AN INVESTIGATION INTO FACTORS CONSIDERED BY FIRMS WHEN ENTERING INTO STRATEGIC ALLIANCES

A CASE STUDY OF THE KENYA INSTITUTE OF MANAGEMENT

BY

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DECLARATION

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

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This project has been submitted for examination with my approval as University Supervisor

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DEDICATION

This work is dedicated to my mother, Phoebe Wayua who has constantly been a source of encouragement.

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I would like to thank God almighty for his divine provision for me all these years. I wish as well to acknowledge the management of The Kenya Institute of Management for all support accorded to me.

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ABSTRACT

The purpose of this study was to investigate the factors that companies consider when entering into strategic alliances, the case study of The Kenya Institute of Management, KIM. Of particular interest was the reasons why formed strategic alliances and the factors that led to success of such alliances.

The study targeted the directors and managers of the Kenya Institute of Management. These included four directors and six chief managers directly involved in the contract negation as well as 15 managers directly responsible for the implementation and management of strategic alliance products and therefore had direct access to information on the general operation of such alliances. Questionnaires were used to collect data while SPSS was used to analyze data into percentages and means. The analyzed data was presented using tables.

The main findings of the study were that KIM entered into strategic alliances mainly to gain access to new markets and to enhance its financial stability. On the other hand the the main factors attributed to the success of alliances in KIM were clear communication with strategic partners and a culture of thorough partner evaluation before forming any strategic alliances. The study also established that lack of coordination between management of teams of the strategic partners and a lack of commitment by the partners were the leading factors why previous alliances in KIM failed.

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CHAPTER ONE

INTRODUCTION

1.1 Background

Since the introduction of liberalization in Kenya in the 1980's, stiff competition among firms has increased to high levels forcing companies to devise ways of staying relevant in the market. Companies in Kenya have formed strategic alliances both locally and internationally so as to be able to compete successfully in a market that keeps on changing. According to Thompson et al (2004), during the past decade, companies in all types of industries and in all parts of the world have elected to form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets.

In the recent past we have seen many mid level training institutions forming alliances with universities both local and international. These alliances have been ignited by the existing markets becoming very crowded therefore creating the need to access new markets. For instance midlevel institutions may see the need to compete in greater markets by seeking to offer programmes they otherwise don't have capacity to offer on their own while the universities may see an opportunity in collaborating with colleges in a location they are cant access.

With the recent upgrading of polytechnics to constituent universities, competition has been taken to even greater heights as far as midlevel training institutions is concerned. Students now have chances of progression after completing their diploma courses in the same polytechnics to do degrees. Private training institutions like the Kenya Institute of Management find themselves thrust into very demanding competitive races and therefore find alliance formation with complementary partners in evitable in order to remain relevant in the ever changing market. We have seen in the last few years an increase in the number of alliances between midlevel colleges and universities both domestic and international ones. .

Given the current conditions in higher education and academic computing, strategic alliances appear destined to continue proliferating. They provide an opportunity for colleges and universities to leverage limited resources so they can develop and acquire new technology and other competences. Strategic alliances are extremely complex relationships and present a challenge; however with careful planning and a lot of hard work successful outcomes can be achieved.

1.1.1 Strategic alliances

According to Johnson et al 1995, a strategic alliance is where two or more organizations share resources and activities to pursue a strategy. This kind of development of joint strategies has become increasingly popular because organizations cannot always cope with increasingly complex environments (such as globalization) from internal resources and competences alone. They may see the need to obtain materials, skills, innovation, finance or access to markets, and recognize these may be readily available through cooperation as through ownership.

Strategic Alliances are collaborative partnerships where two or three companies join forces to achieve mutually beneficial strategic outcomes Thompson et al (2004). Thus, strategic alliances are cooperative agreements between firms that go beyond normal company – to –company dealings but fall short of merger or full joint venture partnership with formal ownership ties.

Gulati (1999) defines strategic alliances as voluntary arrangements between firms involving exchange, sharing or co – development of products, technologies and services.

A strategic alliance is where two or more companies collaborate by sharing resources and activities to pursue a common strategy. It is a coalition or cooperation agreement formed between a company and others to achieve certain strategic goals. Strategic alliances offer an opportunity for companies to collaborate in doing business thereby overcoming individual disadvantages (Somers, 2005) .

From the above definitions it is evident that strategic alliances are formed with the aim of making companies better placed in the market in terms of competition. Companies are able to acquire strengths from partners that they didn't possess on their own. For instance because of such alliances some are able to penetrate markets they could not access initially, others are able to acquire technical expertise they did not possess among other benefits.

Companies enter into strategic alliances for several strategically beneficial reasons Thompson et al (1995). The three most important are to gain economies of scale in production and/or marketing, to fill gaps in their technical and manufacturing expertise, and to acquire market access. They however posit that strategic alliances are more effective in combating competitive disadvantage than gaining competitive advantage

1.1.2 The Kenya Institute of Management

The Kenya Institute of management is membership-based: not-for-profit management training and business development organization established in 1954. Set up as the Kenyan Chapter of the British Institute of management (now the Chartered Management Institute), it assumed the name The Kenya Institute of Management (KIM) after independence. In 1966 the Institute started offering a Diploma in Management Studies (DMS). This was because Managers needed training in management to give theoretical foundations to what they already knew in practice. There was also the need to mainstream ethics and a code of conduct, a need to match qualification and experience to membership grades, a need for managers to have access to management literature and access to others.

The Kenya Institute of Management (KIM) has grown over the years to a reputable training organization in the country with 15 branches country wide. The Institute has several strategic Business Units namely The KIM school of management whose core business is to offer training, the Center for Enterprise Development (CED) whose overall goal is to enhance and promote entrepreneurship and enterprise development as a viable vehicle for wealth creation and national development, the Membership Division whose goal to offer services to the members of the Institute and finally the Media Services Unit which seeks to enhance good management practices through the media.

The Kenya Institute of management over the years has established itself as a formidable force in the country in as far as management is concerned. The Institute through the Membership division is behind the Company of the Year of Awards (COYA) which is an annual event which seeks to publicly acknowledge companies that excel in management practices. Despite success in the other strategic business units, the Institute has focused more intensely on the School of Management which has continues to offer quality management education in the country.

The Kenya Institute of management has in the recent past entered into strategic alliances with various institutions. KIM entered into strategic alliance with Moi University to offer Executive Master in Business Administration (EMBA) degree in the year 2003. This partnership like the trend is with most alliances did not last for long and was terminated in the year 2004. In the year 2005 KIM entered in to collaboration with Resource Alliance, a non governmental institution to offer Executive Diploma in Resource Mobilization, a collaboration that is still on going. In the year 2007 KIM entered in to collaboration with Jomo Kenyatta University of Agriculture and Technology (JKUAT) to offer an Executive Master of Business Administration, (EMBA). (The Kenya Institute of Management profile 2006)

1.2 Statement of the problem

During the past decade, companies in all types of industries and in all parts of the world have elected to form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets (Thompson et al (2004). However as the number of strategic alliances continues to surge we also see companies getting out of such relationships quickly a trend that indicates that there intricate issues that have to be handled very well in alliances if they are to grow to maturity to achieve the initial objectives set for them.

Spekman et al (1994) argues that although the characteristics of strategic alliance formation have been well explored in literature, little has been written about the factors associated with strategic alliance success and failure. Moreover, many of the research studies on strategic alliances have not been specifically concerned with the relationship and the interplay of specific factors to be considered by firms entering strategic alliances and the factors contributing to success and failures in training institutions.

Kavale (2007) in his study "Strategic Alliances in Kenya; the case study of money transfer services" discusses in detail how forming strategic alliances has been instrumental in making transfer of money affordable and accessible in Kenya. On the other hand, Owuor (2000) looks at the role of strategic alliances in Kenya specifically in the automobile industry. He outlines the factors that determine success of the alliances in the automobile industry.

It seems like previous researchers have not exhausted research as to the role of strategic alliances in training institutions is concerned. This is far more so in the Kenyan situation and therefore this research is aimed at filling that gap. This study therefore seeks to answer the question why KIM has entered into strategic alliances.

1.3 Research Objectives

I. To determine the reasons why KIM forms strategic alliances

II. To establish the factors that have led to the success of strategic alliances in KIM.

1.4 Importance of the study

The study will help managers in training institutions understand the subject of strategic alliances in strengthening competitiveness in the market for such institutions. The study will also highlight what is expected of each partner if an alliance is to succeed and what factors will lead to success and those that lead to failure.

The Commission of Higher Education (CHE) the body in charge of validating the programmes offered in the institutions of higher learning in Kenya will find the study quite beneficial. This is because it will highlight the benefits of strategic alliances between the universities and training institutions. It will highlight how such alliances will help the government in making higher education available to many since universities cannot absorb all those with need for higher education.

The study will be quite enriching to research and scholars. This is because it will add to their knowledge and enable them to be more informed when considering forming strategic alliances thus make informed decisions and choices. This is mainly so because the study aims to highlight factors unique to strategic alliances in training institutions.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review in regards to strategic alliances: that is the types, main reasons for entering into strategic alliances and the main reasons why they fail among other factors.

2.2 Strategic alliances

Strategic alliance is a coalition or cooperation agreement formed between a company and others to achieve certain strategic goals. This happens when two or more companies collaborate by sharing resources and activities to pursue a common strategy (Johnson et al. 2005). Strategic alliances are agreements that are important to the partners, created to achieve common interest (Mockler 1998). As the world becomes a global village, companies are faced with many challenges that they cannot address on their own and therefore find themselves reaching out to their counterparts to form an alliance that will help them counter these challenges.

Many companies now find themselves thrust into two very demanding competitive races (i) the global race to build a market presence in many different national markets and join the ranks of companies recognized as global market leaders, and (2) the race to seize opportunities on the frontiers of advancing technology and build the resource strengths and business capabilities to compete successfully in the industries and product markets of the future. Even the largest and most financially sound companies have concluded that simultaneously running the races for global market leadership and for a stake in the industries of the future requires more diverse and expansive skills, resources, technological expertise and competitive capabilities than they can assemble and manage alone (Thompson et al 2004).

Indeed, the gaps in resources and competitive capabilities between industry rivals have become painfully apparent to disadvantaged enterprises. Allowing such gaps to go unaddressed can put a company in a precarious competitive position or even prove fatal. When rivals can develop new products faster or achieve better quality at lower cost or have more resources and know-how to exploit opportunities in attractive new market arenas, a company has little option but to try to close the resource and competency gaps quickly. Often the fastest way to do this is form an alliance that provides immediate access to needed capabilities and competitive strengths. In today's rapidly changing world, a company that cannot position itself quickly misses important opportunities. (Thompson et al 2004.)

Companies continue to succeed in building strategic alliances and successful relationships with customers, suppliers, competitors among other partners. Increasingly, strategic alliances and industry partnerships are becoming more important to success in almost all economic sectors. For instance alliances with customers provide companies with valuable systems and application know how and access to markets for key products, while allowing its customers to share some of the risks of product development and to gain access to the company's process technologies and manufacturing infrastructure. Inkpen et al (2001) lists advantages of strategic alliances as access to new markets, technologies and materials, acquisition of needed proprietary resources, alternative to mergers and economies of scale and scope.

The most common reasons why companies enter into strategic alliances are to collaborate on technology or the development of promising new products, to overcome deficits in their technical and manufacturing expertise, to acquire new competences, to improve supply chain efficiency, to gain economies of scale in production or marketing and to acquire or improve market access through joint marketing agreements.

2.3 Types of alliances

According to Pellicelli (2003) in her study "strategic alliances there are different types of alliances and each adapts its needs to specific situations. Strategic alliances vary *in that there are those based on contracts as opposed to those based on ownership of capital.* Using this interpretation, strategic alliances would be contracts of partnership, investments in the capital of already existing organizations and investments for the creation of new organizations (joint ventures and consortia). *Strategic alliances also vary in the degree of involvement of the partners in the alliance and ownership of capital.* Finally strategic alliances are also determined by *the management of resources conferred in the alliance* (the extent to which the resources can be managed jointly), *their separability* (the extent to which it is possible to separate the resources between the partners) and *the risk of other partners appropriating these resources* which is the extent to which a risk exists that one of the partners involved could 'appropriate' the resources.

Johnson et al (2005) posits that there are a variety of strategic alliances. Some may be formalized inter – organizational relationships, while others are merely loose arrangements of cooperation and informal networking between organizations, with no shareholding or ownership involved. It is important however to note that types of alliances discussed below can either be domestic or international. Domestic alliances are those formed by companies operating in the same geographical while the international ones involve countries operating in different geographical sites. According to Johnson et al (2005) alliances can be broken down into joint ventures, networks, franchises, licensing, sub - contracting and co- production.

Joint ventures are arrangements where organizations remain independent but set up a newly created organization jointly owned by the parents which is legally distinct. The share of participation in capital can be 50/50, 49/51, 30/70 (Pellicelli 2003). Most joint ventures limit collaboration to specific functions. The joint venture often is a favored means of collaborative ventures in china. Local firms provide labour and entry to markets: western companies provide technology, management expertise and finance.

Consortia may well involve two or more organizations in a joint venture arrangement, and will typically be more focused on a particular venture project (Johnson et al 2005)

Networks are arrangements whereby two or more organizations work in collaboration without formal relationships where there is mutual advantage in doing so. "Code sharing" agreements among airlines can be considered networks. These are agreements through which passengers can fly with one ticket, using several airline partners (Pellicelli 2003). Networks have been created in the airline industry (such as "one world") – largely for marketing purposes but with some cross – equity involvement between (some) partners in the alliance. Opportunistic alliances may also arise around particular projects or ventures (Johnson et al 2005)

Many intermediate arrangements exist. One such is franchising. This is an agreement in which a company (franchiser) allows another (franchisee) the right to sell its products or services. An exclusive franchise is when the agreement is made with a single company; a non – exclusive franchise is when it is made with a number of companies. Franchising contract is set for a specific period of time. The franchisee pays royalty to the franchiser for the buying rights (Pellicelli 2003). The most notable example is coca cola. Here the franchise holder undertakes specific activities such as manufacturing, distribution or selling, whilst the franchise is responsible for the brand name, marketing and probably training.

Apart from franchising there is also licensing which is common in science based industries, where, for example, the right to manufacture a patented is granted for a fee. Subcontracting also falls in this category. Here a company chooses to subcontract particular services or part of a process (Johnson et al 2005). According to Pellicelli (2003) licensing is an agreement in which a company allows another (exclusive licensing) or multiple others (non – exclusive licensing) the right to use its technology, distribution network or to manufacture its products. Licensing is based on a contract, generally stipulated for a specific period of time, in which the licensee pays a fixed amount and/or a loyalty or fee for the rights that are ceded to it.

Finally co – production refers to a situation when organizations involve the customer (or employer) in co –production. Co – production is increasingly possible with modern IT in the private sector too. Many – ecommerce companies are trying to move beyond customization of products/services (which assumes a prior knowledge of customer needs) to customerisation where the customer designs the product/service online (Johnson et al 2005)

2.4 Reasons for the formation of alliances

Strategic alliances are formed for a variety of reasons, which include entering new markets, reducing manufacturing costs, and developing and diffusing new technologies rapidly. Alliances also are used to accelerate product introduction and overcome legal and trade barriers expeditiously. In this period of advanced technology and global markets, implementing strategies quickly is essential. Forming alliances is often the fastest, most effective method of achieving objectives. Companies must be sure the goal of the alliance is compatible with their existing businesses so their expertise is transferable to the alliance. In summary, motives for forming alliances do not only give the opportunity to combine resources, but also to make a firms own resource profile valuable (Hitt et al. 1997).

2.4.1. Entering New Markets

Often a company that has a successful product or service has a desire to introduce it into a new market. Kogut (1998) posits that strategic alliances lower the risk of entering an unfamiliar business territory. Yet perhaps the company recognizes that it lacks the necessary marketing expertise because it does not fully understand customer needs, does not know how to promote the product or service effectively, or does not understand or have access to the proper distribution channels. Rather than painstakingly trying to develop this expertise internally, the company may identify another organization that possesses those desired marketing skills. Then, by capitalizing on the product development skills of one company and the marketing skills of the other, the resulting alliance can serve the market quickly and effectively. Alliances may be particularly helpful when entering a foreign market for the first time because of the extensive cultural differences that may abound. They may also be effective domestically when entering regional or ethnic markets.

2.4.2. Reducing Manufacturing Costs

Strategic alliances may allow companies to pool capital or existing facilities to gain economies of scale or increase the use of facilities, thereby reducing manufacturing costs.

Many companies are driven to sell in more than one region or country because domestic sales volume is not large enough to fully capture manufacturing economies of scale or learning – curve effects and thereby substantially improve a firm's cost competitiveness. A company with the manufacturing capacity therefore forms a strategic alliance with another with access to larger markets therefore making manufacturing a lot cheaper because of the newly acquired large customer numbers. Alliances have also been formed by companies with limited resources in terms of capital. A pool of resources between the two firms makes it easier to acquire the necessary machinery and in puts required enabling production in large scale and in effect reduction of production costs.

By joining forces in components production/and or final assembly, companies may be able to realize cost savings not achievable with their own small volumes – Volvo, Renault, and Peugeot formed an alliance to make engines together for their larger car models precisely because none of the three needed enough such engines to operate its own engine plant economically.(Thompson et al 2004)

Companies may also reduce costs through strategic alliances with suppliers or customer reaching agreements to supply products or services for longer periods and working together, meet customers' needs, each partner may apply its expertise, and benefits may be shared in the form of lower costs or new products.

Alliances may also be used to build jointly on the technical expertise of two or more companies in developing products technologically beyond the capability of the companies acting independently.

In today's rapidly changing world, a company that cannot position itself quickly misses important opportunities. As a consequence, more and more enterprises, especially in fast changing industries, are making strategic alliances a core part of their overall strategy. Alliances are so central to Corning's strategy that the company describes itself as a 'network of organizations'. Toyota has forged a network of long-term strategic partnerships with suppliers of automotive parts and components. Microsoft collaborates very closely with independent software developers that create new programs to run on the next – generation versions of windows. A recent study indicates that the average large corporation is involved in around 30 alliances today, verses fewer than 3 in the early 1990's. (Thompson et al 2004)

2.4.3 Improved Customer Service

Companies also enter into strategic alliances in an effort to improve attitude toward customer service. This starts from top management on down the chain of command. Many manufacturers are partnering with their dealers and retailers. When the dealer makes a long-term buying commitment to the manufacturer, the manufacturer helps the dealer in customer service tools and training. Through alliance relationships, many businesses have found strategies to provide better and quicker customer service while keeping their costs manageable. Look for companies that have a similar customer base to yours and enter into a discussion about how to work together.

Strategic alliances allow partner firms to learn new ways to improve customer service from the one another as well as enabling them solve their customer's problems faster because of the newly acquired larger base of customer service people.

2.4.4 Skills and competencies

Strategic alliances are formed by companies with an aim of accessing valuable skills and competencies that are concentrated in particular geographic locations (such as soft ware design competencies in the united states of America, fashion design skills in Italy, and efficient manufacturing skills in Japan.(Thompson et al 2004)

2.4.5 Supply Chain Improvements

Companies sometimes through strategic alliances seek improved supply chain processes that can lead to better management of supply chain conflict, better and prompt responses to complaints from clients as well as improves supplier loyalty. This kind of alliances is very prominent in the manufacturing sector where supply of inputs determines the productivity of such firms. For instance manufacturers typically pursue alliances with parts and components supplier gain the efficiencies of better supply chain management and to speed new products to markets.

2.4.6 Financial stability

One of the reasons why companies find themselves walking towards forming strategic alliances is the need to eliminate the weaknesses that come with financial instability. Smaller organizations forming alliances with larger ones seek to access to capital. More potential is generally the out cropping of shared resources. According to Das et al. (2003) for an alliance to form partners have to agree and desirability of partners concerning their resource profile is important. Alliance relationships allow partners to share the financial risks associated with developing new products and entering into new markets.

Ultimately the benefit to developing strategies alliances with others is for solutions through mutually beneficial efforts. Together firms can solve their problems, those of their customer's suppliers and employees. Companies should know what they want to get out of the alliance relationships they establish. Alliances will get the company much closer to their goals than without these valuable relationships. These will in turn lead to improved quality, productivity and profitability through cooperation and collaboration of the companies involved.

2.5 Stages of strategic alliance formation

Lorange et al (1992) outlines that alliance formation involves four phases namely defining the strategy, forming the alliance, operating and managing the alliance, and finally review and evaluation of the alliance.

2.5.1 Strategy development

Strategy development involves the alliances feasibility, objectives and rationale, focusing on the major issues and the challenges and development of resource strategies for development, technology and people.It requires aligning the alliance objectives with the overall corporate strategy. It is important to place the goals of strategic alliance within the framework of the long – term strategies of a company. At this stage it is important to develop a clear rationale for choosing an alliance verses other forms of transactions. This rationale is most compelling when it is based on a factual assessment of the current business, its competences and future prospects. This analysis will serve as the basis for establishing clear goals and objectives, ensuring that the proposed alliance will fulfill these goals. (Burney et al, 2002)

Each of the participants should articulate the expectations that they have of each other and the projects, and they should discuss and clarify what is expected before, during and after the operation of the alliance. Each should define the strategic impact of the alliance for each side; the advantage to each party should be clearly set forth upfront. In other words, the parties should establish achievable objectives for the alliance (Burchikhi et al. 2004).

2.5.2 Partner assessment

After deciding to go ahead with the alliance, the next step is to decide with whom to make it. The criteria for this choice are varied according to the needs and past experiences of the individual partners. It is important for the company to be actively involved in the selection, the identification and the approach to potential partners, rather than waiting for others to take the initiative.

The right partner in an alliance must have three principle features (Hills and Jones, 1999). The partner must have resources and capabilities to help the company achieve its strategic goals. It must bring to the alliance what is missing from the others and which they are seeking. Secondly the partner must share its long-term goals for the alliance. Failure is inevitable if the goals are divergent. Finally the partner must not use the alliance to appropriate know-how, relationship with clients or suppliers or technology without making contributions of equal strategic weight.

According to Business International (1992), instead of turning to a long list of criteria to measure the potential of candidates for integration, it is preferable to bring it all down to three requisites, the three Cs; compatibility, capability and commitment. Compatibility exists by looking at previous alliances as experience says whether the partner can cooperate or not. Capability means looking for complimentary resources and finally commitment. Commitment in terms of core business and success of the alliance.

2.5.3 Contract Negotiation

Contract negotiation involves determining whether all parties have realistic objectives, forming high calibre negotiating teams, defining each partner's contributions and rewards as well as protect any proprietary information, addressing termination clauses, penalties for poor performance, and highlighting the degree to which arbitration procedures are clearly stated and understood.

According to Business international (1992) a scrupulous detailed negotiation programme should exist. This should be coupled with a simulation of what should happen at the negotiation table, determining in advance not only the economic results of the alliance but the target of all transactions and finally not to underestimate the symptoms that reveal the interest of the partners in the alliance to be insufficient or modest during the planning course. It is recommended that a partner should not hesitate to abandon the project if serious difficulties are already emerging during the initial phases.

2.5.4 Alliance operation

Alliance operation involves addressing the senior management's commitment, finding the calibre of resources devoted to the alliance, linking budgets and resources to strategic priorities, measuring and rewarding alliance performance, and assessing the performance and results of the alliance. Agreements should foresee the eventuality that external conditions could evolve in a different way than anticipated, so much so as to change the landscape of expected advantages and the contributions planned by the partners. This can be an increase in the price of raw material or a strong oscillation in the exchange rate. A form of protection should be identified and agreed upon for each type of risk. In order to give stability to the alliance, a common suggestion is for the parties to commit for no less than five years. This should give the alliance a sense of stability and a mission able to direct both partners (Pellicelli 2003)

2.5.5 Alliance termination

Alliance termination involves winding up the alliance, for instance when its objectives have been met or not met, or when a partner adjusts priorities or re-allocated resources elsewhere. An alliance will fail at times for one reason or another. Whatever the reason for the failure, the parties should prepare for such an outcome by addressing the issue in the partnership contract. The contract should provide for the liquidation or partnership assets, including any technology developed by the alliance. By phasing in the relationship, the partners should be able to determine if the alliance is a worthwhile venture prior to heavy investment. This should minimize the difficulty in dissolving the alliance if it fails.

2.6 Ingredients of successful strategic alliances

Intense competition in the Market place if forcing organizations to examine different ways by which they could enhance or retain their competitive edge. Strategic alliance is one such option through which an organization can leverage its resources to emerge as an effective competitor. Alliances have continued to grow globally but as the same time reports are on the increase on failed strategic relationships. This highlights the need for considering some key factors before embarking on strategic alliance.

An alliance should have a clearly defined strategy that is closely tied to the corporate strategies of the partners. It must include goals for the relationship and milestones for attaining those goals. Strategy development must meet the needs of all partners to ensure long-term success. Difficulties may arise because partners are not in complete agreement about the purpose of an alliance and the process by which its goals can be achieved. It is also possible that the short- and long-term objectives of partners are misunderstood, so the direction of the alliance may be rather fuzzy. Mutual agreement on the purpose of the alliance is important because it provides institutionalized direction, which acts as a legitimate mechanism both among and within the parent organizations.

The choice of a partner has a significant impact on the performance of an alliance since that choice determines the mix of skills and resources available to the alliance. Ross et al. (2001) says that partnering companies should have complimentary needs and skills not similar strengths and weaknesses. It is crucial to determine if the resources of a likely partner have the potential to match the requirements for which the alliance was initiated. Without the proper partner, a company should never undertake forming the alliance, even for the right reasons. Each partner should bring the desired complementary strength to the partnership. Ideally, the strengths contributed by the partners are unique, for only these strengths can be sustained and defended over the long term. The goal is to develop synergies between the contributions of the partners, resulting in a win-win situation for both, or all. Moreover, the partners must be compatible and willing to trust one another.

The third key principle in managing an alliance, the blending of a culture, is undoubtedly the most complicated and the most often ignored. An organization's culture is the set of values, beliefs, and conventions that influence the behavior and goals of its employees. Thus, developing a shared culture is central to the success of the alliance. Partnering is inherently very people-oriented. To the extent that the cultures of the partners are different, making the alliance work may prove difficult. To blend or integrate the culture of the alliance, management must have a clear vision of what the culture should look like. Cultural norms should be consistent with management's vision of the alliance's ideal culture. This may entail creating norms as well as nurturing those that already exist. The key to developing a culture is to acknowledge its existence and to manage it carefully. Bringing two organizations together and letting nature take its course is a recipe for failure.

According to Johnson et al 2005 trust is probably the most important ingredient of success and a major reason for failure if it absent. Studies suggest that one critical factor determining alliance performance is the degree of trust between all partners (Bleache 1993). But trust has two separate elements. Trust can be competence based in the sense that each partner is confident that the other has the resources and competences to fulfill their part of the alliance. Trust is also character based and concerns whether partners trust each others motives and are compatible in terms of attitudes to integrity, openness, discretion and consistency or behavior.

From the onset of the alliance performance measure should be outlined. This should be in line with the expected performance outcomes and the extent to which these would be in line with the expectations of stakeholders. Clear performance measures will help the partners in the alliance is identifying weakness in the alliance and therefore put an extra effort to turn them around so as to achieve the set objectives. The presence of clear performance measures also makes it to identify very early when the alliance is not meeting the partner expectations and therefore helps the members decide whether to dissolve or re- evaluate the whole alliance.

Commitment in strategic alliances stems from two bases. One form of commitment, referred to as instrumental, can be thought of as rational, the other as attitudinal (Becker, 1960). As in all business dealings, commitment to the strategic alliance relationship must have an instrumental base. For a relationship to continue there must be a positive benefit cost analysis for the partners. Managers must see a potential for returns and/or a need to avoid switching costs. This is the rational and economic of commitment. It is called calculative commitment. Commitment has an emotional and effective component. In this regard, commitment means that partners, in a sense, internalize the alliance relationship. Unless top and middle management are highly committed to the success of the venture, there is little chance of success, as such; this must be viewed as an important career path position (Banford et al. 2003).

To develop a strategy that is consistent with the strategies of the partners, each partner must be willing to share strategic information which is an early test of the trust and commitment of the parties. The operational responsibilities of each party must also be clearly defined. Specifying responsibilities up front reduces role ambiguity. Sherman (1992) recommends giving one partner sole authority to run the joint venture or establish the alliance as a completely autonomous operation to avoid management gridlock frequently caused by shared decision making. Details regarding objectives and resource commitments should be clearly stated and fore realized in an alliance agreement. Flexibility should be built in to allow for renegotiating or restructuring the alliance if the need arises, especially in a dynamic environment.

It is critical when the alliance becomes operational that open communication between partners takes effect. In order to achieve the benefits of collaboration effective communication between partners is essential (Cummings et al. 1984). Communication allows partners to understand the alliance goals, roles and responsibility of al actors. It helps with the sharing, dissemination of individual experiences (Inkpen 2001). Each partner should have access to information on all aspects of the alliance and be able to express dissatisfaction when apparent. Both partners should be open to each others opinion. None of the partners should dominate all decision making process, unless agreed among them that one will manage the alliance of which the other partner should be kept abreast of the alliance performance.

2.7 Risks in strategic alliances

Strategic alliances can lead to competition rather than cooperation, to loss of competitive knowledge, to conflicts resulting from incompatible cultures and objectives and to reduced management control. Some of the main risks are overdependence on others, skewed benefits, operational and geographical overlap as well as exposure to competitor incase of the alliance collapsing as discussed below. According to Thompson et al (1995) there is the danger of depending on another company for essential expertise and capabilities over the long term. To be a serious market contender, a company must ultimately develop internal capabilities in all areas important to strengthening its competitive position and building a sustainable competitive advantage. Where this is not feasible, a merger is a better solution than strategic alliance.

Skewed benefits pose a risk especially where overdependence on one company exists. It will follow that if one company has an upper hand at the operational level it will also dominate the benefits of the alliance. This could lead to the party feeling that they are a looser in the alliance and this could lead to an early ‘divorce’. Research shows because of skewed benefits many alliances fail or are terminated when one partner ends up acquiring another. A 1990 survey of 150 companies involved in terminated alliances found out that three fourths of the alliances had been taken over by Japanese partners who are considered more skilled in transferring the learning from strategic alliances in to their own operations than their American and European counterparts. (Thompson et al 1995)

Thompson et al (1995) says that effective coordination between independent companies, each with different motives and perhaps conflicting objectives, is a challenging task. It requires many meetings of many people over a period of time to iron out what is to be shared, what is to remain proprietary, and how the cooperative arrangements will work. Allies may have to overcome language and cultures as well. The communication, trust building, and coordination costs are high in terms of management time.

International alliances pose additional barriers such as different laws and regulations, and resistance to foreign products. Risks associated with the above-mentioned barriers need addressing if the alliance is to go on to fruition. According to Thompson et al (1995) many times, allies find it difficult to collaborate effectively in competitively sensitive areas, thus raising questions about mutual trust and forthright exchanges and information and expertise.

2.8 Factors leading to strategic alliances failure

More and more companies undertake strategic alliances to improve their business, but many of them fail. The risks and problems facing strategic alliances should be identified so that the companies can improve the performances.

2.8.1 Clash of cultures

Cultural clash may be one of the biggest problems for the companies in strategic alliances. Kilburn (1999) pointed out "These cultural problems consist of language, egos, chauvinism, and different attitudes to business can all make the going rough. Problems can be particularly acute between a publicly quoted Western holding company, keenly focused on share holders value, and Japanese partners who have different priorities". Language barrier may be the first thing that can cause problems. It is important for the integration of the staff from each of the partner into a coherent team. They should be able to communicate and understand each other well before they work together. In addition, there are many other barriers could cause misunderstanding and conflicts, such as customs, habits, personal relationship networks and so on. Besides the national culture, the organization culture inside the company can also cause problems. The firms face the problems with different ways of operation or management style. Businesses are run in different ways because of the cultural distance. There may be lots of conflicts when they work in a team.

2.8.2 Lack of trust

Risk sharing is the primary bonding tool in a partnership. What will happen if one company is successful and the other experiences a failure? A sense of commitment must be generated throughout the partnership. In many alliance cases one company will point the failure finger at the partnering company. Shifting the blame does not solve the problem, but increases the tension between the partnering companies and often leads to alliance ruin (Lewis, 1992). Building trust is the most important and yet most difficult aspect of a successful alliance. Only people can trust each other, not the company. Therefore, alliances need to be formed to enhance trust between individuals. The companies must form the three forms of trust, which include responsibility, equality, and reliability. Many alliances have failed due to the lack of trust causing unsolved problems, lack of understanding, and despondent relationships (Lewis 1992).

2.8.3 Lack of clear goals and objectives

In today's business world, many strategic alliances are formed for the wrong reasons. This will surely lead to disaster in the future. Many companies enter into alliances to combat industry competitors. Corporate management feels this type of action will deter competitors from focusing on their company. On the contrary, this action will raise flags that problems exist within the joining companies. The alliance may put the companies in the spotlight causing more competition. Alliances are also formed to correct internal company problems. Once again, management feels that an increase in numbers signifies a quick fix. In this case, the company is probably already doomed and is just taking another along for the ride (Kilburn, 1999). Many strategic alliances, although entered into for all the right reasons, do not work. Dissimilar objectives, inability to share risks, and lack of trust lead to an early alliance demise. Cooperation on all issues is the key to a successful alliance. Many managers enter into an alliance without properly researching the steps necessary to ensure the basic principles of cooperation (Lewis 1992).

2.8.4 Lack of coordination between management teams

Action taken by subordinates that are not congruent with top-level management can prove particularly disruptive, especially in instances where companies remain competitors in spite of their strategic alliance. If it were to happen that one company would go off on its own and do its own marketing and sell its own product while in alliance with another company it would for sure be grounds for the two to break up, and they would most likely end up in a legal battle which could take years to solve if it were settled at all. An example of this would be "Volvo's attempt to merge with Renault in 1993 temporarily destroying shareholders wealth in Volvo" (Bruner 1999).

2.8.5 Performance risk

Performance risk is the probability that an alliance may fail even when partner firms commit themselves fully to the alliance. The sources of performance risk according to a recent study by Das and Teng (1999) include environmental factors, such as government policy changes, war, and economic recession; market factors, such as fierce competition and demand fluctuations; and internal factors, such as a lack of competence in critical areas, or sheer bad luck.

2.9 Summary

It is almost becoming a must for all companies to form strategic alliances in order to be able to compete effectively in markets that have become very volatile. Even the largest and most financially sound companies have concluded that simultaneously running the races for global market leadership and for a stake in the industries of the future requires more diverse and expansive skills, resources, technological expertise and competitive capabilities than they can assemble and manage alone(Thompson et al 2004).

From the discussion in the literature review, it is however clear that forming a strategic alliance is no easy affair. It is pertinent that the partners have complimentary strengths that will make the alliance relevant. Communication between the partners should be very open. This however should be accompanied by trust and commitment of the partners in the alliance so as to set the right environment for the success of the alliance

Clash of cultures can lead to the alliances failing. Language barriers and different attitudes are some of the factors that constitute the cultures of different companies. Lack of clear goals and objectives can create some grey areas likely to result into conflict. This coupled with lack of trust and commitment had to the failure of a many strategic alliances. Factors beyond the control of the partners in an alliance can also lead to an alliance ending before achieving its objectives .Partners therefore should ensure that necessary measures are taken to enhance the success of the alliance.

CHAPTER THREE

RESEARCH METHODOLGY

3.1 Research design

The study adopted a case study design. The case study method is a form of qualitative analysis and involves a careful and complete observation of the institution, Kothari (2004). The reason for using the case study method was because it provides in depth knowledge of the key factors that responsible for the success of strategic alliances.

3.2 Data collection methods

The study used primary data. The data was collected through the use of semi – structured questionnaire. The likert method/ scale were used in the questions to get answers from the respondents.

The study targeted directors and managers of the Kenya Institute of Management. These included 4 directors and 6 chief managers who are directly involved in the contract negotiation. Others were 15 managers who are responsible for the implementation and management of the strategic alliance product and therefore have direct access to information on the general operation of the strategic alliance. The breakdown is shown in Table 3.1

Table 3.1 Target population

Category of staff	**Population size**	**Percentage%**
Directors	4	15%
Chief Managers	6	23%
Managers	15	62%
Total	**25**	**100%**

3.3 Data analysis

Quantitative and qualitative methods of data analysis were used. The SPSS was used to analyze the quantitative data. Measures of central tendency specifically the mean was used to analyze the data and tables were used in data presentation.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTEPRETATION

4.1 Introduction

The study was designed to establish the factors that are key for the formation and management of successful strategic alliances at the Kenya Institute of Management. To achieve this objective, a total of 25 questionnaires were sent to the management of the institution. Of these 20 responded, giving a response rate of 80%, which was considered adequate for analysis. Findings of the study are presented and discussed in this chapter.

4.2 Demographic profile of Respondents

The respondents were profiled based on characteristics related to the organization and strategic alliances. The characteristics were their level or position in the organization, division they represent and number of years worked in the organization.

4.2.1 Respondents by position

The respondents were categorized by position as shown in Table 4.1.

Table 4.1 Respondents by position

Position	Frequency	Percentage
Middle-level managers	12	60
Chief Managers	5	25
Directors	3	15
Total	20	100

Table 4.1 shows that the highest respondents (60%) were middle level managers whereas chief managers constituted 25% of the respondents. Directors constituted 10% of the respondents. The study used the above population because the directors and chief managers were involved in negotiating the alliances and therefore formed the negotiation

teams while the managers were directly involved in the implementation of the strategic alliance agreements and products.

4.2.2 Respondents by division

The respondents were further categorized according to divisions in the organization; the results are shown in Table 4.2

Table 4.2 Respondents by division

Division	Frequency	Percentage
Operations	9	45.0
Programmes	7	35.0
School of management	4	20.0
Total	20	100.0

Table 4.2 illustrates that the highest number of respondents (45%) came from operations division. Programmes division constituted 35% of the respondents whereas the least number of respondents came from the school of management division and constituted 20% of the respondents.

4.2.3 Number of years worked in the organization

The duration that the respondents had served in the organization was included in the study as it has an impact on the respondent's knowledge on the organizations' history of strategic alliances. The results are shown in Table 4.3

Table 4.3. Number of years worked in the organization

Number of years	Frequency	Percentage
5 and below	12	60
6 -10	5	25
11 – 15	2	10
16 and above	1	5
Total	20	100

As shown in Table 4.3, the highest number of respondents (60%) have worked in the organization for 5 years and below while 25% have been with the organization for a duration of ranging between 6 and 10 years. 10% of the respondents have worked in the organization for between 11and 15 years while the least representation came from those who have worked for the organization for 16 years and above which stood at 5%.

4.3 Knowledge of strategic alliances

Respondents were also profiled based on their knowledge of strategic alliances. These include knowledge on existence of strategic alliances in the organization, knowledge of strategic alliances that have failed in the organization and major objectives of joining strategic alliances. The results are shown in Table 4.4.

4.4 Knowledge on existence of strategic alliance in the organization

Knowledge	Frequency	Percentage
Yes	20	100%
Total	**20**	**100%**

As shown in Table 4.4, all the respondents indicated that they have knowledge of the existence of strategic alliances in the organization. This represents 100% of the respondents. This is indicative that the Institute actively engages in entering into strategic alliances with other organizations to meet some set goals and objectives

4.3.1 Knowledge of strategic alliances that have failed in the organization

The study also sought to establish whether there was a history of failed strategic alliances in KIM. All the respondents indicated that they have knowledge of strategic alliances that have failed in the organization. This means that the Kenya Institute of Management has actively entered into a strategic alliance that failed due some factors.

4.3.2 Major Objectives of joining strategic alliances

The main objectives for joining strategic alliances were summarized into two opposing needs, either to combat competitive disadvantage or gain competitive advantage. The results are shown in Table 4.5.

Table 4.5: Major objective of joining strategic alliances

Objective	Frequency	Percentage
Combat competitive disadvantage	4	20
Gain competitive advantage	16	80
Total	**20**	**100**

Table 4.5 above indicates that a large percentage of the respondents (80%) believe that a major objective of joining strategic alliances was to gain competitive advantage while the remaining 20% indicated that the objective was to combat competitive advantage

4.4. Reasons for entering into strategic alliances

Strategic alliances are formed for a variety of reasons, which include entering new markets, reducing manufacturing costs, and developing and diffusing new technologies rapidly. Alliances are also used to accelerate product introduction and overcome legal and trade barriers expeditiously. The following analysis looks at the reasons that are considered that respondents felt were key for KIM when entering into strategic alliances.

4.4.1 To enter into new markets.

One of the reasons why companies enter into strategic alliances is to have access to new markets. This study sought to establish whether this is one of the reasons KIM enters into strategic alliances. The results are shown in Table 4.6.

Table 4.6: To enter new markets

Importance	Frequency	Percentage	Mean score
Very important	16	80	4.60
Important	4	20	
Total	**20**	**100**	

Table 4.6 shows that entering new markets was highly rated as a reason for entering into new strategic alliances with a mean score of 4.60. 80% of the respondents rated it as very important while 20% indicated that is was an important factor. This means that most of the strategic alliances that KIM has entered into one of the key driving forces was to enable the institution to enter new markets that it could not have otherwise entered on its own.

4.4.2 Improve customer service

The study also sought to establish the importance of improving customer service as one of the motivating factors in forming strategic alliances. The results are shown in Table 4.7.

Table 4.7: Improve of customer service

Importance	Frequency	Percentage	Mean Score
Very important	8	40	4.40
Important	9	45	
Somewhat important	1	5	
Least important	1	5	
Not important	1	5	
Total	**20**	**100**	

Table 4.7 shows that the need for improvement of customer service was highly rated as a key determinant of entering into strategic alliances with a mean score of 4.40. 40% of the respondents indicated it as very important and 45% as important while 5% indicated that it was somewhat important, least important and not important each.

4.4.3 To improve supply chain processes

One of the reasons why companies enter into strategic alliances is to improve supply chain processes. The study sought to establish whether this was one of the key reasons why KIM entered into strategic alliances. The results are outlined in Table 4.8

Table 4.8: Improve supply chain process

Importance	Frequency	Percentage	Mean Score
Very Important	1	5	3.30
Important	7	3	
Somewhat Important	6	30	
Least Important	5	25	
Not Important	1	5	
Total	**20**	**100**	

The results in Table 4.8 show that improvement in supply chain process was moderately rated with a mean score 3.30 as a factor for getting into strategic alliances. The findings show that 30% of the respondents indicated that it was somewhat important while 25 % indicated that it was least important. This means that improvement of supply chain process is not a key factor

4.4.4 Enhance financial stability

The study sought to establish the importance of improving financial stability as one of the factors KIM considers when entering into strategic alliances. Table 4.9 shows the results of the study.

Table 4.9: Enhance financial stability

Importance	Frequency	Percentage	Mean Score
Very Important	14	70	4.40
Important	4	20	
Somewhat Important	2	10	
Total	**20**	**100**	

As shown in Table 4.9, the need to enhance financial stability was highly rated with a mean score of 4.40 with majority (70%) of the respondents considered it as very important factor and 20% as important. 10 % of them were of the opinion that it is somewhat important. Financial stability from the response given is one of the key factors that KIM has entered into strategic alliances because as compared to other factors majority of respondents felt that it was very important.

4.4.5 Acquire new skills and competences

The need to acquire new skills is one of the motivating factors of entering into strategic alliances. The results in the case of KIM are shown in Table 4.10.

Table 4.10: Acquire new skills and competences

Importance	Frequency	Percentage	Mean Score
Very Important	7	35	3.60
Important	7	35	
Somewhat Important	3	15	
Least Important	1	5	
Not Important	2	10	
Total	**20**	**100**	

Table 4.10 shows that acquisition of new skills and competences was a moderately considered when getting into strategic alliances with a mean score of 3.60. 35% considered it as very important factor and a similar percentage considered it as important. 15% considered it as somewhat important while 10% indicated that it was not important.

4.4.6 Develop new technology

The study also sought to know the importance that KIM attached to the need to develop new technology when entering into strategic alliances. The results are shown in Table 4.11.

Table 4.11: Develop new technology

Importance	Frequency	Percentage	Mean Score
Very Important	1	5	2.90
Important	7	35	
Somewhat Important	8	40	
Least Important	2	10	
Not Important	2	10	
Total	**20**	**100**	

Development of new technology is not highly considered as factor that influences entering into strategic alliances. It had a mean score of 2.9. 40% of the respondents indicated that it was somewhat important while 35% considered it as important. 10% considered it as least important and a similar number considered it as not important.

4.4.7 Reduce product development cost

Developing a new product is very costly and sometimes companies enter into strategic alliances to reduce such costs. The study sought to establish whether this is one of the reasons that KIM enters into alliances. The results are shown in Table 4.12.

Table 4.12 Reducing product development costs

Importance	Frequency	Percentage	Mean Score
Very Important	4	20	3.60
Important	9	45	
Somewhat Important	4	20	
Least Important	2	10	
Not Important	1	5	
Total	**20**	**100**	

The findings in Table 4.12 show that 45% of the respondents were of the view that strategic alliances were important in reducing product development costs. 20% indicated that it was very important and a similar number indicated that it was somewhat important. Overall, the factor was moderately rated with a mean score of 3.60.

4.5 Success of the Strategic Alliances

Success of strategic alliances depends on various factors and this varies from alliances to alliances. The following analysis shows the factors that were given by the respondents as those that affect the success of its strategic alliances.

4.5.1 Partner congruence

The study sought to establish whether partner congruence was a key factor contributing to the success of alliances in KIM. The results are shown in Table 4.13.

Table 4. 13: Partner congruence

Importance	Frequency	Percentage	Mean Score
Very Important	8	40	3.40
Important	12	60	
Total	**20**	**100**	

Table 4.13 shows that majority (60%) of the respondents were of the view that partner congruence was important in determining success of strategic alliances. However, significant proportion (40%) of respondents indicated that it was very important. Overall, the factor was highly rated with a mean score of 3.40. Partner congruence has been generally important in the strategic alliances that KIM has entered into that have been successful.

4.5.2 Partner evaluation

When entering into strategic alliances it's important to establish whether your partner has the desired capabilities. The results are shown in Table 4.14.

Table 4.14 Partner evaluation

Importance	Frequency	Percentage	Mean Score
Very Important	11	55	3.70
Important	9	45	
Total	**20**	**100**	

The findings in Table 4.14 show that majority (55%) of the respondents were of the view that partner evaluation was very important in determining success of strategic alliances. However, significant proportion (45%) of respondents indicated that it was important. Overall, the factor was highly rated with a mean score of 3.70. Partner evaluation from the response was considered by the respondents to have been very key in the success of alliances in KIM.

4.5.3 Blending of cultures

Respondents were required to rate the importance of blending of cultures in the success of the alliances in KIM. The results are indicated in Table 4.15.

Table 4.15: Blending of cultures

Importance	Frequency	Percentage	Mean Score
Very Important	3	15	2.70
Important	9	45	
Somewhat Important	6	30	
Least Important	2	10	
Total	20	100	

From Table 4.15, blending of cultures was not highly rated as a factor that influences the success of strategic alliances with a mean score of 2.70. 45% of the respondent indicated that it was important, 30% somewhat important while 15% indicated that it was very important. 10% said it was least important.

Blending of cultures has not played a very major role in the success of the strategic alliances that KIM has entered into. This could indicate that the partners to the strategic alliance do appoint an independent team to manage the alliance projects and therefore blending of cultures therefore does not play a major role.

4.5.4 Trust

The study also sought to establish the role played by trust in ensuring that strategic alliances in KIM were successful. The results were as shown in Table 4.16.

Table 4.16 : Trust

Importance	Frequency	Percentage	Mean Score
Very Important	12	60	**3.60**
Important	7	35	
Somewhat Important	1	5	
Total	**20**	**100**	

From Table 4.16, success of strategic partnerships highly depends on trust between the partners with a mean score of 3.6000. 60% of the respondents indicated that it was very important while 35% indicated that it was important. The rest 5% were of the view that it was somewhat important. Therefore success of the alliances KIM has entered into has highly depended on trust.

4.5.5 Communication

The role of communication in ensuring the success of strategic alliances in KIM is shown in Table 4.17.

Table 4.17: Communication

Importance	Frequency	Percentage	Mean Score
Very Important	14	70	4.30
Important	6	30	
Total	**20**	**100**	

From Table 4.17, communication between partners is highly rated as factor that determines the success of strategic alliances with a mean score of 4.30. 70% of the respondents indicated that it was very important while the remaining 30% said it was important

4.5.6 Clear performance measures

The presence of clear performance measures can contribute to the success or failure of strategic alliance. The study sought to establish how this influenced the success of strategic alliances in KIM and the results are shown in Table 4.18.

Table 4.18: clear performance measures

Importance	Frequency	Percentage	**Mean Score**
Very Important	8	40	3.40
Important	9	45	
Somewhat Important	3	15	
Total	**20**	**100**	

As shown in Table 4.18 above, clear performance measures were moderately rated with a mean score of 3.40 as factor that determines the success of strategic alliances. 45% of the respondents considered it as an important factor and 40% as very important. 15% of them were of the opinion that it as somewhat important

4.6 Failure of strategic alliances

Strategic alliances may fail because of various reasons. The following analysis shows factors that were given by the respondents as those that may lead to failure of its strategic alliances.

4.6.1 Lack of trust

Strategic alliances fail due to various reasons. The study sought to establish the degree to which lack of trust contributes to failure in KIM. The results are shown in Table 4.19

Table 4.19 lack of trust

Importance	Frequency	Percentage	Mean Score
Very Important	12	60	3.40
Important	4	20	
Somewhat Important	4	20	
Total	**20**	**100**	

From Table 4.19, Lack of trust was moderately rated as a factor that leads to the failure of strategic alliances with a mean score of 3.400. 60% of the respondent indicated that it was very important, 20% somewhat important while another 20% indicated that it was somewhat important. None said it was least important or not important

4.6.2 Lack of clear goals and objectives

If the goals and objectives of the strategic alliance are not clear to the partners, this can lead to its failure. The study sought to establish how this has led to failure of alliances in KIM and the results are shown in Table 4.20.

Table 4.20: lack of clear goals and objectives

Importance	Frequency	Percentage	Mean Score
Very Important	7	35	3.00
Important	7	35	
Somewhat Important	5	25	
Least Important	1	5	
Total	**20**	**100**	

As shown in Table 4.20, with a mean score of 3.00, lack of clear goals was moderately rated as an important factor in determining the failure of strategic alliances. Proportion of respondents who viewed it as a very important and an important factor was higher was equal at 35 %. 25%were of the view that it was somewhat important and 5% least important.

4.6.3 Lack of commitment

Partners in a strategic alliance show varying degrees of commitment to its goals and objectives and ultimately to its success. The study sought to establish how this has led to failure in strategic alliances in KIM as shown in Table 4.21.

Table 4.21 Lack of commitment

Importance	Frequency	Percentage	Mean Score
Very Important	12	60	4.20
Important	7	35	
Somewhat Important	1	5	
Total	**20**	**100**	

The findings in Table 4.21 indicate that lack of commitment was rated highly with a mean score of 4.20 as a factor that will most likely lead to the failure of strategic alliances. 60% of the respondents said it was very important, 35% important while 5% indicated that it was somewhat important.

4.6.4 Lack of coordination between management teams

To manage the strategic alliance, each partner appoints a management team to work with that of the partner towards the achievement of the objectives of the alliance. Lack of coordination therefore between can lead to failure of the alliance. The results of how this has led to alliance failure in KIM are shown in Table 4.22.

Table 4.22: Lack of coordination in management teams

Importance	Frequency	Percentage	Mean Score
Very Important	14	70	4.40
Important	5	25	
Somewhat important	1	5	
Total	**20**	**100**	

From Table 4.22, lack of coordination between management teams was highly rated as a factor that leads to the failure of strategic alliances with a mean score of 4.40. 70% of the respondent indicated that it was very important, 25% important while another 5% indicated that it was somewhat important. None said it was least important or not important

4.6.5 Performance risk factors

Factors beyond the control of the alliance partners like change in the law governing the operation of alliances in a country can lead to the alliance termination. How this has led to failure of strategic alliances in KIM was also established as shown in Table 4.23 below.

Table 4.23 Performance risk factors

Importance	Frequency	Percentage	Mean Score
Very Important	3	15	1.70
Somewhat Important	2	10	
Least Important	10	50	
Not Important	5	25	
Total	20	100	

As shown in Table 4.23, Performance risk was lowly rated as a factor that would lead to the failure of strategic alliances with a mean score of 1.70. 50% indicated that was least important, 25% not important. 15% indicated that it was very important while 10% were of the view that it was somewhat important.

4.6.6 Other factors

Other factors that were raised by the respondents that contributed to the failure of the strategic alliance in KIM was change in top management in the partnering firms. Respondents felt that change of top management brought a shift in the strategies of the partnering firms and this led to the failure of strategic alliance. This was evident in a situation whereby the new management did not consider the existing strategic alliances to contribute to the overall strategic direction the organization was taking.

Short comings in the implementation of the Memorandum of Understanding between the partnering firms. Failure in the implementation of all the elements of the strategic MOU could lead to failure in the strategic alliance as one party of the strategic alliance can feel shortchanged and thus shift their focus in the alliance.

Shifting of goals by one strategic partner was also attributed to failure in strategic alliances in KIM and partners.

4. 7: Summary

This section summarizes the factors analyzed in order of their importance as was established in the study.

4.7.1 Summary of the reasons why KIM enters into strategic alliances.

The reasons why KIM has entered into strategic alliances are summarized below in their order of importance as shown by the mean score. The results are shown in Table 2.24 below.

4.24: Summary of the reasons for entering into strategic alliance

Reason	Mean score
To enter into new markets	4.6
To enhance financial stability	4.4
To improve customer service	4.4
To acquire new skills and competences	3.6
To reduce product development costs	3.6
To improve supply chain processes	3.3
To develop new technology	2.9

As shown in Table 4.24 above the main reason why KIM has entered into strategic alliance is to gain access into new markets with the least important being the need to develop new technology.

4.7.2 Factors that have contributed to success of strategic alliances in KIM

The factors that have been instrumental to the success of alliances in KIM are summarized in Table 4.25 in order of importance.

4.25: Summary of success factors

Success factor	Mean score
Communication	4.30
Partner evaluation	3.70
Trust	3.60
Partner congruence	3.40
Clear performance measures	3.30
Blending of cultures	2.60

From Table 4.25, the factor that was considered as the most important in the success of alliances in KIM was communication followed by partner evaluation before the formation of the alliance. The lease was however blending of cultures with a mean score of 2.6000.

4.7.3 Factors that have led to failure of strategic alliances in KIM

As earlier stated, various factors lead to the failure of alliances. The summary of the factors as established by the study is shown in Table 4.26.

4.26: Summary of factors leading to failure of alliances

Factor	Mean score
Lack of coordination in management teams	4.40
Lack of commitment	4.20
Lack of trust	3.40
Lack of clear goals and objectives	3.00
Performance risk factors	1.70

As shown in Table 4.26, the main factor that led to failure of alliances in KIM was lack of coordination in management teams of partnering firms with a mean score of 4.40. Of the least consequence were performance risk factors with a mean of 1.70.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study was an investigation into factors considered by firms when entering into strategic alliances. The study was keen to establish the reasons why organization enter into strategic alliances as well as the main factors that contribute to the formation of successful strategic alliances.

Strategic alliances have become a very useful method for companies to meet their objectives that would have otherwise been almost impossible to achieve. However the recent past has experienced an increase in the collapse of such alliances that are formed by companies to meet various objectives. As such it is increasingly important to understand the key factors that have led to the growth of successful alliances and those that lead to their collapse even before they are able to meet their objectives.

The study found out that the Kenya Institute of management has been actively involved in strategic alliances some of them that are still active while one had failed. It was clear that the Kenya Institute of management was in a strategic alliance with Jomo Kenyatta University of Agriculture and Technology (JKUAT) to offer an Executive Master of Business Administration degree as well as a Bachelors degree in Management and Leadership (BML). It was also established that another strategic alliance existed between a local NGO, Resource Mobilization Kenya and the KIM to offer an executive diploma in Resource Mobilization. It was also established that the Institute was also outsourcing some services like cleaning services from various cleaning companies in the country within its branch network.

Another finding was that strategic alliance between KIM and Moi University to offer an executive MBA had failed because of reasons that discussed later in the chapter.

The study found out the major reason why KIM entered into strategic alliances was to enter new market. A mean score of 4.6000 was obtained meaning majority of the respondents concurred that through strategic alliances KIM was able to attract new set of clients that would have been impossible to on its own. For instance KIM now offers post graduate training at master's level, thus reaching a new market segment it was not able to reach before.

Improving financial stability is one of the reasons why companies enter into strategic alliances. The study established that majority of the respondents concurred that financial stability was very important factor in KIM in its strategic alliance arrangements. Smaller organizations in forming alliances with the bigger ones they seek to access capital as well as to eliminate weaknesses that come with financial instability. KIM by forming strategic alliances has diversified its service base and therefore also diversified its revenue points which lead to financial stability as well as growth assuming the alliances live to reach the set goals.

Improving customer service as a motivating factor for entering into strategic alliance was also highly voted with a mean score of 4.4000. Through offering degree programmes and the executive master of business administration the institute has increased its range of products to its already existing customer base. This therefore offers convenience to the current customer who is able to pursue their diploma, degree and masters degree at the same institution at the same time gaining from 'discounts' like credit transfers.

Acquiring new skills and competences was also rated above average with the 70% of the respondents rating it as important to very important. The study established that KIM sought to acquire new skills and competences in the formation of the existing alliances, for instance through forming an alliance with Resource Mobilization KIM benefited from the vast knowledge and experience form the partnering company which has the know how needed to develop a curriculum on resource mobilization and authoritatively train on the same.

Reducing new product development costs was also established as one of the factors that KIM entered into strategic alliance. It was however not given much importance as it obtained a mean score of 3.6000 was obtained in relation to the highest rated factor with a mean score of 4.6000. Strategic alliances allow companies to pool capital or existing facilities to gain economies of scale. KIM entered into strategic alliances with JKUAT and other bodies to develop new products faster and at cheaper costs. For KIM to offer degree programmes on its own it would need to acquire university status which most often that not is a very lengthy and expensive affair.

Supply chain improvement as well as diffusion of technology was not considered key points why KIM entered into alliances as the study established. Developing was considered the least important with a mean score of 2.9000.

The study established that communication was considered the most important factors that has led to success of strategic alliances that KIM has entered into with the highest mean score of 4.3000 meaning that majority of the respondents felt that communication led to the success of the alliance KIM is involved in. this emphasizes the fact that it is critical when the alliance becomes operational that open communication between partners takes effect as this reduces chances of distrust among them.

This study established that partner evaluation has also been very key in the strategic alliances that have become a success in KIM. A mean score of 3.7000 was obtained being rated as the second important factor that has led to success of alliances in KIM. It is critical to establish that a potential strategic alliance bring the desired complimentary strength to the partnership. The strengths should be unique for only then can the alliance succeed.

The study also established that trust has been key in the alliances that KIM is involved in. A mean score of 3.6000 was obtained rating trust as the third important factor that has led to alliances success in KIM. Partner congruence in strategy is also very important. The strategic alliance must meet the needs of all partners to ensure long-term success. This study established that partner congruence is considered very important in KIM alliances.

The presence of clear performance measures was also established as critical for the success of strategic alliance. Clear performance measure becomes a benchmark for the alliance and partners are able to identify very early in the relationship when expectations are not being met. A mean score of 3.3000 was obtained ranking it as the fifth important.

Blending of cultures compared to other factors responsible for the success of alliances was least considered compared to other factors to lead to success of alliances. Only 15% concurred that it was very important with 45% rating it important. The remaining 40% thought it was somewhat important. This lead to obtaining the least means score of 2.6000. This could however be attributed to the fact that all the products of the alliance had independent teams running them.

5.2 Conclusions

From the information gathered it may be concluded that KIM mainly entered into strategic alliance in order to enter new markets and improving financial stability as key points. Other factors that also played important role in joining strategic alliance for KIM was improvement of customer service as well as reduction in product development costs. An Acquring new skill also was vey key for KIM.

However from the responses given it was also established that supply chain improvement as well as diffusion of technology was not a major priority that KIM considered when entering into strategic alliances.

Communication and partner evaluation were highly rated as very crucial for the success of strategic alliances. This means that partners in a strategic alliance must attach a lot of importance to communication. This translates also that the process of partner evaluation and assessment must be thoroughly done to ensure that the right partner comes on board bringing in the needed capabilities and strengths,

Following in order of importance was also trust and partner congruence. Existence of performance measures was also rated as an important factor that lead to the success of strategic alliances in KIM. Blending of cultures however compared to other factors is not very critical to the success of alliances in KIM.

5.3 Recommendations

5.3.1 Recommendations with policy implications

Based on the findings and conclusions of this study, the following recommendations are made: -

Training institutions when entering into strategic alliances should carefully examine the reasons for entering into strategic alliances and be clear what expectations they have of their partner. This would ensure that the partner search process is objective enough to lead to the selection of the right partner, one who complements the needs of the organization.

The strategic alliance agreement should be well be drafted to ensure that should there be a change in the top management in one of the partner companies, the strategic alliance is not affected. The memorandum of understanding between the parties should ensure that it has clear implementation guidelines to ensure that there is no collision between the management teams.

Communication and trust should be cultivated at the start of the strategic alliance to ensure that each partners needs are kept in focus. This will ensure that the benefits of the alliance are not skewed towards one partner a factor that bound to breed distrust among partner members thus lead to failure of the alliance.

5.3.2 Suggestions for further study

Since this study limited itself to the Kenya Institute of Management, further research is recommended to establish the characteristics and factors that have led to the increase in the number of strategic alliances between local training institutions and International universities.

Further research should also be done to establish the impact of strategic alliances between the training institutions and international universities on the Kenyan education system as well as the job market.

APPENDIX I

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Appendix II

QUESTIONNAIRE [For managers]

SECTION A

1. Position held in the organization...

2. Division /branch currently serving in...

3. How long have you worked with KIM..

4. Are you aware of any strategic alliances KIM is currently in?

- Yes [ ]
- No [ ]

If yes list them down and for how long they have been in existence

a) ....

b) ....

c) ....

d) ....

5. Are you aware of any strategic alliances KIM has been involved in that have failed?

- Yes [ ]
- No [ ]

5b.If yes state how many

- One [ ]
- Two [ ]
- Three [ ]
- More [ ]

SECTION B [managers and customers)

6. In entering strategic alliances the Kenya Institute of Management [KIM] seeks some strategic benefits. Please by ticking which of the two captures more the needs of KIM
   - Combating competitive disadvantage [ ]
   - Gaining strategic advantage [ ]

7. Which among the points listed below highlights the main reasons why (KIM) has entered into strategic alliances with its current partners? Please rate according to degree of importance.

5 -Very important 4- Important 3- Somewhat important 2-Least important 1- Not important

a) Enter new markets [1] [2] [3] [4] [5]
b) To improve customer services [1] [2] [3] [4] [5]
c) To better supply chain process [1] [2] [3] [4] [5]
d) To enhance its financial stability [1] [2] [3] [4] [5]
e) To acquire new skills and competences [1] [2] [3] [4] [5]

Add any other factors not indicated above

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8. What in your opinion has led to the success of the strategic alliances KIM is currently engaged in? Please rate the factors listed below according to the degree of importance

5 -Very important 4- Important 3- Somewhat important 2-Least important 1- Not important

a) Partner congruence	[1]	[2]	[3]	[4]	[5]
b) Partner evaluation	[1]	[2]	[3]	[4]	[5]
c) Blending of cultures	[1]	[2]	[3]	[4]	[5]
d) Trust	[1]	[2]	[3]	[4]	[5]
e) Commitment	[1]	[2]	[3]	[4]	[5]
f) Communication	[1]	[2]	[3]	[4]	[5]

Add any other factors not indicated above

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SECTION C

1. Not all strategic alliances succeed, some fail. Please indicate the factors that have led to failure of strategic alliances in KIM in the past. Please rate the factors listed below according to the degree of importance.

5 -Very important 4- Important 3- Somewhat important 2-Least important 1- Not important

a. Clash of cultures [1] [2] [3] [4] [5]

b. Lack of trust [1] [2] [3] [4] [5]

c. Lack of clear goals [1] [2] [3] [4] [5]

d. Lack of coordination [1] [2] [3] [4] [5]

e. Performance risk [1] [2] [3] [4] [5]

Add any other factors not indicated above

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Thank you for your time.