INFLUENCE OF STRATEGIC PARTNERSHIP BETWEEN SMALL AND LARGE BUSINESSES ON PERFORMANCE: THE CASE OF EQUITY BANK AGENCY BANKING

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DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

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

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DEDICATION

I dedicate this project to my mum and sister for their endless support in all my endeavors.

ABSTRACT

Strategic partnerships between large businesses is a common practice in business and has been for many years, but in recent years large businesses have identified the benefits of forming strategic partnerships with small businesses due to their unique operating set up and consistent innovative nature. In previous years large firms acquired small businesses or bought off rights to their ideas but recently more and more large businesses are opting to partner with small businesses so as to maintain their innovative customs through the lack of bureaucracy in small business's innovative processes and passionate employees who genuinely want to grow with the business. This study was conducted to identify the influences that this type of partnership might have on the small business. Because small businesses operate differently from large as they have small budgets to operate within, few employees and limited management ability where most time the owner is the manger. Equity Bank Agency Banking which is a successful partnership between a large business and many small businesses where Equity bank has entered into contract with many small businesses to offer selected banking services as its agents was chosen for data collection. The study sampled 344 Equity bank agents from Nairobi county and 10 agency banking officials from Equity bank. The primary data collected was analyzed using multiple regression and descriptive data analysis with aid from the Statistical Package for Social Sciences. It was found that the perceived quality of the strategic partnership influences the performance of a small business in a partnership between large and small businesses unlike the level of investment, level of interaction and management ability which were not as significant. These results varied for small businesses in various sectors as businesses in finance, technology and manufacturing showed that none of these factors influenced their performance and those in retailing and services identified perceived quality of the strategic partnership as an influencing factor to their performance when analyzed individually. Finally it was found that the type of business that the small business engages in does not have any relationship with the business it has partnered with the large business, therefore it is important for the small business to carry the two businesses differently and give each the attention it needs so as to benefit from the relationship. The study recommended further studies to be carried out on the impact of this type of partnership as it is still a new concept and a lot of small businesses are joining partnership with large businesses.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Entrepreneurship today is an important drive for economic growth in most developing countries, small entrepreneurial firms are a source of employment where big corporations are downsizing and creating "lean companies" for more effectiveness. Various factors have been attributed to why people start businesses where both personal traits and influences from social, cultural, political and economic factors have come out as the most influential factors Saleemi (2009). With growth in prominence of entrepreneurship more people are starting small businesses and like all ventures challenges are experienced, more so with small businesses due to the competitive and dynamic environment they get into with their limited resources.

Limited resources coupled with environmental, financial and the government's long procedure and regulations add to the long list of challenges that small firms face every day in their quest to be profitable and achieve sustainable growth. This is not to suggest that small firms do not have what it takes to survive in the competitive market; because entrepreneurs have been described as highly motivated, have a need for high achievement, they take personal responsibility for finding solutions to problems, setting moderate achievement goals and taking calculated risks to achieve them and desiring concrete feedback concerning performance Mazzorol, Volery, Doss, & Vicki (1999). Regardless of these personal attributes and the resources at hand, being successful in the market may require more resources and hence the need to come up with strategies to take advantages of growth opportunities in the market especially those that cannot be accessed with the capacities of the entrepreneur alone. Small firms can consider external mechanisms in strategic alliances to ensure survival and growth in the market Per , Delmar, & Wiklund (2006).

To gain competitive advantage large companies capitalize on their financial capabilities to apply various means to remain competitive. Kuratko, Michael , & Covin (2011) give examples of some of the strategies that large companies use including business process reengineering, right sizing, focusing on core businesses while diverting others, total quality management and forming strategic alliances. Among these strategies, forming alliances allows the firm to get new expertise and fresh ideas if a firm is to stay relevant in the market and have competitive advantage.

1.1.1 Strategic partnerships

Forming partnerships can be a strong mechanism for many companies seeking to become more competitive in today's markets. Small businesses can use the additional resources from their new partners to strengthen their market presence, improve performance, and gain access to cutting edge technology and financial capabilities. Pearce & Robinson (2011) describe the partnership between small firms and large firms as one strategic partnership that is most capable of giving the small firm a chance to protect its future in the market through expanding in customer base, growth financially, brand building and networking. On the other hand it allows large companies gain expertise and knowledge they can no longer afford to retain or come up with within the firm.

A partnership between a large business and a small business can be a double edged sword to both parties as most firms get lost in the immediate gains and forget to put checks to ensure positive outcomes are achieved and maintained. William (2012) examines most common outcome of these forms of alliances where financial matters and intellectual rights infringement are the biggest negative outcome of a partnership between a small firm and a large firm to the small firm. This occurs especially for financial issues where an amount owed to the small firm might seem like pocket change to the large firm but to the small firm it is the sum that ensures a profit is made or an investment has resulted in losses.

Forming partnerships is a strategy that large businesses have grown to appreciate over many years and are able to deal with the legal implications and the lengthy negotiations and eventual constant monitoring so as to ensure they get the best deal out of the partnership as any business should. This is mainly because they have the market experience, skills and resources to allow them keep tabs on the partnership and how it is run. This cannot be said for small firms William (2012) maintains that it is important to understand how small firms are affected when they get into partnerships with large businesses, as a lot of issues come up after the outright positive outcomes have been felt. There are legal issues to be considered, poaching of employees, market and new products born of the partnership rights, termination of the partnership including all business issues that come up in the course of running a business.

In Kenya one bank has amazed not only Kenya but the world by its decision to bank the low end market which other banks did not consider profitable. Equity bank opened its doors to small scale farmers, small business owners and some civil servants allowing them to have accounts that were not attracting maintenance charges among other affordable bank products. This saw them have crowds of people in their banking halls every day and hence brought up the problem of how to ensure all these customers were given the best possible services and in good time. Various strategies were explored but were not as effective until the decision to form partnerships with small business owners to have them offer banking services at their places of business. Thus the Agency banking model was introduced. These paper aims to look into this partnership; the outcome that it has had on the operations of the small businesses and what benefits or otherwise it has had on Equity bank.

1.1.2 Business performance

Performance according to Reh (1998) is doing today what will lead to measured value outcomes tomorrow, therefore to measure performance there needs to be a benchmark to compare with. Businesses measure performance on different aspects of operations due to various reasons for example, to monitor and control, to drive improvement, to maximize the effectiveness of the improvement effort, to achieve alignment with business goals and objectives and to reward and discipline. Kellen (2003) in addition, to identify the influence a strategy employed by a business has had on the operations of the business; the business has to measure different aspects of the business so as to identify this influence. These aspects to be measured must be in line with the goals of the business and the objectives of adopting the strategy.

According to Neely (2002) there are different perspectives of measuring performance a businesses can use, he mentions the accounting perspective, the marketing perspective and operations perspective. The accounting perspective is the most prominent and widely used perspective its main focus is to effectively use financial resources to support the goals of the business, this perspective looks at the return on investment (ROI), return on equity (ROE) and return on assets (ROA). Although this perspective has been used widely, there is a need to measure non-financial aspects of the business which are important to the operations of a business. Some of these measures as identified by Neely include; balance scorecard, economic value added, activity-based costing, quality management, customer value analysis and action-profit linkage model.

According to Reh (1998) the most popular of these approaches is the balance scorecard which he defines as a strategic planning and management system used to align the business activities to the vision and strategy of the organization. This approach has four perspectives that include the learning and growth perspective; this identifies the importance of continuous training of employees and making learning part of the organization's culture. The business process perspective; where the business manager or owner measures the business processes and their outputs against the expectations of the customer to tell if they comply with these expectations. Customer perspective which emphasizes on customer satisfaction because if customers are not satisfied they will go to other businesses and finally financial perspective which in the approach includes risk assessment and cost –benefit data analysis. This paper has borrowed heavily on the balance scorecard approach of business performance this is because it allows for the business to measure more than just the financial part of the business but also other aspect of the business that joining a strategic partnership may affect.

1.1.3 Factors influencing strategic partnership between large and small businesses

Performance of both large and small businesses in a strategic partnership is affected by various factors as according to Wohlstetter, Smith , & Malloy (2005) the level of interaction between the large business and the small business affects the operations of the small business and hence affect how information is exchanged in the business. sharon & Barney (2001) studied the influence of management ability and the level of investment on the performance of the small business in the strategic partnership. A study by Kotelnikov (2011) discusses the influence that the type of business that the partners are engaged in influence the how they interact and hence their performance in the strategic partnership. These factors will be discused in detail in this study in chapter two under literacture review.

1.1.4 Small Businesses in Kenya

Sessional Paper No 2 of 2005: Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction defines a small enterprises as those that employ between more than 10 but less than 50 employees have an annual turnover of between Kenya Shillings 8 to 100 million and asset base of at least Kenya Shillings 4 million hence making Large enterprises in Kenya all enterprises with above these numbers. Small businesses are arguably the driver of the Kenyan economy because according to Wanjohi (2011) they contribute 7.5 million jobs which make up 80% of total employment in the country and where women own half of all small and medium businesses and 40% of small farming enterprises. In Kenya small and medium businesses are in all sectors of the economy and are the only source of finance for majority of the households in the country.

Many of the small enterprises in Africa including Kenya according to Saleemi (2009) are owned by first generation entrepreneurs who have limited experience and are willing to take the necessary risks to expand their businesses. This is a contributing factor to the challenges that small businesses in Kenya face that include tedious registration and certification processes, lack of access to credit, **inadequate business skills among many other challenges. To address some of these challenges the government of Kenya has developed policies to ensure that small businesses have a good environment to carry out business and to ensure their growth.**

Wanjohi (2011) explains that although there are good policies and legislation for small and medium enterprise sector in the country, implementation is still poor due to lack of coordination between implementing agencies, poor resource management, lack of enthusiasm by policy makers and corruption. Therefore, the development of the small and medium sector in the country is not only the responsibility of the government but all the stakeholders of the sectors. Small businesses in the country should look for alternatives to what the government is providing for example strategic partnerships with large businesses so as to benefit from the streamlined policies that they enjoy in the operations of their business in the country.

1.1.5 Large businesses in Kenya

The private sector in Kenya according to African Development Bank Group (2013) is divided between the formal large business and the informal small business. The large businesses in kenya are mostly owned by kenyans with companies like Kenya commercial Bank, Nation Media Group and Equity Bank having their majority shareholders being kenyans but some have international companies owning majority of the shares for example Kenya airways, East Africa breweries Limited and Safaricom Limited. There are international companies as well who have invested in the country due to the well-educated and entrepreneurial workforce that the Kenyan people provide.

To ensure growth of large businesses in the country the government has invested in transport infrastructure which combined with its strategic geographical position allows the country to be a regional trade and transport hub. Kenya has an innovative and fast developing information technology industry that enables the financial services sector to grow rapidly more notably Safaricom Limited. There is an appreciation by the government of the private sector in that it is important and should be developed hence allowing partnership and collaborations in various projects.

Large businesses in the country face challenges in various sectors of the economy with corruption in the government being a big challenge for many of the businesses. Political uncertainties especially during election times set back years of work in these businesses as imports and export is affected. African Development Bank Group (2013) explains the challenge of high energy costs and interrupted supply of power affect businesses, especially manufacturing businesses as well as mismatch of skills of those leaving the education institutions and those that are attractive to the job market. However, the new constitution and policies like the Vision 2030 have been put in place to enable businesses in the country to overcome the challenges by providing seamless processes of investment and bring in new opportunities to ensure sustainable growth of businesses in all sectors of the economy.

1.1.6 Equity Bank

Equity bank was founded in October of 1984 as Equity Building Society, to provide mortgage financing for people who were in the low income population bracket. Going into the 1990s the bank grew into a microfinance institution which was an uphill climb especially in 1993 when it was declared insolvent, in an inspirational turn of events it came out of that and on December of 2004 it was incorporated and registered under the Kenyan companies Act as a commercial bank offering retail banking, microfinance and related services. Today, Equity bank is the largest bank in Africa in terms of customer base with 8 million customers and subsidiaries in Tanzania, Uganda and south Sudan.

The bank retains its passion for empowering its customers by providing financial services that transform their lives and livelihoods; this has seen it win numerous awards both locally and internationality including being named as the Emerging Markets Most Sustainable Bank of the Year in Africa and Middle East for the second year running (2008 and 2009), Most innovative bank in Africa 2012 and the coveted Ernst & Young World Entrepreneur of the Year 2012 for its Chief Executive Officer among many other prestigious awards.

Banking in Kenya has over the years experienced tremendous growth proven by the recording of millions in profits every year and provision of diverse services more technologically advanced than the previous one. This trend has seen increased competition among the banks and even telecommunication companies like safaricom coming up with financial services targeting the same customers as the banks. This has been a challenge that has seen Equity bank come up with many strategies to remain competitive in the market and hence the introduction of the agency banking model in 2010, aimed at ensuring its vision of championing socio-economic prosperity of the people of Africa and to ensure accessibility, convenience and affordability of the bank's services.

1.1.7 Equity bank agency banking model

The Equity bank agency banking model was launched in the year 2010 following the Central Bank's release of a legislation that allows commercial banks to offer their services through third party retail networks. This was after the realization that there are Kenyans who are still not able to access financial services due to the fact that they live in very remote areas and have to travel very far to access a bank or any other financial institution. Equity bank took this legislation positively and immediately started the agency banking department as majority of its target market were affected by difficult accessibility of the bank branches as they lived in rural area.

This model allows Equity bank to get into a contract with third party entities to offer its services as an agent. Having built a good relationship with small businesses the bank decided to use existing small entrepreneurial firms as its partners in this model as opposed to people opening outlets specifically for Agency banking. Small firms that have been in business for six months and longer could apply to be an agent, after vetting by the bank and approval the business is recruited as an agent and is allowed to offer selected services on behalf of the bank in its place of business. These small firms are trained and allowed limited access to the system the bank uses for them to be able to provide basic banking services to customers according to standards set by the bank and the central bank.

1.2 Research problem

Small businesses encounter challenges that affect their operations hence they seek solutions by coming up with strategies that might come from within the firm or externally. Just like the small firms large companies are faced with challenges, and even though they are different from those of small firms they still threaten the growth of these firms. A lot of the challenges facing small firms result from lack of resources while large firm's source of challenges are competition, high cost of production and access to latest innovations and creative ideas in which the small firms have an advantage in sharon & Barney (2001). Hence forming strategic alliances is a mutual problem solving mechanism to businesses in a partnership.

There have been studies done on the area of strategic partnerships in the country. Kavele (2007) this study was on strategic alliances in mobile banking where it explored partnerships between mobile service providers and financial service providers. Musyoki (2003) Studied creation of strategic alliances among non-governmental organizational Walekhwa(2011) investigated the effect of strategic partnerships on marketing decision. Mutinda (2008) studied the factors businesses consider when entering into strategic alliance a case of Kenya Institute of

Management. While this study is similar to these previous studies in the area of study especially the Walekhwa (2011) study which examined the effects that a strategic partnership has on marketing decision, this study concentrates on strategic partnership between small businesses and large businesses an area that has not been studied conclusively.

Despite all the solutions that this partnership offers, small firms are more times than not faced with challenges different in nature from challenges faced before the Partnership which negatively affects their operations and some may go out of business permanently. However, regardless of these challenges more and more small companies are getting into this type of partnership sharon & Barney (2001). This raises the question: What are the outcomes of strategic partnerships between large businesses and small businesses? In an attempt to answer this question this paper has examined the outcomes of partnerships between small businesses and large companies using Equity bank agency banking model as a case study

1.3 Broad Objective

To determine the influence of strategic partnerships between large businesses and a small businesses on performance

1.3.1 Specific objectives of the study

i. To determine the nature of partnership that Equity Bank has formed in the agency banking model with small businesses

ii. To establish the relationship between Equity Bank Agent's type of business and their performance in the strategic partnership with Equity Bank.

iii. To determine the level of interaction small businesses have with Equity Bank in a strategic partnership

iv. To establish the relationship between Equity Bank Agent's level of investment and the outcome of the strategic partnership

v. To explore the impacts of a strategic partnership on the small business

1.4 Value of the study

This study will help set base for researchers to investigate the causes of either positive or negative outcomes in a strategic partnership between a large business and a large business. The study will also assist large and small businesses seeking to form strategic partnership understand factors that might affect the partnership.

The study will contribute to studies done on the support of governments for small business, by coming up with policies that allow growth of small businesses in various sectors. This is by reduction of acquisitions of small businesses by large businesses and promoting partnerships instead.

This research will support consultants and experts in entrepreneurship explore new mechanism to assist their clients, gain competitive advantage and unique problem solving methods by use of strategic alliances and seek the best large businesses for their small entrepreneurial businesses.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter explores literature from studies on strategic partnerships, both theoretical and empirical studies. The literature review will especially focus in partnerships between small businesses and large businesses more specifically the outcome that these types of alliances have on small businesses.

2.2 Partnerships in business

A partnership in business is more often used as a strategy to gain an advantage in a particular venture. Rangan & Yoshino (1995) describes linkages, partnerships and alliances as terms used interchangeably to explain an arrangement amongst corporations in business, but really what makes a partnership strategic? Hamel & Prahalad (1989) examines strategy as the creation of tomorrow's competitive advantage today, to come up with advantages over competitors before they can understand today's products or services. However, Mintzberg, Lampel, Quinn, & Ghoshal (2003) discuss the human need to define concepts but reckon the term strategy is used indirectly in different ways and hence difficult to have one definition to sum it up. Therefore, they present various views of what a strategy characterizes; it can be a plan, ploy, pattern, position or perspective that allows an entity to be flexible enough to respond rapidly to competition and market changes.

Partnerships in business are not only formed for growth of profits other needs come up especially in operations of the businesses and ensuring sustainability in growth, Wohlstetter, Smith , & Malloy (2005) give examples where partnerships are formed to meet legal or regulatory requirements, to increase efficiency and production an example of IBM, Siemens and Toshiba partnering to develop a new generation of memory chips. Companies that partner to achieve compatible goals not necessarily identical but those that are mutually beneficial like the partnership between Commercial Bank of Africa and Safaricom limited where CBA increased customer base and Safaricom expanded product offering on Mpesa.

The diverse reasons for forming partnerships result in various classifications where Grant & Baden-Fuller (2004) give a number of examples, joint marketing, joint distribution, joint production, design collaboration, technology licensing, sharing or research and development, outsourcing, supplier and manufacturer partnering and other contractual partnership like franchising and cross-licensing. In actual sense businesses can partner in all aspects of running the business. Understanding the concept of partnership allows businesses to benefit from the partnerships they see strategic for the growth of their businesses, especially small businesses that form partnerships with businesses larger than theirs. Sharon & Barney (2001) concludes in their research that small firms that partner with large firms more times do not understand the effects that this partnership can have on their business and hence they are left vulnerable to the financial and social muscle of the large firms.

2.3 Types of strategic partnerships

The diversity of the reasons to form strategic partnerships bring about different types of partnerships, depending on which part of the business is involved in the partnership or what resources are needed to form the partnership Grant & Baden-Fuller (2004) classify the types of strategic alliances with the different activities, they give examples of supplier-buyer partnerships, outsourcing agreement especially on sales companies with a multinational market share, technical collaborations especially in the telecommunication industry, joint research projects, partnership in manufacturing, distribution channels, cross-selling agreement and franchising.

Another form of classification of these partnerships is by Hunger & Wheelen (1996) where they list three main strategic partnership types. First is joint venture they explain this partnership as one between two or more businesses where all partners have an equity stake in the business where they share expenses and profits. This is common between small firms and large firms, a small firm has potential to grow but lack financial capability or management techniques and the large business asks for a percentage of the business for a certain period of time, and provides finances and technical resources. In Kenya the De Silva group is known for its investment in small businesses owned by the youth most notable is Safirisure an innovative bus ticketing and payment solution company, Sasa Cabs and Moran apparel just to list a few. The De Silva Group (2014)

The second type is the equity alliance, when two or more firms form a company where they all own a percentage of this new company. These firms maintain their own companies separate from this new company and hence the mode of operations does not change like in Joint venture. Partners bring their expertise in their business to this venture and financial abilities; this is not a common strategic partnership in Kenya although internationally it is prominent for example Barclays bank and Citi bank partnered and invested in Faysal Bank in Pakistan Buckles (2011).

The last type is the Joint program or contract, described as a partnership where partners get into a contract with each other like a licensing agreement, franchising contract, distribution agreement or a technical assistant contract. This type of partnership allows a partner to limit their rate of risk as they are in control of the investment they put in the business and can reduce the amount they put in the business especially with a large scale innovation that is new in the market whose reception cannot be forecast. These types are not set in stone as they describe the needs that firms have more new types might be born from these reasons and change in business market operations in the market hence more types are bound to come up.

2.4 Theories of strategic partnerships

Scholars in the area of strategic alliances have used the different features that come out of an alliance to define this concept. Thechatakerng & Srinaruewan (2010) Examine four outlooks of strategic alliances where first is the: *Transactional cost theory*, in this view an alliance is a contractual partnership between two or more businesses that decide to work together because the task is too costly to accomplish alone or it is too difficult. The partners only partner on only one activity in the whole value chain. The second is *the strategic perspective*, unlike the transactional cost theory in this partnerships partners work together in various parts of the value chain so as to obtain a set strategic objective or inter firm cooperative arrangements aimed at achieving the strategic objectives of one of the partners. The third one *learning perspective* is where an alliance is defined as when two or more businesses form an alliance so as to learn from each other's resources that are not known or available to their competitor. Finally, the last definition of a strategic alliance can be derived from a *resource –based perspective* where businesses form strategic alliances so as to achieve competitive advantage for the partners.

This paper will adopt the resource-based perspective and the transactional theory because today businesses join partnerships as a problem solving strategy. This strategy brings together resources in a collective action to solve a problem that neither could solve on their own, to offer complementary assets and use of unique strengths to solve problems and gain competitive advantage. Sharon & Barney (2001) examines General Motor's decision to form a partnership where the car manufacturer had for many years resisted forming joint ventures mostly because they could not have majority control. But, with development of electronic accessories for vehicles it needed a partner who could provide these; they found this partner in Hitachi who has been developing these components for the car manufacturer, something it could not achieve on its own.

2.5 Factors affecting strategic partnerships

There are factors that affect the outcomes of a strategic partnership; this study will review literature on the various factors as identified below.

2.5.1 Level of interaction

Interaction between businesses in a partnership refers to the number of times the partners communicate, how information is exchanged between the partners and availability of one partner to the other. This affects the outcomes of the partnership because close interaction ensures that the two or more partners are in sync with their processes at all times. Interaction is ensured by communication between the partners, in a study done by Wohlstetter, Smith , & Malloy (2005) described the views of businesses on the level of interaction with their partners. With close interaction with their partners businesses in this study said there is fast conflict resolution, feedback is given so as to ensure smooth operations, duty allocation and coordination is done well and therefore the partnership achieves the expected results without constant setbacks caused by lack of communication.

In this study Wohlstetter et al (2005) concluded that close interaction does not have to be done in person but technology can be used to ensure open lines of communication for example emails, memos, conference calls and other electronic means of communication. Small businesses in partnership with large businesses are affected the most with lack of close of interaction. According to sharon & Barney (2001) small businesses should always be in constant interaction with its large partners to ensure they are aware of changes in the operations as this could mean increase in financial and logistics in various process which might affect their bottom line more than it will affect the large businesses.

2.5.2 Type of business

The type of businesses members of a partnership are involved in is a factor that might affect the outcome of a strategic partnership, this is because businesses always partner with businesses in the same sector for example often airlines partner with other airlines, Kotelnikov (2011) describes technology companies forming strategic alliances with other technology companies as they bring complementary products to the partnership, and retail companies offering traditional products doing the same. This is because these businesses understand the customers and the markets as strategic alliances are about 'give and take' relationship where businesses need to find businesses who will add value to their value chain and who understand the market demand Wohlstetter, Smith , & Malloy (2005).

Businesses not in the same sector partnering choose only one part of the value chain to partner in for example marketing or distribution and hence affecting the nature of the partnership. Type of businesses affect the drive to form strategic partnership as in a study Sharon & Barney (2001) examined partnerships between small businesses and large business are more successful in some sectors because the small businesses are more inventive than the large business in that sector. An example in this study is in the electronic and internet industries where small businesses attract technically competent staff as they offering their staff stocks and stocks options which motivates them more; large businesses might not afford to do this for their staff.

2.5.3 Resource investment

Businesses in a partnership to ensure they achieve their objective all invest in the processes of the partnership, according to Rangan & Yoshino (1995) partnerships are born from a bargaining set of priorities where businesses seek partners with assets they need and those businesses need assets that they have. The two or more businesses invest in the partnership both the company with more to invest in terms of finances or technology has a higher bargaining power in the partnership.

In a partnership investments should be considered carefully especially in the case of a partnership between large businesses and small businesses, a study by sharon & Barney (2001) explains that small businesses in these types of partnerships need to be careful in their investment in the partnership as it may affect the outcome of the partnership. This study explains that small businesses with one unique investment especially technology in the partnership are at risk of being taken advantage of as the large business can adopt the technology in other areas without consent. Large businesses after achieving its goals in the partnership might hold back investment, leaving the small business in a desperate situation.

2.5.4 Management ability of the small business

The factors mentioned above are controlled by the ownership or management of the business especially for small businesses where the owner most times is the manager of the business. The manager has to understand the business and the industry well enough to ensure that they get into the right partnership; this is made possible by skill and knowledge of the market and the top businesses in the industry Wohlstetter, Smith , & Malloy (2005). According to Wakeam (2003) management of the business must allocate resources in the most efficient manner possible so that the business can benefit from the partnership. Management should have regular meetings of officials from the partner companies for relationship building that begins while formulating and negotiating the terms of the partnership. Wakeam (2003) mentions that Poor partnership governance structures are another source of partnership failure; therefore management of the business should have formal governance structures with clear mandates that are directly linked to the shared objectives of the partnership.

2.6 Strategic partnerships between large and small businesses

This paper thus far has highlighted the different types of partnerships; the reasons businesses form partnerships, benefits and challenge those strategic partnerships bring to a business. Businesses need to understand before joining partnership as a strategy for either problem solving or to gain competitive advantage. Small firms especially need to understand all these aspects to ensure that they are able to make informed decisions before joining any partnerships. Pearce & Robinson (2011) Suggest that it is especially important for small businesses because their nature is sensitive, they have small financial and market experience capabilities but are rich in innovation and have passionate committed employees.

A partnership between a large business and a small business is today a common option for business even though most large firms still prefer to take over a small business in acquisitions. Buckles (2011) Large businesses partner with small businesses as they can provide sustainable competitive technology, deliver efficient products and on time due to their small number of employees who have freedom to develop other than deal with the bureaucracy that are experienced in large firms. The article by Buckles further showed that small businesses on the other hand are less reserved to form partnerships with large businesses because they don't see them as competitors but as a means to reach higher markets internationally and regional market which they could not on their own. More Small firms and large firm's willingness to form partnerships has demonstrated success in this type of strategic alliance thus, a growth in prominence has been identified. This started in the technology driven sectors and biotechnology but today other sectors have adopted it , most common is the airline services, supermarkets and fast food restaurants to mention a few.

The prominence of strategic alliances with small businesses has grown because of the positive feedback observed from firms in these partnerships. In their study Eisenhardt & Schoonhoven (2001) identified the ability of a partnership with a large business to improve a small firm's competitive market by using the resources that large firms bring to share costs and reduce risks. Small business owners relay on their level of awareness, knowledge, skills and experience in the market to recognize the most ideal large business to form a strategic alliance with. An alliance with a large firm gives a small firm a strategic position where it gives it legitimacy in the market, this is because they are associated with the large firm's brand hence customers trust them and their products. Additionally a partnership with a large business improves the market power of a small firm. From the observation of the impacts that a partnership between small businesses and large businesses have on the sample population they used in this study, they concluded that it is a strategy that small firms should adopt to deal with competitive markets.

While some small businesses might be benefiting fully from a partnership with a large business some small businesses are counting losses, Sharon & Barney’s (2001) longitudinal study of 128 small businesses in partnerships with large firms for three years and from these subjects they learnt that 80% of the small businesses owners felt exploited by the large businesses despite their management skills and experience in their businesses. They felt that they were taken advantage of due to the financial, social, and network advantage that large businesses have.

The study identified, in a situation where the small business only has one resource to bring to the partnership which is common with small businesses the risk of exploitation is high. This is because the large business can learn its functionality or do reverse engineering and be able to produce it without the use of the small business. Small firm cannot do the same to the resources that a large business brings to the partnership. Large firms can hurt small firms by reducing involvement and investments in the partnership especially after they have learnt all the capabilities of the small firm. This leaves the small firm without a source of funding or distribution network which it had come to depend on for its growth. The study also identified a situation where the large businesses give unreasonable demands to the small business which could lead to inability to make any profits.

2.7 Research gap

The Buckles (2011) and Eisenhardt & Schoonhoven (2001) articles are based on desk research, not in the field where the reality could be different. Eisenhardt & Schoonhoven (2001) study reviewed startup companies that were founded between 1978 and 1985, since then the market environment may have changed and small businesses are affected by even more challenges. The data collected from this review may therefore not fit today's markets. The study by sharon & Barney (2001) was a field study but only focused on small businesses in three industries; which could have influenced conclusions as the type of sector could be a contributing factor to either positive or negative outcomes.

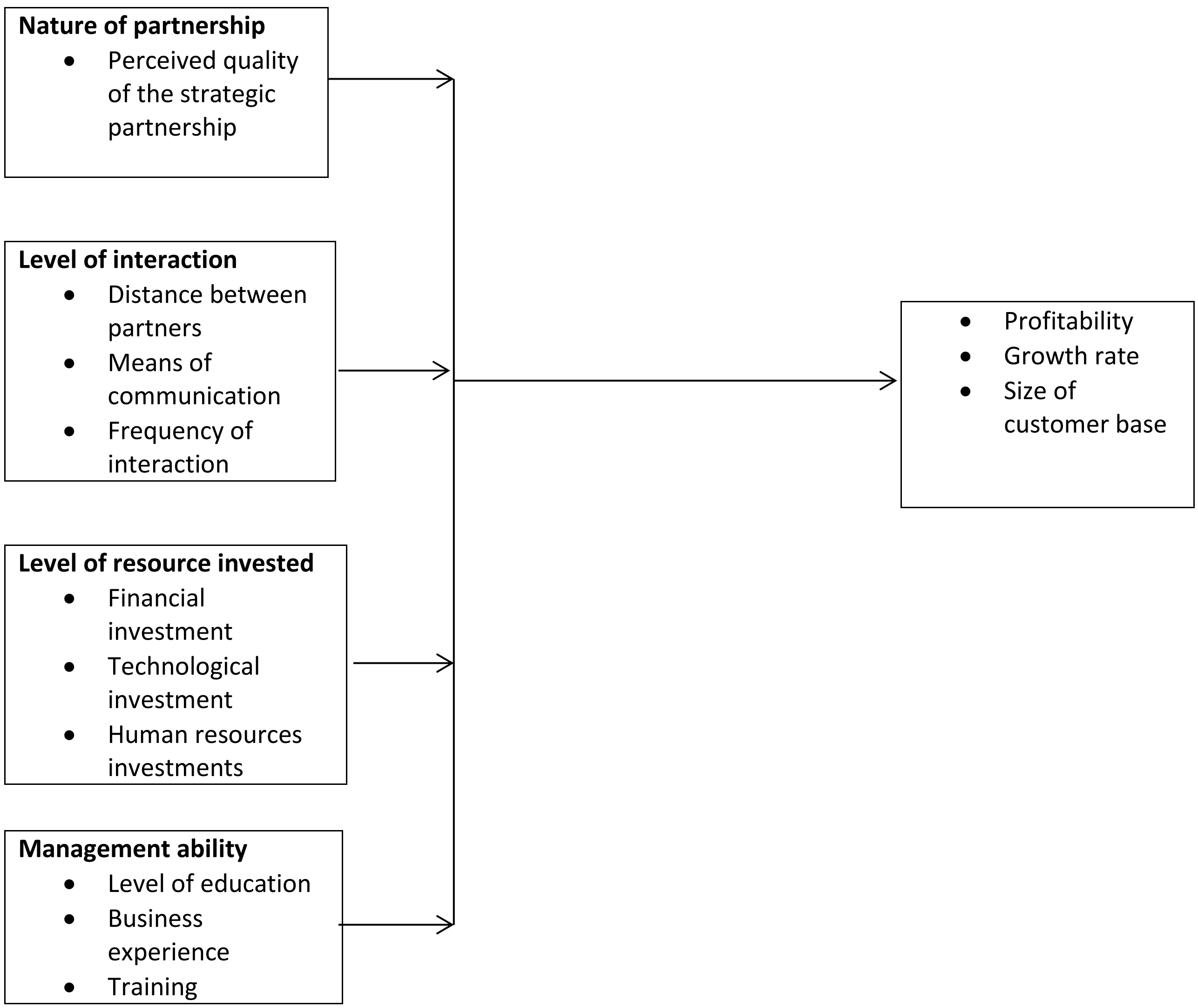
Although researchers have identified some internal factors that might affect success in strategic alliances between large and small businesses, a lot of external factors affect business operations for both small and large businesses hence a need comes up to identify these factors and find solutions for them. The growth of strategic alliance is a global concept but unfortunately there are far less African views on the conclusions made as a lot of studies are done on international companies in Europe and America, Small businesses in Africa are unique in their inception and operations due to the environment they are in Kiggundu (2002) therefore there is a need to study strategic alliances in African companies especially between small business and large businesses.

2.8 Conceptual framework

The conceptual framework is represented by figure. 1 below

Independent variables

strategic partnership performance outcomes



Type of business is a categorical variable, hence, in data analysis it will be analyzed by running the model separately for each type of business that the respondents give.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design that was employed, methods and techniques used and sampling procedure followed to achieve the desired sample. Data collection and analysis are explained and by so doing, this study describes the strategic partnership between large businesses and small businesses.

3.2 Research design

This research was a cross-sectional descriptive study. A descriptive research defines and reports the way things are, and attempt to describe possible behavior, attitude, values and characteristics of such things, Cooper & Schindler (2003). The descriptive design allowed the researcher to gather numerical and descriptive data to assess the relationship between the variables.

3.3 Study Population

This study included Equity Bank Agency department staff and its agents supported by the 46 branches of Equity bank in the 4 regions of Nairobi. The study area was carried out in Nairobi area which Equity bank has divided its agent network into regions that include Nairobi CBD, Nairobi East, Nairobi West and Nairobi South. The sample frame is based on the population of agents in the study area where number of agents per region is shown below.

Table 3.3.1 Agents distribution in Nairobi County

Area	Branches	Agents
Nairobi CBD	12	669
Nairobi East	11	1513
Nairobi South	11	850
Nairobi West	12	233
Total		3,265

3.4 Sample size and Sampling

To sample the large business the study purposively sampled 10 Equity Bank staff members of the Agency operations department, this method was used because these staff members oversee all operations of agency banking and get the large business's perspective of a partnership with small businesses.

This research used probability sampling methods to come up with a sampling frame for the small businesses where all branches will be given an opportunity to have agents sampled. This will be It was conducted based on Equity Bank's records showing the number of agents per region as at end of June 2014. Equity Bank Agents are grouped by the bank into regions for ease of support hence this study used these groups to form clusters. To select the agents to be sampled from the clusters formed from the four regions the study used systematic random sampling. This technique according to Trochim (2006) guarantees a researcher that targeted population will be evenly sampled. To achieve a sample size Andrew fishers sample size determination formula for populations of less than 10,000 was used. Israel (1992)

$$n = \frac{Z^2 x\ P\ x\ Q}{d^2}$$

where;Total number of agents in the 4 regions of Nairobi = 3,265

Since number of owners is not known, it will be assumed to be at 0.5

P = Number of owners of agencies in Nairobi = 0.5

Z = Standard normal deviate at required confidence level set at 1.96 = 95% confidence level

Q = 1-P = 0.5

d = Desired level of accuracy = 0.05 n = Desired sample size

This resulted in a sample of 344 agents in Nairobi region.

3.5 Data Collection

Primary and secondary data was collected where for primary data questionnaires were used. A semi structured questionnaire was used on Equity bank staff members and structured questionnaires using likert scale were used to collect primary data from Equity bank agents. The closed ended questionnaires were used so as to collect factual information which is more quantitative data while the open ended questionnaires were used to collect the more qualitative data and any additional information the closed ended questionnaires were not able to capture.

The Questionnaires were divided into three parts where part one sought to find out about the agent's personal details of his or her business, part two to collect information of the partnership with Equity bank and finally part three to collect thoughts and outlooks of the agent on the partnership with Equity bank

Secondary data was collected from Equity bank records and necessary Central Bank of Kenya records on the area of Agency banking in the population target for this research, business text books, Government reports, journal and periodicals.

3.6 Validity and Reliability

To ensure Reliability of the data collection instruments this study used the test re-test technique to assess the ability of the data collection tools to produce expected results consistently.

To ensure questionnaires answers the research questions and achieve the objectives this study used the content validity test, where an expert in the field of strategic alliances and a small business owner in a strategic partnership was requested to assess the degree to which they could measure and determine their validity to capture all required information content of strategic partnerships.

3.7 Data Analysis

Data was checked for inaccuracies and inconsistencies daily before entry and verification. The data was then be coded by the researcher in order to reduce the replies given by the respondents to a small number of classes. Descriptive statistics was used to analyze the data; this uses measures of distribution like mean, mode, and median Mayring (2000), which assist especially for responses that targeted objective one. For objective five a Chi-square test was carried out.

Multiple regression analysis was used to analyze objective one to four to establish the factors influencing strategic partnerships between large and small businesses. The researcher used the Statistical Package for Social Sciences (SPSS)

Analysis of the variable used below equation;

$SPO= a_0+PQ_1+LI_3+LIin_3+MA_5 +e$

For the categorical variable which is the type of business the researcher ran the equation repeatedly for each type of business the respondent ticks.

Where SPO- strategic partnership outcomes

a -(Alpha) is the Constant

PQ- perceived quality

LI –level of interaction

LI i-level of investment

MA-management abilities

e- Margin of error

Frequencies and percentages of different outcomes were reported in tables and graphs.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, interpretation, presentation and discussion of finding after collection of data from agents of Equity bank and Equity bank agency operations department staff members. The study sampled 344 Equity bank agents and 10 Equity bank members of staff, analysis was done using the statistical package SPSS. The data was interpreted as per the research objectives and research question and findings presented through frequency tables and percentages.

4.2 Questionnaires response rate

The researcher received all the questionnaires sent to the respondents giving a 100% response rate.

4.3 Descriptive statistics

The questionnaires used to collect data from Equity agents were divided into two main sections; section A set out to collect general information where the agents were asked to offer information such as age, level of education and type of business. Section B was to collect specific data relating to the study's objectives and research question. The agent was to tick on the likert scale which was from five to one where five was strongly agree and one was strongly disagree. The researcher also gave Equity bank staff members questionnaires, these questionnaires were mostly structured with a few open ended questions.

The agents were asked about their level of investment, level of interaction, perceived quality and management ability in the Equity bank agency business, their responses analyzed using multiple regression so as establish how each of this factors affect the strategic partnership. Equity bank staff members were also asked similar questions but from the large business perspective. Most of the questions to the bank's staff may have been biased because the respondents work for the bank.

4.3.1 Respondents type of business

A total of 344 respondents were targeted for this research and out of this number majority of Equity agent's core business is in retailing with a percentage of 32%, followed by agents in the financial sector with 19%, agents in the service businesses follow with 16% and agents in agriculture with 15%. The two sectors with the list number of people carrying out agency banking for Equity bank are technology with 11% and manufacturing with 6%. Table 4.1 displays the number of respondents according to the type of business they engage in.

Table 4.1 Agent's type of business

Type of business	Number of respondents	Percentage
Financial	65	19%
Agriculture	53	15%
Technological	39	11%
Manufacturing	21	6%
Retailing	110	32%
Services (kindly specify)	56	16%
Total	344	100%

4.3.2 Nature of partnership that Equity bank has formed with its agents

This study sought to understand the nature of partnership that Equity bank has with its agents, as discussed in previous chapters that partnerships can be of various types. To get the information this was phrased as a question and asked to both Equity bank agency department staff and the agents as well. Equity bank staff members included in this research unanimously said that the bank has formed a joint programs type of partnership which is mutually beneficial to both the Agents and the bank. This response was possibly biased but it helped the researcher understand the bank's view of the relationship with its partner in agency banking, as the table 4.2 and 4.2.1 demonstrates this.

Table 4.2 Frequency of the type of relationship between Equity bank and its agents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mutually beneficial	10	100.0	100.0	100.0

Table 4.2.1 Frequency of Equity bank benefit from agency banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	3	30.0	30.0	30.0
	Strongly agree	7	70.0	70.0	100.0
	Total	10	100.0	100.0	

Table 4.3 represents the numbers of agents who are happy with the partnership with Equity bank with 170 agents and 132 out of 344 agreeing and strongly agreeing respectively to recommend Equity bank agency business to other business owners.

Table 4.3 Agent's attitude to the relationship with Equity bank.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Disagree	4	1.2	1.2	1.5
	Neutral	37	10.8	10.8	12.2
	Agree	170	49.4	49.4	61.6
	Strongly agree	132	38.4	38.4	100.0
	Total	344	100.0	100.0	

The above tables represent the attitudes of both the large business and the small businesses on the partnership that they have formed, from the responses the researcher concluded that the large business benefits from the partnership with the small business and this is the same for the small businesses, where a large number of the respondents would recommend to other small businesses to join a partnership with a large business.

4.3.3 The level of interaction between Equity bank and its agents

The level of interaction between Equity bank and its agents allow the researcher to understand if this affects the performance of the agents. Table 4.6 indicates that the level of interaction between small businesses and their large business partners do not affect the performance of small business in the strategic partnership. In the case of Equity bank agents table 4.3 indicate that the agents are comfortable with how often they interact with Equity bank where 61% of the agents said that they strongly agree they are comfortable with how often they interact with their partner while 1.5% disagree with this statement

Table 4.3.1 level of interaction with Equity bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	5	1.5	1.5	1.5
	Neutral	43	12.5	12.5	14.0
	Agree	208	60.5	60.5	74.4
	Strongly agree	88	25.6	25.6	100.0
	Total	344	100.0	100.0	

To get the perspective of the large business, the researcher also asked the bank officials how often they interact with the agents and from table 4.3.2 90% of the bank supervisors said that they interact daily with the agents while 10% said they interact weekly. This demonstrated the large business interest on operations on the small business in the strategic partnership.

Table 4.3.2 Equity bank staff interaction with its agents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Weekly	1	10.0	10.0	10.0
	Daily	9	90.0	90.0	100.0
	Total	10	100.0	100.0	

Distance between the small business and the large business was a factor that would affect the interaction between the small business and the large business in a strategic partnership. To find out if this affected the interaction in Equity bank agency business the agents were asked of their opinion and table 4.3.3 indicate that the closer the branch is the easier it is to interact with Equity bank. 53% of the respondents agree while only 6% strongly disagreed.

Table 4.3.3 Distance from the branch against agent interaction with Equity bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.6	.6	.6
	Disagree	10	2.9	2.9	3.5
	Neutral	38	11.0	11.0	14.5
	Agree	182	52.9	52.9	67.4
	Strongly agree	112	32.6	32.6	100.0
	Total	344	100.0	100.0	

4.3.4 Relationship between agent's level of investment and outcomes of the strategic partnership

When asked about their investment in agency banking the agents making up 37% agreed and 30% of agents strongly agreed that they made a big investment in agency banking. Only 8% of agents said that they did not make a big investment in agency banking. The researcher concluded that small business owners make a big investment in starting an Equity bank agency business.

Table 4.4 Equity agent's investment in Agency banking business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	27	7.8	7.8	7.8
	Neutral	88	25.6	25.6	33.4
	Agree	127	36.9	36.9	70.3
	Strongly agree	102	29.7	29.7	100.0
	Total	344	100.0	100.0	

The results in table 4.6 was used to achieve answers for this objective as it indicated that there is no significance of level of investment in the performance of the small business in agency banking. When bank official were asked if the level of investment by the small business affect the growth of their business they unanimously said yes. This was cross tabulated with the effect of the type of investment and out of the 10 bank respondents 6 of them said that the level of financial investment by the small businesses affect their growth in the business. Table 4.4.1 below shows the results

Table 4.4.1 significance of type of investment to the growth of small businesses

Count		What type of resources in the agency business by the agent affects the business growth			Total
		Financial resources	Human Resources	Others (please specify)	
Does the level of resources investments by the agent in the agency business affected business growth	yes	6	1	3	10
Total		6	1	3	10

4.3.5 Management ability

To establish the management ability of the small business the researcher asked how the operations of their core business has affected how they carry out agency banking business and table 4.5 shows that 62% agree that operations have been affected while 4% strongly disagree.

Table 4.5 Operations of agency banking business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	15	4.4	4.4	4.4
	Neutral	51	14.8	14.8	19.2
	Agree	213	61.9	61.9	81.1
	Strongly agree	65	18.9	18.9	100.0
	Total	344	100.0	100.0	

4.4 Influence of strategic partnership on performance

The type of business in this research was a categorical variable, hence to determine the relationship between the type of business and performance of the small business in the strategic partnership with Equity bank the researcher used multiple regression. Statistical significance at 95% confidence level was tested for the various correlation coefficients. First the researcher ran the equation to determine the relationship between the performance and level of interaction, level of investment, management ability and perceived quality as demonstrated in the conceptual frame work.

Table 4.6 Relationship between the various research variables and performance

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1.434575699	0.399579881	3.590210035	0.000379196
Level of interaction	-0.098311583	0.079605092	-1.234991139	0.217689071
Level of investment	0.087742279	0.049752002	1.763592944	0.078701304
Perceived quality	0.563517986	0.046542435	12.10761726	2.74893E-28
Management ability	0.110363525	0.093737938	1.177362413	0.239876817

Table 4.6 indicates that perceived quality of a strategic partnership with a large business is significant to the performance of the small business this is because the p-value is less than 0.05 (critical level of significance). The level of investment, level of interaction and management ability of the small business are all not significant to the performance of a small business which is in a strategic partnership with a large business. To find out the relationship between the type of business that the small business engaged in and its influence on performance in the strategic partnership the researcher ran the equation for the six types of businesses quoted in the questionnaire which include; financial, agricultural, technology based, manufacturing, retailing and services.

Table 4.6.1 Factors affecting performance of businesses in finance

Regression Statistics	
Multiple R	0.473412413
R Square	0.224119313
Adjusted R Square	0.171517232
Standard Error	0.742630418
Observations	65

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	3.086192302	0.412492	7.481824	4.1285E-10
LI	-0.63074648	0.226125	-2.78938	0.007099514
INV	0.042368483	0.165508	0.25599	0.798848767
PQ	-0.100388794	0.128249	-0.78277	0.436894729
MA	1.038786534	0.28142	3.691234	0.000489025

Tables 4.6.1 demonstrate that management ability of the small business owner is significant to the performance of the business in a strategic partnership with a large business this is because its p-value is lower than 0.05 unlike those of level of interaction, perceived quality and level of investment.

Table 4.6.2 Factors affecting performance of businesses in Agriculture

Regression Statistics	
Multiple R	0.606049245
R Square	0.367295688
Adjusted R Square	0.314570329
Standard Error	0.607517502
Observations	53

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1.710911519	1.37361	1.24555881	0.218972331
LI	-0.498487506	0.28126	-1.77233766	0.082685238
INV	0.028692094	0.15945	0.179944022	0.85795404
PQ	0.923262631	0.176175	5.24060108	3.53601E-06
MA	0.110570741	0.347831	0.317886565	0.751949854

Small businesses that are engaged in agriculture and are Agency banking services providers, said that perceived quality of the strategic partnership is significant to how they perform in the strategic partnership this because as compared to other factors perceived quality had a p-value of less than 0.05 which is the critical level of significance, as indicated in table 4.6.2 above.

Table 4.6.3 shows the significance of perceived quality, level of interaction level of investment and management ability of small businesses in partnership with large businesses. For businesses that are technological based, none of these factors affect their performance in the strategic partnership with a large business.

Table 4.6.3 Factors affecting performance of businesses in technology based

Regression Statistics				
Multiple R	0.377935			
R Square	0.142835			
Adjusted R Square	0.044873			
Standard Error	0.559344			
Observations	39			
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	2.302717	1.509234938	1.525751105	0.136058584
LI	-0.03839	0.240466537	-0.159638841	0.8740833
INV	-0.10043	0.151992645	-0.660787095	0.513075073
PQ	0.367854	0.19300708	1.905909962	0.064901156
MA	0.220668	0.339088444	0.650769465	0.51944503

Table 4.6.4 demonstrate that small businesses in manufacturing who were involved in this study do not feel that level of interaction, level of investment, perceived quality or even their management ability is significant to their performance with a large business this is because the p-values for this factors are all above 0.05.

Perceived quality is a significant factor to the performance of small businesses that are engaged in retailing and are in strategic partnerships with large businesses, its p-value is lower than 0.05 while other factors like level of interaction, and management ability and level of investment all have p-values above the critical level of significance. Table4.6.5

Table 4.6.4 Factors affecting performance of businesses in manufacturing

Regression Statistics	
Multiple R	0.694125
R Square	0.481809
Adjusted R Square	0.359882
Standard Error	0.402626
Observations	21

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	3.884826	1.161179	3.345587269	0.003833389
LI	0.496584	0.290628	1.708655652	0.105706722
INV	0.347457	0.152511	2.278236282	0.03591155
PQ	0.337096	0.146226	2.305306911	0.034024532
MA	-1.14238	0.382318	-2.988039624	0.008262659

Table 4.6.5 Factors affecting performance of businesses in retailing

Regression Statistics	
Multiple R	0.63414
R Square	0.402134
Adjusted R Square	0.379139
Standard Error	0.555552
Observations	110

	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	1.573788744	0.631527441	2.492035407	0.014280777
LI	-0.179777267	0.135833645	-1.323510592	0.188567748
INV	0.145244658	0.0873911	1.662007446	0.099522687
PQ	0.592131208	0.081928682	7.227398166	8.54464E-11
MA	0.085125237	0.128291831	0.663528117	0.508460561

Table 4.6.6 establishes that perceived quality is significant in the performance of small businesses that are engaged in services and are in strategic partnerships with large businesses. Level of interaction, level of investment and management ability are not significance according to these small business owners.

Table 4.6.6 Factors affecting performance of businesses in services

Regression Statistics				
Multiple R	0.63329			
R Square	0.401056			
Adjusted R Square	0.35408			
Standard Error	0.552579			
Observations	56			
	Coefficients	*Standard Error*	*t Stat*	*P-value*
Intercept	0.421924029	1.141897547	0.36949377	0.713289525
LI	0.118228282	0.218857857	0.540205792	0.591406446
INV	0.09461395	0.128508701	0.736245478	0.464954435
PQ	0.590366652	0.116438196	5.070214699	5.59951E-06
MA	0.093836745	0.313465643	0.299352568	0.765887626

4.5 Impact of a strategic partnership on the small business

To determine the impact of a strategic partnership between a large business and a small business to the small business, the researcher asked the respondents how their businesses were performing before the strategic partnership and how they performed after the strategic partnership. Table 4.7 demonstrates the response before the partnership and table 4.7.1 demonstrates performance after the strategic partnership

Table 4.7 Attitude of agents before the strategic partnership with equity bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	4	1.2	1.2	1.2
	Disagree	8	2.3	2.3	3.5
	Neutral	68	19.8	19.8	23.3
	Agree	231	67.2	67.2	90.4
	Strongly agree	33	9.6	9.6	100.0
	Total	344	100.0	100.0	

Small business owners who said that their businesses were doing well before they became Equity bank agency banking agents make up 67% as demonstrated in table 4.7 above. Small business owners whose businesses were not doing well before being Equity agents made up 1.2% and small business owners who said that their businesses were doing well after they became Equity bank agency banking agents made up 56% and 1% of small business owners strongly disagree that after being Equity bank agency banking agents their business are not doing well while 93% strongly agree that their businesses are doing well after being Equity bank agency banking agents, as indicated in table 4.7.1 . This indicates that being in a strategic partnership with Equity bank has had a positive impact on small business owners.

Table 4.7.1 Attitude of agents after the strategic partnership with equity bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.3	.3	.3
	Neutral	58	16.9	16.9	17.2
	Agree	192	55.8	55.8	73.0
	Strongly agree	93	27.0	27.0	100.0
	Total	344	100.0	100.0	

To understand if the frequencies in the table above represent the real attitudes of the agents in terms of the impact that the strategic partnership has had on their core businesses, the researcher carried out a chi-square with figures from table 4.7.2. The researcher used responses from agents on their performance before the strategic partnership with equity bank and after the strategic partnership; the sample was large hence it was divided into six groups of 40 and one with 36 respondents. Sums of each of the groups of forty were used to come up with observed responses for before and after as indicated in table 4.7.2, below formula was used

$$\chi^2 = \sum \frac{(\text{Observed Value - Expected Value})^2}{(\text{Expected Value})}$$

The CHITEST results was 0.985147018 this are much higher probability than 0.05 hence the researcher rejected the assumption that the strategic partnership has an impact on the small business's core business, performance of the core business is not dependent on the performance of agency banking business

Table 4.7.2 impact of strategic partnership to small businesses

df	Observed before	Observed after	Total	Expected before	Expected after
1	171	177	348	167.4740834	180.5259166
2	174	177	351	168.9178255	182.0821745
3	169	176	345	166.0303413	178.9696587
4	163	186	349	167.9553308	181.0446692
5	164	181	345	166.0303413	178.9696587
6	333	366	699	336.391909	362.608091
7	139	145	284	136.674252	147.325748
Total	1142	1231	2373		

4.6 Discussion of findings

Strategic partnerships between small businesses and large businesses are rare but increasing number especially in technological and experimental medicine based companies as mentioned by sharon & Barney (2001). This is the base for this research, to find out how small businesses are affected by these strategic partnerships with large businesses. From the results of this study small businesses can benefit from a strategic partnership with a large business and the large business can benefit from it as well. This is because the results from questions asked to the bank officials and small businesses on the nature of the partnership all support that the strategic partnership is mutually beneficial and both are achieving their objectives of forming the partnership.

Small businesses need to be clear and understand what they want to gain from a partnership with a large businesses before joining the strategic partnership, this research has proved that perceived quality affects the performance of the small business hence before investing in the strategic partnership a small business owner needs to know the exact benefits this will have on his or her business. Communication is important for any relationship in business and with the dynamic market today, the small business should always be informed of new technology and trends in the market. Eisenhardt & Schoonhoven (2001) discusses communication as very important in a strategic partnership with large businesses, this research found out small businesses interaction with the large business does not affect their performance but the large business responded that it affects how the small business performance hence it is prudent to conclude that small businesses in partnerships with large businesses should interact often with their partners to ensure they benefit from the reach of the large business in the market.

Small businesses in partnership with large businesses in a contractual basis like in the case in this research where the large business only partners with the small business in the distribution part only, where the bank has invested in agency banking and the small businesses has also invested in agency banking. Small businesses in this type of partnership should be careful to separate their core business from the business that they have partnered with the large business; this is because from this research it is clear that the small businesses core business is not affected by the growth or otherwise of the agency business. In the study by sharon & Barney (2001) some small businesses felt that they were taken advantage of by the large businesses when the large businesses gave them strict deadlines and a lot of responsibilities which took them away from their regular business and they ended up investing a lot of money and time to meet these deadlines and in the process neglecting their own businesses. This reflect on the management ability which from this study has been proved important but did not prove significant in the performance of the small business in strategic partnership with large businesses.

A relationship between a small busines and large business can be a symbiotic one sustainable as the one betweenn Equity bank has formed with its agents agross Kenya, Tanzania and Rwanda.

Where the bank has been able to reduce queues in its banking halls, reach more people in these countries hence increasing its market base and increased profits. On the other hand the small businesses have benefited from association to a triple A rated company in the region, incresed revenue and customer base and additional revenue stream for expansion of their own businesses or investment in other businesses.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the research summary, conclusion, limitations and recommendations in line with set objectives and research question, as well as suggests areas for further studies.

5.2 Summary

This study set out to find out the influence that strategic partnership between small businesses and large has on performance especially the performance of small businesses. The type of business was one of the influences that was investigates to identify its effect on the performance of the small business, but from the p-values of the correlation coefficients of the six types of businesses that Equity bank agents are engaged in around Nairobi county, it was evident that type of business does not affect their performance in agency banking.

The level of investment, level of interaction and management ability in the strategic partnership were the other influences on performance that were measured but also their p-values did not prove significant to influence the performance of a small business in a strategic partnership with a large business. What proved significant was the small business's perceived quality of the strategic influence. Therefore a small business's view of the gains small business owner gets from forming a strategic partnership with a large business was found to influence their performance in the strategic partnership with a large business.

The large business was found out to be benefiting from the partnership with the small business and was convinced that the small businesses were also benefiting from the joint program partnership. This is because all the 10 respondents from Equity bank agency banking department unanimously said the partnership is mutually beneficial. Further, the bank staff responded that small businesses who invest more financially in their agency outlets experience growth more than those who do not invest. And, for the agents who are closer to the bank branches interact more with the bank that those further away from the bank. This indicates that large businesses unlike small businesses in strategic partnership see regular interaction and high investment in the strategic partnership as influencing factors to the performance of the small businesses.

The results of the chi-square test demonstrated that there is no relationship between the performance of the small business core business and the growth or otherwise of the business they have partnered with a large business. For example a small business owner with a salon and is an Equity bank agent, might make losses in the salon and it won't affect the agency business with Equity bank. This is to show that small businesses can grow the agency businesses but this growth has no effect on their own core business growth.

5.3 Conclusion

In the current competitive market a strategic partnership between a large and a small business is a way of introducing the large business to new markets and innovative ideas while small businesses get market legitimacy and financial support to expand their customer base and ensure growth Buckles (2011). This is possible to achieve as demonstrated by the Equity bank agency banking model, where the bank has benefited from the strategic partnership as well as the small businesses who are their agents. This type of partneship is affected by various factors as discussed in chapter two of this study and especially for small businesses, the level of investment, level of interaction, management ability and perceived quality affect the peformance of the small business but from the finding the perceived quality of a business owner affects the peformance of the business more than the other factors. Therefore to conclude this partnership is a good option for large businesses as well as small businesses to enable them gain competitive advantage in the market but small businesses should join these pernerships well informed of the challenges they might encounter and have clear goals and startegies of making sure they achieve them.

5.4 Recommendations for policy and practice

This reserch has shown that small businesses have benefited from this strategic partnership with Equity bank and hence the regulators should allow agents to provide more services so as to allow them earn more profits from the agency businesses. These agents with experience in providing banking services should approach other organisations for example Insurance companies and micro finance institutions to offer their business outlets for supply of their products. This will allow growth in prominence of partnership between large businesses and small businesses in the country hence reducising acquisitions of small businesses by large businesses.

Small businesses in agency banking could come together and form an association to allow them exchange best practises, learn from each other and have officials whose main duties would be to ensure that small businesses get the best out of the partnership with the large business.

5.4.1 Recommendations for further research

Equity bank agency banking has been in existance for four years, hence it is a fairly new concept which keeps changing due to market needs and growth from this partnership. There is a need for this startegic partnership to be studied especially as regulations of operations by the agents do not come from Equity bank but from the central bank who don’t have any relationship with the agents but make the rules and regulations for them. This could be an area that affects the performance of the agents hence a need to study this area. This study was carried out in an urban city and the level of awareness of the law and business is high among business people unlike in the rural areas hence an area of further study is to carry out research on small business ownwers who are in partnership with large businesses but in the rural area.

5.5 Limitations of the study

Lack of adequate cooperation from the respondents was a serious limitation faced by the researcher especially on issues that required information of earnings from agency business; hence the measures used in this study to measure performance were not exhaustive. The questions relating to measure of performance were restructured to be general growth and not specific numbers.

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APPENDIX B

QUESTIONNAIRES FOR EQUITY BANK AGENCY BANKING AGENTS

Instructions

Please tick in the appropriate box and fill in the blank spaces provided for those questions where descriptive answers are required. You are requested to complete this questionnaire as honestly and objectively as possible.

Section A: General information

1. Profile of the agents
   I. Gender
      - ☐ Male
      - ☐ Female

   II. Age
      - ☐ 18-29 years
      - ☐ 30-41 years
      - ☐ 42-53 years
      - ☐ 54- above

   III. Level of education
      - ☐ None
      - ☐ Primary
      - ☐ Secondary
      - ☐ Tertiary

2. What sector is the type of business you are engaged in
   - ☐ Financial
   - ☐ Agriculture
   - ☐ Technological based
   - ☐ Manufacturing
   - ☐ Retailing
   - ☐ Services (kindly specify)……………………………………………………..

Section B: Factors affecting strategic partnerships

Dear respondent, I would like you to answer the following questions using the values 1 to 5 as they are indicated below.

Strongly agree	**agree**	**neutral**	**disagree**	**Strongly disagree**
5	4	3	2	1

No	**Item**	**5**	**4**	**3**	**2**	**1**
Type of business						
1	There is a relationship between my core business and agency banking business					
2	Operations in my core business affects how I carry out agency banking					
3	Agency banking has improved how I carry out my core business					
4	The sector my core business is in affects how I operate Agency Banking					
5	My core business allows me to identify areas of improvement on Agency banking					
6	My core business allows me to remain relevant in the partnership with Equity					

	Bank					
	Item	**Strongly agree**	**agree**	**neutral**	**disagree**	**Strongly disagree**
Level of interaction						
7	I interact often with Equity Bank on agency business					
8	I initiate interaction with Equity bank more often than Equity Bank initiates interaction with me					
9	It is easy to interact with Equity Bank on Agency banking business					
10	I am comfortable with how often I interact with Equity Bank					
11	The distance from my branch enables frequent interaction with Equity Bank					
Investment in agency banking						
12	I made a big investment in the agency banking business					
13	My investment in human resources is big					
14	My investment in technology is big					
15	My investment in training is big					
16	The size of my investment in agency banking is important to operations of the business					

Perceived quality of the partnership						
17	Before the strategic partnership with Equity bank my business was doing well					
18	After the strategic partnership with Equity bank my business is doing well					
19	I am happy in my relationship with Equity Bank					
20	I would recommend Equity Bank Agency Banking to other small businesses in the region					

APPENDIX C

INTRODUCTORY LETTER

Vivian Nasieku Kudate ,
P.O. BOX 101389 -00101
Nairobi.

To ______________________________

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Dear Sir/Madam,

RE: REQUEST FOR ASSISTANCE FOR MSc. RESEARCH PROJECT

I am a post graduate student in the School of Business, University of Nairobi pursuing a Masters of Science Entrepreneurship and innovations management. In order to fulfill the degree requirements, I am currently undertaking a management research project on Influence of strategic partnership between small and large business on performance. Your agency banking model is a good example of this strategic partnership and hence I would highly appreciate if you would assist me by according me an appointment to come and administer questionnaires to few of your staff and agents around Nairobi County. Please be assured that the information I will collect is strictly for academic purposes. Your assistance will be highly appreciated.

Thank you.

Yours sincerely,

Vivian Kudate