

**BENEFITS FROM STRATEGIC PARTNERSHIPS IN MOBILE
BANKING SERVICES IN KENYA**

BY

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DECLARATION

This research project is my original work and has not been submitted for examination to any other University.

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

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DEDICATION

To God; for his grace and favor in my life. To my dear loving father George Amwayi for his wise counsel and support.

ABSTRACT

Strategic alliance between banks and telecommunication firms in mobile banking is of value to customers and the firms. The alliance adds value to the consumers as well as to the capital invested into the firms. In Kenya, adoption of electronic and mobile banking has been on the rise since introduction of mobile telephones in late 90s. Banks and mobile telecommunication firms have entered into strategic partnerships to provide mobile banking services. This research sought to find out how commercial banks and mobile telecommunication firms have each separately benefited in strategic partnerships in from mobile banking. Descriptive research design was used in this study. This study established that mobile telephone firms receive cost and product related benefits more than other benefits while banks got market related benefits more than other benefits. Another key conclusion was that mobile banking services should pay more attention to those benefits that well address their needs. This study therefore recommends that strategic partnerships have benefits in major ways and that this concept should be employed by similar organizations in order to survive and sustain their operations in the competitive environment.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Use of mobile telephones by consumers in the developing world has revolutionized their lives considerably. Apart from finding an easy way of communicating to one another, consumers have benefitted from the banking services that have been introduced by the mobile telephone companies. Wray (2008) observes that mobile banking services introduced by these companies have helped most of the 950 million Africans who live in the African continent and who cannot access the brick and mortar banking services. The author adds that the number of mobile phones in Africa is more than the cash machines by a ratio of several thousands to one.

These mobile banking services cannot be possible if done by the mobile telephone service providing companies in singularity. The companies work hand in hand with the established banks in order to give mobile money services to the customers. Zmijewska & Lawrence (2006) noted this importance by stating that lack of cooperation between main players in the mobile banking industry can lead to failure of the services. In the paper, the authors cited banks, mobile phone service players and the regulatory authorities as the important partners in the mobile banking industry. Strategic partnership is therefore required for the service to be of help to the customers. This research paper looks at benefits accruing from strategic partnership between banks and telecommunication firms in Kenya in offering mobile banking service.

1.1.1 Concept of strategy

In any organization, top management is always involved in activities and processes that are involved with courses of action from existing alternatives in order to remain relevant in the market. Strategic management involves the process where the objectives in a given company are formulated and ways of achieving the strategies are devised. When objectives and strategy are well coordinated, an organization becomes efficient in its operations. Given that organizations operate in environment that is volatile and unpredictable, strategy formulation is very essential for their survival and existence (Andrews,1997).A system in an organization should have a type of thinking that helps it to relate with the environment, most importantly, the external factors that affect the business. When coming up with strategies, organizations have to look at the opportunities and threats facing the organization and use the internal strengths to overcome harsh business conditions. Different actions are taken for different situations when dealing with strategic plans. Sometimes, organizations take strategic actions that may not augur well with the public. Downsizing, pay cuts, closing down some of the departments, mergers and acquisitions could be some of the solutions that are looked at as contradictory (Applegate et al, 2007).

When dealing with strategy, firms look at situations that have never been encountered before. Strategy therefore deals with situations that have been predicted to happen although they have never arisen before. Organizational structure, behavior and design are important when strategy is being formulated. Established systems in an organization are useful in formulation and implementation of strategy. Good systems will give rise to

better strategies in an organization. Strategic plans will always follow an established goal and objective. Objectives and goals can only be achieved in an efficient way if the strategic plans and their implementation have been done with efficiency (Andrews, 1997).

1.1.2 Strategic partnership

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

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

1.1.3 Mobile Telephony industry

The mobile phone industry is expected to reach a record growth of \$ 218 billion by the year 2015. In a study done to establish the penetration of mobile telephony services, Asia Pacific was found to be the most dominating, with an overall market share of 60 %. In the Asia Pacific market, Japan and Korea are the dominant countries. By 2015, Asia is projected to have 65 % of all the market share of mobile phone service use (Holzer & Ondrus, 2011). The uptake of mobile phone services in the United Kingdom has been on the rise. Studies that look at the industry between 2005 and 2011 noted a tremendous increase in the number of users. As it stands, there is more number of mobile phone handsets than the number of people in United Kingdom. In 2005, there were 55 million mobile handsets in use in the Kingdom. In 2008, the number went high to 76 million and by 2011, the numbers had shot to 82 million. In the Kingdom and most of European markets, each service provider sells its own handsets to the users. This is as opposed to the way mobile phone industries in Africa operate (Dedrick et al, 2011).

In Kenya, four players, namely; Safaricom, Orange, Yu Mobile and Airtel, dominate the mobile telephone industry. Safaricom takes the bigger share of market (Mas & Radcliffe, 2010). Mobile phone users in the country have hit 30. 7 million mark. Safaricom commands 19 million of the customers who use mobile phone services. Of the number, 15 million customers use M-Pesa service, a customer-to-customer money transfer system that uses the short message service. In Kenya as well as other African countries, the mobile phone service provision companies only give service platforms but do not give out the mobile phones. The service companies are therefore independent of the mobile phone provision companies (Buku & Meredith, 2013).

1.1.4 Mobile Banking service

The concept of mobile money banking has been taking root worldwide since the advent of affordable mobile telephone handsets. The poor communities who have no access to the conventional banking services have taken refuge in the use of mobile money banking services. Medhi et al (2009) state that the rate of uptake of mobile banking services varies in different countries. The variations are also along other parameters such as the type of household, the frequency of usage of the service and the pace of uptake. True to what the author posits, mobile banking has been more prevalent in developing world than the developed world. Mobile banking services in Kenya is perhaps the biggest mobile money revolution news that hit the banking sector in the world early this century. The available data shows that Kenya has the highest users of mobile phone money transaction services in the world. Safaricom Limited, a subsidiary of London based Vodafone plc, launched a mobile money transfer services in 2007 termed as M-Pesa. This service grew rapidly, garnering a total of 200 000 customers in the first one month of the service launch, exceeding the projections that had been done. The rapid take up was an indication that the service had filled a gap that much needed to be bridged in the money market (Hughes & Lonie, 2007).

As well as Safaricom's M-Pesa, other mobile phone service providers in Kenya have launched their own mobile money transfer services. However, M-Pesa has dwarfed the other providers which include Airtel Money, Orange Money and Yu Money. The providers have not had a successful uptake, as did Safaricom M-Pesa. All the mobile phone companies have established working relationships with banks in Kenya. The

mobile service provision companies and the banks utilize this service by depositing cash, withdrawing and even making other payments (Mas & Radcliffe, 2010).

1.1.5 Banking Industry in Kenya

Commercial banks in Kenya have had changes since the market liberalization of 1990s. The banks have had annual profit efficiency of average 65.6 % between 1995 and 2004. The studies that came up with this data indicated that banks had suffered a decline in profits because of the oligopolistic nature of the commercial banking sector in Kenya. The financial sector reforms failed to stimulate the macroeconomic sectors that always drive growth in the commercial banks (Meso & Kaino, 2008). There has been of late competition among most players in the banking sector in the country. Banks have adopted new technology and have introduced new products that are targeting different market segments. This segmentation is projected to see the banking sector in the country taking an improvement in its business operations. As opposed to the times when the commercial banking sector in Kenya only targeted high-income earners, the banks have now gone into the market segment that earns low income (Mathuva, 2009).

Even though the banking sector has worked well with mobile phone service provision companies in improving services, the number of its customers does not tally with those who use mobile phone services in the country. The banks have to do more to tap into the virgin market where most of the population in the country does not have access to banking services. Collaborating with mobile phone services is one of the ways that the banks have tried to tap into the market.

1.2 Research Problem

The strategic alliance between banks and telecommunication firms in mobile banking is of value to customers and the firms. The alliance adds value to the consumers as well as to the capital invested into the firms (Laukkanen & Lauronen, 2005). In Kenya, adoption of electronic and mobile banking has been on the rise since introduction of mobile telephones in late 90s. Banks and mobile telecommunication firms have entered into strategic partnerships to provide mobile banking services (Gikandi & Bloor, 2010).

George et al (2002) did an evaluation of strategic partnerships between biotechnology firms and universities in development and commercialization of firms. The research reported that links between universities and the companies had benefits to both partners. The researchers did an analysis of 2457 alliances that were undertaken by 147 biotechnology firms. The results showed that such firms had low expenses in research and development and had higher levels of innovative input. Oum et al (2004) did a study about the benefits of strategic alliances in airline industries. The researchers looked at horizontal alliances in terms of profitability and productivity. The research analyzed a panel data of 22 international airline companies that had formed alliances between 1986 and 1995. In the findings, the research showed that horizontal alliances influenced the profitability and productivity of the firms. Strategic alliances that had high-level cooperation had a bigger influence of productivity and profitability than low-level strategic alliances.

Mbogo (2010) conducted a study to find out the benefits that mobile money payment methods had on firms that had strategic partnerships with telecommunication companies. The study sampled 409 micro business entrepreneurs in Nairobi. The theory of acceptance model was used to investigate the benefits. In the findings, the researcher concluded that the firms benefited from low costs of transaction, more safe way of transacting and easy accessibility. Mbiti & Weil (2011) came up with a study whose aim was to investigate the benefits of mobile banking on Kenya's economy. The authors used M-Pesa, a mobile banking system provided by Safaricom, as a case study. The authors used aggregate data where they calculated the M-Pesa velocity between 11.0 and 14.6 person-to-person transfers every month. In the findings, the authors concluded that mobile banking using M-Pesa promoted banking by increasing the volumes of money transfer.

Even though the studies have been done and results documented, little has been done about benefits of strategic partnerships between mobile telecommunication companies and banks in mobile banking system. Cases of mobile banking specific to all telecommunication firms and banks in Kenya have not been handled in the studies that have been cited in this work. This research sought to find out how commercial banks and mobile telecommunication firms have worked in strategic partnerships in terms of mobile banking service. The guiding question therefore was: What are the benefits accruing from strategic partnerships between telecommunication companies and banks in mobile banking?

1.3 Research Objectives

The objectives of this study were:

- i) To establish the extent of strategic partnerships within the mobile banking service sector in Kenya
- ii) To determine the benefits accruing from such strategic partnerships in Kenya

1.4 Value of the Study

The results of this study will be useful for various stakeholders. The study will help managers in the mobile phone companies and banks to understand the subject of strategic partnerships in strengthening competitiveness in the service industry in provision of mobile banking service.

The research findings will be useful for further research. Researchers who wish to do more studies about the strategic partnership will use the information to do literature review for future studies. Mobile banking in Kenya has recorded success and most researchers across the world are interested in the models that have made the Kenyan success story of mobile money transfer. The results of this study will also be useful to researchers who may wish to get data on Kenya's mobile banking sector.

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

on regulations governing strategic partnerships between commercial banks and the mobile telecommunication firms.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This section is does a review of past studies that have been done about strategic partnerships between various firms. Different aspects of strategic partnerships have been discussed under this section. Mobile banking services and their use for strategic partnerships have been discussed. The benefits of strategic partnerships have also been discussed.

2.2 Mobile Banking and Strategic Partnerships

Jenkins (2008) listed several countries that have had a good uptake of mobile banking systems in their economies. These included South Africa, Japan, Philippines and Kenya. In his report, the researcher listed the advantages that mobile money banking systems could bring to the economies of countries that adopt them. Risk of carrying paper money is reduced when mobile money services are adopted. Such a service also takes advantage of the already established telecommunication infrastructure. This brings to the fore the importance of sharing technology and engineering infrastructure in strategic partnerships. Strategic partnerships between mobile phone companies and commercial banks have taken different shapes in the world. A survey done in 2010 in Australia gave a gloomy report about the performance of mobile banking in the Commonwealth when compared to the global performance. Use of mobile banking in the country is in infancy stage, despite the fact that 94 % of Australians under the age of 40 years have mobile phones. The survey showed that 16 % of Australians use mobile banking services, compared to the

global use of 30 %. Compared to the Asian Pacific region, where Australia belongs, 43 % of the population uses mobile banking (O'Doherty et al, 2010).

According to O'Doherty et al (2010) the strategies employed by banks and mobile phone service providers could be blamed for this slow uptake. This study showed that 40 % of Australians had no idea whether their banks offered mobile banking services or not. 21 % of Australians interviewed had confidence in mobile banking. This is as opposed to 34 % of the global population. The concerned players in the banking and telecommunication industry should take into considerations the security concerns of the customers. Again, the report insisted that the players should look into the marketing strategies of the services. A study of mobile banking services in China done by Laforet & Li (2005) shows a high uptake by most males who are not necessarily educated or young. The Chinese market has adopted this service because of security concerns that come with use of the traditional banking systems. The security has been enhanced by shared technological platform between mobile telecommunication companies and the commercial banks. This comes out as a contrast to the west whose reason of not adopting the mobile banking services is fear of risks involved in the services. While the Chinese market looks at the mobile banking as less risky, the west looks at it as the most risky platform of money transaction.

Mobile banking systems in Malaysia are said to be of importance to the economy even though certain factors were found to be useful in increasing the acceptance of the services. Wei et al (2009) found out that most users in Malaysia valued cost; trust and

ease of use as the factors that could make them choose whether to use the mobile money banking systems. In the conclusion of the report, the authors stated that mobile phone service provision companies should establish proper structural and strategic relationships with the banking institutions in order to improve security, trust and ease of use of the mobile money banking services. Jack & Suri (2011) did an analysis of the extent to which mobile banking has gained traction in Kenya. A survey of the households in the country came up with results that showed promising returns occasioned by strategic partnerships between commercial banks and Safaricom Limited, a leading telecommunication company. The partnership between M-Pesa and Commercial Bank of Africa was found to have improved the lives of most houses surveyed. The service was used for saving money, sending and receiving remittances.

Mas & Radcliffe (2010) captured some of the reasons that made M-Pesa money transfer services to go viral after its launch in 2007. In the report done by the researchers, M-Pesa had more transactions in a year as compared to what Western Union does globally. Three sets of factors have been looked at as the causes of this M-Pesa success. They include the preexisting market conditions, good design that facilitated integration of the mobile phone services and money transfer and business execution strategy that enabled the company to get a critical mass. This critical mass helped to avoid the chicken and egg problem that would have affected the new payment system.

2.3 Benefits of strategic Partnerships between firms

Strategic partnerships between firms have been of great importance in terms of profitability and productivity. Different variables in strategic partnerships synergistically lead to the benefits enjoyed by collaborating firms. Knowledge sharing is one such element of strategic partnership that helps firms to realize their maximum potential. Lee (2001) did an analysis of the benefits of knowledge sharing in information technology firms in Korea. The author defined a hypothesis by looking at the ability of service receivers in outsourced information systems to absorb needed knowledge after collaborating. In the results, the author found that the paths that were hypothesized in their model were of importance. Strategic partnerships in supply chain have been found to be of benefit to firms. Work done by Corbett et al (2004) dwelt on different issues and effects of strategic partnerships to supply chain functions in organizations. In the opening remarks, the author states that highly competitive supply chains can be achieved if suppliers and companies work closely. The author warns against failure of collaborating because it would result to costly inefficiencies since there would be distortion of information. Examples of firms that have been successful because of proper strategic partnerships have been listed as between American Hospital Supply Corporation and Baxter Healthcare Corporation, and between Toyota and its first-tier suppliers.

Improved market share, improved quality, inventory reductions, short product development cycle and improved delivery service are some of the benefits that firms get from strategic partnerships that are well organized. Corbett et al (2004) lauded modest partnerships, stating that they were able to lead to a quantum leap in logistics. Such a leap

can be occasioned by candid information exchange and proper coordination. A lot of effort is put into creating strategic partnerships between business concerns. It is only proper that they be effective in meeting their objectives. Strategic partnerships between banks and telecommunication firms in provision of mobile banking services have been found to be of use to the customers who use the service. First, it has become easy for the customers to make financial transactions using mobile telephone technology. Kenya is a country that has had a rapid spread of mobile banking growth. M-Pesa is one of the mobile banking products that have put Kenya on a quick pedestal towards growth of the banking sector. Jack & Suri (2011) observed that mobile banking has benefitted the users through the services of remittances, payments, savings and sending money. This observation fortifies the argument that the strategic partnership between mobile phone firms and banks in provision of mobile banking services have been of benefit to the customers.

Morawczynski (2009) is in agreement with the views that strategic partnership that resulted in mobile banking product of M-Pesa has been of use to all the users. The author did an investigation that aimed at finding out the transformational benefits that M-Pesa conferred to its users as well as the company that offers the service. The author drew his findings from ethnographic fieldwork that was conducted over fourteen months in two locations. The areas of investigation were an informal settlement near Nairobi and a farming village in western part of Kenya. In the results, it was found that M-Pesa, as a mobile banking service, helped the users with cultivation of livelihood strategies. M-Pesa was found to be important in solicitation and accumulation of financial assets and

maintenance of social networks. Given that the use of mobile banking has been helpful in uplifting lives of those who live in informal settlements and in the villages, it has increased the number of customers who have subscribed to the service provider. This has led to growth in customer base. However, it was noted that the growth in customer base for Safaricom companies had a negative effect on the performance of banks. Banks were said to be marginalized in the mobile banking sector where most users of the service preferred the customer-to-customer transactions allowed in M-Pesa than opting for the mobile banking partnership between the commercial banks and the telecommunication firms (Morawczynski, 2009).

The use of mobile banking as a strategic partnership between banks and telecommunication firms has been important in lowering costs incurred by commercial banks. With no mobile banking, banks are forced to expand its infrastructure in terms of buildings in order to accommodate the growing number of customers. Mobile banking has eased this cost because customers do not need to go to the bank to do the transactions. Lowered costs of operation and fixed capital acquisition are useful in revenue growth in the banking sector. The costs of maintaining delivery channels is also lowered through adoption of the mobile banking system as a strategic partnership between banks and mobile phone firms (Ivatury & Mas, 2008).

Contrary to what most observers state, a research done in the rural areas of Karatina and Likuyani by Nganga & Mwachofi (2013) gave a not so promising report. From the report, neither the banking institutions nor mobile telecommunication companies have made a

big impact with mobile banking strategic partnerships. The authors reported that only a small proportion of customers were able to access the services. Bearing in mind that one of the objectives of mobile banking strategic partnership is to increase the customer base, it can be said, from the report, that strategic partnership in mobile banking has not been effective. Asongu (2013) is also of the thought the strategic partnerships between mobile telecommunication companies and banks have not yielded positive results. The author did a study to establish an empirical relationship between mobile phones and finance in banking institutions. In the results, the researcher found out that there was a negative correlation between mobile banking services and the dynamics of depth, activity and size. However, the research report falls short of explaining why the strategic partnership between telecommunication firms and banking institutions did not benefit all the sides. The author instead calls for further research into this area.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This section deals with the methodology that was used to collect the required data for the research. It explains the research design, the target population, the sampling method, data collection instruments and the method of analysis. The methodology used in this section sought to find out the benefits accrued from strategic partnerships between mobile telecommunication companies and commercial banks in mobile banking.

3.2 Research Design

Descriptive research design was used in this study. Descriptive research reports the status of events and issues the way they are. This research involves gathering of data in order to describe events. The data is organized, tabulated, depicted and described by use of visual aids like graphs and charts. By using this design, an incisive analysis of the issues that affect strategic partnerships between firms. The design was the most suitable for this study. This design has its merits and demerits. Given that the human mind cannot extract the full import of large volumes of data, descriptive statistics are important for reducing the available data to manageable forms. When using this design, an in-depth and narrative description of numbers organizes the data into patterns that are easy to understand.

The descriptive research has a weakness in confidentiality. Subjects may not be frank and truthful because they may say what the researcher wants to hear. The risk of running into

Hawthorne's Effect is also clear when using this type of research design. Here, the subjects being interviewed may be aware that they are under observation and therefore behave in a certain style. This would distort the validity of the results obtained from the field.

3.3 Population of the study

The target population for the research was the mobile telecommunication companies in Kenya and the Banking institutions that use mobile banking. Four mobile telecommunications companies, that is, Yu, Airtel, Orange Mobile and Safaricom Limited were the targeted population. The target population was also the eleven banks in Kenya currently offering mobile banking service which are Barclays Bank, Co-operative Bank, Equity Bank, Family Bank, I & M Bank Limited, K-Rep Bank Limited, KCB Bank, NBK Bank, NIC Bank, Standard Chartered Bank and CFC Stanbic. Heads of corporate strategy, marketing or Finance of these organizations were targeted as the subjects of study. This was a census study.

3.4 Data Collection

This research used interviews as a form of data collection instrument. Interview guide was used to study the respondents. An interview is a qualitative research data collection tool that makes use of questions and answers between the interviewer and the interviewee. Here, the data collection is personal where the researcher has a direct personal contact with the subject being studied. This technique of data collection has its

advantages and its disadvantages. The researcher held interviews with selected respondents from the selected firms. Before the interviews were held, the interview guide was tested by giving it to a group of peers who pointed out any discrepancies and ambiguity. The guide was also shown to the supervisor who pointed out mistakes in the structure and form. Secondary data from management reports and organizations' magazines were also used.

3.5 Data Analysis

Data was analyzed using content analysis. Content analysis is a qualitative research technique that enhances compressing many words into fewer content categories based on explicit rules of coding. This enabled development of supportive evidence for conclusions and findings. Content analysis provides a qualitative picture of the respondents concerns, ideas, attitudes and feelings.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers data analysis, findings and discussions of the research. Data was to be collected from the four mobile telecommunication companies in Kenya and the eleven banking institutions that use mobile banking. Out the 15 targeted respondents, 9 were available for interviews representing a response rate of 60% which was considered satisfactory for subsequent analysis. Three out of the nine respondents were from mobile telephone firms while six out of the nine respondents were from banks. The data was analyzed using content analysis. The interview responses were broken down into manageable categories, coded and thereafter quantitatively analyzed to get insights and make inferences. These were subsequently presented in tables.

4.2.0 Duration in the organization

The researcher wanted to establish the duration that the respondents had worked in their organizations. Results from content analysis indicate that the duration varies from less than one year to nine years. This was summarized into three categories as shown in table 4.2.0 below. 45% had worked in their organizations for more than five years followed by 33% of respondents who had worked for between one to five years. However, it was established that only two out of the nine respondents had worked less than one year. This implied that most respondents had worked in their organizations for a long period.

Table 4.2.0 Duration in the organization

Duration	Frequency	Percentage
More than 5 years	4	45%
1 to 5 years	3	33%
Less than one year	2	22%

4.2.1 Duration of partnership

The study sought to establish how long the partnership had lasted and how long it may last. Results from content analysis indicate that the duration of the partnership ranged from one year to ten years. This was summarized into two categories as shown in table 4.2.1 below. 56% said that their partnership had lasted for more than five years while the rest said it had lasted for less than five years. All respondents were in agreement that the partnership will exist as long as the firms exist. This implied that mobile banking has revolutionised the banking industry and will be there in the foreseeable future.

4.2.1 Duration of partnership

Duration	Frequency	Percentage
More than 5 years	5	56%
Less than 5 years	4	44%

4.2.2 Areas of strategic partnerships

The study sought to establish the various areas of strategic partnership between mobile telephone firms and banking institutions in Kenya. Results from content analysis indicate that there were several areas of strategic partnership. All respondents said that their firms had partnered in areas of product development and sharing technology and engineering infrastructure. Distribution and supplies was found to be the least area of strategic partnership with only 44% saying their firms engaged in those areas as summarized in table 4.2.2 below.

Table 4.2.2 Areas of strategic partnerships

Areas	Frequency	Percentage
Product development	9	100%
Sharing technology and engineering infrastructure	9	100%
Capital financing	8	89%
Marketing and branding	6	67%
Distribution and supplies	4	44%

4.2.3 Benefits of strategic partnerships to mobile telephone firms

The researcher wanted to establish how strategic partnerships had benefited mobile telephone firms in Kenya. Results from content analysis indicate that there were several benefits of strategic partnerships to mobile telephone firms as summarized in table 4.2.3 below. All the three respondents from mobile telephone firms agreed that their firms enjoyed cost related and product related benefits while 66% of the respondents said their

firms got market related benefits. It was noted that only 33% said that their firms enjoyed customer related benefits. This implied that most mobile telephone firms enter strategic partnerships to enjoy both cost related and product related benefits.

Table 4.2.3 Benefits of strategic partnerships to mobile telephone firms

Benefits	Frequency	Percentage
Cost related benefits	3	100%
Product related benefits	3	100%
Market related benefits	2	67%
Customer related benefits	1	33%

4.2.4 Benefits of strategic partnerships to banking institutions in Kenya

The researcher wanted to establish how strategic partnerships had benefited banking institutions in Kenya. Results from content analysis indicated that there were several benefits of strategic partnerships to banking institutions in Kenya as summarized in table 4.2.4 below. All the six respondents from banking institutions agreed that strategic partnerships brought market related benefits while 83% of the respondents gave benefits related to cost and products. It was noted that only 33% gave customer related benefits. This implied that most banks enter strategic partnerships to enjoy market related benefits.

Table 4.2.4 Benefits of strategic partnerships to banking institutions in Kenya

Benefits	Frequency	Percentage
Market related benefits	6	100%
Cost related benefits	5	83%
Product related benefits	5	83%
Risk reduction related benefits	4	67%
Technology related benefits	4	67%
Customer related benefits	2	33%

4.2.5 Challenges facing the strategic partnerships

The study sought to establish the various challenges of strategic partnership between mobile telephone firms and banking institutions in Kenya. Results from content analysis indicate that there were several challenges in strategic partnership. All respondents said that their firms had at one point or the other faced the challenge of system failure in their strategic partnerships. Competition from other mobile banking service providers was the least faced challenge since most of them offered the service at more or less same cost. The summary is in table 4.2.5 below.

Table 4.2.5 Challenges of strategic partnerships in the organizations

Challenges	Frequency	Percentage
System failure	9	100%
Different key performance indicators (KPIs)	5	56%
Different financial year dates	5	56%
Competition from other mobile banking service providers	4	44%

4.3 Discussion

Over the past decade, consumers have embraced new digital mobile devices at a remarkable pace. From the research findings, 56% of the firms had been in strategic partnership for more than five years. The concept of mobile money banking has been taking root worldwide since the advent of affordable mobile telephone handsets. Medhi et al (2009) state that the rate of uptake of mobile banking services varies in different countries. The variations are also along other parameters such as the type of household, the frequency of usage of the service and the pace of uptake. However it was noted that all respondents were in agreement that the strategic partnerships will exist as long as the firms exist. This can be attributed to respect, trust and a mutual dependency that are required for partnerships to last. Moreover, 45% of respondents had worked in their organizations for a long period of more than five years. This meant that the respondents were well knowledgeable of the issues that they were being asked. Employee retention, especially the best, most desirable ones, is a key challenge in most organizations. For a

company to have good strategies, employees need to have great experience in the industry.

From the research findings, it was established that mobile telephone firms and banking institutions in Kenya had several areas of strategic partnership. It was noted that all respondents agreed that they engaged strategic partnerships in areas of product development and sharing technology and engineering infrastructure. An important trend in telecommunication and banking industry in Kenya has been product development and use of latest technology. New products are essential for viability of any firm. If they don't develop new products, they will we exit the market. Limited resources can be said to influence firms to share their technology and engineering infrastructure. However, it was evident that only 44% of respondents engaged strategic partnerships in areas of distribution and supplies. Mobile banking services cannot be possible if done by mobile telephone firms in singularity. They have to work hand in hand with established banks in order to give mobile money services to customers. Zmijewska & Lawrence (2006) noted this importance by stating that lack of cooperation between main players in the mobile banking industry can lead to failure of the services.

There were various benefits that mobile telephone firms in Kenya get from strategic partnerships. All respondents from mobile telephone firms agreed that they got cost and product related benefits. The cost related benefits ranged from leveraging on established banking outlets as their agency outlets to reduced research expenses. George et al (2002) established that strategic partnerships between biotechnology firms and universities

resulted to low expenses in research and development and had higher levels of innovative input. Moreover, product development benefits ranged from being able to offer product variety to their customers to offering new products that meet customer needs. Improved or new products and services are meant to increase the number of customers. It was noted that only one mobile telephone firm in Kenya got customer related benefit from strategic partnerships which they said their major reason was to transform the lives and livelihoods of Kenyans both socially and economically. Wray (2008) observes that mobile banking services introduced by these companies have helped most of the 950 million Africans who live in the African continent and who cannot access the brick and mortar banking services.

To the banking institutions, the benefits seemed to be more as compared to mobile telephone firms in Kenya. It was established that all banks entered strategic partnerships to enjoy market related benefits. Market related benefits that were given included addressing the unbanked, increasing the number of customers and remaining relevant in the competitive banking industry. Work done by Corbett et al (2004) on different issues and effects of strategic partnerships to supply chain functions in organizations established that highly competitive supply chains can be achieved if suppliers and companies work closely. It was only 33% of the respondents that said they enjoyed customer related benefits. This was by the way it helped to transform lives and livelihoods of Kenyans both socially and economically. Moreover, mobile banking was a center of customer service delivery.

The research identified various challenges hindering the smooth operation of strategic partnerships. From the technical point of view 100% of the respondents blamed the system breakdown. All the respondents stated that their customers lose confidence towards the service when systems fail and at times the fault is from the partner's side. The key performance indicators are targets that need to be fulfilled in a specific period. 56% of the respondents gave out the view that every organization has got its own and objectives, thus even the mode of appraisal and the targets for the employees differ from one organization to another. Different financial year dates which help in evaluation of the organization performance over a specific period. The finance managers from five organizations said that they experience a challenge while compiling the financial reports. Competition from other service providers also posed as a challenge.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The study was on benefits from strategic partnerships in mobile banking services in Kenya. Generally most strategic partnerships had lasted for more than five years and all respondents were in agreement that the partnerships will exist in the foreseeable future. Moreover, most respondents had worked in their organizations for more than five years. It was noted that all respondents agreed that they engaged strategic partnerships in areas of product development and sharing technology and engineering infrastructure.

The first objective of the study to establish the extent of strategic partnerships within the mobile banking service sector in Kenya was compounded by the fact that all respondents agreed that they engaged strategic partnerships in areas of product development and sharing technology and engineering infrastructure.

The second objective of the study of identifying benefits of the strategic partnerships to banks and mobile telephone firms in Kenya was backed by findings which revealed that most organizations entered strategic partnerships to enjoy cost, product and market related benefits. Market related benefits that were given included addressing the unbanked, increasing the number of customers and remaining relevant in their respective competitive industries.

5.2 Conclusion

From the study findings can be concluded that even though both mobile telephone firms and banks enjoy a lot of benefits from strategic partnerships, they were not common to all stakeholders. This was evident from the way respondents replied to questions and the content analysis arising thereof. This study established that mobile telephone firms got cost and product related benefits more than other benefits while banks got market related benefits more than other benefits. Therefore mobile banking services should pay more attention to those benefits that well address their needs. Strategic partnerships between banks and telecommunication firms in provision of mobile banking services have been found to be of use to the customers who use the service.

5.3 Recommendations

This study therefore recommends that strategic partnerships have benefits in major ways and that this concept should be employed by similar organizations in order to survive and sustain their operations in the competitive environment. Employee experiences should be motivated to stay longer in their organizations in order to promote the mutual strategic partnerships. Moreover, all areas of strategic partnership should be given equal importance for all benefits to be enjoyed by all stakeholders. Currently mobile telephone firms enjoy more of cost and product related benefits while banks enjoy more of the market related benefits. All stakeholders should get mutual benefits.

On the other hand, for the partnerships' prosperity, the organizations need to invest a lot on new technology and innovations to prevent any system breakdown.

5.4 Limitations of the study

This study was successfully undertaken but not without a few limitations. One such limitation was that some of the respondents were not available for the interview. The time period covered by the study and the resources available to the researcher were also limited.

5.5 Suggestions for further research

Arising from the study, the following directions for future research in strategic management are recommended. First, this study focused on the general mobile banking services in Kenya. Therefore, generalisations could not adequately be extended to the specific firms as they have varying market power. Based on this fact among others, it is recommended that a narrow based study covering a specific mobile telephone firm or bank be done to determine the benefits of strategic partnership. Similar surveys to this can also be replicated in a few years to come to assess if the benefits from strategic partnerships have changed as the banking industry and mobile telephone industry continues to change.

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APPENDIX

INTERVIEW GUIDE

1. Name of organization.....

2. For how long have you worked in the organization?

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3. In which areas of your organization do you have partnerships with other organizations?

.....
.....

4. For how long has the partnership lasted?

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.....

5. What are the main reasons why your organization entered into strategic partnership of offering mobile banking service?

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6. Of what benefit has the partnership been to your organization?

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.....
.....

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

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8. What are the challenges relating to this partnership?

.....

.....

9. What are the future plans you have in relation to this alliance in the changing market?

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