THE ROLE OF STRATEGIC ALLIANCES ON THE COMPETITIVENESS OF BARCLAYS BANK OF KENYA LIMITED

JOSEPHAT M. OMWOYO

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTER OF BUSINESS ADMINISTRATION (MBA) DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2013

DECLARATION

This research project is my original work and has not been presented for the award of degree in any other university or institution for any other purpose.

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

Josephat M. Omwoyo

D61/70140/2009

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

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

Mr J.Kagwe

Lecturer

Department of Business Administration

DEDICATION

This research study is dedicated to my Fiancée, daughter, Parents and Omwoyo`s family for the tireless sacrifices of their precious family time throughout the entire MBA program and especially during this research project. May they go beyond this!

ACKNOWLEDGEMENTS

The completion of this project was not simple. It was not created by the author alone, but relied on the co-operative assistance of many unseen hands. First and foremost I owe special thanks to God Almighty for seeing me through. I sincerely acknowledge my supervisor Mr. Jeremiah Kagwe of School of Business, University of Nairobi for his enabling support and guidance, his never ending patience, good eye and sharp mind.

I will forever be grateful to my parents Mr. and Mrs. Omwoyo for inspiring me to start this program and giving me all the support I needed throughout the course. Special gratitude to my Fiancée Caroline Mworia and daughter Nadya for bearing with me when I was pre-occupied with this study.

I would also like to acknowledge the encouragement from all my colleagues and my MBA classmates, friends and relatives whose remarkable devotion and dedication throughout the project work was incredible. May God bless the work of their hands!

Abstract

As companies face pressure from increased competition, growing product complexity and shortening product life cycles, many are finding they need to change the way they develop new technologies, products and services. They find that they can no longer afford to rely solely on their own R&D and need to acquire ideas from others and this lead to trend whereby firms are moving away closed to a more open model of cooperation through alliances. The research sought to establish the role of strategic alliances as a source of competitiveness to Barclays bank of the Kenya. In attempting to get the objective, a case study research design was adopted whereby six respondents were interviewed and gave information that helped in arriving at the research objective and conclusion. The research findings were that strategic alliances can be used as a tool which enables firms to overcome threats from their competitors while gaining additional benefits. The competitiveness of the firms resulting from the alliance will is generated through the synergistic effects of the collaboration, a wider customer base, spreading of risk and employment of better technology which consequently reduction in the operational cost.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

New technologies, new products and new distribution chains constantly alter the competitive space within dynamic industries of the 21st century. In order to compete and survive in this turbulent business environment, a company needs a partner (Bardin, 2004). In the modern business world, a firm's capacity to compete depends on its ability to change and develop new strategic directions. The process of thinking about the new, of considering novel ideas and solutions, plays a crucial role in terms of acquiring a competitive edge. In order to survive and maintain further growth companies are forced to find partners to increase possibilities of becoming the leader or have dominant position on the market (Kogut, 2001).

Firms' motivation to augment income and expand their activities to other markets or sectors has caused increased necessity to create strategic alliances, especially when particular firm could not have enough resources or capital in-home. Economic globalization, technical revolution, unutilized opportunities, open international market and its private nature have helped a greater number of companies to realize it is impossible for them to accomplish new market development only with their own resources and techniques. Therefore, they choose to establish strategic alliances and cooperation in order to gain clear channels through their joint market contracts. By doing so, they can make up their shortages in technology and manufacturing, perfect the effect of the supply chain, achieve market or scale economy (Thompson, 2006) and strengthen their domestic or international competitiveness.

The study is guided by both the transaction cost theory and the resource based theory. Barclays bank of Kenya has partnered with several firms in order to achieve competitive advantage as it does not possess required all resources and knowledge to be entrepreneurial and innovative in dynamic competitive markets. Interorganizational relationships create the opportunity to share the resources and capabilities of firms while working with partners to develop additional resources and capabilities as the function for new competitive advantages. This is consistent with the Resource based theory in which strategic alliances are formed with the aim to get access to rare and otherwise unavailable resources (Gulati, 1999). The desire to reduce costs traditionally led companies in the direction of internationalizing their business. However, the motive of getting access to knowledge and rare resources a partner possesses; that is, organizational learning through strategic alliances is becoming increasingly more important today. The study also relies on transaction cost theory in which the bank enters strategic alliance in order to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages that enable them to increase profits, or to gain future business opportunities that will allow them to command higher market values for their outputs. The Transaction costs theory viewpoint (Frey, 2002) was that an important motive for creating a strategic alliance is taking an opportunity to increase the economy of scope and to reduce costs. In this case, a number of motives which have implications on costs are involved, rather than a single one.

The banking industry in Kenya has over the years witnessed drastic changes. The changes are both complex and ‘chaotic’ and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Barclays Bank of Kenya

Limited has over the years operated alone without formal relationship with others and remain successful, however the uncertain business environment have increased the level of competitiveness, which is putting increasingly greater pressure to the bank to acquire and to increase their competitive advantages. Therefore, to survive and thrive, the bank has to make greater efforts to acquire or improve constantly its competitive advantages, and as a result, their level of competitiveness because it can provide them a higher level of growth and performance. The banks' growth and competitive strategies not only include cost cutting measures and better revenue management tools, but also strategic alliances with other institutions. The bank form alliances to gain access to other business markets curtailed by technology and regulations.

1.1.1 Strategic Alliances

Strategic alliances are a form of inter-organizational cooperation involving pooling of skills and resources to achieve common objectives of alliance partners, but retaining their separate entities (Varadarajan and Jayachandran, 2009). Firms in strategic alliances seek to enhance strategic advantage and position of alliance partners by leveraging critical capabilities (such as research and design and marketing) and responding to market and technological changes more flexibly. A strategic alliance is "an agreement between firms to do business together in ways that goes beyond normal company-to-company dealings, but fall short of a merger or a full partnership" (Wheelen and Hungar, 2000, p. 125). Strategic alliances generally represent inter-firm cooperative agreements aimed at achieving competitive advantage for the partners. These alliances range from informal "hand shake" agreements to formal agreements with lengthy contracts in which the parties may also exchange equity or contribute capital to form joint venture corporations.

By entering into a strategic alliance with other companies a firm does not lose its strategic independence, it is only exposed to some extent to the practices and resources of its partners. Within a strategic alliance only some of the participants' business activities are involved; in every other respect firms remain not only separate, but also usually competitors (Dicken, 2007). In the process of choosing partners, companies search for those that possess knowledge, technological superiority and innovation potential. Companies in the alliance tend to benefit from their partners, especially when the partners are competitors (Gong, 2007, p. 98). Alliances tend to maintain and improve competitive advantage by making strategic decisions, which are primarily focused on development of new products, services, and processes. These decisions are the tools of aligning the strengths of the alliance with its external possibilities. Entering these cooperative arrangements lowers the costs and risks, since the costs and market risks for new product/service development tend to be very high for an individual company. A strategic alliance has to contribute to the successful implementation of the strategic plan; therefore, the alliance must be strategic in nature. The relationship has to be supported by executive leadership and formed by lower management at the highest, macro level.

1.1.2 Organizational Competitiveness

Competitiveness is the ability of companies, industries, regions, nations, and supranational regions to generate, while being and remaining exposed to international competition, relatively high factor income, and factor employment levels on a sustainable basis (Gulati, 1999). Porter *et al.,* (2006) believes that competitiveness is the underpinning of prosperity, based on productive potential of a nation's economy, which in turn is ultimately set by the productivity of its companies determined by sophistication of company operations and strategy and quality of microeconomic business environment. A firm’s sustainable competitiveness derives from its ability to assemble and exploit an appropriate combination of resources. It is achieved by continuously developing existing and creating new resources and capabilities in response to dynamic market conditions (Barney, 2007).

Traill and Pitts, (2007, p 13) posit that “A competitive industry is one that possesses the sustained ability to profitably gain and maintain market share in domestic and/or foreign markets”. Thus, defined, sectorial competitiveness has its own role to play between business and national competitiveness. While business competitiveness mainly depends on the institutional design of the particular company, national competitiveness, broadly speaking, depends on the history and political economy of the country. Regional competitiveness, as the authors cited above show, is a bit more difficult to grasp, but can be as different from the national average as the institutional framework of regions may deviate within a nation. Within the context of economic globalization in the international market, every country is trying to generate competitive advantage in various sectors to improve the international competitiveness of their product and expand market share. Industrial competitiveness is a country's specific industry's ability to be able to provide the need to meet product demand to the international market and gain profits continuously, by its more advanced capacity and production efficiency compared with other countries in the free trade international market (Zhao and Wen, 2004).

The atmosphere of high global competition demands a higher level of capacity to maintain or increase steadily the performance of the business. Vos (2005) considered that the managers or owners of management skills are very limited, by which it must be improved so that companies are able to successfully implement business strategies that will improve their competitiveness. However, there are several disagreements about the competitiveness measurement, due the used indexes and interpretations have generated polemic. Also, studies of competitiveness have a tendency to use economic parameters as synonymous, as trade performance and real exchange rates, terms of trade, relative labor costs, growth in GDP per capita and growth of productivity factor (Ezeala-Harrison 2005). Ezeala-Harrison (2005), believes that competitiveness can be measured through seven indexes: nature of competitive advantage, capacity for innovation, the brand extension, restriction of the regulations of the environment, quality in the education of mathematics and science, quality in the education system, and ease of access to credit. Another study of the measurement of business competitiveness is also presented by Fendel and Frenkel (2005), who did not specify how the performance measurement should only have eight rates for their calculation: physical infrastructure, human capital, efficiency of goods market and work, efficiency of financial market, technological development, opening and market size, sophistication of business, and innovation, thereby reducing its application.

1.1.3 Role of Strategic Alliance on Firms Competitiveness

According to the resource-based view, strategic alliances are devices for firms to access complimentary resources beyond boundaries or to utilize opportunities resulting from their ownership of certain resources. A firm’s resource commitment to an alliance has significant impact on alliance performance (Chen and Li, 2008). The resource-based view is grounded in the perspective that a firm's internal environment, in terms of its resources and capabilities, is more critical to the determination of strategic action than is the external environment. Instead of focusing on the accumulation of resources necessary to implement the strategy dictated by conditions and constraints in the external environment, the resource-based view suggests that a firm's unique resources and capabilities provide the basis for a strategy. The strategy chosen should allow the firm to best exploits its core competencies relative to opportunities in the external environment. According to this view an organization is a set of unique resources and capabilities that provides the basis for its decision making and the primary source of its returns. Thus, differences in firm's performances across time are driven primarily by their unique resources and capabilities rather than by an industry's structural characteristics (Dicken, 2007). With increasing effectiveness, the set of resources available to the firm tends to become larger. Individual resources may not yield to a competitive advantage. It is through the synergistic combination and integration of sets of resources that competitive advantages are formed. A capability is the capacity for a set of resources to interactively perform a task or an activity. Through continued use, capabilities become stronger and more difficult for competitors to understand and imitate.

In the process of choosing partners, companies search for those that possess knowledge, technological superiority and innovation potential. Companies in the alliance tend to benefit from their partners, especially when the partners are competitors (Acquaah, 2008). Alliances tend to maintain and improve competitive advantage by making strategic decisions, which are primarily focused on development of new products, services, and processes. These decisions are the tool of aligning the strengths of the alliance with its external possibilities. Entering these cooperative arrangements lowers the costs and risks, since the costs and market risks for new product/service development tend to be very high for an individual company. Bearing in mind the increase in costs, risks and needs for new technologies, the prerequisite for competitive success is cooperation in terms of innovative activities, production and distribution of new products (Dicken, 2007). On the other hand, the essence for company's survival in today's turbulent environment is formulation and implementation of innovation strategy. Innovation strategy can introduce new perspectives for development of strategic alliances at any market. Therefore, forming of strategic alliances and formulating innovation strategy represent two mutually dependent and linked processes

1.1.4 The Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. As at December 2012 there were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus (Central Bank of Kenya Official Homepage, 2012). According to the Central Bank of Kenya Official Homepage (2012), there are a total of 45 licensed commercial banks in the country and one mortgage finance company. Out of the 45 institutions, 32 are locally owned and 13 are foreign owned. The Central Bank of Kenya annual supervision report (2012) categorizes the financial institutions into three tiers; Large, Medium and Small in terms of net assets. Out of the 45 institutions, 13 were in the large peer group with aggregate net assets of over Ksh. 15 billion. The medium peer group comprise of 17 institutions with net assets ranging between Ksh. 5 billion and 15 billion, whereas the small peer group had 15 institutions with net assets of less than Ksh. 5 billion.

In the coming period, according to the CBK (2012), diversification into other financial services is also expected as consumers increasingly seek “one stop financial supermarket.” These developments are expected to enhance banking products being offered and bring more Kenyans into the banking space. However, the main challenges facing the banking sector today include the Finance Act 2008, which took effect on 1 January 2009 that requires banks and mortgage firms to build a minimum core capital of Ksh 1 billion by December 2012. This requirement, it is hoped, will transform small banks into more stable organization. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply with the act. Owing to deregulation, new technology and changing consumer behavior, the competition in the banking sector is getting fiercer. In the Kenyan banking sector the intensified competition has recently resulted in a number of banks adopting agency banking and new electronic distribution channels. The Kenyan banking industry has continued to grow both in terms of new local and foreign entrants, customer and deposit base, regionalization and increased scrutiny from the regulators specifically the Central Bank of Kenya. This new shift in the Kenyan banking industry can be attributed to the liberalization of the sector, increased adoption of information technology and improved business environment due to reforms being undertaken in the political, economic, social and cultural fields. With these changes, the level of competition in the banking industry has reached an all level high and coupled with an enlightened customers and increased scrutiny from the regulators, local banks have had to shift their attention to distribution strategies as a source of competitive advantage.

1.1.5 Barclays Bank of Kenya Limited

Barclays has operated in Kenya for over 90 years. Financial strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services. It has established an extensive network of over 115 outlets with 236 ATMs spread across the country. The bank's financial performance over the years has built confidence among the 48,000 shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange. This means that the bank holds a big chunk of the Kenyan market share in providing financial services and is actually a market leader.

Regionally, Barclays Bank Kenya has been considered as the most profitable subsidiary in the East and Central Africa market among other branches in the region (Barclays Africa, Annual report, 2012). In the modern world of globalization, Barclays Bank of Kenya Limited has been able to keep pace with the global banking industry scenario by having strategic business associations; associations which add value to the banking industry initiative and which help in meeting the dynamic challenges of the modern banking industry world. Barclays Bank of Kenya Limited popularity led to the need to develop different strategies through which they could transact with customers and this led to the development of alternative delivery channels such as agency model. These services ensure that banks are able to support their customers in places with poor infrastructure or unavailability of an actual ‘brick and mortar’ establishment and ATMs. The bank has entered into strategic alliance with ABSA bank based on several particular characteristics that ABSA have. The development and management of the alliance further ensured that both parties benefitted from the alliance.

1.2 Research Problem

In today's environment, creating sustainable value for customers and shareholders requires creating effective alliances. Increasingly, with rapid wealth growth of emerging global economies, the basis of competitive advantage is changing from internal capacities to network capabilities. According to Nadkarni and Narayanan (2007) what matters is not a company ownership of hard assets but rather its ability to fully utilize them to capture the worldwide business opportunities. Economic globalization, technical revolution, unutilized opportunities, open international market and its private nature have helped a greater number of companies to realize it is impossible for them to accomplish new market development only with their own resources and techniques. Therefore, they choose to establish strategic alliance and cooperation in order to gain clear channels through their joint market contracts. By doing so, they can make up their shortages in technology and manufacturing, perfect the effect of the supply chain, achieve market or scale economy (Thompson, 2006) and strengthen their domestic or international competitiveness.

Barclays Bank of Kenya has entered into alliance with various institutions due to competition in the industry because it is competition that breaks the balance among commercial banks. They get developed or eliminated in the process of balance-balance broken-balance. As a result, the bank strengthen its efforts in creating specialties, hence facilitating the transmission of new ideas and technologies and promoting the development of education to a higher level. Barclays Bank competitiveness is manifested in the systematic integration of the correlation, inter-influence and restriction among all internal elements.

Several studies have been undertaken on the role of strategic alliances on firms' competitiveness. Ogega (2010) researched on strategic alliance between Safaricom and Equity Bank in the money transfer service and established that there are more advantages than disadvantages realized from the strategic alliance. Financial stability was also realized due to technology that was invested and also operation cost was minimized thus a synergy that realized increased revenue for both companies was created. Nzyimi (2012) worked on the strategic alliances and organizational competitiveness at Kenya Commercial Bank and found out that strategic alliances provided the partners with an opportunity to tap into resources, knowledge, capabilities and skills of their partners to gain competitiveness. Chepkwony (2009) did a research on strategic alliances in Kenya banking industry. The findings are that profitability, technology, customer satisfaction, competition and value addition as the main reasons as to why banks seek strategic alliances. Nguli (2009) worked on drivers of strategic alliances between Safaricom and Kenya Power and

Lighting Company in mobile telephone payment and established that both organizations had different key drivers for engaging in the alliance though a few were shared i.e. to enhance customer value and advancement of technology in the telecommunications sector providing new opportunities. For Safaricom this was mainly driven by competition and need to guard against declining Average Revenue per User (ARPU). KPLC was mainly driven by the need to enhance customer value and with time as subscription grows it is expected the organization will enjoy benefits arising out of efficiencies associated with technology mainly in form of improved revenue collection. From the studies done above, no study has been undertaken on the role of strategic alliances on competitiveness of Barclays Bank of Kenya. This study will therefore be guided by the question: what role do strategic alliances play in Barclays Bank competitiveness?

1.3 Research Objective

The objective of this study was to determine the role of strategic alliances on Barclays Bank of Kenya Limited competitiveness.

1.4 Value of the Study

The study is of value to the management of Barclays Bank of Kenya as they will know the value of strategic alliances thus accelerates the volume of alliances they enter so that they can achieve competitive advantage over its competitors. An additional beneficiary in this research may include organizations that are looking into entering strategic alliances with partners who operate in unrelated businesses so as to overcome competitive challenges. The research outcome will focus on factors that should be considered in the alliance formation and management so as to build an alliance that meets the set objectives despite the fact that their respective organizational objectives are not related.

The study will help managers in various organizations understand the subject of strategic alliances in strengthening competitiveness in the service industry. The study will be quite enriching to researchers, academic institutions and scholars. This is because it will add to their knowledge and enable them to be more informed when considering forming strategic alliances thus make informed decisions and choices. This is mainly so because the study aims to highlight factors unique to strategic alliances in the service industry. Finally the research may be beneficial for those with an interest in strategic alliances and would like to observe how different alliances are formed and the reasons behind their formation and choice of management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter provides information from publications on topics related to the research problem. It examines what various scholars and authors have said about the concept of strategic alliances. The chapter covers: theoretical foundation strategic alliances, organizational competitiveness and the role of strategic alliances as a source of competitiveness in a firm.

2.2 Theoretical Foundation

The importance of strategic alliances in today's business environment has been a common point of discussion from several scholars. Different sets of reasons can be found as to why a company should seek for strategic alliance in order to compete in today's open, aggressive markets. For some of them, strategic alliance are a 'must' in today's business strategy and are a matter of survival; "Alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today" (Moss, 2004, p.96). Gomes-Casseres state, "the reality of alliances is complex, but their impact on every facet of economic competition is profound. No firm can afford to ignore the use of networking in competitive strategy".

In the transaction costs theory, the reason for inter organizational cooperation is found in potential for transaction costs reduction for the firms involved (Frey 2002). On the other hand, the game theory explores the problems of strategic interdependence of firms and using the famous prisoner's dilemma demonstrates the terms in which cooperation leads to better results compared to individual action (Axelrod 1984) and emphasizes trust as an important element upon which cooperative arrangements are based. In the strategic management literature, firms' networks are seen as a potential source of competitive advantages for the firms involved. As such, they are defined as "long term purposeful agreements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantages *vis-à-vis* their competitors outside the network" (Jarillo 2008, p 32).

Resources are defined as: "stocks of knowledge, physical assets, human capital, and other tangible and intangible factors that a business owns or controls, which enable a firm to produce, efficiently and/or effectively, market offerings that have value for some market segments" (Pearce and Robinson, 2007, p. 42). A similar definition is given by Barney (1986) who among others noted that the use of resources has many potential advantages for firms such as the achievement of greater efficiency and therefore lower costs, increased quality and the possibility of greater market share and/or profitability (Grant, 1996).

The resource-based view regards the firm as a cognitive system, which is characterized by idiosyncratic and context-dependent competences that are core to strategic purpose. These are conditioned by hierarchical capabilities, or sets of routines, involved in the management of the firm's core business processes that help to create value. Competences typically involve the development of specialist expertise, and firms may become locked into a trajectory that is difficult to change effectively in the short to medium-term (Amit and Schoemaker, 1993). The premises of the resource-based view is that successful firms develop distinctive capabilities on which their future competitiveness will be based; which capabilities are often idiosyncratic or unique to each firm, and may also be tacit and intangible in nature (such as knowledge) (see Teece *et al*., 2007).

Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece *et al*. (2007) define core capabilities as "a set of differentiated skills, complementary assets, and routines that provide the basis for a firm's competitive capacities and sustainable advantage in a particular business". Such capabilities or core competences are not built on discrete independent skills but are "the synthesis of a variety of skills, technologies and knowledge streams" (Prahalad and Hamel, 1990).

2.3 Strategic Alliances

Strategic alliances are agreements between companies (partners) to reach objectives of common interest. Strategic alliances are among the various options which companies can use to achieve their goals; they are based on cooperation between companies (Mockler, 2009). Strategic alliances are agreements between companies that remain independent and are often in competition. Strategic alliances are not only trading partnerships that enhance the effectiveness of the participating firms' competitive strategies by providing for mutual resource exchanges (technologies, skills, or products).

Strategic alliances are forms of strategy used by firms to be formidable in the global market and for increasing market shares, among others. It is also regarded as the best way in which to compete and succeed in today's networked economy but building a strategic alliances and making it work are not easy. Emerging economies need to call for more attention on strategic alliances to boost their competitiveness in the global economy. In a global world, nations compete to sustain and increase their standard of living (Garelli, 2003).The businesses' decision to compete by forming alliances rather than pursuing other alternatives such as acquisition, merger, or internal development constitutes a strategic choice and the goal of this choice is seeking competitive advantages through cooperation with other firms, including competitors (Varadarajan and Jayachandran, 2009). Firms undertake strategic alliances for many reasons: to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages that enables them to increase profits, or to gain future business opportunities that will allow them to command higher market values for their outputs (Webster, 2010).

Strategic alliances have different structures based on the type of relationship between the firms in the alliance (Kale and Singh, 2009). They can be divided into contractual agreements which can be further broken down in terms of traditional contracts and non-traditional contractual partnerships where non-traditional contractual partnerships consist of several examples of strategic alliances such as joint research development, joint marketing, joint manufacturing, arrangements to access mutually complementary assets or skills and standard setting. Alternatively, there are equity arrangements which can be sub-divided into no creation of new firms, creation of separate entity which are the two areas where equity based strategic alliances fall. These areas can further be subdivided into minority equity investment and equity swaps in terms of no creation of new firms. In terms of the creation of separate entities, they can be divided into joint ventures, 50-50 joint ventures and unequal ventures (Kale and Singh, 2009).

2.4 Organizational Competitiveness

Competitiveness refers keenness or urge to compete. It indicates the capabilities of a firm or a sector or a nation to compete successfully (Djankov and Hoekman, 2011). Competitiveness is sustained through constant improvement and upgrading. It allows the maintenance and improvement of the enterprise's competitive position in the market that enables business to survive against its competition over a long period of time. Competitiveness has become a prominent business and government concern in the era of globalization. Competitiveness is a multi dimensional concept in the sense that being competitive requires superiority in several aspects. Mahmood and Harrison (2001) emphasize that competitiveness depends on the capacity of domestic industries to innovate and upgrade. Porter (1990) posits that competitiveness depends on strong domestic rivals, aggressive home-based suppliers and demanding home markets. It calls for domestic firms to adopt highly efficient and productive methodologies such as faster innovations, effective marketing strategies and most appropriate labour-capital-resource combinations in production activities.

Competitiveness is evidently a decisive factor for survival in the business world. To achieve it requires setting priorities, which can be defined as a set of options of varying importance that a firm needs to have to compete in the market over a determined time frame (Santos *et al.,* 2009). According to Davis (2001), besides costs, quality and flexibility, fast delivery and good service are competitive priorities. Delivery is related to the speed factor, because it entails supplying products quickly, while service involves the way products are delivered and accompanied after sales. He also points to another priority, consisting of offering products that do not harm the environment and that are produced by processes with the same characteristic. A combined analysis of various authors in the business administration area shows an emphasis on the following factors that determine competitiveness: quality, cost, flexibility and reliability, or dependability (Stevenson, 2001).

Machado-da-Silva and Barbosa (2002) believe that implementing successful knowledge management creates a flexible competitive advantage that is hard to imitate, because it goes beyond the limits of physical resources, which are rigid and easy to imitate, and extends to an exclusive aspect of the organization that it difficult for others to appropriate. Therefore, the firm acquires a competitive advantage by means of the relationship of knowledge with the ability to innovate and to configure a flexible structure capable of reacting favorably to the frequent changes in its environment. The study of competitiveness factors is important to achieve the most suitable method for developing products and processes, with the use of the best practices and at the lowest possible costs, to make high quality products and get them to market quickly so as to satisfy consumers' needs. Mastery of the critical factors is indispensable for an organization to perform better and thus meet its goals.

2.5 The role of Strategic Alliance on Organizational Competitiveness

All kinds of strategic alliances are created in order to improve a firm's competitiveness. There are different factors which have an impact on motivation to collaborate, however all of them are directly or indirectly connected with competitive behaviour of companies. Therefore, it could be argued that successful alliances improve competitiveness of companies which are involved in such type of partnership. Evidence suggests that complementary business level strategic alliance, especially vertical ones, have the greatest probability of creating a sustainable competitive advantage. More and more companies are entering into alliances to gain competitive advantages (Gari, 2009). Strategic alliance designed to respond to competition and to reduce uncertainty can also create competitive advantages. However, these advantages tend to be more temporary than those developed through complementary (both vertical and horizontal) strategic alliances. The argument behind this assertion is that complementary alliances have a stronger focus on the creation of value compared to competition which lead to uncertainty. The participants of corporate-level strategies also can use the strategies to develop and corroborate the knowledge for future success and as a result, knowledge management is crucial for the firms to gain maximum value from this knowledge. Further, to successfully commercialize inventions, firms may choose to cooperate with other organizations and integrate their knowledge and resources (Simonin, 2007).

Risk sharing is another common rationale for undertaking a cooperative arrangement (Winer, 2004). When a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important since competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm’s risks. According to Box and Miller (2011) most firms are competent in some areas and lack expertise in other areas; as such, forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. Thus a learning organization is a growing organization.

Synergy and competitive advantage is yet another advantage that strategic business networking process will yield to the business partners (Timmons, 2004). As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research and development etc. Competition becomes more effective when partners leverage off each other's strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. In retail, entering a new market is an expensive and time consuming process. Forming strategic alliances with an established company with a good reputation can help create favourable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. In most of the times, smaller companies can achieve speed to market quicker than bigger, more established companies (Timmons, 2004). Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand.

The strategic integration is an essential prerequisite to the competitiveness of organizations. Achieving long-term competitive advantage involves the design and operationalization of appropriate business strategies that take into account both the mutations registered in the business environment and the development stage of the organization. A firm may have competitive advantages deriving either from carrying out its activity in terms of lower costs or from offering a product different from that of the competitors. In other words, the source of the competitive advantage is the more efficient supply, as compared to the competing companies, of the purchase values (the type of reduced costs) or the conduct of activities at comparable costs, creating however more purchase value by reference to the competitors (Thompson, 2006). It is important to note that, typically, a company cannot hold both types of competitive advantage, meaning that it is focused either on cost reduction and thus it will commercialize the product at a price more accessible to consumers, or on specific features defining the product and, implicitly, the production costs will be higher. These features of the product, with a special importance to the purchasers, refer to quality, distribution network and servicing.

According to Potter (2000), the term ‘Strategic’ under strategic alliances has time dimension and to the importance and impact on members. With regard to time, strategic alliances are generally designed with a long time perspective. The analysis of cluster conditions indicates that the membership composition chosen for a strategic network will have a decisive impact on potential relationship types. When resources are complementary, the bringing together of firms with no or weak previous ties may result in forming supplier-buyer relationship and extended network horizons. In strategic networks made up of firms with similar resources the member firms will rather already have overlapping network horizon the member firms will already have overlapping network horizons and only through observations and comparing that competence development may take place.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to carry out the survey, what informed the selection of the research design, the target population, sampling method to be used, data collection instrument and how data was analyzed, interpreted and presented.

3.2 Research Design

The research design was a case study. A case study is an in-depth investigation of an individual, institution or phenomenon. Case studies allow a researcher to collect in-depth information, more depth than in cross-sectional studies with the intention of understanding situations or phenomenon. It also helps to reveal the multiplicity of factors, which have interacted to produce the unique character of the entity that is subject of study.

The study is used to determine the role of strategic alliance on Barclay Bank of Kenya Limited competitiveness. The reason for this choice is based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena.

3.3 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents interviewed managers in charge of shared services, marketing manager, relationship manager, information technology manager and human resource manager. These are considered to be key informants for this research since they are involved in the various strategic alliances processes in the bank during the negotiation stage or implementation of the shared activities.

This method should be considered more often by researchers since it provides more qualitative information, more depth, more representation, more efficiency, more statistics, and more value (Stokes and Bergin, 2006). The interviews consisted of open-ended questions, and were carried out in a semi-structured format so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which will be face to face interviews.

3.4 Data Analysis

The data obtained from the interview guide was analyzed using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study. Content analysis, as a class of methods at the intersection of the qualitative and quantitative traditions, is used for rigorous exploration of many important but difficult-to-study issues of interest to management researchers.

This approach is more appropriate for the study because it allows for deep sense, detailed accounts in changing conditions. Thus the qualitative method is suitable for this research because this research was conducted within the environment where the implementation initiatives occurred. The reasons behind the strategic alliances between firms might be known best through an interview since the questionnaire might not cover all the reasons and at the same time some answers might be gotten through a further prodding by the researcher.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1: Introduction

The research objective was to determine the role of strategic alliances on Barclays Bank of Kenya Limited competitiveness. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

4.2 Respondents Profile

This part of the interview guide was intended to assess the capacity of the respondents to answer the questions on the interview guide and also whether they are versed with the subject matter of the study. The respondents comprised the top and middle level managers of the bank. In total; the researcher interviewed all the six respondents' that work in the Shared services department, marketing, relationship manager, information technology manager and human resource manager. This represented 100% response rate. All the respondents interviewed had university degrees with 3 of them having a Master in Business administration degree as well and one a masters in economics. Their work experienced span a total of 53 years in various departments ranging from retail banking, human resources, information technology, accounting and auditing and as well as marketing within the organization and other banks in the country. In addition, the views of both genders were represented in the respondents interviewed because two of the respondents were female against four men. This meant that the views expressed by the respondents were not gender biased.

One observation made from the results of the interview was that four of the respondents, representing 67%, pointed that they are currently happy with their jobs. The reasons given were that they felt the amount of work they undertake in the organisation commensurate with the level of compensation they get. A number of opportunities were available within and without the organization such as career development, interaction and solving customer complains, and the new challenges that come in the course of their duties. All these helped in personal development of the respondents and thus creating a motivated workforce. With their solid background in the affairs of the organisation, the respondents were found to be knowledgeable on the subject matter of the research and thus help in the realization of the research objective.

4.3 Strategic Alliance Process at Barclays Bank of Kenya

In this section, the respondents were to give their independent opinion on what they consider to be the Barclays banks strategic alliance process, how the same alliance is undertaken, which organizations the same is carried out with and also reasons for undertaking the alliance in the first place. It was important to understand the organizations strategic alliance process because a good strategy will be able to guide the organization towards the realization of its objective and thus create the necessary competitiveness.

Barclays bank form of strategic alliance came out to be a hybrid alliance whereby the parties involved aimed at obtaining increased sources of revenue as well as obtaining knowledge that could be perhaps utilized during alliances with other organizations. In addition, it also came out that the banks alliance could at the same time be said to be business alliance when looked in terms of the alliance goals than that of a hybrid alliance as its main goal was to increase the number of customers, thereby increasing revenue. The bank had established an alliance with different types of firms but all of them, even if from other sectors, aimed at offering financial services to their clients. Several firms were identified as being in one form of alliance with BBK or another. These firms include Safaricom, Airtel, Western Union and MoneyGram money transfer services.

The researcher also wished to establish the motivation of the bank in entering into the alliances with the firms. Several reasons were highlighted that formed the reason of this alliance. It was pointed that due to the increased competition in the banking industry in Kenya, it had become necessary for the bank to pursue other avenues of shoring up its revenue especially in the money transfer service segment. With increased technology, many customers preferred save and send money using their mobile phones without necessary going to the ‘brick and Mortar’ banking halls to transact. It was noted that the bank was though slow in adopting the system and embracing the mobile banking and was currently ‘catching’ up with other financial institution that were fast enough to adopt the system. It was also found that the bank endeavored to concentrate in some specific core services by entering into the strategic alliances with partners. It was pointed that Barclays bank entered into an alliance with Postbank to pay government retirees due to their existing branch network and therefore being able to be accessed by the many pensioners spread all over the country. This therefore saved the organization from the acquisition of new resources, by opening more branches, and instead concentrates in its core competency areas.

The need for the bank to increase its market share also came out as yet another reason for BBK to enter into strategic alliance. The respondents noted that BBK for example entered into an alliance with Women and Youth Empowerment Micro finance institution in South Sudan to set its foothold in the country and capture the large untapped market of estimated 3.4 M customers.

This move is comparable with strategic alliance literature that presents greater value and benefits, risk reduction by obtaining complementary resources, and increased market share as reasons for considering alliances between firms in the same sector (Rusko, 2010). In addition, the strategic move taken by the bank strengthens the case of a firm focusing on its core competences while obtaining additional competences and resources from the alliance partners. This is because, the alternative option of developing similar resources and competencies as the alliance partner might lead to sup optimal results as it would involve acquisition of several new competences which if not successful could lead to a waste of time and resources.

The partner selection process came out as an important step in the strategic alliance process in the bank. Towards the same, the researcher wished to establish what factors BBK considers in identifying its potential partners in the strategic decision. It came out that the partner strategic fit with Barclays bank was an important parameter to consider before selecting a partner. Strategic fit can be seen in the banks goal of focusing on a similar customer bracket and having similar goals in maintaining the level of customer service and customer reach. It was pointed that, for example, Safaricom facilitated the banks' desire to reduce the level of queues in its banking halls and also the need to open more branch networks. It therefore became necessary that the bank entered into an alliance with the mobile service providers to facilitate customer withdrawal and deposits via their mobile phones. At the same time, the mobile service providers desired to access the many ATMs operated by Barclays bank and its affiliates such as PesaPoint and Kenswitch. This will likely increase their revenue base through the increased number of transactions coming out of the customers. It therefore follows that the alliance is synergistic in nature. This position is similar to that observed by Douma et al, (2000) who observed that as the core competences of the alliance partners are in different areas it leads to a situation where the available partner resources can be exploited for the benefit of the alliance.

The partner resource was in addition highlighted as an important factor to consider in forming an alliance. Availability of resources is to most firms a constraining factor for entering a particular market or capturing a given customer base. This constraint is usually in form of financial or technological. Barclays banks was found to determine whether the partner firm has enough resources that will facilitate the transaction and the partner resources in question can be seen in terms of their ability to share financing and telecommunication resources that could be used within the alliance to create new products and services. As Koza & Lewin, (2000) pointed out, different firms have different capabilities and resources and it is therefore necessary that a firm identifies the resources that it lacks but is found from the other firm and come up with a mechanism of using them to gain necessary competitiveness. The choice of alliance partner is therefore an important factor to take into consideration as the ability to form an alliance and create new products and services is based on this decision. Thus, as the core competences of the alliance partners are in different areas it leads to a situation where the available partner resources can be exploited for the benefit of the alliance. Therefore the choice of alliance partner is an important factor to take into consideration as the ability to form an alliance and create new products and services is based on this decision.

The respondents pointed out that the mobile phone companies in Kenya had a cumulative customer base exceeding 37M and that this pool of customers can at the same time form the banks customers. In comparison to the 14.5 M active customer accounts in the banking sector, it is evident that banks can increase their customer base by aligning themselves to these mobile phone customers by offering services that can be accessed and transacted through mobile phones. It was therefore incumbent upon the firms in the banking sector to develop products that will benefit these customers and be able to survive competition. In the case of partnering with international money transfer services such as Western Union and Moneygram, it was found that bank targeted the diaspora market that reside in countries that the bank had no strong establishment and from this, the banks customers in the international market has been able to increase.

The other reason found for the strategic alliance was to keep the customers loyal to the bank. It was pointed that the bank alliance aimed at providing better and quicker customer service while keeping the service cost minimal. Thus mobile service provider customers can enjoy withdrawing cash from any Barclays bank ATM avoiding the challenges experienced through dealer shops and agents in relation to float management. Many of the respondents said that customers are very happy with this service since they can access their cash easily even very late at night since they can access the ATMS. On the other hand Barclays bank customers have a chance to pay their loans through the phone under the pay bill option from their M-PESA menu in the phone. Therefore customers avoid long queues in the bank halls to pay their bills thus saves time and money. Also customers are protected from insecurity of carrying money physically to the bank, thus they can do their transactions without any fear. Also Barclays bank customers have the chance to call the Safaricom Ltd customer care number to be assisted on queries in relation to their transactions made under the partnership; this is possible through Safaricom *Jambo* Contact Centre.

The uncertainty in the business environment as well as financial field also explains the need for alliances between the bank and some of the partners. Political instability or unrests enables the customers to still access their funds through the use of the ATM or money transfer platforms such as the Mpesa. In relation to this, there is more of sharing resources and thus eliminating the concept of financial instability in times of uncertainties. This alliance was to get the organizations closer to achievement of their goals, that is improved quality service delivery, profitability and increased market share. So the managers saw the need to give alternative ways for customers to access their money at all times.

4.4 Role of Strategic Alliances on the Firms' Competitiveness

The competitiveness of a firm is determined by several factors and as a result, the researcher wished to establish how Barclays bank level of competitiveness will have been influences by the strategic alliances it has established with various partners.

The respondents pointed that for an organization to become highly competitive, it is necessary to identify the factors that influence its competitiveness. This view was supported by Stevenson (2000) who posited that a firm's competitiveness can be traced to existence of quality products, cost containment, flexibility and dependability. Hence, as the respondents noted the firm should endeavor to gain its competitiveness through achievement of various parameters that will give it the necessary competitive advantage. Further, as Porter (2001) observed, strategies for success wind up determining a set of premises that cannot be replaced unless they no longer add value to the organization. It was pointed out that BBK does not have all necessary resources to meet the expectation of all existing customers or potential ones and as a result, it has to enter into alliances with other financial institutions such as Citibank or Postbank as well as, say, mobile money service providers. Small firm alliance with large firms has resulted in synergies and as a result, when BBK enters into this alliance, they gain an added advantage compared to if it had set up its own infrastructure. They argument is similar to the resource dependence theory which suggest that firms need to enter into relationships because they cannot generate all the necessary resources internally.

The need to distribution risk in a firm came out strongly as yet another reason why the bank enters a strategic alliance with partners. It was noted that if the bank was to be the sole entity to disburse the government of Kenya pensions to retirees, then in the case of the system failure, there runs a risk of the bank being highlighted negatively and therefore, there is need to spread the potential risk through entering into a partnership with other firms to carry out the same task. This move of diversification helps in reducing the risk that can face the bank. It was also noted that the capacity of the bank to enter into complementary business level strategic alliance, especially with other firms outside the banking industry has had the effect of creating a sustainable competitive advantage. This view supports the assertion by Gari (2009) that strategic alliances designed to respond to competition and to reduce uncertainty create competitive advantages. When a market has just opened up, such as M-banking, there is much uncertainty and instability in the banking market and sharing risks becomes particularly important since competitive nature of business makes it difficult for business launching a new product to reduce or control the risk level. They therefore asserted that entering into alliances with other upstream firms helps in reducing the risk exposure.

The development of knowledge gained from the alliances also came out as a source of competitiveness to the bank. It was the participants of corporate-level strategies also can use the strategies to develop and corroborate the knowledge for future success and as a result, knowledge management is crucial for the firms to gain maximum value from this knowledge. Further, to successfully commercialize inventions, firms may choose to cooperate with other organizations and integrate their knowledge and resources (Simonin, 2007).

Synergy and competitive advantage is yet another advantage that strategic business networking process will yield to the business partners. The interviewees pointed that as compared to the bank entering a market alone; forming a strategic alliance becomes a way to decrease the risk of market entry or international expansion. Competition both in the local and international market becomes more effective when partners support each other’s strengths and in the process bring synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone.

The strategic integration is an essential prerequisite to the competitiveness of organizations. Achieving long-term competitive advantage involves the design and operationalization of appropriate business strategies that take into account both the mutations registered in the business environment and the development stage of the organization. A firm may have competitive advantages deriving either from carrying out its activity in terms of lower costs or from offering a product different from that of the competitors.

The exchange of knowledge and experiences in the partnership was also pointed out to lead to innovations in the firm. The respondents noted that through the alliances with partners, BBK has been able to innovate other products such as Hallo Money and Internet banking. From the exchange and recombination of knowledge with other partnering firms, the respondents observed that the bank has been able to improve on their existing products and at the same time suggested ways of improving the services offered by the partners. As an example, they gave was the development of a swift transfer. Further, they pointed that their alliances with Citibank has generated knowledge that can be used by parent firms to enhance innovations in strategic and operational areas unrelated to the alliance activities. For example, it was pointed that Barclays bank was able to introduce Hallo money. On the question of what the organization need to undertake in order to realize value from the collaborative process, the respondents observed that the banks managers should learn to identify opportunities from the wide consultation involved in the alliance process. This is because during the consultation process, one party of the alliance might actually discover an opportunity which had not been discovered earlier on.

Alliances among firms affect the behaviour of employees. The respondents noted that with collaboration, there is flow of new ideas from outside the company and this gives a fresh glimpse on previously adopted patterns of conduct. They for example noted that when the bank introduces Real Time Gross Settlement (RTGS) system which involves collaboration with many other banks as well as the Central Bank, the system increased the motivation level of its employees, especially those that had been used to common procedures. This system involved testing of the new technology, analysis and communication with different technical persons. For such a collaboration to succeed there was need for all the parties to increase their trust on each other which in the process lead to a motivated workforce. However, the respondents also appreciated the need for economic incentive to be awarded to the employees involved and this coupled with good communication between companies will be expected to yield good results from the alliances process.

4.5 Discussion

In the present day business environment, organizations are confronted with substantial increases in both competition and uncertainty and consequently, they have realized the need to look outside the organization for alliances that will bring about an operational synergy. It findings from the study was that organizations competitiveness is a decisive factor for survival in the business world, and more so in an industry such as the banking sector that Barclays bank operates in. The study found that BBK had established strategic alliances with a number strategic alliances with these partners has been able to position in leveraging its critical capabilities and respond better to market and technological changes more flexibly. The strategic move taken by the bank strengthens the case of a firm focusing on its core competences while obtaining additional competences and resources from the alliance partners. This findings supports Porters (1985) position that a firms competitiveness will be sourced in cases where it focuses in an area where it is better placed to offer the product or service much cheaply than competitors.

The findings of the study also point to the need for a strategic fit to be present between the partners in the alliance. The choice of alliance partner is based on factors such as strategic fit and partner resources. (Douma et al, 2000; Nielsen 2010). The choice of Safaricom is seen as relevant in terms of strategic fit as well as partner resources. Strategic fit can be seen in their goal of focusing on a similar customer bracket, especially the lower market end, and having similar goals in terms of the alliance formed. Partner resources can be seen in terms of their ability to share financing and telecommunication resources that could be used within the alliance to create new products and services. This is in consideration that the bank on its own does not have the necessary resources to roll out the mobile banking concept and hence the option available was to form alliances with the mobile firms. The findings on the need for a strategic fit was also supported by Nielsen (2010) who observed that most strategic alliances that have not had a strategic fit have not succeeded in their business partnership. It therefore becomes imperative that an organization should assess its internal operations and capacity and determine whether it will be able to align well with the partners in the strategic alliance.

The motivations for entering into the strategic alliance included increased competition from competitors, acquisition of new resources while focusing on core competences, and increased market penetration which contributed to the bank accessing more clients. These are comparable with strategic alliance literature that presents greater value and benefits, risk reduction by obtaining complementary resources, and increased market share as reasons for considering alliances (2009; Rusko, 2010; Osarenkhoe, 2010). Furthermore, it strengthens the case of focusing on core competences while obtaining additional competences and resources from the alliance partners. The alternative option of developing similar resources as the alliance partner could lead to undesirable results as it would involve acquisition of several new competences which if not successful could lead to a waste of time and resources

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The purpose of this chapter is to give an overview of findings, conclusion and recommendation. The conclusions are made from the analysis and the objective of the research.

5.2 Summary

The results centered on determining the role of strategic alliance on the competitiveness of Barclays bank.

An organization decision to entering into a strategic alliance is determined by several factors which dependents on the type of strategic alliance that one is forming. There is need for a firm to ensure that there exist a strategic fit between the partners to reduce any conflicts that come up in the course of the alliance. The strategic fit will take the form of there being a common customer base that both parties are serving or will wish to serve. The management of alliance between the partners requires a dedicated team from both firms and who will need full support from the top leadership of the organizations. In the study, the bank alliance was found to take a hybrid form whereby the parties involved aimed at obtaining increased sources of revenue as well as obtaining knowledge that could be perhaps utilized during alliances with other organizations. In addition, it also came out that the banks alliance could at the same time be said to be business alliance when looked in terms of the alliance goals than that of a hybrid alliance as its main goal was to increase the number of customers, thereby increasing revenue. The strategic move taken by the bank strengthens the case of a firm focusing on its core competences while obtaining additional competences and resources from the alliance partners.

The need to keep customers of a firm was another reason for a firm forming alliances. The maintenance of customers comes about through providing better and quicker customer service while keeping the service cost minimal. The uncertainty in the business environment, such as political instability, explains the need for alliances between firms as a way of diversifying such operational risk. By entering into alliances, there is sharing of resources and thus reducing the level of financial instability in times of uncertainties. A firm alliance with other firms brings about the increase on knowledge of both parties on the management of business alliances and challenges expected to be faced in the process and how the same can be overcome. This knowledge gained will help in increasing the competitiveness of the firm since the employees level of competence of handling such transaction will be enhanced and in the process identify the opportunities to be found in the deal.

The participants of corporate-level strategies also can use the strategies to develop and corroborate the knowledge for future success and as a result, knowledge management is crucial for the firms to gain maximum value from this knowledge since the synergy resulting from such a relationship will be beneficial to all partners in the alliance. With increased technology, many customers preferred save and send money using their mobile phones without necessary going to the ‘brick and Mortar’ banking halls to transact. There is need for an organization to be though fast in adopting any technology that will contribute to the attainment of its objectives at the same time lower cost.

5.3 Conclusion

Strategic alliances as a form of collaboration between different entities play very important role in enhancing the level of competitiveness in a firm and there is no doubt that such kind of cooperation can be essential creating economic value or produce new technological growth. However, creation of alliance does not pave the way or success on its own and there are many factors which may influence the outcome of this type of partnership. Starting from partner selection, management and the need for a strategic-fit, strategic alliance is not an easy task to undertake and as a result, there is need for all the managers of the partners to support the process for the desired competitiveness to be realized. In the modern world, companies have to be more efficient and competitive. In most of the cases, this efficiency comes from the adoption of modern technology and this explains why combination of two firms to utilize their complimentary resources will be advocated.

Strategic alliances of companies have a role in creating business competitiveness. The competitive advantage of companies in today's economy stems not from market position, but from difficult to replicate cooperation between firms and the manner in which they are deployed by the partners in generated value. Effective management of the cooperation enables an organization to grow and develop the appropriate organizational competencies. Therefore, the fact that organizational competencies are based on the effective and efficient management of partner firm relationship puts it at the heart of business performance and value creation.

However, while implementing, strategic alliances between organisations, the managers need to be aware of the challenges that might delay or affect the implementation of the same process. They need to consider what value the cooperation will generate, determine how the firm can exploit the special characteristic of alliance to obtain a niche in the market, establish how the firm can avoid being imitated by other firms and also establish how the firm can organize the exploitation of resources in order to implement effective alliance of the firms.

5.4 Recommendation

This study makes several recommendations;

5.4.1 Policy Implications

Firstly, strategic alliances between firms in Kenya has not been taken seriously as a source of competitiveness of the partner firms and there is need for the Kenyan firms to explore this avenue especially in the current business environment where investment in the technology based operation might be exorbitant for a single entity to pursue.

Secondly, it was also found that some alliances collapse after only 2 or 3 years of the relationship due to a lack of strategic fit between the partners. There is need therefore for a managerial as well as strategic fit evaluation of the partners before the cooperation is entered into. More of involvement of top level management is required to offer leadership support to the alliance process and there is a better chance of success.

5.4.2 Recommendations for Further Research

Due to the findings of the research that most of the alliances collapsing in their initial years of their cooperation, more research need to be done on the strategies that one of the partners may pursue if the partner engage in partnering with other competitors in the same industry of the former partner after the winding up. In addition, a study needs to be carried out on the different forms of management in cross industry alliances. It could highlight whether different forms of management in terms of whether a combined management team is created, or whether separate organizational teams are used to manage the alliance or perhaps a combination of both. It would be interesting to see the advantages and drawbacks of different methods, as well as which method has been most effective in alliance management

Another research area may include the analysis of the alliance based on the other party's perspective i.e. the mobile phone company. This could be in terms of the benefits they are gaining through this alliance and perhaps whether they are able to exploit the alliance further to gain more than financial resources. A focus on their relationship with differ banks and how these relationships affect each other would also provide and interesting view on alliance portfolio management.

5.5 Limitation of the Study

One of the limitations of this research is the possible biasness on the part of the respondents because for any study making use of an interview guide, there is a possibility that the answers from the respondents for all questions are not true; this study is no exception. Because the interview guide questions were personally administered and all questions asked were related to practices of risk management the researchers reserves the right to believe that the responses were true and honest to the extent of the knowledge of the respondent and contain minimum level of biasness.

The second limitation, the number of respondents, was finalized based on the managers involved in the organization strategic alliance process and hence the researcher had to settle to the six respondents. It is there assumed that their responses is representative of that that will have been given by the other respondents.

REFERENCES

Amit, R. and Schoemaker, P.J.H. (1993), “Strategic assets and organisational rent”, Strategic Management Journal, Vol. 14, pp. 33-46.

Axelrod, J.H.J. (1984), “Working abroad, working with others: how firms learn to operate international joint ventures”, Academy of Management Journal, Vol. 40, pp. 426-42.

Bardin, L. (2004), *Structural Holes - The Social Structure of Competition*. Cambridge, Massachusetts, and London, England: Harvard University Press.

Barney, J. B. (2007), *Gaining and sustaining competitive advantage*. New York: Addison-Wesley.

Bierly, P.E. and Gallagher, S. (2007), “Explaining Alliance Partner Selection: Fit, Trust and Strategic Expediency”, *Long Range Planning*, vol40, pp134-153

Chen, D., and Li, D. (2008), Resource commitment, organizational control, and alliance performance in emerging and developed economies. *Journal of Global business Issues*: 2. 125

Chepkwony K. F (2009), A Survey of Strategic Alliances in Kenya Banking Industry; *Unpublished MBA Project:* University of Nairobi.

Daniels, J. D., and Radebaugh, L.H. (2008), *International business*: Environmental Operations. Eight Editions, Prentice Hall.

Davis, M., (2001), Relational governance as an interorganizational strategy: An empirical test of the role of trust in economic exchange. *Strategic Management Journal, 16*, 373-392.

Djankov, S., and Hoekman, B. (2011), “Conditions for Competition and Multilateral Surveillance”, *The World Economy*, Vol.21, pp.1109-28

Dicken, P. (2007), "Global-local tensions: firms and states in the global space-economy", *Advances in Strategic Management*, Vol. 10 pp.217-47.

Eisenhardt, K. M., and Schoonhoven, C. B. (2006), Resource-based View of Strategic Alliance Formation: Strategic and Social Effects in Entrepreneurial Firms. *Organization Science*, 7: 136-150.

Ezeala – Harrison H.R. (2005), "Building Successful Strategic Alliances: Strategic Process and Analytical Tool for Selecting Partner Industries and Firms", *Long range planning,* vol. 42, no. 2, pp. 164-193

Fendel, R.D. & Frendel , D. (2005), "Alliance Management as a Source of Competitive Advantage", *Journal of Management,* vol. 28, no. 3, pp. 413-446.

Frey, W. (2002), "Learning from competing partners: outcomes and durations of scale and link alliances in Europe, North America and Asia", Strategic Management Journal, Vol. 21, pp. 99-126.

Gari, G. (2009),"Leveraging the rewards of strategic alliances", *Journal of Business Strategy*, Vol. 20(2), pp. 40-43.

Garelli, S. (2003), *Competitiveness of nations*: The fundamentals. IMD World Competitive Yearbook 2003

Gong, S. (2007), *Research on Universities' Sino-Foreign Cooperation Pattern and Operation Mechanism.* Shanghai: Shanghai University Press.

Gulati, R. (1999), "Does familiarity breed trust? The implication of repeated ties for contractual choice in alliances", *Academy of Management Journal*, Vol. 38, pp. 85-112.

Grant, R.M (1996), The Resource Based Theory of Competitive Advantage: Implication for Strategy Implementation; California Mnaagement Review; Vol 33 (3) pp 45-47

Holmberg, S.R. and Cummings, J.L. (2009), "Building Successful Strategic Alliances: Strategic Process and Analytical Tool for Selecting Partner Industries and Firms", *Long range planning*, vol. 42, no. 2, pp. 164-193.

Jarilo, C. B. (2008) "Resource-based View of Strategic Alliance Formation: Strategic and Social Effects in Entrepreneurial Firms" *Organization Science*, vol.7 no.2,pp136-150

Kale, P., and Singh, H. (2009), "Managing Strategic Alliances: What Do We Know Now, and Where Do We Go From Here?" *Academy of Management Perspectives*, vol. 23, no. 3, pp. 45-62.

Kogut, B. (2001), Joint ventures and the option to expand and acquire. *Management Science, 37*, 19 - 33.

Mahmood, A. and Harrison, F. E. (2001), "Comparative versus Competitive Advantage, and Competitiveness in Developing Countries", in Raj kumar Sen and R.L. basu (eds.), *Socio- economic Development in the 21st Century*, New Delhi: Deep and Deep Publications Pvt. Ltd.

Mockler, R.J. (2009), *Multinational Strategic Alliances*, Wiley, New York, NY,

Moss, M. (2004). Adoption of Internet banking by Australian consumers: An empirical investigation. *International Journal of Bank Marketing*, 17 (7), 324-334.

Nadkarni, A. and Narayanan, G (2007), "Partner nationality and the structure-performance relationship in strategic alliances", *Organization Science*, Vol. 4, pp. 301-24

Nguli, A.M (2009), Drivers of Strategic Alliances between Safaricom and Kenya Power and Lighting Company in Mobile Telephone Payment, *Unpublished MBA Project:* University of Nairobi.

Nzyimi M. David (2012), Strategic Alliances and Organizational Competitiveness among Commercial Banks in Kenya: A Case Study of Kenya Commercial Bank; *Unpublished MBA Project:* University of Nairobi.

Parkhe, A. (2003), "Strategic alliance structuring: a game-theoretic and transaction cost examination of inter-firm cooperation", *Academy of Management Journal*, Vol. 36 No.4, pp.794-829.

Porter, M., Ketels, C., and Delgado, M. (2006), "The microeconomic foundations of prosperity: findings from the business competitiveness index", *The Global Competitiveness Report 2006-2007*, World Economic Forum, .

Porter, M.E. (1990), Competitive *Strategy*, London: Collier Macmillan Publishers.

Shah, R.H., and Swaminathan, V. (2008), “Factors Influencing Partner Selection in Strategic Alliances: The Moderating Role of Alliance Context”, *Strategic Management Journal*, vol.29. no.5, pp.471-494.

Simonin, B.L. (2007),”The Important of Collaborative know-how: An empirical test of the learning organization”, *Academy of Management Journal*, Vol. 40, pp. 1150-1174.

Stevenson, W. J. (2001), Explaining the swollen middle: Why most transactions are a mix of "market" and "hierarchy". *Organization Science*, *4*(4): 529-547.

Teece, D.J., Pisano, G. and Shuen, A. (2007), “Dynamic capabilities and strategic management”, *Strategic Management Journal*, Vol. 18, pp. 509-33.

Thompson, J.D. (2006), *Organizations in action.* NY: McGraw-Hill.

Thompson, J., Frederick, H., Carswell, P., Henry, E., Chaston, I., Campbell, J. and Pivac, A. (2004), *Barter Card New Zealand Global Entrepreneurship Monitor 2004*. Auckland: Unitec New Zealand Centre for Innovation and Entrepreneurship.

Varadarajan, P.R., and Jayachandran, S. (2009), "Marketing strategy: an assessment of the state of the field and outlook", *Journal of the Academy of Marketing Science*, Vol. 27 No.2, pp.120-43.

Webster, E. (2010), *The Economics of Intangible Investment*, Edward Elgar, Cheltenham, .

Wheelen, T.L., and Hungar, D.J. (2000), *Strategic Management and Business Policy*, 7th ed., Addison-Wesley, Reading, MA, pp.125-34, 314.

Wittmann, C.M., Hunt, S.D. and Arnett, D.B. (2009), "Explaining alliance success: Competences, resources, relational factors, and resource-advantage theory", *Industrial Marketing Management*, vol. 38, no. 7, pp. 743-756.

APPENDIX I: Interview Guide

The interview guide will seek to achieve the following objectives;

1. Establish the role of strategic alliances on firms competitiveness at Barclays bank of Kenya

SECTION A: Demographic Data

1. Name of the respondent(optional)
2. For how long have you been holding the current position?
3. For how long have you worked in the bank?
4. What is the highest level of education you have achieved?

Section B: Strategic Alliance

5. What kind of strategic alliance have you entered?
6. Which organizations have Barclays Bank enter into strategic alliance with?
7. Does the proposed alliance contribute to the mission or vision of the organization?
8. Does this proposed alliance allow the organization to achieve its objectives more effectively or more efficiently?
9. Why did Barclays Bank decide to enter into an alliance with the organizations? What was its aim?
10. In your opinion what has led to the success of the strategic alliance between Barclays Bank and other organizations?
11. What factors were considered when choosing the organization to enter into strategic alliance with?
12. Were organizational goals a factor during alliance formation? If so, what were they? And were they in alignment i.e. the goals between the organizations?

Section C: Role of strategic alliances on firms' competitiveness

13. Has the strategic alliance led to increase of the banks markets share in terms of rapid entry into other markets while keeping the cost down? Please elaborate
14. How has the organizational learning been affected? Has the alliances led to ready access to knowledge and expertise in an area that the bank lacks? Please elaborate.
15. What effect has the alliances had on the banks' ability to introduce novel products or services in a short period.
16. Has there been any synergy created as a result of the bank collaborating with other firms? Please expound
17. How has the networks contributed to the firm's innovation process
18. Has the firm created sustainable fruitful collaborations with the other players in the networks and therefore giving it a significant competitive advantage? Please expound further.
19. How has the alliance led to financial risks sharing coming out of uncertainty and instability the financial market?
20. How are risks and profits shared between the bank and other organizations in the alliance?
21. What kind of critical resources does the other organizations in alliance have which Barclay Bank considers it can be complementary resources?
22. Has the bank entered into alliance in order to successfully commercialize inventions and integrate their knowledge and resources? Please expound
23. What factors fosters strategic alliance between the bank and other organizations?
24. How has the bank used strategic alliance for strategic positioning purposes?
25. What are the factors that have negatively hindered strategic alliance between the bank and other organizations?