# STRATEGIC PARTNERSHIPS AND PERFORMANCE OF KCB GROUP LTD

**ROBERT KIPROTICH KANGOGO**

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

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# DECLARATION

This research project is my original work and has not been submitted anywhere for examination in any other university or institute of higher learning.

Signature …………………………   Date ………………………

Robert Kiprotich Kangogo

Reg. No. D61/72467/2014

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

Signature ………………………………   Date ………………………

Professor Martin Ogutu

Department of Business Administration

School of Business

University of Nairobi

# DEDICATION

I dedicate this project to my parents and brothers for the moral support they accorded me while undertaking this project.

# ACKNOWLEDGEMENT

I take this opportunity to thank everyone who supported me in the course of this project. Special thanks to the management and staff of KCB Group Ltd for their invaluable contribution during the research process. Also, special thanks to my Supervisor Prof. Ogutu for the guidance he accorded me throughout the course of this project.

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# ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **CBA:** | Commercial Bank of Africa |
| **CBK:** | Central Bank of Kenya |
| **CEO:** | Chief Executive Officer |
| **ERP:** | Enterprise Resource Planning |
| **IRA:** | Insurance Regulatory Authority |
| **IPO:** | Initial Public Offer |
| **KCB:** | Kenya Commercial Bank |
| **MFC:** | Mortgage Finance Company |
| **MMT:** | Mobile Money Transfer |
| **NIM:** | Net Interest Margin |
| **RBV:** | Resource Based View |
| **ROA:** | Return on Assets |
| **ROE:** | Return on Equity |
| **S & L:** | Savings and Loans |
| **SWOT:** | Strengths, Weaknesses, Opportunities and Threats |

# ABSTRACT

Strategic partnerships are considered to be the means of producing a more influential and efficient framework for competing in the international business environment. Strategic partnership relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. The primary objective of this project was to find out the effect of strategic partnerships on performance of KCB Group Ltd. This project employed the case study research methodology. Primary data was used in the study. The researcher employed an interview guide to aid in data collection with open-ended questions to probe senior managers at KCB Group headquarters in Nairobi. The qualitative data collected was analyzed using content analysis technique. The study found that KCB Group Ltd has established strategic partnerships with, Safaricom, Airtel, USAID, and General Electric. The study found that the strategic partnerships has helped the bank enter new markets, reduce costs, improve brand visibility and to be in a position to develop more innovative products and services. The findings highlighted particular challenges encountered in the banks strategic partnerships including flow of information and lack of trustworthiness which results from lack of openness. The study concluded that strategic partnerships have reduced customer attrition through improved service delivery that has led to higher customer retention, repeated business and enhanced customer satisfaction in the bank. The study recommends that partnering organizations should seek to understand what factors make partnerships work and pursue such factors.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

Strategic partnership is a formal and mutually agreed partnership arrangement between at least two firms or companies. The partners pool assets together, trade as well as incorporate chosen assets for shared advantage while they stay partitioned and totally autonomous from each other. It is an agreeable game plan, which empowers partners to attain objectives together that they could not accomplish alone. Ulijn *et al*. (2010) stated that strategic alliance is a state where two or more companies collaborate in specific activities but remain independent. Strategic partnerships are seen as approaches for producing an influential and efficient framework for competing in an internationalized environment. Strategic partnership relationships continue to be one of the leading business strategies as a result of increasing competition in the global market.

However, strategic partnerships can take different forms and as such are not limited to commercial spheres alone. It can be a partnership of strong partners who are direct competitors, partnership between strong and weak partners, partnership 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 partnership is to add value with different focuses on trade, competence, information/knowledge acquisition or overcoming barriers (Gamble, Strickland & Thompson, 2007).

According to Grant (1991) Resource-Based View (RBV) theory interfaces the organizations' productivity on diversification and commodity advancement approach. An RBV of an organization discloses its capacity to offer a competitive advantage when assets are overseen with the end goal that competitors cannot imitate their results, which eventually causes a competitive hindrance. RBV explained that an organization's competitive advantage is attained by cautiousness of its unique resources being infrequent, significant, ultimate, non-tradable, and non-substitutable, and in addition firm specific.

Any given firm may have numerous focal points over another firm, for example, a predominant generation framework, a lower wage rate and pay rates or a capacity to convey prevalent client benefit, yet the critical focal points are those in which clients put some level of significant worth (Collis and Jarvis, 2002). As showed by Steensma and Lyles (2000), information based point of view is especially appropriate to the investigation of key organizations.

Endeavors to assemble the Knowledge-Based theory of the firm likewise draw on the evolutionary theory of economic change proposed by Nelson and Winter (1982). As indicated by this theory, an organization is a social element, which advances by adjusting the assortment of learning shared by its individuals, and it is the association's profitable information that characterizes its upper hand. Since vital organizations happen when at least two accomplices pull assets together to build up an association, then the organizations have a learning base that is not diffused over their limits. This becomes the driving force of strategic partnerships, more so as a means of transferring tacit knowledge. The RBV of the organization recognises the significance of organisationspecific assets and competencies, but it does so in the circumstance of the competitive environment (Gathirua, 2013). It views abilities and assets as the cornerstone of a company's competitive edge.

In Kenya, commercial banks and mortgage financers are authorized and directed in accordance with the arrangements of the Banking Act and the Regulations and Prudential Guidelines provided there under. They are the prevailing players in the Kenyan Banking framework and close consideration is directed to them while leading off-site and on-location monitoring to guarantee that they are in consistence with the laws and regulations. Currently the Kenya banking sector has 42 authorized business banks and 1 mortgage financing institution. The commercial banks function in an economy is vital in light of the fact that they execute monetary approaches and give methods for encouraging payment of products and enterprises in the local and global trade. Banking is presently a fundamental part of the monetary framework. In Kenya, most banks form strategic partnerships in direct response to competition and to reduce uncertainty about the future. Most of the Partnerships have failed to be sustained for a long time, due to several reasons: failure of parties in contractual agreements adherence, volatile operating environment, and change in dynamics among other factors.

### 1.1.1 Strategic Partnerships

Strategic partnership is a legally binding, temporary relationship between organizations staying autonomous, intended for lessening the uncertainty around the accomplishment of the partners' strategic goals by way of planning or mutually executing one or a few of the organizations' duties (Jepchumba, 2013). Strategic partnership must be carried out keenly as it includes measures, for example, co-inventorship, licensed innovation proprietorship, innovation exchange, exclusivity, rivalry, contracting away of workers, rights to business openings made over the span of the partnership, apportioning of benefits and costs, length and end of the relationship, and numerous different business issues (Chemwei, 2014). There are a few business variables prompting to the need of the key association, for example, administrative prerequisites, general monetary terms and the organizational systems in nations of operation, including lawful necessities, macroeconomic approaches, price regulations, financial capital markets, appropriation channels, and techniques for contract enforcement.

Strategic partnering between corporates happens on different fronts. Firms can collaborate in product development, provision of engineering platforms, branding, capital financing, creation of specialized new products, marketing, distribution and supplies, and creative expertise. When firms form strong partnerships, they both benefit from the relationship and offer customers quality services (Applegate *et al*, 2007).Strategic partnerships always give rise to various issues in the course of business between firms. Issues of intellectual property rights, transfer of technology, profit sharing, expenses and termination of partnerships are prevalent in such arrangements. However, these issues cannot be an impediment to working relationships between firms. Such firms always have legal frameworks in place meant to iron out any arising issues that may be an obstacle to their operations (Jamali*et al,* 2011).

KCB has partnered with Safaricom and formed a product dubbed KCB M-pesa, which gives users of the telecom’s mobile money to borrow funds between KSh.50 and KSh.1

million repayable with one to six months. Enthusiastic to tap the huge unnoticed potential in local mobile banking, CBA entered into a strategic partnership with Safaricom in 2012 to commence M-Shwari, a mobile phone-based virtual banking platform, which would be accessible to the 15 million people (80% of Kenya's adult population) which already used the M-Pesa mobile money transfer (MMT) system. With the need and effort to offer technology enhanced financial services, equity bank collaborated with MasterCard to set up MasterCard Pay Pass. Persuasively mindful of realising a cashless society, equity bank recently collaborated with Google Kenya and instigated "BebaPay," a payment card intended to offer a quick and convenient method for paying for bus fares without involving cash.

### 1.1.2 Firm Performance

Firm performance can be assessed in different ways. These may incorporate yet not constrained to sales growth rate, share of the market, efficiency and revenues (Ichniowskiet al., 1997). Sales growth rate is a proportion that estimates the rate of progress in sales now and again or a predefined timeframe. The use of recorded growth rates is one of the techniques for evaluating future development. Market share is the portion of a market, which might be characterized regarding either divisions or income, symbolized by a particular entity. Market share is a key pointer of market concentration, that is, how good a business is getting along against its contenders. Company's budgetary performance is measured in financial terms. A firm monetary performance is thought about in its return on investment, return on assets, and value added among others. Profit making is the definitive objective of business banks. To quantify the productivity of firms there are assortment of ratios utilized of which Return on Asset (ROA). Return on Equity (ROE) and Net Interest Margin (NIM) are the significant ones (Murthy & Mouritsen, 2011).

ROE is a monetary ratio that refers to how much profit an organization earned compared to the average sum of shareholder value put in or found on the balance sheet. ROE is the thing that the shareholders look in return for their venture. ROA is a portion of income to its average assets (Khrawish, 2011). It estimates the capability of the bank's management to generate revenue by using organization assets at their disposal.

### 1.1.3 Strategic Partnerships and Firm Performance

Johnson and Scholes (1999) defined strategic alliance as a situation where two or more partner organizations share assets and tasks to pursue a tactic while Robbins and Coulter (2010) defined firm performance as the accumulated end results of all organization work, processes and activities. Strategic partnership can therefore be viewed as a tool for competitive advantage which is intended to enhance performance of organization through the synergy that is derived from combined efforts of the partnering organizations. Johnson and Scholes (1999) highlighted the factors that motivate firms to form strategic partnership as the need to share risks and to access new markets; globalization; cost reduction; desire to acquire or exit a business or the favourable regulatory treatments that alliances receive compared to mergers and acquisitions. These factors have a bearing to the performance of an organization and thus the organizations management requires to carry out a SWOT analysis from time to time to determine whether these factors are in the internal or the external environment of the business. The result of the analysis should determine whether strategic alliance is the right strategy to navigate the volatile environment.

According to Bamford et al. (2004), companies grow even in changing times because growth as a measure of performance is in the corporate mindset created by the company leaders. They may refute the limits of current items and existing markets but should have infinite expedition for new opportunities to enlarge beyond these artificial borders. The growth requires sensational strategy defined as the strategy of playing a different game (Das &Teng, 2008) Emanating from the potential risks of coping with increasing complex environment, entrepreneurs opt to spread risk and gain other array of benefits through strategic partnerships. According to Gathirua, (2013) there can be some benefits in forming strategic partnerships that permit use of other firms' strengths to make both firms powerful in the in future.

### 1.1.4 Banking Industry in Kenya

The Companies Act, the Banking Act, the Commercial Banks in Kenya Act and different prudential rules given by the Central Bank Kenya (CBK) oversee the Banking industry in Kenya. The banking industry became liberalized in 1995 and trade controls lifted (Price Waterhouse Coopers, 2010). The banking industry comprises of 43 financial institutions (42 commercial banks and 1 Mortgage Finance Company - MFC). Among the 43 organizations are 39 business banks and the mortgage finance company are owned individually whereas the Kenya Government has major stakes in the rest of the 3 commercial banks. 25 of the 39 financial institutions and the 1 mortgage institution are privately owned (i.e their major owners are domiciled in Kenya) whereas foreigners own 14.

The CBK is entrusted with planning and execution of money related and monetary arrangements. The CBK is the lender of last resort in Kenya and is the banker to every other bank. The CBK guarantees the efficient working of the monetary system within the economy, the liquidity within the country and the value of the currency. To resolve concerns that influence the banking business in the country, banks have met up and established a round-table managed by the Kenya Bankers Association. The banks have acknowledged gigantic development in the most recent five years and have extended toward the East African region.

The Kenyan Banking sector has likewise participated in mechanization, advancing from the customary saving money to accomplish the developing sophisticated demands of their client and internationalization problems better. There has been expanded rivalry from local banks and additionally universal banks, many of that are new actors in the country. This has served the Kenyan economy better as the clients and shareholder are among the key beneficiaries.

### 1.1.5 Commercial Banks in Kenya

The banking sector in Kenya contains 43 banking institutions (42 business banks and 1 Mortgage Financier. Kenyan business banks are arranged into three factions utilizing a weighted composite index that involves resources, deposits, capital, the amount of deposit and credit accounts. A financial institution with a weighted composite index of 5% or more is named a big bank, an average financial institution has an average composite index of between 1% and 5% while an undersized bank has averaged composite index of below 1%.

The commercial banks function in the economy is principal since they execute money related strategies and give ways of encouraging payment of goods and services in the local and global trade. Banking is currently a key part of the financial framework. Contemporary commerce and trade would nearly be unimaginable without the accessibility of appropriate banking services. Above all else, managing an account advances reserve funds. All way of individuals, from the common workers and labourers to the rich land proprietors and specialists, can keep their cash securely in banks and saving centers. Besides, saving money enhances investments. Banks effectively put the cash they get in industry, agribusiness and commerce. They either channel it directly into investments or advance it to other investors as loans.

In Kenya, most banks form strategic partnerships in direct response to competition and reduce uncertainty about the future. Most of the Partnerships have failed to be sustained for a long time, due to several reasons: failure of parties in contractual agreements adherence, volatile operating environment, and change in dynamics among other factors. In this study the researcher examined the effects of strategic partnerships on performance of KCB Group Ltd.

The difficulties confronting commercial banks in Kenya include new laws particularly with the implementation of the new constitution. CBK demands that banks develop their minimal capital needs to Kenya shillings 1 Billion by December 2012. The terror assaults on the twin towers in the U.S underlined and prompted to the ordering Acts including Anti-money laundering. Countries are working closely to guarantee that effects of crime fail to get their way into the financial frameworks of the global financial systems. The worldwide financial crisis witnessed in 2008/9 affected the banking domain in Kenya and more so reassuring of deposits and business decrease. The Interest edges diminishing have moreover influenced the banking domain across the nation.

### 1.1.6 KCB Group Ltd

The KCB Group is a noteworthy establishment in the Kenyan banking and financial sector with a resource or capital base of over Ksh. 566 billion. The historical backdrop of KCB goes back to 1896 when its forerunner, the National Bank of India set up outlet in Mombasa. After eight years, in 1904, the Bank widened its operations to Nairobi, which had turned into the Headquarters of the growing railway line to Uganda.

The following real change in the Bank's history came in 1958. Grindlays Bank converged with the National Bank of India to make the National and Grindlays Bank. Upon independence, the Kenya Government procured 60% shareholding in National & Grindlays Bank with an end goal to convey banking nearer to majority of Kenyans. In 1970, the Government obtained 100% of the shares to take full control of the biggest commercial bank in Kenya.

National and Grindlays Bank was renamed Kenya Commercial Bank. In 1972, Savings and Loan (K) Ltd was acquired to specialize in mortgage financing. Kenya Commercial Bank renamed to KCB Bank Group in 2010.

The KCB Bank Group is made up of KCB Kenya, S&L, a mortgage division; KCB Tanzania Limited, KCB Rwanda Limited, KCB Burundi Limited, KCB South Sudan Limited and KCB Uganda Limited.

Today, KCB Group has the most extensive network of 6 outlets including more than 230 branches across East Africa, 175 branches in Kenya, 14 in Uganda, 2 in Burundi, 11 in Tanzania, 11 in Rwanda and 20 in Southern Sudan and access to over 940 Automated Teller Machines (ATM) and over 4,627 group bank agents. In 2015, The Group's steady performance was driven by increased revenues, tight cost management and improved efficiencies, with customer deposits of Ksh. 424 billion, total assets of Ksh. 558 billion.

## 1.2 Research Problem

The dynamics of the external business environment exerts pressure on corporate leaders to develop innovative strategies to cope with the changing market conditions and customer needs. Strategic partnership as a strategy for competitive advantage has become monumental as organizations scramble for survival to reduce costs and be stronger in order to compete (Ulijn, 2010).

The banking sector like most other sectors operates in turbulent conditions in the market place. Studies in this field provide insights of what capabilities banks require to develop and what resources they can leverage on to navigate the tidal times of changing technology and client expectations. This study investigated the effects of strategic partnerships on the performance of KCB Group Ltd.

Different studies have been done by various researchers to take in more on the areas of growth strategies and performance of firms. Altunbaş & Marqués (2008), conducted a study on mergers and acquisitions and performance of banks in Europe. The study learned that all things considered, bank mergers have brought about enhanced performance. They likewise settled that for local deals, it can be very exorbitant to incorporate organizations which are different as far as their advances, profit, and cost, deposit and size approaches. For cross-border mergers, contrasts between consolidating partners in their advance and credit hazard techniques are helpful for higher performance, though differing qualities in their capital and cost structure has a negative effect from a performance point of view. Supriyadi, (2014) likewise did a study on the influence of strategic partnership on advancement capacity and business performance of clothing industry in West Java. The outcomes demonstrated that the strategic partnership gives a positive and critical effect on advancement abilities and straightforwardly, strategic partnerships likewise have a positive and noteworthy impact on development capacities.

Stuart et al. (1999) examined Interorganizational Endorsements and the Performance of Entrepreneurial Ventures. The aftereffects of the empirical test of the rate of initial public offering (IPO) and the market capitalization at IPO of the individuals from an extensive specimen of investment-capital-backed biotechnology companies often demonstrate that privately held biotech firms. These entail noticeable strategic union partners and company equity investors go to IPO quicker and acquire more noteworthy valuations at IPO than enterprises that need such associations. Hagedoorn and Schakenraad (1994) did a study on the impact of strategic innovation collusions on organization execution. The results indicated that there is a significant consequence of strategic innovation partnerships on company performance.

Musyoki (2003) studied the creation and implementation of strategic partnerships among non-governmental organizations with a case of Gedo health consortium. Wachira (2003) carried out a survey on strategic partnerships in pharmaceutical drug development, a case study of three strategic partnerships at Eli Lilly and company.

A gap in knowledge therefore exists and hence this study attempted to address this gap by investigating influence of strategic partnerships on performance of KCB in the increasingly competitive Kenyan banking industry. The study tried to answer or respond to the following questions; what strategic partnerships has the bank entered in to and what are the effects of the strategic partnerships on the performance of the bank?

## 1.3 Research Objectives

The objective of this study was to determine the effect of strategic partnerships on performance of KCB Group Ltd.

## 1.4 Value of the study

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 govern partnerships within the sector so as to facilitate faster growth.

In theory researchers and academicians are groups who will benefit from the study in that they may identify the researcher gap and conduct research on this topic. Also they might benefit by gaining information which can be used to conduct other studies on the area of strategic partnerships. This study will add empirical information to the currently available body of literature in RBV and knowledge based theories in the area of strategic management. Proponents of the two theories have recommended further exploration on the theories to find some strategic fit as the business environment keep changing hence the need to advance the existing theories.

In practice the study will be used by the management to gain insights on whether to use strategic partnership as tool for performance. This will influence management in formulating strategies that will enhance successful strategic partnership. KCB 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.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter reviewed the past studies on strategic partnerships and performance of KCB Group Ltd. The clear understanding of the past studies enables the understanding of the gaps that exists as well as build onto this research. This section sought to look at theoretical foundation, strategic partnerships and finally performance of KCB Group Ltd.

## 2.2 Theoretical Foundation

This section examined the various theories that will be used to inform the study on the strategic partnerships and performance of KCB Group Ltd. The theories are related to the concept of strategic partnerships and performance of KCB Group Ltd. The theories are discussed below.

### 2.2.1 Resource Based Theory

Resource based theory was initiated by Grant (1991) he argued that a firm's competitive advantage lies mainly in the bundle of resources at its disposal and how it can stretch these to achieve competitive advantage. A Resource-Based View of a firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. According to Conner and Prahalad (1996) resource based theory explains that a firm's sustainable competitive advantage is reached by virtue of unique resources being rare, valuable, inimitable, non-tradable, and non-substitutable, as well as firm-specific. They further noted that the fact that a firm may reach a sustainable competitive advantage through unique resources which it holds, and these resources cannot be easily bought, transferred, or copied, and simultaneously, they add value to a firm.

(Hamel & Prahalad, 1994), argued that to have the potential to generate competitive advantage, a firm resource must have four attributes: it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; it must be rare among a firm's current and potential competition; it must be imperfectly imitable; and there cannot be strategically equivalent substitutes for this resource.

To this study, the theory shows its strength because a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Das & Teng, 2000). The theory is relevant to the study since it links well with the firm's performance in that if a firm has a strategic partnership, its performance is deemed to be high and vice versa. This model has received certain critics such as, its inability to explain how firm resources are developed and deployed to achieve competitive advantage (Alvarez & Busenitz, 2001).

### 2.2.2 Knowledge-based theory

Strategic partnership is grounded in the knowledge-based theory of the firm (Grant, 1991). It is widely accepted that a firm's ability to partnership is tied to the pool of knowledge available within an organization. The generation of new knowledge has traditionally been connected to a firm's in-house research and development activities. Recent literature, however, points to the advantages of combining internal investments with external resources (Malmberg & Maskell, 2002) to benefit from complementarities. In other words, firms have begun strategic partnership processes for external knowledge. This trend of strategic partnership allows firms to access and exploit external knowledge while internal resources are focused on core activities Sveiby (2001).

Many authors show the relationship between strategic partnership and knowledge management. Knowledge-based strategy determines partnership efforts and may have a strong influence on their cost and performance. In addition, newly created knowledge guides the succeeding strategic partnership efforts Maskell (2001). This relationship also occurs in the other sense. That is, the results of the strategic partnership management of the firm create new explicit knowledge on products and technologies and also lead to the accumulation of tacit knowledge Foss (1996). As a consequence, increased knowledge base lead to a firm's strategic partnership efforts. Various strategic partnership in the banking sector can be attributed to increased knowledge base. Hence this makes this theory to be relevant to this study. Also this theory is relevant to the study since it links well with the firm's performance in that if a firm has pool of knowledge, its performance is deemed to be high and vice versa.

### 2.3 Strategic Partnership

According to Looy (2006) when a company assesses its resources and capabilities, it may discover gaps between what it aims to achieve and what it realistically can achieve. It may then fill those gaps by allying itself with an outside organization. That alliance might take the form of a straightforward, transactional agreement, a highly complex acquisition, or something in between. Strategic partnerships refer to any relationship between separate companies that involves shared contributions, ownership, and control (Klijn& Teisman, 2003). The firms work best when each participant seeks to augment its existing capabilities with the resources of the other, creating a synergy that enables the organizations to deliver a unique offering that they could not provide on their own. In sum, it grants a company access to new capabilities that allow it to become more competitive.

According to Martinsons (1993) strategic partnerships can deliver access to new markets or customers, accelerate new product development cycles, and improve a company's competitive positioning. They help companies expand their capabilities without the added step of creating those capabilities in-house. Therefore companies perform more efficiently and adapt more quickly than they would on their own.

A study done by Lynch (2004) indicated that more CEOs cited strategic partnerships as their number-one growth strategy than any other. Also research by Haukkala (2010) noted strategic partnerships represent a path to accelerated growth. According to Lynch (2004) although strategic partnerships present myriad growth opportunities, success is by no means a given. His Studies indicate that between 30 and 70 percent of alliances fail. Furthermore, the cost of repairing or terminating an unsuccessful partnership can be high; some of these costs include losses incurred through a partner's underperformance, the opportunity cost of executives' time spent managing a troubled partnership, job dissatisfaction and loss of productivity. Therefore, while companies may pursue strategic partnerships as a means to achieving growth targets and expanding capabilities, the reality is that partnerships often fail to deliver their expected value—and may drain companies of valuable resources in the process.

Klijn and Teisman (2003) argues that companies often overlook the importance of conducting rigorous upfront research and due diligence that, if executed properly, lay the foundation for a successful merger or acquisition; companies are equally guilty of such an oversight when undertaking a strategic partnership.

Companies may fail to attain this level of collaboration if one partner is stronger than the other and when weak partners become codependent. As noted by Looy (2006) successful partnerships are based on a clear growth strategy, tight partner alignment, and shared capabilities. Successful organizations understand that integration challenges can be offset by conducting rigorous opportunity analysis and partner due diligence.

**2.4 Firm Performance**

According to Storey (1994) firm's performance can be measured through different tools based on financial and non-financial aspect. Performance measurement tools can help businesses evaluate their resource allocation processes in order to determine how resources can be better managed and distributed to the appropriate channels (Ravichandran et al. 2005).

Traditionally, many performance measures have been based around financial aspects, omitting important non-financial aspects including the importance of dynamic capability through accumulating research and development as well as marketing capability over time, to further enhance firm performance (Heffernan et al. 2008). Besides that, the evaluation of the performance of banks, for example, usually employs financial indices, providing a simple description about the bank‘s financial performance in comparison to previous periods. By focusing only on financial aspects, however, is not enough for management to deal with the changing business environment.

Moreover Djankov and Hoekman (2000) mentioned that the financial statements is a common measure of banks generally in terms of financial health over a given period of time and it can be used to compare similar banks across the same industry or to compare industries or sectors in aggregation. Indeed, there are various ways to measure financial performance. The performance can be measured by using various methods such as accounting based technique, which consist of return on asset and return on equity. With these results, the data must be collected in collective way in order to see what impact it can contribute in measuring banking performance. This measure will include revenues from every single department and operations units available within the banks. Moreover, according to Storey (1994) in his article regarding financial performance in Oman banking sector, it shows that not all banks that have high total capitals, deposits, credits or even total assets would indicate that the banks always had better profitability. The situation that is caused by current competition that intensely effect on banking performance.

Storey (1994) also noted that with increasing competition in both of national and international banking markets, contribute to the changes towards monetary unions and the new technological innovations precursor major changes in banking environment. By seeing this, it is crucial for the banks to accept the challenges and be ready to prepare in order to enter into new competitive financial environment.

On the other hand, Storey (1994) had come up with study on financial performance of company in Malaysia. In the paper, Storey (1994) has successfully proved that by conducting a cross-section study of selected sample of companies in Malaysia. The study produced a results in which not all companies will experienced goal of maximizing profit before income tax is positively related with accounting based ratio.

In other study by Djankov and Hoekman (2000), shows that management researchers would prefer to use various accounting based measures to measure performance. Most common variables are return on asset and return on equity. With the usage of return on asset and return on equity, it can help the management of any forms of communication to evaluate managerial performance-how well is a firm‘s management using the assets in order to generate accounting returns per dollar of investment, assets or sales. This is certainly true as (Ravichandran et al. 2005) in their initial study, tried out several alternatives by gathering data on return on assets, return on equity, and Return on Investment. They found that the first return on asset is the most universally reported figure, revealing less gaps in the data set. Finally, the above reviews illustrate various researches that have been conducted and relevant to this particular study. These researches present past and recent literatures on characteristics of firm performance.

### 2.5 Strategic partnership and Firm performance

The relationship between strategic partnership and a firm performance is a key issue to the survival of the organization Muekalia (2004). Strategic partnerships are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field. Strategic partnerships are not a panacea for every company and every situation. However, according to Ngamua (2015) through strategic partnership, companies can improve their competitive positioning, gain entry to new markets, supplement critical skills, and share the risk and cost of major development projects.

Strategic partnerships among commercial banks is basically intended to increase the competitive advantage of commercial banks without feeling lost. Research By (Heffernan et al. 2008) shows that interorganizational links, especially on structural aspects, institutional and resource-based, has a strong relationship with the partnership and performance of a commercial bank. Interorganizational links strengthens the relationship with increased partnership in the world of banking services. A research by (Ravichandran et al. 2005) was able to prove that the strategic partnership in the field of technology for manufacturing companies had a significant positive effect on organizational performance. Thus the strategic alliances are able to improve organizational performance.

## 2.6 Empirical Studies and Research Gaps

In recent years, researchers and practitioners have widely discussed the strategic partnership and performance of banking sectors. According to Richard and Johnson (2001) companies grow even in changing times because growth as a measure of performance is in the corporate mindset created by the company leaders. They may not accept the limits of existing products and existing markets but should have endless quest for new opportunities to expand beyond these artificial boundaries.

Supriyadi and Ratna (2014) carried a study on the effect of strategic partnership on innovation capability and business performance of garment industry in west Java

Indonesia. The purpose of the study was to examine the impact of strategic partnerships on innovation capabilities and performance of the business of garment enterprises in the province of West Java - Indonesia. A total of 250 garment companies studied as a sample. Data was collected by questionnaires, where the respondents were the head of the company with manager-level positions. Data was analyzed with multiple regression. The results showed that the strategic partnership provides a positive and significant impact on innovation capabilities. Directly, strategic partnerships are also had a positive and significant effect on innovation capabilities. Innovation capability is also had a positive and significant impact on business performance.

Further a study carried out by Ngamua (2015) sought to establish the influence of strategic partnerships on the performance of insurance companies. The research was conducted through a survey study targeting operation managers for the 51 insurance companies licensed by IRA to operate in Kenya. The study collected primary data by use of a questionnaire. Data collected was analyzed through descriptive statistics, multiple linear regressions was undertaken with a view of examining the cumulative effect of the independent variables (Strategic partnerships and effectiveness of strategic partnerships) on the dependent variable (Organizational performance). Strategic partnerships contributed towards organizational performance of the insurance firms in Kenya. Higher profitability, wider distribution of insurance products, higher retention rates of customers were some outcomes identified as a result of the partnerships between insurance companies and various partners. The results concluded that there is a positive influence of each independent variable on dependent variable with the other independent variables held constant.

Also Warui (2014) carried out a research on challenges of strategic alliances in Kenya Commercial Bank Group Limited. The study sought to investigate challenges facing strategic alliance in KCB group limited. The study used case study research design. Primary data was collected using interview guides which consist of open-ended questions. The interviewees of the 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. 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.

# CHAPTER THREE

# RESEARCH DESIGN AND METHODOLOGY

## 3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that was used in this study. It focuses on the research design, data collection methods and comes to a conclusion with data analysis and data presentation methods that was used in this study.

## 3.2 Research Design

This study employed the case study method which has evolved over the past few years as useful tool for an in-depth investigation of trends and specific situations. The design has been found appropriate since it focuses on specific and interesting cases.

This design also allows a thorough, meticulous and systematic data collection on the research problem Kothari (2004). Further, it gives a deep understanding of the issues, and allows data collection using in-depth interviews and document analysis.

## 3.3 Data Collection

For the purpose of this study, primary data was used. An interview guide with open-ended questions was used to interview senior managers who manage partnerships at KCB Bank Group headquarters in Nairobi. This involved in-depth discussion through individual meetings with the managers of KCB Group Ltd.

With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back (Asika, 2004). Copper and Schindler (2003), emphasize the value of personal interview when they stated that it enables in depth and detailed information to be obtained.

### 3.6 Data Analysis

The qualitative data collected was analyzed using content analysis technique. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. According to Kothari (2004), content analysis uses a set of categorization for making valid and replicable inferences from data to their context.

The responses from different respondents was compared and summarized according to the objectives of the study. Content analysis is the best method of analyzing the open-ended questions because of its flexibility and allows for objective, systematic and quantitative description of the content of communication.

# CHAPTER FOUR

# DATA ANALYSIS, RESULTS AND DISCUSSION

## 4.1 Introduction

This section presents data analysis and discussion. The study goal was to decide on the impact of strategic partnerships on performance of KCB Group Ltd. Primary data was gathered through interview guides with open-ended questions which were issued to senior managers at KCB head office in Nairobi. The data was then dissected in light of the targets of the study and the results are exhibited according to the diverse classes underlined underneath.

## 4.2 Strategic Partnership

The interviewees were asked to demonstrate their comprehension of strategic partnerships. They expressed that it alludes to a scope of cooperation plans between at least two organizations. Different specialists characterized it as a legally binding, brief relationship between organizations staying free, seeking to minimize the vulnerability around the acknowledgment of the partners' strategic goals by way of planning or mutually executing one or a few of the organizations' activities. Others characterized it as a relationship between two business undertakings, typically formalized by at least one business contracts.

### 4.2.1 KCB Group Ltd Strategic Partnerships

Under this question, the interviewees stated that KCB Group Ltd has established strategic partnerships with the largest telecommunication company in East Africa Safaricom Limited. Under this partnership KCB and Safaricom launched a product named KCB-

M-pesa where M-pesa customers can save up to Ksh. 1 million and earn interest. The customers can also borrow up to Ksh. 1 million which can be repaid in up to 180 days. The interviewees also stated that KCB Group and the country's second largest mobile operator Airtel have also signed a strategic partnership enabling Airtel customers to walk into KCB outlets in order to deposit or withdraw money from Airtel Money wallets. The respondents said the new service enhances service provision to customers as they transact through their mobile phones at affordable rates, and aims to widen opportunities for customers.

The partnership is part of the bank's strategy of deepening the provision of new technology-based products and solutions in order to meet the demands of customers in the changing world of technology. The partnership in the banking and telecommunication sector has enabled rapid growth in financial service sector which has helped re-shape the parameters of banking operations.

The respondents stated that the bank has also partnered with the Government of Kenya to aid in the construction of roads, USAID and General Electric to provide health financing across the country. 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.

Another partnership mentioned by the interviewees was the KCB foundation and Tuskys Supermarket to bolster contract farming for thousands of young people in agribusiness and give no less than 1,600 temporary job openings. The partnership is attempting to profit 12,000 young Kenyans crosswise over 22 counties in the recognized value chains in agribusiness through the arrangement of asset financing and working capital to empower the youthful farmers take care of the needs of demand and supply. As indicated by the interviewees, KCB Group Ltd likewise went into a strategic partnership with Safaricom to give a suite of arrangements that sees private companies have better access to innovation and financing. Labeled Biashara Smart, the suite incorporates unsecured loans and discounted communications bundles to particular business openings, limit building activities and loyalty programs. The Biashara Smart scheme, which targets a million small enterprises in its first year, brings together existing products and services like Safaricom's Lipa na M-Pesa, KCB M-Benki and Zidisha Biashara as well as new financial and communications solutions.

According to the interviewees, KCB Bank group partners with Union Pay International for Online payments in East Africa Region. This was done to accelerate its expansion into the country’s booming e-commerce market and revolutionize Kenya’s e-Commerce and payments ecosystem. Union Pay Ecommerce Services is available to KCB’s merchants and it is a turnkey solution that makes it easy for merchants to be accessible to over 5 billion payment cards in the world. The Union Pay Prepaid Card is ideal for tourists, students and business travelers going to China and offers users enhanced convenience and security. The card has an optional dual currency feature in cardholder's local currency and Chinese RMB.

### 4.2.2 Business and Non-Business Objectives and Benefits of Strategic partnership at KCB Group Ltd

The interviewees were asked to indicate the business and non-business objectives of the partnership as KCB Group Ltd. They stated that most of their partnerships are business and some of them are non-business like the partnership between KCB foundation and Tuskys Supermarket which aims to support contract farming for thousands of youths in agribusiness and offer at least 1,600 internship opportunities. On business benefits, the interviewees asserted that through strategic partnership, the bank has been able to increase its credit portfolio to the target value chain. The strategic partnerships has helped the bank to be in a position to develop more innovative products. They also indicated that through strategic partnerships the bank has been able to improve the staff capacity and thus they are better equipped in handling the challenges they experience. KCB bank group has also been able to enhance and compliment their resources and capabilities which in turn maximizes profits for the company.

Under non-business objectives, the interviewees asserted that the bank has improved its working conditions which has become better. There have been greater networking opportunities for the bank which has helped in its daily activities. In addition, the respondents indicated that the bank has been able to share the risk of undertaking expensive and highly uncertain projects through the help of strategic partnership. The interviewees stated that strategic partnerships influence the process of product development that aid in developing and enhancing the various products available in the company to be able to meet the needs of the customer.

### 4.3 Impact of Strategic Partnerships on Performance of KCB Group Ltd

The interviewees were asked to indicate the impact of strategic partnerships on performance of the bank. They indicated that it has helped the 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. Through the partnerships with the telecommunications industry, it has been easier for the bank to sell and advertise its products effectively and easily.

According to the respondents, strategic partnerships has helped KCB bank group in entering new markets, reducing costs, developing and diffusing new technologies rapidly. Interviewees stated that the bank entered into partnerships 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.

They indicated that strategic partnerships has reduced customer attrition through improved service delivery that leads to higher customer retention, repeated business and enhanced customer satisfaction. They indicated that KCB group has been able to achieve a higher level of customer satisfaction as result of the various partnerships which have enhanced overall competitiveness over other banks that are not entering into partnerships.

They stated that higher customer retention rates ensures that there is an improvement in the performance of the company. The respondents further noted that strategic partnerships enhance the efficiency of KCB bank group therefore improving its competitiveness. Further, the respondents indicated that strategic partners contribute and share their prominent core competencies in order to provide co-developed products and services to satisfy the customers.

The respondents also indicated that strategic partnerships influence the process of product development that aid in developing and enhancing the various products available in the company to be able to meet the needs of the customer. Further, the respondents highlighted that with varied customer requests it may not be possible to surpass client expectations, consequently through partnership, the company is able to develop and present a stronger value proposition and acquire more customers.

Finally, according to the respondents, partnerships has helped the bank to offer competitive services which has led to customer acquisition, helps to reverse attritions to ultimately allow growth in respective segments resulting in increased market share and market penetration. The interviewees also indicated that strategic partnerships are drawn as responses to market share and penetrations strategies and therefore partnerships have greatly influenced market share and penetration in the bank.

## 4.4 Sufficiency of Resources for the enhancement of Performance through Partnerships

The interviewees were asked to indicate whether KCB bank group has sufficient resources to enhance performance through partnerships. They responded by saying that the company has sufficient resources that help them perform better in strategic partnerships. The respondents indicated that KCB bank group has sufficient resources that enhance performance through partnerships.

They stated that there has been a high demand of the services and that they have been improving their services every year. The interviewees indicated that the assessment of sufficiency is sometimes based on conflicting considerations, so that there is no unequivocal solution to the problem of the size of the company, although suppleness is always a good palliative for uncertainty. They indicated that a good choice of strategic partnership accompanied by lack of funds to support the program will be futile.

## 4.5 How the Development of Research through Partnerships Improved the Performance of KCB Group Ltd

The interviewees were asked to indicate whether the development of research through partnerships improved the performance of KCB Group Ltd. They indicated that research is done internally and that not much has been achieved on that front. However, they pointed out that it's not clear whether the improved service delivery is as a result of research through partnerships.

## 4.6 Challenges encountered in Managing Partnership Relationships

The respondents confirmed that KCB bank group partnerships encounters challenges at any stage of the process. They highlighted particular challenges encountered in the partnerships including flow of information where top leadership is well versed with the objective and requirements while those on the ground have scanty information and sometimes disconnected with the project they are supposed to be implementing. The respondents explained that top leadership commitment influence successful formulation of strategic partnership.

The interviewees indicated that lack of trustworthiness which results from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability affects the relationship between the firms that partner with the bank. The interviewees also indicated that the bank has been facing problems with different ways of operation or management style adopted by various partners in strategic partnership.

### 4.7 Other Important Information for Strategic Partnerships in KCB Bank Group Ltd

Under this question, the interviewees indicated that KCB bank group should come up with ways that can help them to curb the challenges. They indicated that the bank should focus on enhancement of top management commitment towards strategic partnership for the success of the company. KCB bank group should also focus on promoting understanding of the need for strategic partnership. The interviewees also indicated that the company should promote trustworthiness and design good models of partnership formulation for the facilitation of integration and execution strategies that will enable the bank achieve high performance.

### 4.8 Future of the KCB Group Ltd Partnerships

According to the interviewees, the bank believes that the future of the bank lies in digital and investment. They stated that KCB is not going into this digital future alone. It is leveraging a wide network of correspondent relationships with more than 200 banks across the world to support its value-creation business model, which requires input from a whole host of financial expertise. The respondents stated that the bank believes that partnerships are the next frontier for business growth as they seek to develop and provide solutions bent on transforming the lives of all the people they come into contact with across all markets. The also indicated that KCB Group is a regional lender that thinks globally, but acts locally.

**4.9 Discussion of the Findings**

The study found that KCB Group Ltd has established a strategic partnership with the largest telecommunication company in East Africa Safaricom Limited. Under this partnership KCB and Safaricom launched a product named KCB-Mpesa where M Pesa customers can save up to Ksh. 1 million and earn interest. The customers can also borrow up to Ksh. 1 million which can be repaid in up to 180 days. KCB Group and the country's second largest mobile operator Airtel have also signed a strategic partnership enabling Airtel customers to walk into KCB outlets in order to deposit or withdraw money from Airtel Money wallets. The bank has also partnered with the Government of Kenya to aid in the construction of roads and USAID and General Electric to provide health financing across the country. KCB also partnered with Brand Kenya Board as a major sponsor to establish the inaugural Kenya House at the Olympics. 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 and have a competitive edge compared to its competitors.

The study found that most of KCB group partnerships are business and some of them are non-business like the partnership between KCB foundation and Tuskys Supermarket which aims to support contract farming for thousands of youths in agribusiness and offer at least 1,600 internship opportunities. On business benefits, the findings indicated that through strategic partnerships, the bank has been able to increase its credit portfolio to the target value chain. The strategic partnership has helped the bank to be in a position to develop more innovative products. Under non-business objectives, the study found that the bank has improved its working conditions which have become better. There have been greater networking opportunities for the bank which has helped in its daily activities. This findings are in line with Depamphilis (2008) who asserted that the motivations for partnerships could be risk sharing or gaining new markets.

The study found the impact of strategic partnerships in KCB Group Ltd. It found that strategic partnership has helped the bank to accelerate product introduction and overcome legal and trade barriers expeditiously. Strategic partnership has helped KCB bank group in entering new markets, reducing costs, developing and diffusing new technologies rapidly. The study also found that the bank strategic partnerships has reduced customer attrition through improved service delivery that leads to higher customer retention, repeated business and enhanced customer satisfaction. The findings are in line with Kremer (2007) who stated that in strategic partnerships some strategic partners offer competition to the companies that they partner with in case they offer services similar to those offered by the company, at lower rates at the premises of the partners.

The study found that KCB bank group has sufficient resources to enhance performance through partnerships. It was found that the company has sufficient resources that help them perform better in strategic partnerships. This is in line with Thompson et al, (2004) who stated that the need to eliminate the weaknesses that come with financial instability motivate firms to form strategic alliances.

The study found that KCB bank group partnerships encounters challenges at any stage of the process. The findings highlighted particular challenges encountered in the banks strategic partnerships including flow of information, lack of trustworthiness which results from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability which affects the relationship between the firms and the bank. The findings are in line with Lewis (2012) 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 alliances.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter presents a summary, conclusions and recommendations of the study. This study focused on the effect of strategic partnerships on performance of KCB Group Ltd.

## 5.2 Summary of the Findings

From the findings, KCB Group Ltd has established strategic partnerships with largest telecommunication company in East Africa Safaricom Limited. Under this partnership KCB and Safaricom launched a product named KCB-Mpesa where M Pesa customers can save up to Ksh. 1 million and earn interest. The customers can also borrow up to Ksh. 1 million which can be repaid in up to 180 days. KCB Group and the country's second largest mobile operator Airtel have also signed a strategic partnership enabling Airtel customers to walk into KCB outlets in order to deposit or withdraw money from Airtel Money wallets. The bank has also partnered with the Government of Kenya to aid in the construction of roads, Safaricom the leading telecom Company in the region for mobile banking services, and USAID and General Electric to provide health financing across the country. KCB also partnered with Brand Kenya Board as a major sponsor to establish the inaugural Kenya House at the Olympics.

From the findings, most of KCB group partnerships are business and some of them are non-business like the partnership between KCB foundation and Tuskys Supermarket which aims to support contract farming for thousands of youths in agribusiness and offer at least 1,600 internship opportunities. The strategic partnership has helped the bank to be in a position to develop more innovative products and services. Under non-business objectives, the study found that the bank has improved its working conditions which have become better. There have been greater networking opportunities for the bank which has helped in its daily activities.

The study findings indicated that strategic partnership has helped the bank to accelerate product introduction and overcome legal and trade barriers expeditiously. Strategic partnership has helped KCB bank group in entering new markets, reducing manufacturing costs, developing and diffusing new technologies rapidly. The study also found that the bank strategic partnerships has reduced customer attrition through improved service delivery that leads to higher customer retention, repeated business and enhanced customer satisfaction.

The study findings also indicated that KCB bank group has sufficient resources to enhance performance through partnerships. The findings highlighted particular challenges encountered in the banks strategic partnerships including flow of information, lack of trustworthiness which results from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability which affects the relationship between the partnering firms and the bank.

## 5.3 Conclusion

From the findings, it can be concluded that KCB Group Ltd has established strategic partnerships with different firms including the telecommunication sector in Kenya and the government. Most of KCB group partnerships are business and some of them are non-business like the partnership between KCB foundation and Tuskys Supermarket which aims to support contract farming for thousands of youths in agribusiness. These partnerships have had effects on performance of the bank and has helped the bank to enter new markets, reduce costs, increase brand visibility accelerate product introduction and overcome legal and trade barriers expeditiously. Strategic partnerships have also reduced customer attrition through improved service delivery that has led to higher customer retention, repeated business and enhanced customer satisfaction in the bank.

Challenges have been encountered in the bank’s strategic partnerships which included lack of flow of information, lack of trustworthiness which results from lack of openness, lack of integrity, inconsistencies in executing responsibilities and lack of understanding on responsibility, equality issues and reliability which affects the relationship between the partnering firms and the bank.

## 5.4 Recommendations

The study recommends that partnering organizations should seek to understand what factors make partnerships work and pursue such factors. They should also be aware of the challenges that hamper success and design ways to turn them around.

The study recommends that the management of firms should focus on minimizing impediments facing strategic partnerships and promote trust among the firms, improve top management support and commitment towards strategic partnership formulation and implementation.

In conclusion the study recommends strategic partnerships as an excellent strategy that organizations should adopt because they have benefits to partnering organizations and can impact positively to the organizational performance.

## 5.5 Implications of the study

This section presents the implications of this study to managerial policy, managerial practice and to theory. These implications are discussed below.

### 5.5.1 Managerial Policy

This study guides policy makers as it gives a wholesome view of the strategic partnerships arrangements by banks thus assisting in drafting appropriate legislation for the same.

It brings out the factors to consider before entering such partnership arrangements, the challenges faced by partnering organizations and interest of various stakeholders in partnerships which will inform policy formulation and implementation.

### 5.5.2 Managerial Practice

The study has several managerial implications for the industry; Managers are advised to focus on minimizing impediments facing strategic partnerships and promote trust among the firms, eliminate different in priority interest of the companies, improve top management support and commitment towards the strategic partnerships.

The study also indicates that the success of any partnership rests on the management ability to manage the partnership. A well-managed partnership is able to grow and attract more organizations into the partnership. Management should ensure that before entering into any partnership the challenges that arise are carefully looked at to ensure that the partnership prospers.

### 5.5.3 Theory

The study will contribute to the existing vast body of knowledge in validating the need of strategic partnerships in today's environment. The findings of this study validates Resource Based View theory that states that organizations have specific resources but few organizations are self-sufficient in these resources and therefore must depend on others for important resources. A deficiency in one or more strategic resources is seen as the driving force for collaboration. Resources are scarce and attract a cost to the organization. Value is created as the partners achieve mutually beneficial gains that neither would have been able to achieve individually, by pulling resources together. By entering into a partnership, organizations are able to access a wider pool of resources that are needed to compete in the dynamic environment this validates the RBV theory.

The study also validates the need for organizational learning and consequently the Knowledge Based theory because specific knowledge can be transferred through licensing; tacit knowledge the knowledge embedded in an individual can only be transferred by learning alongside the individual and this can only be done when there is a partnership.

## 5.6 Limitations of the Study

This study was limited to only one organization. This study only focused on the case of KCB Group Limited. The study would have covered the entire banking industry but due to resource constraints this was not possible.

The study further encountered various challenges that tended to hinder access to information sought. The study was conducted through interview guide; this provided a challenge as some respondents were not willing to participate owing to the busy schedule of their work. The respondents approached were reluctant in giving information fearing that the information sought would be used by competitors in the industry. Some respondents' feared victimization and therefore were not willing to participate in the study.

### 5.7 Suggestions for Further Research

The study focused on the effect of strategic partnerships on performance of KCB Group Ltd. The study recommends that another study should be done to establish factors that KCB Bank Group should consider before entering into a strategic partnership with other partners.

Another study should also be carried out on strategic partnerships and performance of the entire banking industry in Kenya.

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# APPENDICES

## Appendix I: Interview Guide

1. What do you understand by the term strategic partnership?
2. Which strategic partnership do you manage in KCB Group Ltd?
3. Who do you partner with as a KCB Group Ltd?
4. What are the business and non-business objectives of the partnership as KCB Group Ltd?
5. What are the business and non-business benefits KCB Group Ltd has accrued from the partnership?
6. Do the strategic partnerships have an impact on performance of KCB Group Ltd?
7. Does KCB Group Ltd have sufficient resources to enhance performance through partnerships?
8. Has the development of research through partnerships improved the performance of KCB Group Ltd?
9. What are the challenges KCB Group Ltd has encountered in managing partnership relationship?
10. What is the future of the KCB Group Ltd partnerships?
11. What other information do you consider important for strategic partnerships in KCB Group Ltd?

**Apendix II: University of Nairobi Letter of Introduction**

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 05/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter ROBERT KIPROTICH LANGUGO

Registration No. D61/72467/2014

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
05 OCT 2016
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS