LOCAL ADVERTISING AGENCIES IN KENYA BEFORE AND AFTER AFFILIATION WITH INTERNATIONAL ADVERTISING AGENCIES

PRESENTED BY:

BETTY RADIER

SUPERVISOR:

DR MARTIN OGUTU

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University

Signed.................................... Date....12/11/03...............

Betty Addero Radier

This research project has been submitted for examination with my approval as University Supervisor.

Signed.................................... Date....13th/11/2003...............

Dr. Martin Ogutu

Business Administration Department

University of Nairobi

DEDICATION

To my family,

My parents John and Damaris Addero for your support and encouragement

My sisters and brothers Susan, Rose, George and Jim for believing in me.
To my dear and supportive friends – 'the girls' Judy, Ciku, Nyami and Sheila, for their prayers and encouragement.

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ABSTRACT

Firms adopt various strategies in order to remain competitive in an increasingly global market. One of the strategies adopted is strategic alliance, which involve the cooperation between two or more firms who pool resources together to create a value proposition for their clients and themselves. Strategic alliances create synergy for the partners through sharing of resources and capabilities

The objectives of the study was to firstly to identify factors that influence the local advertising agencies to affiliate to international advertising agencies, and secondly to determine the extent to which these factors have been achieved after affiliation, in carrying out these objectives the processes and operational changes to the local advertising agency by the six advertising functions or departments before and after affiliation were also evaluated.

Data was collected in the month of October 2003. The population of interest consisted of all local advertising agencies in Kenya affiliated to international advertising agencies. According to the APA records there are only six agencies (see Appendix 3). The firms varied in size from small 10-25 employees to large firms with more than 36 employees.

Both Primary and Secondary data was collected. Primary Data was collected using a semi –structured questionnaires administered through personal interviews with eighteen executives from the five advertising agencies. These executives and staff included the Chief Executive Officers or Managing Directors of the five agencies. Other staff included Client Service Directors and Account Directors, Finance Directors, Media, Production and Traffic Managers

Findings indicate that affiliations help a local advertising agency achieve most but not all of the theorized affiliation objectives. Objectives that do not seem to be achieved include improved profitability and cost reduction through better efficiencies. The research found out that positive changes related to professionalism, teamwork and image. This is consistent with theorized objectives related to prestige value, learning and global tools. One aspect that was lacking in the good changes is economies of scale. This means that after affiliation expected economies of scale are not realized in real terms.

The implication of this challenge is for members of the advertising industry consider a value chain approach. In this case the remuneration of the international affiliate should be based on a value added. Activity based costing is also recommended to manage the cost structures in and of the partnership. Also there is need to reevaluate the accounts function after affiliation. The exit clause in the contract agreement should be fair to both parties and not punitive.

DEFINITIONS

APA: Association of practitioners in advertising

Agency: An independent organization of creative people and business people who specialize in developing and preparing advertising plans, advertisements and other promotional tools.

Advertising: Any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

Advertising Agency: A service organization that specializes in planning and execution of advertising programs for its clients.

Affiliation: A group or organization that is connected to a larger group or organization. O'Connor (1985) provides other words for affiliation as being associations, relationships, alliances, connections and unions

Alliances: A relationship between firms in which they cooperate to produce more value than a market transaction

CHAPTER 1: INTRODUCTION

1.1 Background

Advertising

Recorded history of advertising runs for a period of 5000 years to present day, but the most significant development happened in the last century (Russell and Kleppers, 1998). Today there is a view of communication as an interactive dialogue between the company and its customers that takes place during pre-selling, selling, consuming and post consuming stages.

Without advertising, the products or services cannot flow to the distributors and onto the consumers or users.

A successful national economy depends on advertising promoting sales so that factory production is maintained, people are employed and have spending power, and the money goes round and round. When this process stops there is a recession. Similarly prosperous countries are those in which advertising does its job. In the third world countries and in Russia, economies are poor and advertising is minimal, especially when a large proportion of the population are young non – earners.

Kotler (*2000)* views advertising as any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor. Kotler further explains that advertising can be used to build up a long-term image for a product or trigger quick sales, and can efficiently reach geographically dispersed buyers. Certain forms of advertising (TV advertising) can require a large budget, whereas other forms (newspaper advertising) can be done on a small budget. Advertising might have an effect on sales simply through its presence. Consumers might believe that a heavily advertised brand must offer "good value". Advertising is therefore one major tool companies use to direct persuasive communication to the public and more specifically to target buyers. Advertising is therefore an essential part of the promotion mix for modern business. Simply put by McCann Erickson, the advertising agency that has developed Coca Cola's national campaign for many years advertising is "Truth Well Told". This philosophy echoed by Coke's management in its annual report twenty – five years ago continues today.

Other scholars have given various definitions of advertising. Arens et al (1994) defined advertising as a non-personal communication of information usually paid for and usually persuasive in nature about a product, services or ideas by an identified sponsor through various media. The Institute of Practitioners in Advertising defines advertising as "the most persuasive possible selling message to the right prospects for the product or service at the lowest possible cost" (Jefkins, 1994).

The advertising industry in Kenya

The industry is represented by a body known as the Association of practitioners in advertising (APA). The APA represents the agency point of view to advertisers helping identify and find solutions to any mutual problems and improves the value of member companies to their clients. The APA is also an expert servicing body. It contributes to the effective operation of its members through training and information services. In particular, the APA plays a major role in training of Agency personnel both through residential management courses and in shorter skills based courses, It aims to give advice on legal and regulatory matters, and actively promotes and participates in the provision of media research.

According to Sokoni (2001) The APA developed from small beginnings in the early 1960s to represent a strong body of advertising agencies, all of them connected to major international networks. The mission of the APA is to serve, promote and anticipate collective interests of members advertising agencies and in particular to define, develop and help maintain the highest possible standards of professional practice within the advertising business.

Advertising regulation in Kenya

The (APA) released a new set of guidelines launched on 24 May 2001, at the Norfolk hotel, following the associations annual general meeting. The new guidelines titled "Standards of Practice" and " Guide to good pitching" are expected to revitalize the previous and dated APA standards. The new guidelines are also seen as supplementing the Marketing Society of Kenya's comprehensive Advertising Standards Code. The documents reinforce the marketing community's commitment to responsible self- regulation rather than centralize legislation on communication issues in our developing economy.

The advertising industry thrives on creative self-expression. Rules and guidelines may seem out of place, but given the role of advertising in the overall marketing communication strategy of a firm, the need for some checking and balancing cannot be overlooked. Indeed advertising is a billion dollar industry globally and a multi billion shilling investment in Kenya. Its regulation cannot be "left to the dubious offices of quacks and other malpractitioners" as pointed out by Mr. Chris Harrison the outgoing chairperson of APA 2001, "better the APA itself rather than some government department to act as advertising watchdog"(Sokoni, 2001).

Advertising agency

Belch et al (1990) defined an advertising agency as a service organization that specializes in planning and execution of advertising programs for its clients. The agency personnel comprise highly skilled individual who are specialists in their chosen fields – Creative, writers, media analysts, researchers, strategic planners whose role is to help the client market their products and services (Association of Practitioners in Advertising, Standards of practice, 2000).

The team of experts service clients who are known as 'accounts'. This use of the word 'accounts' has nothing to do with accountancy. An account is simply an advertiser who uses the agency's services. In the trinity that forms the advertising business – the advertiser, the advertising agency and the media owner- the agency occupies the middle position between those who wish to advertise and those who provide the means to do so (Russell 1988).

Role of the advertising agency

According to the American Association of advertising agencies, the agency purchases advertising space and time in various media on behalf of different advertisers or sellers that are its clients to help them find customers for their goods and services. This definition offers clues as to why so many advertisers hire advertising agencies, which include the fact that agencies are not owned by the advertiser, the media or suppliers so they bring an outside view point to the advertisers' business, a state the advertiser may never attain.

The structure of agencies is divided into six functions namely the client service department, creative department, production department, media department, accounts department, administration department
These departments interact and have cross-functional operations and together work to contribute to the overall agency creative product.

Challenges facing the advertising industry

The growing integration of the global market place since the 1970s to the new millennium, termed as globalization has seen the emergence of all sorts of corporate relationships and linkages from alliances, mergers, partnerships and joint ventures. These inter-firm relationships may include two or more firms from the same market or from varied parts of the world and cover a range of activities and functions (Yoshino and Rangan, 1995).

The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it increasingly difficult to go it alone. Many of the skills, capacities and resources that are essential to a firms' current and future prosperity are to be found outside the firms' boundaries and outside managements' direct control (Doz and Hamel, 1998). Similarly in Kenya local advertising agencies are faced with the challenges in the areas of expansion into neighboring markets, competitiveness especially for global client accounts, competitive advantage as perceived to be derived through access to proprietary tools held by international advertising agencies.

Response strategies

Johnson and Scholes (1999:10) define strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations. Another issue relates to the achievement of competitive advantage over competitors. The changing environment suggests some level of dynamism in the environment and challenges that need to be managed effectively. Meeting the needs of the market suggests that firms are responsive to market demands and are customer focused, to meet and exceed these needs as otherwise they would not be in business. Firms are also expected to meet expectations of owners, customers, society, the public at large, employees and all other stakeholders. Firms therefore need good strategies to enhance their success. There are various strategies that are open to a firm. Strategies chosen for implementation usually depend on factors such as leadership, resources available to the firm and changes in the environment such as globalization. Studies in strategy suggest that firms need to seek strategic fit between their internal resources i.e. their strengths and weaknesses, and their external environment i.e. their opportunities and threats. (Andrews 1977) found that in order to remain competitive, relevant and sustainable, firms need to formulate and implement strategies that will balance the internal and external environments. Due to constant changes in the environment, firms need to continuously adapt their activities to the realities in the environment otherwise their future success may be in jeopardy (Aosa, 1998).

Strategy is therefore about getting to the new state through competitive advantage, with least difficulty and the least time (Grundy, 1995). Sometimes firms can operate alone i.e. without formal relationships with others and remain successful. Certain developments in the environment are however making it attractive for firms to enter into collaborative arrangements. One such arrangement is strategic alliances.

Importance of alliances

Wherever we look cooperation is accelerating. Between 1979 and 1985 the number of alliances among American, European Community, and Japanese firms grew thirty fold. In Eastern Europe joint venture startups have been doubling annually. Two basic forces are behind these striking developments the rise of technology and the globalization of markets. This new thrust affects all firms, everywhere. The consequences are enormous (Lewis, 1990). In the airline industry the phenomenon of alliances has been increasing dramatically leading to the creation of brands formed by a cluster of alliances by a number of different airlines. This scenario is represented diagrammatically as shown in Table1 below (Sokoni, 2001).

Table 1: Five major strategic alliances

ONE WORLD	American Airlines, British Airways, Canadian Airlines, Cathay Pacific, Finnair, Iberia, LanChile, Quantas
QUALIFLYER	Air Europe, Air Littoral, Austrian Airlines, Crossair, Luada Air, Sabena, Swissair, Turkish Airlines, Tyrolean Airways
STAR ALLIANCE	Air Canada, Air New, Ansett Australia, Austrian Airlines, Lufthansa, Thai Airways, United Airline, Varig Air.
WINGS	Continental Airlines, KLM, Northwest Airlines, Kenya Airways, American West, Japan Air System, Malaysian Airways.
SKY TEAM	Air France, Delta Airlines, Aero Mexica, Korean Airways.

(Source:IATA ARWG/12)

Joint development of new strategies has become increasingly popular particularly since the early 1980's(Glaister 1994). This is because organizations cannot always cope with increasingly complex environments such as globalization, from internal resources and competences alone. They may see the need to obtain materials, skills, innovation, finance or access to markets, and recognize that these may be readily available through co-operation (Johnson and Scholes 1999). To create that value, firms must agree on what it is, and need each other to achieve it. Firms must also share any significant risks as well as the benefits. Without a shared objective, meaningful cooperation is not feasible. Without mutual need the firms may have the same objective, but each cannot get there alone. If they do not share the risks and benefits, they cannot expect the commitments required for cooperation. Strategic alliances provide access to far more resources than any single firm owns or could buy. This can greatly expand its ability to create new products, reduce costs, bring in new technologies, penetrate other markets, and generate more money to invest in core skills (Lewis, 1990).

Kinds of Alliances.

Each form of alliance is distinct in terms of the amount of commitment it represents and the degree of control it grants each partner.

In one kind of alliances informal cooperation, firms work together without a binding agreement. The basis of this research will be based on agency affiliations, which are similar to this type of alliance as there is not equity exchange between the local agency and the international agency.

In the informal cooperation alliance, mutual commitments are modest and control is largely in the hands of each firm acting separately. Formal contracts are used when partners want to make explicit commitments. Since significant shared risks may be involved, contractual alliances offer some opportunity for shared control.

Other types of alliances include;

1. Equity alliances
2. Minority investments
3. Joint Ventures and
4. Consortia

The above provide for common ownership, and extend mutual commitments and even more shared control . Each firm's role depends on the specific kind of equity alliance (Lewis, 1990).

1.2 Statement of the problem

Affiliations have for a long time been viewed by local advertising agencies as the key to growth and competitive advantage in a market dominated by wholly or jointly owned international agencies. No study has been done to assess the factors influencing local agencies affiliation to international agencies and impact before and after affiliation to the local advertising agencies.

Few studies have however been carried out on the Advertising industry in general namely;

Ogutu (1983) carried out a study that looked at "Advertising agencies in Kenya: their nature and operations". Odhiambo (1986) carried out a study that looked at "Advertising timing strategy: the practice in Kenya." and

Oduor (1989) carried out a study that looked at "The relationship between advertising expenditure sales volume for selected Kenyan products"

Currently local agencies may have an affiliation and yet continue to offer a non-superior and non-competitive service to its clients. Scholars have not studied the factors and impact of affiliation between local advertising agencies and international advertising agencies. Some perceived problems associated with affiliations include undelivered promises in terms of resource provision by the international agency to the local agency. Payment of royalties with no tangible benefits received, restrictions in handling businesses in similar categories due to " Conflict of interest". The local advertising agency being compelled to handling a non profitable client at the expense of a more profitable option due to the fact that the unprofitable client is a network client handled by the international agency.

An advertising agency known to the researcher is a case in point where a network client had negotiated a fee contract at their head office with the said client. The local agency was compelled to the reduced standard agency commission of 18% on media to 15%, without consideration that the media spends in the developed markets are significantly higher than those in developing markets. The local agency has been forced to retain this client despite the compromised commission level of 15%. Other challenges faced by the affiliated local agencies include coping with the demand upon agency resource by the international affiliate, which may not necessarily yield growth for the local agency.

1.3 Objectives of the study

The general objectives of this study is to investigate the impact to local advertising agencies before and after affiliation with international advertising agencies. The more specific objectives that will guide the study are as follows;

(a) Identify the process and operational changes to the local advertising agency by the six advertising functions or departments before and after affiliation

(b) Identify factors that influence the local advertising agencies to affiliate to international advertising agencies, and the extent to which these factors have been achieved after affiliation

1.4 Importance of study

Substantial amounts of money are spent in resources by local advertising agencies in acquiring affiliations with international agencies. This is usually in the forms of commissions and royalties. It is therefore worthwhile evaluating the impact after affiliation of the local agency with and international agency to determine if indeed it is positive. Factors that influence the affiliation should also be reviewed to determine to what extent the set objectives are achieved post affiliation.

Affiliations are currently not evaluated so the perception that affiliations add value to the local agencies may be a myth. The study will also give local agencies that do not already have an affiliation a reference point for evaluation of possible areas of focus when affiliating to an international advertising agency. To the advertising industry in general and businesspersons who may be looking to join the industry, the study will assist in evaluating the strategy of an affiliation/ alliance. The study will also sensitize local advertising agencies to evaluate the affiliations they have and the consequences or business changes they have experienced as a result of the affiliations. As the advertising industry is becoming increasingly competitive the study will help stake holders in the industry evaluate whether affiliations or mergers could be more beneficial between two local advertising agencies as opposed to affiliations with international advertising agency.

1.5 Summary of the report

The research is organized in five chapters. Chapter one consists of the Introduction where a brief discussion on the background of advertising, the statement of the problem, objectives of the study, importance of the study and a summary of the report are featured. The second chapter provides a review of the literature. Chapter three looks at the aspects of the research methodology and includes the population of study, data collection method and instruments. Chapter four deals with the data analysis and research findings. The fifth chapter covers the discussions and conclusions, limitations of the research are highlighted and finally recommendations for policy and practice are addressed.

CHAPTER 2: LITERATURE REVIEW

2.1 An overview on strategy

Firms need strategies to be successful. It is often argued that strategies are actions taken by firms to achieve one or more of its goals. For most firms, the key goal is to achieve superior performance. A strategy is an action a firm takes to attain superior performance (Hill and Jones, 2001). Johnson and Scholes (1999) introduced the concept of strategy as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within the changing environment, to meet the needs of markets and to fulfill stakeholder expectations.

No firm can claim to have abundant resources. Firms therefore establish relationships with other firms in order to increase their resources and capabilities to face competition. This calls for ability to analyze the external environment to identify the threats and opportunities and the internal environment and resources in order to identify the strengths and weaknesses. Having identified the resources and capacity in short supply, firms may enter into relationships that gives them benefits in the use of the resources of another company at a fee. These types of relationships with selected partners are strategic alliances (Hill and Jones, 2001).

2.2 Development of advertising practice

Advertising is the most widespread form of public communication in modern societies. It has a major presence in many areas of public space especially in urban centers, retail spaces, stadia but less so in suburbs, public buildings and parks and in most news and entertainment media (Richards et al, 2000).

People who built the tower of Babel left the earliest known form of advertising. A Babylonian clay tablet dated 3000 B.C bears the inscriptions for an ointment dealer, a scribe and a shoemaker. Papyri exhumed from the ruins of Thebes showed the ancient also advertised. One of the messages found was offering a reward for run away slaves. Public illiteracy was the biggest obstacle and advertising therefore resorted to visual symbols and town criers. Greeks used the latter to announce the arrival of ships and their wares. Later town criers were used. This was the earliest medium of announcement in European countries for many centuries. Visuals remained largely used in the 17th Century and 18th Century in the decoration of inns. (Saxton 1954).

Later trademarks gradually came to be used as a form of advertising. This was followed by the next and most enduring advertising medium, newspapers. Printing was invented by Johann Gautenberg in about 1438. Forty years later Caxton printed and distributed a handbill calling the attention of potential buyers especially clergy to a book of ecclesiastical rules he had first published providing guidance to the clergy at easter (Saxton, 1954). Commercial advertising came in the mid 1600's when the first advertisement appeared in ' Mercurius Poticus' of 30th September,1659. By the mid 17th Century weekly newspapers, which lead to the gradual development of advertising, started to appear in England (Bishop, 1944). In advertising the manufacturers discovered a technique, which enabled them to regain the ultimate consumer, and compelled wholesalers and retailer to stock goods.

2.3 Effects of urban growth on advertising

Over the past decade, the reality of global competition has become manifest to managers in manufacturing industries such as automobiles, construction equipment, machine tools, consumer electronics, office equipment, copiers, semiconductors and telecommunication equipment. Managers in service industries too, have heard the news. Banking, consulting, auditing, accounting and advertising among other service industries are becoming global (Abernathy and Ginsburg, 1980). Multinational and domestic firms alike are realizing that drawing on the competence of other firms around the world to compete more effectively is not only feasible, but often necessary. Growing numbers of firms are seeking to build external networks of national and international subsidiaries (Yoshino, 1995).

The need for advertising developed with the expansion of population and the growth of towns with their shops and large stores, mass production in factories, roads and railways which lead to the emergence of advertising to convey goods and popular newspapers in which to advertise. The large quantities of goods being produced were made known by means of advertising to unknown customers who lived far from the place of manufacture. This process developed some two hundred years ago in industrialized countries. Advertising grew with the development of media such as the coffee house newspaper of the seventeenth century and the arrival of advertising agencies such as White's in 1800 to handle British government lottery advertising. Reynell and Son was an early agency, founded in London in 1912 (Jefkins, 1994).

Lawson (1978) criticized advertising on the grounds that it made people buy what they do not need thus leading to waste. Having said that according to Keegan (1988) doing business without advertising is like winking in the dark, "You know what you are doing but nobody else does."

Advertising and the modern world

If one looks at an old picture of horse buses in the late nineteenth century London one will see that they carry advertisements for products famous today, a proof of the effectiveness of advertising. Nineteenth century advertisers still with us today include Beecham, Cadbury, Lever Brothers and Lipton. Thus the modern world depends on advertising, without it producers and distributors would be unable to sell, buyers would not know about and continue to remember products and services and the modern industrial world would collapse. If factory output is to be maintained profitably, advertising must be powerful and continuous. Mass production requires mass consumption, which in turn requires advertising to mass market through the mass media (Jefkins, 1994).

However Lowe (1963) in considering advertising proposed the view of "advertising in a high level economy" in which he suggests that the concept of waste in advertising must be related to the levels achieved by an economy. He observed that perhaps a good deal of wastefulness assigned to advertising springs from the fact that a large part of the worlds' population cannot consider satisfying psychological wants when most of their efforts must be devoted to needs

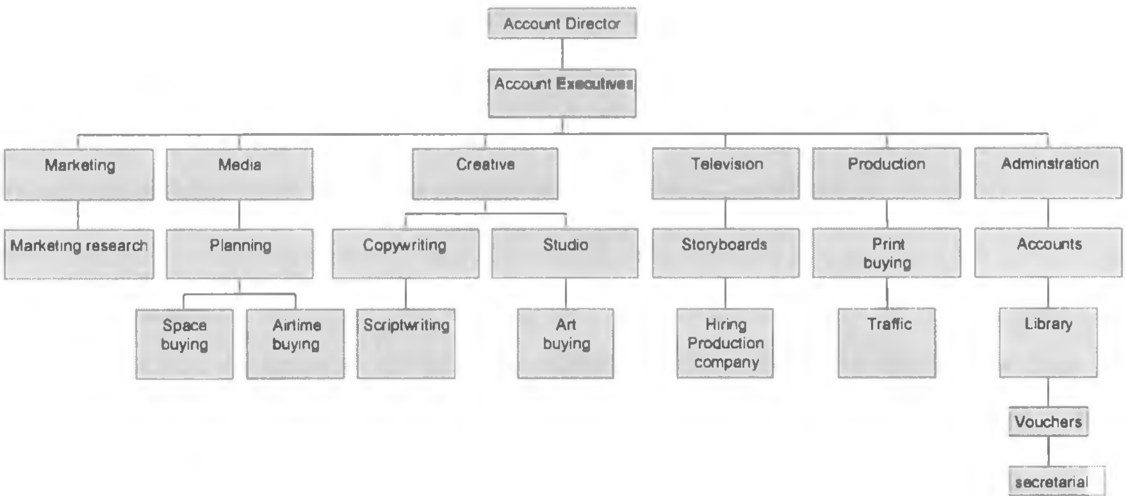

Figure 1: Departments and functions of a large full service-advertising agency
Source: Jefkins (1994)

In Kenya the first advertising agency was the Kenya Advertising Agency established in 1937 (Kibera and Waruingi,1988). Billing in its first year totaled Kshs. 100,000. By late 1940's Nairobi had four such agencies. At the end of 1982 there was at least fourteen agencies which in terms of total billing Ogilvy and Mather was the largest. Advertising has grown through the centuries to its present state. The reason for its rapid development especially in the last century was summed up by Potter when he noted that "advertising has dominated the media, and has vested power in shaping popular standards".

An Advertising Practitioners Association (APA) Agency.

The APA, standards of practice (2000) defines an APA agency as follows;

One that has been vetted to ensure that it is a stable and successful business, earning at least 50% of its income from advertising, it is independent from the media industry, upholds the highest ethical standards, and abides by the APA code of conduct and the Marketing Society of Kenya (MSK) code of advertising practice. An APA agency also has sufficient critical mass defined by a minimum billing level, provides a full service defined as strategic planning and the creates and places advertising materials. An APA agency will have sound financial practice and enjoy a sound professional relationship with the advertising supplier community.

Agency remuneration.

According to the APA, standards of practice (2000) APA agencies generally are remunerated in the following way a commission from the media owner of 15-20% of space or time booked. With the majority of agencies earning 18%. Full commission is dependant on the Agency settling its total account within 30 days and making client payment within standard terms vital. The agencies then earn a margin of 20% on any third party services managed and bought in by the agency. Direct costs of creative time invested in a job also earn a margin of 20%. Agencies will also discuss fee remuneration, based on the commission levels above. Successful agencies make a net Margin of about 5% on their business.

2.4 Concept of affiliation

As specific literature on advertising agency affiliation was not found, literature review on strategic alliances has been reviewed to provide an insight regarding affiliations. It is aimed at providing available literature highlighting factors that may influence affiliations. Lewis (1990) proposes that alliances should imply a sense of long term shared goals and objectives. This descriptor suggests that managers associate certain norms with alliance like behaviour.

There are different definitions of the concept of strategic alliance (Channon, 1999) defines strategic alliances as coalitions and cooperation agreements, formed between a corporation and others in order to achieve certain strategic goals. Strategic alliances have been formed to facilitate entry to new markets or to reduce operational costs. Entry to new markets takes place for example when an overseas company makes an alliance with a home company. An alliance could also be made with companies in the same market but who traditionally concentrate in different market niches. Alliances also would give the partner access to other markets and reduce operational costs, due to sharing of resources and through economies of scale.

According to Contractor and Lorange (1988) their definition of strategic alliance is based in the degree of interdependency between parties involved. Interdependence is found to be high in joint ventures, mergers and acquisitions where the options are hard to reverse due to the financial implication involved. Low interdependence alliances i.e. informal cooperation or formalized co-operative ventures are easy to reverse. Examples of the low dependence alliances are holiday season offers organized jointly by airlines and hotels during off peak seasons.

According to Spekman et al (2000) the alliance type spirit suggests that partners should share a similar perspective of what it means to be partner. If partners do not share the same view, an alliance is likely to face hard times and probably will fail.

Spekman et al (2000) found three key lessons that precipitated alliances, they were that alliance formation is driven by competitive pressure, alliance partners should possess complimentary skills and/ or expertise and that alliances are not only about business, alliances are also about people and relationships.

In support of alliances Toyohiro (1999) observed that a strong head office which is the headquarter of a corporations has three functions which include corporate strategy, building core competence and providing expert service. " In simple terms the headquarters is a research laboratory for management". This may explain the expectation that local agencies have from the international agency affiliate who in essence becomes their "head office". Faced with rapid technological advances, changing market structures and increasing competition, firms are motivated to form alliances with other firms. Doz and Hamel (1995) suggest that strategic alliances make it possible to reduce investment risks, share technology, improve efficiency, enhance global mobility and strengthen competitiveness.

The importance of considering the different interplay between different alliances and stakeholders when analyzing alliance formation is frequently stressed (Ghosal and Bartlett, 1990; Rowley, 1997; Tallman and Shenkar, 1994) .The issue of joint venture performance has been raised frequently in previous work (Harrigan 1988a; Killing 1993, 1988; Geringer and Herbert 1989; Koh and Venkatraman 1991) however defining and measuring the performance of alliances has been shown to be a complex task. Unlike in the case of a single firm, no simple and comprehensive criteria of success can be used in a satisfactory way (Harrigan 1985; Geringer and Herbert 1991; Lorange and Roos 1992). Those studies that have approached the question of alliance success have generally linked levels of performance, however defined and measured to particular explanatory factors describing given attributes of the observed alliances.

In a large study, Harrigan (1988a) examined the influence of partner asymmetries on alliance duration, survival and managers' assessments. The results of this study suggest that alliances between similar firms tend to be more successful than asymmetric partnerships.

Numerous studies on cooperation concentrate on equity joint ventures, leaving out collaborative projects that have not led to the formation of a legal entity. (Killing 1983; Beamish and Banks 1987; Hennart 1988a; Geringer 1988)

The rapid proliferation of strategic alliances has been one of the more enduring features of the business environment over the last two decades. This trend of multiple alliances with multiple partners has embedded firms in intricate webs of inter-firm networks (Shan, Walker and Kogut, 1994; Madhavan, 1996; Ahuja, 2000)

The challenge is how to balance the issues of reluctance to give up autonomy, achieve operating momentum in a situation of cultural differences, maintain focus on the external environment i.e. competition and customers instead of loosing energies on internal friction points. Maintaining organizational energy and continuing cooperation over time as well as increase willingness to learn. Balancing all these issues and maintaining a relationship that adds value to the partnership is the challenge (Kanter, 1995). Figure 2 overleaf represents the range of inter-firm links possible in the consideration of alliances.

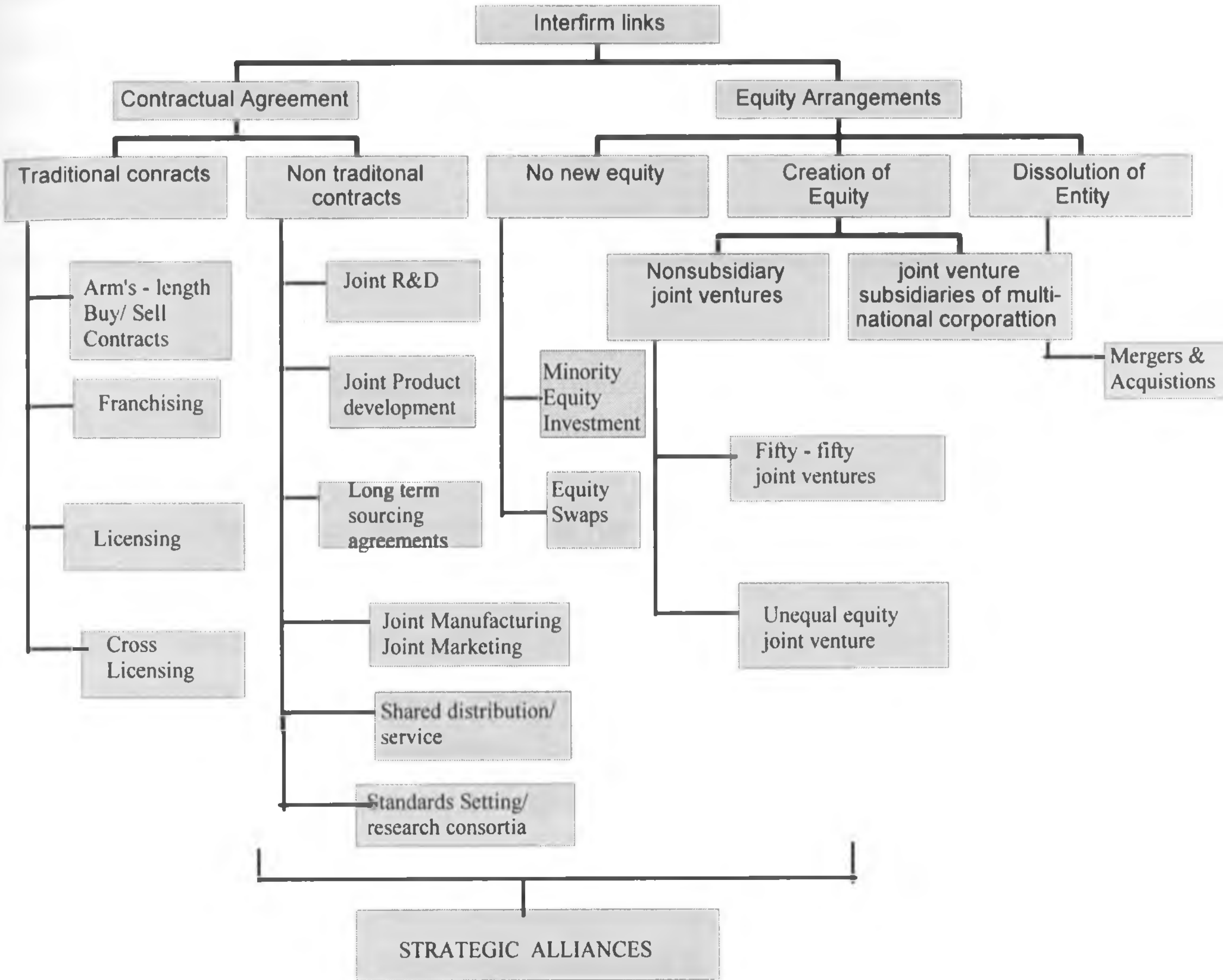

Figure 2: Range of inter-firm links

Source : Spekman et al (2000)

According to (Yoshino and Rangan, 1995) a strategic alliance links specific facets of the business of two or more firms. At its core, this link is a trading partnership that enhances the effectiveness of the competitive strategies of the participating firms by providing for the mutually beneficial trade of technologies, skills and products based upon them. They describe strategic alliances as possessing simultaneously the following three necessary characteristics. Firstly two or more firms that unite to pursue a set of agreed upon goals but remain independent subsequent to the formations of the alliance. Secondly the partner firms share the benefits of the alliance and control over the performance of the assigned tasks – perhaps the most distinctive characteristic of alliances and the one that makes them so difficult to manage. Thirdly the partner firms contribute on a continuing basis in one or more key strategic areas for example technology, products, best practice and so forth. (Hergert and Morris, 1988).

As stated by Jack Welch, the Chief Executive Officer of General Electric

> Alliances are a big part of this game of global competition. They are critical to win on a global basis.... The least attractive way to try to win on a global basis is to think you can take on the world by yourself.[1]

Management relationships are neither new nor novel. Inter-firm links with suppliers, distributors, with firms having related technology, and even with rivals have received in- depth analysis in the management literature. For example Japanese automobile firms' close links with suppliers. Matsushita's success with the VHS videocassette recorder format over Sony's betamax format through extensive licensing, and the Japanese consortiums' approach to research have all been separately studied to explain the importance of such inter-firm links in global competition (Cusumano1985;Business week,1987and Okimoto,1989). An Alliance may occur when two organizations of about equal size unite to form one enterprise. According to David (1999) reasons precipitating mergers include providing improved capacity utilization, making better use of the existing sales force, economies of scale, reduction of managerial staff, to smooth out seasonal trends in sales, access to new suppliers, distributors and creditors, access to new technology, and reduction of tax obligations.

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[1] Quote given during a speech by Jack Welch , the CEO of General Electric at the Harvard Business School, on the 28th of October, 1987.

Selecting a partner

This involves knowing oneself and the industry well and evaluating the possible partners. In the case of Foote, Cone and Belding (FCB) and Publicis, advertising and marketing agencies that formed an alliance in 1987, the firms found that they had common areas of interest and that each company was strong in territories that the other was not. This way the two firms were able to bring their strengths into the relationship and created synergy (Kanter,1997)

2.5 Factors influencing affiliations

According to Johnson and Scholes (1999) strategic alliances are often justified through the improved value for money that they create in some or all of organizations activities. Faulkner (1995) in one research study of international strategic alliances confirmed that the primary motivation to form alliances was the need for specific resources and competencies to survive and succeed in globalising markets – particularly where technologies are changing. Partners are chosen with these issues in mind. However the success of alliances tend to be more dependant on how they are managed and the way in which the partners foster the evolution of the partnership.

According to Brouthers et al (1998) from the acquiring firms' perspective, alliances appear from the empirical evidence to at best break even and at worst be failures. Alliances can be undertaken to enhance performance, respond to the managerial challenges presented by the need to integrate in order to gain synergy or acquire increased market share. Other economic motives that are perceived to be important include, pursuit of market power, increased profitability, shareholder value and sales and achieving economies of scale. Measuring alliances performance is difficult and using financial measures in many cases gives ambiguous results. The better measure is the achievement or otherwise of the original objectives of the alliance (Brouthers et al 1998). The following were found to be important to the success of an alliances; proactive attitudes to commitment , trust and cultural sensitivity. An example would be the relationships between family companies based on long standing business and social relationships. Clear organizational arrangements particularly concerning activities which cross or connect the partners. The desire of all partners to achieve organizational learning from the alliance rather than use partners to substitute for their lack of competencies, so that the processes of innovation in the organization are enhanced by the partnership and not bypassed. Allowing the alliance to evolve and change rather than prescribing it too parochially at the outset. Efforts by partners to achieve strong interpersonal relationships, including bonding and flexibility to changing circumstances.

The reasons for Kenyan advertising agencies seeking global partnerships can be best understood when we consider that compared to a global market of Kshs. 277.5 trillion (US$ 3.7 trillion) the Kenyan market is estimated at just under Kshs. 4 billion (US$ 50 million). Clearly Kenyan brands and advertising reach are too small to make an impact on the global stage. Therefore in order to capture the lucrative contracts from multi – million companies with regional business agenda, Kenyan firms have opted to align themselves with giant international lead agencies. (Sokoni,2001) and Institutions which exercise social control in their markets of operation (Potter,1954).

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Population

The population of interest consists of all local advertising agencies in Kenya affiliated to international advertising agencies. According to the APA records there are only six such agencies (see Appendix 3). This was a census study, five agencies operating in Kenya were studied. The firms varied in size from small, 10 to 25 employees to large firms with more than 36 employees. They are remitting funds within an agreed scheme to their international counterparts either as a commissions or royalties.

3.2 Data collection method

Both Primary and Secondary data was collected. Secondary data was used to countercheck accuracy of the primary data. Primary Data was collected using a semi –structured questionnaires (see Appendix 4). The questionnaire consisted of both open and closed ended questions and was developed in line with the objectives of the research. The questionnaire had four sections namely, sections A, B, C and D. Section A consisted of questions aimed at obtaining general company information such as organization or agency name, size of agency and other demographic data. Section B consisted of specific questions relating to agency process. Section C questions related to factors influencing the local agencies to seek an affiliation. Section D questions related to the importance of the various attributes of the international agency to the local agency, in selecting an affiliate.

A letter of introduction was sent to the respondents explaining the intentions of the survey (see Appendix 1). This was followed up by a telephone conversation with the Managing Directors and Chief Executive Officers of the five local agencies to schedule a suitable time for the personal interviews.

Primary Data

In depth interviews involving eighteen executives from the five advertising agencies was carried. These executives and staff included the Chief Executive Officers or Managing Directors of the five agencies. Other staff included Client Service Directors and Account Directors, Finance Directors, Media, Production and Traffic Managers. The research targeted those who were involved and impacted by affiliations in one way or another, and those involved in making the decision about affiliating with the international advertising agency.

Secondary Data

Secondary Data on the operations and departments of the agency were reviewed from three of the agency. These included media, creative and production briefing forms. The researcher perused some of the proprietary tools used in three of the agencies these included tools for developing advertising strategies and some of the award winning creative pieces shared with the local agencies by their affiliates. Missions and values cascaded to the local agency by their affiliates were also perused. This helped verify the claimed changes before and after affiliation in the local agencies.

3.3 Data Analysis

The response categories were assigned values of between 1 and 5 to correspond with the least favorable and the most favorable sentiments and 1 to 7 to correspond with the factor effects, whether to no extent at all or to a great extent. Mean scores were then computed to determine factor effects. Factor analysis was used to evaluate the importance of how various factors in the processes had been influenced before and after the local agency affiliation.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter deals with data analysis, findings and discussion of the research findings. The data is summarized in descriptives like mean scores and frequencies. Open-ended questions have been analyzed and reported as narratives. Difference between means scores before and after affiliation was determined. Further analysis in the form of factor analysis has also been used on sections C and D of the questionnaire. This chapter also documents and discusses the changes in various aspects of the advertising agencies after affiliating to international agencies. It highlights the most severe post affiliation changes. The study sought to identify the factors influencing local advertising agencies to affiliate with international advertising agencies. In so doing the study reviewed the factors, process and operational changes to the local advertising agency before and after affiliation

The analysis has been presented in five stages. The first stage presents data on the respondents and company profiles. The second stage presents descriptive data on the advertising process. The third stage is on factors influencing affiliation. The fourth stage is on information needs perceived changes. The fifth stage presents the results of the factor analysis to reduce the data.

4.2 Respondents profile

This section presents the profile of the respondents and companies they represent.

Table 2. Respondents profile

Sex of the respondents	Frequency	Percentage
Male	11	61%
Female	7	39%
Total	18	100%
Age of the respondents	**Frequency**	**Percentage**
25-30 years	3	17%
31-36 years	5	28%
37-41 years	3	17%
42-49 years	6	33%
50 and above	1	5%
Total	18	100%
Agency size	**Frequency**	**Percentage**
Between 10 –25 employees	1	20%
Between 26-36 employees	3	60%
Between 36- 46 employees	1	20%
Total	5	100%

4.3 Advertising processes before and after affiliation

The first objective sought to identify the process and operational changes to the local advertising agency by the six agency departments before and after affiliation. Both Primary and Secondary data was collected. Secondary data was used to countercheck accuracy of the primary data. Primary Data was collected using a semi –structured questionnaires (see Appendix 4). The questionnaire consisted of both open and closed – ended questions and was developed in line with the objectives of the research. In depth interviews involving eighteen executives from the advertising agencies was carried. Data was collected using a 5 point scale, where 1 was equal to no extent and 5 was equal to a very large extent, to determine the extent to which processes had changed before and after affiliation. The findings as indicated in Table 3 overleaf shows that there were changes in the all the advertising processes after affiliation. After affiliation the most severe changes occurred to the client service and creative functions this is evidenced by a difference of 3.6 in the mean scores. The difference between the scores for before and after was less than 2 for Traffic, media training and production functions, indicating that they were only slightly affected by affiliation. Table 3 overleaf shows in order of rank from the most affected to the least affected function. The difference column is derived from subtracting the mean score after affiliation from the mean score before the affiliation

All the advertising functions studied had a mean score below 2 before affiliation. The researcher interpreted this to mean that the local agencies were largely depending on affiliation to international agencies to improve their practices in all departments. This denotes a very high expectation level before affiliation. This can also be interpreted to mean that these functions were only practiced to a less extent before affiliation. After affiliation the mean scores increased to an average of 4. This indicates that most functions were practiced to a large extent after affiliation. There were positive changes on all variables tested after affiliation. However, some functions improved more significantly than others. The functions that registered above average changes of a perceived change mean score 2.5 and above after affiliation were, creative briefing tools, client service, training, creative product improvement, formal briefing process and process forms. The functions that registered changes that were below average a perceived change mean score below 2.5 were new media tools, Accounting practices, production, media training and traffic.

Table 3: Advertising processes before and after affiliation

	BEFORE		AFTER		
	Mean	Std. Deviation	Mean	Std. Deviation	Change
CREATIVE- adopted new creative briefing tools	1.2	0.45	4.8	0.45	3.6
CLIENT SERVICE- adopted new client service briefing tools	1.4	0.55	5	0	3.6
Training	1.2	0.45	4.4	0.89	3.2
Creative product improvement	1.4	0.55	4.4	0.89	3
Formal briefing processes	1.6	1.34	4.4	0.55	2.8
Nature of your process forms changed	1.4	0.89	4	0.71	2.6
MEDIA- Adopted new media tools	1.4	0.55	3.8	1.3	2.4
ACCOUNTS- adopted new accounting practices	1.2	0.45	3.4	1.67	2.2
PRODUCTION- new production tools	1.6	0.89	3	1.58	1.4
Media training	1.8	1.1	3	2	1.2
TRAFFIC - adopted new traffic systems	1.4	0.89	2.6	1.67	1.2

4.4 Factors influencing affiliation

Objective two sought to establish factors influencing local advertising agencies to affiliate with international agencies and the extent to which these factors were achieved post affiliation. Data was also collected using a five-point scale for the extent of influence where 1 was to no extent and 5 was to a very large extent. Table 4 below indicate the findings.

Table 4: Factors influencing affiliation.

	AFTER		BEFORE		Difference
	MEAN SCORE	SD	MEAN SCORE	SD	
7. Access to strategic planning tools	4.6	0.89	1.4	0.89	3.2
20. Learn from your affiliate	4.6	0.89	1.4	0.55	3.2
6.Access to other markets	4.2	1.79	1.4	0.89	2.8
8. Access to creative development tools	4.4	0.89	1.6	0.89	2.8
5. Enhanced Image	4.6	0.55	2	0.71	2.6
18. Introduce new practices in business operation	4.2	0.84	1.8	0.84	2.4

Table 4 continued					
25. Look for wider synergies	4	1.22	1.8	0.84	2.2
9.Ability to pitch for business	4.4	0.55	2.4	1.14	2
12. Improved market access	4	0.71	2	0.71	2
1.Expansion	3.4	1.52	1.6	0.89	1.8
22.Explore new opportunities	3.6	1.52	1.8	0.84	1.8
3. Expansion of technology through international agency network tools	3.4	1.52	1.8	0.84	1.6
10.Improved performance of personnel	3.8	1.3	2.2	1.1	1.6
11. Ability to differentiate your product offering to clients	4	0	2.4	1.14	1.6
19. Build needed scale	3.4	1.14	1.8	0.84	1.6
2. Growth of client portfolio	3.2	1.1	2	1	1.2
4. Training	3.6	1.14	2.4	0.89	1.2
13. Gain new channels of business	3.6	0.55	2.4	1.14	1.2
17. Add technology to your skill base	3.6	1.67	2.4	1.14	1.2
16. Shorten process cycles	3	1.87	2.4	1.14	0.6
21. Build financial strength	2.6	1.52	2	0.71	0.6
23. Reduce investment exposure	2	0.71	1.8	0.84	0.2
24. Reduce administrative costs	2	0.71	2	1	0
15. Reduce costs through better efficiencies	2.6	1.34	3	1.41	-0.4
14. Improved profitability	2.2	0.84	3	1.22	-0.8

The top factors that are largely influenced by affiliations are enhanced image (mean score 4.6 after affiliation), to access strategic planning tools (4.6), to learn from affiliates (4.6), access to creative tools and ability to pitch (4.4 each) and access to other markets (4.2). Opinions about affiliations are more varied after affiliation (from 0 to 1.87 Standard Deviation) compared to the deviation for before affiliation (0.55 to 1.41). This may indicate a general agreement on the lack of most benefits that are likely to accrue from affiliation for unaffiliated agencies. It also indicates the different success levels in achieving various affiliation objectives. It was noted that affiliations have negative effects on profitability and cost reduction (negative change perceived).

The mean scores on most factors were below 2.5 before affiliation. The mean scores improved to above 3.5 on most factors after affiliation. Two factors namely, reduce costs through better efficiencies and improved profitability registered a negative change after affiliation from a mean score of 3 each before affiliation to 2.6 and 2.2 respectively after affiliation. One factor, 'to reduce administration costs' registered a constant mean score of 2 before and after affiliation.

4.5 Importance of affiliation information types

Objective two also sought to determine important types of information sought when considering affiliations. Factor analysis was used to evaluate the importance of how the various factors provided for the agency processes by the six departments and selection of affiliation had been influenced before and after the local agency affiliation. Data was collected using a 7 point scale where 1 was equal to not important at all and 7 was equal to extremely important. See appendix 5 for the resultant variances output of the factor analysis.

The data was further analyzed on the selected aspects of affiliation to establish the shared relationships between variables. The variables were then factored out using the principle component analysis method. This analysis combined correlated variables into one factor. The researcher applied the Kaiser Normalization criterion of selecting variables with an eigen value that is greater than one in the selection of key factors. The researcher carried out factor analysis on factors influencing affiliation and local agency information needs By use of the Kaiser Normalization Criterion the researcher then extracted factors that have an eigen value that is greater than one. Four major components were extracted, see appendix 6. which indicates that those 4 factors accounted for 100% of the total variance. Appendix 7 showed the rotated matrix which was used by the researcher to identify the variables constituting the factors.

The components were rotated using Varimax (Variance Maximization) method to generate the component matrix. The researcher used this matrix to identify the variables that fall under each of the extracted factors. A variable belongs to the factor to which it explains most of the variation than any other factor. The variables fall under the component in which the factor loadings are indicated in bold, for instance variable Q2b1 fall under component 3.

Table 5 outlines in rank order the most important to the least important types of information agencies sought when considering a suitable affiliate

Table 5: Information needs for suitable affiliate

	Mean	Std. Deviation
Culture and values of the international agency	6.2	1.3
Number of different tools available from the network	6	1.22
Global clients held	6	1.22
Your local agency weaknesses	5.8	1.64
Creative award winning track record	5.2	1.3
Auxiliary services the international agency offers e.g. public relations, design, direct marketing, media buying etc	5.2	1.3
Existing client demands	5.2	1.3
Number of offices in Africa	4.8	1.3
Expected remuneration by the international agency	4.6	0.89
Number of offices worldwide	4.2	0.84

Rated at the top of the types of information about who to affiliate with, were culture and values of the international agency (mean score 6.2), number of different tools available from the network (6), global clients held (6) and local agency weaknesses (5.8). The researcher interpreted any mean score above 5 to mean that a factor is extremely important in the evaluation of a potential partner. Any factor with a mean score below 5 indicates that the factor is fairly important in the evaluation. All the factors scored above 4, which means that they were all considered as important. The factors that registered a mean score above 5 include, culture and values of the international agency, number of different tools available from the network, global clients held, local agency weaknesses, auxiliary services offered and existing client demands. The factors that scored less than 5 include, number of offices in Africa, number of offices worldwide and expected remuneration by the international agency.

In the evaluation of a potential international partner, it was noted that local agency are more concerned with core service attribute than other business factors. It appears that local agencies are erring in evaluation of a suitable affiliate by not seriously considering the remuneration of the international affiliate at this stage. This appears to cause problem when the relationship is at an advanced stage.
Appendix 8 shows the four factors that explain 100% of the variance after affiliation and appendix9 shows the rotated matrix after affiliation

A summary of the factor analysis and the rotation matrices on the variables constituting the factors before affiliation, variables constituting factors after affixation and the variables precipitating selection of an affiliate are presented in tables 6,7 and 8 below, respectively

Table 6: Variables constituting the factors before affiliation

Factors	**Variable constituting the factors**	**% Of Variance explained**
Factor 1 (growth)	Access to other markets, strategic planning tools, Access to creative development tools, pitch for business, differentiate, Improved market access, Gain new channels of business, new practices, Build needed scale, Build financial strength, wider synergies	65.284%
Factor 2 (efficiency)	Training, Reduce costs, Improved profitability, Reduce investment exposure, and Reduce administrative costs	15.884%
Factor 3 (technology)	Technology network tools, Growth of client portfolio, technology	14.551%
Factor 4 Learn	Learn from your affiliate	4.282%
Total Variation explained		100%

Table 7: Variables constituting the factors after affiliation

Factors	Variable constituting the factors	% of Variance explained
Factor 1 (growth)	client portfolio, network tools, Training, Access to other markets, Access to strategic planning tools, performance of personnel, Introduce new practices, Learn from your affiliate, Build financial strength. Explore new opportunities	58.66%
Factor 2 (image and efficiency)	Enhanced Image, Access to creative development tools, Improved market access, Gain new channels. Improved profitability. Reduce costs through better efficiencies, Shorten process cycles	22.455%
Factor 3 (Administration cost)	Reduce administrative costs	9.855%
Factor 4 (economies of scale)	Build needed scale	9.029%
Total Variation explained		100%

Table 8: Variables precipitating the selection of an affiliate

Factors	**Variable constituting the factors**	**% of Variance explained**
Factor 1 (compatibility/ compliment-ability)=	Number of offices worldwide Number of offices in Africa Different tools available from network Global clients Local agency weaknesses Culture and values of the international agency	51.812%
Factor 2(Extra value)	Creative awards Auxiliary services offered by the international agency Existing client demands	27.227%
Factor 3 (Remuneration)=	Expected remuneration by the international agency	16.256%
Total Variation explained		95.296%

CHAPTER 5: DISCUSSIONS AND CONCLUSIONS

5.1 Discussions and Conclusions

Affiliated agencies have long been perceived to enjoy increased benefits in the areas of shared learning's and adaptation of business tools from the affiliations. These are perceived to enhance their business practices and provide an opportunity for the local agency to improve the product delivered to their clients. Get short listed by Blue chip clients during the tendering process, provide the local agency with access to an international network with case studies and learning's for the benefit of their clients. Affiliations have also been perceived to enhance the ability of the local agency to acquire network clients and hence increase their revenues and profits.

From the research it is evident that the changes in all the functions are consistent with the literature in chapter two regarding theorized affiliation objectives. According to Yoshino and Ranghan (1995) Some of the affiliation objectives include seeking new trade technologies and skills. Affiliation seems to deliver on these aspects although with varying degrees of success. It was noted that the core advertising agency service functions namely creative and client service registered the most significant changes after affiliation.

These findings indicate that affiliation does help a local advertising agency achieve most but not all of the theorized affiliation objectives. Objectives that do not seem to be achieved include improved profitability and cost reduction through better efficiencies. The literature in Chapter two indicates that aspects related to improved response to managerial problems like profitability and cost reduction are crucial benefits from a strategic alliance (Brouther, et al 1998).

The findings indicate that there were notable changes in the all the advertising functions after affiliation. The most severe changes occurred to the client service and creative functions. Accounting, traffic, media training and production functions were only slightly affected by affiliation. All the changes in the functions were improvements (positive).The top factors that are largely influenced by affiliations are enhanced image, access to strategic planning tools, learning from affiliates, access to creative tools, ability to pitch and access to other markets. There was a general agreement on the lack of most benefits before affiliation. While most of the changes were positive it was noted that affiliations have negative affects on profitability and cost reduction (negative change perceived). In consideration of the future of a business this is a key aspect of affiliation that ought to be evaluated by the local agency before entering into the affiliation.

The factors that were identified as affiliation drivers- before affiliations were growth, efficiency, technology and the need to learn. The main factors after affiliation were: Growth, efficiency and image, technology and economies of scale. The common factors both before and after affiliation are growth and need to efficiency. After affiliation, efficiency is derived more from the image than before affiliation. It appears that affiliation actually delivers on image and technology. However, affiliation objectives related to economies of scale and cost reduction seem not to be realized after affiliation.

When selecting the international affiliate to partner with, the information need factors identified were, Compatibility/compliment-ability, extra value and remunerations. Affiliation also delivers extremely well on other strategic aspects of an advertising agency including: access to strategic planning tools, learning, access to other markets, access to creative development tools and enhanced image. The mean score for these factors increased by more than 2.5 score point after affiliation warranting the 'extremely well' interpretation. Factors related to growth and financial strength registered less improvement after affiliation than technical factors. These findings indicate that affiliation cannot be a solution to all problems that may face a local agency. The findings are consistent with the literature in chapter two regarding the current state of affairs in the local advertising agencies that are affiliated to international agencies. However, the negative profit and cost reduction patterns are more severe than stated in the literature. The respondents were asked to note what has changed most after affiliation. The positive changes noted were as follows, team work, new opportunities, professionalism, improved image, International stature, "To live up to the affiliates vision. The negative changes were, Arrogance, Lack of financial assistance, Inflexibility in fixing remuneration with clients, Lack of actual business growth, Constraints in servicing global clients versus the Local ones

It was noted that the respondents perceived both good and bad changes. The positive changes related to professionalism, teamwork and image. This is consistent with theorized objectives related to prestige value, learning and global tools. One aspect that was lacking in the good changes is economies of scale. This means that after affiliation expected economies of scale are not realized in real terms.

The negative changes noted relate to conflict of interest, lack of financial support, lack of financial assistance and lack of growth. These were highlighted as possible problems in the literature review. The new changes that we can add to our literature include, arrogance (liability of success) and inflexibility.

Several criteria were used to determine the best suited international agency to affiliate with these included, value and culture, ability of the international affiliate to work together with the heads of the agency i.e. relationships, possible training and cooperation opportunities, international agencies that had the same goals, strong creative and large size and agencies for whom the local agency already had a common client represented in the local agency's' market.

Most of the changes in various functions after affiliation were highly appreciated by the respondents. This indicates an increase level of expectations, which must be met. There is also need for continuous improvement efforts to enhance the competitiveness and market presence. Compatibility/compliment-ability, extra value and remunerations are the important information factors influencing the choice of an international affiliate. This implies that local agencies that are seeking international affiliations should consider these factors when evaluating potential partners. Failure to check on these factors may result to post affiliation dissatisfaction.

The common factors both before and after affiliation are growth and need to learn. If a local agency is looking for expansion potential or it needs to increase its knowledge base then affiliation is the way to go.

5.2 Limitations of study

This study faced several limitations the major limitations were time and sensitivity of proprietary tools. For this reason the study was narrowed to local affiliated agencies only, willingness of the international agencies represented in Kenya to participate in a comparison study of affiliated versus wholly owned would have yielded a more wholistic picture for evaluation of affiliations as opposed to wholly owned, joint ventures of acquisitions.

The other limitation was the unavailability of the target group. These are busy people who are difficult to convince or find. The researcher addressed this challenge by consistent follow up. Information about affiliation is sensitive and strategic. This called for establishment of an understanding and cultivation of trust by the researcher. The study relied heavily on self-reported feelings. Respondents may have given biased or dishonest answers and their attitudes may change over time. This may have affected the objectivity of the study.

5.3 Recommendation for further research

Future research could cover non-affiliated agencies, wholly owned agencies, joint ventures and include client perception of these alliances. There is also need for research to establish the strategies that affiliated agency have adopted in addressing the challenges related to affiliation. Since we are moving towards regionalized markets and trading blocks, future research could cover other agencies operating in the region.

5.4 Recommendation for policy and practice

The affiliated agencies and any other agency that is considering affiliation need to address the identified gaps which includes; profitability, flexibility, and cost reduction. The research found that while affiliations assure you of growth, an increase in profit seems not to be assured. The accounts function does not seem to change much after affiliation in comparison to other aspects. To address these challenges, there is need to evaluate the contractual agreements to reduce the negative effect on profitability. One way of addressing this challenge is to consider a value chain approach. In this case the remuneration of the international affiliate should be based on value added. Activity based costing is also recommended to manage the cost structures in and of the partnership. It is evident from the findings that there is need to reevaluate the accounts function after affiliation. The exit clause in the contract agreement should be fair to both parties and not punitive.

From the research there is evidence that there is need to manage the transition with care as growth comes with a bigger image and the heavier costs associated. There is a likelihood of affiliated agencies losing economies of scale and suffer liability of success. Although affiliation maybe the ideal way to go for local advertising agencies seeking to enhance their core competencies, the key factors involved have to be weighed carefully before a decision to seek affiliation is reached. A cost benefit analysis should be considered as an important step in decision making, to make for better results in profit and revenues post affiliation.

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APPENDICES

Appendix 1: Letter of introduction

University of Nairobi,
Faculty of Commerce,
P.O. Box 30197,
Nairobi, Kenya.
1 October 2003

Dear

<u>RE: LETTER OF REQUEST TO DO RESEARCH AND INTRODUCTION TO RESPONDENTS</u>

I am a student in the Faculty of Commerce of the University of Nairobi, Kenya. In partial requirement of the degree of Master of Business Administration (MBA), I am conduction a study titled **" Factors influencing affiliation of local advertising agencies with international advertising agencies".**

Your firm has been selected for this study as your affiliation is unique in several ways. I seek your approval to document this important strategic episode. The research will involve interviewing key personnel who have been involved in the affiliation.

Any information you might provide to make this study more revealing will indeed be appreciated. Your cooperation in participating in this study will be highly appreciated

Thank you in anticipation

Yours faithfully

Betty Radier
MBA Student

Dr Ogutu
Supervisor

Appendix 2: APA Member Agencies

1. Access Leo Burnett
2. Tequila/ Adapt
3. Tragos, Bonnage, Weisendanger & Agoldi (TBWA)/CREATIVE
4. Ayton Young and Rubicam
5. Century Grey advertising
6. Doyle Dane Bernbach (DDB) – Communication Concepts Limited
7. Marketing communication Limited (MCL) Saatchi and Saatchi
8. McCann Kenya
9. Nuturn Bates Limited.
10. Ogilvy and Mather.
11. Lowe ScanAd Kenya.
12. Foote Cone & Belding (FCB) The Advertising Company (TAC)
13. Thompson Kenya Limited

Source: Association of Practitioners in advertising – standards of practice 2001.

Appendix 3: List Of Selected Local Agencies

1. Tragos, Bonnage, Weisendanger & Agoldi (TBWA)/CREATIVE
2. Century Grey advertising
3. Doyle Dane Bernbach (DDB) – Communication Concepts Limited
4. Marketing communication Limited (MCL) Saatchi and Saatchi
5. Nuturn Bates Limited
6. Foote Cone & Belding (FCB) The Advertising Company (TAC)

Appendix 4: Questionnaire

A SURVEY OF FACTORS INFLUENCING AFFILIATION OF LOCAL ADVERTISING AGENCIES WITH INTERNATIONAL ADVERTISING AGENCIES

The questionnaire seeks to study factors influencing affiliation of local advertising agencies with international advertising agencies. The information in this questionnaire will be treated confidentially, and will not be used for any other purpose other than academic. The researcher will be at hand to clarify and issues, during the data collection process.

Instructions

a. Kindly complete the questionnaires, assessing your organization before and after affiliation in the listed factors

b. For each question kindly determine the most suitable description or select the answer, which closely describes your organization before and after affiliation

c. If a question is not applicable, kindly mark "N/A", if you simply do not have knowledge mark "N/K"

SECTION A

1. Name of organization________________________________
2. Position of respondent________________________________
3. Male (   )   Female (   ) tick as appropriate
4. Agency Name (Optional)______________________________
5. Telephone number________________________________
6. Respondents Address________________________________

Tick as appropriate

Size of agency

7. Less than 10 ( ); Between 10-25 ( ); Between 26-36 ( ) ; Between 36-46 ( ); 46 and above ( )

SECTION B

Processes

Please indicate the extent that most closely matches the situation in your organization before and after affiliation. Indicate the extent in the bracket provided against each question

(1) to no extent (2) to a less extent (3) to a moderate extent (4) to a large extent (5) to a very large extent

	Before	After
1. To what extent did you have formal briefing processes before the affiliation	( )	( )
2. MEDIA to what extent have your adopted new media tools after the affiliation	( )	( )
3.To what extent have you benefited from media training after the affiliation	( )	( )
4To what extent did you have media training before the affiliation	( )	( )
5.PRODUCTION: to what extent have you adopted new production tools after the affiliation	( )	( )

6.CREATIVE :to what extent have you adopted new creative briefing tools after the affiliation	( ) ( )
7.MEDIA:,To what extent has your creative product improved after the affiliation	( ) ( )
8. CLIENT SERVICE: To what extent have you adopted new client service briefing tools after the affiliation	( ) ( )
9.To what extent have you benefited from training after the affiliation	( ) ( )
10. To what extent did you have training before the affiliation	( ) ( )
11. ACCOUNTS to what extent have you adopted new accounting practices after the affiliation	( ) ( )
12. TRAFFIC to what extent have you adopted new traffic systems after the affixation	( ) ( )
13. To what extent have the nature of your process forms changed after the affiliation	( ) ( )

SECTION C

Factors influencing affiliation

Please indicate the extent that most closely matches the situation in your organization before and after affiliation. Indicate the extent in the bracket provided against each question

(2) (1) To no extent; (2) To a less extent; (3) To a moderate extent; (4) To a large extent; (5) To a very large extent

	Before	After
1.Expansion	( )	( )
2. Growth of client portfolio	( )	( )
3. Expansion of technology through international agency network tools	( )	( )
4. Training	( )	( )
5. Enhanced Image	( )	( )
6.Access to other markets	( )	( )
7. Access to strategic planning tools	( )	( )
8. Access to creative development tools	( )	( )
9.Ability to pitch for business	( )	( )
10.Improved performance of personnel	( )	( )
11. Ability to differentiate your product offering to clients	( )	( )
12. Improved market access	( )	( )
13. Gain new channels of business	( )	( )

14. Improved profitability	( )	( )
15. Reduce costs through better efficiencies	( )	( )
16. Shorten process cycles	( )	( )
17. Add technology to your skill base	( )	( )
18. Introduce new practices in business operation	( )	( )
19. Build needed scale	( )	( )
20. Learn from your affiliate	( )	( )
21. Build financial strength	( )	( )
22.Explore new opportunities	( )	( )
23. Reduce investment exposure	( )	( )
24. Reduce administrative costs	( )	( )
25. Look for wider synergies	( )	( )

SECTION D

Open ended questions about the factors within your organization that are different before and after affiliation to the international advertising agency

1.What would you say has changed the most before and after affiliation?

What you liked	What you disliked

2.How did you decide which international agency network to affiliate to

____

____

3.When making a choice of which international agency to be affiliated with how important is each of the following sources of information?

Please circle accordingly using the 7.point scale below where 1= not important at all and 7 = Extremely important

		Extremely important				Not important at all		
1	Number of offices worldwide	7	6	5	4	3	2	1
2	Number of offices in Africa	7	6	5	4	3	2	1
3	Number of different tools available from the network	7	6	5	4	3	2	1
4	Creative award winning track record	7	6	5	4	3	2	1
5	Global clients held	7	6	5	4	3	2	1
6	Auxiliary services the international agency offers e.g. public relations, design, direct marketing, media buying etc	7	6	5	4	3	2	1
7	Your local agency weaknesses	7	6	5	4	3	2	1
8	Culture and values of the international agency	7	6	5	4	3	2	1
9	Expected remuneration by the international agency	7	6	5	4	3	2	1
10	Existing client demands	7	6	5	4	3	2	1

Any other source that you think is important

____

Appendix 5: Total variance explain

mponent	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
	15.668	65.284	65.284	15.668	65.284	65.284	11.001	45.839	45.839
	3.812	15.884	81.167	3.812	15.884	81.167	6.336	26.4	72.239
	3.492	14.551	95.718	3.492	14.551	95.718	4.81	20.04	92.279
	1.028	4.282	100	1.028	4.282	100	1.853	7.721	100
	3.60E-15	1.50E-14	100						
	1.14E-15	4.74E-15	100						
	7.67E-16	3.20E-15	100						
	6.70E-16	2.79E-15	100						
	4.41E-16	1.84E-15	100						
	2.42E-16	1.01E-15	100						
	1.11E-16	4.63E-16	100						
	1.11E-16	4.63E-16	100						
	1.08E-16	4.49E-16	100						
	6.67E-17	2.78E-16	100						
	2.60E-17	1.08E-16	100						
	1.20E-17	5.01E-17	100						
	-4.19E-32	-1.75E-31	100						
	-8.02E-17	-3.34E-16	100						
	-1.54E-16	-6.41E-16	100						
	-2.22E-16	-9.25E-16	100						
	-2.87E-16	-1.20E-15	100						
	-4.03E-16	-1.68E-15	100						
	-8.94E-16	-3.72E-15	100						
	-1.46E-15	-6.07E-15	100						

traction Method: Principal Component Analysis.

Appendix 6: Rotated Component Matrix (a)

	Component			
	1	2	3	4
Q2B1	0.437	9.11E-02	**0.878**	-0.173
Q2C1	-6.59E-03	0.123	**0.974**	-0.192
Q2D1	0.393	**0.751**	0.146	0.51
Q2E1	**0.753**	0.358	0.456	0.313
Q2F1	**0.989**	-2.63E-02	0.142	-2.85E-02
Q2G1	**0.989**	-2.63E-02	0.142	-2.85E-02
Q2H1	**0.797**	-0.185	0.575	-1.51E-02
Q2I	**0.763**	0.562	0.317	3.21E-02
Q2J1	**0.89**	0.22	0.352	0.19
Q2K1	**0.763**	0.562	0.317	3.21E-02
Q2L1	**0.753**	0.358	0.456	0.313
Q2M1	**0.787**	0.229	0.19	0.54
Q2N1	-7.88E-02	**0.642**	0.72	0.252
Q201	-2.02E-02	**0.939**	0.333	8.78E-02
Q2P1	0.284	**0.922**	0.241	-0.108
Q2Q1	0.165	-2.72E-02	**0.962**	0.215
Q2R1	**0.841**	0.473	-7.80E-02	0.25
Q2S1	**0.841**	0.473	-7.80E-02	0.25
Q2T1	0.668	1.51E-02	-0.192	**0.719**
Q2U1	**0.753**	0.358	0.456	0.313
Q2V1	**0.841**	0.473	-7.80E-02	0.25
Q2W1	0.188	**0.963**	-0.182	5.98E-02
Q2X1	0.6	**0.794**	-8.88E-02	3.73E-02
Q2Y1	**0.841**	0.473	-7.80E-02	0.25
Extraction Method: Principal Component Analysis.				
Rotation Method: Varimax with Kaiser Normalization.				
a Rotation converged in 10 iterations.				

Appendix 7: Variance explained – Post affiliation

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Factor	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	14.665	58.66	58.66	14.665	58.66	58.66	9.874	39.498	39.498
2	5.614	22.455	81.116	5.614	22.455	81.116	7.099	28.396	67.894
3	2.464	9.855	90.971	2.464	9.855	90.971	4.411	17.646	85.539
4	2.257	9.029	100	2.257	9.029	100	3.615	14.461	100
5	1.51E-15	6.03E-15	100						
6	7.41E-16	2.96E-15	100						
7	5.42E-16	2.17E-15	100						
8	4.41E-16	1.76E-15	100						
9	2.08E-16	8.30E-16	100						
10	1.72E-16	6.90E-16	100						
11	1.06E-16	4.24E-16	100						
12	6.89E-17	2.76E-16	100						
13	2.60E-17	1.04E-16	100						
14	6.32E-33	2.53E-32	100						
15	1.57E-35	6.30E-35	100						
16	-3.79E-33	-1.52E-32	100						
17	-2.03E-17	-8.12E-17	100						
18	-5.69E-17	-2.28E-16	100						
19	-1.11E-16	-4.43E-16	100						
20	-1.81E-16	-7.25E-16	100						
21	-2.54E-16	-1.02E-15	100						
22	-3.70E-16	-1.48E-15	100						
23	-4.61E-16	-1.85E-15	100						
24	-6.64E-16	-2.66E-15	100						
25	-1.40E-15	-5.59E-15	100						

Extraction Method: Principal Component Analysis.

Appendix 8: Rotated matrix –Post affiliation

	Component			
	1	**2**	**3**	**4**
Q2_2	**0.695**	0.547	0.385	0.265
Q2B2	0.59	0.515	-3.38E-02	**0.621**
Q2C2	**0.695**	0.547	0.385	0.265
Q2D2	**0.826**	-0.32	0.273	-0.375
Q2E2	0.241	**0.745**	0.609	0.126
Q2F2	**0.892**	0.207	0.401	-1.15E-02
Q2G2	**0.892**	0.207	0.401	-1.15E-02
Q2H2	-0.151	**0.808**	0.546	0.16
Q212	0.15	0.242	0.582	**0.762**
Q2J2	**0.747**	-0.39	0.472	0.259
Q2L2	-0.203	**0.779**	6.57E-02	0.59
Q2M2	0.241	**0.745**	0.609	0.126
Q2N2	0.684	**0.722**	0.103	-1.25E-02
Q202	5.96E-02	**0.997**	-2.35E-02	4.74E-02
Q2P2	0.135	**0.988**	-6.66E-02	3.11E-02
Q2Q2	**0.735**	8.06E-02	0.503	0.448
Q2R2	**0.944**	1.56E-02	-9.98E-02	0.315
Q2S2	0.137	8.08E-02	0.171	**0.972**
Q2T2	**0.892**	0.207	0.401	-1.15E-02
Q2U2	**0.683**	0.319	-0.198	0.626
Q2V2	**0.871**	0.339	0.283	0.216
Q2W2	0.506	-1.47E-02	**0.857**	9.80E-02
Q2X2	0.506	-1.47E-02	**0.857**	9.80E-02
Q2Y2	**0.971**	8.64E-02	7.81E-02	0.211
Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.				
A Rotation converged in 18 iterations.				

Appendix 9: Variance explained – Information types

	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.181	51.812	51.812	5.181	51.812	51.812	4.026	40.265	40.265
2	2.723	27.227	79.04	2.723	27.227	79.04	3.111	31.111	71.376
3	1.626	16.256	95.296	1.626	16.256	95.296	2.392	23.92	95.296
4	0.47	4.704	100						
5	1.36E-15	1.36E-14	100						
6	2.57E-16	2.57E-15	100						
7	8.02E-17	8.02E-16	100						
8	1.37E-17	1.37E-16	100						
9	-7.96E-17	-7.96E-16	100						
10	-3.78E-16	-3.78E-15	100						
Extraction Method: Principal Component Analysis.									

Appendix 10: Rotated matrix –Information Types

.	Component		
	1	2	3
Q3_1	**0.242**	3.26E-02	-0.958
Q3_2	**0.834**	-0.481	-0.129
Q3C	**0.836**	0.383	-0.236
Q3D	0.116	**0.982**	0.123
Q3E	**0.934**	0.16	0.268
Q3F	0.434	**0.853**	-9.52E-02
Q3G	**0.81**	0.444	-6.64E-02
Q3H	**0.878**	0.442	7.16E-02
Q3I	0.165	0.156	**0.969**
Q3J	0.207	**0.773**	0.597
Extraction Method: Principal Component Analysis.			
Rotation Method: Varimax with Kaiser Normalization.			
a Rotation converged in 6 iterations.			