Effects of Strategic Alliances on Performance of Commercial Banks in Kenya: A Case of Commercial Bank of Africa

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Abstract: Strategic alliances among organizations have grown dramatically during the past two decades. In the banking industry, strategic alliances extend worldwide. Scholars argue that strategic alliances may be a faster way to help firms successfully enter into specific market domains and acquire complementary resources. The increased competition in the Kenyan financial sector has resulted in a situation where financial institutions such as commercial banks and micro-finance institutions (MFIs) are finding it difficult to go it alone. Majority of the commercial banks in Kenya are in strategic alliances with other firms to increase their competitive edge and remain profitable. Therefore the effect of strategic alliances on performance of commercial banks is hence a topic of consideration. The current study hence sought to determine the effect of strategic alliances on performance of commercial banks in Kenya specifically CBA bank. The study specifically sought to establish the effect of technical capability of alliance partners, the structure of strategic alliances, the relationship of alliance partners and the type of strategic alliance on performance of commercial banks in Kenya. A descriptive research design was employed by the study. The target study population included all the employees of commercial bank of Africa which is headquartered in Nairobi Kenya. Random sampling was used to select the sample of 96 respondents. The study used quantitative primary data gathered by use of structured questions. Data analysis was done using SPSS version 20. The study findings indicated that technical capability of alliance partners, structure of strategic alliances and relationship of alliance partners were positively and significantly associated with performance of commercial banks while the type of strategic alliance was positively but insignificantly correlated to performance of commercial banks in Kenya. The regression results indicated that entering into staretegic alliances with partners who had high technical capability would lead to an increase in the performance of commercial banks in Kenya; considering a favourable structure of staregic alliances led to an increase in the performance of commercial banks in Kenya; increased good relationship of alliance partners would lead to increased performance of commercial banks in Kenya and that even though the type of strategic alliance would lead to increase in the performance of commercial banks in Kenya, this increase was not significant.

Keywords: *Technical capability, Structure of strategic alliances, Relationship of alliance partners, Type of strategic alliance, Performance of commercial banks in Kenya*

Introduction

Strategic alliances among organizations have grown dramatically during the past two decades (Vanhaverbeke and Noorderhaven, 2002; Larrson et al., 2003). In the banking industry, strategic alliances extend worldwide. Ziegelbauer and Farquhar (2004) define strategic alliances as a vehicle for the diffusion of technological knowledge that can contribute to firm success. Alliances play increasingly important roles in development and discoveries complementing companies' internal technology and competencies. An example is the collaboration between Millennium Pharmaceuticals and Bayer HealthCare AG, together creating one of the world's largest pharmacy/biotech alliances (Lee, 2007). As strategic alliances among organizations have multiplied, a substantial body of research on strategically important inter-organizational ties has developed. Researchers have been exploring a broad range of questions through a variety of sociological, organizational, and economic perspectives. Much of that research focuses on the implications of strategic alliances on the performance of firms engaging in such relationships (Gulati *et al*., 2000; Kale *et al*., 2002). The results are mainly positive: alliance activity benefits the partners (Kale *et al*., 2002). Yet, this observation brings into question the absence of near unanimous participation in strategic alliances among firms.

Lee (2007) argues that strategic alliances may be a faster way to help firms successfully enter into specific market domains and acquire complementary resources. As suggested by resource-based theory, the decision to choose alliance partner is predicated on mutual benefit, mutual potential to provide additional resource value of R&D, manufacturing and or marketing. Inter-firm alliances have the ability to alter the opportunities and constraints faced by potential entrepreneurs. These are some of the factors that the current study will seek to address its practicality in the Kenyan context (Lee, 2007). The increased competition in the Kenyan financial sector has resulted in a situation where financial institutions such as commercial banks and micro-finance institutions (MFIs) are finding it difficult to go it alone. Majority of the commercial banks in Kenya are in strategic alliances with other firms to increase their competitive edge and remain profitable. This is upon realization by the managers that many of the skills, capacities, and resources essential to their current and future prosperity are outside the firm's boundaries and outside the management's direct control (Kibira, 2015). Furthermore, Kibira (2015) argues that over 50% of the commercial banks have entered in to strategic alliances with telecommunication firms in Kenya as they seek to enhance their service delivery. The study therefore seeks to find out whether the strategic alliances being implemented have any effect on the performance of commercial banks in Kenya.

Statement of the Problem

Despite the popularity and advantages associated with strategic alliances that have seen many companies rush to form strategic alliances, few have succeeded. It has been projected that the failure rate of strategic alliances could be as high as 70%. Studies have shown that between 30% and 70% of alliances fail; in other words, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford et al, 2004). Alliance termination rates are reportedly over 50% (Lunnan & Haugland, 2008), and in many cases forming such relationships has resulted in shareholder value destruction for the companies that are listed on the stock exchange and engage in alliances (Kale, Dyer, & Singh, 2002).

In Kenya, most banks form strategic alliances in direct response to competition and to reduce uncertainty about the future. Commercial Bank of Africa has partnered with technology firms such as Kenswitch to increase the number of ATMs and telecommunication firms such as Safaricom for mobile banking and fee collection platforms dubbed "Mshwari". There are claims that strategic alliance, if well implemented can lead to organization's improved operations and competitiveness (Kale et al., 2002). Commercial banks in Kenya for instance KCB bank and Equity bank have engaged in strategic alliances with other companies. For instance Equity bank engaged with Safaricom in coming up with ``M-Kesho'' product but the product failed. Safaricom on the other hand successfully engaged CBA bank in implementation of ``M-shwari'' product. A key question arises on what then determines the success of a strategic alliance. Companies continue to form alliances in order to obtain technology, to reduce financial risk, to reduce political risk, to gain access to specific niche markets, and to achieve competitive advantage (Wheelan & Hungar, 2000).

Local studies done include; Makau (2012) carried out the research effects of strategic alliances on competitiveness of firms focusing on Kenya Commercial Bank of Kenya. Rambo (2012) carried out a study to determine risk factors influencing the survival of strategic alliances in Kenya and found that proportion of skilled staff, cost, information sharing level of trust among partners and integration of computers to support business activities influence adoption of strategic alliance in organization. Gitau (2012) carried out a study on the relevance of strategic alliance as a growth and survival strategy in nongovernmental organizations focusing on a case of world food programme, Kenya. From the findings, the study established adaptation of strategic alliance enhances the management of the organization structure and timing, increases organizational learning, decreases risk and uncertainty facing the organization and also enhances cost advantages. As observed various studies have not yet described the effect of strategic alliance on growth of financial institutions in Kenya. This study therefore adds to the existing literature in these areas by analyzing the effect of strategic alliance on growth of financial institutions in Kenya with focus to Commercial Bank of Africa.

Research Objectives

i. To establish the effect of technical capability of alliance partners on performance of commercial banks in Kenya

ii. To analyze the effect of the structure of strategic alliances on performance of commercial banks in Kenya

iii. To determine the effect of the relationship of alliance partners on performance of commercial banks in Kenya

iv. To establish the effect of the type of strategic alliance on performance of commercial banks in Kenya

Literature Review

Theoretical Framework

The Market Power Theory

The theory is mostly applied in banking and it states that the performance of a commercial bank is influenced by the market structure of the industry. According to Tregenna (2009), there are two distinct approaches within the theory namely the Structure-Conduct-Performance (SCP) and the Relative Market Power hypothesis (RMP). According to the RMP hypothesis, the profitability of commercial banks is influenced by market share. The SCP approach on the other hand, states that the level of concentration in the banking market gives rise to potential market power by banks, which may raise their profitability. Banks in more concentrated markets are most likely to make abnormal profits by their ability to lower deposits rates and to charge higher loan rates as a results of collusive or monopolistic reasons, than firms operating in less concentrated markets, irrespective of their efficiency (Tregenna , 2009).

Resource Dependency Theory

Resource dependence was originally developed to provide an alternative perspective to economic theories of mergers and board interlocks, and to understand precisely the type of inter-organizational relations that have played such a large role in recent 'market failures Pfeffer (2003). The motivation of those running the organization was to ensure the organization's survival and to enhance their own autonomy, while also maintaining stability in the organization's exchange relations. These were the drivers behind many of the organization's observed actions. Moreover, when it came to explaining strategy, power often trumped profits, an insight distinctly at odds with the dominant economic approaches of the time. There are three core ideas of the theory: social context matters; organizations have strategies to enhance their autonomy and pursue interests; and power is important for understanding internal and external actions of organizations.

Commitment-Trust Theory

Morgan and Hunt's (1994) commitment-trust theory appears consistent and relevant in the franchising relationship. Franchisees desire and appreciate the need for an effective relationship with their franchisor; a relationship highlighted by the presence of trust and commitment. The commitment-trust theory proposes that trust and commitment are key constructs that function as mediating variables between five important antecedents, relationship benefits, relationship termination costs, shared values, communication, and opportunistic behavior, and five outcomes which are acquiescence, propensity to leave, cooperation, functional conflict and decision-making uncertainty (Morgan & Hunt, 1994). Morgan and Hunt propose that relationship commitment and trust are key variables for successful relationships because they promote cooperative behaviors between relationship partners and encourage them to maintain long term relationships (Morgan & Hunt, 1994).

Empirical Literature Review

Swoboda, Meierer, Foscht & Morschett (2011) conducted a study to examine the impact of a set of factors at different stages of international SME alliance evolution on their success. In particular, the study examined whether problems in alliance building and the configurationally fit of ongoing partnerships are directly and indirectly linked to alliance success.

The findings demonstrate that problems in partner selection and negotiations arrangements affect alliance success both directly and indirectly through their negative impact on the alliance's ability to attain configurationally fit in the ongoing management of the partnership - and that the relationships between alliance building, fit and success vary according previous partner knowledge, international experience and previous investments. Soares (2007) also conducted a study to investigate the use of strategic alliances as an instrument for rapid growth by New Zealand based design led companies. The study findings indicated that the key contributor to the success or failure of alliances is whether all the parties will benefit equitably from the venture and the relative strategic importance of the alliance to the stakeholders.

In Germany, Mukherjee, Gaur, Gaur & Schmid (2013) conducted a study to establish the external and internal influences on R&D alliance formation. The study findings indicated that environmental uncertainty and knowledge intensity impede firms' R&D alliance formation; the focal firm's overall trust in partners enhances alliance formation. Trust interacts positively with environmental uncertainty and knowledge intensity to affect alliance formation in SMEs. In another study, Li, Qian and Qian (2013) sought to establish whether partners in international strategic alliances share resources, costs, and risks. The study findings indicated that the argument is tenable in low-tech industries but untenable in high-tech industries. Kokkonen, Kässi and Ojanen (2014) also conducted a study to establish interaction within bio energy firms in Finland. The study findings confirmed that it is often profitable for SMEs to act simultaneously in different types of networks. In these networks, the firms form relationships that are different in breadth and depth. In Kenya, Gachahi (2013) conducted a study to assess the relationship between contract management strategic alliance between Nakuru Municipality and its stakeholders with its performance in Solid Waste Management. The research findings showed that strategic alliances existed between stakeholders in solid waste collection in Nakuru Municipality but its impact on performance was minimal.

Conceptual Framework
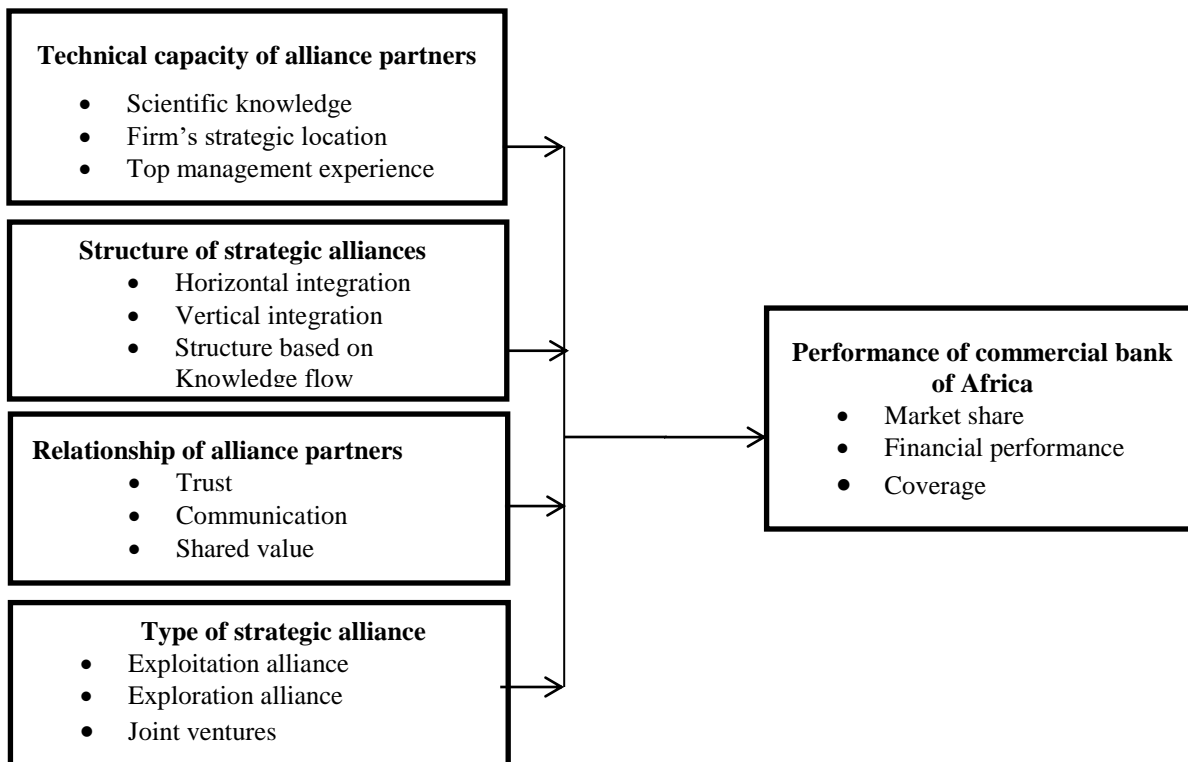
Independent Variables   **Dependent Variables**

Figure 1: Conceptual Framework

Research Methodology

The study employed a descriptive study design. The target study population included all the top management employees of commercial bank of Africa which is headquartered in Nairobi Kenya. The employees at the top management in operations department, IT department and Business development department were 182. The study used fisher formula to come up with a sample of 96 respondents in the study. Random sampling was then used to select the sample of 96 respondents. The study used quantitative primary data gathered by use of structured questions. SPSS was used to produce frequencies, descriptive and inferential statistics which were used to derive conclusions and generalizations regarding the population. A multiple linear regression model was used to test the significance of the effect of strategic alliances on performance of CBA bank Kenya. Data presented using frequency, tables and pie charts.

The multiple linear regression model is as laid below.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where: Y = Performance of CBA bank, X_1 =Technical capacity of alliance partners, X_2= Structure of strategic alliances, X_3 = Relationship of alliance partners, X_4 = Type of strategic alliance, e=Error term and α= constant and β=coefficient of independent variables

Results

Results of Pilot Test

The reliability of an instrument refers to its ability to produce consistent and stable measurements. Reliability of this instrument was evaluated through Cronbach's Alpha which measures the internal consistency. Cronbach's Alpha value is widely used to verify the reliability of the construct. The results are presented in Table 1.

Table 1 Reliability Coefficient

Variable	Cronbach's Alpha	Number of items
Technical Capability of alliance partners	0.868	5
Structure of strategic alliance	0.938	5
Relationship of alliance partners	0.968	5
Type of strategic alliances	0.980	5
Performance of CBA bank	0.942	5

The findings indicate that technical capability of alliance partners, structure of strategic alliance, relationship of alliance partners, type of strategic alliances and performance of CBA bank had Cronbach's alpha's values of greater than 0.7 thus the study was reliable (Kothari, 2004). This represented high level of reliability and on this basis it was supposed that scales used in this study were reliable to capture the variables.

Response Rate

The results for response rate are as indicated in Table 2 below.

Table 2: Response Rate

Response	Frequency	Percent
Filled	70	72.90%
Unfilled	26	27.1%
Total	**96**	**100%**

The number of questionnaires that were administered was 96. A total of 70 questionnaires were properly filled and returned. This represented an overall successful response rate of 72.90% as shown on Table 4.2. This confirms an argument by Kothari (2004) that a response rate of 50% or more is adequate for a descriptive study. Babbie (2004) also asserted that return rates of 50% were acceptable to analyze and publish, 60% was good and 70% was very good. Based on these assertions from renowned scholars, 72.90% response rate was adequate for the study.

Demographic Characteristics

This section analyzes the demographic characteristics of the respondents in terms of their gender, age, position and how long they have worked with CBA bank.

Gender Composition of Respondents

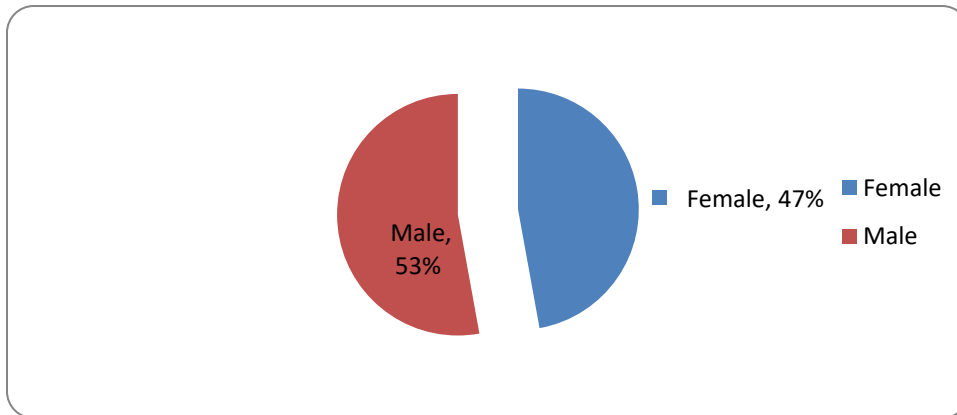The respondents were asked to indicate their gender. The findings are as presented in Figure 2.

Figure 2: Gender Composition of Respondents

Results in Figure 2 reveal that a majority of the respondents, 53% were male while 47% were female. The results implied that CBA bank had more male employees than female employees. It was male dominated.

Age of Respondents

The respondents were also asked to indicate their age. The results are presented in Figure 3.
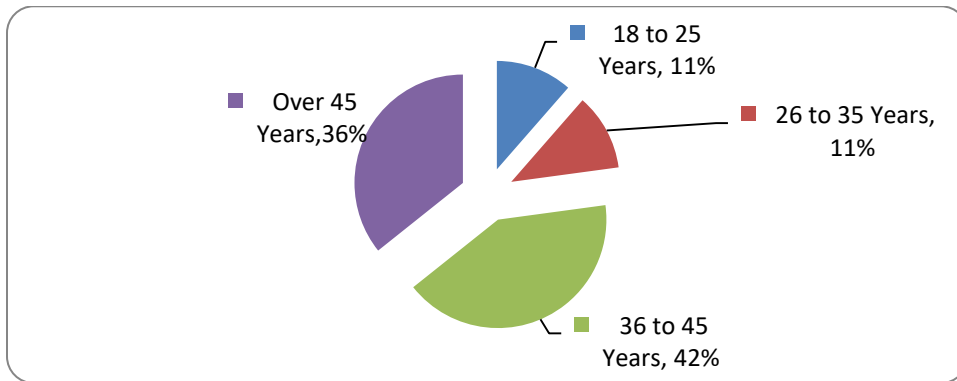
Figure 3: Age of Respondents

Results in Figure 3 reveal that majority, 42%, of the respondents were aged 36 to 45 years, 36% were over 45 years while those aged between 18 to 25 years and 26 to 35 years were 11% each. This implies that majority of the employees of CBA bank were aged between 36 to 45 years.

Position of the respondents

The respondents were asked to indicate their positions. The results are as presented in Figure 4.

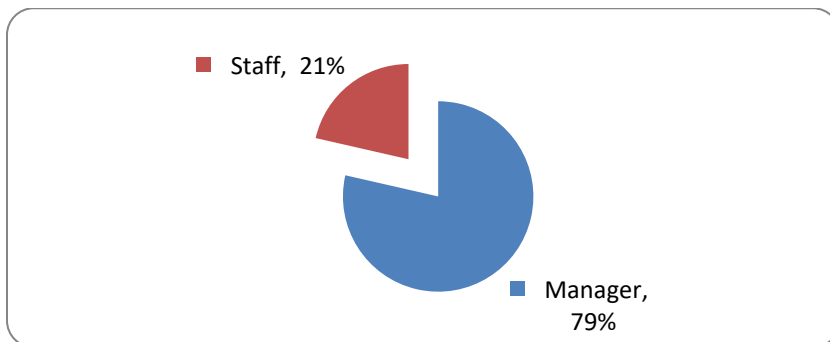**Figure 4: Position of the respondents**

Results in Figure 4 reveal that majority of the respondents, 79% were staff while 21% were managers. Majority of the respondents were managers implying that most responses were obtained from the top management.

Duration with CBA bank

The respondents were asked to indicate how long they had worked with CBA bank. The results are as presented in Figure 5.
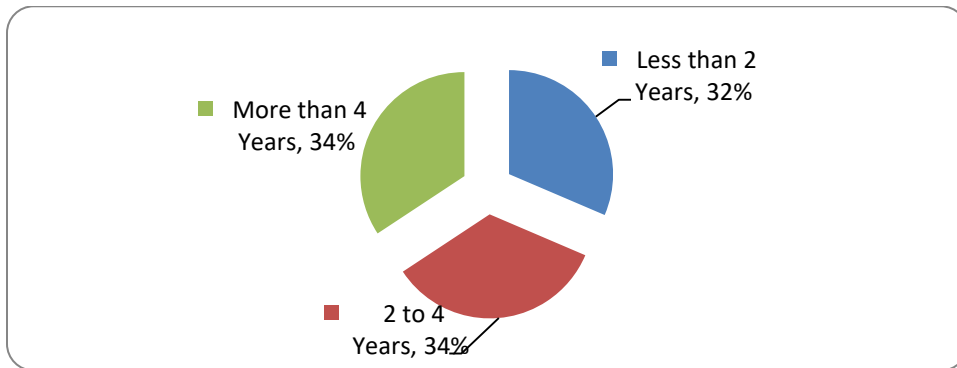
Figure 5: Position of the respondents

Results in Figure 5 reveal that an equal number of the respondents, 34%, had worked in the bank for between 2 to 4 years and more than 4 years while those that had worked in the bank for less than 2 years were 32%. These study findings imply that the respondents were well informed about the bank and hence were in a position to provide useful information.

Technical Capability of alliance partners

The first objective of the study was to establish the effect of technical capability of alliance partners on performance of commercial banks in Kenya. The respondents were asked whether they considered the technical capability of alliance partners when entering into strategic alliances. A majority of the respondents, 81%, indicated that they considered technical capability of alliance partners when entering into strategic alliances. Only 19% did not.

The findings agree with that of Ahuja (2000) who described three forms of firm capital that influenced opportunities for firms considering alliance activity namely social, technical, and commercial. These influenced the decision of firms when entering into strategic alliances. The results are as presented in Figure 6.
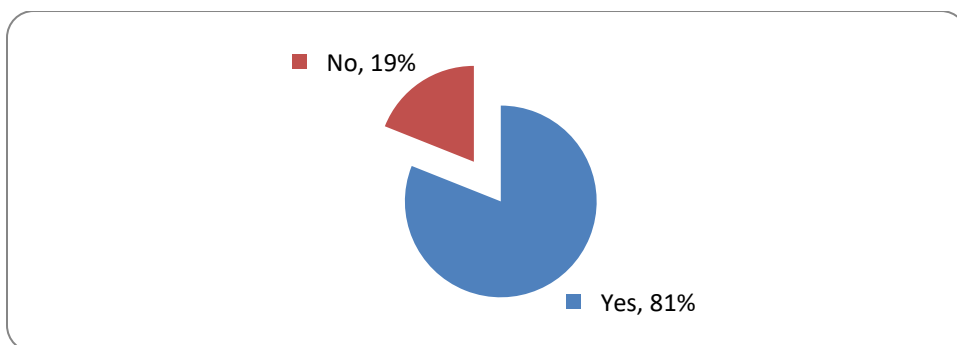

Figure 6: Technical capability

Descriptive analysis of technical capability of alliance partners

The respondents were requested to indicate their agreement or disagreement with statements concerning technical capability of alliance partners. The statements were on a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral,4 was agree and 5 was strongly agree. The results are as presented in Table 3.

Table 3: Technical Capability of Alliance Partners

Statement	1	2	3	4	5	Mean	Standard Deviation
The strategic alliance partners have a good understanding in scientific knowledge	1.40%	4.30%	1.40%	47.10%	45.70%	4.31	0.83
The strategic alliance partners are strategically located which is an advantage	12.90%	7.10%	10.00%	30.00%	40.00%	3.77	1.38
The strategic alliance partners have a better financial base	15.70%	7.10%	10.00%	28.60%	38.60%	3.67	1.45
The top management team of the strategic alliance partners gave a good understanding and experience of the markets	10.00%	11.40%	7.10%	24.30%	47.10%	3.87	1.38
The strategic alliance partners have a good understanding of the ICT world systems applied in the modern world	8.60%	10.00%	14.30%	25.70%	41.40%	3.81	1.31
Average						**3.89**	**1.27**

The study findings in Table 3 indicate that majority of the respondents, 92.8%, agreed that the strategic alliance partners had a good understanding in scientific knowledge. The findings also revealed that70.0% of the respondents representing a majority agreed that the strategic alliance partners were strategically located and that, that was an advantage.

It was further shown that a majority of the respondents, 67.2%, believed that the strategic alliance partners had a better financial base. 71.4% of the respondents, also a majority agreed that to the statement that the top management team of the strategic alliance partners gave a good understanding and experience of the markets. The study findings further revealed that 67.1% of the respondents who were the majority agreed that the strategic alliance partners had a good understanding of the ICT world systems applied in the modern world. The average mean of 3.89 of the responses implies that the respondents agreed on most of the statements concerning technical capability of alliance partners. The standard deviation of 1.27 indicates that the variations in the responses were minimal. These findings agrees with that of Coombs and Deeds (2000) who proposed that three signaling mechanisms, scientific knowledge, firm location, and top management team's (TMT) international experience can overcome information asymmetries, as well as aid the evaluation of a potential alliance partner's resource-base and product commercialization capacity. The flow of knowledge among alliance participants according to George et al. (2001) determines their structure/management and in turn, influences their success. Coombs and Deeds (2000) found that the firm location was positively related to the amount of foreign alliance capital received.

Structure of strategic alliances

The second objective of the study was to analyze the effect of the structure of strategic alliances on performance of commercial banks in Kenya. The respondents were asked whether they considered structure of strategic alliances when entering strategic alliances. A majority of the respondents, 83%, indicated that they did consider the structure of strategic alliances when entering strategic alliances. Only 17% indicated that they did not. These findings agree with that of Baum et al. (2000) who argued that the structure of strategic alliance played a critical role in the success of businesses in the alliance. The results are as presented in Figure 7.

Figure 7: Structure of strategic alliance
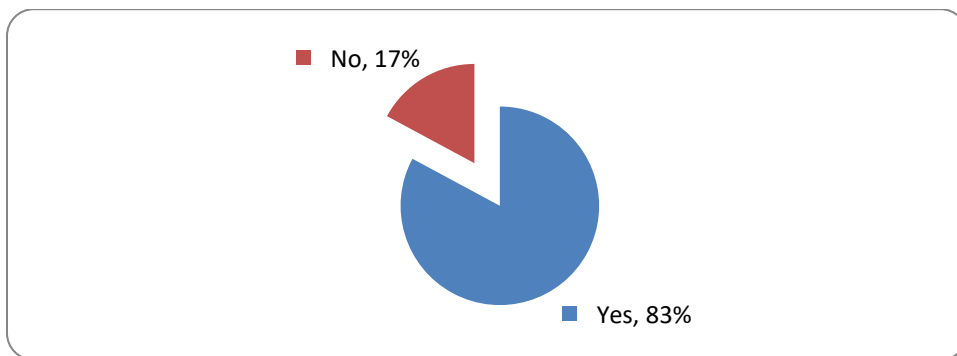
Descriptive Analysis of Structure of Strategic Alliances

The respondents were requested to indicate their agreement or disagreement with statements concerning structure of strategic alliances. The statements were on a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral,4 was agree and 5 was strongly agree. The results are as presented in Table 4.

Table 4 Structure of Strategic Alliances

Statement	1	2	3	4	5	Mean	Std Dev
The company engages in horizontal strategic alliances with peer companies in banking	8.60%	14.30%	8.60%	28.60%	40.00%	3.77	1.34
The company engages in upstream vertical strategic alliances with research institutes	7.10%	7.10%	10.00%	25.70%	50.00%	4.04	1.24
The company engages in downstream vertical strategic alliances with marketing firms	14.30%	10.00%	10.00%	25.70%	40.00%	3.67	1.45
The company engages in strategic alliances which stimulate generative knowledge flow	12.90%	15.70%	8.60%	20.00%	42.90%	3.64	1.48
The company engages in strategic alliances which stimulate attractive knowledge flow	11.40%	12.90%	10.00%	21.40%	44.30%	3.74	1.43
Average						**3.77**	**1.39**

The results presented in Table 4 reveals that 68.6% of the respondents, a majority, agreed that the company engaged in horizontal strategic alliances with peer companies in banking. It was also found that 75.7% of the respondents, also a majority were in agreement that the company engaged in upstream vertical strategic alliances with research institutes. It was further noted that 65.7% of the respondents, a majority, agreed that the company engaged in downstream vertical strategic alliances with marketing firms. It was found that a majority of the respondents, 62.9%, were in agreement that the company engaged in strategic alliances which stimulated generative knowledge flow. The study findings also revealed that 65.7% of the respondents also agreed that the company engaged in strategic alliances which stimulated attractive knowledge flow.

The average mean of the responses was 3.77 which indicate that the respondents agreed on most statements regarding the structure of strategic alliances while a standard deviation of 1.39 indicates less variation in the responses. The above findings agree with that of George et al. (2001) who suggested that alliance characteristics designated by structure (horizontal or vertical alliances) and knowledge flow whether generative or attractive were related to the firm's absorptive capacity which translated to performance of firms. The findings supported the findings of Lane and Lubatkin (2001) who indicated that the structure of alliances had a greater effect on firm performance than could be explained by absorptive capacity.

Relationship of alliance partners

The third objective of the study was to determine the effect of the relationship of alliance partners on performance of commercial banks in Kenya. The respondents were asked whether they considered relationship of alliance partners when entering strategic alliances. The study findings revealed that a majority of the respondents, 84% imdicated that they did consider relationship of alliance partners when entering strategic alliances while 16% indictaed that they did not. The findings support that of Gefen, Karahanna & Straub (2003) who noted that the most important factor for establishing a partner's relationship was "trust"; the higher the ability and confidence of alliance partners, the higher the reliability of alliance partners in the exchange process. The results are as presented in Figure 8.
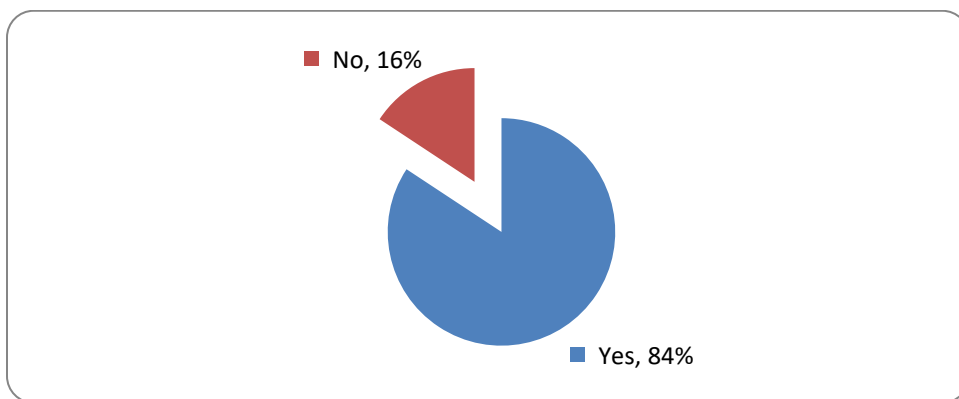

Figure 8: Relationship of alliance partners

Descriptive analysis of relationship of alliance partners

The respondents were requested to indicate their agreement or disagreement with statements concerning relationship of alliance partners. The statements were on a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral,4 was agree and 5 was strongly agree. The results are as presented in Table 5.

Table 5: Relationship of alliance partners

Statement	1	2	3	4	5	Mean	Std Dvn
The strategic alliance partners are trustworthy in their operations	11.40%	12.90%	4.30%	24.30%	47.10%	3.83	1.43
The strategic alliance partners are good in coordination of activities	11.40%	12.90%	2.90%	35.70%	37.10%	3.74	1.38
The company has shared values with their strategic alliance partners	1.40%	4.30%	2.90%	48.60%	42.90%	4.27	0.83

Statement	1	2	3	4	5	Mean	Std Dvn
The strategic alliance partners are reliable and consistent	8.60%	8.60%	11.40%	37.10%	34.30%	3.80	1.25
The strategic alliance partners have a high level of openness	12.90%	11.40%	11.40%	22.90%	41.40%	3.69	1.44
Average						**3.87**	**1.27**

Study findings presented in Table 5 indicates that 71.4% of the respondents, a majority, believed that the strategic alliance partners were trustworthy in their operations. It was also found that 72.8% of the respondents were in agreement that the strategic alliance partners were good in coordination of activities. On whether the company had shared values with their strategic alliance partners, 91.5% of the respondents, a majority were in agreement that it did while 71.4% noted that they agreed to the statement that the strategic alliance partners were reliable and consistent. It was further shown that 64.3% of the respondents believed that the strategic alliance partners had a high level of openness. The average mean of 3.87 indicates that majority of the respondents agreed on the statements regarding relationship of alliance partners while the standard deviation of 1.27 indicate that there was less variation in the responses. The above findings were in line with that of Gefen, Karahanna & Straub (2003) who noted that the most important factor for establishing a partner's relationship was "trust"; the higher the ability and confidence of alliance partners, the higher the reliability of alliance partners in the exchange process. The findings also support that of Sirdeshmukh, Singh & Sabol (2002) who considered trust as an important attribute, as well as a determinant factor in affecting the success of a partner relationship.

Type of strategic alliance

The fourth objective of study was to establish the effect of the type of strategic alliance on performance of commercial banks in Kenya. The respondents were asked whether they consider the type of strategic alliance when entering strategic alliances. A majority of the respondents, 80% indicated that they would consider the type of strategic alliance when entering strategic alliances while 20% don't.The findings are in line with that of Arend and Amit (2005) who asserted that opportunities for a firm to engage in alliance activities may be broadened by increasing the firm's own awareness of possible deals and partners and by making the firm appear a more attractive potential partner to other firms seeking fast, flexible access to particular capital resources. The results are as presented in Figure 8.
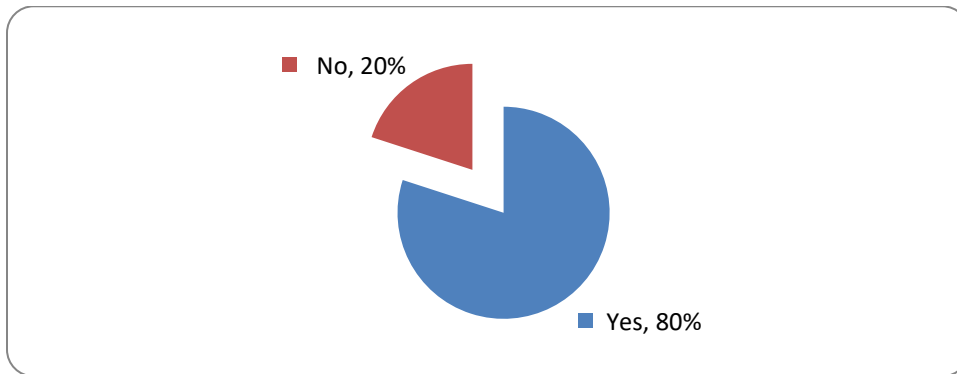
Figure 8: Type of strategic alliance

Descriptive analysis of type of strategic alliance

The respondents were requested to indicate their agreement or disagreement with statements concerning type of strategic alliance. The statements were on a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral,4 was agree and 5 was strongly agree. The results are as presented in Table 6.

Table 6: Type of strategic alliance

statement	1	2	3	4	5	Mean	Std Dev
The company engages in strategic alliances involving research	12.90%	12.90%	22.90%	20.00%	31.40%	3.44	1.39
The company engages in strategic alliances involving prediction of products in development	17.10%	18.60%	21.40%	11.40%	31.40%	3.21	1.49
The company engages in strategic alliances involving an already developed product	12.90%	10.00%	17.10%	20.00%	40.00%	3.64	1.42
The company engages in strategic alliances involving joint ventures	18.60%	12.90%	17.10%	18.60%	32.90%	3.34	1.51
The company engages in strategic alliances involving discovery of a new product (Exploration)	21.40%	8.60%	21.40%	17.10%	31.40%	3.29	1.52
Average						**3.39**	**1.47**

The study findings shown in Table 6 show that 51.40% of the respondents agreed that the company engaged in strategic alliances involving research, 22.90% had a neutral opinion while 25.80% of the respondents were in disagreement. The findings also reveal that 42.8% of the respondents agreed that the company engaged in strategic alliances involving prediction of products in development, 21.40% had a neutral opinion while 35.7% disagreed on the statement. It was found that 60% of the respondents, a majority, agreed that the company engaged in strategic alliances involving an already developed product.

The results also show that 51.5% of the respondents agreed that the company engaged in strategic alliances involving joint ventures, 17.10% had a neutral opinion while 31.5% did not agreed on the statement. Those respondents who agreed that the company engaged in strategic alliances involving discovery of a new product (Exploration) were 48.5%, 21.40% had a neutral opinion while 30% were in disagreement. The average mean of 3.39 indicates that majority of the respondents had a neutral opinion on the statements regarding the type of strategic alliance while the standard deviation of 1.47 which indicate that there was less variation in the responses. The findings are line with that of Rothaermel (2001) who found that an incumbent's alliances with providers of new technology were positively associated with the incumbent's new product development. Exploration alliances launch with the intent to discover something new, focused on the "R" in the R&D process (Rothaermel & Deeds, 2004).

Performance of Commercial Bank of Africa

The study sought to establish the percentage change in performance of CBA bank. The results are indicated in Table 7.

Table 7: Percentage Change in Performance of CBA bank

	Decreased by more than 50%	Decreased by less than 50%	Increased by less than 50%	Increased by more than 50%	Mean	Standard Deviation
Market Share	17.10%	14.30%	42.90%	25.70%	2.77	1.02
Financial performance	12.90%	11.40%	40.00%	35.70%	2.99	1.00
Coverage	17.10%	10.00%	42.90%	30.00%	2.86	1.04
Number of innovations	14.30%	10.00%	31.40%	44.30%	3.06	1.06
Number of branches	18.60%	11.40%	27.10%	42.90%	2.94	1.14
Average					**2.92**	**1.05**

The results shows that a majority of the respondents, 42.90%, noted that the market share of the company increased by less than 50%, 25.70% noted that the market share by increased by more than 50% while 17.10% and 14.30% of the respondents indicated that the market share of the bank had decreased by more than 50% and decreased by less than 50% respectively.It was also found that 40.0% of the respondents noted that the financial performance of the bank had increased by less than 50%, 35.70% noted that it had increased by more than 50%, 11.40% noted that it had decreased by less than 50% while 12.90% of the respondents noted that the financial performance had decreased by more than 50%. Concerning the coverage of the bank, 42.90% of the respondents noted that it had increased by less than 50%, 30.0% indicated that it had increased by more than 50%, while 10.0% and 17.10% of the respondents noted that it had decreased by less than 50% and decreased by more than 50% respectively. It was further shown that 44.30% of the respondents noted that the number of innovations had increased by more than 50%, 31.40% noted that it had increased by less than 50% while 10.% and 14.30% of the respondents noted that the number of innovations had decreased by less than 50% and decreased by more than 50% respectively.

The results also revealed that 42.90% of the respondents noted that the number of branches had increased by more than 50%, 27.10% noted that the number had increased by less than 50%, while 11.40% and 18.60% of the respondents indicated that that the number had decreased by less than 50% and decreased by more than 50% respectively. The findings are in line with that of Linyiru (2006) who stated that the determinants of performance of commercial banks were divided into internal and external factors such as number of branches, status of the branch location and size of the bank competition, regulation, concentration, market share, ownership, and scarcity of capital, money supply, inflation and size.The study further sought to establish the level of agreement or disagreement with statements concerning performance of commercial bank of Africa. The statements were on a scale of 1 to 5 where 1 was strongly disagree, 2 was disagree, 3 was neutral,4 was agree and 5 was strongly agree. The results are as presented in Table 8.

Table 8: Performance of Commercial bank of Africa

	1	2	3	4	5	Mean	Std Dev
The company's market share has increased	2.90%	2.90%	0.00%	48.60%	45.70%	4.31	0.86
The company's financial performance has improved	1.40%	2.90%	1.40%	54.30%	40.00%	4.29	0.76
The company's coverage has widened	0.00%	2.90%	2.90%	44.30%	50.00%	4.41	0.69
The company's number of innovations has increased	1.40%	2.90%	2.90%	37.10%	55.70%	4.43	0.81
The company's number branches has increased	2.90%	0.00%	1.40%	55.70%	40.00%	4.30	0.77
Average						**4.35**	**0.78**

The findings of the study indicated that a majority of the respondents, 94.3%, agreed that the company's market share had increased. The same number of the respondents also agreed that the company's financial performance had improved. The results further show that a majority of the respondents, 94.3%, agreed that the company's coverage had widened. 92.8% of the respondents, also a majority agreed that the company's number of innovations had increased while the number of the respondents who agreed that the company's number branches had increased was 95.7% representing a majority of the respondents. The average mean of 4.35 indicates that majority of the respondents had agreed on the statements regarding the type of strategic alliance while the standard deviation of 0.78 which indicate that there was less variation in the responses.

Inferential Analysis

The study conducted inferential analysis to establish the association and relationship between the study variables. Both Pearson correlation and ordinary least square regression analysis were conducted.

Correlation Analysis

Correlation analysis was conducted to establish the association between the study variables. The results are as presented in Table 9.

Table 9: Correlation analysis

		Technical capability	Structure	Relationship	Type of alliance	Performance
Technical capability	Pearson Correlation	1				
Structure	Pearson Correlation	0.529	1			
Relationship	Pearson Correlation	-0.055	-0.119	1		
Type of alliance	Pearson Correlation	-0.316	-0.46	0.041	1	
Performance	Pearson Correlation	0.373	0.323	0.330	0.080	1
	Sig. (2-tailed)	0.001**	0.006**	0.005**	0.510	

** Correlation is significant at the 0.01 level (2-tailed).

The findings of the study indicates that technical capability was positively and significantly associated with performance of commercial bank in Kenya (R=0.373, P- Value= 0.001). This implied that having a partner with more technical capability was positively associated with the performance of commercial banks in Kenya. These findings are in line with that of Coombs and Deeds (2000) who proposed that three signaling mechanisms, scientific knowledge, firm location, and top management team's (TMT) international experience can overcome

information asymmetries, as well as aid the evaluation of a potential alliance partner's resource-base and product commercialization capacity.

The flow of knowledge among alliance participants according to George *et al*. (2001) determines their structure/management and in turn, influences their success. Coombs and Deeds (2000) found that the firm location was positively related to the amount of foreign alliance capital received.The findings also indicate that the structure of strategic alliance and performance of commercial banks were positively and significantly associated (R=0.323, P- Value= 0.006). This implied a favorable structure of alliances was positively associated with the performance of commercial banks in Kenya. The findings agree with that of Swoboda, Meierer, Foscht & Morschett (2011) who found that international alliances success depended on structural fit, cultural fit and strategic fit. The findings demonstrated that problems in partner selection and negotiations arrangements affected alliance success both directly and indirectly through their negative impact on the alliance's ability to attain configurational fit in the ongoing management of the partnership.It was also found that alliance partners was positively and significantly associated with performance of commercial banks in Kenya (R=0.330, P-Value= 0.005).This implied that good relationship of alliance partners was positively associated with the performance of commercial banks in Kenya. The findings are in line with that of Mukherjee, Gaur, Gaur & Schmid (2013) who found that environmental uncertainty and knowledge intensity impeded firms' R&D alliance formation and that the focal firm's overall trust in partners enhanced alliance formation. Trust interacted positively with environmental uncertainty and knowledge intensity to affect alliance formation.

The findings indicated that the type of strategic alliance was positively but insignificantly associated with performance of commercial banks (R=0.080, P- Value= 0.510).The findings were in line with that of Kokkonen, Kässi & Ojanen (2014) who confirmed that it was often profitable for firms to act simultaneously in different types of networks. In these networks, the firms form relationships that were different in breadth and depth and hence firms could form different types of alliances for their benefit. Generally, the findings indicated that there is no multicollinearity between the study variables. This implies that conducting a regression analysis would not give spurious results and hence an ordinary least square regression model was conducted.

Regression Analysis

The general objective of the study was to determine the effect of strategic alliances on performance of commercial banks in Kenya. The study used an ordinary least square regression model to achieve this. The results for the model summary are presented in Table 10 below.

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617	0.38	0.342	0.433752

The study findings in Table 10 indicate that strategic alliance explains 38% of the changes in performance of Commercial Bank of Africa as indicated by an R square of 0.38. Furthermore, the findings indicated in Table 4.11 showed that the F statistic was significant at 5% level of significance (F=9.974, p=0.000) implying that the model for the relationship between strategic alliances and performance of Commercial Bank of Africa fit well. F calculated value of 9.974 was also compared against the $F_{(4, 65)}$ critical value of 1.99 and since F calculated

was greater than the F critical, the null hypothesis of unfit model was rejected hence the model fit well. This confirms the previous findings. The results for model coefficients are as presented in Table 12.

Table 11: Model Fitness

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.506	4	1.876	9.974	.000
	Residual	12.229	65	0.188		
	Total	19.735	69			

Regression of coefficients results in Table 12 shows that technical capability of alliance partners and performance of commercial banks were positively and significantly related (B=0.203, p=0.010). An increase in the unit change in the technical capability of alliance partners would lead to an increase in the performance of commercial banks by 0.203 units. The results further indicate that structure of strategic alliance and performance of commercial banks were positively and significantly related (B=0.188, p=0.006). These results imply that an increase in the unit change in favorable structure of strategic alliances would lead to an increase in the performance of commercial banks by 0.188 units. It was further established that good relationship of alliance partners and the performance of commercial banks were positively and significantly related (B=0.241, p=0.000) while the type of strategic alliance and the performance of commercial banks were also positively and significantly related (B=0.194, p=0.003). This shows that an increase in the unit change in the relationship of alliance partners would lead to an increase in the performance of commercial banks by 0.241 units. The unit change in a favorable type of strategic alliance would also lead to an increase in the performance of commercial banks by 0.194 units.

Table 12: Model Coefficients

Indicator	B	Std. Error	t	Sig.
(Constant)	1.261	0.510	2.475	0.016
Technical capability	0.203	0.076	2.671	0.010
Structure of strategic alliance	0.188	0.066	2.861	0.006
Relationship of alliance partners	0.241	0.063	3.820	0.000
Type of Strategic alliance	0.194	0.066	2.959	0.004

Regression model

Financial Performance =1.261 + 0.203 Technical Capability + 0.188 Structure of alliance partner + 0.241 Relationship of alliance Partner + 0.194 Type of strategic alliance

Conclusions

Technical Capability of alliance partners

Based on the study findings, the study concluded that the association between technical capability of strategic partners and performance of commercial banks in Kenya was positive and significant. The study concluded that technical capability of strategic partners had a statistically significant positive effect on the performance of commercial banks in Kenya.

Structure of strategic alliances

Based on the study findings, it was concluded that the association between structure of strategic alliances and performance of commercial banks in Kenya was positive and significant. The study concluded that favourable structure of strategic alliances had a statistically significant positive effect on the performance of commercial banks in Kenya.

Relationship of alliance partners

Based on the study findings, it was concluded that the association between the relationship of alliance partners and performance of commercial banks in Kenya was positive and significant. The study concluded that good relationship of strategic alliances had a statistically significant positive effect on the performance of commercial banks in Kenya.

Type of strategic alliance

Based on the study findings, it was concluded that the association between the type of strategic alliance and performance of commercial banks in Kenya was positive but insignificant. The study concluded that a favourable type of strategic alliance had a statistically a positive but insignificant effect on the performance of commercial banks in Kenya.

Recommendations of the Study

The study recommendations are in line with the objectives, findings and conclusions of the study. The study recommends that commercial banks should put into consideration the technical capability of alliance partners when entering into strategic alliances.Therefore, the banks should consider alliance partners with good understanding of scientific knowledge, partners that are strategically located, partners with better financial base as well as partners with good understanding and experience of the markets and also those with a good understanding of the ICT world systems applied in the modern world. The study also recommends that commercial banks should choose a structure of strategic alliances that was favorable. They needed to consider horizontal strategic alliances with peer companies in banking, upstream vertical strategic alliances with research institutes, downstream vertical strategic alliances with marketing firms as well as strategic alliances which stimulate generative and attractive knowledge flow if they were to benefit from strategic alliances. The study further recommends that commercial banks should pursue good relationship of alliance partners in making decisions on whether to enter into strategic alliances. They should consider that trustworthiness of their operations, the level of coordination of activities of the partners, the shared values with their alliance partners as well as whether the partners are reliable and consistent and have a high level of openness.

The study recommends that even though the effect of the type of strategic alliance was not significant, the commercial banks should emphasize on a favorable type of strategic alliance so as to reap the benefits of increased performance though insignificant.

Conflict of Interest

No potential conflict of interest was reported by the authors.

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