

**CHALLENGES OF STRATEGIC ALLIANCES IN KENYA COMMERCIAL  
BANK GROUP LIMITED**

**BY**

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**DECLARATION**

This research project is my original work and has not been presented for a degree in any other university or college for examination or academic purpose

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This research project is submitted for examination with my approval as university supervisor.

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## **DEDICATION**

This research project is dedicated to my my daughter Elsie Njeri and my husband Edward Kinyua. I wish to further dedicate the study to my University and all the staff I interacted with, who have made this opportunity possible.

## ABSTRACT

Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market and are increasingly becoming popular in the business world. To achieve competitive advantage, firms need to combine their assets and capabilities in a co-operative policy. Financial institutions are increasingly seeking partnerships such as strategic alliances to enter new markets, obtain new skills, and share risks and resources. This study sought to investigate challenges facing strategic alliance in KCB group limited. The study use case study as it involves a careful and complete observation of social units. The design is deem fit to portray clear pictures of challenges of strategic alliances in KCB group. Primary data was collected using interview guides which consist of open-ended questions. The interviewees of this study were the 15 senior staff working at KCB group, who were managers across all departments in the bank. The data which was qualitative in nature was analyzed using conceptual content analysis which is best suited method of analysis. The study concluded companies faced impediments when formulating a strategic alliance such as lack of trust , different priority interest of the companies, failure by top management to be committed towards strategic alliance and failure by management to allocate sufficient resource towards strategic alliance formulation, legal and regulations for commercial undertakings, different priorities of companies that were seen as competitors, poor relationship between companies and failing to properly understand the values and assumptions of formation of strategic alliance also hindered formulation and hence growth strategic alliance between banks and mobile telecommunication companies. The study concluded that customers plays a role in the growth of strategic alliance in mobile banking service as they provided offering feedback of their experience of the mobile banking services offered by the companies so that companies could then utilize the feedback to enhance strategic alliance, customer acceptance of strategic alliance mobile banking services and willingness to uptake mobile banking services from the firms that partnered hence motivating the companies to be committed to success strategic alliance. The study concluded that companies could improve growth of the strategic partnership between companies and other players through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules, designing of good model s of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market. The study recommends that management of firms should focus on promoting positive corporate culture through improving on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies. The study recommend that management of firms should focus on minimizing impediments facing strategic alliance and promote trust among the firms, eliminate differences in priority interest of the companies, improve top management support and committment toward strategic alliance and allocate sufficient resource toward strategic alliance formulation.

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## **LIST OF ABBREVIATION**

ATMs Automated Teller Machines

CBK- Central Bank of Kenya

MTS-Money Transfer Services

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

Strategic alliances are agreements between two or more firms to do business together due to intense global competition, rapid changes in technology, demanding consumers and other pressures (Rothaermel & Boeker, 2008). Strategic alliances are increasingly becoming popular in the business world. To achieve competitive advantage, firms need to combine their assets and capabilities in a co-operative policy that is termed as alliance. Collaboration among firms have become a key source of competitive advantage for firms and have allowed them to cope with increasing organizational and technological complexities and help firms strengthen their competitive position by enhancing market power, increasing efficiencies, accessing new or critical resources or capabilities and entering new markets (Chen, 2003). Partnering with other firms creates 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 advantage (Kuratko et al, 2001). Financial institutions are increasingly seeking partnerships such as strategic alliances to enter new markets, obtain new skills, and share risks and resources (Todeva and Knoke, 2005).

The study will be grounded on resource dependency theory and transaction cost theory. The resource dependency theory states that firms have specific resources but that few firm's are self sufficient in these resources and therefore must depend on others for important resources (Glaister, 1996). Transaction cost theory suggests that companies form alliances in order to minimize their costs and/or risks. Forming a strategic alliance represents

an internalization process for a firm, thereby removing it from the price vagrancies of the market place, accompanying negotiation and risk. Thus, forming an alliance represents one way a firm adapts to an uncertain world. The financial institutions seemed to prefer non-equity strategic alliance to all other forms of partnerships (Kogut, 2008). Both resource dependent and transaction theory propose that firms form strategic alliances as a strategy of overcoming challenges and improving on their performance.

The theoretical review confirmed that strategic alliances have become a necessity rather than a choice in today's turbulent business environments the new business opportunities ranging from, gaining competitive advantage, reduce rate of competition, controlling interest in other firms and increase survival opportunities. Despite the increasing number of strategic alliances and their popularity, the rate of failure has also been remarkable. High failures rates of financial alliances have been associated with various forms of risk factors, arising from inter-bank relations, firm capacity and firm-environment interaction (Long & Zhai, 2010).The failure rates in alliances have been attributed to lack of cooperation, conflict, poor information exchange and opportunistic behavior. The resultant behaviour of trust, control and risk inherent determines the alliance performance (Smith, 2003).

Kenya Commercial bank group Limited has entered into strategic alliances with other firms such as Visa and Mastercard to issue debit cards. This is as results of globalization, increase uncertainties and stiff competition from local banks, foreign banks, microfinance institutions, credit unions and telecommunication companies who have recently

implemented a money transfer system that enables users to store money on their phones. However, the bank has experience alliance failures to some extent indicating that there intricate issues that have to be handled very well in alliances if they are to grow to maturity to achieve the initial objectives set for them.

### **1.1.1 Strategic Alliances**

The term strategic alliance refers to partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that have similar objectives (Smith, & Barclay, 1997). A strategic alliance is a formal and mutually agreed partnership arrangement between two or more enterprises or organizations. The partners pool resources together, exchange and/or integrate selected resources for mutual benefit while they remain separate and entirely independent from each other. It is a cooperative arrangement which enables partners to achieve goals together that they could not achieve alone. Strategic alliances are viewed as mechanisms for producing a more powerful and effective mode for competing in a globalized world (COPAC, 2000).

Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. However, strategic alliances can take different forms and as such are not limited to commercial spheres alone. It can be an alliance of strong partners who are direct competitors, alliance between strong and weak partners, alliance between those who are weak and seek to gain power, between complimentary equals, or even a merger that results in formation of a new organization

altogether. The main goal of alliance is to add value with different focuses on trade, competence, information/knowledge acquisition or overcoming barriers (Gomes, 1996).

Strategic alliances are therefore partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial to the parties. These strategic alliances present enormous potential to a business. A strategic alliance is an agreement between firms to do business together in ways that go beyond normal company to company, but fall short of a merger or a full partnership (Wheelan and Hungar, 2000).

### **1.1.2 Banking Sector in Kenya**

The Banking Sector is composed of the Central Bank of Kenya, as the regulatory authority and the regulated; Commercial Banks, Non-Bank Financial Institutions and Forex Bureaus. Kenya's banks like other organizations are open systems operating in a turbulent environment; their continued survival depends on the ability to secure a "fit" with the environment. Banking in Kenya is estimated to have started around 1896 with the National Bank of India opening its first branch. This was followed by Standard Bank of South Africa, now Standard Chartered Bank opening its first branches in Mombasa and Nairobi in 1911. According to Ojung'a (2005) the Kenya Commercial Bank was established in 1958 after a merger between Grindlays Bank of Britain and the National Bank of India. The Cooperative Bank of Kenya was established by a group of farmers in 1965 with the mandate of providing financial services to Co-operative societies. This was followed three years later by the establishment of National Bank of Kenya. The banking sector in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines issued by the Central Bank of Kenya. The

Prudential oversight is exercised by the Central Bank of Kenya, the Nairobi Stock Exchange and the Capital Markets Authority. Liberalization of the banking sector started in 1995 where exchange controls were subsequently lifted. There are 44 commercial banks in Kenya. The largest in terms of market share by deposits as at 2011 are Kenya Commercial Bank, Barclays Bank, Co-operative Bank, Standard Chartered Bank, CFC Stanbic Bank, and Equity Bank in that order (CBK, 2012)

### **1.1.3 Commercial Banks in Kenya**

Commercial Banks are licensed and regulated financial institutions pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. As a result there was heavy reliance on traditional branch-based delivery mechanisms in retail banking, with little pressure for change (CBK, 2012).

Kenya currently has 43 licensed commercial banks and one mortgage finance company. Of these 43 institutions, 31 are locally owned and 12 are foreign owned. Citibank, Habib Bank and Barclays Bank are among the foreign-owned financial institutions in Kenya. The government of Kenya has a substantial stake in three of Kenya's commercial banks. The remaining local commercial banks are largely family owned. Commercial banks in Kenya accept deposits from individuals and turn a profit by using the deposits to offer loans to businesses with a high interest rate. Players in this sector have experienced

increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (CBK, 2008). Financial systems innovations include RTGS, a Kenya Electronic Payment and Settlement System in which both processing and final settlement of fund transfer transactions take place on an item by item (gross) basis continuously throughout a business day. It is an on-line system that facilitates the transfer of high value and/or time critical payments between participants in real time and aims at enhancing efficiency by reducing inherent risks in traditional payment System such clearing house (CBK, 2013).

### **1.1.3 Kenya Commercial Bank Group Limited**

The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlay's Bank merged with the National Bank of India to form the National and Grindlay's Bank. Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlay's Bank in an effort to bring banking closer to the majority of Kenyans. In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. In 1997, another subsidiary, KCB Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading (KCB, 2013). To be the preferred financial solutions provider in Africa with a global reach, in May 2006 KCB extended its operations to Southern Sudan to provide conventional banking services. The subsidiary has 19 branches. The latest addition into the KCB Family came in November,

2007 with the opening of KCB Bank Uganda Limited which has 14 branches. In December 2008 KCB Rwanda began operations with one branch at Kigali.

The Kenya Commercial Bank has a wide branch network of 219 outlets, an ATM network of 325 Automated Teller Machines including Pesa Point and KenSwitch partnerships with operations in Kenya, Tanzania, Uganda, Rwanda, Burundi and South Sudan. KCB group forms non-equity strategic alliances aimed at providing better service solution for the bank's customers (KCB Bank, 2013). For instance, M-Karo is a licensing agreement with Safaricom's Mpesa to enable clients to pay school fees directly into schools' bank accounts using the mobile money transfer platform. The bank entered into a franchising agreement with Visa and Mastercard to issue debit cards, credit cards and prepaid cards to clients. The bank also had an outsourcing agreement with Tracom for card acquiring business where the bank provided point of sale (POS) to merchants. The bank entered into Mobile phone banking alliance with CEVA a world's leading organization where clients can transfer money through mobile phone to any network in Kenya and globally.

## **1.2 Research Problem**

Effective strategic alliance management is a crucial challenge for alliances to survive and achieve common goals. Banks are becoming less self-sufficient and their survival largely depends on successful strategic alliances and co-operation with others. As a result, the number and pace of strategic co-operations between banks in the Money Transfer Services (MTS) are increasing significantly and managers in this field, directly or



indirectly, are facing issues related to strategic alliances. However, despite the popularity and advantages associated with strategic alliances that have seen many banks rush to form strategic alliances, few have succeeded. It has been projected that the failure rate of strategic alliances could be as high as 70%. Arend and Amit, (2005) have shown that between 30% and 70% of alliances fail, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford *et al*, 2004).

The success of mobile phone money transfer systems in the Kenya led to a situation where many Kenyan banks considered mobile phone companies a threat to their business, despite the fact that mobile phone services did not act as a bank, nor did they store any received funds within the company but deposited them into a conventional banks (CBK, 2010). Most banks have form strategic alliances in direct response to competition and to reduce uncertainty about the future. For instances Kenya Commercial Bank has partnered with technology firms such as Kenswitch to increase the number of ATMs and telecommunication firms such as Safaricom for mobile banking and fee collection platforms (KCB,2013). Despite increase in strategic alliances in commercial banks in Kenya, bank alliance has not been successful.

Previous research studies had concentrated on influence of strategic alliances on organization competitiveness. Makau (2012) carried out the research effects of strategic alliances on competitiveness of firms focusing on Kenya Commercial Bank of Kenya. Rambo (2012) carried out a study to determine risk factors influencing the survival of

strategic alliances in Kenya and found that proportion of skilled staff, cost, information sharing level of trust among partners and integration of computers to support business activities influence adoption of strategic alliance in organization. Gitau (2012) carried out a study on the relevance of strategic alliance as a growth and survival strategy in non-governmental organizations focusing on a case of world food programme, Kenya. From the findings, the study established adaptation of strategic alliance enhances the management of the organization structure and timing, increases organizational learning, decreases risk and uncertainty facing the organization and also enhances cost advantages Kaguru (2014) carried out a study on implementation of strategic alliance strategy at the University of Nairobi. The study's results suggested that the University of Nairobi has formed over 30 strategic alliances with the alliance partners from academic and non academic institutions. The alliances have been driven more by globalization of markets, student exchanges, government sponsorship and future employments for students. There is no known study that has focused on challenges facing strategic alliances in commercial banks. This study therefore sought to fill this knowledge gap by investigating challenges facing strategic alliance in KCB group limited by answering the following questions,

- i. What are the strategic alliance practices adopted by KCB group?
- ii. What are the challenges facing strategic alliances in KCB group Limited?

### **1.3 Research Objectives**

The objectives of this study were:

- i. To determine the strategic alliance practices adopted by KCB group Limited.

- ii. To determine the challenges affecting strategic alliances adopted by KCB group limited.

#### **1.4 Value of the Study**

The study will be significant to various parties. The commercial bank management will gain insight on area challenges that are affecting effective strategic alliances in the banking sector. This will influence management formulating strategies that will enhance successful strategic alliance. Kenya Commercial Bank and other commercial banks may be enlightened on the important factors to consider while forming strategic alliances in the highly competitive banking industry. This information may help them in partnering with the right kind of partners to foster their competitive advantage and performance in the market.

The government and CBK may also find this information useful in formulating policies that may better guide the type of alliances and considerations before a firm decides on such cooperation. This is because as the financial sector grows the government has to come up with policies that address the various challenges within the sector so as to facilitate faster growth with minimum drawbacks.

The study will be significant scholars and researchers. Research in the various components in this area may help to unearth hitherto unknown information that may go a long way in facilitating further understanding of the factors that hinder successful formation and implementation of strategic alliances .It might also contribute to the existing body of knowledge and fill in the gap on the challenges facing strategic alliances among banks. It may also act as a source of reference materials to scholars.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The materials are drawn from several sources which are closely related to the theme and the objectives of the study. This chapter addresses the theoretical foundation of the study, type of strategic alliances, reasons for strategic alliances, strategic alliances practices and challenges of strategic alliances.

#### **2.2 Theoretical Foundation**

Resource dependency theory states that firms have specific resources but that few companies are self sufficient in these resources (Glaister 1996), and therefore must depend on others for important resources. A deficiency in one or more strategic resource that core competencies is seen as the driving force for collaboration and a means of reducing uncertainty and managing this dependency.

The resource dependency based view suggests that valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney, 1991; Peteraf, 1993). Thus, the trading and accumulation of resources becomes a strategic necessity. When efficient market exchange of resources is possible, firms are more likely to continue alone and rely on the market. Thus, the resource dependency theory view

considers strategic alliances as strategy used to access other firms' resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm ((Eisenhardt & Schoonhoven, 1996). An increasing number of organizations are coming together to address complex societal issues.

Transaction cost theory views contracts as governance structures for managing relationships between commercial parties. Market governance is efficient when transactions are relatively standardized and straightforward (Williamson, 1985). Transaction cost theory (TCT), or transaction cost economics (TCE), has become an increasingly important anchor for the analysis of a wide range of strategic and organizational issues of considerable importance to firms (Madhok, 2002). In particular, the TCT has been adopted in explaining firms' boundaries, vertical integration decisions, the rationale for conducting an acquisition, the networks and other hybrid governance forms.

The main focus of TCE is the determinants of coordination of the transactions through markets or hierarchies in alliance process (Joskow, 2008). In this sense, the boundaries of the firm should be a function of the governance structure (Williamson, 2005), especially when management consider that this governance structure would assure the optimal adaptability of the firm to changes in the conditions of supply and demand. One important aspect of TCE is that it focuses not only on the two extremes of transaction governance, but also on other hybrid forms and long term contracts. Thus, market governance tends to be chosen when the surplus value to both parties of continuing their

contractual relationship is relatively low. At high levels of specific investment firms have a great deal to lose if the relationship is terminated, so they will typically turn to integration to ensure against the possibility of opportunistic behavior by an exchange partner. Williamson (1991) identifies administrative controls, autonomous versus coordinated adaptation; incentive intensity and dispute resolution are the key tradeoffs between strategic partners.

Without a basis for trust and healthy inter-personal connections between people, strategic alliances will not have a solid foundation on which to stand. According to Bailey and Koney (2000), although strategic alliance research focuses on organizations, the implementation of inter-organizational efforts has as much to do with individual relationships. For this reason, it is important to emphasize the human elements of the process (Austin, 2000). Trust is only developed between partners when there is time, effort and energy put into the development of an accessible and functioning system for communication, and interpersonal conflict needs to be recognized as normal and even expected as the level of integration and personal involvement increases.

### **2.3 Types of Strategic Alliances**

There are a lot of types of strategic alliances. A joint venture is an agreement by two or more parties to form a single entity to undertake a certain project. Each of the businesses has an equity stake in the individual business and share revenues, expenses and profits. Joint ventures between small firms are very rare, primarily because of the required commitment and costs involved. The other type of alliance is affiliate marketing which

has exploded over recent years, with the most successful online retailers using it to great effect. The nature of the internet means that referrals can be accurately tracked right through the order process. Amazon was the pioneer of affiliate marketing, and now has tens of thousands of websites promoting its products on a performance-based basis.

Technology licensing alliance is a contractual arrangement whereby trademarks, intellectual property and trade secrets are licensed to an external firm. It is used mainly as a low cost way to enter foreign markets. The main downside of licensing is the loss of control over the technology as soon as it enters other hands the possibility of exploitation arises. Similar to technology licensing is product licensing except that the license provided is only to manufacture and sell a certain product. Usually each licensee will be given an exclusive geographic area to which they can sell to. It is a lower-risk way of expanding the reach of your product compared to building your manufacturing base and distribution reach.

Strategic alliance through franchising is an excellent way of quickly rolling out a successful concept nationwide. Franchisees pay a set-up fee and agree to ongoing payments so the process is financially risk-free for the company. However, downsides do exist, particularly with the loss of control over how franchisees run their franchise. Strategic alliances based around R&D tend to fall into the joint venture category, where two or more businesses decide to embark on a research venture through forming a new entity. There are also distribution relationships alliances. This is perhaps the most common form of alliance used especially use in banking sector. Strategic alliances are

usually formed because the businesses involved want more customers. The result is that cross-promotion agreements are established

## **2.4 Reasons for Strategic Alliances**

Strategic alliances are formed for a variety of reasons. In this period of advanced technology and global markets, implementing strategies quickly is essential. Forming alliances is often the fastest, most effective method of achieving objectives hence goals of the alliances should be compatible with their existing businesses so their expertise is transferable to the alliances. Economic factors have been identified as the key reason why firms partner in strategic alliances. Companies find cooperative strategies more and more important for economic success. Technology based firms and those that are capital intensive are more eager to form alliances to ensure success. It is not practical for many firms to acquire technology fast enough on their own and therefore partnering is considered essential (Kelly et al, 2002). Strategic alliances are therefore expected to enable firms enter new markets more quickly and to create value that they could not develop by acting independently among other benefits. Cooperative strategies are hailed as profitable and large firms are noted to account for more than 20 percent of the revenue from strategic alliances. Dent (2001) has predicted that in the near future strategic alliances will account for as much as 35 percent of revenue for most companies in developed economies.

Achieving synergy and a competitive advantage may be another reason why firms enter into a strategic alliance. As compared to entering a market alone, forming a strategic



alliance becomes a way to decrease the risk of market entry, international expansion and research and development. 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.

Strategic alliances allows organization to pool capital or existing facilities to gain economies of scale or increase the use of facilities, thereby reducing manufacturing costs .Many organizations are driven to sell in more than one region or country because domestic sales volume is not large enough to fully capture manufacturing economies of scale or learning – curve effects and thereby substantially improve a firm's cost competitiveness. Alliances have also been formed by organizations with limited resources in terms of capital. A pool of resources between the two firms makes it easier to acquire the necessary machinery and in puts required enabling production in large scale and in effect reduction of production costs. By joining forces in components production/and or final assembly, organizations may be able to realize cost savings not achievable with their own small volumes. For instance, Volvo, Renault, and Peugeot formed an alliance to make engines together for their larger car models precisely because none of the three needed enough such engines to operate its own engine plant economically (Thompson *et al*, 2004).

Strategic alliances may also be formed to build jointly on the technical expertise of two or more companies in developing products technologically beyond the capability of the companies acting independently. In today's rapidly changing world, a company that

cannot position itself quickly misses important opportunities. Alliances are so central to Corning's strategy that the company describes itself as a network of organizations. Toyota Company has forged a network of long-term strategic partnerships with suppliers of automotive parts and components. A recent study indicates that the average large corporation is involved in around 30 alliances today, verses fewer than 3 in the early 1990's (Thompson *et al* 2004)

The need to eliminate the weaknesses that come with financial instability motivate firm to form in strategic alliance. Smaller organizations forming alliances with larger ones seek to access to capital. More potential is generally the out cropping of shared resources. Alliance relationships allow partners to share the financial risks associated with developing new products and entering into new markets.

## **2.5 Strategic Alliances Practices**

Strategic alliances practices are the result of collaboration between firms designed to foster competitive business and cooperative relationships (Uddin and Akhter, 2011). Strategic alliances allow partners to focus on what they can do best in order to provide value to customers. Strategic alliances answer various long-term strategies of a company. Not only the decision of whether or not to choose a strategic alliance, but also what type of alliance to choose depends on these strategies, the sector, the competitive position in the market, and the specific objectives the company wishes to achieve. It is logical to place the goals of a strategic alliance within the framework of the long-term strategies of a company, but this is easier said than done. Unforeseen needs or opportunities in the

long-term plans can arise. In addition, an alliance is rarely transplanted into a long term strategy exactly the way the company hopes it will be (Thompson et al 2004). The research of Booz Allen & Hamilton mentioned above identified the objectives of the alliance as one essential requisite for success. This is particularly valid when the partners are also competitors. There is no doubt that a plan is necessary.

Dissent lies in how to construct it, in that the path to an alliance is only in part definable a priori. Booz. Allen & Hamilton also recommend identification of the drivers of the alliance for the various partners. The drivers can be complementary, but not cover everything necessary for the success of the alliance. Some can overlap Some can be completely lacking. Planning the expectations, knowing those of the partners and incorporating them into the company's own plan for the alliance contribute to building trust among the collaborators. It also helps partially to anticipate the behavior of the partner in subsequent negotiations (Uddin and Akhter, 2011).

Given that the creation of value for the shareholders is a priority goal and given that the strategic alliance is generally very visible, the management must consider the realistic reaction of shareholders when evaluating the pros and cons of the project. When announcing the already decided or possible alliance, investors can react by making an evaluation of the agreement that could translate into a variation of value of the stock on the Market. The benefit of this variation is difficult to predict. Various other factors can also impact on the listing. The evaluation should not be limited to reaction of the investors, clients, suppliers and employees, but it should also include reaction of the

government, the local community, the banking system, unions and, not least of all, the authority that regulates competition.

Knowing the value of the opportunities that can be achieved with the alliance is an essential guide in negotiation and subsequent management of the alliance itself. Beyond the opportunities it is also necessary to examine the possible threats. Often alliances change the landscape of competition. They can then elicit reactions from the competitors, the authorities that discipline competition, and governments. The evaluation must therefore be repeated periodically. It is possible especially in the case of intervention by public authorities that the alliance has to be renegotiated on a different basis than originally decided. Contract negotiations involves determining whether all parties have realistic objectives, forming high calibre negotiating teams, defining each partner's contributions and rewards as well as protect any proprietary information, addressing termination clauses, penalties for poor performance, and highlighting the degree to which arbitration procedures are clearly stated and understood. Alliance operation involves addressing senior management's commitment, finding the calibre of resources devoted to the alliance, linking of budgets and resources with strategic priorities, measuring and rewarding alliance performance, and assessing the performance and results of the alliance.

## **2.6 Challenges of strategic alliances**

More and more companies undertake strategic alliances to improve their business performance, but many of them fail. The risks and problems facing strategic alliances

should be identified so that the companies can improve the performances. Risk sharing is the primary bonding tool in a partnership. What will happen if one company is successful and the other experiences a failure. A sense of commitment must be generated throughout the partnership. In many alliance cases one company will point the failure finger at the partnering company. Shifting the blame does not solve the problem, but increases the tension between the partnering companies and often leads to alliance ruin (Lewis, 1992).

Building trust is the most important and yet most difficult aspect of a successful alliance. Only people can trust each other, not the company. Therefore, alliances need to be formed to enhance trust between individuals. The companies must form the three forms of trust, which include responsibility, equality, and reliability. Many alliances have failed due to the lack of trust causing unsolved problems, lack of understanding, and despondent relationships (Lewis, 1992).

In today's business world, many strategic alliances are formed for the wrong reasons. This will surely lead to disaster in the future. Many companies enter into alliances to combat industry competitors. Corporate management feels this type of action will deter competitors from focusing on their company. On the contrary, this action will raise flags that problems exist within the joining companies. The alliance may put the companies in the spotlight causing more competition. Alliances are also formed to correct internal company problems. Once again, management feels that an increase in numbers signifies a quick fix. In this case, the company is probably already doomed and is just taking Many strategic alliances, another along for the ride (Kilburn, 1999). Although entered into

for all the right reasons, do not work. Dissimilar objectives, inability to share risks, and lack of trust lead to an early alliance demise.

Action taken by subordinates that are not congruent with top-level management can prove particularly disruptive, especially in instances where companies remain competitors in spite of their strategic alliance. If it were to happen that one company would go off on its own and do its own marketing and sell its own product while in alliance with another company it would for sure be grounds for the two to break up, and they would most likely end up in a legal battle which could take years to solve if it were settled at all.

On culture that were cultivated by the companies, the respondents indicated that this included work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies. These findings were similar to Ulijn et al (2010) who opined that corporate culture affected the success and the growth of strategic alliances between organizations.

Cultural factors such as language may be one of the biggest problems for the companies in strategic alliances. Kilburn (1999) pointed out that these cultural problems consist of language, egos, chauvinism, and different attitudes to business can all make the going rough. Problems can be particularly acute between a publicly quoted Western holding company, keenly focused on shareholders value and Japanese partners who have different priorities. Language barrier may be the first thing that can cause problems. It is important

for the integration of the staff from each of the partner into a coherent team. They should be able to communicate and understand each other well before they work together. In addition, there are many other barriers that could cause misunderstanding and conflicts, such as customs, habits, and personal relationship networks and so on. Besides the national culture, the organization culture inside the company can also cause problems. The firms face the problems with different ways of operation or management style. Businesses are run in different ways because of the cultural distance. There may be lots of conflicts when they work in a team.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. In this section the researcher identified the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the chapter has the following subsections which include, research design, target population, data collection and finally data analysis.

### **3.2 Research Design**

The study use case study as it involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. The design is deem fit to portray clear pictures of challenges of strategic alliances in KCB group.

This was a case study since the unit of analysis is one organization, KCB group. This is a case study aimed at getting detailed information regarding the challenges of strategic alliances in KCB group. According to Mugenda (2008), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events.

### **3.3 Data Collection**

The researcher collected primary data. Primary data was collected using interview guides. The interview guides consist of open-ended questions. The open-ended questions enabled



the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable better and more insightful information. The interview guides comprised of two sections. The interviewees of this study were the 15 senior staffs working at KCB group, who were managers across all departments in the bank.

### **3.4 Data Analysis**

The data which was qualitative in nature was analyzed using conceptual content analysis which is best suited method of analysis. Content analysis is defined by Nachmias and Nachmias (1996) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. The main purpose of content analysis is the study existing information in order to determine factors that explain a specific phenomenon. The content analysis was used to analyse the qualitative data that was collected using interview guide on challenges of strategic alliances in Kenya Commercial Bank Group Limited.

## **CHAPTER FOUR**

### **DATA ANALYSIS, FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents data findings from the field, its analysis and interpretations there-of. The data was gathered through interview guides and analyzed using content analysis. The data findings were on the challenges facing strategic alliances in commercial banks.

#### **4.2 Response Rate**

The study found that all 15 senior staffs working at KCB group projected to be interviewed were interviewed making a response rate of 100%. The commendable response rate was achieved after the researcher made frantic effort at booking appointment with the managers despite their tight schedules and making phone calls to remind them of the interview.

#### **4.3 Extent of Adoption of strategic alliances in KCB Bank Limited**

The interviewees were requested to indicate extent to which the bank has adopted the franchising, product licensing and technology licensing strategic alliance in the last 5 years. All fifteen interviewees stated that franchising has been a quick way to grow but franchise agreement was costly to prepare. Interviewees stated that the bank entered into a franchising agreement with Visa and Mastercard to issue debit cards, credit cards and prepaid cards to clients. Interviewees stated that non-equity strategic alliances such as licensing possibly favoured the bank because of the ever changing economic environment

coupled with uncertainty surrounding each business opera. This is in line with Sandelands (1994), who stated that strategic plan implementation have been highly fascinated by the strategic management discourse since the implementation of strategic plans and decisions have not been as successful as their designers expected.

#### **4.4 Factors that influence KCB group Limited entering into strategic alliance**

##### **4.4.1 Advance in technological development**

The interviewees were requested to explain how the advancement in technological development factor has influenced KCB group Limited entering into strategic alliance. Twelve interviewees explained that as competition has been very intense in the banking sectors, KCB has invested heavily in new technology through a partnership. A new generation of tech upstarts approaches the bank with financially-focused apps, software and systems. Startups in the financial technology field and KCB are having strategic alliance with the concerned companies to meet modern regulatory, digital and security challenges. On the other hand KCB gets technological advice and telecommunication technology network from Safaricom, with highly experienced engineers and communication masts countrywide, that facilitate faster communication and reliable money transfer through the phone. Interviewees from KCB bank acknowledged the efficiency and reliability of Safaricom's technical team, that shares skills and knowledge with their staff at all times to leverage on any technical hitch that may arise. This implies that in relation to advance in technological development the strategic alliance was used by KCB to build jointly on the technical expertise in giving out faster and reliable services in money transfer through the

phone and the ATM. This is in line with KCB, (2013) who stated that Kenya Commercial Bank has partnered with technology firms such as Kenswitch to increase the number of ATMs and telecommunication firms such as Safaricom for mobile banking and fee collection platforms.

#### **4.4.2 Economic force**

The interviewees were requested to explain how the economic force factor has influenced KCB group Limited entering into strategic alliance. Interviewees explained that KCB bank was increasingly loosing the privileged access to information about investment opportunities and was under pressure to merge and build alliances with domestic or foreign-owned banks and technology companies in order to share the costs and exploit the benefits of the development of new IT applications. Interviewees explained that KCB group Limited aims at venturing out into new lines of business that are different from the present operations by adding markets and services. This implies that banks have been forced to compete harder on price terms to respond to the competitive threat of new entrants but they have also responded to the changed environment by offering new products and by diversifying and expanding their activity in new markets. Dent (2001) who stated that has predicted that in the near future strategic alliances will account for as much as 35 percent of revenue for most companies in developed economies.

#### **4.4.3 Achieving of competitive advantage over rival**

The interviewees were requested to explain how achieving of competitive advantage over rival factor has influenced KCB group Limited entering into strategic alliance. Interviewees

from KCB group Limited explained that KCB group partner with Safaricom Ltd as it has a bigger market share in the telecommunication industry, hence to capture and encourage many Safaricom customers to use KCB services and thus get more knowledge of the banking industry. By combining the resources banks are now able to realize saving the cost of purchasing their own systems and machinery that are quite expensive to purchase and maintain. In essence the cost of maintenance of the ATM systems and communication network is quite expensive and thus the cost is shared effectively thus avoiding the overburden of doing it alone. This implies that KCB groups Limited have adopted strategic alliance with telecommutation companies such as Safaricom Ltd to gain competitive advantage in the mobile banking service in Kenya. This is in line with Dent (2001) who stated that achieving synergy and a competitive advantage may be another reason why firms enter into a strategic alliance, hence the company can increase its services in the market to enhance itself have a competitive edge compared to its competitors.

#### **4.4.4 Competition**

The interviewees were requested to explain how the competition factors has influenced KCB group Limited entering into strategic alliance. Interviewees explained that KCB that competition influence bank's interests in developing strategic alliances. KCB group Limited aimed to form strategic alliances which would foster their new ability to compete and intensify their competitive positioning. Interviewees explained that KCB reach their customers easily irrespective of the distance they reside. Similarly the area of operations of the companies would positively be increased which could be another advantage than can be enjoyed by the alliance partners. On the other hand KCB group Limited projected

that for them to stay abreast in the mobile banking competition; they saw a need to partner with Safaricom Ltd to open up the services. This implies that Interviewees strategic alliance with potential competitors provided more advantages to the companies. This is in line with Thompson *et al*, (2004) who stated that well established companies which have already been part of an industry would possess good client base. Upon the alliance agreement, the client base is shared by both the companies.

#### **4.4.5 Synergies**

The interviewees were requested to explain how the synergies factors has influenced KCB group Limited entering into strategic alliance. Interviewees explained that KCB has an incentive to alliance with banks with complementary businesses or banks and non-bank financial institutions in order to realize synergies from offering a wider range of financial services. The banks have a strong corporate customer base and wishes to expand into retail business. KCB has developed a number of strategic partnerships to distribute insurance products, conduct telephone banking and facilitate e-commerce. Cost savings can be expected from using information on existing customers to market other financial products, more efficient use of branches and physical inputs, extending a reputable brand name across a wider range of products, sharing investment departments and account service centres.

#### **4.4.6 Financial risk**

The interviewees were requested to explain how the financial risk factor has influenced KCB group Limited entering into strategic alliance. Interviewees explained that KCB bank adopting strategic alliance with other financial institutions to reduce risk. Interviewees

argued that in to relation strategic alliance there is more of sharing resources thus eliminating the concept of financial instability in times of recession. Strategic alliance gets the organizations closer to achievement of their goals, which is improved quality service delivery, profitability and increased market share. Interviewees vividly explained that the alliance was formed to share financial risk associated with developing new services and capturing a wider market. This implies that alliance relationships allow partners to share the financial risks associated with developing new products and entering into new markets. This is in line with Thompson *et al*, (2004) who stated that the need to eliminate the weaknesses that come with financial instability motivate firm to form in strategic alliance.

#### **4.4.7 Reason why the bank to enter into the alliance**

To the question on the main reason why the bank enter into the alliance(s), the interviewees cited that bank enter into the alliance for a variety of reasons, which include entering new markets, reducing manufacturing costs, developing and diffusing new technologies rapidly. Interviewees stated that the bank enter into alliance to realize saving the cost of purchasing their own systems and machinery that are quite expensive to purchase and maintain. In essence the cost of maintenance of the ATM systems and communication network is quite expensive and thus the cost is shared effectively thus avoiding the overburden of doing it alone. Alliances also are used by bank to accelerate product introduction and overcome legal and trade barriers expeditiously. The respondents from KCB bank appreciated the fact that Safaricom is brand name that many Kenyans associate with in relation to telecommunication companies are concerned. Strategic

alliance is a major boost for the KCB group Limited to be associated with the major player in the mobile industry, to sell and advertise its products effectively and easily. This implies that in this period of advanced technology and global markets, implementing strategies quickly is essential and forming alliances is often the fastest, most effective method of achieving objectives. This is in line with (Kelly et al, 2002) who stated that strategic alliances are expected to enable firms enter new markets more quickly and to create value that they could not develop by acting independently among other benefits.

#### **4.5 Whether the bank experience success in Strategic Alliance**

The study requested the interviewees to explain whether the bank has experience success in strategic alliance. Interviewees unanimously indicated that

KCB partnered with Brand Kenya Board as a major sponsor to establish the inaugural Kenya House at the Olympics and seized the London Olympics to market the service where Over 20,000 visitors visited the Kenya House in London and later in the USA which made it easier to market the Diaspora Banking to most of the East Africans present.

#### **4.6 Challenge of Strategic Alliances**

##### **4.6.1 Dissimilar in KCB Bank and Strategic Partners Objectives**

The interviewees were requested to explain how dissimilar in objectives between KCB Bank Limited and its strategic partners, challenge strategic alliance at KCB group limited. The interviewees indicated that dissimilar in objectives influence arising in competing priorities, mistrust and arising in conflicts hindering strategic alliance. This



implied that dissimilar in objective between KCB Bank and its strategic partners affected alliance to a great extent. The finding concurred with Lewis (1992) who found that dissimilar objectives led to strategic partner's inability to share risks, lack of trust causing unsolved problems, lack of understanding, and despondent relationships hindering strategic alliance.

#### **4.6.2 Trustworthiness has challenge strategic alliance**

The interviewees were requested to indicate how trustworthiness had been a challenge to strategic alliance at KCB group Limited. The interviewees indicated lack of trustworthiness which resulted from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability affected the relationship between the firms affected strategic alliances in the bank. The interviewees further noted that differences in priorities of interests between the companies led to heighten untrustworthiness hindering achieving of effective strategic alliances. According to Johnson *et al* (2005) found that lack of trust was probably the most important ingredient of success and a major reason for failure of strategic alliances between and among firms. Trust is also character based and concerns whether partners trust each others motives and are compatible in terms of attitudes to integrity, openness, discretion and consistency or behavior. Trust is the core value for a sustainable alliance. It guides each individual to play his or her part with an aim of achieving a common goal.

#### **4.6.3 Cultural factor hinder strategic alliance in KCB group limited**

On the extent to which cultural factors hindered strategic alliances, the interviewees indicated that due to workforce diversity, the companies had employees involved in the executing strategic alliances use difference language which led to misunderstanding and sometime conflicts hampering strategic alliance in the bank. The interviewees also indicated that the bank was facing problems with different ways of operation or management style adopted by various partners in strategic alliance and that the bank faces to a large extent discipline cases among employees engage in strategic alliance, unfocus, not result oriented staff, unprofessional focus of interest, poor job orientation and employee orientation , lack of management commitment which would foster favorable corporate culture that would influence growth of strategic alliances in KCB Bank Limited. These findings were similar to Ulijn *et al* (2010) who opined that corporate culture affected the success and the growth of strategic alliances between organizations. This was in line with Morosini (1998) who found that strategic alliances between organizations cannot work well if the corporate cultures were not managed well and that strategic alliances could be only work well if the organizations find a harmonious way of synergistically tapping into the different cultures. Thus if the culture was not managed well, the strategic alliance could lose its purpose.

#### **4.6.4 Government Regulations Hindering Strategic Alliances**

The interviewees opined that legal and regulations governing commercial undertakings were a great impediment to formulating bank strategic alliance. The interviewees

indicated that impediment that occasioned by the legal structures and restrictions put in place by government of Kenya was to mitigate occurrence of integrity issues and compromising of quality and exploitation of customers as well as to manage different priorities of companies that were seen as competitors and failing to properly understand the values and assumptions of formation of strategic alliance.

#### **4.6.5 Differences in Attitudes among Strategic Alliance Partners**

In your own opinion, explain how different in firm attitude affect strategic alliance at KCB group Limited. Other problems that can occur between companies in trade alliances are different attitudes among the companies, one company may deliver its good or service behind schedule, or do a bad job producing their goods or service which may lead to distrust among the two companies. When problems like this occur it usually makes the other company angry, and this could lead to a takeover.

Other challenges facing strategic alliance at KCB group Limited

The respondents explained that top leadership commitment influence success formulation of strategic alliance as they would sufficient allocate resources that would be required for successful strategic alliance formation. Commitment of the top leaders was also found to foster good relationship between companies there promoting trust among the companies that influence smooth formation of strategic alliance. The respondents also explained that through commitment of top leadership toward strategic alliance formulation enable companies to create good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace

strategic alliance in the mobile banking services. The findings concurred with Kuglin (2002) who found that management commitment led to success of strategic alliances between organizations and that alliance between CISCO and Microsoft was successful due to commitment of top management which led to improving the business operations. The findings were also similar to Harris & McDonald (2004) findings who revealed that top management commitment to strategic alliance provides high profile of publicity and advertisement of for the strategic alliance, showing the high commitment they both have to the strategic alliance.

#### **4.5.6 Different priorities between KCB bank and its partners**

On how different priorities between KCB bank Limited and that of its partners' affected strategic alliance, the interviewees indicated that, different priorities between KCB bank and its partners led to mistrust and increase competition and development of restrictions which hampered strategic alliance. The interviewees also indicated that different priorities between KCB bank Limited and that of its partners' led to un cooperation, poor relationship, lack of commitment, lack of effective communication, engaging in unnecessary legal battles. The finding concurred with Kilburn (1999) who found that different priorities between partners in strategic alliance raises competition and market pressure, result into poor relationship between companies and lack of understanding of the values hindering formulation of strategic alliance KCB Bank Limited banks and mobile telecommunication companies

#### **4.6.7 Incompetency in Undertaking Strategic Alliance**

On how incompetency in undertaking strategic alliance hindered strategic alliance at KCB Group Limited, the interviewee found that incompetency led to poor formulation of strategic alliances, hinder effective solving of problem that arises, influence occurrence of failure in executing assigned responsibilities and in some cases, led to point the failure finger at the partnering company, shifting the blame when problem occurred increasing the tension between the Bank and partnering companies and often leads to strategic alliance failure. The interviewees also indicated the incompetency had resulted to management failure to support and be committed toward success of strategic alliance

#### **4.7 Measures that KCB Bank Adopted to Overcome Challenges Facing Strategic Alliance**

On the measures that KCB Bank had adopted to overcome challenges facing strategic alliance , the interviewees indicated that the banks focus on promoting understanding of the need for strategic alliance, promote trustworthiness, strive to minimize effects of stringent legal rules and regulation, designing of good model s of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the bank achieve high performance.

The interviewees also indicated that the bank was embrace technological advancement in offering financial services, enhance top management commitment toward strategic alliance success, improve its support through resource allocation, engaging competent and qualified

employees in executing strategic alliances and fostering good relationship between the bank and its strategic partners as this would foster growth of growth of strategic alliance in the mobile banking services. Zollo et al (2002) found that factors that could help improve growth of strategic alliances included adoption of technology of the parties, the commitment of top management of the individual partners and the cultural fit , The internal drivers like the employees and technological capabilities of organizations to provide a suitable platform for growth of strategic alliances.

#### **4.8 Discussion**

The study revealed that KCB Bank Limited had entered into a franchising agreement with Visa and Mastercard to issue debit cards, credit cards and prepaid cards to clients. The study found that there were factors that influence KCB group limited entering into strategic alliance KCB has invested heavily in new technology through a partnership. KCB group Limited have been forced to compete harder on price terms to respond to the competitive threat of new entrants , need to achieving of competitive advantage over rival factor has influenced KCB group limited entering into strategic alliance. By combining the resources banks are now able to realize saving the cost of purchasing their own systems and machinery that are quite expensive to purchase and maintain. In essence the cost of maintenance of the ATM systems and communication network is quite expensive and thus the cost is shared effectively thus avoiding the overburden of doing it alone. This is in line with Dent (2001) who stated that achieving synergy and a competitive advantage may be another reason why firms enter into a strategic alliance, hence the company can increase

its services in the market to enhance itself have a competitive edge compared to its competitors.

KCB group Limited aimed to form strategic alliances which would foster their new ability to compete and intensify their competitive positioning. The study further found that KCB bank adopting strategic alliance with other financial institutions to reduce risk. Strategic alliance gets the organizations closer to achievement of their goals, which is improved quality service delivery, profitability and increased market share. The alliance was formed to share financial risk associated with developing new services and capturing a wider market. This is in line with Thompson *et al*, (2004) who stated that the need to eliminate the weaknesses that come with financial instability motivate firm to form in strategic alliance.

Dissimilar in objectives influence arising in competing priorities, mistrust and arising in conflicts hindering strategic alliance. The dissimilar in objective between KCB Bank and its strategic partners affected alliance to a great extent. The finding concurred with Lewis (1992) who found that dissimilar objectives led to strategic partner's inability to share risks, lack of trust causing unsolved problems, lack of understanding, and despondent relationships hindering strategic alliance. The other challenges was lack of trustworthiness which resulted from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability affected the relationship between the firms affected strategic alliances in the bank. The differences in priorities of interests between the companies led to heighten untrustworthiness hindering achieving of effective strategic alliances. According to Johnson

*et al* (2005) found that lack of trust was probably the most important ingredient of success and a major reason for failure of strategic alliances between and among firms. Trust is also character based and concerns whether partners trust each others motives and are compatible in terms of attitudes to integrity, openness, discretion and consistency or behavior. Trust is the core value for a sustainable alliance. It guides each individual to play his or her part with an aim of achieving a common goal.

The bank was facing problems with different ways of operation or management style adopted by various partners in strategic alliance and that the bank faces to a large extent discipline cases among employees engage in strategic alliance, unfocus, not result oriented staff, unprofessional focus of interest, poor job orientation and employee orientation , lack of management commitment which would foster favorable corporate culture that would influence growth of strategic alliances in KCB Bank Limited.

The study revealed that impediment occasioned by the legal structures and restrictions put in place by government of Kenya was to mitigate occurrence of integrity issues and compromising of quality and exploitation of customers as well as to manage different priorities of companies that were seen as competitors and failing to properly understood the values and assumptions of formation of strategic alliance. The findings were also similar to Harris & McDonald (2004) findings who revealed that top management commitment to strategic alliance provides high profile of publicity and advertisement of for the strategic alliance, showing the high commitment they both have to the strategic alliance.



The different priorities between KCB bank Limited and that of its partners' led to un cooperation, poor relationship, lack of commitment, lack of effective communication, engaging in unnecessary legal battles. The finding concurred with Kilburn (1999) who found that different priorities between partners in strategic alliance raises competition and market pressure, result into poor relationship between companies and lack of understanding of the values hindering formulation of strategic alliance KCB Bank Limited banks and mobile telecommunication companies. The incompetency led to poor formulation of strategic alliances, hinder effective solving of problem that arises.

The study established that the measure that could enhance strategic alliance included promoting trustworthiness, striving to minimize effects of stringent legal rules and regulation, designing of good models of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the bank achieve high performance. Embracing technological advancement in offering financial services, enhance top management commitment toward strategic alliance success, improve its support through resource allocation, engaging competent and qualified employees in executing strategic alliances and fostering good relationship between the bank and its strategic partners as this would foster growth of growth of strategic alliance in the mobile banking services. Zollo et al (2002) found that factors that could help improve growth of strategic alliances included adoption of technology of the parties, the commitment of top management of the individual partners and the cultural fit , The internal drivers like the employees and technological capabilities of organizations to provide a suitable platform for growth of strategic alliances.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of the findings, conclusions and recommendations of the study based on the objectives of the study. The objective of the study was to determine the challenges of strategic at KCB bank Limited's. The chapter also presents limitations of the study and suggestion for further study.

#### **5.2 Summary of findings**

The study revealed that KCB Bank Limited adopt strategic alliance due to very intense in the banking sectors, KCB Bank Limited invested heavily in new technology through a partnership. KCB bank Limited was also found to engage in strategic alliance to increase access to information about investment opportunities and build alliances with domestic or foreign-owned banks and technology companies in order to share the costs and exploit the benefits of the development of new IT applications.

The study revealed that KCB Bank Limited adopt strategic alliance with focus on achieving of competitive advantage over rival in the market. Interviewees from KCB group Limited explained that KCB group partner with Safaricom Ltd as it has a bigger market share in the telecommunication industry, hence to capture and encourage many Safaricom customers to use KCB services and thus get more knowledge of the banking industry. By combining the resources banks are now able to realize saving the cost of

purchasing their own systems and machinery that are quite expensive to purchase and maintain. KCB Bank Limited engage in alliance with banks and other companies such as Safaricom in order to realize synergies from offering a wider range of financial services, increase customer base and wishes to expand into retail business influencing KCB Bank Limited telephone banking and facilitate e-commerce and cost savings sharing investment departments and account service centers. KCB bank Limited was also found to adopt strategic alliance with other financial institutions to reduce risk improve relation strategic alliance, yielding sharing of resources thus eliminating the concept of financial instability in times of recession, improved quality service delivery, profitability and increased market share.

The study found that dissimilar in objectives influence arising in competing priorities, mistrust and arising in conflicts hindering strategic alliance implying that dissimilar in objective between KCB Bank and its strategic partners affected alliance to a great extent.

The study also established that lack of trustworthiness resulted in lack of openness, lack of integrity practices , inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability affected the relationship between the firms affected strategic alliances in the bank. It was also found that differences in priorities of interests between the companies led to heighten untrustworthiness hindering achieving of effective strategic alliances.

The study revealed that cultural factors hindered strategic alliances as use of difference language by staff from various companies led to misunderstanding and sometime conflicts hampering strategic alliance in the bank. Organizational culture exhibited by operation or management style adopted by various partners in strategic alliance and to a large extent discipline cases among employees engage in strategic alliance, unfocused, not result oriented staff, unprofessional focus of interest, poor job orientation and employee orientation, lack of management commitment which would foster favorable corporate culture that would influence growth of strategic alliances in KCB Bank Limited.

The study revealed that impediment by legal structures and restrictions put in place by government of Kenya to mitigate occurrence of integrity issues and compromising of quality and exploitation of customers as well as to manage different priorities of competing companies affected strategic alliance to a great extent

The study found that lack of top leadership commitment in support of strategic alliance as they would sufficient allocates resources that would be required for successful strategic alliance formation. Lack of commitment of the top leaders would led to insufficient allocation of resources, poor relationship between companies there by yielding to mistrust and conflicts among the firms and failed to motivate employees as well as customers to embrace strategic alliance in the mobile banking services.

The study revealed that different priorities between KCB bank Limited and that of its partners' affected strategic alliance, led to mistrust and increase competition and

development of restrictions which hampered strategic alliance. Different priorities between KCB bank Limited and that of its partners' led to un cooperation, poor relationship, lack of commitment, lack of effective communication, engaging in unnecessary legal battles

The study revealed that incompetency in undertaking strategic alliance hindered strategic alliance at KCB Group Limited, as it led to poor formulation of strategic alliances, hindered effective solving of problem that arises, influence occurrence of failure in executing assigned responsibilities and in some cases, led to point the failure finger at the partnering company, shifting the blame when problem occurred, resulted in management failure to support and be committed toward success of strategic alliance, increasing the tension between the Bank and partnering companies and often leads to strategic alliance failure.

### **5.3 Conclusions**

The study concluded that corporate culture of companies affected growth of strategic alliance in mobile banking services. This was particularly when there was unfavorable corporate culture affects growth of strategic alliance in offering mobile banking services to customers. The study concluded that for growth of strategic alliance in the mobile banking services culture companies need to improve on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies.

The study concluded companies faced impediments when formulating a strategic alliance such as lack of trust , different in priority interest of the companies, failure by top

management to be committed toward strategic alliance and failure by management to allocate sufficient resource toward strategic alliance formulation, legal and regulations government commercial undertakings, different priorities of companies that were seen as competitors, poor relationship between companies and failing to properly understand the values and assumptions of formation of strategic alliance also hindered formulation and hence growth strategic alliance between banks and mobile telecommunication companies.

The study concluded that customers plays a role in the growth of strategic alliance in mobile banking service as they provided offering feedback of their experience of the mobile banking services offered by the companies so that companies could then utilize the feedback to enhance strategic alliance, customer acceptance of strategic alliance mobile banking services and willingness to uptake mobile banking services from the firms that partnered hence motivating the companies to be committed to success strategic alliance.

The study concluded that commitment of the top leadership in their organization strategic alliance in the mobile banking services was essential to the growth of the strategic alliance in the mobile banking services. This was due to their influence on success formulation of strategic alliance as they would sufficient allocate resources that would be required, foster good relationship between companies thereby promoting trust among the companies for smooth formation of strategic alliance, enable companies to creates good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance in the mobile

banking services. Therefore strategic alliance between the two companies experience high growth when it had the support of the management who commit resource toward success strategic alliance. Top management commitment to strategic alliance provides high profile of publicity and advertisement of for the strategic alliance, showing the high commitment they both have to the strategic alliance.

The study concluded that companies could improve growth of the strategic partnership between companies and other players through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules, designing of good model s of partnership formulation of that facilitated integration of the mobile phone services and money transfer and execution strategies that enabled the company to get a critical mass market. The study concluded that KCB Bank Limited adopt strategic alliance due to very intense in the banking sectors, invest in new technology through a partnership, increase access to information about investment opportunities and achieving of competitive advantage over rival in the market, increase in market share and combining of the resources banks are now able to realize saving the cost of purchasing their own systems and machinery that are quite expensive to purchase and maintain.

The study concluded that dissimilar in objectives influence arising in competing priorities, mistrust and arising in conflicts hindering strategic alliance implying that dissimilar in objective between KCB Bank and its strategic partners affected alliance to a great extent. It was also found that differences in priorities of interests between the

companies led to heighten untrustworthiness hindering achieving of effective strategic alliances.

The study concluded that lack of trustworthiness resulted in lack of openness, lack of integrity practices , inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability affected the relationship between the firms affected strategic alliances in the bank. The study concluded that national cultural and Organizational culture exhibited by operation or management style adopted by various partners in strategic alliance and to a large extent discipline cases among employees engage in strategic alliance, unfocus, not result oriented staff, unprofessional focus of interest, poor job orientation and employee orientation , lack of management commitment which would foster favorable corporate culture that would influence growth of strategic alliances in KCB Bank Limited.

The study also concluded that legal structures and restrictions put in place by government of Kenya to mitigate occurrence of integrity issues and compromising of quality and exploitation of customers as well as to manage different priorities of competing companies affected strategic alliance to a great extent. The study concluded that different priorities between KCB bank Limited and that of its partners' affected strategic alliance, led to mistrust and increase competition and development of restrictions which hampered strategic alliance. Different priorities between KCB bank Limited and that of its partners' led to un cooperation, poor relationship, lack of commitment, lack of effective communication and engaging in unnecessary legal battles.



The study concluded that incompetency in undertaking strategic alliance hindered strategic alliance at KCB Group Limited, as it led to poor formulation of strategic alliances, hindered effective solving of problem that arises, influence occurrence of failure in executing assigned responsibilities and in some cases, led to point the failure finger at the partnering company, shifting the blame when problem occurred, resulted in management failure to support and be committed toward success of strategic alliance, increasing the tension between the Bank and partnering companies and often leads to strategic alliance failure.

#### **5.4 Recommendations**

The study recommends that management of firms should focus on promoting positive corporate culture through improving on work discipline focus, result oriented staff, professional focus of interest, job orientation and employee orientation management commitment which would foster favorable corporate culture that would influence growth of strategic alliances between companies.

The study recommend that management of firms should focus on minimizing impediments facing strategic alliance and promote trust among the firms, eliminate different in priority interest of the companies, improve top management support and committeemen toward strategic alliance and allocate sufficient resource toward strategic alliance formulation, regulate legal and regulations in the government commercial undertakings, improve relationship between companies and enhance properly understanding the values and assumptions of formation of strategic alliance also hindered

formulation and hence growth strategic alliance between banks and mobile telecommunication companies.

The study recommend that firms' management should promote commitment of the top leadership in their organization strategic alliance undertaking is achieved to influence success formulation and growth of strategic alliance as top management would sufficiently allocate resources that would be required, foster good relationship between companies thereby promoting trust among the companies for smooth formation of strategic alliance, enable companies to creates good working environment by offering supports focusing on strategic alliance success and motivate employees as well as customers to embrace strategic alliance. Strategic alliance experience high growth when it had the support of the management who commit resource toward success strategic alliance and provides high profile of publicity and advertisement for the strategic alliance.

The study recommend companies improve growth of the strategic partnership through effective utilization of existing market conditions to promote strategic alliance formation such as removing of stringent legal rules, designing of good models of partnership formulation of that facilitated integration of the mobile phone services, adoption of technologies and execution strategies that enabled the company to get a critical mass market and provide firms with a suitable platform for growth of strategic alliances among companies

### **5.5 Limitations of the Study**

The main limitation of study was inability to include more organizations. This study only focus on case of KCB bank Limited. The study would have covered more institutions across all banking sector sectors so as to provide a more broad based analysis. However, resource constraints placed this limitation.

The study also faces challenges of time resources limiting the study from collecting information for the study particularly where the respondent delay in filling the questionnaire and travelling to collect the filled questionnaire.

The interviewees were found to be uncooperative because of the busy schedules and of the sensitivity of the information required for the study. The research explained to the interviewees that the information they provided was to be held confidential and was only for academic purpose only.

### **5.6 Areas of further research**

The study focuses on challenges of strategic alliances in Kenya Commercial bank Group Limited. Further studies need to be done on areas to determine effects of growth of strategic alliance on performance of commercial banks and other financial institution such as MFIs and Deposit taking SACCOs. The study further recommends that a study should be carried out to determine strategies that influence adoption of strategic alliance in commercial banks and telecommunication companies in Kenya

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## APPENDICES

### Appendix I: Interview Guide

1. Explain the extent to which your bank has adopted the following strategic alliance in the last 5 years?

Franchising

Product licensing

Technology licensing alliance

Any other kindly specify

2. Explain how the following factors has influence KCB group Limited entering into strategic alliance

Advance in technological development

Economic force

Achieving of competitive advantage over rival

Competition

Synergies

Financial risk

3. Explain the main reason why the bank to enter into the alliance(s)
4. Explain whether the bank has experience success in strategic alliance
5. Explain how dissimilar in objective challenge strategic alliance at KCB group limited
6. Discuss how trustworthiness has challenge strategic alliance at KCB group Limited
7. Explain how cultural factor hinder strategic alliance in KCB group limited



8. Explain how government regulations hinder strategic alliance in KCB group limited
9. In your own opinion, explain how different in firm attitude affect strategic alliance at KCB group Limited
10. In your own opinion, what are other challenges facing strategic alliance at KCB group Limited
11. In your own opinion, explain how incompetency in undertaking strategic alliance hinders strategic alliance at KCB group Limited
12. In your own opinion, explain how different priorities between KCB bank and its partners hinders strategic alliance at KCB group Limited
13. In your own opinion, explain how incompetency in undertaking strategic alliance hinders strategic alliance at KCB group Limited
14. Explain measures that KCB Bank adopt to overcome challenges facing strategic alliance it enter into