved. Continuous dynamic adjustments of the strategic plan and its financial constraints make it a work in progress, not an all-or-nothing proposition. Accordingly, best practices in change management suggest that the optimum strategy is to diversify strategies, since depending on only one to work out may be overly optimistic (Maria, 2011).

Globalization has radically altered the way operations managers conduct their day-to-day activities. Landforms, distances, and time zones no longer separate people from information. Because of this, modern corporations can—and, in some competitive instances, must—base their operations in any number of countries to minimize costs and maximize performance efficiency. Consider Toyota, an automobile company headquartered in Tokyo, Japan. Toyota has made significant investments in American operations. Even though companies such as Ford and GM pride themselves on domestic manufacturing, Toyota's popular Avalon model is actually considered one of the most "American-made" cars. Assembled in Kentucky, the Avalon contains nearly 85 percent North American parts. Globalization turned Toyota and other foreign automakers into giants in the United States—and nearly put American automakers out of business (CBK, 2015).

The instantaneous availability of information is directly attributable to modern technological advancements. Technologies such as global positioning systems (GPS) and radio-frequency identification (RFID) have revolutionized inventory management. Corporations can now account for inventory in real time, no matter how dispersed it is. What's more, these technological advancements have made planning systems more precise, thereby narrowing operations managers' margins for error. Technology is moving at breakneck speed. Keeping up can be rewarding, but failing to do so can be catastrophic. The global marketplace has been, and is continuing to be, redefined by new priorities. With a growing population depending on a fixed amount of resources, companies are being forced to make sustainability a priority (Douma, 2010).

2.4.3 Application Challenges and Mobile Banking Services

M-Shwari users complain about the low loan limits. M-Shwari customers have reported difficulties in repaying their loans in a month, especially in emergencies when it takes them time to recover financially. When one applies for M-Shwari loan and it is approved, the funds are disbursed directly to the M-Pesa account. M-Shwari loans have to be manually repaid; sometimes the customer may not remember the exact date of repayment or the exact amount (Maria, 2011).

Despite the convenience and efficiencies banks have presented to customers by leveraging mobile phone technology, the issue of affordability of their services still remains a major challenge. As more customers are brought to the formal financial services space, banks and other financial service providers have started to enjoy economies of scale, which should reduce unit costs drastically, and the resultant benefits should be passed to customers through lower charges. (Spratt et al., 2010). Leveraging on mobile phone technology to mobilize savings as well as advancing credit is a move in the right direction. It raises Kenya's innovation in financial inclusion to the next level and aids to retain its leadership in innovative instruments of financial inclusion. The lengthy and tedious credit appraisal processes will be minimized. As a result, M-Shwari provides an opportunity for lowering the cost of credit. Use of mobile phone technology to process credit applications provides a source of information capital to Kenyans who may not possess physical collateral such as title deeds for securing loans."(CBK, 2015). If the loan is not repaid by day 31, it is automatically renewed for an additional 30 days, and the customer receives a text letting him/ her know that if the loan is not repaid, it will be reported to the credit bureau as required by law. If the loan remains unpaid, a second reminder is sent on day 60, a third and final reminder is sent on day 90, and the loan is reported on day 120. The late repayment will remain on the credit bureau for five years, but once the balance is cleared, the status will change to paid (Spratt et al., 2010).

2.4.4 Customer Attitudes and Mobile Banking Services

M-Shwari, the Swahili word for calm, acts as an extension of M-PESA and appears as part of the menu when using the M-PESA application. Consumers have the ability to receive credit from CBA, subject to approval. Furthermore, it can also operate as a mode of savings, acting as another location to store one's monetary reserve. M-Shwari is just as accessible and easy to use as its parent platform, and shares many characteristics. There is no minimum balance required, and enrollment is completely free. Its meteoric rise is also comparable to M-PESA, with over 2.3 million individuals using the system during its first four months (CBK, 2015). In the first three months of 2014, approximately 15% of active M-PESA consumers used M-Shwari. The attribute that sets M-Shwari apart from M-PESA is the partnership with the CBA. This relationship allows consumers to now store their excess mobile money reserves in a CBA account, garnering interest, therefore promoting saving. On average the loans taken out hovered around $12, and were subject to a 7.5% interest rate upon repayment (CBK, 2015). Credit history is derived from the customer's previous interactions with Safaricom, creating instances where individuals are denied due to unpaid loans from other facilities and late loan repayment. In addition, the 7.5% rate is viewed as quite fair, as most micro credit loans are accompanied by even higher interest rates. The interaction with M-Shwari can be seen as another important tool in promoting financial capability. The service allows hands on experience with credit, as well as promoting savings. This also provides customers with interactions with banks, teaching them the importance of interest and planning ahead to repay a loan.

2.5 Conceptual Framework Model

Figure 1 is a conceptual framework analysis model providing the relationship of variables as would be used in the study.

A Conceptual Framework Analysis Model

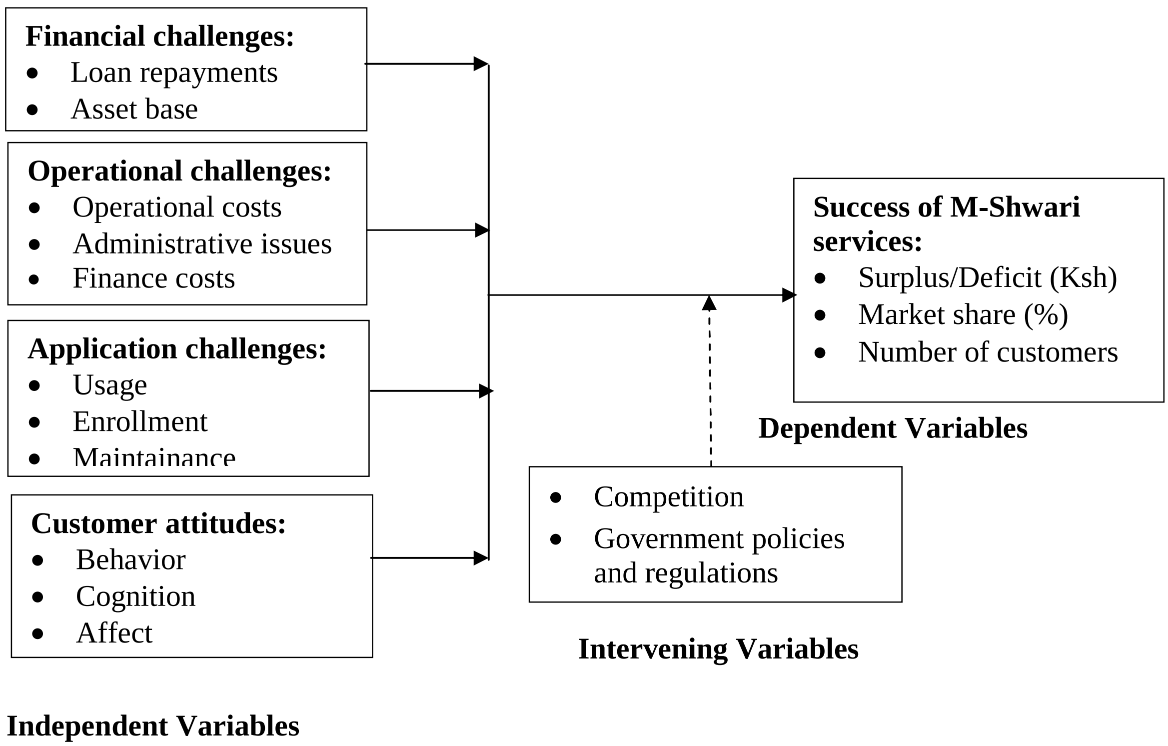

Figure 1: Conceptual Framework

CHAPTER THREE : RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents and provides description of the research methodology that was used to carry out the study. It was guided by the research objectives as in chapter one. The methodology of this study covered research design, target population, sampling procedure, the sampling size, data collection instruments, data collection procedures, data analysis, interpretation of data and ethical issues involved.

3.2 Research Design

The study adopted descriptive survey research design in order to provide a framework to examine current conditions, trends and status of events. Descriptive research design is more investigative and focuses on a particular variable factor. It is analytical and often singles out a variable factor or individual subject and goes into details of describing them. According to Cooper & Schindler (2003), such a study is concerned with finding out what, when, where and how of the relevant phenomena.

3.3 Data Collection

The target population of the study were Heads of departments and their assistants in Safaricom Ltd and Commercial Bank of Africa, in the departments of Finance, Corporate strategy, Marketing, Risk management, Legal and Regulatory Department and a ten staffs members in the respective departments. The study utilized mainly, primary and secondary data from individual departments executing and implementing the M-Shwari services. For the information to be valid the targeted source of information was people who have been in the two organizations for a minimum of three years who may have substantial information on the history of the organization and the total target population was 157 employees. Secondary data included management reports, organizations' magazines and research papers on strategic alliance management. Prior to field work, desk research was conducted on the organization. Field work was then conducted with support from the research team.

Data collection instruments involved methods which were used to collect data from the selected respondents. This research study used structured developed questionnaires to collect primary data from respondents. The questionnaires were administered through drop and pick later method. Questionnaires were used because each respondent was capable to receive the same set of questions in exactly the same way. Questionnaires may therefore yield data more comparable than information obtained through an interview. The questionnaire had both open and closed ended questions to allow respondents to express their opinions. Open and closed questionnaires with brief instructions which allowed the respondents to tick the opinions they agree or disagree with, and express their views with regards to the questions being asked.

1.1.1 Table 3.1 Target Population

Company	Category	Population Size	Total
Commercial Bank of Africa	Department heads	5	
	Assistant Department Heads	10	65
	Staffs	50	
Safaricom Kenya Limited	Department heads	5	
	Assistant Department Heads	15	92
	Staffs	72	
Grand total			**157**

Source: (HR records, 2016)

3.4 Data Analysis

Data was analysed using both descriptive and inferential statistics. The SPSS V21 was used because it gives quantitative results. This descriptive statistical tool helped the researcher to describe the data and the features of data that were of interest. Quantitative data was computed for inferential statistics (Pearson moment correlations) with a 0.05 test significance level. Pearson correlation was used to compare the variables, where two sets of the variable were compared to see the extent to which they are related and if they could be used to predict each other. The correlation between the two sets of variables indicated by means of correlation coefficients. A positive coefficient ranges from 0 to 1.0 while a negative coefficient ranges from 0 to -1.0. 1 is a perfect correlation and 0 indicates that there is no correlation between two sets of variables. This helped in obtaining a meaningful conclusion. The SPSS V21 software was chosen because it is the most used package for analyzing survey data., it is user friendly, can easily be used to analyze multi-response questions, cross section and time series analysis and cross tabulation; (i.e. relate two sets of variables) and it can also be used alongside Microsoft Excel and Word.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents and analyses the findings, interprets and presents data in line with the objectives of the study. The study was designed to establish the challenges faced in the strategic alliance between Safaricom and Commercial Bank of Africa in the provision of M-Shwari services.

4.2 General Information

The study conducted a survey with all the target population of 157 employees which included the staffs of both Safaricom and Commercial Bank of Africa. However, out of the 157 questionnaires distributed, 122 respondents completely filled in and returned the questionnaires which comprised 78% of the respondents, 22% which represented the missing 35 questionnaires were as a result of half-filled questionnaires and displaced ones. This was a reliable response rate for data analysis. Mugenda & Mugenda (2003) pointed that a response rate of 60% is good and a response rate of 70% and over is excellent.

Table 4.1 Response Rate

Category	Frequency	Percentage
Filled and returned questionnaire	122	78
Unreturned questionnaires	35	22
Total	**157**	**100**

Source: (Research Data, 2016)

The findings of the study showed that 66% of the respondents were male while 34% were female. It was inferred therefore that the majority of the respondents were male. The findings inferred that most of the staff of Commercial Bank of Africa and Safaricom Kenya limited have attained university level; a level sufficient to influence favorably their comprehension of challenges from strategic alliances. It was also evident that most of the respondents (76%) were staff followed by assistant departmental heads (16%), then departmental heads who were 10%.

4.3 Knowledge and Information on M-Shwari Services.

The study sought to collect information on the level of knowledge and information the respondents had on the challenges faced in the strategic alliance between Safaricom limited and Commercial Bank of Africa.

The findings were as follows;

Table 4.2 Reason for strategic alliance

Category	Frequency	Percentage
Increase market share	109	89
Increase revenue/ profit	121	99
Technological purposes	121	99
For synergy	115	94
All the above	119	98

Source (Field data, 2016)

From the findings, the strategic alliance was formed to increase market share (89%), increase revenue (99%), for technological reasons (99%), for synergy (94%) and for all the stated reasons (98%). Most of the respondents indicated that the firms combined their efforts to, share knowledge, expertise, and expenses as well as to gain entry to new markets of M-Shwari services or to gain a competitive advantage in one. The firms now had the ability to enter a market that neither could enter alone. Additional points included dividing risks, setting new standards for technology and enhancing competitiveness.

The findings inferred that most of the respondents (88%) were of the view that the strategic alliance would take a longer term. However 15% of the respondents were of the view that the strategic alliance will take a medium term.

The findings inferred that 89% of the respondents were of the view that M-Shwari services provided small loans, 90% selected savings, 16% selected interest, 98% selected convenience of mobile banking, 71% selected safety and self-service, 94 % selected no transactional fees while 83% selected all the above listed option. This inferred that M-Shwari services have vast benefits to the users.

4.4 Challenges of M-shwari Services

The study sought to collect information on the level of knowledge and information the respondents had on the challenges faced in the strategic alliance between Safaricom limited and Commercial Bank of Africa.

4.4.1 Challenges in accessing the application of M-Shwari

The respondents were requested to give their opinions on the challenges they face in accessing the application of M-Shwari and the findings were as follows;

Table 4.3: Challenges in accessing the application of M-Shwari

Challenge category	Mean	Std. Dev.
Financial challenges	2.57	1.405
Operational challenges	3.21	1.316
Application challenges	4.17	0.978
Customer attitudes	3.69	1.115
All the above	3.62	1.208
Aggregate Scores	**3.452**	**1.249**

Source: (Research Data, 2016).

Table 4.3 shows that the majority of the respondents were in agreement that a major challenge in assessing M-Shwari service was customer attitudes as indicated by a mean value of 3.69. Respondents strongly agreed with a relatively high mean of 4.17 that application challenges are experienced by the users. The respondents also agreed that all the mentioned challenges are experienced, with a mean value of 3.62. However, the respondents were neutral as to whether the financial challenges and operational challenges are realized by the users as indicated by the mean scores of 2.57 and 3.21 respectively.

The results were in agreement with the assertion that users experience various challenges when using the M-Shwari application. The general level of agreement towards application challenges implied that to a large extent the users need some guide on the application. The aggregate M= 3.452; SD= 1.249, the mean value was higher than the SD value that implied that a moderate number of employees agreed on the challenges of M-Shwari services and that they drew individual value from the use of the application.

4.4.2 The rate at which the challenges affect the success of M-Shwari services

The study also determined to establish the rate at which the challenges affect the success of M-Shwari services and the findings were as follows;

Table 4.4: The rate the challenges experienced affect the success of M-Shwari services

Measure	Mean
None	0
Little	0.0413
Neutral	0.1074
Moderate	0.198
Very significant	0.653
Aggregate score	**0.2488**

Source: (Research Data, 2016)

The findings indicated that most of the respondents (Mean= 0.653) had the view that there were vast challenges experienced by the users of M-Shwari services. However, with the aggregate score of 0.2488, it was evident that the challenges experienced by the customers were at a low rate and cannot affect full implementation and success of the M-Shwari services.

4.4.3 Financial challenges in the use of M-Shwari services

The study was also determined to establish the rate at which the financial challenges affected the success of M-Shwari services and the findings were as follows;

Table 4.5: Financial challenges on the use of M-Shwari services

Measure	Mean
None	0.003
Little	0.754
Neutral	0.0851
Moderate	0.424
Very significant	0.217
Aggregate score	**0.766**

Source: (Research Data, 2016)

The findings indicated that most of the respondents (Mean= 0.754) had the view that there were less financial challenges experienced by the users of M-Shwari services. However, with the aggregate score of 0.766, it was also evident that the rate at which the financial challenges were experiences was high and affected the full implementation and success of the M-Shwari Application.

4.4.4 Financial challenges that are faced in M-Shwari business

The study sought to establish the rate the financial challenges affect the success of M-Shwari services and the findings were as follows;

Table 4.5: Financial challenges from use of M-Shwari services

Category	Mean	Std. Dev.
Credit to consumers	2.49	1.329
Equity to capital	2.32	1.162
Cash is misappropriated	2.55	1.217
Retained earnings	3.74	1.117
Profitability	2.77	1.242
All of the above	2.29	1.392
Aggregate scores	**2.69**	**1.243**

Source: (Research Data, 2016)

Table 4.5 shows that the aggregate M= 2.69; SD = 1.243 implied that there was a high variation on the financial challenges, the low mean value indicated that few people agreed on the availability of financial challenges. Retained earnings received the highest rating with a mean score of 3.74. There was a strong indication that there was less challenge on credit to customers as majority of the respondents strongly disagree as indicated by a mean score of 2.49. There was also an indication that there was a less equity to capital challenges as indicated with a relatively low mean of 2.32. The study further indicated that the challenge of cash being misappropriated is very minimal (M=2.55). According to the majority of respondents the profitability challenge was evident, as shown by mean of 2.77; and the option that indicated that all the listed challenges were experienced by the users had a mean score of 2.29.

The findings therefore showed that there were low mean values on the listed financial challenges. Hence, the findings indicated that the listed financial challenges affect M-Shwari users.

4.4.5 Operational challenges affecting the success of M-Shwari services

The study sought to establish the rate at which operational challenges affected the success of M-Shwari services and the findings were as follows;

Table 4.6: The rate the operational challenges experienced affect the success of M-Shwari services

Measure	Frequency	Percentage
None	4	3
Little	44	36
Neutral	27	22
Moderate	35	29
Very significant	12	10
Total	**122**	**100**

Source: (Research Data, 2016)

The findings indicated that 61% of the respondents were of the view that the operational challenges were experienced at a minimal rate. While 39% of the respondents were of the view that the operational challenges were experienced by the users at a high rate.

4.4.6 Operational challenges affecting the success of M-Shwari services

The study sought to establish the operational challenges affecting the success of M-Shwari services and the findings were as follows;

Table 4.7: Operational challenges affecting the success of M-Shwari services

Aspects of operational challenges	Mean	Std. Dev.
Longer sales cycle	3.96	1.008
Smaller market demand	3.41	0.993
Increase in Cost of doing business	3.79	0.928
Accounting for inventory	1.72	0.987
All of the above	2.23	0.994
Aggregate Scores	**3.022**	**0.969**

Source: (Research Data, 2016)

The findings showed that the aggregate score for operational challenges is; M= 3.022; SD =0.969, indicating that respondents agreed that operational challenges existed for the users of M-Shwari, the service providers therefore needed to venture into ways of communicating to the users how to operate the M-Shwari application. There was also general level of agreement that M-Shwari services increased the cost of doing business with a mean of 3.79. Generally, most of the respondents disagreed with the challenge of accounting for inventory as indicated by a mean of 1.72; that all the listed challenges were experienced from M-Shwari services scoped a mean of 2.23 and that they were satisfied with the work life balance policies provided by their employers with a mean of 2.17. However, they were neutral on the aspects that they enjoyed serving their clients by a mean of 3.32 and that the services had a smaller market demand and had a mean value of 3.41, showing neutral decision. On the challenge of longer sales cycle, they agreed to an extent as indicated by a mean of 3.96.

The findings therefore indicated that the operational challenges affect M-Shwari services to some extent.

4.4.7 Application challenges affecting the success of M-Shwari services

The study sought to establish the application challenges affecting the success of M-Shwari services and the findings were as follows;

Table 4.8: The rate the application challenges experienced affect the success of M-Shwari services.

Measure	Frequency	Percentage
None	0	0
Little	29	24
Neutral	33	27
Moderate	47	39
Very significant	13	10
Total	**122**	**100**

Source: (Research Data, 2016)

The findings indicated that 76% of the respondents were of the view that the application challenges are experienced in the use of M-Shwari services. While 24% were of the view that the application challenges are minimal.

4.4.8 Operational challenges affecting the success of M-Shwari services

The study sought to establish the operational challenges affecting the success of M-Shwari services and the findings were as follows;

Table 4.9: Operational challenges affecting the success of M-Shwari services

Aspects of operational challenges	Mean	Std. Dev.
Loan limits	2.77	1.242
Monthly repayments	2.29	1.392
Convenience	2.46	1.427
Manual loan repayments	4.08	1.275
Access	2.59	1.234
Remembering exact date of repayment	2.63	1.31
All of the above	3.08	1.27
Aggregate Scores	**2.557**	**1.12**

Source: (Research Data, 2016)

Majority of respondents agreed that the challenge of manual loan repayments was experienced as indicated by mean of 4.08; the loan limit challenge got a mean score of 2.77; and remembering the exact date of repayment scored 2.63. The challenge of accessing the Mshwari service scoped a mean of 2.59 implying that it was minimal while the challenge of convenience and monthly repayments got mean scores of 2.46 and 2.29 respectively inferring that they were also minimal. The option of all the listed challenges scoped a mean of 3.08 implying that the application challenges listed affect M-Shwari services.

4.4.9 Customer attitudes and the success of M-Shwari services

The study sought to establish the customer attitude challenges affecting the success of M-Shwari services and the findings were as follows;

Table 4.10: Customer attitudes and the success of M-Shwari services

Measure	**Frequency**	**Percentage**
None	0	0
Little	07	6
Neutral	11	9
Moderate	61	50
Very significant	43	35
Total	**122**	**100**

Source: (Research Data, 2016)

The findings indicated that 94% of the respondents were of the view that customer attitude challenges are experienced through M-Shwari services. While 6% were of the view that the customer attitude challenges are minimal.

4.4.10 Aspects of customer attitudes affecting the success of M-Shwari services

The study sought to establish the aspects of customer attitudes affecting the success of M-Shwari services and the findings were as follows;

Table 4.11: Aspects of customer attitudes affecting the success of M-Shwari services

Aspects of operational challenges	Mean	Std. Dev.
Emotions	3.41	0.993
Past experience with the providers	3.79	0.928
Ability	4.17	0.978
Cultural environment	3.62	1.208
Knowledge	3.67	1.328
Intentions	2.63	1.31
All of the above	3.17	0.964
Aggregate Scores	**2.557**	**1.12**

Source: (Research Data, 2016)

According to the most of respondents, the challenge of emotions is evident as indicated by mean of 3.41; past experience with the providers got a mean score of 3.79; and ability of customer to use the service scored 4.17 indicating that it was a major challenge. The challenge of access scoped a mean of 2.59 that implied that it was minimal while the challenge of cultural environment and knowledge got mean scores of 3.62 and 3.67 respectively that inferred that they were the major challenges experienced. The challenge of intentions also scooped a mean of 2.63 meaning it was very minimal while the option of all the listed challenges scoped a mean of 3.17 implying that the customer attitude challenges listed affected the provisioning of M-Shwari services.

4.5 Inferential Statistics

This is a branch of statistics which researchers use to draw inferences about a given sample of a population in a study. According to Mugenda et al, 2003, the purpose of the inferential statistics is to test the hypotheses and enable the researcher to generalize the results from the sample to the population. This study adopted the correlation, regression and ANOVA (Analysis of Variance). Correlation aided in analyzing the degree of relationship between the dependent and independent variables, see Figure 1.

4.5.1 Correlation Analysis

Table 4.12 shows the Pearson Bivariate correlations coefficients among the observed variables.

Table 4.12 Correlation Results

		Financial challenges	Operational challenges	Application challenges	Customer attitudes	Success of M-Shwari services
Financial challenges	Pearson Correlation	1	.269	.464**	.348	.661**
	Sig. (2-tailed)		.071	.001	.238	.000
	N	122	122	122	122	122
Operational challenges	Pearson Correlation	.269	1	.379**	.168	.796**
	Sig. (2-tailed)	.003		.007	.135	.000
	N	122	122	122	122	122
Application challenges	Pearson Correlation	.464**	.379**	1	.328*	.623**
	Sig. (2-tailed)	.001	.007		.010	.000
	N	122	122	122	122	122
Customer attitudes	Pearson Correlation	.348	.168	.328*	1	.749**
	Sig. (2-tailed)	.238	.135	.010		.000
	N	122	122	122	122	122
Success of M-Shwari services	Pearson Correlation	.561**	.196**	.523**	.649**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	122	122	122	122	122

Source: (Research Data, 2016)

As shown in Table 4.12, independent variables had the following Pearson's moment correlation coefficient on financial challenges (r = 0.661), operational challenges (r =

0.796), application challenges (r = 0.623) and customer attitudes (r = 0.749). In order to establish the strength of the relationship between financial challenges and success of M-Shwari services, the results showed that there existed a strong and positive correlation between them (r = 0.661). The results also showed that there existed a strong and positive correlation between operational challenges and success of M-Shwari services (r = 0.796). The results further showed that there existed a strong positive correlation between application challenges and success of M-Shwari services (r = 0.623). Lastly, the findings indicated that there existed a strong and positive correlation between customer attitudes and success of M-Shwari services (r = 0.749). The correlation coefficients for the four independent variables were statistically significant with P values < 0.001.

4.5.2 Regression Analysis

A multiple regression model was used to determine the relative importance of each challenge on the success of M-Shwari services as below;

Table 4.13 Regression Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate	Sig. F Change
1	.817	.682	.647	.76382	.000

a. Predictors: (Constant), financial challenges, operational challenges, application challenges, customer attitudes

b. Dependent Variable: success of M-Shwari services

Source: (Research Data, 2016)

From the results shown in Table 4.13, the model shows a goodness of fit as indicated by the coefficient of determination (Adjusted R^2) with a value of 0.647. This implies that the independent variables (financial challenges, operational challenges, application challenges, and customer attitudes) explained 64.7% of the variations in the success of M-Shwari services. This meant that other factors not studied in this research contribute 35.3% of the variations in the success of M-Shwari services. The study also tested for the strength of the overall model and the results showed the significance value is 0.000 which is less than 0.05. This meant that the overall model was statistically significant in predicting how various challenges affect the success of M-Shwari services.

Table 4.14 ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	0.854	4	0.2135	1.122	0.000[b]
Residual	22.261	117	0.1903		
Total	**23.115**	**121**			

a. Dependent Variable: Success of M-Shwari services.

b. Predictors: (Constant), financial challenges, operational challenges, application challenges, customer attitudes

Source: (Research Data, 2016)

The ANOVA results in Table 4.14 showed that there is correlation between the predictor variables (financial challenges, operational challenges, application challenges, customer attitudes) and the dependent variable (success of M-Shwari services) ($P<0.05$).

Table 4.15 Linear Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	5.124	3.401		1.629	1.012
1	Financial challenges	.367	.048	.458	4.398	.020
	Operational challenges	.265	.057	.367	3.243	.000
	Application challenges	.432	.076	.626	5.321	.001
	Customer attitudes	.216	.069	.203	3.224	.003

Source: (Research Data, 2016)

Table 4.15 shows that the researcher conducted a multiple regression analysis that determined the relationship between success of M-Shwari services (dependent variable) and the four variables (independent variables).

The regression equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) becomes:

$Y = 5.124 + 0.367X_1 + 0.265X_2 + 0.432X_3 + 0.216X_4$

Where: Y = Success of m-Shwari services

X_1 = Financial challenges

X_2 = Operational challenges

X_3 = Application challenges

X_4 = Customer attitudes

According to the regression equation established, taking all factors (financial challenges, operational challenges, application challenges, and customer attitudes) constant at zero, the success of M-Shwari services was 5.124. The data findings analyzed also showed that taking all other independent variables at zero, a unit increase in financial challenges led to a 0.367 increase in success of M-Shwari services. A unit increase in operation challenges led to a 0.265 increase in success of M-Shwari services; and a unit increase in Application challenges led to a 0.432 increase in success of M-Shwari services. The results showed that a unit increase in customer attitudes led to a 0.216 increase in success of M-Shwari services. Ranking the predictors variables in terms of their individual effect on success of M-Shwari services, the table shows the relative importance of each the predictions i.e. application challenges had the highest effect (0.432), followed by financial challenges (0.367), and then operational challenges (0.265) and customer attitudes (0.216) respectively. All the variables were statistically significant ($p<0.05$).

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of research findings on challenges faced in the strategic alliance between Safaricom and Commercial Bank of Africa in the provision of M-Shwari services. It is therefore structured into summary of findings, conclusions, recommendations and areas for further research.

5.2 Summary of findings

The purpose of this study was to find out the challenges faced in the strategic alliance between Safaricom and commercial bank of Africa in the provision of M-Shwari services. This was done by assessing the effects of financial, operational, application challenges and customer attitudes on the success of M-Shwari services.

Financial challenges were found to be significant; hence they do contribute positively towards the success of M-Shwari services. Almost without exception, long-term planning involves depending on certain financial assumptions, whether they relate to product success, marketing costs, key employees, the outcome of litigation matters or any number of contingencies. Accordingly, various unexpected financial problems may arise which will impact strategic planning. The success of strategic planning is largely dependent on the success of financial planning. Without access to capital, plans cannot be put into action. So, if a company is relying on credit to finance its expansion, and suddenly credit to consumers is unavailable due to adverse market conditions, strategic planning will suffer.

The study observed a very strong and significant correlation between operational challenges and success of M-Shwari services. The users reported significant effects of operational challenges when using the M-Shwari application. Continuous dynamic adjustments of the strategic plan and its financial constraints make it a work in progress, not an all-or-nothing proposition. The sales cycle may be longer than expected, and market demand may be smaller than expected. These operational issues cause immediate financial problems that adversely impact the success of the M-Shwari services. Application challenges coefficient is positive and significant implying that application challenges significantly affect the success of M-Shwari services. The finding showed that the respondents agreed that the M-Shwari services' success is by large affected by application challenges. M-Shwari users complain about the low loan limits. M-Shwari customers have reported difficulties in repaying their loans in a month, especially in emergencies when it takes them time to recover financially. When one applies for M-Shwari loan and it is approved, the funds are disbursed directly to the M-Pesa account. M-Shwari loans have to be manually repaid; sometimes the customer may not remember the exact date of repayment or the exact amount. Additionally, despite the convenience and efficiencies banks have presented to customers by leveraging mobile phone technology, the issue of affordability of their services still remains a major challenge.

Analysis of the results revealed that there was a significant correlation between the challenge of customer attitudes and success of M-Shwari services. This meant that, the users had attitude towards the M-Shwari services. The service provides customers with close interaction with banks, teaching them the importance of interest and planning ahead to repay a loan. There is no need for customers to go queue in the banking lobby awaiting services such as depositing, withdrawing, or even applying for a loan. Today mobile banking using M-Shwari is quite secure. There are no reported incidences of the system being hacked or users' account losing money.

5.3 Conclusion

The objective of the study was to establish and assess the challenges faced in the strategic alliance between Safaricom and Commercial bank of Africa in the provisioning of M-Shwari services and specifically to assess the financial challenges, operational challenges, application challenges and customer attitudes. The results showed that there was positive relationship between the independent and the dependent variables. The regression results also concurred with the correlation results. It can therefore be concluded that the service providers of M-Shwari services need to consider all the variables considered in this study in order to improve the success of M-Shwari services provisioning and consequently this will improve the performance of the strategic alliance.

5.4 Recommendations

The organizations in the strategic alliance need to create more emphasis on the financial challenges experienced from the M-Shwari services. The success of strategic planning is largely dependent on the success of financial planning. So the two companies need to ensure availability of enough finances to fund the application of M-Shwari services.

Operational challenges affect the success of mobile banking. Management frequently is responsible for the capital budgeting process. This involves forecasting sales and related expenses, and making financial estimates for future comparison. Inherent in these estimates are assumptions about financial performance, which may prove to be unreliable. Thus, if a company is experiencing financial problems, management may implement measures to lower its "burn rate," or negative cash flow, by cutting expenses until the unwelcome problems are resolved.

Application challenges affect the success of M-Shwari services. M-Shwari provides an opportunity for lowering the cost of credit. Use of mobile phone technology to process credit applications provides a source of information capital to Kenyans who may not possess physical collateral such as title deeds for securing loans. If the loan is not repaid by day 30, it is automatically renewed for an additional 30 days, and the customer receives a text letting him/ her know that if the loan is not repaid, it will be reported to the credit bureau as required by law.

Customer attitudes affect the success of M-Shwari services. Credit history is derived from the customer's previous interactions with Safaricom, creating instances where individuals are denied due to unpaid loans from other facilities and late loan repayment. In addition, the 7.5% rate is viewed as quite fair, as most micro credit loans are accompanied by even higher interest rates. The interaction with M-Shwari can be seen as another important tool in promoting financial capability. The service allows hands on experience with credit, as well as promoting savings.

5.5 Suggestions for Further Research

The research was confined to the selected strategic alliance between Safaricom and Commercial Bank of Africa, and the specific objectives and so the researcher was not able to cover all other areas and variables like market competition, customer service and accessibility among others that needed to be addressed. Further research should be done to cover the effects of strategic alliance in other organizations like the institutions of higher learning, and also the study variables can be further analyzed for more conclusive findings since this study can be of benefit to other organization in Kenya and the world.

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APPENDICES

APPENDIX I: LETTER OF TRANSMITTAL

Janet Auma Okeyo Owiti,

University of Nairobi,

P.O. Box 30197-00100, GPO, Nairobi

08 September 2015

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN RESEARCH STUDY

My name is Janet Auma, a student from the University of Nairobi carrying out a survey entitled “the challenges of strategic alliance between Safaricom and commercial bank of Africa; A case of M-Shwari services”. This is in partial fulfillment for the requirement for the award of degree of masters of Business Administration. It is in this regard that I am humbly requesting for your participation in filing this questionnaire. Kindly give answers to the best of your knowledge. Any information collected will be treated with confidentiality and only used for academic purposes. Thank you in advance.

Yours Faithfully,

JANET AUMA.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE......................

TO WHOM IT MAY CONCERN

The bearer of this letter ......JANET AUMA OKEYO OWITI..

Registration No.......D61/60118/11.......................................

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
19 OCT 2015
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: QUESTIONNAIRE

IMPORTANT NOTE:

Participation in this survey is voluntary. Information provided through the questionnaire will be treated with confidentiality and exclusively for academic purpose. All answers will be considered right.

INSTRUCTIONS:

I. Do not write your name on the questionnaire.
II. Please read each question carefully.
III. Kindly answer all the questions by ticking or filling in the spaces provided

SECTION I: PERSONAL INFORMATION

1. Gender?

I. Male [ ]
II. Female [ ]

2. What is your highest level of formal education?

I. Primary [ ]
II. Secondary [ ]
III. Middle level college [ ]
IV. University [ ]

3. What is your current position within the organization?

Department head ………………………………………………………………

Assistant departmental head……………………………………………………

Staff…………………………………………………………………………..

SECTION TWO: KNOWLEDGE AND INFORMATION ON M-SHWARI SERVICES.

1. What was the main reason why your organization entered into this strategic alliance?

1. Increase market share [ ]

2. Increase revenue/ profits [ ]

3. Technological purposes [ ]

4. For synergy [ ]

5. All the above [ ]

2. In your opinion how long do you think this alliance will last?

1. Long term [ ]

2. Medium term [ ]

3. Short term [ ]

4. Unknown [ ]

3. What are the key benefits of M-Shwari services?

I. Small loans [ ]

II. Savings [ ]

III. Interests [ ]

IV. convenience of mobile banking [ ]

V. safety and fast self-service [ ]

VI. No transactional charges [ ]

VII. All the above [ ]

SECTION C: CHALLENGES OF M-SHWARI SERVICES

1. **What challenges do you face in assessing the applications of M-Shwari business?**

Challenges	**SA (5)**	**A (4)**	**N (3)**	**D (2)**	**SD (1)**
Financial challenges					
Operational challenges					
Application challenges					
Customer attitudes					
All the above					

2. To what extent do the challenges affect the success of M-Shwari services

I. None [ ]
II. Little [ ]
III. Neutral [ ]
IV. Moderate [ ]
V. Very significant [ ]

a) Financial challenges

3. To what extent do financial challenges affect the success of M-Shwari services

I. None [ ]
II. Little [ ]
III. Neutral [ ]
IV. Moderate [ ]
V. Very significant [ ]

4. What financial challenges are faced in M-Shwari business?

Challenges	**SA (5)**	**A (4)**	**N (3)**	**D (2)**	**SD (1)**
Credit to consumers					
Equity capital					
Cash is misappropriated					
Retained earnings					
Profitability					
All of the above					

b) Operational challenges

5. To what extent do operational challenges affect the success of M-Shwari services

I. None [ ]
II. Little [ ]
III. Neutral [ ]
IV. Moderate [ ]
V. Very significant [ ]

6. What operational challenges are faced in M-Shwari business?

Challenges	SA (5)	A (4)	N (3)	D (2)	SD (1)
Longer sales cycle					
Smaller market demand					
Increase in Cost of doing business					
Accounting for inventory					
All of the above					

c) Application challenges

7. To what extent do application challenges affect the success of M-Shwari services

I. None [ ]
II. Little [ ]
III. Neutral [ ]
IV. Moderate [ ]
V. Very significant [ ]

8. What application challenges are faced in M-Shwari business?

Challenges	**SA (5)**	**A (4)**	**N (3)**	**D (2)**	**SD (1)**
Loan limits					
Monthly repayments					
Convenience					
Manual loan repayments					
Access					
Remembering exact date of repayment					
All of the above					

d) Customer attitudes

9. To what extent do customer attitudes affect the success of M-Shwari Services?

I. None [ ]
II. Little [ ]
III. Neutral [ ]
IV. Moderate [ ]
V. Very significant [ ]

10. What customer attitude challenges are faced in M-Shwari business?

Challenges	**SA (5)**	**A (4)**	**N (3)**	**D (2)**	**SD (1)**
Emotions					
Past experience with the providers					
Ability					
Cultural environment					
Knowledge					
Intentions					
All of the above					

11. What suggestions for way forward in regard to the above challenges can you give?

…………………………………………………………………………………………
…………………………………………………………………………………………
…………………………………………………………………………………………
………………

Thank you for your cooperation and participation