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ABSTRACT
The Communications Authority of Kenya (2016) documented a 14.3% drop in courier transactions from the year 2010 to 2015. Further, outgoing international transactions experienced a 20.6% decline. This downward trend has been attributed to development of communication technology and organisational competitiveness which has immensely affected the performance of the firms in this business portfolio. This has led most organisations to embrace certain corporate strategies and partnering with other organizations to strengthen their market positions and improve on performance. This study sought to establish the effect of cost-based collaborations affect performance of courier firms in Nairobi City County. The study was anchored on the Transaction Cost Theory. The study adopted positivist philosophy that premises knowledge is based on facts and that no abstractions or subjective status of individuals is considered. To achieve the objectives, the study used a combination of descriptive and explanatory research designs. The target population consisted of 423 managers in 141 courier firms as at January 30th 2015(CAK, 2015) and the stratified sampling procedure was used to group the firms into strata using the licensing category. Secondly, using the Krejce and Morgan sampling table (1970) 103 organisations was purposively included in the study. The study used mainly Primary data which was collected using self-administered questionnaire. Quantitative data was analyzed using both descriptive and inferential statistics. Content analysis was also used for qualitative data. The analysis used SPSS Version 21 to aid data analysis. The study findings were that cost based collaborations had a positive significant influence on performance of Courier firms in Nairobi City County.

Key Words: *Cost Based Collaboration, Organizations Performance, Courier Firms*

INTRODUCTION

The primary goal of adopting effective collaborations and strategic alliances is improved organizational performance. The concept of inter-organizational collaborations has emerged as a central area concerning improving organization performance (Brudan, 2010). However, the 21st century environment presents a challenging context created by global competition, technological developments and complexity of the current economic context drive companies to meet market requirements and needs by devising quicker and profitable solutions (Brudan, 2010). As a consequence, firms should focus on exclusive resources, such as knowledge and capabilities.

Companies that rely on inter-organisational collaborations are more profitable than vertically integrated counterparts (Tully, 2008). Collaborations help firms strengthen the competitive position by enhancing market power (Kogut, 2008), increasing efficiencies (Ahuja, 2000), accessing new or critical resources or capabilities (Rothaermel & Boeker, 2008), and entering new markets (Garcia-Canal, 2012).

Organizational performance is the organization's to accomplish its goals effectively and efficiently using minima resources. Organizational performance encompasses three specific areas of firm outcomes: financial performance, product market performance and shareholders return (Richard, 2009). Measurement of performance gives an indication of organization's financial capability, relevance, efficiency and effectiveness. Kaplan and Norton (1996) Balanced Scored Card proposes performance measurement to include both financial and non-financial measures such as customer satisfaction and retention. Silverman (2008) and Marta (2008) recommend key performance indicators for non-profit organizations as well as CBOs to include efficiency, effectiveness, impact, influence and financial leverage. These indicators will be adopted in the current study.

Organizational performance continues to be a contentious phenomenon among organizational researchers (Barney, 2002). According to Javier (2008) performance in organizations can be viewed as organizational effectiveness, efficiency, financial viability and relevance (Javier, 2008). Effectiveness is concerned with the unique capabilities that organizations develop to assure achievement of their missions while efficiency is the cost per unit of output (Machuki & Aosa, 2011) while financial viability is a firm's ability to survive. It means that an organization's inflow of financial resources must be greater than the outflow.

Cost-based collaborations involve firms combining and coordinating their limited resources towards enabling innovation and R&D (Levinthal & March, 1993). This is usually done where the cost involved to do research or product development is too prohibitive for a single firm and hence requiring the collaborative efforts of two or more firms. Moreover, Park (2002) has indicated that a firm's propensity to enter exploration and exploitation alliances and networks is related to the resource endowments of the firm and the cost involved in such explorations (Park, 2002). The importance of possession of or access to key resources in the network becomes obvious when firms aim to develop new products and business concepts. Radically new innovations or those for emergent customers or markets are exploratory, since they require new knowledge or departures from existing skills (March, 1991).

One of the important challenges to postal and courier services, both public and private, is competition from other communications services such as facsimile, electronic-mail, and data networks, particularly in the business-to-business market segment. At the same time, some market segments of these services are taking advantage of new communications technologies. For example, electronic data interchange (EDI) is already considered an essential tool for achieving fast and reliable service in the express mail industry. In another example, a major foreign express mail service supplier in Canada is planning a wireless radio network to enhance its service and improve distribution. In addition to this, new technologies stimulate growth in some market segments. For both public and private delivery of parcels, the growing popularity of home shopping offered over communications services, such as television and internet, contribute to predictions for steady growth. Relation to other services/sectors: Postal and courier services are dependent on physical means of delivery, particularly air and road transport services.

In Kenya, Postal Corporation of Kenya (PCK) is charged with offering the universal service and is protected in the distribution of letters and courier service by being granted the privilege of the market tariffs. However, other service providers are equally mandated to offer such services but only allowed to do so, provided they charge a minimum of five times the PCK rate. Apparently this demand does not seem to be enforced because mostly the other players in the market charge far less than what PCK offers. Sending a parcel by Matatu, Fargo Courier, G4S or BM Securicor is two times cheaper than sending by PCK (SBO Report, June 2008). CCK report (May, 2008) indicated that the volume of postal letters sent locally dropped by 32.2 per cent in the year ending June 2007 to 74 million compared to 109 million in a similar period in 2012. This could explain the fact that there is stiff competition in the sector or worse still the market is not regulated and the government needs to do so. Profile of Postal Corporation of Kenya The Postal Corporation of Kenya (PCK) is regulated by the Communications Commission of Kenya (CCK). According to the Kenya Communications Act of 1998, CCK is mandated to license and regulate Postal and courier services throughout the country (Posta Profile, 2011) CCK grants licenses to operators, regulates the tariffs and fees for basic services, and maintains the overall order of the Postal and courier market.

Statement of the Problem

Courier firms in Kenya have been robbed of potential business opportunities due to the advancement of new technology, new demands by customers and intense competition leading to a decline in the performance. The Communications Authority of Kenya (2016) documented a 14.3 percent drop in courier transactions from the year 2010 to 2015. Further, outgoing international transactions experienced a 20.6 percent decline. This downward trend has immensely affected the performance of the firms in this business portfolio. In addition, the decline is attributed to changes occurring from external sources through technological advances, social, political or economic pressures, or from internal organization challenges such as management response to a range of issues such as changing client needs, costs or a human resource or operational issues.

A study by Obura (2012) found the Postal Corporation of Kenya business transactions attributed to the increase in the preference in the use of information communications technology like the use of internet to carry out transactions thus necessitating collaborations to shelter business and improve performance. To mitigate the mentioned challenges most companies have entered into collaborations to enhance their operations, minimize operational costs, improve knowledge, tap on skills and improve their performance. This will form the basis of this enquiry.

Sampson (2007) investigated a sample of 463 R&D collaborations in the telecommunications industry in 34 countries on the impact of R&D collaborations on organisations 'performance. The study found that collaborations contribute more to firm innovation when technological diversity is moderate than when it is lower or higher. However organizational competitiveness is more critical in ensuring improvement in its performance rather than the level of technological diversity. Hence this forms part of the proposed enquiry.

Wang and Lee (2014) assessed the effect of collaborations and costs on organisations' performance. The study used a sample of 1,561 small and medium enterprises in Australia. The study found that there is a direct effect of collaborative networks on innovation costs performance of SMEs. The results also showed that integrated information system moderated the relationship. Further, firm characteristics such as size of the firm and size of competitors did not influence performance while expenditure on IT did. However organizational competitiveness is more critical in ensuring improvement in its performance rather than the innovation costs. Hence this forms part of the proposed enquiry. While the study used moderating variables in the model, the mediating effect of competitiveness was not examined.

Based on the studies reviewed, there is consensus regarding the positive effect of collaborations on business performance. However, the results produce mixed outcomes in regard to the role played by the mediating variables used in the different studies. For instance, the study by Cao and Zhang (2011) noted that firm characteristics such as size and age had a significant moderating role on the relationship between inter-organizational collaborations and performance, while the study by Dangelico and Pontrandolfo (2013) established that none of the firms' characteristics (size of the firm, age of the firm, and ISO certification) had any significant moderating role on the relationship between environmental collaboration and performance.

Moreover, local studies on inter-organizational collaborations have been conducted in various sectors including the health sector (Mwangi, Oluoch & Odhiambo-Otieno, 2015) and in state corporations (Nyangweso, 2011) but not in the courier sector. On the strength of the foregoing argument and the need to establish the role played by organizational characteristics, when seeking competitive and profitable continuity, this study sought to establish the role of inter-organizational collaborations on the performance of Courier firms in Nairobi city county, Kenya which is an area previous studies have not focused on.

Objective of the Study

The general objective of the study sought to establish the effect of cost-based collaborations on performance courier firms Nairobi City County, Kenya.

Research Hypotheses

The following hypotheses guided the study:

Ho_1: There is no effect of cost-based collaborations on performance of Courier firms in Nairobi City County, Kenya

LITERATURE REVIEW

Theoretical Review

Transaction Cost Theory

The transaction cost theory was developed by Coase (1937) and it asserts why companies exist, why companies expand or source out activities to the external environment. The theory supposes that companies try to minimize the costs of exchanging resources with the environment, and that companies try to minimize the bureaucratic costs of exchanges within the company. Companies are therefore weighing the costs of exchanging resources with the environment, against the bureaucratic costs of performing activities in-house.

This theory was relevant to the study as it explained why inter-organisational collaboration occur in organisations. Further, Nix and Zacharia (2014) noted that firms choose collaborations that minimise transaction costs. If internal collaborations reduce the transactions costs, then they will be preferred as opposed to external partnerships. The transaction cost theory has been used by a number of scholars especially in collaboration related studies. Rota, Reynolds and Zanasi (2014) used the theory to explain the contribution of collaboration and sustainable relationships to the life cycle analysis in agri-food supply chains.

In a study on foreign entry mode choice and firm performance in European Union firms, Brouthers (2013) found that firms whose mode choice could be predicted by the extended transaction cost model performed significantly better, on both financial and non-financial measures, than did firms whose mode choice could not be predicted by the extended transaction cost model. Jobin (2008) proposed a transaction cost economics framework to evaluate partnership performance. Hottenrott and Lopes-Bento (2014) in their study on the relationship between R&D partnerships and innovation performance noted that collaboration involves transaction costs in the form of coordination and monitoring efforts. Vieira, Yoshizaki and Ho (2015) also examined the effects of collaboration on logistical performance and transaction costs.

However, a recurring criticism of the transaction cost literature as it has been applied to inter-organizational collaboration is that it fails to acknowledge the role that non-transactional attributes play in influencing the choice of governance mode. In particular, relational capital is suggested to be an important determinant of where relational capital has been defined as encompassing mutual trust, respect, understanding and friendship between individuals in a business relationship (Thuy & Quang, 2005). While there is an extensive literature discussing the concept of relational capital and its components, few studies have attempted to identify the empirical importance of relational capital attributes to perceived risks of opportunism and choice of ISA. Moreover, discussions linking relational capital to ISA generally fail to acknowledge that the linkage might be sensitive to environmental attributes of the host country, particularly the legal and regulatory regimes of the host country. Subsequently, the study adopted the transaction cost theory in which it is anchored on.

Empirical Review

Cost Based Collaborations and Performance

Wang and Lee (2014) investigated a sample of 1561 small and medium enterprises in Australia on the effect of collaborations and costs on organisations' performance. The study found that there is a direct effect of collaborative networks on innovation costs performance of SMEs. The results also showed that integrated information system moderated the relationship. Further, firm characteristics such as size of the firm and size of competitors did not influence performance while expenditure on IT did. While the study used moderating variables in the model, the mediating effect of competitiveness was not examined. This is a gap the present study seeks to bridge.

A study by Bjerke and Johansson (2014) investigated a sample of 636 firms in Sweden on the relationship between collaboration and innovation. The results showed that the probability to innovate and reduce operational costs is enhanced when firms collaborate. The study further revealed that firm characteristics such as size of the firm, education levels of owners and multinational nature of firms affected innovation. This study did not address the impact of competitiveness on organisations performance and, therefore, offers a gap in literature. Further, the study was based on Sweden and cannot be entirely applicable to Kenya. The study also used innovation performance yet the present study intends to expand this performance definition beyond innovation.

A study by Wang, Dou, Zhu and Zhou (2015) assessed the effect of internal capabilities on collaboration and performance. The study used a sample of 235 manufacturing firms in China. The study found that firm capabilities such as innovation, information and relational positively affect external collaborations which in turn affect market and financial performance. The study also showed that market turbulence moderated the relationship between capabilities and collaborations.

RESEARCH METHOLOGY

This study was approached from a positivist philosophy point of view. The positivism school of thought is based on the philosophy that only one reality exists though it can only be known imperfectly due to human limitations and researchers can only discover this reality within the realm of probability (Reichardt & Ralli, 1994). The study adopted both descriptive and explanatory research design. The study population were 423 managers in 141 courier firms as at January 30th 2015 (Gok, 2015). All firms offering postal service are legally subject to licencing considerations (CCK Annual Reports, 2007/2008). This study adopted a multi stage sampling design; stratified sampling procedure and Krejce and Morgan sampling table (1970). This comprised of 309 managers namely Finance manager, Operations Manager and Customer relationship managers in each organization. The study used primary data which was largely qualitative, quantitative and descriptive in nature. The study mainly used primary data which was collected using a self-administered structured questionnaire administered to the three levels of management since they were involved in the formulation of strategies and implementation. Data was analyzed both quantitatively and qualitatively. The researcher undertook various steps to ensure that the study adhered to research ethical standards.

RESULTS AND INTERPRETATION

The study targeted a total of 309 managers from 141 courier firms within Nairobi City County. Questionnaires were self-administered to the respective managers. The study successfully engaged 87.3 per cent of the expected respondents while the unsuccessful response rate of 12.7 per cent comprised mainly of non-returned questionnaires. Therefore, the study used the responses from the 270 successful responses to conduct analysis.

More than 70 per cent of the managers were drawn from firms that were greater than or seven years old. Therefore, a majority of the respondents were drawn from experienced firms. Approximately 75 per cent of the managers were drawn from firms with 31 or more employees. A majority of the respondents were drawn from relatively large couriers.

The respondents were almost evenly distributed in terms of the number of partnerships. Fifty six per cent of the respondents were drawn from courier firms with seven or more partnerships whereas 44 percent were drawn from courier firms with less than seven partnerships. This is representative of the population under study that has 85 out of 141 firms with more than seven partnerships. Respondents from privately incorporated courier firms were approximately 96 per cent whereas those from publicly incorporated courier firms approximately 4 per cent. Hence a majority of the respondents were drawn from privately incorporated courier firms. Therefore, although the study focused on both public and private courier firms the generalization of the study was more inclined to private firms than public firms.

Cost Based Collaborations

Table 1: Cost Based Collaborations

Descriptions and characteristics	**Mean**	**Std Deviation**	**standard error**
Our organization collaborates with others to reduce technological costs	4.32	0.78	0.048
To lower costs of access to international markets	4.18	0.88	0.054
Our organization collaborates with others to reduce research and development costs	4.13	0.74	0.045
To lower marketing costs	4.07	0.76	0.046
To lower operational costs	3.86	0.83	0.051
To circumvent barriers to entering international markets posed by legal, regulatory and/or political factors	3.77	0.84	0.051
Aggregate Mean Scores	**4.06**	**0.805**	**0.50**

Source: Survey Data 2017

The summarized responses in Table 1 indicated that the organizations collaborated with others to reduced technological costs (M=4.32,SD=0.78), to lower costs to international markets (M=4.18,SD=0.88), to reduce research and development costs (M=4.13,SD=0.74), to lower marketing costs (M=4.07,SD=0.760), to lower operational costs (M=3.86,SD=0.83) and to lower costs of entering international markets (M=3.77,SD=0.84). The average mean score for cost based collaborations was 4.06 with a corresponding standard deviation of 0.805. The mean of these responses rounded off to a score of 4 on the five point Likert scale adopted by the study. This implied that the respondents agreed to a large extent that cost based collaborations had affected the performance of their organisations. Therefore, the standard deviation was comparatively small. This implied that the respondents' responses closely clustered around the aggregate score of 4. The fact that respondents' responses cluster around 'a large extent' implied that the study expect a significant relationship between cost based collaborations and organizational performance. The findings seemed to agree with the assertion by Bjerke and Johansson (2014) on the relationship between innovative collaboration and organizational performance. The results showed that the probability to innovate and reduce operational costs is enhanced when organizations collaborate.

The findings were in line with a study by (Gimenez & Ventura, 2002) who found that there was a significant relationship between cost-based advantage and the performance of organisations. Firms that enjoyed cost-based competitive advantage over their rivals, for example in terms of relatively lower manufacturing or production costs, lower cost of goods sold and lower-price products, have been shown to exhibit comparatively better performance.

Organizational Performance

This domain comprised of four domains namely effectiveness, efficiency, relevance and financial viability. The descriptive statistics for each domain were shown in Tables 2, 3, 4, 5 respectively.

Table 2: Effectiveness as a measure of Organizational Performance

Descriptions and characteristics	Mean	Std Deviation	Std Error
Organization has facilitated a substantial number of collaborations to sustain effectiveness	4.27	0.84	0.051
Organization has enabled substantial number of collaborators for effectiveness	4.14	0.79	0.048
Organization has created a high level of collaborations for effectiveness	3.88	0.94	0.057
Aggregate Mean score	**4.10**	**0.86**	**0.052**

Source: Survey Data 2017

This implied that on average the respondents agreed to a large extent with the statements rating their organisation's current performance in terms of effectiveness of their collaboration. The standard deviation was less than one implying that the respondents' responses closely clustered around the aggregate score of 4.

Table 3: Efficiency as a measure of Organizational performance

Descriptions and characteristics	Mean	Std Deviation	Std Error
The organization delivers its services promptly without any delay.	4.14	0.76	0.046
High quality administrative systems are in place (financial, human resources, strategy) to support efficient service delivery.	4.07	0.94	0.057
The organization compares progress and achievement made in the organization from time to time.	4.00	0.8	0.049
Collaborations are evaluated on the basis of the cost.	3.93	0.82	0.050
The organizations make optimal use of its financial resources and systems.	3.90	0.92	0.056
Human resources are used by the organization to the best of their ability.	3.67	0.91	0.055
Aggregate Mean score	**3.95**	**0.86**	**0.052**

Source: Survey Data 2017

This implied that on average the respondents agreed to a large extent with the statements rating their organisation's current performance in terms of efficiency. The standard deviation is less than one implying that the respondents' responses closely clustered around the aggregate score of 4.

Table 4: Relevance as a measure of organizational performance

Descriptions and characteristics	Mean	Std Deviation	Std Error
Collaborations carried out by the organization are regularly reviewed to reflect changing capacities.	4.23	0.78	0.048
The organization regularly reviews the environment to adapt its collaboration strategy.	4.09	0.74	0.045
Organizations' assessments are conducted regularly	4.08	1.03	0.063
Services offered by the organization are constantly reviewed to reflect changing client needs.	3.83	1	0.061
Collaborations run by the organization are regularly reviewed to reflect changing environment.	3.55	1.05	0.064
Aggregate Mean score	**3.96**	**0.92**	**0.056**

Source: Survey Data 2017

This implied that on average the respondents agreed to a large extent with the statements rating their organisation's current performance in terms of relevance.

Table 5: Financial Viability as a measure of Organization's performance

Descriptions and characteristics	Mean	Std Deviation	Std Error
The organization has relevant sources to generate revenues to meet its costs	4.26	0.82	0.050
The organization ability to generate enough cash to pay its bills	4.19	0.74	0.045
The Organizations relies on different funding sources to remain financially sustainable	4.19	0.74	0.045
The organization monitors finance, capital assets and depreciation on a regular basis.	4.08	0.99	0.060
The organization has the ability to raise funds required to meet its functional requirements	3.90	0.82	0.050
Aggregate Mean score	**4.10**	**0.82**	**0.050**

Source: Survey data 2017

This implied that on average the respondents agreed to a large extent with the statements rating their organisation's current performance in terms of financial viability. The standard deviation is less than one implying that the respondents' responses closely clustered around the aggregate score of 4.

Hypothesis

The objective sought to establish the effect of cost-based collaborations on performance Courier firms Nairobi City County, Kenya. Thenull hypothesis tested was stated as:

Ho_1: There is no effect of cost-based collaborations on performance of Courier firms in Nairobi City County, Kenya.

The standard coefficient of cost based collaborations 0.522 t= 9.72, p-value = 0.000<0.05. Since the p-value was less than 0.05 the study rejected null hypothesis. This implied that that cost based collaborations had significant effect on organizational performance of Courier firms in Nairobi City County, Kenya. This met that other things being equal and with a unit change in the score for cost based collaborations, the performance score increased by 0.522 units.

This implied that cost based collaborations had a positive effect on organizations' performance. This compared well with an empirical review by Bjerke and Johansson (2014) who found out that the probability to innovate and reduce operational costs is enhanced when firms collaborate. In conclusion, courier firms should intensify cot based collaborations so as to benefit from reduced technological, operational and research and development costs and consequently enhance their performance.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This study sought to establish the extent to which cost-based collaborations affect performance of courier firms in Nairobi City County. The inferential statistics indicated that cost based collaborations had a positive contribution to performance in the Courier firms therefore confirming the expectation of the research. The study established that courier firms that entered into cost based collaborations courier firms benefitted from reduced technological, operational and research and development costs and consequently enhanced their performance.

Conclusion

The research findings indicated that the relationship between cost based collaboration and performance was positive and statistically significant, therefore the null hypothesis that there is no significant between cost based collaborations and performance of Courier firms in Nairobi City County, Kenya was rejected.

Recommendations

Cost based collaborations was found to significantly influence organizational performance. This study recommended that courier firms should embrace cost based collaborations in order to reduce technological cost, lower access to international markets, reduce research and development costs, lower marketing and operational costs. Strategic collaborations can also enable corporate restructuring aimed at a narrower business focus and higher investment return by helping firms divest of non-core business units or activities that are costly to retain.

Suggestions for Further Research

The researcher recommends that a similar study be conducted in other corporations/industries in Kenya. It is worth noting that although longitudinal research was both time consuming and expensive, future studies would benefit from testing the current study's model through a longitudinal research design so as to determine the causal links more explicitly.

The study focused on resource based collaborations and performance of Courier firms in Nairobi City County. However, a low percentage of variation in performance is explained by collaborations. This indicates that there are other factors which influence performance. The introduction of one or more of these factors can provide a base for further research. As far as the findings are concerned, possible enlargement of the sample to include other industries would be highly desirable.

This study had focused on inter-firm collaborative method. Yet the general outline of this research could be applied to other forms of strategic alliances. For example, this research could be extended to examine inter-organization alliances such as governmental research institutes, universities, and non-profit organizations. As a second suggestion, if biotech SMEs become to larger firms or multinational enterprises, they may use a merger and acquisition (M&A) method to exploit partners' technical capacity. Much could be learned from the formulation of M&A know-how construct and its antecedents and effects on firm performance in light of previous research.

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