GLOBALIZATION AND STRATEGIC ALLIANCES AMONG COMMERCIAL BANKS IN KENYA

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DECLARATION

I declare that this is my original work and has not been presented in any other University or College for Examination or Academic purposes.

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

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DEDICATION

I dedicate this project to my loving family
ACKNOWLEDGMENT

It has been an exciting and instructive study period in the University of Nairobi and I feel privileged to have had the opportunity to carry out this study as demonstration of knowledge gained during the period studying for my master’s degree. With these acknowledgments, it would be impossible to remember those who in one way or another, directly or indirectly, have played a role in the realization of this research project. Let me, therefore, thank them all equally. I am indebted to the all-powerful GOD for all the blessings he showered on me and for being with me throughout the study. I am deeply obliged to my supervisor, Prof. Martin Ogutu, for his exemplary guidance and support without whose help; this project would not have been a success. I take this opportunity to express my deep gratitude to my loving family, and friends who are a constant source of motivation and for their never ending support and encouragement during this project.
ABSTRACT

The main purpose of the study was to determine the globalization and strategic alliances among commercial banks in Kenya. The research addressed the extent of strategic alliances among commercial banks and how globalization is influencing strategic alliances among commercial banks in Kenya. The study adopted a census survey. The target population of study consisted of the managers of the 43 (Forty three) registered commercial banks in Kenya by Central Bank of Kenya. The population of interest consisted of bank management staff. The study used both secondary data from other sources and primary data collected using questionnaires. The questionnaires consisted of structured and unstructured questions. Data that was obtained from the field was organized, cleaned, coded, and analyzed using descriptive statistics. Statistical Package for Social Science was used to analyse the data. Processed data was presented using tables, charts and graphs to make them reader friendly. The study established that commercial banks in Kenya had adopted globalization and strategic alliances. The findings indicate that Commercial Banks in Kenya endeavour to achieve some competitive advantage over their competitors in such a global environment by using different strategies such as joint venture; equity strategic alliance; licensing agreement; outsourcing agreement; distribution agreement and supply contract. It was concluded that Commercial Banks formed strategic alliances/mergers/joint venture/acquisition, developed new product, diversified, employed innovative managers and institutionalized innovative culture among employees production of superior products and services were strategies used by Commercial Banks to maintain quality customer services. Review of the vision and mission of the firm, competitor analysis surveys, benchmarks with global companies, environmental scanning were strategies applied to manage service quality among customers by Commercial Banks in Kenya. 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. Effective globalization requires an awareness of technologies and how they are adapted around the world. Firms may use alliances to obtain resources possessed by other firms that are valuable and essential to achieving competitive advantage. The study made recommendations based on the study findings that the bank should form strategic alliance driven by the need to differentiate its products and services within one or a number of target market segments. Use of strategic partnerships geared towards differentiated strategy will help the bank to gain more competitive advantage compared to its competitors in terms of market capture. Commercial banks should pay more attention to its resources than to its competitive environment.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Globalization refers to the process of the intensification of economic, political, social and cultural relations across international boundaries. It is aimed at the transcendental homogenization of political and socio-economic theory across the globe. It deals with increasing breakdown of trade barriers and the increasing integration of the world market. This phenomenon affects the economy, business life, society and environment in different ways, and almost all corporations have been affected by these changes. These changes are mostly related to increasing competition, the rapid changes of technology and information transfer.

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. Strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market.
This study is based on the following theories; Industry Life Cycle Theory, which has four stages, introduction, growth, maturity and decline. The stages are the same for all industries, yet every industry will experience these stages differently, they will last longer for some and pass quickly for others. In Resource based view theory, Supporters argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance.

1.1.1 Concept of Globalization

Globalization was the buzzword of the 20th, and the 21st century, there is no evidence that globalization will diminish. Essentially, globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology (Ray and Phill, 2000). These processes have effects on the environment, on culture, on political systems, on economic development and prosperity, and on human physical well-being in societies around the world.

According to (Costello and Smith, 2000) globalization has been brought by two factors and these are changes in technology, such as the widespread availability of the personal computer (PC) linked to the internet/world wide web, the increasing use of mobile communications and the development of robotics both for tracking components and
finished goods and in the automation of production. These factors have not only affected manufacturing industry; the service sector, for example banking and tourism, have also benefited from these changes.

The second factor is the change in political attitudes and economic policies that have allowed companies and consumers to take advantage of these technological advances. It is apparent that there has been much convergence of global economic thinking, with many more countries moving towards an acceptance of liberal, free market ideas. During the past two decades, many governments have adopted free-market economic systems, vastly increasing their own productive potential and creating myriad new opportunities for international trade and investment (Dollar, 2004). Governments also have negotiated dramatic reductions in barriers to commerce and have established international agreements to promote trade in goods, services and investments. Taking advantage of new opportunities in foreign markets, corporations have built foreign factories and established production and marketing arrangements with foreign partners. Defining feature of globalization, therefore, is an international industrial and financial business structure.

Moving closer home, we see that globalization has taken full effect with the introduction of the open and free market policy that took full effect in 2012.

Successful managers, in this environment, need to understand the similarities and differences across national boundaries, in order to utilize the opportunities and deal with the potential downfalls. Johnson, Scholes, and Whittington, (2008) also state that organizations need to understand the nature of their environment before they audit the individual environmental factors. Such an analysis might be expected to help an organization decide
upon the sorts of systems which are required to monitor and respond to environmental change. New technologies and increased globalization of many markets encourage environmental turbulence, such that by understanding all this, managers can come up with strategies that will help them propel through it thus avoiding downfalls and ensuring prosperity.

1.1.2 Concept of Strategic Alliances

A Strategic Alliance is a voluntary arrangement between firms that involves the sharing of knowledge, resources and capabilities with intent of developing processes, products, or services (Rothaermel 2012). It is a relationship between two or more parties to pursue a set of agreed upon goals or to meet a critical business need while remaining independent organizations. A strategic alliance exists whenever two or more independent organizations cooperate in the development, manufacture, or sale of products or services. The alliance is a co-operation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. By the turn of the 21st century, the top 500 global companies had an average of 60 alliances each and this kind of joint development of new strategies has become increasingly popular (Johnson, Scholes and Whittington 2008). This is because organizations cannot always cope with increasingly complex environments or strategies from internal resources and competences alone.

Firms enter many types of alliances, from small contracts that have no bearing on a firm’s competitiveness to multibillion dollar joint ventures that can make or break the company.
An alliance, therefore, qualifies as strategic only if it has the potential to affect a firm’s competitive advantage (Rothaermel 2012). The international business literature has acknowledged a number of positive outcomes for companies actively engaged in strategic alliances, such as higher return on equity, better return on investment, and higher success rates, compared with integration through mergers and acquisitions. It is an acknowledged fact that there is little understanding among business executives regarding the formation processes, the dynamics and evolution of inter-corporate relations, and what are the factors that determine the success rate in strategic alliances.

1.1.3 The banking industry in Kenya

The banking industry in Kenya is regulated by the Central bank of Kenya Act, banking Act, the company Act among other guidelines is (CBK). Banking in Kenya was liberalized back in 1995 and exchange controls revoked. The banks have together under the Kenya’s Bankers Association, which works as a lobby for the local banking industry. The industry has in the past few years enjoyed exponential growth in deposits, assets, profitability and products offering, mainly attributed to automation of services and branch network expansion both locally and regionally. This growth has brought about increasing competition among players and new entrants into the banking sector. Top banks in Kenya include Barclays, Kenya Commercial Bank, Equity, Standard Chartered, Cooperative, CFC Stanbic, Diamond Trust, Citibank Europe, I&M Bank, Central Bank of Africa and National Bank.

Post 2002 when there was a regime change in Kenya, the economy performed so well. The economy grew by an average of 6% (Central bank of Kenya). This growth translated to a
greater need for banking services, as more and more people started building up savings and at the same time there was a demand for more loans from banks, either for investment or for major purchases. With this increased demand, banks saw the need to open up more branches to meet this demand. More and more players also came in to serve this capacity. In the delivery of Services, these banks and financial institutions use a number of delivery channels to deliver their Services. These delivery channels can be classified into 4 as ATMs, telephone-based access, internet-based access and the branch network (Branca, 2008). This, however is increasingly being confined to Technology based Delivery channels. This implies that this capacity that banks created is slowly been underutilized. As such, they have to come up with very innovative ways to fully utilize this capacity or be flexible enough to convert this capacity for alternative use. This also implies that this may spell the end of this expansion craze by banks as the capacity they have is already getting underutilized. Due to its fast delivery, high capacity, low pricing and widespread capacity for use, the mobile phone services have taken a solid stand to the extent that some individuals previously utilizing bank facilities now have turned to Phone money transfer. These services have also proved to be very flexible with huge Capacity flexibility. This implies that this capacity that banks created is slowly been underutilized. As such, they have to come up with very innovative ways to fully utilize this capacity or be flexible enough to convert this capacity for alternative use. This also implies that this may spell the end of this expansion craze by banks as the capacity they have is already getting underutilized. Due to its fast delivery, high capacity, low pricing and widespread capacity
for use, the mobile phone services have taken a solid stand to the extent that some individuals previously utilizing bank facilities now have turned to Phone money transfer.

1.1.4 Commercial Banks in Kenya

Commercial banks offer a wide range of financial services such as: deposit, loan and trading facilities (Radha, 2010). Besides, they play a number of roles in the financial stability and cash flow of a country's private sector. They process payments through a variety of means including telegraphic transfer, internet banking and electronic funds transfers. Commercial banks issue bank checks and drafts, as well as accept money on term deposits. Commercial banks also act as money lenders, by way of installment loans and overdrafts. Loan options include secured loans, unsecured loans and mortgage loans (Central Bank of Kenya, 2013).

In Kenya, there are 43 licensed commercial banks comprise of 30 locally-owned of which 2 are public shareholding and 28 privately owned, and 13 foreign-owned banks. Among the commercial banks, Information and Communication Technology (ICT) play a leading role in the success and progression of the industry. Banks have integrated their processes with mobile telecommunication platforms culminating into diversification of banking products as well as greater efficiency in service delivery to their customers (CBK, 2014a). The services provided include the transfer of funds between accounts, payments of utility bills, mobile airtime top ups, balance enquiries, loan applications, and cheque book requests. The Industry’s gross loans and advances grew from Ksh. 1.58 trillion in December 2013 to Ksh. 1.69 trillion in March 2014 while (NPLs) increased by 16.1 percent from Ksh. 81.9 billion
to Ksh. 95.1 billion within the same period (CBK, 2014b). The increase in mobile money and NPL, while being a cost or expense and credit risk to banks, motivates this study.

1.2 Research problem

The use of strategic alliances as a vehicle for corporate strategy has exploded since the 1980’s, with thousands forming each year (Rothearmel, 2012). Such strategic alliances are attractive because they enable firms to achieve goals faster and at lower costs than going it alone. Due to changes in the operating environment, several licensed institutions, mainly commercial banks, have had to merge (combine their operations in mutually agreed terms) or one institution takes over another’s operations (acquisitions). Some of the reasons put forward for mergers and acquisitions are: to meet the increased levels of share capital; expand distribution network and market share; and to benefit from best global practices among others.

Challenges brought about by global trends include, intensified competition, shortened period of product life cycles, soaring cost of capital, including the cost of research and development and the ever growing demand for new technologies. Alliances are becoming an alternative business strategy and hence the formulation of strategic alliances in the banking industry.

Many studies have been done in the area of strategic alliances in terms of benefits accrued through them, their management and their ability to overcome challenges. Makau (2012) studied on Strategic Alliances and organizational competitiveness among commercial
banks in Kenya – A case study of Kenya Commercial Bank. Nzengya (2013) Studied on strategic alliance among commercial Banks in Kenya. Kavale (2007) did a study on strategic alliances in a mobile money transfer as relates to the banking industry. Musyoki (2003) studied the creation and implementation of strategic alliances among non-governmental organizations with a case of Gedo health consortium. Koigi (2002) carried out a survey on the implementation of strategic alliance experience of Kenya Post Office Savings Bank (KPOSB) and Citibank. Kamanu (2005) emphasized that strategic alliances among development of NGOs in Kenya are a crucial component in the success of any organization for profit or non-profit in the world today. However there has been no particular study that has been done on the interrelation between globalization and strategic alliances among commercial banks in Kenya. It is against this background that this research intends to ask the question; how does globalization influence strategic alliances among commercial banks in Kenya?

1.3 Research Objectives

This research addresses the following two objectives:

i. To determine the extent of strategic alliances among commercial banks

ii. To establish how globalisation is influencing strategic alliances among commercial banks in Kenya.

1.4 Value of the study

The study will be of major use to the Central Bank of Kenya, Central government and other oversight bodies as it will give insights on the unique attributes of the Kenyan banking sector and identification of the potential worthiness of adopting strategic alliances in the
commercial banking sector as a competitive advantage. This will go a long way in guiding policy decisions that can be exploited to make banking services conveniently available to all segments of the population.

The study is important to Commercial bank managers since it will help them appreciate the magnitude of potential loss of business opportunities to their competitors due to lack of flexible strategic planning. The report will also produce valuable industry data that can be used by commercial banks to develop comprehensive business strategies on strategic alliances as a competitive advantage.

The study will be a source of reference material for future researchers on related topics. It will also help other academicians who undertake the same topic in their studies. The study will highlight important relationships that require further research; this may be in the areas of the impact of strategic alliances on the larger social systems in which they are embedded e.g. the increased anticompetitive consequences of cooperative endeavors; partnerships can hinder efficient production, restrict market access, and reduce economic competition.

This area of globalization and strategic alliances still suffer from a dearth of information. Research in various components in this area may help to unearth hitherto unknown information that may go a long way in facilitating further understanding on globalization and its effect on strategic alliances on the banking sector in Kenya hence filling in the gap in this phenomenon.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review and theories, and conceptual framework adopted in the study of strategic alliances. The chapter seeks to define why firms enter into strategic alliances, alliance life cycle and alliance management capability.

2.2 Theoretical Foundation

The Industry Life Cycle Theory and posted by Johnson, Scholes and Whittington (2008), posts on how different stages an industry will go through, from the first product entry to its eventual decline. Even though it is agreeable that a firm’s ability to survive and prosper depends on choosing and implementing a good strategy, there is less agreement about what constitutes a good strategy (Barney, 2008). However, there seems to be an agreement as to what a strategy really means: a firm’s theory about how to gain competitive advantage.

The strategic management process is a sequential set of analyses and choices that can increase the likelihood that a firm will choose a strategy that generates competitive advantage (Hesterly, 2008). The first step is mission definition, followed by setting of objectives, that is, specific measurable targets that a firm uses to evaluate the extent to which it is realizing its mission. The next phase is the internal and external analyses, where a critical evaluation of the strengths, weaknesses, opportunities and threats is done in regard to both the internal and external environments. Once a firm establishes a sound balance between internal capabilities and weaknesses with external opportunities and threats, the
management is in an informed position to select strategies that presents the best way possible to achieve the firm’s objectives.

Barney (2008) categorizes strategy choices into business level strategies and corporate level strategies. Business-level strategies are actions a firm takes to gain competitive advantage in a single market and includes cost leadership, differentiation and focus. Corporate level strategies are actions a firm takes to gain competitive advantage in multiple markets and includes vertical integration strategies, strategic alliances, mergers and acquisitions. This study draws its subject on strategic alliances as a corporate-level strategy a firm may choose to achieve its broad objectives. One major weakness of this framework is that it presents strategic management in a form of series while in real sense, management decisions are made within a network of closely interwoven and interrelated activities. For instance, S.W.O.T analysis is done at every stage in the strategic management process.

Initially when a market is formed, a firm will decide on whether to enter and if so, the timing of entry (Overby 2005). The underlying reason motivating entry, however, changes over the industry life-cycle. Deciding not to enter early in the industry life cycle does not imply that a firm will refrain from participating in market-entry-alliances before this stage for strategic reasons. Firms contemplating on entering emerging markets, where allying is necessary for entry, it is important to avoid such alliance partners. In order to make appropriate partner selection decisions, they must not only assess the resource endowments of potential allies but also understand how they will value the potential of entering and how this valuation may change over time.
The resource-based view (RBV) argues that firms possess resources, a subset of which enables them to achieve competitive advantage, and a subset of those that lead to superior long-term performance. Resources that are valuable and rare can lead to the creation of competitive advantage. That advantage can be sustained over longer time periods to the extent that the firm is able to protect against resource imitation, transfer, or substitution. In general, empirical studies using the theory have strongly supported the resource-based view.

Resources are “those (tangible and intangible) assets which are tied semi-permanently to the firm. Many resources are firm-specific and not perfectly mobile or imitable, making firms continuously heterogeneous in terms of their resource base. Sustained firm resource heterogeneity, thus, becomes a possible source of competitive advantage, which then leads to economic rents, or above normal returns (Das and Teng, 2000). The parameters of a firm’s competitive strategy are critically influenced by its accumulated resources. In other words, what a firm possesses would determine what it accomplishes. Accordingly, a firm should pay more attention to its resources than to its competitive environment.

The contribution of the resource-based theory is that it develops the idea that a firm’s competitive position is defined by a bundle of unique resources and relationships (Das and Teng, 2000). The theory is particularly appropriate for examining strategic alliances because firms essentially use alliances to gain access to other firms’ valuable resources. Thus, firm resources provide a relevant basis for studying alliances. Strategic alliances are more likely to be formed when both firms are in vulnerable strategic positions (i.e., in need of resources) or when they are in strong social positions (i.e., possess valuable resources to
share). Four essential components of a resource-based theory of strategic alliances are: rationale, formation, structure, and performance. These four components are integral to a general theory of alliances, because they have been the main focus of alliance research.

Strategic alliances are voluntary cooperative inter-firm agreements aimed at achieving competitive advantage for the partners. They are cooperative relationships driven by logic of strategic resource needs and social resource opportunities. The process of building inter-organizational relationships can be studied as a flow of resources among organizations. The resource-based rationale emphasizes value maximization of a firm through pooling and utilizing valuable resources. According to Barney (1991), a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously implemented by any current or potential competitors. The reason such a strategy is not ordinarily implemented by competitors is that they may not possess the appropriate resources. Strategy literature has established that there exists close relationship between resources (or competence) and competitive advantage.

Valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney, 1991). The trading and accumulation of resources becomes a strategic necessity. Thus, the resource-based view considers strategic alliances as a strategy used to access other firms’ resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm. The overall rationale for entering into a strategic alliance is to aggregate, share, or exchange valuable resources with other firms when these resources cannot be efficiently obtained through market exchanges or mergers/acquisitions (M&A s). It is about creating the most value out of one’s existing resources by
combining these with others’ resources, provided, of course, that this combination results in optimal returns.

There are two possible reasons as to why firms forge alliances: either to acquire the other’s organizational know-how or to maintain one’s own know-how while benefiting from another’s resources. Extending this approach to all types of firm resources, it is suggested that there are two related, but distinct, motives for firms to use strategic alliances: (1) to obtain others’ resources; and (2) to retain and develop one’s own resources by combining them with others’ resources (Das and Teng 2000).

Thus, the resource-based view considers strategic alliances and mergers/acquisitions as strategies used to access other firms’ resources, for the purpose of garnering otherwise unavailable competitive advantages and values to the firm. The overall rationale for entering into a strategic alliance appears fairly simple. It is to aggregate, share, or exchange valuable resources with other firms when these resources cannot be efficiently obtained through market exchanges or mergers/acquisitions (M&A). In sum, it is about creating the most value out of one’s existing resources by combining these with others’ resources, provided, of course, that this combination results in optimal returns.

2.3 Globalization for Firms

Various economists have endeavored to explain what the whole concept of globalization entails; Globalization refers to the shift toward a more integrated and interdependent world economy (Hill, 2005). It also refers to the strategy of approaching worldwide markets with standardized products (Johnson and Scholes, 2002).
Globalization is one of the key concepts of our time. In the twenty-first century it is no longer just about translation and localization. Effective globalization requires an awareness of technologies and how they are adapted around the world. It also calls for the ability to differentiate products from competition that can originate anywhere in the world, from Austria to Zimbabwe. Even as new technologies provide emerging opportunities for companies looking to go global, they also disrupt our ability to conduct business in accustomed channels (Ray 2005).

Companies around the world are struggling to confront the organizational challenges presented by global trends such as growing competition for talent, shifting centers of economic activity, and an increasingly networked business environment. Globalization symbolizes the structural making of the world characterized by the free flow of technology and human resources across national boundaries presenting an ever-changing and competitive business environment. Organizations have no choice but to find ways of adapting to a new business environment. Doz & Hamel (1998) note that strategic partnerships have become central to competitive success in fast changing global markets. They are logical and timely response to intense and rapid economic activity, technology and globalization.

To ensure profitability, survival and growth, some local firms opted to enter into alliances with foreign firms in order to face the challenges of competition and changing market demands. Firms may use alliances to obtain resources possessed by other firms that are valuable and essential to achieving competitive advantage. In the international arena, multinational companies may enter foreign markets by acquiring a local company. They
may also seek the resources of their local partners, such as local facilities, knowledge, and connections, by forming international joint ventures (Beamish, 1987; Yan & Gray, 1994). In new product development, strategic alliances are used to pool the technological know-how and expertise of different firms (Leonard-Barton, 1992; Teece, 1992). Furthermore, M&A are often used to create economies of scale in Research and Development.

Strategic alliances have certain market-like features, in that the two participating firms continue to conduct discrete exchanges with each other maintaining formally independent roles. On the other hand, certain organization-Like features are introduced as well. Contractual Limits are placed on the terms of the exchange (1) and overall limitations are set to govern activity with potentially rival firms. Within their areas of respective unilateral authority, the firms use their existing internal hierarchies to coordinate (2).

Technological advancement brought about by globalization has penetrated various sectors of the economy least of which banking sector has not been left out. The innovation of EFT, ATM and SMS banking has made it possible for customers to access money efficiently and fast remotely. Money transfer from a customer's account into the mobile phone and vice versa known as mobile banking is a merging of telecommunication industry and the banking industry with the aim of enhancing service delivery. The expansion in market share through embrace of technological changes has resulted into increased returns and turn over for the sector (www.kcbbankgroup.com).

**2.4 Strategic Alliances**

Strategic alliances are widely considered as collaborative strategies formulated and implemented to meet shared objectives and develop superior resources cooperatively.
According to Hitt et al., (2006, pg 260) “strategic alliances are formulated for both business level strategies and corporate level strategies for expansion and other objectives”. They define strategic alliance as a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Porter and Fuller (1986) also refer to strategic alliance as a strategic coalition which needs a good partner to conduct a developing partnership, where organizational resources and capabilities are shared and new ones are acquired and developed. Porter and Fuller further explain that in strategic alliance participating firms pursue shared objectives and create value adding processes to gain competitive advantage.

Firms use cross-border alliances as a means to transform themselves and to take advantage of opportunities surfacing in the rapidly changing global economy. The strategic alliances can be mostly summarized into three types: joint venture, equity strategic alliance, and non-equity strategic alliance (Porter, 1990). These three dimensions of strategic alliance contribute to competitiveness in different ways.

A joint venture is an alliance where two or more firms form a legally independent firm to share their collaborative capabilities and resources to achieve competitive advantage in the market. Joint ventures are effective in establishing long-term relationships and in transferring tacit knowledge from one firm to another (Berman et al, 2002). The different expertise and experience in particular fields that each firm brings into the alliance foster the sustainable competitive advantage.

An equity strategic alliance is an arrangement where the ownership percentage of each firm in is not equal. In this particular case, two or more firms own the shares of a newly
formed company in proportion to their contribution in resources and capability with the main goal of developing competitive advantage. Strategic alliances focus on the linkages of management capabilities and operations activities between two or more different firms. As a result, two or more different corporate cultures are usually matched into one goal in the strategic alliances when equity strategic alliances occur. Many foreign direct investments such as those made by companies in developed economies like Japan and U.S. in developing economies are completed through equity strategic alliances (Harzing, 2002).

A non-equity strategic alliance is less formal than an equity strategic alliance and a joint venture. To ensure competitive advantage, two or more companies form an alliance on a contract basis without forming a separate company and therefore they don’t take equity shares. The main goal is to share their unique capabilities and resources to create competitive advantage. The relationship among partners is informal and requires less partner commitment than the other two forms of strategic alliances. These non-equity strategic alliances are easier to implement in comparison to the others (Das et al, 1998). Non-equity alliances do not require much experience neither do they require transfer of tacit or implied knowledge and expertise.

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.

The other factor motivating firms to form strategic alliances is the entry restriction and slow-cycle market position. The restrictions on entry affect how a firm will enter into new markets or establish franchises in new markets. Kumari (2001) notes that the restriction into India’s insurance market prompted American International Group (AIG) to form a joint venture called Tata AIG with Mumbai-based Tata Group. Tata AIG is presently considered one of the largest conglomerates in Indian market. Competitive advantage is not sustainable in fast-cycle markets because the firm’s capabilities that contribute to competitive advantage are not shielded from imitation. They are high-velocity environments that place immense pressure on top management to make quick strategic decisions. Firms in industries such as mobile phones and PC vendors are forced to constantly look for sources of new competitive advantages which are best provided by strategic alliances. Sometimes, companies establish venture capital programs to facilitate efforts to build operational capacity and efficiency (Chesbrough, 2002). However, standard-cycle markets make use of economies of scale and large volume orientation as key areas of competitive advantage where they form strategic alliances to complement their resources and capabilities (Uddin and Akhter, 2011).
Socio-political factors also affect strategic alliances. Despite China’s formal entry into the World Trade Organization (WTO), most foreign firms that have entered China as a result of huge potential China’s markets presents, find it difficult to establish their legitimacy (Ahlstrom and Bruton, 2001). This is most likely due to most Chinese opposition of property rights where local authorities and the Communist Party feel private enterprises undermine socialist ideals. As a result, taxes and licenses imposed on private firms are punitive. It is therefore noteworthy that the social orientation and political factors prevalent in each economy will affect the types of strategic alliances that can be established.

Cost of production is another determinant factor for strategic alliances. Most firms will establish businesses in other countries to lower the cost of production. Easy access to low-cost labor, energy and other natural resources are the motivating factors behind such establishments. Location of facilities needed for production also foster strategic alliances. Attractive location allows a firm to gain full advantage of strategic alliance (Bernstein and Weinstein, 2002). For example, Africa is a prime location for major multinational companies the same way in Eastern Europe, Hungary is a prime location for many manufactures. Africa has lower labour costs the same way Hungary is considered in Eastern Europe (Wilson, 2001).

2.5 Globalization and Strategic Alliances

The primary driver of strategic alliances is the emergence of intense global competition which has rendered simple but time-tested strategies, a staple of major corporations, less
effective. Firms must constantly innovate to forge ahead of equally innovative rivals throughout the world. They must develop new capabilities ranging from technology development, manufacturing to distribution and do so quickly. Imaginatively developing such capabilities with limited resources is at the very core of many organizations. Strategic alliances allow firms to recast their competitive strategies in response to globalization.

When such reason(s) for an alliance are present-to strengthen competitive position; enter new markets; hedge against uncertainty; access critical complementary resources; or learn new capabilities-the firm must select the best possible alliance partner. Research has identified partner compatibility and partner commitments are necessary conditions for the successful formation of an alliance (Rothaermel, 2012). Partner compatibility captures aspects of cultural fit between different firms. Partner commitment concerns the willingness to make available necessary resources and to accept short-term sacrifices to ensure long-term rewards. Johnson, Scholes and Whittington (2008) point out that a clear strategic purpose is likely to be helpful at the outset of an alliance. At the beginning of the alliance, partners will quite likely have differing if compatible reasons for being part of the alliance. As an alliance develops, it is likely that their expectations and perceived benefits will evolve because they are often built to cope with dynamic or complex environments. If the evolving expectations remain compatible or converge, then it is likely the alliance will continue. If the expectations of alliance members start to diverge, the alliance may disintegrate.

For instance, Adero (2011) acknowledges that the success of mobile phone money transfer systems in the country 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 bank. The following are some of the factors that led Equity Bank to partner with Safaricom so as to try and effectively manage the changes in the banking sector. Equity Bank collaborated with Safaricom as they realized that their M-Pesa service had several features that they could use to encourage more people to open bank accounts. In addition, through a strategic alliance they would be able to target more customers while overcome the competition that this particular area of the industry was experiencing.

As Safaricom was the first mobile phone company to introduce the money transfer service in Kenya, it had a large number of customers and held approximately 80% of the mobile phone money transfer market due to its first mover advantage (Adero 2011). Furthermore, approximately one third of M-Pesa users did not own bank accounts but used M-Pesa to store their money. Secondly, due to popularity of M-Pesa, Safaricom ensured that it registered a large number of agents countrywide who would carry out all M-Pesa transactions and this led to deep market penetration that would be relevant to Equity Bank who was trying to further penetrate the market (Adero 2011). Furthermore, Equity Bank had a strategy that was solely based on numbers as their aim was to enlarge their customer base and Safaricom had the appropriate numbers due to the popularity of M-Pesa.

Safaricom had a fully developed mobile money platform which would ensure that Equity Bank did not have to build a new mobile phone platform as it had already been unsuccessful during attempts in this field. The choice of Safaricom as an initial partner was somewhat obvious as the other mobile phone companies did not have similar characteristics
in terms of customer numbers and popularity of their money transfer system (Adero 2011). As a strategic alliance between a bank and mobile phone company had never occurred before, it took 18 months for top management in both organizations to come up with a successful compromise which ensured testing the product to ensure functionality. Additionally, as both company CEOs were committed to extending the products to the market, there was a high level of commitment to ensure that the development and implementation of the alliance was a success.

Equity Bank chose Safaricom to enter into a strategic alliance based on several particular characteristics that Safaricom had which were mainly based on its success with M-Pesa mobile money transfer. The development and management of the alliance further ensured that both parties benefitted from the alliance especially Equity bank who have further reached their goal of targeting the unbanked population in Kenya (Adero 2011). The alliance is therefore considered a success by Equity bank due to the large number of customers that they managed to attract.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains a blueprint for the collection, measurement and analysis of data. The methodology of this research includes the research design, population to be studied, the data collection process, the instruments to be used for gathering data, and how data was analyzed and presented.

3.2 Research Design

This research best studied using census survey. A census survey research involves survey and facts finding enquiries and it are often used to assess thoughts, opinions, and feelings. Its purpose is to gain an insight into a situation, a phenomenon, a community or a person. A census survey is the collection of information on a wide range of cases, each case being investigated only on the particular aspect under consideration.

This method enabled the collection of large amount of data from a sizeable population in a highly economical way. Often obtained by use of questionnaire, data was standardized; allowing easy comparison. The researcher also had more control over the research.

3.3 Target Population

A population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated. This definition ensured that population of interest was homogeneous. Population studies were more representative because everyone had equal chance to be included in the final sample that was drawn.
The target population of study consisted of the managers of the 43 (Forty three) registered commercial banks in Kenya by Central Bank of Kenya, www.centralbank.go.ke (Directory of commercial banks and mortgage finance companies) as at 20th July 2015. The population of interest consisted of bank management staff in Strategy, Retail-banking, Resource management and New Business Divisions of bank that dealt with strategy management on a day to day basis. Additional respondents were the bank directors.

3.4 Data Collection

The study used both secondary data from other sources and primary data collected using questionnaires to carry out the study. The questionnaires consisted of structured and unstructured questions. They were designed to address the two research objectives and they were administered through drop and pick method to respondents. The structured questions were used in an effort to conserve time as well as to facilitate easier analysis as they were in immediate usable form.

Secondary data sources was employed whereby use of previous document or materials to support the data received from questionnaires and this included newspapers, books, journals and magazines available in the libraries and online information through websites visited. A likert scale rating of statements in the questionnaire was employed.

3.5 Data Analysis

Data that was obtained from the field in raw form was difficult to interpret and such data was organized, cleaned, coded, and key punched into a computer and analyzed using descriptive statistics. This enabled meaningful description of the distribution of scores
and data reduction by use of means and standard deviation. Data collected was analyzed for the purpose of clarity, using the Statistical Package for Social Science. Processed data was presented using tables, charts and graphs to make them reader friendly.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is a presentation of results and findings obtained from field responses and data, broken into three parts. The first section deals with the background information, strategic alliances by the bank and globalization and strategic alliance then the chapter proceeds to interpret the results on globalization and strategic alliances among commercial banks in Kenya.

4.2 Background Information

The study sought to determine the demographic information by establishing the factors that have contributed to the success of the bank in the last decade and agree with the relationship between globalization and a company’s survival and growth.

4.2.1 Factors that have contributed to the success of the Bank in the last decade

The study sought to establish the factors that have contributed to the success of the bank in the last decade. The respondents indicated that the major contributing factor to the success of commercial banks in the last decade has been commitment; banking regulation as a contributor to key success factors of the commercial bank; capital adequacy; asset quality; management efficiency and liquidity management. Some of the macroeconomic variables that contribute to the success of commercial banks in the last decade are GDP growth rate and inflation rate.
4.2.2 Relationship between globalization and a company’s survival and growth

The study sought to determine the relationship between globalization and a company’s survival and growth. The respondents were required to indicate the level to which they agreed or disagreed with the given options. The findings were presented in the table below.

Table 4.1: Relationship between globalization and a company’s survival and growth

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good for business</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(43) 100%</td>
<td>-</td>
</tr>
<tr>
<td>Threat to business</td>
<td>(12) 27.9%</td>
<td>(31) 72.1%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Irrelevant to business</td>
<td>(43) 100%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

It is evident from the findings above that all the 43 bank directors (100%) indicated that they agree that the relationship between globalization and a company’s survival and growth is good for business. 72.1% of the respondents indicated that they disagree that the relationship between globalization and a company’s survival and growth is a threat to business. All the respondents (100%) strongly disagreed that the relationship between globalization and a company’s survival and growth is irrelevant to business.
4.3 Extent of Strategic Alliance Among Commercial Banks

The study sought to determine the strategic alliances by the bank by establishing the type of alliance the bank has; factors influencing alliances; attributes; reasons for forming alliances and effectiveness of strategic alliances.

4.3.1 Type of alliance

The respondents were required to indicate the type of alliance the bank has entered into in the last 5 years. The respondents indicated that the type of alliance the bank has entered in the figure below.

Figure 4.1: Type of alliance

It is evident from the figure above that the majority of the respondents (28%) indicated that licensing agreement is the type of alliances by most banks. 24% of the respondents indicated that the bank had entered an Equity Strategic alliance. 21% of the respondents indicated that the bank had entered a Joint venture. 15% of the respondents indicated that
the bank had entered an outsourcing agreement. 8% of the respondents indicated that the bank had entered a Distribution agreement while 4% of the respondents indicated that the bank had entered a supply contract.

4.3.2 Factors Contributing to the effectiveness of the alliance in your bank

The study sought to determine the extent to which the given factors contribute to the effectiveness of the alliance in the bank. The findings were presented in the table below.

Table 4.2: Factors influencing alliances

<table>
<thead>
<tr>
<th>Factors influencing alliances</th>
<th>VGE</th>
<th>GE</th>
<th>ME</th>
<th>LE</th>
<th>NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner selection</td>
<td>(32) 75%</td>
<td>(11) 25%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Resource combination that obeys VRIO</td>
<td>-</td>
<td>(21) 48.8%</td>
<td>(14) 32.6%</td>
<td>(8) 18.6%</td>
<td>-</td>
</tr>
<tr>
<td>Trust between partners</td>
<td>(11) 25.6%</td>
<td>(20) 46.5%</td>
<td>(12) 27.9%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dedicated alliance functions</td>
<td>(22) 51.2%</td>
<td>(10) 23.3%</td>
<td>(4) 9.3%</td>
<td>(6) 14.0%</td>
<td>-</td>
</tr>
</tbody>
</table>

It is evident that the majority of the respondents indicated that partner selection influences alliances to a very great extent (75%) and 25% of the respondents indicated that partner selection influences alliances to a great extent. Resource combination that obeys VRIO influences alliances to a great extent accounting for 48.8%. 32.6% of the respondents indicated that the resource combination that obeys VRIO influences alliances to a moderate extent while 18.6% of the respondents indicated that resource combination that obeys VRIO influences alliances to less extent. 46.5% of the respondents indicated
that trust between partners influences alliances to a great extent; 27.9% of the respondents indicated that trust between partners influences alliances to a moderate extent; 25.6% of the respondents indicated that trust between partners influences alliances to a very great extent. 51.2% of the respondents indicated that dedicated alliance functions influences alliances to a very great extent; 23.3% of the respondents indicated that dedicated alliance functions influences alliances to great extent; 14% of the respondents indicated that dedicated alliance functions influences alliances to less extent while 9.3% of the respondents indicated that dedicated alliance functions influences alliances to a moderate extent.

4.3.3 Extent to Which Attributes Apply to Partner Selection

The study sought to determine the extent to which the given attributes apply regarding partner selection as a factor influencing strategic alliances by the bank. The findings were presented in tables of means and standard deviation below.

Table 4.3: Attributes

<table>
<thead>
<tr>
<th>Attributes</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank management seeks to enter an alliance with a partner they attain a cultural fit with</td>
<td>4.354</td>
<td>1.544</td>
</tr>
<tr>
<td>The bank seeks to forge an alliance with a partner who has a decision making process that is decentralized</td>
<td>4.681</td>
<td>1.586</td>
</tr>
<tr>
<td>A strategic alliance will be created with a partner that has rules that are documented, broad in guidelines and detailed in policies and procedures</td>
<td>4.657</td>
<td>1.741</td>
</tr>
</tbody>
</table>
A strategic partner will be selected for an alliance when having reporting and controlling systems in place | 4.872 | 1.507 |

A partner will be qualified for an alliance when willing to make available necessary resources and accept short-term sacrifices | 4.809 | 1.544 |

The bank will seek for an alliance with a partner having the resources needed to fulfill the objectives of the alliance | 3.954 | 1.857 |

The strategic partner in the alliance has to possess the capacity to supply the needed resources | 3.574 | 1.574 |

A strategic alliance will be achieved when partners are having a clear strategic purpose | 4.148 | 1.657 |

The bank will enter an alliance with a partner esteeming the importance of the partnership | 4.219 | 1.774 |

A partner hoping to gain from the alliance will be a candidate for a partnership with the bank | 4.305 | 1.548 |

According to the study findings, the respondents rated the attributes of bank management seeking to enter an alliance with a partner they attain a cultural fit with to a great extent with a mean of 4.354; the respondents rated that the bank seeks to forge an alliance with a partner who has a decision making process that is decentralized with a mean of 4.681; the respondents rated that the strategic alliance will be created with a partner that has rules that are documented, broad in guidelines and detailed in policies and procedures to a very great extent with a mean of 4.657; the respondents rated that strategic partner will be selected for an alliance when having reporting and controlling systems in place to a very great extent with a mean of 4.872; the respondents rated that a partner will be qualified for an alliance when willing to make available necessary resources and accept short-term sacrifices.
sacrifices to a very great extent with a mean of 4.809; the respondents indicated that the bank will seek for an alliance with a partner having the resources needed to fulfill the objectives of the alliance to a great extent with a mean of 3.954; the respondents indicated that the strategic partner in the alliance has to possess the capacity to supply the needed resources to a moderate extent with a mean of 3.574; the respondents indicated that a strategic alliance will be achieved when partners are having a clear strategic purpose to a very great extent with a mean of 4.148; the respondents indicated that the bank will enter an alliance with a partner esteeming the importance of the partnership to a very great extent with a mean of 4.219 and lastly the respondents indicated that a partner hoping to gain from the alliance will be a candidate for a partnership with the bank to a very great extent with a mean of 4.305.

4.3.4 Extent to Which Resource Combination Influences Strategic Alliances

The study sought to determine the extent to which resource combination influences the formation of strategic alliances in the bank. The findings were presented in the figure below.
It is clearly presented on figure 4.2 above that the majority of the respondents indicated that the extent to which resource combination influences the formation of strategic alliances in the bank is a very great extent. This was accounted for by 45% of the respondents. 21% of the respondents indicated that resource combination influences the formation of strategic alliances in the bank is a great extent. 18% of the respondents indicated that resource combination influences the formation of strategic alliances in the bank to a moderate extent. 12% of the respondents indicated that resource combination influences the formation of strategic alliances in the bank to little extent 4% of the respondents indicated that resource combination influences the formation of strategic alliances in the bank to no extent.

4.3.5 Extent to Which Each Reason Applies to Formation of Alliances

The study sought to determine the reasons for forming alliances by the bank. The findings were presented below.
Table 4.4: Reasons for forming alliances

<table>
<thead>
<tr>
<th>Reasons for forming alliances</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>To manage and minimize costs/risks</td>
<td>4.521</td>
<td>1.524</td>
</tr>
<tr>
<td>To minimize market price uncertainties</td>
<td>3.985</td>
<td>1.512</td>
</tr>
<tr>
<td>To provide superior customer value</td>
<td>3.974</td>
<td>1.541</td>
</tr>
<tr>
<td>To maximize profits for the bank</td>
<td>4.105</td>
<td>1.508</td>
</tr>
<tr>
<td>To share and gain tacit knowledge</td>
<td>3.987</td>
<td>1.537</td>
</tr>
<tr>
<td>To protect and enlarge market share</td>
<td>4.810</td>
<td>1.502</td>
</tr>
<tr>
<td>To compliment/gain resources and capabilities</td>
<td>4.241</td>
<td>1.511</td>
</tr>
<tr>
<td>To acquire technology</td>
<td>3.787</td>
<td>1.544</td>
</tr>
</tbody>
</table>

Table 4.4 above reveals the reasons for forming alliances by the banks. The respondents rated the reasons given as follows: the respondents indicated that to manage and minimize costs/risks is a reason for forming alliances to a very great extent with a mean of 4.521; the respondents indicated that the reason for forming alliances is to minimize market price uncertainties to a great extent with a mean of 3.985; the respondents indicated that the reason for forming alliances is to provide superior customer value to a great extent with a mean of 3.974; the respondents indicated that the reason for forming alliances is to maximize profits for the bank to a great extent with a mean of 4.105; the respondents indicated that the reason for forming alliances is to share and gain tacit knowledge to a great extent with a mean of 3.987; the respondents indicated that the reason for forming alliances is to protect and enlarge market share to a very great extent with a mean of 4.810; the respondents indicated that the reason for forming alliances is to compliment/gain resources and capabilities to a very great extent with a mean of 4.241.
and finally the respondents indicated that the reason for forming alliances is to acquire technology to a great extent with a mean of 3.787.

4.3.6 Extent to Which Each Effectiveness Applies to Strategic Alliances

The study sought to determine the extent to which effectiveness apply to strategic alliances. The findings were presented in the table below in mean and standard deviation.

Table 4.5: Effectiveness of Strategic Alliances

<table>
<thead>
<tr>
<th>Effectiveness of Strategic Alliances</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improves the bank’s ability for profit maximization</td>
<td>4.227</td>
<td>1.542</td>
</tr>
<tr>
<td>Helps the bank acquire specific competencies</td>
<td>4.674</td>
<td>1.587</td>
</tr>
<tr>
<td>Enhances the bank’s relationship with its customer base</td>
<td>4.014</td>
<td>1.532</td>
</tr>
<tr>
<td>Helps in adaptation thereby minimizing various risks</td>
<td>4.571</td>
<td>1.557</td>
</tr>
<tr>
<td>Helps the bank to keep and expand its market position</td>
<td>4.385</td>
<td>1.514</td>
</tr>
<tr>
<td>Manages dependency on certain key resources</td>
<td>4.657</td>
<td>1.527</td>
</tr>
<tr>
<td>Poor performance causes a firm to seek cooperative leadership of the</td>
<td>4.545</td>
<td>1.518</td>
</tr>
<tr>
<td>Acquisition of new technology influences cost</td>
<td>4.518</td>
<td>1.574</td>
</tr>
<tr>
<td>Enhances capacity utilization thereby affecting its sales</td>
<td>3.688</td>
<td>1.657</td>
</tr>
<tr>
<td>Technological change positively affects competitive</td>
<td>3.987</td>
<td>1.637</td>
</tr>
</tbody>
</table>

From the findings in the table above, the majority of the respondents rated the effectiveness of strategic alliances and the findings were presented in means and standard deviation. The respondents indicated that strategic alliances improves the bank’s ability for profit maximization to a great extent with a mean of 4.227; the respondents indicated that strategic alliances helps the bank acquire specific competencies to a very great extent with a mean of 4.674; the respondents indicated that strategic alliances enhances the bank’s relationship with its customer base to a great extent with a mean of 4.014; the
respondents indicated that strategic alliances helps in adaption thereby minimizing various risks to a very great extent with a mean of 4.571; the respondents indicated that strategic alliances helps the bank to keep and expand its market position to a great extent with a mean of 4.385; the respondents indicated that strategic alliances manages dependency on certain key resources to a very great extent with a mean of 4.657; the respondents indicated that poor performance causes a firm to seek cooperative to a very great extent with a mean of 4.545; the respondents indicated that the acquisition of new technology influences cost leadership to a very great extent with a mean of 4.518; the respondents indicated that strategic alliances enhances capacity utilization thereby affecting its sales to a moderate extent with a mean of 3.688 and the respondents indicated that strategic alliances technological change positively affects competitiveness to a great extent with a mean of 3.987.
4.4 Globalisation And Strategic Alliance

The study sought to determine the globalization factors that influence the bank. The findings were established and presented in the table below.

4.4.1 Extent to Which Each Factor Applies to Globalization

The study sought to determine the extent to which globalization factors influence the bank. The findings were presented in mean and standard deviation.

Table 4.6: Globalization factors

<table>
<thead>
<tr>
<th>Globalization factors</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stiff Competition</td>
<td>4.325</td>
<td>1.532</td>
</tr>
<tr>
<td>Rapid technological changes</td>
<td>4.421</td>
<td>1.502</td>
</tr>
<tr>
<td>Shifting centers of economic activity</td>
<td>3.984</td>
<td>1.611</td>
</tr>
<tr>
<td>An increasingly networked business environment</td>
<td>3.541</td>
<td>1.508</td>
</tr>
<tr>
<td>Free movement of labor</td>
<td>3.734</td>
<td>1.604</td>
</tr>
<tr>
<td>Creation of a worldwide market</td>
<td>4.102</td>
<td>1.637</td>
</tr>
</tbody>
</table>

From the findings in table 4.6 above, the respondents indicated that stiff competition is a globalization factor that influence the bank to a very great extent with a mean of 4.325; the respondents indicated that rapid technological changes influence the bank to a very great extent with a mean of 4.421; the respondents indicated that shifting centers of economic activity influence the bank to a great extent with a mean of 3.984; the respondents indicated that an increasingly networked business environment influence the bank to a moderate extent with a mean of 3.541; the respondents indicated that free movement of labour influence the bank to a great extent with a mean of 3.734 and finally
the respondents indicated that creation of a worldwide market to a great extent with a mean of 4.102.

4.4.2 Responses to challenges

The study sought to determine the extent to which banks respond to challenges identified in the bank. The study findings were presented in the table of mean and standard deviation below.

Table 4.7: Responses to challenges

<table>
<thead>
<tr>
<th>Responses to challenges</th>
<th>Mean</th>
<th>Std. Dev.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closure and liquidation</td>
<td>4.358</td>
<td>1.521</td>
</tr>
<tr>
<td>Formation of strategic alliances; mergers and acquisitions</td>
<td>4.451</td>
<td>1.587</td>
</tr>
<tr>
<td>Relocation of business</td>
<td>4.307</td>
<td>1.532</td>
</tr>
<tr>
<td>Business process re-engineering</td>
<td>3.985</td>
<td>1.504</td>
</tr>
<tr>
<td>Diversification of product portfolio</td>
<td>3.784</td>
<td>1.532</td>
</tr>
<tr>
<td>Research and development</td>
<td>4.015</td>
<td>1.541</td>
</tr>
<tr>
<td>Business process outsourcing</td>
<td>4.547</td>
<td>1.587</td>
</tr>
</tbody>
</table>

From the findings in the table above, the majority of the respondents indicated some of the response to challenges the banks face. The respondents indicated that closure and liquidation was a response to challenges faced by the bank to a very great extent with a mean of 4.358. The respondents indicated that the formation of strategic alliances; mergers and acquisitions was a response to challenges faced by the bank to a very great extent with a mean of 4.451; the respondents indicated that the relocation of business was a response to challenges faced by the bank to a very great extent; the respondents indicated that business process re-engineering to a very great extent with a mean of 3.985; the respondents indicated that diversification of product portfolio to a great extent
with a mean of 3.784; the respondents indicated that research and development to a great extent with a mean of 4.015; the respondents indicated that business process outsourcing to a very great extent with a mean of 4.547.

4.5 Discussion of findings

Firms undertake strategic alliances for many reasons which include enhancing their productive capabilities, to reduce uncertainties in their internal structures and external environment. Many others will form strategic alliances to acquire competitive advantages that enable them to increase profits, or to gain future business opportunities that will allow them to command higher market values for their output (Webster, 1999).

The literature review further emphasized that others will form strategic alliances to achieve higher control and more operational flexibility and realization of market potential. Operational flexibility results from reaching out to new skills, knowledge, and markets through shared investment risks.

This current study found that the bank formed strategic alliances with other firms for various reasons ranging from, managing and minimizing costs and risks, minimizing market price uncertainties, providing superior customer value, maximizing profits for the bank, sharing and gaining tacit knowledge, protecting and enlarging market share, gaining resources and capabilities and acquiring technology. Makua (2012) study on competitiveness among commercial banks, found out that the banks formed strategic alliances with other firms for various reasons ranging from the need to provide superior value to clients, to protect and enlarge market share, to gain resources and
capabilities and even to minimize costs and more so to deal with the challenges brought about by globalization. His findings also agree with the current findings on the reasons for formation of strategic alliances in banks. He

The literature explained globalization and its challenges. Companies around the world are struggling to confront the organizational challenges presented by global trends such as growing competition for talent, shifting centers of economic activity, and an increasingly networked business environment. Globalization symbolizes the structural making of the world characterized by the free flow of technology and human resources across national boundaries presenting an ever-changing and competitive business environment. Organizations have no choice but to find ways of adapting to a new business environment. This study established from the findings that the factor that affects the banks most was stiff competition. Others included rapid technological changes, shifting centers of economic activity and increasingly networked business respectively.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The main objective of this study was to establish the globalization and strategic alliances among commercial banks in Kenya. The study findings focused to determine the extent of strategic alliances among commercial banks and also establish how globalization is influencing strategic alliances among commercial banks in Kenya. This chapter presents the summary of findings, conclusions and recommendations of the study findings presented in chapter four.

5.2 Summary of Findings

The study sought to determine the strategic alliances by commercial banks in Kenya. The types of strategic alliances adopted by banks were identified as joint venture; equity strategic alliance; licensing agreement; outsourcing agreement; distribution agreement and supply contract. The respondents identified some of the factors influencing strategic alliances by commercial banks. These factors were identified as partner selection; resource combination that obeys VRIO; trust between partners and dedicated alliance functions all influence strategic alliances to a great extent in commercial banks.

The study sought to identify some of the attributes that apply regarding partner selection as a factor influencing strategic alliances by the bank. The respondents pointed out some of the attributes that apply regarding partner selection as bank management seeks to enter an alliance with a partner they attain a cultural fit with; the bank seeks to forge an alliance with a partner who has a decision making process that is decentralized; strategic
alliance will be created with a partner that has rules that are documented, broad in guidelines and detailed in policies and procedures; strategic partner will be selected for an alliance when having reporting and controlling systems in place; partner will be qualified for an alliance when willing to make available necessary resources and accept short-term sacrifices; the bank will seek for an alliance with a partner having the resources needed to fulfill the objectives of the alliance; the strategic partner in the alliance has to possess the capacity to supply the needed resources; strategic alliance will be achieved when partners are having a clear strategic purpose; the bank will enter an alliance with a partner esteeming the importance of the partnership and a partner hoping to gain from the alliance will be a candidate for a partnership with the bank.

The study also identified some of the reasons for forming alliances by commercial banks and the respondents pointed that that forming alliances helps to: manage and minimize costs/risks; minimize market price uncertainties; provide superior customer value; maximize profits for the bank; share and gain tacit knowledge; protect and enlarge market share; compliment/gain resources and capabilities and to acquire advanced technology.

The study also established that forming strategic alliances that apply to commercial banks need to be effective. The effectiveness of strategic alliances was identified as one that can improve the bank’s ability for profit maximization; helps the bank acquire specific competencies; enhance the bank’s relationship with its customer base; helps in adaptation thereby minimizing various risks; help in the bank to keep and expand its market position; manage dependency on certain key resources; poor performance causes a firm to seek cooperative alliances; acquisition of new technology influences cost leadership;
enhances capacity utilization thereby affecting its sales volume and that technological change positively affects competitiveness of the commercial banks.

The study sought to determine the globalization factors that influence commercial banks. These factors were identified to have stiff competition; have rapid technological changes; shifting centres of economy activity; an increasingly networked business environment; free movement of labour and the creation of a worldwide market. The study also examined some of the responses that apply to the challenges identified in commercial banks. These responses involve a closure and liquidation; formation of strategic alliances, mergers and acquisitions; relocation of business; diversification of product portfolio; research and development and business process outsourcing.

5.3 Conclusion

From the findings the study concluded that commercial banks in Kenya had adopted globalization and strategic alliances. The findings indicate that Commercial Banks in Kenya endeavor to achieve some competitive advantage over their competitors in such a global environment by using different strategies such as joint venture; equity strategic alliance; licensing agreement; outsourcing agreement; distribution agreement and supply contract. It was concluded that Commercial Banks formed strategic alliances/mergers/joint venture/acquisition, developed new product, diversified, employed innovative managers and institutionalized innovative culture among employees production of superior products and services were strategies used by Commercial Banks to maintain quality customer services. Review of the vision and mission of the firm, competitor analysis surveys, benchmarks with global companies, environmental scanning were strategies applied to manage service quality among customers by Commercial
Banks in Kenya. 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 the globalization factors influence commercial bank. Effective globalization requires an awareness of technologies and how they are adapted around the world. It also calls for the ability to differentiate products from competition that can originate anywhere in the world. To ensure profitability, survival and growth, some local firms opted to enter into alliances with foreign firms in order to face the challenges of competition and changing market demands. Firms may use alliances to obtain resources possessed by other firms that are valuable and essential to achieving competitive advantage.

5.4 Recommendations

Banks should realize that globalization is a non-stop economic process which has both benefits and threats and as such, handle it with a suitable level of strategic aggressiveness.

5.4.1 Contribution to Management Practice

The findings revealed that strategic alliances play an important role in the banking industry in Kenya as far as globalization and its challenges is concerned. Recommendations were made based on the study findings that the banks should form strategic alliance driven by the need to differentiate its products and services within one or a number of target market segments.
Use of strategic partnerships geared towards differentiated strategy will help the banks to gain more competitive advantage compared to its competitors in terms of market capture. The study recommends that commercial banks should pay more attention to its resources than to its competitive environment.

Managers of Commercial banks should also look into partnering with non-aligned businesses with a view to diversification in order to spread risks. Common examples could be partnerships with insurance companies, mobile phone operators, stock brokerage firms, investment firms and even pension companies. This will broaden the range of services offered and increase revenues and profits.

**5.4.2 Contribution to Managerial Policy**

There is need for banks to always be on the lookout for innovations and technology that would help in mitigating the adverse effects of globalization. Management should design and implement policies and strategies that enable banks capitalize on global opportunities while managing the inherent threats; alliance formation and strategic flexibility are also means to manoeuvre banks through globalization.

The policies designed should include competitive intelligence to be applied in their strategic alliance practices. The impact of technological intelligence will have huge benefits on the level of automation, cost reduction and efficiency in service delivery that the banks can achieve. The banks should therefore adopt instruments to gather market intelligence, product intelligence, technological intelligence, and strategic alliance intelligence to complement their strategic alliance practices to ensure their positions
strategically as the most competitive banks in terms of innovation and customer value-add as compared to rivals.

Policies that guide strategic partner selection should be clearly put in place. This will enable careful choice of the strategic partners which is important in avoiding conflicts of any sort. This will also ensure a sustainable relationship where the partners can complement each other in more synergistic manner.
REFERENCES


APPENDIX II: QUESTIONNAIRE

This questionnaire is designed to collect data that will evaluate globalization and how it has influenced strategic alliances among commercial banks. The data shall be used for academic purpose only and it will be treated with confidentiality it deserves. You are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objective way possible. Your participation in facilitating this study will be highly appreciated.

Please take a few minutes and answer the following questions. Tick in the space provided with the correct answer and supply the required information where necessary. If need be, please specify and elaborate.

Please note the following while filling the questionnaire:
Do not write your name.
Your individual responses are confidential and anonymous.
Your views are important and valued by this researcher.

Section A: Background Information

1. What factors have contributed to the success of the bank in the last decade?

2. What is the relationship between globalization and a company’s survival and growth? using the scale 1-5, where 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=Strongly Agree) Mark your option with x

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<th>4</th>
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<tr>
<td><strong>Good for business</strong></td>
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<td><strong>Threat to business</strong></td>
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<td><strong>Irrelevant to business</strong></td>
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<td><strong>Total</strong></td>
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</table>

Section B: Strategic Alliances by your bank

Please mark with an (X) the option(s) which best describes alliances by the bank.

4. Which type of alliance has the bank entered into in the last 5 years?
   - Joint Venture [ ]
- Equity Strategic Alliance [ ]
- Licensing Agreement [ ]
- Outsourcing Agreement [ ]
- Distribution Agreement [ ]
- Supply Contract [ ]

5. To what extent does each of the following factors contribute to the effectiveness of the alliance your bank has entered in? *(Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)*

<table>
<thead>
<tr>
<th>Factors influencing alliances</th>
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</thead>
<tbody>
<tr>
<td>Partner selection</td>
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<td>Resource combination that obeys VRIO</td>
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<tr>
<td>Trust between partners</td>
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<tr>
<td>Dedicated alliance functions</td>
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</table>

6. To what extent does each of the following apply regarding partner selection as a factor influencing strategic alliances by your bank? *(Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)*

<table>
<thead>
<tr>
<th>ATTRIBUTE</th>
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<th>4</th>
<th>3</th>
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<tbody>
<tr>
<td>The bank management seeks to enter an alliance with a partner they attain a cultural fit with.</td>
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<td>The bank seeks to forge an alliance with a partner who has a decision making process that is decentralized</td>
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<td>A strategic alliance will be created with a partner that has rules that are documented, broad in guidelines and detailed in policies and procedures</td>
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<td>A strategic partner will be selected for an alliance when having reporting and controlling systems in place</td>
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<tr>
<td>A partner will be qualified for an alliance when willing to make available necessary resources and accept short-term sacrifices</td>
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</table>
The bank will seek for an alliance with a partner having the resources needed to fulfil the objectives of the alliance

The strategic partner in the alliance has to possess the capacity to supply the needed resources

A strategic alliance will be achieved when partners are having a clear strategic purpose

The bank will enter an alliance with a partner esteeming the importance of the partnership

A partner hoping to gain from the alliance will be a candidate for a partnership with the bank

7. To what extent does resource combination influence the formation of strategic alliances in your bank?
   - To a very great extent [   ]
   - To a great extent [   ]
   - To a moderate extent [   ]
   - To a little extent [   ]
   - To no extent [   ]

8. To what extent does the following reason apply to formation of strategic alliances? Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)

<table>
<thead>
<tr>
<th>Reasons for forming alliances</th>
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<th>4</th>
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<tbody>
<tr>
<td>To manage and minimize costs/risks</td>
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<tr>
<td>To minimize market price uncertainties</td>
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<tr>
<td>To provide superior customer value</td>
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<td>To maximize profits for the bank</td>
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<td>To share and gain tacit knowledge</td>
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<td>To protect and enlarge market share</td>
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<tr>
<td>To compliment/gain resources and capabilities</td>
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<tr>
<td>To acquire technology</td>
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9. To what extent does the following effectiveness apply to strategic alliances? Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)
**Effectiveness of Strategic Alliances**

<table>
<thead>
<tr>
<th>Effectiveness</th>
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<tbody>
<tr>
<td>Improves the bank’s ability for profit maximization.</td>
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<tr>
<td>Helps the bank acquire specific competencies.</td>
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<tr>
<td>Enhances the bank’s relationship with its customer base.</td>
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<td>Helps in adaptation thereby minimizing various risks.</td>
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<td>Helps the bank to keep and expand its market position.</td>
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<td>Manages dependency on certain key resources.</td>
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<td>Poor performance causes a firm to seek cooperative alliances.</td>
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<td>Acquisition of new technology influences cost leadership of the bank.</td>
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<td>Enhances capacity utilization thereby affecting its sales volume.</td>
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<td>Technological change positively affects competitive advantage.</td>
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**Section 3: Globalisation and strategic alliance.**

10. To what extent does each of the following globalisation factors influence the bank? Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)

<table>
<thead>
<tr>
<th>Globalisation factors</th>
<th>5</th>
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<tr>
<td>Stiff Competition</td>
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<td>Rapid technological changes</td>
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<td>Shifting centers of economic activity</td>
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<tr>
<td>An increasingly networked business environment</td>
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<td>Free movement of labor</td>
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<tr>
<td>Creation of a worldwide market</td>
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</table>

11. To what extent does each of the following explain how the bank has responded to the challenges identified? Please mark your answer with an (X) using the scale 1-5, where 1=Not at all, 2=Little Extent, 3=Moderate Extent, 4=Greater Extent, 5=Very Great Extent)
**Responses to challenges**

<table>
<thead>
<tr>
<th>Closure and liquidation</th>
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<tbody>
<tr>
<td>Formation of strategic alliances; mergers and acquisitions</td>
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<tr>
<td>Relocation of business</td>
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<tr>
<td>Business process re-engineering</td>
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<tr>
<td>Diversification of product portfolio</td>
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<tr>
<td>Research and development</td>
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<td>Business process outsourcing</td>
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</table>

12. What are the contributions of globalization to the alliances formed in your bank?

13. Are there some challenges that the bank has not responded to? What does the bank plan to do about it/Them?

   i.

   ii.

   iii.

   iv.

   v.

14. How have the effects of globalization affected the strategies of the alliance/s?

15. To what extent has the alliance used technology as a competitive tool?

16. What in your view is the future of the banks global competition?

   **Thank you for participating**