THE EFFECT OF PARTNERSHIP STRATEGIES ON PERFORMANCE OF COMMERCIAL BANKS IN KENYA

MARGARET NJOKI WANJIKU

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DECLARATION

I declare that this Project is my original work and has not been presented for a degree or any other award in any University

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

Margaret Njoki Wanjiku

D61/64677/2013

This Research Project has been submitted for examination with my approval as the University Supervisor.

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

PROF. PETER K' OBONYO

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

I dedicate my research work to my family and friends for their support. A special feeling of gratitude to my loving parents for their unending love and support and my son Udell for his insight and motivation.

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I thank the Lord for giving me strength, good health, sound mind and patience to undertake this project.

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LIST OF ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
HR	Human Resource
MOU	Memorandum of Understanding
OPMS	Organizational performance Management Systems
SBPs	Strategic Business Partners
PWC	Price Waterhouse Coopers

ABSTRACT

In Kenya, the financial industry is among the dynamic and growing sectors. Specifically, the banking sector has come a long way in the way business is run which in essence affects their performance. Commercial banks in particular need to put more effort in finding ways to mitigate their limited resources. Today's many commercial banks have established a strategic partnerships with various organizations to enhance their performance and penetrate areas which otherwise are not their core businesses but improve their output. This study is intended to establish the impact of strategic partnerships on the performance of commercial banks in Kenya. A total of 42 commercial banks were studied. The study applied the questionnaires survey approach to collect data and the study achieved an 88% response rate. The respondents were human resource managers of the banks. Data was analysed using simple linear regression. For establishing a relationship, the study considered performance of commercial banks as the dependent variable while strategic partnership was treated as the independent variable. The findings were such that 54.7% of the variation in the performance of commercial banks is determined by the variation in strategic partnerships while 45.3% is determined by other factors not analysed in this study. 65.9% of change in performance is also attributable to a unit change in partnership strategy. The study is anchored on the resource-based theory that supports the fact that resources are limited within the organisation hence the need for commercial banks to partner with other institutions, improving their performance. Agency theory also expounds the reason commercial banks have created agents as partners, a strategy to capitalise on others resources and placement within the industry. The results showed that strategic partnership provides a positive and meaningful impact on performance of commercial banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

International and local cooperation has become essential to business organizations in the 21st century. The development of strategic partnerships serves as a fundamental resource for institutions that aspire to develop or expand linkages with established enterprises. This has been demonstrated by large numbers of memorandum of understanding (MOUs) as well as letters of interest for instituting partnerships, and other activities that involve discovering partners and developing connections (Ulrich, 2001).

Over the recent past, being a strategic partnership has become a key for business organizations all round. Generally, they seem to incline that they should be included in the conversations where the future of the business gets determined, and that the people should have a real voice in those conversations (Ulrich, 2001). The capability for an entrepreneur to forge a strategic business partnership, a joint venture or a short-term association is essential for continued financial achievement in dynamic and aggressive business environment. Emanating from the potential risks of coping with increasing complex environment, entrepreneurs opt to spread risk and gain other array of benefits through strategic partnerships. According to Grant (2008), the creation of strategic partnerships that permit use of other organizations strong points to strengthen both firms in the long-run has a myriad of advantages.

The formation of strategic alliances with managers and the executive could be an example of a tactical and valuable strategy, which could help bring transformation that could result in organizational outcome effect (Robinson & Robinson, 2005). Engaging in environmental screening to gain familiarity with political, socio-cultural, and both macro and microeconomic realities especially when engaging in inter-country business partnerships and collaborations, requires taking initiative to examine corporate needs and requirements (Dwyer, 2000).

Robinson & Robinson (2005) illustrated Strategic Business Partners (SBPs) as persons who engage with administration to identify, support, and execute peoples' ideas for the advantage of the enterprise. The two authors pointed out to three main accountabilities that can guarantee an organization a place at the partnership strategic planning table. These accountabilities include building customer partnerships, spotting and collaborating to promote strategic partnerships, as well as controlling business strategies and course.

The study is grounded on three theories resource based view, agency theory and dynamic capabilities theory. Resource-based view concept is founded on the idea of economic rent and the standpoint of the company as a pool of capabilities, which highlight the need for matching the external market context in which companies operate and their internal capabilities (Stilger, 1961). The theory proposes that the organization's unique resources and capability offer the basis for strategy. Dynamic capabilities theory involves a series of learned procedures and activities that facilitate the organization to result in a certain outcome. Agency theory, on the other hand, refers to the risk-sharing dilemma that arises when partners have different attitudes towards risk (Jensen & Mecklin, 1976).

1.1.1 Partnership Strategies

Strategic partnership refers to a formal association between two commercial firms, normally formalized by one or more corporate contracts, which cannot form a legal partnership or, agency, or trade affiliate relationship. Usually, two institutions form a strategic alliance when each owns one or more business resources that will help the other, that each other does not want to generate internally (Dze, Chi Jonathan & Anouar Soldi, 2011). A strategic partnership engages many forms of legitimate accords between two-a bilateral alliance or more, or a network partnership parties that have agreed to share finances, skills, data and other resources while pursuing common goals. Strategic alliances normally focus on two areas including revenue increase through access to intellectual property like technology, content, product brands, image, payment techniques and clients such as entry into new population segment or geographic markets; Sharing costs and risks like cost reduction using print production, sharing network or new launch on risky platforms of mobile and TV (PWC 2009).

Garavan (2007) posit that likely partners are in a progressively more varied set of sectors including economic, demographic change facilities, and technology, if not compels, greater cooperation. Media organizations, for example, work progressively intimately with financial administrations suppliers as new types of monetisation of substance get to be both a survival action and the plan of action without bounds. The retail marks provide avenue to new market segment for media organizations looking for new groups of onlookers; innovation organizations give the framework that may encourage the undeniably focused on nature of promoting.

Potential partners need to look for shared trait and a common vision and the organization ought to help the vision of sides, have a similar fervor and enthusiasm for what they do and how they need to develop. Unquestionably everybody accompanies distinctive qualities and shortcomings, be that as it may, the best organizations work on the grounds that the vision and qualities are shared and also energy and excitement. These can help the association through any staying focuses in transactions as the best organizations work most easily when every gathering's qualities shore up the association with make lifted and shared achievement (PWC, 2009).

A key organization alliance includes no less than two collaborator firms that remain lawfully autonomous after the union is shaped, share benefits and administrative control over the execution of alloted undertakings and make proceeding with commitments in at least one vital territories, for example, innovation or items .(Yoshino, Michael, & Srinivasa,1995). These three criteria infer that key organizations alliances make reliance between independent financial units, conveying new benefits to the partners as impalpable resources, and committing them to make proceeding with commitments to their association (Todeva, & Knoke. 2005). The types of the vital collaboration are provider relationship, transitional client relationship, end client relationship, vital clients, key organizations together, joint wander, and inner cooperating (Cravens & Piercy. 2009).

Sorts of key collaboration typical in banks incorporate vital partnerships, joint ventures, equity tactical partnerships, non-equity strategic partnerships, and verifiable arrangement (Hit, Michael, Duane, Ireland, &Robert, Hoskisson, 2001). Diverse union structures speak through various methodologies that collaborator firms embrace to control their reliance on the collusion and on different accomplices. Todeva & Knoke (2005) noted there are 13 types of participation system including: Hierarchical connection, Joint venture, value speculation, Cooperatives, R&D Consortia, Strategic Cooperative accords, Cartels, Franchising, Licensing, Subcontractor Networks, Industry gauges bunches, Action Sets, and market relations. These vital collusion frames connected with various authoritative documents, which empower firms to control the assets designation and the circulation of advantages among the partners (Todeva & Knoke. 2005).

Strategic partnerships among banks is basically intended to increase the competitive advantage without anyone feeling lost (win-win solution). In addition, there are several reasons why a company implement a partnership strategy. First, the vigorous demands of consumers to quality, delivery time and the diversity of products and services. Second, no company can afford to be the best in everything. Increasingly complex business world, so as to be able to try and produce the best, companies need to have the best competence in their respective fields. Third, the competitive nature of the business is now growing very complex, a company no longer possible to do business on their own without the cooperation with other companies. Research shows that Inter-organizational links, strengthens the relationship with increased innovation in the world of banking services (Pennings, J.M., & Harianto,F.,1992).Reputation of partner organizations, in cooperation with partners in decision making, similarity partner strategy is positively associated with the acquisition (outcomes) that strategic alliances and initial performance satisfaction (Saxton, Todd,1997).

1.1.2 Organizational Performance

As indicated by Richard (2009), organizational performance implies accomplishment of authoritative objectives and destinations. The performance ought to be measured not just as far as piece of the pie, rate of return and money related benefit, yet ought to include both subjective and quantitative parameters of estimation. This approach is upheld by Lusthaus (2000) who orders association execution markers as far as; adequacy, capacity of an association to give the best administration or item inside the best structure. Additionally, productivity, which encompasses how much an organization moves towards accomplishment of its main goal and acknowledgment of its objectives; and significance, survival of an association and monetary practicality, an association's capacity to have more money related assets than its spending.

Organizational performance involves a thing fulfilled or something that is done or finished (Horngren et al, 2003). Many associations are utilizing different measures of hierarchical execution rather than a solitary measure that may have been utilized as a part of the past. As per Leslie (2003) association organizational performance is tried against the dedication that the administration made in its administration framework.

As indicated by Robbins and Coulter (2002) performance can be measured by an association' effectiveness and efficiency of objective accomplishment. Likewise Anderson (2006) conceptualized adequacy as a level of objective fulfilment. Schermorhorn (2002) noted that performance is a final product of work accomplished measured by quality and amount of an individual or faction accomplishment.

A standout amongst the most thorough structure for Organization Performance Assessment (OPA) is the Institutional and Organizational Assessment Model (IOA). Universalia and the International Development Resource Center (IDRC) explain the subtle elements of how it functions. This theory perceives the functioning of an organization as a multidimensional thought, which balances between adequacy, significance, proficiency, and budgetary reasonability of the association. The structure likewise assumes that management performance ought to be analyzed in connection to the association's inspiration, limit and external settings. Along these lines, hierarchical execution ought to be assessed utilizing different pointers, for example, adequacy, productivity, consumer loyalty and significance influence contingent upon the way of the association (IDRC, 2002). These indicators were incorporated in this study.

Organization performance was evaluated based on three aspects including effectiveness, proficiency and Relevance. Effectives refer to the accomplishment of an organizations prompt destination. Efficiency is ideal change of inputs to yields. Relevance is capacity to address the issues and pick up the support of its need partners.

1.1.3 Banking Industry in Kenya

The Kenyan money banking sector is managed by the Central Bank of Kenya Act, Banking Act, and Companies Act among different rules issued by the Central Bank of Kenya (CBK).The local banking industry was liberalized in 1995 and trade controls repudiated. The banks have met up under the Kenya Bankers Association (KBA), which acts as anteroom for the local banking sector. KBA additionally serves as a group that addresses issues influencing the saving money area (CBK 2016).

The business has in the course of recent years appreciated exponential development in stores, resources, productivity and items offering, predominantly credited to robotization of administrations and branch organize extension both locally and territorially. This development has realized expanding rivalry among players and new participants into the saving money area. On account of the hardened rivalry, banks are currently concentrating on the different client needs instead of conventional banking products, for example, over the counter money store and withdrawal. Reknown banks in Kenya include Barclays, KCB, Equity, Standard Chartered, Cooperative, CFC Stanbic, Diamond Trust, Citibank Europe, I&M Bank, CBA and National Bank.(Kenyan Business Review, 2016).

1.1.4 Commercial Banks in Kenya

In Kenya, commercial banks perform an integral role in mobilizing financial resources for investment by providing funding to different businesses and investors. Lending is the heart of the banking sector and loans are the powerful assets as they form the largest share of operating income. The banking industry in Kenya has been very dynamic and has undergone various changes. For instance several mergers and acquisitions took place between 1994 and 2001 aimed at improving their profitability. In the recent past many banks have partnered with other institutions especially the mobile service providers, institutions of learning, heath facilities, the government agencies etc. to provide efficient and timely services and avail their products at all levels of their clientele (PWC, 2012).

As at 31st December 2015, the banking industry entailed the Central Bank of Kenya, as the regulatory institution, 44 banking institutions (42 commercial banks and 2 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 credit reference bureaus (CRBs) and 101 forex bureaus. Among the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign. The foreign owned financial organizations include 10 locally instituted foreign banks and 4 branches of foreign integrated banks (CBK 2015).

1.2 Research Problem

A lot of the challenges facing small firms result from lack of resources while for large firm's it is competition, high cost of production and access to latest innovations and creative ideas in which the small firms have an advantage in (Sharon & Barney,2001). Hence, forming strategic alliances is a mutual problem solving mechanism to businesses in a partnership. Large existing industry players now face a new world in which their influence is declining; how will it impact lending behaviour, structure and implement partnerships, remain the critical question that needed organized move to address. The external environment of business puts pressure on corporate managers to extend innovative strategies to cope with the vibrant market situations and the ever-shifting customer needs. Strategic partnerships as a tactic for competitive advantage has turned into epic as organizations strive to survive by reducing costs and becoming stronger in order to compete (Ulijn, 2010).

Researchers have conducted several studies in the area of strategic partnerships. Hoxtell et al. (2015) focused on firms' involvement in humanitarian reaction and calamity risk management. The study found out that several benefits accrue to humanitarian organizations through different types of engagements with the private sector. Jonathan and Soldi (2011) examined factors that lead to successful alliances with a focus on financial services industry in addition to how the success in strategic alliances is measured. The partnership was rated successful because the parties met their expectations.

Studies carried locally includes; Kavele (2007) who explored existing strategic alliances in mobile banking where it explored partnerships between mobile service providers and financial service providers while Musyoki (2003) focused on creation of strategic alliances among non-governmental. Walekhwa (2011) studied effect of strategic partnerships on marketing decisions. Mutinda (2008) studied the factors businesses consider when going into tactical alliance based on the case of Kenya Institute of management. Despite all the solutions that partnerships offers, business enterprises are in most cases faced with difficulties in operations and some may go out of business permanently. This has been witnessed recently in Kenya with some commercial banks having to face the hard route of possible closure liquidation. Kenya’s banking industry has suffered a confidence crisis following the near collapse of three privately owned commercial banks in the last eight months.

Although many studies have been done on strategic partnerships, the role that these models have played in organizational performance has not been addressed. The organizational performance here refers to growth, profitability and accessibility to the customer at all levels. This study seeks to address how these partnership strategies impact on the organizational functioning of commercial banks. Specifically, this research intends to answer the following question;

- What is the influence of partnership strategies on the organizational performance of commercial banks in Kenya?

1.3 Research Objective

To establish whether there exist a significant relationship between partnership strategies and performance of commercial banks in Kenya.

1.4 Significance of the Study

The study will assist both academicians and future researchers in Kenya and beyond building further the existing body of knowledge. Academicians and researchers are always searching for new information and references. They can benefit from this study as it will add to the wealth of limited research on partnership strategies and link the same with performance. The study will thus broaden the knowledge on partnership strategies and provide a foundation for future research on the above research problem.

The study contributes to the policy formulation when policy makers design methods of engagement with banking sector. Knowledge on strategic partnerships is important because policy makers need to know which strategic partnerships work well and in what situations. Documentation through such a study becomes instrumental in providing informative policy guidelines to a wide range of stakeholders both in business and development agents to assist them in decision-making. They can therefore use this study as a point of reference.

The study shall be of value to banking practice as it will provide information to be used by the various banks in Kenya to formulate appropriate partnership strategies which was relevant to influencing their performance. It will also give them an outlook of what to look out for when going into new partnerships.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter identifies and explains the views and perspectives of different scholars of areas that touch on the theoretical literature, empirical analysis and conceptual framework.

2.2 Theoretical Foundation

This study is founded on three theories used in explaining partnership strategies on performance. These are resource based theory, agency theory and dynamic capabilities theory.

2.2.1 Resource Based Theory

The Resource-Based Theory was named by Birger Wernerfelt in 1984. However, the starting points of the hypothesis can be followed to the works by Coase (1937), Selznic (1975), Penrose (1959), Stigler (1961) and Chandler (1962, 1977), where they put accentuation on the significance of assets and its suggestion on association performance. The asset-based view recommends that profitable firm assets are generally rare, incompletely imitable, and without in direct substitutes (Barney, 1991; Peteraf, 1993). Along these lines, the exchanging and collection of assets turns into a key need. At the point when a proficient market trade of assets is conceivable, "firms are more likely to continue alone" (Eisenhardt and Schoonhoven, 1996) and depend on the available market. In any case, in spite of the fact that market exchanges are the default mode, effective trades are regularly unrealistic on the spot showcase. Certain assets are not consummately tradable, as they are either blended with different assets or installed in associations (Chi, 1994). Consequently, mergers, acquisitions, and key organizations together are differently utilized.

Along these lines, the asset based Views consider key cooperation’s and mergers. Acquisitions as systems used to get to other firms' assets, with the end goal of earning generally inaccessible upper hands and values to the firm.

This hypothesis investigates long haul associations with a gathering of key providers on the premise of a win-win rationality, which can bring about an enduring upper hand than gave by an arrangement of aggressive offering (Harrison and St. John, 1996). This hypothesis built up exceptional hierarchical assets as the bedrock of authoritative aggressiveness. As per Ni (2006) seeing connections as assets fulfils every one of the four asset criteria in the asset based view viewpoint, in particular (Barney, 1991): esteem; rareness; uniqueness (incomparability); and non-substitutability. Abilities cannot be purchased; rather, they should be worked; with inside capacities and joined with outside organizations (Su et al., 2009).

Be that as it may, the hypothesis has been censured for showing roundabout thinking in that one of its crucial components, in particular, value, must be surveyed as far as a specific setting (Barney, 1991). Upper hand as a value making strategy in view of asset among different qualities as significant is a roundabout thinking and hence operationally invalid. Assets may prompt upper hand yet this thus characterizes significant aggressive structures, which thus characterizes what an important asset is, (Schendel, 1994). An exit from this circularity is to see the relationship amongst assets and favourable position as a longitudinal procedure (Porter, 1991).

There is the suspicion that a firm can be beneficial in an exceedingly aggressive market the length of it can misuse favourable assets, however this may not be fundamentally the case. It overlooks the outside variables concerning the business in general. A firm ought to likewise consider Porter's Industry structure investigation of the 5 strengths. Lippman and Rumelt (1982) contended that a conspicuous wellspring of reasonable upper hand is causal vagueness as a firm will be unable to deal with an asset it doesn't know exists. The idea of irregularity is out of date. Hoopes, et al (2003) contend that the idea that assets should be uncommon to have the capacity to work as a conceivable wellspring of a maintained upper hand is superfluous.

2.2.2 The Agency Theory

The Agency Theory started amid the 1970s where financial experts investigated chance sharing among people or gatherings (Arrow, 1971). This literature depicts the risk-sharing issue as one that surface when alliances have distinctive dispositions towards risk. As per Jensen and Mecklin (1976), Agency hypothesis broadened this risk-sharing evidence to include the supposed office issue that occurs when participating groups have individual goals and division of work. Specifically, organization hypothesis is incorporated at the universal agency relationship, in which one group; the principals delegate duty to agents, who performs the assigned duties.

Office hypothesis endeavours to depict this relationship utilizing the illustration of an agreement. The important and the specialist may lean toward various activities because of the distinctive hazard inclinations. The organization structure is material in an assortment of settings, extending from large-scale level issues, for example, administrative approach to smaller scale level dyad phenomena, for example, accuse, impression administration, lying, and different articulations of self-intrigue. Most every now and again, office hypothesis has been connected to hierarchical wonders entomb alia remuneration, Eisenhardt (1985), procurement and expansion methodologies, board connections and possession and financing structures.

In general, the domain of agency hypothesis, Arrow (1971) is connections that reflect the essential agency structure of a principal and an agent, who is occupied with cooperative conduct, however have contrasting objectives and varying interests toward risk. The two streams have a common goal, which is to contrast between the principal and agent. Furthermore, they share regular presumptions regarding people, organizations, and information. However, they contrast in their empirical thoroughness, subordinate variable, and style.

2.2.3 The Dynamic Capabilities Theory

Teece (2007) formulated the Capability hypothesis to clarify how organizations satisfy apparently opposing goals. The first is that they should be both sufficiently stable to keep on delivering value in their own particular way. The second goal is they should be strong and sufficiently versatile to move on time when conditions demand it. Teece characterizes ability as a series of scholarly procedures and exercises that empower an organization to deliver a specific outcome. Standard abilities being as the best practices while dynamic capacities are special to every organization and are established in the organization's history. These novel capacities are caught in plans of action that do reversal decades and are hard to copy.

Lynda Gratton, and the late Sumantra Ghoshal referred to them as "signature processes". They are "the way things are done around here". As indicated by Teece (2007), Signature procedures depend on things that the organization has done before, doing a reversal to its sources. Teece proposes that three sorts of administrative exercises can make a capacity dynamic. The first is detecting meaning recognizable proof and evaluation of chances outside the organization.

The second action is seizing by activating an organization's assets to catch esteem from those open doors. The third action is changing into consistent recharging. This system as indicated by Teece (2007) discloses how to get the future right, how to position today's assets appropriately for tomorrow.

2.3 Partnership Strategies and Organizational Performance

Several empirical studies have been carried to determine the relationship between strategy and performance with varying conclusions. Thune and House (1970) examined 36 financial institutions using the approach of investigating the performance of each company both before and after initiation of formal alliance strategic planning. This included both formal and informal organizers. The comparison indicated that formal organizers outperformed the informal planners on all the organizational performance measures employed in the study. Stuart (2000) did a study on development and innovation targeting the advanced technology industry where he tried to establish the advantage of portfolio alliances with findings that firms with large and innovative partners perform better than those without. The study recommended more studies to explore two stage models.

Jonathan and Soldi (2011) in an effort to measure success of alliances in the financial services sector found that successful partnerships are those that partners meet their objectives of establishing the partnership on a win-win situation. This study focused on service industry and recommended more research on other industries for a better generalization.

Kudate (2014) conducted an inquiry to establish the influence of strategic partnerships between small and large business in a case study of Equity bank and discovered that whereas partnership is a good option, small firms need more information before entering partnerships. The researcher recommended more studies on the regulation and operation of agency banking. Walekhwa (2011) in a study between Equity Bank and her partners on effect of partnerships in decision making recommended more studies in agency banking. These studies suggest that there still exist knowledge gaps that require more studies into the innovations in the way that partnerships are structured and how organizations align themselves to respond to the emerging needs.

Ibrahim & Khtani (2004) conducted a study to determine the link between strategy implementation and organizational performance of manufacturing companies in Indonesia where 112 firms were studied. This was conducted after a report of Indonesia Capital Market showed that the organizational performance was unsatisfactory. The goal of the study was to examine the performance of the firms and how they are related to strategy implementation. It also aimed at examining the degree of formalization in organizational structure of Indonesian firms and how it affects the relationship between strategy and organizational performance. The findings of the study revealed a meaningful positive relationship between strategy implementation and the organizational performance of Indonesia manufacturing firms.

Herold (1972) investigated 10 organizations, contrasting hierarchical performance of formal and informal organizers over a 7-year time frame. In view of the outcomes, he presumed that formal arranging beat informal arranging; this bolstered the discoveries of Thune and House (1970). Gershefski (1970) in his review looked at the benefit development as an aftereffect of development of offers in organizations over a 5-year time span before key arranging was presented, and over a time of 5 years in the wake of arranging was presented. The consequences of the correlation inferred that organizations with formal key arranging performed well when contrasted with organizations with small arranging.

Ansoff et al (1970) led a study on the relationship between formal key arranging and hierarchical execution. The study highlighted a specimen of assembling firms that had gained different firms. The goal of the study was to decide the effect of vital anticipating fruitful acquisitions and hierarchical execution of the assembling firms. The organizations were gathered into organizers and non-organizers and hierarchical execution of every gathering assessed with twenty-one budgetary measures. The outcomes demonstrated that organizations that employed strategic planning arranging performed better.

2.3.1 Summary of Literature and Research Gaps

Given that the literature established that most research looking at the link between partnership systems and productivity have been carried out generally in different segments and few in the banking sector, the question still left unanswered is the impact of organization procedures on organizational performance. To fill this gap and to further inspect the presence of such a relationship, it was vital to direct research in the banking industry in Kenya. This study will research the relationship between partnership procedures and performance in the Kenyan setting. Besides a large portion of the research had their fundamental constraint being an undersized sample size; this project includes sufficient specimen size to manage this impediment.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section describes the examination procedure of the study. Research methodology is the procedural arrangement received by the scientist to truly, equitably, financially and precisely answer the examination address. It is a point-by-point clarification of the methodology and procedures that were applied in the gathering, preparing and analysing data. This segment of the study hence explains the research design, target populace and region, sampling frame, sample and sampling method, information collection techniques, procedures and analysis approach the study utilized.

3.2 Research Design

The study utilized both descriptive approach and explanatory technique utilizing cross-sectional study outline. Descriptive approach gave the researcher a chance to understand populace's features and test hypothesis (Cooper & Schindler 2008). Further, the surveyor as no control of the factors in the feeling of having the capacity to control them henceforth guarding against inclination. The explanatory research design searches for clarifications on the way of specific connections and examines the cause impact relationship between factors (Saunders, 2009).Therefore, this research plan was deemed suitable because of the cross-sectional nature of the study.

3.3 Target Population

A study populace involves the whole groups of people, articles, things, cases, articles, or things with basic properties or qualities existing in space at a specific point in time (Majumdar, 2005). The populace included 42 business banks in Kenya. As per

Mugenda and Mugenda (2008) an objective populace is that populace which the scientist needs to sum up results.

3.4 Data Collection

The study utilized essential and optional information. As indicated by Creswell (2000), information-gathering techniques for essential information include: organized and semi-structure polls, sent surveys, organized and semi-organized meetings (individual and phone interviews), perception and centre gathering exchanges. Polls and meetings were utilized as a part of this study. There was follow-up to guarantee that polls are gathered on time and help to the respondents experiencing issues in finishing the surveys was offered. Questionnaires are regularly utilized techniques when respondents can be come to and are eager to co-work. The respondents were the human asset director from every bank. Human asset supervisor are the topic specialists and are accepted to be in a decent position to give the required data. Controlled by drop and pick strategy.

Questionnaires can accommodate an extensive number of subjects who can read and compose freely. The study utilized surveys containing closed-ended and open-ended questions. Questionnaires had two segments being the main segment as foundation data and the second part association procedures and performance. Organized and unstructured questions were utilized.

3.5 Data Analysis

Information was evaluated by utilizing descriptive statistics, for example, frequencies and percentage rates, means and standard deviations. Data presentation however, involved graphs and charts. Once the information was gathered, it was altered for precision, consistency and culmination. In any case, before definite analysis was done, information was cleaned to dispose of disparities, from that point, arranged on the premise of commonness, and after that tabulated. Simple linear regression analysis was utilized to discover the relationship between organization strategies and performance.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The section presents the foundation data of the respondents, discoveries of the examination in light of the target of the study. Distinct and basic straight relapse have been utilized to talk about the discoveries of the study.

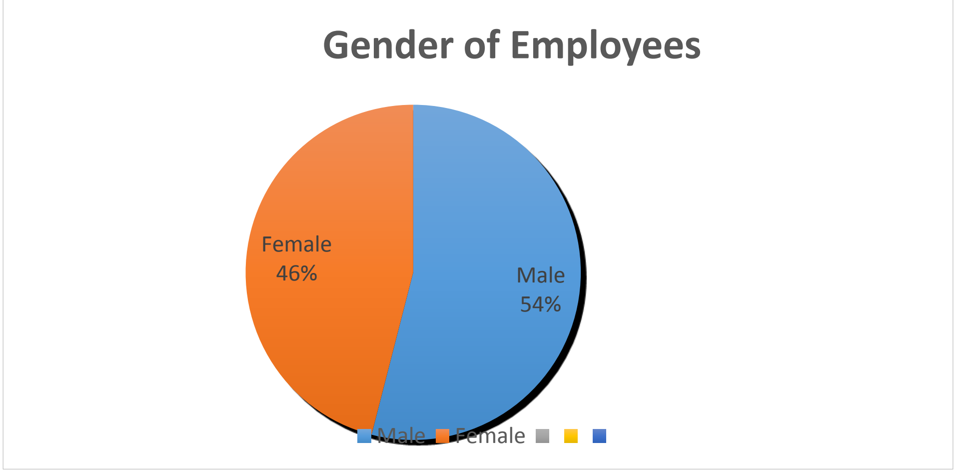
4.2 Response Rate

The study was an enumeration involving 42 respondents from which 37 filled in and gave back the surveys making a reaction rate of 88%. This reaction rate was palatable to make conclusions from the discoveries. As indicated by Mugenda and Mugenda (1999), a reaction rate of half is satisfactory for investigation and reporting; a rate of 60% is great and a reaction rate of 70% and over is superb. The reaction rate was superb.

4.3 Demographic information

4.3.1 Gender composition

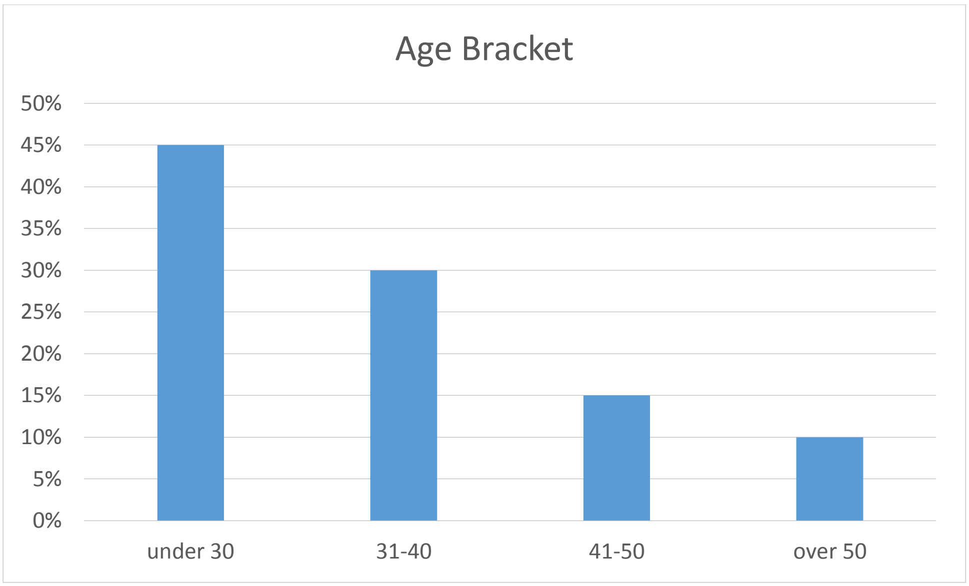
Figure 4.1: Gender in the organization



As shown in Figure 4.1 male gender was 54% being 20 respondents and the female gender was 46% based on 17 respondents.

4.3.2 Distribution of respondents by Age Bracket

Figure 4.2: Distribution of respondents by Age Bracket



The study intended to find out the age category of the respondents and hence asked the respondents to choose their age group. From the results shown in the figure above the study determined that most of the respondents as shown by 45% were aged under 30 years, 30% were aged between 31-40 years, 15% between 41-50 years and 10% of the respondents were aged above 50 years. This implies that majority of respondents were young.

4.3.3 Position held in the Organization

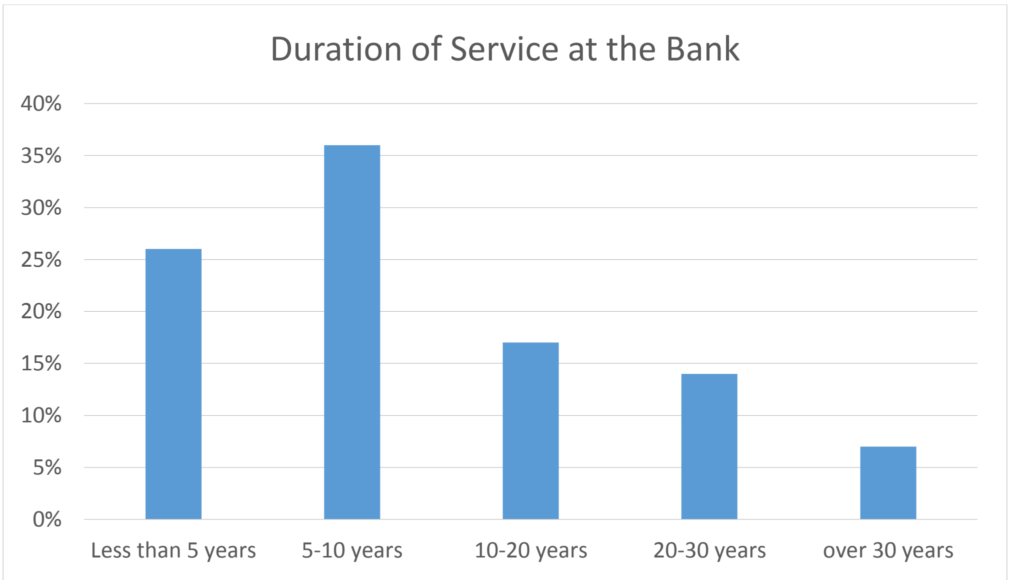
Table 4.1: Position held in the Organization

Rank	Frequency of response	Percentage of response %
Top Management	12	32
Middle level	20	52
Operational staff	5	16
Total	**37**	**100**

Most of the respondents were middle level management as shown by 52%. 32 % of the respondents indicated they held the position of top management whereas 16% of the respondents indicated that they held the position of operational staff.

4.3.4 Distribution of respondents by time served in the Bank

Figure 4.3: one length of service in the Bank



One objective of this study was to establish the respondent's duration of service in the bank. From the research findings, the study revealed that most of the respondents as shown by 36% had served for more than 5 years to 10 years, 26% of the respondents had served for a period less than 5 years, 17 % for 10 to 20 years, 14% for a period of 20-30 years whereas 7% had served for more than 30 years. This implies that majority of the respondents had worked with the organization for a considerable period and that they were in a position to give credible information relating to this research.

4.4 Extend to which banks apply Partnership Strategies

Table 4.2: Extend to which Banks apply Partnership Strategies

Extend	**Frequency**	**Percentage %**
Very large extend	20	55
Large extend	9	23
Moderate extend	7	20
Less Extend	1	2
Not at all	0	0
Total	**37**	**100**

The percentage responses for what extent partnership strategies are applied in the commercial banks are shown in table 4.2. There were as much as 20 (55%) of the respondents agreed to a very large extent that the banks have partnership strategies. While 8 (23%) agreed to large extent, moderate extent was 20% of the respondents. Further, 2% agreed to a lesser extent but no respondent disagreed at all on partnership strategies at the organization

4.5 Number of Strategic partnerships in Banks

Table 4.3: Distribution of firms by Strategic partnerships

No. of partnerships	Frequency	Percentage %
0-2	28	77.5
3-5	6	15
6-8	2	5
More than 8	1	2.5
Total	**37**	**100**

The research sought to determine the number of partnerships the banks have been involved in. The findings in table 4.3 show that most of the respondents at 77.5% indicate having between 0-2 partnerships. 15% imply 3-5 partnerships with other organizations. 5% indicated their bank partnered with 6-8 organizations while 2.5% indicated that the bank had been in partnership with more than 8 firms. This implies that most of the banks engaged in 0-2 partnerships.

4.6 Effect of partnership strategy on performance of commercial banks in Kenya

The main objective of this study was to establish the effects of partnership strategies on performance of commercial banks in Kenya. Simple linear regression analysis was used for this purpose and the results presented in table 4.4, 4.5 and 4.6

Table 4.4: Model Summary

Mode 1	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.740[a]	.547	.543	7.2461

Predictors (constant), strategic partnerships

Performance of commercial banks was the dependent variable, while the strategic partnership the independent variable. As shown in the table 4.4, the model has good fit (R^2 of 0.547, F=81.31, P<0.5). This means that 54.7% of the variation in the performance of commercial banks is determined by the variation in strategic partnerships. The rest, which amounts to 45.3%, is determined by other factors not analysed in this study.

4.6.1 Analysis of Variance

Table 4.5: Anova

Model	**Sum of Squares**	**Df**	**Mean Square**	**F**	**Sigma.**
Regression	93.504	1	93.504	81.31	.000[a]
Residual	44.9808	36	1.15335		
Total	138.4845	37			

a. Predictors: (Constant), strategic partnerships

b. Dependent variable: performance

Testing the significance of the coefficient of determination can be seen in the Anova table (Table 4.5). From the table it is evident that at α = 5%, the value of F statistic is 81.31. These results demonstrate that the coefficient of determination is significant which demonstrates that the regression was fit and therefore suitable for analysis of data..

Table 4.6: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std.Error	tBeta	Sig.	
Constant	19.503	3.074		6.349	.0.000
Strategic partnership	.659	0.77	.499	9.061	.000

Table 4.6 shows that partnerships strategy has a significant effect on performance of Commercial Banks in Kenya ($\beta=0.659, t=9.061, p<0.05$). The finding implies that 65.9% of change in performance is attributable to a unit change in partnership strategy. As per the SPPS generated output the equation for the relationship becomes: Performance =19.503 (constant) + 0.659 (strategic partnerships) + 7.2461 (error term).

4.7 Discussion of Findings

4.7.1 Link to Theory

This study is anchored on the resource based theory which assets that resources are scarce hence need by firms to partner with each other to improve performance. The key points of the resource based theory are based on the relationships found between organizations who have limited resources. Findings thus confirm that strategic partnership between banks and other institutions contributed significantly to their performance. Agency theory has also been supported by this study. This is explained by the fact that Commercial banks have created agents as partners to improve their performance.

4.7.2 Link to other studies

The study is consistent with findings of studies done by Mahdan Ibrahim and Ali Khtani (2004) who conducted a study in Indonesia to determine the link between strategic implementation and organisation performance. It also supports a study by Jonathan and Soldi (2011) who found that successful partnerships are those that establish the partnership on a win-win situation. Further Kudate (2014) found that partnership strategies had positive significant influence on organisation performance in the case on his study of Equity bank.

Walekhwa, 2011Conversely, established that partnership strategies do not significantly influence organizational performance. This was based on a study between Equity Bank and her partners on effect of partnerships in decision-making. The researcher recommended more studies in agency banking. These studies suggest that there still exist knowledge gaps that require more studies into the innovations in the way that partnerships are structured and how organizations align themselves to respond to the emerging need.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This part introduces the summary of outcomes, conclusions, proposals, limitations of the study, and recommendations for further research. The conclusions and suggestions drawn were centered on addressing to the goal of the study, which was to determine the effect of organizational systems and performance of commercial banks in Kenya.

5.2 Summary of Findings

The banking segment has done a great deal in enhancing their performance by collaborating with other lending institutions or firms to gain by those organizations' assets as theirs are restricted. The study sought to establish the impacts of organization techniques on performance of commercial banks in Kenya. This section gives the summary of the findings of the research.

The findings introduced in section four uncovered that there is critical positive relationship between organization systems and execution of business banks in Kenya. Majority of commercial banks have engaged in more than one partnership and the same has had a noteworthy impact on its performance (54.7% of the variety in the execution of a business banks is dictated by the variety in vital associations).

The results further showed that commercial banks have embraced various strategic partnerships as a strategy for competitive advantage and have diversified partnerships strategies by having more than one partnership. Strategic partnerships in commercial banks have leveraged on resources of other firms and in turn their return on assets have improved.

5.3 Conclusion

The findings that partnership strategies and organizational performance are positively related and are a very important in attaining improved performance. Commercial banks should therefore strive to leverage more on resources of other partners which in turn will improve their performance.

5.4 Recommendations of the study

Based on the findings of this research, commercial banks and organizations in general should regularly review strategic partnerships and collaborate more so as to improve organizational performance. The study recommends strategic partnerships as an excellent strategy that the commercial banks should adopt because they have benefits to partnering organizations and can impact positively on performance. The banks should find firms that have resources that they need so that they can partner and build that winning combination resulting from the coalition in order to improve their performance.

5.5 Limitations of the Study

The study focused only on commercial banks in Kenya. The interpretations should therefore be limited to the commercial banks and should not be generalized to financial institutions as they have different operating environment from that of commercial banks.

The study may have some weaknesses inherent in using questionnaire for data collection as respondents may suffer from personal biases like feelings, emotions, attitude towards change, and may not represent the opinion of the organization. They may have given personal opinions, which might not reflect the facts and may withhold some important information for the study.

5.6 Suggestions for Further Research

There is need for more studies in this area to analyse relationship of partnership strategies and performance in other firms in Kenya. This can be done by including all other financial institutions in Kenya. More studies should be done to examine other factors that may influence organizational performance as this study concentrated only on partnership strategies.

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APPENDIX I: QUESTIONNAIRE

UNIVERSITY OF NAIROBI

BUSINESS ADMINISTRATION DEPARTMENT

PARTNERSHIP STRATEGIES ON ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

This study regards the effect of partnership strategies on organizational performance of commercial banks in Kenya. The information given in the form was treated in strict confidence and used for academic purposes only. All respondents' names were anonymous. Kindly indicate your response in the appropriate place.

SECTION A: BACKGROUND INFORMATION ABOUT RESPONDENTS

Please specify your answer by placing a (√) on the relevant answers provided.

1) Gender?

Female ( ) Male ( )

2) What is your age bracket?

a) Under 30 years ( )

b) 31 – 40 years ( )

c) 41 – 50 years ( )

d) Over 50 years ( )

3) Which of the following best describes your position?

a) Top management ( )

b) Middle management/Supervisory ( )

c) Operational staff ( )

4) How long have you been working with the bank?

a) Less than 5 years ( )

b) 5-10 years ( )

c) 11-20 years ( )

d) 21-30 years ( )

e) Over 30 years ( )

SECTION B: PARTNERSHIP STRATEGIES OF COMMERCIAL BANKS IN KENYA

5) To what extent does your bank use partnership strategies?

a) To a very large extent ( )

b) To a large extent ( )

c) To a moderate extent ( )

d) To a Less extent ( )

e) Not at all ( )

6) How many partnerships strategies does your bank engage in?

Please specify your answer by placing a (√) on the relevant answer column provided.

	Number of partnerships	
a.	0-2	( )
b.	3-5	( )
c.	6-8	( )
d.	More than 8	( )

7. Rate your banks performance as measured by return on investment (ROA) in % for the last 5 years (2010-2015).

a.	Less than 10%	( )
b.	10-30%	( )
c.	31-50%	( )
d.	More than 70%	( )

END OF QUESTIONNAIRE

Thank you!

APPENDIX II:

COMMERCIAL BANKS IN KENYA

1. Bank Of Baroda	2. African Banking Corporation Limited
3. Bank of Africa Kenya Limited	4. Bank of India
5. Barclays Bank of Kenya Limited	6. CfC Stanbic Bank Limited
7. Charterhouse Bank Limited	8. Chase Bank (K) Limited
9. Citibank N.A Kenya	10. Commercial Bank of Africa Limited
11. Consolidated Bank of Kenya Limited	12. Co-operative Bank of Kenya Limited
13. Credit Bank Limited	14. Development Bank of Kenya Limited
15. Diamond Trust Bank Kenya Limited	16. Eco bank Kenya Limited
17. Spire Bank Ltd	18. Equity Bank Kenya Limited
19. Family Bank Limited	20. Fidelity Commercial Bank Limited
21. First Community Bank Limited	22. Guaranty Trust Bank (K) Ltd
23. Giro Commercial Bank Limited	24. Guardian Bank Limited
25. Gulf African Bank Limited	26. Habib Bank A.G Zurich
27. Habib Bank Limited	28. Imperial Bank Limited
29. I & M Bank Limited	30. Jamii Bora Bank Limited
31. KCB Bank Kenya Limited	32. Middle East Bank (K) Limited
33. National Bank of Kenya Limited	34. NIC Bank Limited
35. M-Oriental Bank Limited	36. Paramount Bank Limited
37. Prime Bank Limited.	38. Sidian Bank Limited
39. Standard Chartered Bank Kenya Limited	40. Trans-National Bank Limited
41. UBA Kenya Bank Limited	42. Victoria Commercial Bank Limited