STRATEGIC ALLIANCES BETWEEN DOMESTIC AND FOREIGN FIRMS IN KENYA

BY

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DECLARATION

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

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This research project has been submitted with my approval as the student supervisor.

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DEDICATION

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ABSTRACT

Strategic alliances are long-term contracts between legally distinct organizations that provide for sharing the costs and benefits of a mutually beneficial activity (Hitt, Ireland and Hoskisson 1997). Both foreign and domestic giants in all industries have realized that they cannot make it on their own and formation of strategic alliances is the only way to stay competitive, and as a result they have made strategic alliances a core part of their overall strategy. This study was about strategic alliances between foreign and domestic firms in Kenya. The research questions were what is the extent of involvement in other strategic alliances? What are the major reasons for forming strategic alliances between domestic and foreign firms? And are strategic alliances between domestic and foreign firms in Kenya effective? The study was a census survey. Data was collected from all the domestic firms in Kenya that have formed strategic alliances with foreign firms. The data was analyzed and the findings indicated that most of the firms formed the strategic alliance because it was a learning opportunity, a way of developing standard products and services for their customers, improving the firm's growth and supply chain efficiency. Most of the alliances had being in existence for a long period of time and they had met the reasons for forming the strategic alliance to a great extent and others to a moderate extent. The results also revealed the success factors as excellent expertise, common goal, effective training of the partners at all levels, adequate monitoring and evaluation of the resources, support from the government ministries and good rating by international and local firms. In view of the foregoing findings, firms should consider forming strategic alliances with foreign firms. This is because it gives firms a competitive edge and enables the firms to achieve their objectives.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Companies in all types of industries and in different parts of the world have elected to form strategic alliances and partnerships to compliment their own strategic initiatives and strengthen their competitiveness in domestic and international markets (Thompson, Strickland and Gamble 2007). Both foreign and domestic giants in all industries have realized that they cannot make it on their own and that the formation of strategic alliances is the only way to stay competitive. As a result they have made strategic alliances a core part of their overall strategy.

According to Booz and Hamilton (1997), in the past ten years, the number of strategic alliances has doubled and is expected to increase even more in the future. On the other hand the success of these alliances greatly depends on correct implementation.

1.1.1 Strategic Alliances

John, Richard and Robinson (2011) defines a strategic alliance as an agreement between two or more companies in which they both contribute capabilities, resources or expertise to a joint undertaking, usually with an identity of its own, with each firm giving up overall control in return for the potential to participate in and benefit from the joint venture relationship. The firms are both meant to contribute and share up the various resources as per the agreement and as a result. Thompson et al. (2007) also defines a strategic alliance as a formal agreement between two or more separate companies in which there is strategically relevant collaboration of some sort, joint contribution of resources, shared risk, shared control and mutual dependence.

The importance of strategic alliances in today's business environment has been a common point of discussion for several academics. Different sets of reasons can be found as to why a firm should seek strategic alliances in order to compete in today's open andaggressive markets. Wheelen and Hungar (2000) gave various reasons why both domestic and foreign companies would form strategic alliances. Companies maybe in dire need of developing in-house capabilities to support the partner and at the same time they may be lacking the needed resources for them to serve their clients better. This may cause them to form an alliance in order for them to get the needed help and at the end provide what is needed for all.

Alliances are equally attractive, flexible and often cost effective means by which companies can gain access to missing technology, expertise and business capabilities. Thompson et al. (2007) stipulated that globalization and technical advances in the world have also caused most companies to advocate for strategic alliances in order for them to become global market leaders. Firms use the alliances as an entry strategy to new markets by partnering with existing companies in that market arena. According to Pearce, Robinson and Mital (2008), an alliance enables the companies to extend their strengths to competitive arenas that they would otherwise be hesitant to enter alone.

When a firm wants to pursue new products or production, it may find it too risky to bear the financial responsibility and political risks alone. As a result, two or more companies may come together and agree to spread the risk among all participants. In pursuit of achieving competitive advantage, small firms may decide to come together in order for them to be able to survive in the ever changing environment that is characterized by technological advances, competition and globalization. These companies benefit from one another in areas such as marketing, distribution, production, research and development, and outsourcing. When companies form alliances, they are able to accomplish bigger projects quickly and profitably. According to Barney (2002), strategic alliances may take three forms - joint venture, equity alliances and non-equity alliances. The types are not limited to the three and as such other academicians like Knoke (2001) found out others which include: hierarchical relations, cooperatives, Research and Development consortia, strategic cooperative agreements, cartels, franchising, licensing, subcontractor networks, industry standards groups, action sets and market relations.

However, strategic alliances are not simple or easy to create, develop, and support. Projects related to alliances may fail because of tactical errors made by management. Well managed strategic alliances agreements must be put in place in order for the companies to gain competitiveness in the markets that would otherwise be uneconomical to operate in. It is essential that the companies enter into alliances with a comprehensive plan outlining detailed expectations, requirements and expected benefits.

1.1.2 Foreign and Domestic Firms in Kenya

A foreign firm is a firm under the laws of a foreign jurisdiction and owned or controlled by non-nationals. It is a corporation that operates in one country but that is organized and based in a different country. Foreign firms must abide by domestic regulations and business practices, but may or may not, depending on the specific organization submit their profits to shareholders in the home country. Generally, different countries have unique government systems, laws and regulations, currencies, taxes and duties, as well as different cultures and practices. Many corporations operate in multiple countries, and are considered foreign corporations in each country except the home country (Johansson 1997).

In the Kenyan business sector, different foreign firms have been found to form alliances with domestic firms due to various reasons. The sectors that have benefited from these alliances are among others - transport and communications where the airlines and mobile network operators are dominant, the education sector which involves higher learning institutions as key players, the financial and banking sector with foreign banks, the energy sector that has power supply firms, local business-to-business sector and private sector which involve consultancy firms and co operations. Due to cultural differences and other endowments that Kenya has, the foreign firms have been found to form strategic alliances in order for them to be able to operate with ease, to penetrate the local markets and eventually achieve competitive advantage globally. The companies with strategic alliances in Kenya are from different countries of the world but most of them are from Canada, South Africa, China, Netherlands, France United Kingdom and India.

A domestic firm on the other hand is one that is within the country of its own origin. It can also be a corporation that operates in the country in which it is organized and is based. Like all corporations, it must abide by domestic regulations and business practices. Many corporations operate in multiple countries, and are considered domestic corporations only in the home country. A domestic firm could also be a firm incorporated under the laws of the country or state in which it does business. For example, a firm incorporated in Kenya is considered a domestic corporation in Kenya (Johansson 1997).

Domestic firms could either be small in size, medium or large. For small businesses, strategic alliances are a way to work together with others towards a common goal while not losing their individuality. The unfortunate fact is that most small business struggle to gain attention and traction with large companies because they fail to effectively engage with large companies. These firms also engage in the alliances but not as frequent as medium or large firms. Most strategic alliances in Kenya are seen to be between medium and large companies in various sectors. These large companies need strategic partners since they may not afford everything or they may not be able to do it all within their sector of operaton. They need leading edge products and services from other businesses to be able to create complete solutions for their customers. According to Hebert and Morris (1988), large corporations are commonly involved in between thirty and fifty alliances; however some have hundreds or alliances.

The alliances are between partners who reach the niche that domestic firms would like to serve as well as other sectors within the globe. Especially in a time when growing international business is becoming the norm, these partnerships can leverage their growth through alliances with foreign partners. Alliances are found in firms that operate in various industries in the country. Booz and Hamilton (1997) found that strategic alliances are sweeping through nearly every industry and are becoming an essential driver of superior growth. The major industries involved in alliances in Kenya include: banking industry, ICT industry, airline industry, and servicing industry. Both the domestic and foreign firms that have formed the alliances are regarded as large or medium size companies in their respective home countries. They are either publicly by the government, privately owned by individuals or non profit.

1.2 Research Problem

Strategic alliances involve two or more companies coming together to join forces in order for them to achieve mutually beneficial strategic outcomes. Foreign and domestic firms are driven by various motives to join strategic alliances. An alliance between a foreign and domestic firm may occur due to the following reasons: to diffuse new technologies rapidly, enter a new market, by pass government regulations, learn quickly from the leading firms in the industry, or gain competitive advantage. Whether the alliance is short term or long term, each partner has to take advantage of the fleeting opportunities quickly, usually without typing up vast amounts of capital (Pearce et al., 2011).

The environment for both the domestic and foreign firms is dynamic and major changes come up each day that affects the industries, sectors and the economies of countries. Strategic alliances between foreign and domestic firms have increased in recent years and many more firms are getting in to such alliances. Most important things to be addressed are the reasons why strategic alliances are formed and how effective the alliances are. Most studies have focused on the challenges, motives, synergetic success and insights in understanding the termination of the strategic alliances. These studies looked at strategic alliances in a general and local perspective and none was found to look at foreign and domestic firms' alliances.

The studies done are both from the international and domestic arenas; International studies done included: Local studies on the other hand include: Barasa (2011) who studied Factors considered by organizations in entering strategic alliances and the challenges faced: a survey of non-governmental organizations in the health sector in Kenya, Ndarwa (2011) who studied Implementation of the strategic alliance between USAID-DCA and selected commercial banks in Kenya, Kinyua (2010) who studied Strategic alliance between Jomo Kenyatta University of Agriculture and Technology, Maina (2011) who studied Implementation of strategic alliance strategy at the University of Nairobi, Kavale (2007) who carried out a study of strategic alliances in Kenya. The case of money transfer services Owuor (2004) who studied Strategic alliances & competitive advantage. The case of major oil companies in Kenya, Musyoki (2003) who studied Creation and implementation of strategic alliances among NGO's. A case study of GEDO health consortium, Wachira (2003) who studied Strategic alliances in pharmaceutical drug development. A case study of three strategic alliances at Eli Lilly & Company, Koigi (2002) who studied Implementation of strategic alliance experience of KPOB and Citibank. This study therefore seeks to answer the following questions: What is the extent of involvement in other strategic alliances? What are the major reasons for forming strategic alliances between domestic and foreign firms? And are strategic alliances between domestic and foreign firms in Kenya effective?

1.3 Research objectives

i. To determine the extent of involvement in other strategic alliances
ii. To establish the reasons for formation of strategic alliances between domestic and foreign firms in Kenya
iii. To determine the effectiveness of strategic alliances between domestic and foreign firms in Kenya

1.4 Value of the study

This study is important in understanding the extent, effectiveness and reasons why domestic and foreign firms form strategic alliances in Kenya and beyond. Practically, the study can be used by foreign firms in Kenya and around the world that intend to form strategic alliances in different markets. This will guide the management team to be able to plan effectively and efficiently and later choose the most suitable partner and market in order to avoid uncertainties. Domestic firms will equally benefit from the study by being able to manage, select, and create strategic alliances with foreign firms that enable them to expand to other markets beyond their home turf and also to get some mutual benefits.

This study will benefit the government departments that are concerned with investment, tax and law. This is so because they will be able to know the laws and regulations that are to be followed in a strategic alliance agreement and as a result sensitize the citizens before they go in for the partnership. The departments will also be able to monitor the economy of the country by identifying sectors and industries that attract more alliances and at the same time yield more revenue for the country. This research is also a point of reference for scholars, academicians, and researchers to conduct further research in the area of strategic alliances.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Strategic alliances between foreign and domestic alliances are increasing in number and as a result they are becoming important in today's business world. Therefore managers are expected to form and manage them effectively in order for the alliances to be successful. The motives of formation, the major types of strategic alliances, the challenges and the effectiveness of the alliances are of particular concern in this study.

2.2 Strategic Alliances

According to Hitt, (1997), strategic alliances are partnerships between firms where by resources, capabilities and core competencies are combined to pursue mutual interests. They allege that economies of scale oriented foreign and domestic firms may form strategic alliances with partners who have complementary resources, capabilities and core competencies.

The motives of organizations choosing growth by strategic alliances are many and varied (Capon 2008). According to Hitt et al. (1997), said that alliances help both foreign and domestic firms obtain new technology rapidly and reduce the investment necessary to develop and introduce new products. This view is supported by Thompson et al. (2007), who said that firms enter in to strategic alliances in order for them to expedite the development of promising new technology or products. Domestic and foreign firms are driven by the desire to bring together the personnel and expertise needed to create desirable new skills sets and capabilities. These firms may want a managerial limit to growth and as such opt for an alliance (Hitt et al., 1997).

The firms may also want to improve their supply chain efficiency, gain economies of scale in production and marketing, acquire or improve market access , open up learning opportunities that help partner firms better leverage their own strengths. Firms may want to reduce industrial over-capacity and pool resources to meet capacity needs, overcome trade barriers and learn new business techniques. Strategic alliances between foreign and domestic firms can allow faster development of products which may in turn lead to development of standard products in different markets. The firms may have the intention of sharing risky research and development investments to maintain market leadership and develop industrial technological standards.

2.3 Types of Strategic Alliances

Strategic alliances can be categorized into three types according to Barney (2002) and other writers like (Hitt et al., 1997). The tree types of strategic alliances between foreign and domestic firms are: non-equity alliances, equity alliances and joint ventures. Non equity alliances are alliances in which a contract license is given to supply, produce, or distribute a firms good or services without equity sharing (Hitt, et, al 1997). Barney added to say that these types are the preferred types of strategic alliances, and separate companies retain their own equity shares in the alliance and they are managed less formally than the other forms of strategic alliances. Sporleder (1994) articulated distinguishing factors unique to non-equity strategic alliances, which include unclear prerogatives and unclear obligations relative to joint ventures, relatively weak and malleable vertical control, and partners which are stakeholders in the object of the alliance but not necessarily shareholders.

According to Barney (2002), equity strategic alliances are alliances where two or more firms own different percentages of the firm they have formed by combining some of their resources and capabilities to create a competitive advantage. The partners involved own different percentages such as 50-50 or 60-40 (Hitt et al., 1997). The alliance exists when a firm acquires partial ownership of another firm. This scenario is usually only good for start ups and new businesses.

A joint venture is one where an independent firm is created by at least two other firms, where each partner owns 50% of the equity (Hitt et al., 1997). Thompson et al. (2007) stipulates that in these alliances there is a high degree of commitment yet it keeps the two companies that form the alliances separate. Joint ventures that have their management team coming from one parent firm, typically the dominant one, are more likely to succeed than those in which both parent companies supply managers. Equity and joint ventures are more formal; involve capital investment, and consequently the partners to the arrangement become shareholders as well as stakeholders.

2.4 Challenges of Strategic Alliances

The fact that domestic and foreign firms come together into an alliances to work towards a common strategic objective, the different management styles, resource capabilities and culture presents a great challenge for the executives of such alliances to a successful one. These challenges could lead to failure if the alliances are not well formed and managed.

First and foremost, cultural differences between the firms looking to form an alliance are one of the most common challenges firms face. According to Elmuti and Kathawala, (2001), clash of culture may arise in the alliances and it may include cultural problems like language, ego, chauvinism and different attitudes to business. Companies working together are supposed to communicate effectively and understand each other well in order to overcome language barrier issues. These firms may also experience the challenges during their operation since different cultures operate in different ways. National cultural traits have been found to influence strategic alliance formation and moderate the relationship between perceived technological uncertainty and alliance formation

Secondly, goals if not well defined, communicated and managed become a major challenge in alliances. According to Johansson (1997), lack of unclear goals and objectives has caused many strategic alliances to demise since they were formed for the wrong reasons. For example some companies enter in an alliance to combat industry competitors thinking that this will deter competition. This may not be the case since the action will raise flags that problems exist in the joining companies and as a result the firm will be on the spotlight causing more competition. Many managers enter into alliances without properly researching the steps necessary to ensure the basic principle of cooperation (Lewis, 1992). As Zineldin and Dodourova (2005) found out, these managers who consider forming an alliance with a partner firm in international markets should be very clear what their performance objectives are and what achievements they anticipate from the alliance. This information should be shared with the potential partner to ensure the alliance is based on a foundation of common goals.

While working under the alliance, a sense of commitment must be generated through out since the firms are bonded by risk sharing. The idea of blaming the other partner in case of failure should not be encouraged since that does not solve the problem but it ends up increasing the tension between the companies (Elmuti and Kathawala, 2001). According to Johansson (1997), if the partners are unable to share the risk then the alliance will fail at the end. Lack of coordination between management team could lead to legal actions and break ups. When the subordinate actions are not congruent with top-level management, it can be disruptive, especially instances where companies remain competitors in spite of their alliance. Elmuti and Kathawala (2001) postulated that difference in operating procedures and attitudes among partners is another problem that can occur between companies in trade alliances. For example one firm may deliver its goods and services behind schedule, which may lead to distrust among the companies. Such problems may eventually lead to a takeover.

Relational and performance risks are other challenges that affect alliances where relational risk is concerned with probability that partner firms lack commitment to the alliance and that their possible opportunistic behavior could undermine the prospects of an alliance. Performance risk is also inherent in strategic alliances where this is the probability that an alliance may fail even when partner firms commit themselves fully to the alliance. The sources could include environmental factors, like government policy changes, war, economic recession, market factors, such as fierce competition, and demand fluctuations an internal factor such as lack of competence in critical areas or sheer bad luck (Elmuti and Kathawala , 2001). Many strategic alliances although entered in to for the right reason, do not work. It is therefore important that the alliances are formed based on the basic principle of cooperation.

2.5 Effectiveness of Strategic Alliances

Strategic alliances are formed with an aim of creating prosperity and success in the firms. Effectiveness of strategic alliances is therefore vital and it can be determined in various ways such as: attainment of set objectives, firms being able to work without problems and ability of the firms to reduce the transactional and production cost. Williamson (1985) stipulated that transactional costs occur when a good or service is transferred across a technically separable interface, such when a firm buys an input from an independent supplier. He proposed that firms choose how to transact according to the criterion of minimizing the sum of production and transactional costs. Production costs may differ between firms due to the scale of operations and learning of proprietary knowledge. Transactional costs refer to expenses incurred in writing and enforcing contracts, in haggling over terms and contingent claims, in delivering from optimal kinds of investments in order to increase dependence on a party or to stabilize a relationship, and in administering a transaction (Kogut, 1988).

According to Williamson (1985), there are generally a limited number of firms capable of providing expertise in advanced technology development or customization. Leading edge technology can also require extensive sophisticated training and equipment which may be of limited value outside its relatively narrow domain. Such condition constrain the opportunities for the firm and may increase its dependence upon the partner. It is well recognized that it is economical to produce a certain product or service in a large volume or jointly with other products/services. Increases in the minimum efficient scale of a number of economic activities have led firms to enter in to strategic alliances.

Foreign and domestic firms enter in to alliances with clearly stated objectives. According to Hitt, et.al (2005) these firms work together in order for them to achieve the main objectives. They may also work together with an aim of them achieving a shared objective and as a result combine some of their resources and capabilities. With the increased global competition, these firms have realized that their effective use of proper strategy contributes significantly to the market performance. Increasingly, successful firms use a high level of strategic alliance to gain competitive advantage.

Alliances are entered into for a specific objective and it is advised that before the agreement is signed, all the parties must be aware of each other's aims and objectives. As a result all possible alternatives must be considered before settling in for the alliance (Hitt, et.al 2005). According to Kalmbach and Roussel (1999) it is quite natural that alliances end when the intended objective is realized. Ending them certainly does not mean failing, for the co-operation has met expectations. On the other hand, it is also true that when the stated objective cannot be reasonably accomplished, alliances must be stopped. Therefore an alliance will be considered effective if it lasts until both parties are ready to let go and after the intended objectives have been met accordingly.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This research is aimed at providing an understanding of effectiveness, challenges encountered, motives that lead to formation, and the various types of strategic alliances between domestic and foreign firms in Kenya. The steps that were adopted in studying the research problem in order to satisfy the research objective are outlined in this chapter. The chapter contains: the research design, target population, data collection, validity and reliability and data analysis.

3.2 Research Design

The study adopted a survey research design. A survey research design was considered the most appropriate design to use because data was collected from many study units for comparison purposes based on demographic and other differences. For example, the extent of strategic alliances was computed based on age, country of origin and differences between the domestic and foreign firms that will have formed the alliance.

3.3 Target Population

The population of interest for the study was all foreign and domestic firms in Kenya that have formed strategic alliances. The list was extracted from the respective firm websites as at April 2012. A total of twelve firms were found to have formed the alliances. Owing to the small number of firms involved, a census survey was conducted.

3.4 Data Collection

Both primary and secondary data was used in the study. The primary data was collected via a semi-structured questionnaire (in appendix: 3). The questionnaire was developed, and pretested before piloting to test for preciseness and completeness. After the pilot study, it was fine tuned for accuracy. The questionnaire had open and closed- ended questions (in appendix 2) covering relevant issues of the study. It was divided into four sections where section A had the firm profile, section, B the extent of forming strategic alliances, section C had reasons for formation and section D had the effectiveness of strategic alliances.

The questionnaires were delivered by a research assistant some days before the scheduled interview day to help the interviewee get acquainted with the questions to be asked. It was answered by the managing directors or chief executives, or any high level managers as they possess the most knowledge on the domain. At most three managers from each firm were expected to participate. The approach to data collection was through making an appointment with the respondents. Editing was done to ensure accuracy of data collected. Secondary data was gathered from news papers, websites and other firm documents that provide additional information which according to Rowley (2002), augments primary data collection.

3.5 Validity and Reliability

3.5.1 Reliability

According to Cooper and Schindler (2003), no assessment device can be of value unless it is a consistent or a reliable measure of something. One of the first things that need to be determined about a newly constructed assessment instrument is whether it is sufficiently reliable to measure what it was designed to measure. Reliability is the result of measurement errors produced by temporary internal state such as low motivation or indisposition or external conditions such as distracting or uncomfortable testing environment.

The study adopted the test-retest method whereby questionnaires were administered twice to the same group of managing directors or chief executives. A time lapse of two weeks was allowed before the questionnaires were administered again. A comparison between the two sets was made using Pearson Correlation Coefficient to determine the reliability of the questionnaire. The questionnaires demonstrated strong retest reliability of 0.82.

3.5.2 Validity

Validity is the extent to which a test measures what it is designed to measure. Methods by which validity may be determined include analyzing the content, computing the correlation between the scores on the test and those on the criterion of interest, investigating the particular psychological characteristics or construct measured by the test. A test cannot be valid without being reliable.

Face validity was adopted for this study. This type of validity is concerned with the extent to which the researcher believes that the instrument is appropriate. Each statement was reviewed to assess the extent to which it is related to the research objectives of the study. Experts in the field of study especially the research supervisor, research moderator, lecturers in the department of business administration were consulted and this facilitated the necessary revision and modification of the research instrument. There was agreement among the experts the questionnaire was said to have face validity and thus it will measure the objectives of the study.

3.6 Data Analysis

In order to determine the objectives of strategic alliances between foreign and domestic firms in Kenya, the collected data was analyzed. The method adopted in analyzing the data was Excel 2007 version. The analysis procedures are supported by Nachmias and Nachmias (1996), they stipulated that qualitative data have to be analyzed in order to enhance meaning and make it more factual. Descriptive statistic i.e. percentages, frequencies, charts and cross tabulations were used to analyze the quantitative data. Firm profile data in section A was analyzed using a measure of central tendency i.e. the mode so as to show the sector that has attracted more alliances. In order to determine the first objective of the extent of formation, the data on satisfaction with the alliance was analyzed using frequencies which was also represented in a histogram and involved the use of demographic data in section A in order to bring out the comparisons.

Frequencies and cross tabulation were calculated in order to determine the second objective of the study which is on reasons for formation. Frequencies of the most important factors that lead to the formation of alliances were computed. Cross tabulation was computed in order to find out if the partner and customers have benefited from the alliance. In order to determine the third objective on effectiveness, measures of central tendency, like mode were calculated to show the major reason why the alliances break, the duration of the alliance, the major success factor, and the major challenges encountered. The proportions of relevant aspects like the challenges and success factors were represented in pie charts for proper comparison.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis and interpretations, which draws from the objectives of the study. The analysis was both qualitative and quantitative. The chapter is structured according to the questions in the questionnaire and provides discussion of the findings and their implications. The additional data and observations gained from the survey are incorporated into the discussion.

4.2 General Information

This section provides information on the response rate in relation to the type of firm and sector the firm operates in.

4.2.1 Response Rate

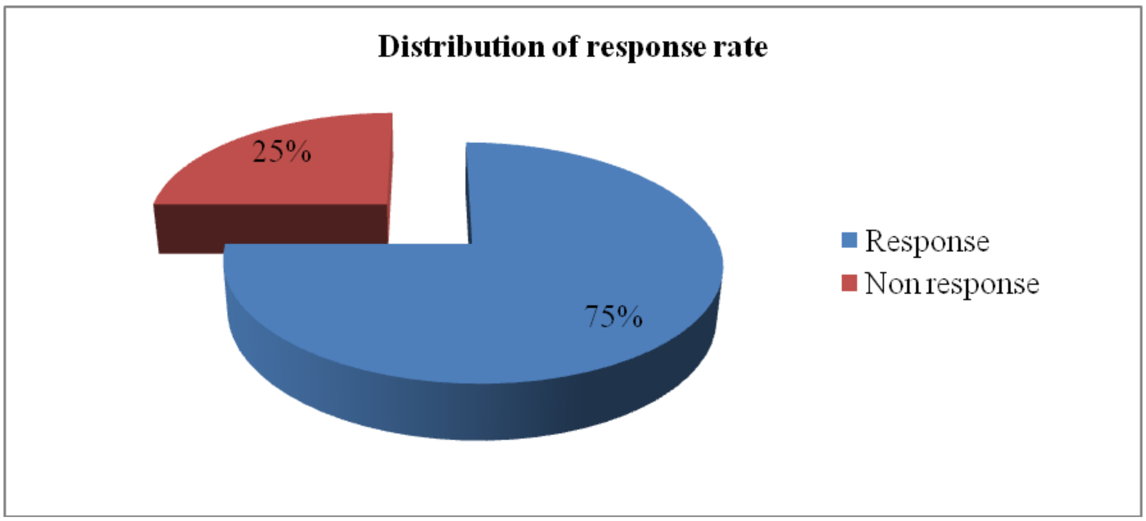
Out of the targeted 12 respondents, 9 successfully responded by completing the questionnaire, thus achieving a response rate of 75 %. The response rate was considered statistically sufficient for further analysis. The distribution of respondents was as depicted in Table 4.1 and Figure 4.1. Analysis of the results will allow for generalization of the results of the findings.

Table 4.1: Distribution of Respondents

	Frequency	Percentage (%)
Response	9	75%
Non response	3	25%
Total	**12**	**100%**

Source: Survey Data, 2012

Figure 4.1: Distribution of Respondents



Source: Survey Data, 2012

4.2.2 Response Rate by Type of Firm

Out of the nine respondents, only two were privately owned companies, which is 22.23% of the surveyed population. No non-profit organizations were surveyed. Hence public companies represented 77.77% of the survey population. This means that the research might not be generalizable to private and non-profit companies that have formed strategic alliances between foreign and domestic companies. Table 4.2 depicts the response rate on type of the firm.

Table 4.2: Response Rate by Type of Firm

Type of Firm	**Frequency**	**Percentage**
Private	2	22.23%
Public	7	77.77%
Non profit	0	0
Total	**9**	**100%**

Source: Survey Data, 2012

4.2.3 Distribution of Response Rate by Size of Firm

The size of firm was determined using the number of employees present in the firm. Table 4.3 shows the response in relation to number of employees in a firm.

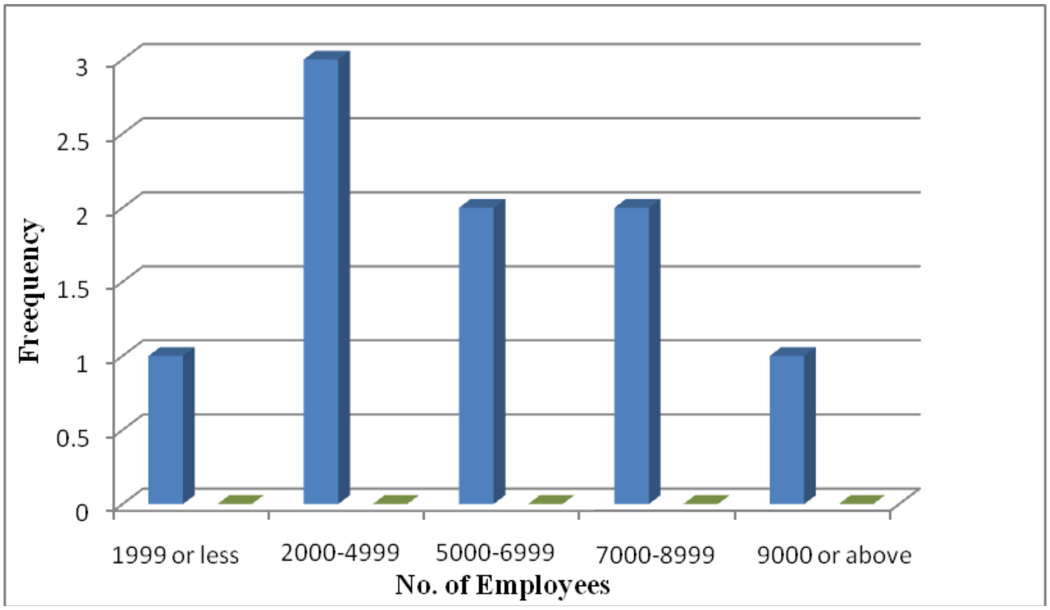
Table 4.3 Size of Firm

Number of employees	**Frequency**	**Percentage**
1999 and below	1	11.11%
2000-4999	3	33.33%
5000-6999	2	22.22%
7000-8999	2	22.22%

9000 and above	1	11.11%
Total	**9**	**100%**

Source: Survey Data, 2012

Figure 4.2: Size of Firm



Source: Survey Data, 2012

Out of the nine firms that responded, three of them or 33.33% of the survey population had 2000-4999 employees. Two other firms represented by 22.22% had 5000-6999 employees and two others represented by 22.22% had 7000-8999 employees. Only one firm had 9000 or more employees. The remaining firm had 1999 or less employees.

4.2.4 Response Rate on Sector of Economy

Table 4.4 represents the sectors that the foreign and domestic firms in Kenya operate in.

Table 4.4: Distribution of Response Rate on Sector

Sector	Frequency	Percentage
Education	2	22.22%
Industry and Manufacturing	1	11.11%
Transport and Communication	2	22.22%
Energy	1	11.11%
Financial	1	11.11%
Service	2	22.22%
Total	**9**	**100.00%**

Source: Survey Data, 2012

Education, transport and communication and service sectors had two firms each which were represented by 22.22% each. This is followed by industry and manufacturing, energy and financial sectors which had one firm each and was represented by 11.11%.

4.3 Extent of Involvement in Other Strategic Alliances

The study sought to find out other types of alliance formed whether local or foreign and the extent to which organizations were satisfied with the overall result of the alliance.

4.3.1 Types of Strategic Alliance

To determine the extent of involvement in other strategic alliances, the research sought to find out if the studied firms had other alliances besides the one that was being studied.

The types of strategic alliances were either with local firms, foreign firms or both. Table 4.5 below shows the other types of alliances that the firms had.

Table 4.5: Types of Strategic Alliance

Types of strategic alliance	**Frequency**	**Percentage**
Local	1	11.11%
Foreign	2	22.22%
Both	4	44.44%
None	2	22.22%
Total	**9**	**100%**

Source: Survey Data, 2012

Table 4.5 indicates that out of the nine firms studied, seven were engaged in other strategic alliances while two were not. Four firms were involved in other strategic alliances which were both foreign and local. Two firms were involved in other foreign strategic alliances while one firm was involved in another local strategic alliance. Two firms were found not to be involved in any other strategic alliance.

4.3.2 Extent of Satisfaction with the Strategic Alliance

The study also sought to determine the extent to which firms were satisfied with the strategic alliance. Table 4.6 shows the extent to which the firms were satisfied with the strategic alliances.

Table: 4.6: Extent of Satisfaction with the Strategic Alliance

Extent of satisfaction	**Frequency**	**Percentage**
Very Satisfied	5	55.56%
Satisfied	3	33.33%
Unsatisfied	1	11.11%
Very Unsatisfied	0	0%
No opinion	0	0%

Source: Survey Data, 2012

The analysis indicates that five firms or 55.56% of the surveyed population were very satisfied with their strategic alliances. Three firms or 33.33% the surveyed population were satisfied while one firm 11.11% was unsatisfied. None was very unsatisfied.

4.4 Reasons for Formation of Strategic Alliances

There are a number of reasons that influence the formation of strategic alliances between a foreign and domestic firm. The respondents were asked to choose the reasons that led to the formation of the strategic alliance. The respondents were also asked to add other reasons that they perceived led to the formation of the strategic alliance. However no significant additions were made by the respondents in this regard. Frequencies and percentages were then computed to determine the major reasons for formation of strategic alliances between foreign and domestic firms. Table 4.7 depicts the frequencies and percentages of the reasons for formation of the strategic alliances.

Table: 4.7: Reasons for Formation of Strategic Alliances

Reason for formation	Frequency	Percentage
Market Entry	4	44.44%
Increased competition in their industries	3	33.33%
Sharing resources and competencies	2	22.22%
Firm's growth	5	55.56%
Improved supply chain efficiency	5	55.56%
Gain economies of scale	4	44.44%
Firm's learning opportunity	7	77.78%
Reduced industrial over capacity	4	44.44%
Overcome trade barriers	2	22.22%
Development of standard products and services	6	66.67%
Other reasons	0	0%

Source: Survey Data, 2012

Analysis of the reasons that led to the formation of the strategic alliance between foreign and domestic firms in Table 4.7 reveled that firm's learning opportunity, development of standard products and services, firms growth and improved supply chain efficiency with 77.78%, 66.67%, 55.56% and 55.56% respectively, were the major reasons as to why foreign and domestic firms formed strategic alliances. On the other hand, overcoming increased competition in industries, trade barriers, sharing resources and competencies and industries with 33.33%, 22.22%, and 22.22% and respectively, least influenced the formation of strategic alliances between foreign and domestic firms. The results confirm objective two of the study that sought to find out the reasons why foreign and domestic firms formed strategic alliances.

Although respondents indicated overcoming trade barriers and sharing resources as reasons for formation of strategic alliances, they found them to be important factors to consider, but most of them did not consider them as the major factor for forming a strategic alliance.

4.5 Effectiveness of Strategic Alliances

Effectiveness was looked at in various aspects which include number of years that the strategic alliance has been in existence, the extent for meeting the reasons for going into the strategic alliance, extent of effectiveness of the strategic alliance, meeting the desired objective, success factors and financial impact of the strategic alliance.

4.5.1 Duration of the Strategic Alliance

To determine the effectiveness of the strategic alliances, it was necessary to determine the number of years that the strategic alliance has been in existence. Table 4.7 below depicts the duration of the strategic alliance.

Table: 4.8: Duration of the Strategic Alliance

Number of years	**Frequency**	**Percentage**
4 or less	3	33.33%
5-9	5	55.56%
10 or more	1	11.11%
Total	**9**	**100%**

Source: Survey Data, 2012

From the analysis it was found out that 55.56% of the firms were found to be in strategic alliances that have lasted for 5-9 years. Firms that had strategic alliances that have been in existence for less than 4 years were 33.33%. Only one firm had an alliance that had lasted for 10 or more years.

4.5.2 Extent of Meeting the Reasons for Forming the Strategic Alliance

In a Likert scale of 1-5, where 1 was not at all and 5 was very great. Not at all was given a score of 1, little was given a score of 2, moderate was given a score of 3, great was given a score of 4 and very great was given a score of 5. The respondents were asked to rate the extent to which they met the reason for going in to the strategic alliance. The results are shown in Table 4.9. The study sought to use frequencies and percentages to determine the extent of effectiveness in meeting the reason for forming the strategic alliance.

Table 4.9: Extent of Meeting the Reasons for Forming the Strategic Alliance

Extent	**Frequency**	**Percentage**
Not at all	0	0%
Little	1	11.11%
Moderate	2	22.22%
Great	6	66.67%
Very Great	0	0%
Total	**9**	**100%**

Source: Survey Data, 2012

Firms that met the reason for forming the alliance to a great extent were 66.67%. Firms that met the reason to a moderate extent were 22.22% while those that met reasons to a little extent were 11.11%. None of the respondents met the reasons to very great extent or not at all. As discussed in section 4.4 the major reason as to why the firms went in for the strategic alliances was because they provided a learning opportunity and helped the firms in development of standard products and services. The analysis in Table 4.9 therefore shows that majority of them were able to fulfill the two reasons to a very great extent. The other reasons as discussed in section 4.4 were also met in different extents.

4.5.2 Extent of Effectiveness of the Strategic Alliance

This section discusses the extent to which the firms found the strategic alliance to be effective. In a Likert- type scale ranging from 0% to 100%. The respondents were asked to rate the extent to which they found the strategic alliance to be effective. As discussed in the literature, effectiveness was to be determined by other aspects such as reduction of cost and achievement of the objectives. Table 4.10 shows the extent to which the firms found the alliances to be effective.

Table 4.10: Extent of Effectiveness of the Strategic Alliance

Extent	**Frequency**	**Percentage**
1%-20%	0	0%
21%- 40%	0	0%
41%-60%	1	11.11%
61%-80%	3	33.33%
81%-100%	5	55.56%
Total	**9**	**100%**

Source: Survey Data, 2012

Analysis of the extent to which the respondent found the strategic alliances to be effective is shown in Table 4.10. The analysis revealed that 55.56% found the strategic alliance to be 81%-100% effective. This shows that the alliance was able to meet the objectives for which it was formed. It meant that the alliance enables the firms to work towards the set goals and is cost effective.

As discussed in section 4. Majority of the firms, which is 55.56% have been in the alliances for a period of 5-9 years which is considered to be long term. Further analysis of Table 4.10 depicts that 33.33% and 11.11% found the alliances to be effective with an extent of 61%-80% and 41%-60% respectively. None of the respondents found the strategic alliance to be either 21%- 40% or 1%-20%.

4.5.3 Existence of the Strategic alliances

Strategic alliances have to be managed properly in order for them to stay for the desired period of time. The research sought to find out if strategic alliances were still in existence. Table 4.11 depicts the frequency and percentages of the number of strategic alliance that are still in existence and those that are not.

Table 4.11: Existence of the Strategic Alliance

Existence	Frequency	Percentage
Yes	8	88.89%
No	1	11.11%

Source: Survey Data, 2012

Analysis of Table 4.11 depicts that 88.89% of the strategic alliances are still in existence. Only one which is 11.11% is not in existence. The alliances are still in existence due to a various success factors that are discussed in this section. The most important reasons as to why the alliances succeed were: excellent expertise of the strategic alliances, common goal, effective training of the partners at all levels, adequate monitoring and evaluation of the resources, support from the government ministries and good rating by international and local firms.

4.5.5 Financial Impact

As a way of determining the effectiveness of the strategic alliances, the research sought to find out if the formation of the strategic alliances had financial impacts to the firms. Table 4.12 below depicts the financial impacts that the alliances had over the firms.

Table: 4.12: Financial Impact of the strategic alliance

Impact	**Frequency**	**Percentage**
Yes	9	100%
No	0	0%

Source: Survey Data, 2012

From the analysis 100% of the respondents indicated that the alliance had financial implications on the firms. This implications were ability to provide guarantees on loans, provision of cheap funds for lending especially on the agricultural sector, assistance on capital boost to issue credit facilities to the less privileged in the society at a cheap rate, increase in profitability levels, increased wages and salaries for employees, improved technology, products and services and increased clientele.

4.6 Challenges faced in strategic alliances

There are a number of challenges that are encountered when a strategic alliance is formed between a foregoing and domestic firm. In a Likert-type scale of 1-5, where 1 was not at all and 5 was very great. Not at all was given a score of 1, little was given a score of 2, moderate was given a score of 3, great was given a score of 4 and very great was given a score of 5. The respondents were asked to rate the extent to which each of the challenges affected their strategic alliances. The results are shown in Table 4.13.

Table 4.13: Challenges faced in strategic alliances

Challenges	**Mean**	**S.D**
Clash of Culture	2.93	0.63
Lack of unclear goals and objectives	1.25	0.79
Lack of coordination between management team	1.92	0.66
Difference in operating procedures and attitudes among partners	2.83	0.71
Relational and performance risk	3.50	0.58
Environmental factors	4.08	0.52
Lack of competencies	2.58	0.87
Grand Mean	**2.68**	

Source: Survey Data, 2012

The grand mean was set as 2.68. Any factor above this mean was considered to be important while the ones below were considered insignificant. Clash of culture, difference in operating procedures and attitudes among partners, Relational and performance risk and environmental factors were considered significant while lack of unclear goals and objectives, lack of coordination between management team and lack of competencies were insignificant.

Table 4.13 shows that most of the respondent considered environmental factors, relational and performance risks, clash of culture and difference in operating procedures and attitudes among partners to be challenges in their strategic alliances with a mean score of 4.08, 3.50, 2.93 and 2.83 respectively. Lack of competencies, lack of coordination between management team and lack of unclear goals and objectives had the least means of 2.58, 1.92 and 1.25 respectively.

4.7 Discussion of Findings

Most of the domestic firms that had formed strategic alliances with foreign firms were either large or medium sized firms. The findings were in agreement with Hebert and Morris (1998) assertion as documented in the literature that most strategic alliances are between medium and large firms. These large companies need strategic partners since they may not afford everything or they may not be able to do it all. They need leading edge products and services from other businesses to be able to create whole solutions for their customers.

The study's findings also revealed that most of the studied firms were involved in other strategic alliances. This concurred with Hebert and Morris (1988) affirmation that, large corporations are commonly involved in 30-50 alliances and that some have hundreds or alliances. The analysis further indicates that majority of the firms were very satisfied with the strategic alliances they had formed. Three firms were satisfied and one firm was less satisfied. None of them was very unsatisfied.

Due to that fact that the firms are large and medium in size, they have qualified managers who head the various departments in the firms. These managers are responsible for the success and failure of the alliance. The strategic alliances are managed by department managers who are experts in dealing with the strategic alliances. The firms also have been in existence for a long period of time and they have been able to deal with other strategic alliances which could be local or foreign. This therefore gives them the knowledge on how to manage the alliances and as a result they end up being satisfied with them

The second objective of the study was to find out the reasons that firms considered as they went into the strategic alliances. Most of the firms considered strategic alliances as firm's learning opportunity, a means of developing standard products and services, a way of improving firms' growth and supply chain efficiency. This concurred with Thompson et al. (2007) view, who said that firms enter in to strategic alliances in order for them to expedite the development of promising new technology or products. On the other hand, overcoming increased competition in industries, trade barriers, sharing resources and competencies and industries were reasons that firms considered although they least influenced the formation of strategic alliances between foreign and domestic firms.

In order to determine the effectiveness of the strategic alliances, the duration of the strategic alliance and the extent of meeting the reason of forming the strategic alliance were studied. The strategic alliances had lasted for a long period of time and most of the firms had met the reasons for formation of the strategic alliance to a great and moderate extent. This was in line with the findings of an earlier study as documented in the literature by Kalambach and Roussel (1999) that firms stay in the alliances for a period that enables them to achieve the intended objective.

The findings showed that most of the respondent considered environmental factors, relational and performance risks, clash of culture and difference in operating procedures and attitudes among partners to be challenges in their strategic alliance. This confirmed the literate by Elmuti and Kathawala (2001) that found that the clashes of culture's different attitude to business are challenges that firms may encounter during operation since different cultures operate in different ways. Elmuti and Kathawala (2001) further pointed out that relational and performance risk and environmental factors may affect the alliance even if the partners commit themselves fully.

In relation to the size of the firm, the environmental factor was a major challenge to the large and medium size firms. This is because they were owned by the public and as such they encounter most of the environmental challenges. For example these firms need more machinery and technology related assets to manage the daily operations, they are headed by managers who are appointed by the board that consist of political leaders and they are located in large areas where they are required to provide some services to the locals.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the research findings; conclusion and recommendations. The conclusions were drawn from the findings of the study in line with the research objectives.

5.2 Summary of Findings

This study adopted the survey design in an effort to establish the extent of involvement in other strategic alliances, the reasons for formation and effectiveness of strategic alliances between domestic and foreign firms in Kenya. It sought answer to these three main questions: To what extent do domestic and foreign firms get involved in other strategic alliances in Kenya? What are the major reasons for forming strategic alliances between domestic and foreign firms? And are strategic alliances between domestic and foreign firms in Kenya effective?

After conducting a survey on domestic firms in Kenya that have strategic alliances with foreign firms, it was determined that public owned firms were largely involved in strategic alliances. Private and non-profit firms are to a lesser extent involved in strategic alliances. It was further determined that middle size and large size firms were mostly involved in the strategic alliances between foreign and domestic firms. The size of the firm was determined by the number of employees present in the firm. Sectors that had the majority number of firms were: education, transport and communication and service. There are followed by manufacturing, energy and financial sectors.

Most of the firms that were studied were involved in other strategic alliances besides the one being studied. The other alliances were either local, foreign or both. Most of the firms are in other strategic alliances that are both local and foreign. This was followed by those that were in other foreign strategic alliance only. Very few firms were involved in local strategic alliances. The study found that majority of the firms was very satisfied with the strategic alliance they had formed with the foreign firms. The other firms were satisfied and none of the firms was unsatisfied with the strategic alliance.

The firms considered a number of reasons that influenced the formation of the strategic alliance. From the analysis, it was evident that most of the firms formed the strategic alliance because it was a learning opportunity. They also considered the strategic alliance to be a way of developing standard products and services for their customers. Improving the firm’s growth and supply chain efficiency were also among the major reasons that led to the formation of the strategic alliance. Further analysis revealed that the firms wanted to overcome the increased competition in their respective industries. Although respondents indicated overcoming trade barriers and sharing resources as reasons for formation of strategic alliance, they found them to be important factors to consider, but most of them did not consider them as the major factor for forming a strategic alliance.

The study also established that the strategic alliances were effective in relation to the duration. Most of the alliances had being in existence for a long period of time and none of the strategic alliance had lasted for a short period of time. The strategic alliances were also effective due to the fact that almost all the firms met the reasons for forming the strategic alliance to a great extent and moderate extent. Further analysis reveals that the strategic alliances enabled the firms to achieve the desired objectives and this explains why most of the strategic alliances are still in existences.

The study established that the main success factors that have caused the strategic alliances to be in existence. The reasons were: excellent expertise of the strategic alliances, common goal, effective training of the partners at all levels, adequate monitoring and evaluation of the resources, support from the government ministries and good rating by international and local firms.

Further examination of the findings revealed that all the firms experienced the financial implications of the strategic alliances and as such found them to be effective. The financial implications were: ability to provide guarantees on loans, provision of cheap funds for lending especially on the agricultural sector, assistance on capital boost to issue credit facilities to the less privileged in the society at a cheaper rate, increase in profitability levels, increased wages and salaries for employees, improved technology, products and services and increased clientele.

The study also established that clash of culture, difference in operating procedures and attitudes among partners, relational and performance risk and environmental factors were the major challenges that the firms encountered. Lack of unclear goals and objectives, lack of coordination between management team and lack of competencies-although considered to be challenges, were insignificant.

In view of the foregoing findings, firms should consider forming strategic alliances with foreign firms. This is because it creates a learning opportunity and helps in the development of standard products and services for their customers. Investing in a strategic alliance with a foreign firm is effective but need to be managed well in order for the firm to realize the benefits. The firms should also try as much as possible to influence the environmental factor that might challenge the success of an alliance.

5.3 Conclusion of the Study

The study sought to establish three major objectives: the extent of involvement in other strategic alliances, reasons for formation of strategic alliances between domestic and foreign firms in Kenya and the effectiveness of strategic alliances between domestic and foreign firms in Kenya. After a thorough evaluation of the finding, I have concluded that most public-owned firms form more strategic alliances than privately owned firms and nonprofit firms. Most of the publicly-owned firms that have these strategic alliances are large or medium in size. The strategic alliances are not found in all sectors. The few that have alliances are education, industry and manufacturing, transport and communication, energy, financial and service.

The study found out that the firms had other strategic alliances besides the one that was being studied. They alliances were either with local firms, foreign firms, or with both. This showed that the firms have various reasons and for forming strategic alliances. As a result they may need to form the strategic alliances with different firms from different countries with different capabilities in order for them to achieve the set goal. It was also concluded that most firms were very satisfied with their strategic alliance.

Although strategic alliances are formed due to various reasons, it was concluded that most of the firms formed strategic alliances with foreign firms because they were a firm’s learning opportunity, and a way of developing standard products and services. The alliances were also found to be a means of increasing the growth of a firm and improving the supply chain efficiency. Increased competition in the industries, sharing of resources and competencies, gaining economies of scale, reducing industrial over capacity and overcoming trade barriers were also identified as reasons for formation of alliances but not as important as the other factors.

In establishing the effectiveness of the strategic alliances, duration of the strategic alliance, was found to be an important factor. It was concluded that the alliances were effective due to the fact that most of them had been in existence for a long period of time. The majority of the firms also confirmed that they met the reasons for forming the strategic alliance to a great extent and moderate extent. As a result the formation of strategic alliances between foreign and domestic alliances is a very effective means for a firm to achieve its goals. Although strategic alliances have positive financial impact on firms, it was also concluded that the firms also encounter various challenges.

The major financial impacts included guarantees on loans, cheap lending funds, capital boost, increased profitability, wages and salaries, improved technology, products and services and increased clientele. Most of the firms confirmed that environmental factors, relational and performance risks, clash of culture and difference in operating procedures and attitudes among partners were the major challenges that they encountered.

5.4 Recommendations for Policy and Practice

The finding of this study has implications for the Kenyan public, private and non-profit firms that have formed strategic alliances with foreign firms. Most of these firms contribute significantly to the society, and government. It is therefore important that they are encouraged to form more strategic alliances with other local or foreign firms. This is because strategic alliances have been found to be effective.

As the firms form the strategic alliances they should always ensure that the alliances remain effective. This will be possible if the firms ensure that the alliances last for the stipulated time until both firms achieve the objectives. The firms should also ensure that they meet the goals for forming the alliance. If they don't then the alliance will not be of benefit to both parties.

In case a firm where wants to learn from the leading firms in the industry, or develop standard products and services, grow and improve the supply chain efficiency it can consider forming strategic alliances. This does not come easily, so the firm should always be ready to face the challenges that come their way in order for them to be able to realize the benefits of strategic alliances. Environmental factors, relational and performance risks, clash of culture and difference in operating procedures and attitudes among partners should be dealt with since they are the major challenges that the firms encounter. Firms should come up with ways of dealing with these challenges either by involving the management teams, governments and society.

5.5 Limitations of the Study

The major problem encountered during the study was the respondents' unwillingness to give information. This was on the basis that this research may be used by other competitors in the industries. Some of them felt like the information requested was too confidential for the firm to share. The other limitation was that some respondents took long to respond to the information and due to the limited time they had to be left out of the study.

To overcome this challenge, the researcher amicably explained to the respondents that the research was purely for academic purposes and an assurance that all the information given will be treated with utmost confidence.

The study was also limited in scope as it only covered strategic alliances between foreign and domestic firms in Kenya. Ideally in a study of this kind, one could wish to conduct a survey of firms that have any strategic alliance in Kenya. Such a research was not possible owing to time and financial constrains hence the study was limited to domestic firms that have formed strategic alliances with foreign firms.

5.6 Suggestions for Further Research

This section will address how the findings in the study might be further explored and developed. Some of the findings presented merit additional investigation and elaboration. First, the data used in this study limits generalization to other firms especially the private and non-profit firms. This is because these firms may be involved in other strategic alliances in a different extent, have different reasons for forming the strategic alliances, and experience the effectiveness of the strategic alliances in a different way.

The findings of the study afford an avenue for additional research on the size of the firm. This is because most of the firms were large or medium in size. Further research can be done to establish if the small sized firms are also involved in these types of alliances. Besides that the study can also find out if they experience the same type of challenges, and if they have the same reasons for forming the strategic alliance.

Further research can be done on the challenges that the foreign and domestic firms in Kenya encounter and ways of mitigating them. This study did not address the ways of dealing with the challenges. Furthermore, firms that have formed this type of alliances will be interested in knowing how to deal with those challenges so the alliances may be effective.

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APPENDICES

Appendix 1: Introduction Letter

University of Nairobi,
School of Business,
P.O. Box 30197-00100,
Nairobi.
9th July, 2012.

Dear respondent,

I am a postgraduate student at the University of Nairobi, School of Business. I am conducting a research on Strategic alliances between foreign and domestic firms in Kenya. This is in partial fulfillment of the requirements for the Master of Business Administration Degree.

Kindly fill the attached questionnaire to the best of knowledge. The information will be used purely for academic purposes and will be treated with strict confidence. A copy of the final report will be availed to you on request.

Your assistance will be highly appreciated. Thank you.

Yours faithfully,

Mumelo Khisa Lilian — Prof. Martin Ogutu

MBA Student — Research supervisor

Appendix 2: Research Questionnaire

This questionnaire has been prepared in relation to the objectives of this study. All the questions relate to foreign firms that have formed strategic alliances with domestic firms in Kenya. The information in this questionnaire will be treated confidentially and will not be used for any other purpose other than academic. Please answer all the questions.

Section A: Firm Profile

1. Name of the firm: ____________________________________

2. Year Firm Started: __________

3. Type of Firm *(Tick one)*

   a) Private [ ] b) Public [ ] c) Nonprofit [ ]

4. Number of current employees: __________

5. In which sector of the economy does your firm operate *(Tick appropriately)*

   a. Education [ ]

   b. Industry and Manufacturing [ ]

   c. Transport and Communication [ ]

   d. Energy [ ]

   e. Financial [ ]

   f. Service [ ]

Section B: Extent and type strategic alliance

1. To what extent is your firm satisfied with the overall result of the strategic alliance

   a) Very satisfied [ ]

   b) Satisfied [ ]

   c) Unsatisfied [ ]

   d) Very unsatisfied [ ]

   e) No opinion [ ]

2. Has your firm been in any other strategic alliance

   a) Yes [ ]   b) No [ ]

If Yes which ones:

	Local	Foreign
a.	[ ]	[ ]
b.	[ ]	[ ]
c.	[ ]	[ ]
d.	[ ]	[ ]
e.	[ ]	[ ]

If No why:

____

____

____

____

3. Does your organization have a strategy on the formulation and implementation of strategic alliances

a) Yes [ ] b) No [ ]

If Yes why:

____

____

____

____

If No why:

____

____

____

____

Section C: Reasons for formation of strategic alliances

1. What were your major considerations in choosing a partner? (List in order of importance beginning with the most important

a)

b)

c)

2. Has your partner benefited from this collaboration

a) Yes [ ] b) No [ ] c) I do not know[ ]

3. Have your customers benefited from the alliance

a) Yes [ ] b) No [ ] c) I do not know[ ]

4. Which of the reasons given below led to the formation of your strategic alliance

a) Market entry strategy [ ]

b) Increased competition in your industry [ ]

c) Sharing resources and competencies [ ]

d) Firm's growth [ ]

e) Improve supply chain efficiency [ ]

f) Gain economies of scale [ ]

g) Firm's learning opportunity [ ]

h) Reduce industrial over capacity [ ]

i) Overcome trade barriers [ ]

j) Development of standard products and services [ ]

k) Other reasons (*Please specify below)*

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Section D: Effectiveness of strategic alliances

1. How long has the alliance been in existence

a) 4years or less[ ] b) 5- 9years [ ] c) 10year or more [ ]

2. To what extent would you say you met the reasons for going in to the strategic alliance

1= Not at all [ ]   2= Little [ ]   3= Moderate [ ]

4= Great [ ]   5= Very Great [ ]

3. To what extent would you say your strategic alliance was effective

a. 1% -20% [ ]   b. 21% - 40% [ ]   c. 41% - 60% [ ]

d. 61% -80% [ ]   e. 81% -100% [ ]

4. Have you been able to meet your objectives

a) Yes [ ]   b) No [ ]

If No why

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Is the alliance still in existence?   Yes [ ]   No[ ]

If yes what led to the success? *(List in order of importance beginning with most important)*

a)

b)

c)

d)

e)

5. Indicate the extent to which each of the following was a challenge in your strategic alliance

Where: 1= Not at all 2= Little 3= Moderate 4= Great 5= Very great

	1	2	3	4	5
a. Clash of culture	[ ]	[ ]	[ ]	[ ]	[ ]
b. lack of unclear goals and objectives	[ ]	[ ]	[ ]	[ ]	[ ]
c. Lack of coordination between management team	[ ]	[ ]	[ ]	[ ]	[ ]
d. difference in operating producers and attitudes among partners	[ ]	[ ]	[ ]	[ ]	[ ]
e. Relational and performance risks	[ ]	[ ]	[ ]	[ ]	[ ]
f. environmental factors	[ ]	[ ]	[ ]	[ ]	[ ]
g. lack of competence	[ ]	[ ]	[ ]	[ ]	[ ]

6. Has/ did the strategic alliance had/have any financial impact?

a) Yes [ ]   b) No [ ]

If yes what where they:

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