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Accepted: April 19, 2018

ABSTRACT

The changing operating environment has called on businesses to develop appropriate response strategies in order to remain competitive and deliver on organizational objectives. Strategic alliances have been one of the ways in which firms have adopted to build their competitive advantage and overcome some of the difficulties posed by the changing business environment. SACCOS rely on members' contribution and interest charged on advanced loans as source of income. Some SACCOS have been collapsing while others have not served their clients well owing to their inability to undertake certain investments and to satisfy their customers' financial needs. These needs keep changing owing to the dynamic market environments that the SACCOS operate in. In order to survive this situation, it has become paramount that SACCOS enter into strategic alliances with other strategic stakeholders for their efficient operations. This study therefore sought to determine the factors influencing strategic alliance on the performance of SACCOS particularly focusing on 38 licensed SACCOS in Nairobi for the financial year ending 31st Dec, 2017. The specific objectives of the study were: To establish the influence of cost sharing on the performance of SACCOS in Nairobi, Kenya and to assess the influence of risk sharing on the performance of SACCOS in Nairobi, Kenya. The study was guided by Resource Dependence Theory, Transaction Cost Theory and Risk Theory. The study adopted descriptive research design and the target population shall consist of human resource managers, operations and finance managers. The researcher collected primary data using structured questionnaires. The collected data was analyzed using both descriptive and inferential statistics that were enhanced through the Statistical Package for Social Sciences SPSS Version 21.0. Descriptive statistics involved the use of means and standard deviations while the inferential statistics involved multiple regression analysis. The study found that cost sharing influence the performance of SACCOS in Nairobi. Strategic alliances allow participating firms to earn economies of scale as well as allow firms to formulate policies suited for the benefit of the participants. Risk sharing influence the performance of SACCOS in Nairobi. Strategic alliance spread the investment risks and the participant share the instability risks in the market. Skill sharing influence the performance of SACCOS in Nairobi. The study recommended that firms should form strategic alliances to improve their performance through cost reduction associated with the strategic alliance. Firms should continue strategically aligning themselves to enhance their performance through spread of investment risks and sharing the instability risks.

Key words; Cost Sharing, Risk Sharing, Financial Performance

INTRODUCTION

The changing operating environment has called on businesses to develop appropriate response strategies in order to remain competitive and deliver on organizational objectives. Increased globalization has shaped the way businesses pro-act or react to shorter lead time for new product development, recovering huge research and development investments quicker due to product obsolescence, reducing risks of product failure, and obtaining easier access to foreign markets (Christoffersen, Plenborg & Robson, 2014). Strategic alliances have been one of the ways in which firms have adopted to build their competitive advantage and overcome some of the difficulties posed by the changing business environment. Strategic alliance is an agreement between two or more organizations to cooperate in a specific business activity, so that each benefits from the strengths of the other, and gains competitive advantage (Işoraité, 2009). This has also helped businesses to remain in business while maintaining a competitive advantage position in the market.

Strategic alliances are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field. Through strategic alliances, companies can improve their competitive positioning, gain entry to new markets, supplement critical skills, and share the risk and cost of major development projects (Rambo, 2012).

By developing strategic alliances, firms contribute to their excess capabilities and resources with others and create a new entity to attain competitive advantage. Advances in telecommunications, computer technology and transportation have made entry into foreign markets by international firms easier. As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research and development (Christoffersen, 2013). Competition becomes more effective when partners leverage off each other's strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. Strategic alliances were initially used domestically by U.S. firms to share the high costs required to enter capital-

intensive industries such as railroads, copper mining, offshore oil exploration, underwater minerals extraction, coal gasification, and oil and gas pipelines, among others. As minerals extraction became more difficult, alliances were used to rework coal mines, fracture fields of oil shale, perform tertiary recovery on spent oil wells, and extract uranium. The aluminum smelting and fabrication industries developed quickly as firms entered through strategic alliances. Nuclear power plants were frequently built in the U.S. using partnerships for risk-sharing and governmental participation purposes (Harrigan, 2015).

There are several companies in Kenya that have had successful alliances for example, KPLC and MHI have been working together for a number of years and intend to jointly deliver services to other utilities, governments and infrastructure developers within Sub-Saharan Africa (Rambo, 2012). Equity Group holding has developed business relationships, strategic alliances and partnerships to enhance business goals with MasterCard Foundation, UK Agency for International Development (UK-aid), United States Agency for International Development (USAID), Hong Kong Shanghai Banking Corporation (HSBC), Bill and Melinda Gates Foundation, World Food Programme (WFP), German Development Bank (GDB) among other companies to provide banking services, education foundations and telecommunication to its clients (Kokonya, 2015).

Statement of the Problem

In today's hypercompetitive environments, firms do not control all resources necessary for steadily outperforming rivals hence the need to develop appropriate response strategies that align their operations to the changes in the operating environment. SACCOs as financial institutions rely on members' contribution and interest charged on advanced loans as source of income. Member's contributions are refundable which means that the SACCOs have to utilize the deposits availed to them well to generate some income and grow. The Savings and Credit Co-operatives (SACCOs) sub-sector has over 16,000 societies with 14 million members, making it the largest in Africa. About 28 million Kenyans, 63 per cent of the entire

population, depend on the co-operative related activities, directly and indirectly, for their livelihoods (Bwana & Mwakujonga, 2013).

In Kenya, SACCOs control 45 per cent of the GDP and accounts for 80 per cent of the total accumulated savings. The Saccos' industry had total assets growth of 12.17 per cent in 2015, with loans as the single largest asset of the balance sheet. There were improved capital ratios for the 181 licensed SACCOs in 2015 compared to 2014. (SASRA, 2016). Currently, the sector is the largest in Africa and accounts for 60, 64, and 63 per cent of the continent's savings, loan and assets respectively (SASRA, 2014). However, some SACCOs faced loan repayment challenges, forcing them to increase provisioning, which negatively impacted their core capital. SACCOs in the Agricultural sector experienced high NPLs due to erratic weather patterns that negatively affected their farm output (tea and coffee). Other SACCOs have been collapsing while others have not served their clients well owing to their inability to undertake certain investments and to satisfy their customers' financial needs. These needs keep changing owing to the dynamic market environments that the SACCOs operate in. Members need support and facilitation from their SACCOs to access goods and services that would be beneficial to them like motor vehicle and general insurance services, quality household goods, land ownership, school fees and any other economic benefit that would improve their livelihood. Majority of the small SACCO societies are financially and technically constrained. The growth momentum for the large and medium sized SACCOs is expected to exert competitive pressure on the small SACCOs, which may opt out of the deposit taking SACCO business to concentrate in the non-deposit taking SACCO business or encourage mergers. In order to survive this situation, it has become paramount that SACCOs enter into strategic alliances with other strategic stakeholders to enhance efficiency and satisfy their customers' needs.

Rambo (2012) conducted a study on Strategic Alliances and the Performance of Small and Medium Enterprises in Kenya and found that alliance SMEs were 2.1 times more likely have higher net worth than non-alliance SMEs. Onje

(2016) examined the influence of strategic alliance on financial performance of commercial banks in Kenya and revealed that the increased presence of strategic alliances within the banking sector has greatly contributed to the profitability of commercial banks in Kenya. Osano (2016) conducted a study on Strategic Alliances and Performance of Non- Governmental Organizations in the Health Sector in Nairobi County Government in Kenya and concluded that strategic alliance contributed significantly to performance of NGOs. Mong'are, (2016) Strategic Alliances and Performance of Information Communication Technology Companies in Kenya and found that Strategic alliance has enabled the ICT companies to improve their market share and achieve improvement in their operational efficiency. Nzuki, (2016) examined Strategic alliance and performance by Kenya commercial bank group limited and found that Strategic alliances provide new business opportunities, customer satisfaction and increase convenience. To the best of the researcher knowledge, limited studies had been done on to examine strategic alliances in relation to SACCOs. The current study therefore filled this gap in literature. The study therefore sought to establish the factors influencing strategic alliances on the performance of SACCOs in Nairobi, Kenya.

Objectives of the Study

The general objective of the study was to determine the factors influencing of strategic alliances on the performance of SACCOs in Nairobi, Kenya. The specific objectives were;

- To establish the influence of cost sharing on the performance of SACCOs in Nairobi, Kenya.
- To assess the influence of risk sharing on the performance of SACCOs in Nairobi, Kenya.

LITERATURE REVIEW

Theoretical review

The Resource Dependence Theory

This theory was developed by Emerson (1963) and further developed by Preffer and Salancik (1978) who made a conclusion that a firm's control over critical resources will make other firms become dependent on the firm. Resource Dependency Theory has significant implications on the optimal

divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links and other aspects of organizational strategy.

Resource dependency theory assumes that firms even in the same industry are heterogeneous in terms of their resources and capabilities and in essence organizations are not self-sufficient and need resources that can enable firms gain competitive advantage over other firms (Kabue & Kilika, 2016). Organizations therefore need to engage in exchange with other organizations in one way or another so as to gain the necessary resources for survival. Strategic alliances are a viable form of inter-organizational structure that can minimize uncertainties thus enhancing access to much needed resources (Zamir, Sahar & Zafar, 2014)

The other argument of this theory concerns resource slack in firms. Classic resource based conceptions stress the importance of resource slack as a river of growth rather than the total quality of resources possessed by the firm (Schmidt & Keil, 2013). Slack is a dynamic quality that represents the difference between resources correctly possessed by the firm and the resource demands of the current business. Two firms can possess the same level of resources but differ in resource need of their current business (Tan & Meyer, 2010).

This theory is important to my study because it explains the persistent firm's level performance by giving emphasis on the firm's ability to create and sustain competitive advantage by acquiring advantageous resource positions. The application of the resource dependency theory deepens the understanding of what resources SACCOs in Kenya prefer to have control over and how they exploit these resources in order to improve their financial performance.

Transaction Cost Theory

Transaction cost theory views contracts as governance structures for managing relationships between commercial parties. Market governance is efficient when transactions are relatively standardized and straightforward (Williamson, 1985). Transaction cost theory (TCT), or transaction

cost economics (TCE), has become an increasingly important anchor for the analysis of a wide range of strategic and organizational issues of considerable importance to firms (Madhok, 2002). In particular, the TCT has been adopted in explaining firms' boundaries, vertical integration decisions, the rationale for conducting an acquisition, the networks and other hybrid governance forms.

Transaction cost theory centers on minimizing of organizations transaction and production cost, Kogut (1988) suggests that organization prefer strategic alliances when the transaction costs are not very high or are medium and don't justify vertical integration, mergers or acquisitions. Transaction costs of negotiations, risk management, monetary performance, writing and enforcing contract are reduced through the alliances. Production costs are internal costs arising from managing production or are associated with the learning curve of organization operations. Strategic alliances shall be formed when production costs are low or moderate (Gulati, 1995).

Formation of strategic alliances reduces transaction costs and hence increases efficiency because the costs are internalized to an organization. Ramathan et al, (1997) suggests that internalization which is achieved through joint venture reduces environmental hazards and high uncertainties associated with assets specificity and monitoring of performance. Transaction cost theory also reduces comparative cost of planning, adapting and monitoring task completion and hence forms an alternative governance structure (William, 1985).

Risk Theory

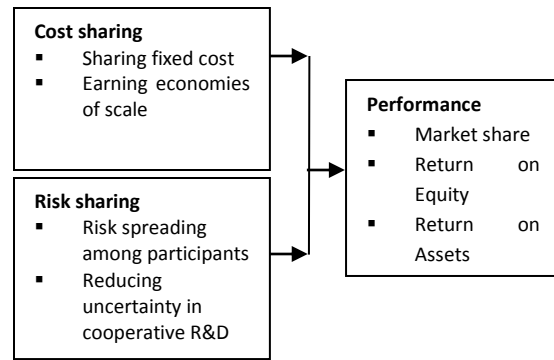
Risk theory provides an additional lens through which technological cooperative partnerships can be evaluated. According to risk theory, executives consider the risks and rewards associated with investment choices in order to maximize their expected returns. A collaborative relationship can contribute to the growth of the firm. Companies may through technological collaboration, gain valuable experience and skills, which lower the risks, associated with R&D and thus improve the probability of success. Such is often the case when two or more firms with related skills combine those skills to develop technology (Hottenrott & Lopes-

Bento, 2016). In these situations, the expertise of the various firms causes the combined effort to have a higher probability of success than would be the case if a single firm tried to develop the technology alone. Collaborative technological arrangements that are likely to increase the probability of success are attractive to executives (Demeester, De Meyer, & Grahovac, 2014). Empirical studies have identified one objective of research partnerships, that is, to share risks and decrease market and technological uncertainty. Such risks are thought to increase the further away the subject of the cooperative research is from extant activities of the Kinyeki & Mwangi, (2013) identify strategic alliance as a mechanism through which companies can hedge risk. The high levels of uncertainty and failure in Research and Development allow for risk-balancing organizational arrangements, such as collaborations with other organizations and firms to promote innovation and to mitigate the risk.

Option theory a subcategory of risk theory extends the concept of risk taking under uncertainty to a consideration of strategic flexibility afforded firms that purchase a portfolio of options. An option contract allows an investor to make an investment to buy an option, hold it until the opportunity arrives, and then decide between buying the option to capture the opportunity or abandoning it (Liu & Jiang, 2012). For a given cost, a technological cooperative relationship that allows these costs to be committed incrementally contingent on positive outcomes will be more attractive than one in which costs must be committed up front. A project of this sort can be thought of as a series of options where the firm can stop buying subsequent options contingent on the outcomes of the collaboration.

This theory is important to this study because it explains the risk return trades off that SACCOs in Kenya give considerations before deciding on entering a strategic alliance venture. Consideration of the risk associated with any particular strategic alliance enables the SACCOs to maximize the return from such a venture. This may enhance the performance of such SACCOs.

Conceptual Framework



Independent Variables Dependent Variables

Figure 1: Conceptual Framework

Cost sharing

Cost sharing is an agreement between two parties to share the cost of developing an intangible asset or patents. Such an arrangement is used to reduce or avoid taxes on the transfer of assets (Dyreg, Lindsey, Markle & Shackelford, 2015). That's often the basis of an alliance: to reap the synergies of sharing capital and operating costs while tapping a bigger market than either partner could achieve independently. Strategic alliance can be a transaction cost minimizing trading organization, under certain circumstances, while conserving economic rents these specific arrangements generate. Alliances have played an increasing role in the development of firms' strategies arising as a rational economic solution to market imperfections caused by high ownership costs and information asymmetry. Thus, most of these alternative institutional forms can be assigned characteristics, which are intermediate between those of the market and the hierarchy and can be viewed as vertical or horizontal integration of economic activities, while ownership remains separate, and preserve the flexibility and economic rents these specific arrangements generate (Doz & Gary, 2012). Competitive and strategic advantages derived from strategic alliances include; to reap economies of scale; and to share fixed costs and benefits with partners in geographically and culturally distant locations as well as formulating policies that are ideal for the allied companies. Social capital, in the form of interpersonal and interorganizational trust, is indispensable to reducing the costs of

negotiations between partners. Moreover, many analysts treat trust as both an alliance outcome variable and a predictor of alliance success (Olk & Earley 2013). This study shall undertake to measure the influence of cost sharing on the financial performance of SACCOs by looking at the impact of sharing fixed costs, formulation of policies and the economies of scale within the SACCOs.

Risk Sharing

Risk management method in which the cost of the consequences of a risk is distributed among several participants in an enterprise, such as in syndication (Chang, Lin & Ma, 2015). Relational costs in an alliance are not merely expenditures necessary to maintain informal relations with business partners, but additionally include the commitments and investments the partners commit to their risky and uncertain venture.

Risk sharing is another common rationale for undertaking a strategic alliance. When a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important. The participating firms share performance risk, spread financial risks and reduce uncertainty in research and development (Das, 2012).

Enterprises can make use of the strategic arrangement to reduce their individual enterprise's financial risk. For example, when two firms jointly invested with equal share on a project, the greatest potential that each of them stand to lose is only half of the total project cost in case the venture failed. Performance risk is the probability that the objectives of the alliance may not be achieved, given full inter-partner cooperation. In other words, performance risk is the probability that an alliance may fail even when partner firms commit themselves fully to the alliance. Perceived performance risk is high when it there is a shared R&D component (Contractor & Lorange, 2012). This study will aim at looking at the influence of risk spreading among participants and reducing uncertainty in cooperative R&D on the financial performance of the SACCOs in Nairobi County.

Performance

Firm's performance is a measure of financial performance, operating performance and the valuation of a firm. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Mwaura, 2005).

Performance was measured in terms of the market share, return in Investment and Return of Assets. Return on investment measures the gain or loss generated on an investment relative to the amount of money invested. ROI is usually expressed as a percentage and is typically used for personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments. Market share is the percentage of a market accounted for by specific entity in the industry, ROA is the net income (income available to common stockholders), divided by the book value of total assets (Ngui, 2010).

Empirical Literature

Ndulu (2015) examined the influence of cost sharing on students' academic performance in secondary schools in Kitui County. The study used stratified sampling and simple random sampling techniques to select the respondents. The study findings showed that clear policies need to be put in place to ensure provision of good quality of education. Hidden costs within schools has led to high school dropout and thus recommends that the government should increase their participation in school funding to share cost with the parents.

A study by Njeru(2016) on the effect of liquidity management on financial performance of deposit taking SACCOs in Kenya. The study adopted a descriptive survey in soliciting information required for the study. The study established that the main challenges SACCOs undergo during cash management included lack of members' integrity in relation to liquidity management; lack proper channels followed during liquidation process; methods and the techniques of depreciating assets;

high level of loan demands and high loan default rate.

Nthimba(2013) examined the financial risk management strategies used by Savings and credit cooperative societies operating FOSA services in Nairobi county. The population of study was the FOSA SACCOs in Nairobi County. The study focused on all 44 FOSA SACCOs. The population of interest was the risk managers or managing directors of the organizations. The research instrument used was questionnaires which were pre-tested to confirm clarity of the questions and their validity and reliability. Data was analyzed using quantitative techniques and then presented using distribution tables, diagrams, charts and graphs. The major findings drawn after the analysis was that most FOSA SACCOs use the strategies of active oversight board, policies, procedures and limits and comprehensive internal controls in financial risk management. The main recommendation is that more improvement on the strategies that are currently used is necessary to ensure that they remain relevant and meeting the specific needs of the FOSA SACCOs.

Obudho(2014) conducted a study on the relationship between financial risk and financial performance of insurance companies in Kenya. Secondary Data was collected from Insurance Companies financial reports and multiple regression and correlation analysis were used in the data analysis. The study revealed that 91.7% changes in financial performance of insurance companies in Kenya could be accounted for by changes in capital management risk, financial risk, solvency risk, liquidity risk and size of the company. The study revealed that a unit increase in financial risk lead to decrease in financial performance of insurance companies in Kenya. The study established that solvency risk was negatively affecting the financial performance of insurance companies in Kenya. The study also found that liquidity risk negatively affected the financial performance of insurance companies in Kenya.

RESEARCH METHODOLOGY

This study employed a descriptive research design carried out as a case study of SACCOs in Nairobi

County. The study method provided in-depth information on the impact of strategic alliances on financial performance. Descriptive design uses a pre-planned design for analysis. To achieve the objectives of this study, the study adopted a descriptive research design which was necessary to investigate the relationship. The population of the study was the management employees of all 38 licensed SACCOs in Nairobi. The samples consist of 38 human resource managers, 38 operations managers and 38 financial managers from each of the 38 listed SACCOs in Nairobi.

The researcher collected data from primary sources. The researcher personally administered the questionnaires containing mainly closed ended questions to the sample respondents. A drop and pick later method was used to boost on total responses from the respondents. Descriptive statistics was used whereby frequencies, percentages, means and standard deviations were clearly shown in the form of both tables and figures. Inferential statistics was also computed with the aid of regression analysis. The tabulated data was analyzed using descriptive and regression statistics with the Statistical Package for Social Sciences (SPSS 21.0).

RESEARCH FINDINGS AND DISCUSSION

The study sampled 114 respondents from which 99 filled in and returned the questionnaires making a response rate of 85.1%. This response rate was satisfactory to make conclusions on the factors influencing of strategic alliances on the performance of SACCOs in Nairobi, Kenya.

Influence of Cost Sharing on the Performance

The study sought to establish the influence of cost sharing on the performance of SACCOs in Nairobi, Kenya. This implies that cost sharing influence the performance of SACCOs in Nairobi to a great extent. The findings concur with Markle and Shackelford (2015) who opined that cost sharing is often the basis of an alliance.

Table 1: Influence of cost sharing on financial performance of SACCOs in Nairobi

Statement	Mean	Standard deviation
Strategic alliance allows firms to share the fixed costs	4.02	0.264
In strategic alliance allow firms to formulate policies suited for the benefit of the participants	4.19	0.298
Strategic alliance allows participating firms to earn economies of scale	4.23	0.292
Firms in strategic alliance share logistical capacities and thus cut costs while maximizing services.	4.18	0.261
Firms are joining alliances to find new, more-permanent ways to cut costs for their performance	4.10	0.265

From the study findings, respondents agreed on the statements that strategic alliance allows participating firms to earn economies of scale as shown by a mean of 4.23 and standard deviation of 0.292 and that in strategic alliance allow firms to formulate policies suited for the benefit of the participants as shown by a mean of 4.19 and a standard deviation of 0.298. The respondents also agreed on the statements that Firms in strategic alliance share logistical capacities and thus cut costs while maximizing services as shown by a mean of 4.18 and a standard deviation of 0.261. The respondents further agreed on the statement that firms are joining alliances to find new, more-permanent ways to cut costs for their performance as shown by a mean of 4.10 and a standard deviation of 0.265. The respondents finally agreed on the statement that Strategic alliance allows firms to share the fixed costs as shown by a mean of 4.02 and a standard deviation of 0.264. Similarly Doz and Gary (2012) found that alliances play an important

role in firms cost sharing arising from the enjoyment of economies of scale. Strategic alliance derives strategic advantages such as shared fixed costs (Olk & Earley 2013).

Influence of Risk Sharing on the Performance

The study sought to establish the extent to which risk sharing influence the performance of SACCOs in Nairobi. From the findings, majority of the respondents (60.8%) indicated that risk sharing influence the performance of SACCOs in Nairobi to a great extent, 21.6% indicated to a very great extent, 15.5% indicated to a moderate extent whereas 2.1% indicated to a less extent. It can therefore be deduced that risk sharing influence the performance of SACCOs in Nairobi to a great extent. Concurrently, Chang, Lin & Ma (2015) revealed that other than expenditures necessary to maintain informal relations with business partners, risk sharing is another common reason for undertaking a strategic alliance.

Table 2: Influence of risk sharing on the performance of SACCOs in Nairobi

Statement	Mean	Standard deviation
Strategic alliance reduces the risks of failure	4.02	0.264
Strategic alliance spread the investment risks	4.19	0.292
Strategic alliance allows firms to reduce uncertainty in research and development	3.80	0.219
Participants in strategic alliance share the instability risks in the market	4.14	0.227
Risks are mitigated through innovations arising from strategic alliances	4.13	0.254

The study sought to find out the respondents' level of agreement with the statements relating to the influence of risk sharing on the performance of SACCOs in Nairobi. From the study findings, the

respondents agreed on the statements that strategic alliance spread the investment risks as shown by a mean of 4.19 and a standard deviation of 0.292 and that participant in strategic alliance

share the instability risks in the market as shown by a mean of 4.14 and a standard deviation of 0.227. The respondents also agreed that Risks are mitigated through innovations arising from strategic alliances as shown by a mean of 4.13 and a standard deviation of 0.254. The respondents also agreed on the statement that strategic alliance reduces the risks of failure as shown by a mean of 4.02 and a standard deviation of 0.264. They finally agreed on the statement that strategic alliance allows firms to reduce uncertainty in research and development as shown by a mean of 3.80 and a standard deviation of 0.219. Similarly Das (2012)

stipulated that enterprises make use of the strategic arrangement to reduce their individual enterprise's financial risk.

The study requested the respondents to indicate how else risk sharing influences the performance of SACCOs in Nairobi. The respondents indicated that strategic alliance act as a risk management method in which the cost of the consequences of a risk is distributed among the allied firms. Das, (2012) as well established that the participating firms share performance risk, spread financial risks and reduce uncertainty in research and development.

Regression Analysis

Table 3: Regression analysis Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671 ^a	.450	.423	.2146

- a. Predictors: (Constant), cost sharing, risk sharing
- b.

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variables: From the findings the value of adjusted R squared was 0.423 an indication that there was variation of 42.3 percent on financial performance due to changes in cost sharing and risk sharing at 95 percent confidence interval. This shows that 42.3

percent changes in financial performance of SACCOs in Nairobi could be accounted to changes in Cost Sharing and Risk Sharing. R is the correlation coefficient which shows the relationship between the study variables, from the findings shown in the table above there was a positive relationship between the study variables as shown by 0.671.

Table 1: ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.224	2	13.612	10.9158	.013b
	Residual	117.218	94	1.247		
	Total	144.442	96			

From the ANOVA analysis, the processed data, which is the population parameters, had a significance level of 0.013 which shows that the data is ideal for making a conclusion on the population's parameter as the value of significance

(p-value) is less than 5%. The F critical at 5% level of significance, 2 d.f, 94 d.f was 3. 0933 while F calculated was 10.9158, since F calculated is greater than the F critical (value = 3. 0933), the overall model was significant.

Table 5: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	1.351	0.331		4.082	0.000
Cost Sharing	0.574	0.181	0.556	3.171	0.002

Risk Sharing	0.598	0.1701	0.571	3.514	0.001
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$$Y_i = 1.351 + 0.574 X_1 + 0.598 X_2 + \epsilon$$

From the regression equation above it was found that holding cost sharing and risk sharing constant performance of SACCOs would be 1.351. A unit increase in cost sharing, would lead to an increase in the performance of SACCOs by 0.574 units. A unit increase in risk sharing would lead to an increase in the performance of SACCOs by 0.598 units. Overall risk sharing had the greatest effect on the performance of SACCOs, followed by cost sharing. At 5% level of significance and 95% level of confidence, all the variables were significant ($p < 0.05$).

CONCLUSION AND RECOMMENDATIONS

The study revealed that cost sharing influence the performance of SACCOs in Nairobi to a great extent. Strategic alliance allows participating firms to earn economies of scale. Strategic alliances also allow firms to formulate policies suited for the benefit of the participants. The respondents agreed that firms in strategic alliance share logistical capacities and thus cut costs while maximizing services. The study also established that firms are joining alliances to find new, more-permanent ways to cut costs for their performance as it allows firms to share the fixed costs.

The study established that risk sharing influence the performance of SACCOs in Nairobi to a great extent. From the study findings, strategic alliance spread the investment risks. The participant in strategic alliance share the instability risks in the market. Further the study revealed that risks are mitigated through innovations arising from strategic alliances. Strategic alliance has been found to reduce the risks of failure among the participating firms. The study also found that strategic alliance allows firms to reduce uncertainty in research and development and act as a risk management method in which the cost of the consequences of a risk is distributed among the allied firms.

Conclusion

Based on the findings, the study concludes that cost sharing influence the performance of SACCOs in Nairobi. Strategic alliance allows participating firms to earn economies of scale as well as allow firms to formulate policies suited for the benefit of the participants. The SACCOs in strategic alliance share logistical capacities and thus cut costs while maximizing services.

The study concludes that risk sharing influence the performance of SACCOs in Nairobi. Strategic alliance spread the investment risks and the participant share the instability risks in the market. The risks are mitigated through innovations arising from strategic alliances. Strategic alliance has been found to reduce the risks of failure among the participating firms.

Recommendations

The following recommendations are made based on the study findings;

The study had found that strategic alliance provide for benefits from economies of scale and enable SACCOs to share costs, the study therefore recommends that firms should form strategic alliances to improve their financial performance through cost reduction associated with the strategic alliance.

The study found that risk sharing influence the performance of SACCOs in Nairobi. The study thus recommends that firms to continue strategically aligning themselves to enhance their financial performance through spread of investment risks, sharing the instability risks.

Suggestions for Further Studies

The study focused on the influence of strategic alliances on financial performance of SACCOs in Nairobi, Kenya. The findings cannot be generalized to suit SACCOs outside Nairobi County. The study therefore suggests that a similar study be conducted on the influence of strategic alliances on financial performance of SACCOs in other counties.

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