

**KENYA POST AND SAVINGS BANK AS A PREFERRED  
STRATEGIC PARTNER BY COMMERCIAL BANKS IN THE  
IMPLEMENTATION OF AGENCY BANKING IN KENYA**

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## **DECLARATION**

### **STUDENT'S DECLARATION**

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature:

.....Date:.....

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**D61/76214/2009**

### **SUPERVISOR'S DECLARATION**

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

Signature.....Date.....

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## **DEDICATION**

I dedicate this work Almighty God, my beloved Wife Shaka, Daughter Amara, my family and all those who supported me in the completion of this project.

## **ACKNOWLEDGEMENTS**

I take this opportunity thank the Almighty God for seeing me through the completion of this project.

The work of carrying out this study needed adequate preparation and therefore called for collective responsibility of many personalities. While it is not possible to name all of them, recognition has been given to a few. I am greatly indebted to my supervisor Dr. Vincent Machuki for his professional guidance, advice and unlimited patience in reading through my drafts and suggesting workable alternatives, my profound appreciation to him.

Thank you all. May the Almighty God bless you abundantly.

## **ABBREVIATIONS AND ACRONYMS**

ABC Bank	-	African Banking Corporation
CBK	-	Central Bank of Kenya
DTB	-	Diamond Trust Bank
I&M	-	Investment & Mortgage
KCB	-	Kenya Commercial Bank
MFIs-Micro	-	Finance Institutions
NIC Bank	-	National Industrial Credit Bank
Post Bank	-	Post Office savings Bank

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## **ABSTRACT**

A strategic alliance involves at least two partner firms that: remain legally independent after the alliance is formed, share benefits and managerial control over the performance of assigned tasks; and make continuing contributions in one or more strategic areas, such as technology or products. The objective was to evaluate Post Bank as a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya. This research was conducted based on the Case Study as a research tool. This study relied on the use of primary data carried out through an interview guide. The study established that there were several key drivers to setting up the strategic partnership. All these were meant to cope with the stiff competition in the market by increasing their foot prints across the country more so by increased customer uptake and improved levels of satisfaction for its existing customers that would result in the growth of their market share and profitability. On the other hand the strategic alliance partners found it cheaper to partner with Post Bank as opposed to setting up their own agents. By partnering with Post Bank, the strategic partners rode on post bank's already existing information technology platform that eased the installation link of communication between the partners. Besides the installation costs, the post bank staff were well trained and conversant with the system lowering the cost of training on the partners. The availability of suitable space and openness to post bank's co-branding preferences fundamentally acted as a cost reduction factor to the partners leading to the partnership between post bank and the commercial banks. The study further concludes that the banks experienced challenges that included frequent system down times which affected the operations at post bank its partners and led to frequent long queues in the banking halls. There were also system integration challenges as some systems of strategic alliance partners were not compatible with those of post bank delaying the kickoff of some partnerships. Differences in strategic intent between post bank and its partners also served as a major challenge in the implementation of the partnership. This study therefore recommends that post bank and its partners invests innovative products so as to improve the level of customer satisfaction, loyalty and the overall impact and success of the partnership. The study therefore recommends that future research be carried out to determine factors affecting the choice of agent banking partner selection in Kenya to help find out how commercial banks go about selection of agents in Kenya.



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background**

Strategy is multi dimensional and various authors have defined strategy in different ways. Linn (2007), depicted strategy as the match between organization's resources and skills and the environmental opportunities as well as the risks it faces and the purpose it wishes to accomplish. The purpose of strategy is to provide directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, (2001). Porter (2005) describes strategy as the search for a favourable competition position in an industry. This means deliberately performing activities differently and in better ways than competitors. Johnson and scholes (2002) defined strategy as the direction and scope of an organisation that ideally matches the results of its changing environment and in particular its markets and customers so as to meet stakeholders' expectation. Different organizations therefore choose strategies that match the changing environment in line with their strategic plan and objectives. For instance commercial banks have strategically formed an alliance with post bank to implement agent banking in Kenya.

Firms undertake strategic alliances for many reasons: to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages that enables them to increase profits, or to gain future business opportunities that would allow them to command higher market values for their outputs (Webster 1999). Partners choose a specific alliance form not only to achieve greater control, but also for more operational flexibility and realization of market potential. The strategic motives for organizations to engage

in alliance formation vary according to firm-specific characteristics and the multiple environmental factors.

The Most important reason for the surge in strategic alliance has been under the recognition of the fact that no corporation has enough capital to acquire all of the companies and assets needed to compete everywhere in the world. While with alliances, companies can access global markets and contribute to economic development without steep exposure to market and political turmoil (Cyrus and Freidheim, 1999). The motivations for the formation of an alliance can range from purely economic reasons (e.g., search for scale, efficiency, or risk sharing) to more complex strategic ones (e.g., learning new technologies, seeking political advantage) (Arino, etal., 2001).

The introduction of agent banking in the world has led to commercial banks permitting individuals and legal entities as their agents in taking banking services to both the under banked and unbanked in line with the existing rules and regulations. Some countries limit the list of eligible agents on the basis of legal form. For example, India permits a wide variety of eligible agents, such as certain nonprofits, post offices, kirana shop owners, retired teachers, and most recently, for profit companies, including mobile network operators. Kenya takes a different approach, requiring agents to be for-profit actors and disallowing nonprofit entities (like nongovernment organizations [NGOs], educational institutions, and faith-based organizations).

(Tarazi & Michael, 2010).The approach taken by Kenya has led to some commercial banks namely; NIC and ABC banks partnering/forming an alliance with post bank in the implementation of agent banking strategy.

This study was anchored through the agency theory, Organizational theory of resource complementarity and partner selection and the resource theory of strategic alliances. The agency

theory explains the relationship between principals, such as a shareholders, and agents, such as a company's executives. In this relationship the principal delegates hires an agent to perform work. The theory attempts to deal with two specific problems: first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk (Jensen & Meckling, 1976). Organizational Theory of Resource Complementarity and Partner Selection on the other hand define the beneficial interplay of the elements of a system, where the presence of one element increases the value of others (Ennen & Richter, 2010) and that the value of interfirm collaboration is largely determined by the complementarity of the resources held by partners. The resource-based view suggests that the rationale for alliances is the value-creation potential of firm resources that are pooled together. Thus, from a resource-based perspective, successful firms are those that learn to exploit current resource-based advantages and develop (explore) new resource-based opportunities (Gupta, etal, 2006)

### **1.1.1 Agent Banking Concept**

Agent banking is a new way in world that is being used to take banking services to the unbanked and the under banked. “Agent” means an entity that has been contracted by an institution and approved by the regulating authorities to provide services of the institution in the manner specified in the guidelines while “agent banking business” means the business carried out by an agent on behalf of an institution permitted under the authorizing authority guidelines. For instance the authorizing authority in Kenya is the central bank of Kenya. This branchless banking model is evolving, with regulation assuming a central role in enabling-and sometimes limiting—its spread. Regulators struggle with how to promote financial inclusion through

profitable, lower cost, delivery models while simultaneously protecting consumers and the integrity of financial services. Agent banking has been practiced in a number of countries such as Brazil, Colombia, Pakistan, South Africa and Indonesia.

Banking agents are part of an increasingly potent model for financial inclusion. Some countries limit the list of eligible agents on the basis of legal form. For example, India permits a wide variety of eligible agents, such as certain nonprofits, post offices, kirana shop owners, retired teachers, and most recently, for profit companies, including mobile network operators. Kenya takes a different approach, requiring agents to be for-profit actors and disallowing nonprofit entities (like nongovernment organizations [NGOs], educational institutions, and faith-based organizations). In another example, Brazil permits any legal entity to act as an agent, but prevents individuals from doing so. (Tarazi & Michael, 2010). The approach taken by Kenya has led to some commercial banks namely; NIC and ABC banks partnering/forming an alliance with post bank in the implementation of agent banking strategy. A decision to cooperate is not a responsive action, but is fundamentally a strategic intent, which aims at improving the future circumstances for each individual bank and their partnership as a whole.

### **1.1.2 The concept of strategic alliances**

Strategic alliances are not only trading partnerships that enhance the effectiveness of the participating firms' competitive strategies by providing for mutual resource exchanges (technologies, skills, or products). They are also new business forms that enable the partners to enhance and control their business relationships in various ways. To some extent, alliances combine the assets and capabilities with the uncertainties and liabilities of all partners. Firms undertake strategic alliances for many reasons: to enhance their productive capacities, to reduce

uncertainties in their internal structures and external environments, to acquire competitive advantages that enables them to increase profits, or to gain future business opportunities that would allow them to command higher market values for their outputs (Webster 1999). Partners choose a specific alliance form not only to achieve greater control, but also for more operational flexibility and realization of market potential. The strategic motives for organizations to engage in alliance formation vary according to firm-specific characteristics and the multiple environmental factors.

Creating strategic alliances has evolved quickly over the last few decades: In the 70's, the main factor was the performance of the product. Alliances aimed to acquire the best raw materials, the lowest costs, the most recent technology and improved market penetration internationally, but the mainstay was the product. In the 80's, the main objective became consolidation of the company's position in the sector, using alliances to build economies of scale and scope. In this period there was a true explosion of alliances. The one between Boeing and a consortium of Japanese companies to build the fuselage of the passenger transport version of the 767; the alliance between Eastman Kodak and Canon, which allowed Canon to produce a line of photocopiers sold under the Kodak brand; an agreement between Toshiba and Motorola to combine their respective technologies in order to produce microprocessors. In the 90's – according to Harbison and Pekar (1998) – collapsing barriers between many geographical markets and the blurring of borders between sectors brought the development of capabilities and competencies to the centre of attention. It was no longer enough to defend one's position in the market. It became necessary to anticipate one's rivals through a constant flow of innovations giving recurrent competitive advantage.

A typical strategic alliance formation process involves these steps; Strategy Development: Studying the alliance's feasibility, objectives and rationale, focusing on the major issues and challenges and development of resource strategies for production, technology, and people. Partner Assessment: Analyzing a potential partner's strengths and weaknesses, creating strategies for accommodating all partners' management styles, preparing appropriate partner selection criteria, understanding a partner's motives for joining the alliance and addressing resource capability gaps that may exist for a partner. Contract negotiation: Determining whether all parties have realistic objectives, forming high caliber negotiating teams, defining each partner's contributions and rewards as well as protect any proprietary information, addressing termination clauses, penalties for poor performance, and highlighting the degree to which arbitration procedures are clearly stated and understood. Alliance Operation: Addressing senior management's commitment, finding the calibre of resources devoted to the alliance, linking of budgets and resources with strategic priorities, measuring and rewarding alliance performance, and assessing the performance and results of the alliance. Alliance Termination: When objectives have been met or cannot be met, or when a partner adjusts priorities or re-allocated resources elsewhere. Marigarita Isorait (2009).

Alliance implementation issues include the choice of governance mechanisms, enhancing trust and reciprocity between partners, managing the integration of project staffs from different organizational cultures, and resolving conflicts that arise among partners with divergent expectations about and contributions to their collaboration. Successful strategies require basic trust, mutual understanding, unrestricted learning, and interorganizational knowledge-sharing to

achieve a high level of joint decision making at both strategic and operational levels. Doz, Olk and Ring (2000) operationalized these processes as “open solicitation” and “seeking domain consensus,” where the relational partners continually elaborate on their mutual objectives, capabilities, resources, and tasks. A central issue remains how best to manage the balance between interdependence and control, with mechanisms for resolving conflicts and preserving the partners’ relationship being [part of the agreements (Harrigan 1988a). However, many analysts treat trust as both an alliance outcome variable and a predictor of alliance success (Olk and Earley 2000).

### **1.1.3 The Banking Industry in Kenya**

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and Exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non bank institutions, fifteen micro finance Institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector’s interests’. The KBA serves a forum to address issues affecting members.

The main challenges facing the Banking sector today include; New regulations; For Instance, the Finance Act 2008, which took effect on 1 January 2009 requiring banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012. This requirement, hoped, to transform small banks into more stable organizations. The implementation of this requirement

posed a challenge to some of the existing banks and they were forced to merge or seek strategic partnerships in order to comply. Nevertheless, the requirement has made the banking industry stable. Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and product offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region.

#### **1.1.4 The Kenya post Office Savings Bank and its strategic partners.**

The Kenya Post Office savings Banking (Post bank) was established in 1910. Similar savings services were offered across the East Africa region. When the East African Community broke up in 1977, the Kenya Government established its own savings bank. Post bank is primarily engaged in the Mobilization of savings for national development and operates under the Kenya Post Office Savings Bank Act Cap 493B. In addition, the bank offers local and international credit cards under the sponsorship of a commercial bank, Local and international Money transfer services (MTS), collection and disbursement services. The Bank is wholly owned by the government and reports to the ministry of finance. Post bank is ISO 90001:2008 certified in line with intentions by the bank to improve service quality to the customers within the requirements by the ministry of finance to their customers, this means quality of services and high standards that meet their expectations Source: ([www.postbank.co.ke](http://www.postbank.co.ke))

NIC bank was founded in 1959 as a joint venture by Standard Bank Limited and Mercantile Credit Company Limited, both headquartered in the United Kingdom at that time. NIC was initially a non-bank financial institution (NBFII). In 1971, NIC became a public company, by listing on the Nairobi Stock Exchange, where it still trades today under the symbol: NNIC. In



1995, the Central Bank of Kenya required all NBFIs in the country to either convert to fully fledged commercial banks or close shop. NIC applied for and was granted a banking license that same year. In 1997, NIC Bank merged with African Mercantile Bank Limited (AMBank), a Kenyan financial institution. In May 2009, NIC Bank acquired a 51% shareholding interest in Savings and Finance Commercial Bank, a small Tanzanian retail bank with approximately US\$30 million in assets and approximately US\$5 million in shareholder's equity at the time. Savings and Finance Commercial Bank rebranded to NIC Bank Tanzania, in keeping with the new shareholding structure. NIC Bank Uganda opened for business in May 2012 ([www.nicbank.co.ke](http://www.nicbank.co.ke).)

ABC Bank started out as a financial institution called consolidated finance company Ltd. Its founders comprised of experienced bankers, lawyers and industrialists whose vision was to provide unique financial services through personalized and tailor made solutions. The company opened doors in 1984. In 1995, it became a fully fledged bank and was renamed African Banking Corporation as a result of the new law requiring financial institutions to convert to banks. In 2007 the bank realigned its business model creating strategic business units as it focused towards providing pleasant banking experience to its customers. The bank became ISO 9001:2000 certified in 2008. In June 2014 the bank launched a relationship with post bank to offer agent banking services to its clients in line with the central bank of Kenya regulations ([www.abcbank.com](http://www.abcbank.com).)

## **1.2 Research Problem**

A strategic alliance involves at least two partner firms that: remain legally independent after the alliance is formed, share benefits and managerial control over the performance of assigned

tasks; and make continuing contributions in one or more strategic areas, such as technology or products (Yoshino and Rangan 1995). These three criteria imply that strategic alliances create interdependence between autonomous economic units, bringing new benefits to the partners in the form of intangible assets, and obligating them to make continuing contributions to their partnership. Different alliance forms represent different approaches that partner firms adopt to control their dependence on the alliance and on other partners. Alliance formation is broadly shaped by general economic conditions and the institutional frameworks in countries of operation, including legal requirements, macro-economic policies, price controls, financial capital markets, distribution channels, and methods of contract enforcement.

The introduction of agent banking in the world has led to commercial banks permitting individuals and legal entities as their agents in taking banking services to both the under banked and unbanked in line with the existing rules and regulations. Some countries limit the list of eligible agents on the basis of legal form. For example, India permits a wide variety of eligible agents, such as certain nonprofits, post offices, kirana shop owners, retired teachers, and most recently, for profit companies, including mobile network operators. Kenya takes a different approach, requiring agents to be for-profit actors and disallowing nonprofit entities (like nongovernment organizations [NGOs], educational institutions, and faith-based organizations).

(Tarazi & Michael, 2010).The approach taken by Kenya has led to some commercial banks namely; NIC and ABC banks partnering/forming an alliance with post bank in the implementation of agent banking strategy.

Studies carried out by various scholars on strategic partnerships, alliances and collaborations both locally and globally have not discussed the role of post bank as a preferred strategic partner in the implementation of agent banking in Kenya. Lilli J (2007) looked into the global perspective of strategic alliances in the world from the advantages, the challenges and the formation of strategic alliances at the global stage in respect to the strategic alliance between Lenovo and IBM. Juan (2007) did an analysis of Strategic Alliances as a Source of Competitive Advantage in the airline Cargo business where he presented a disaggregated model of a Value Chain for a Cargo airline. PROM and LEMO are two German firms that in 1993 agreed to form an alliance and change their competitive relationship to collaboration. A study by Akmal SH and Desalegn A notes the three reasons for the partnership as; LEMO controlled more resources and was growing faster, which provided more scope for collaboration in developing joint products than the competition, the competitive situation had become fiercer, creating uncertainty for PROM's survival and quality control demands set by PROM's main customer, Volvo, had increased substantially. Volvo required an advanced, complete steering column, which was beyond the capacity of PROM to develop alone.

Locally studies have been carried out on banking sector in relation to agent banking but none has specialized on the role of post bank as a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya. Bwengi (2012), in her study notes that there still exist big knowledge gaps on the challenges facing implementation of agent banking in Kenya. Lilian (2012), on the other hand dwells on diversification as a strategy by commercial banks in Kenya in establishing agent banking business and how it has enabled them to improve in their service delivery and widening their target market across the country. Tecla (2012) chose to find

out how agent banking as a strategy has been adopted by postbank. In her study, she notes that a number of factors have been indicated to affect strategy adoption and they include; market changes, competitor responses to strategy resources applied buy-in, understanding and/or communication. Other factors include timelines and distinctiveness of strategy itself (whether it is properly conceived) and focus. The study also notes that excellently formulated strategies fail if they are not properly implemented. This study is an effort towards addressing the knowledge gaps that exist in strategic partnerships in the banking industry in Kenya in relation to agent banking leading to the research question; why post bank is a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya?

### **1.3 Research Objectives**

To evaluate the Kenya post bank as a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya.

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

This study is an effort towards addressing the significant role post bank plays in the implementation of agent banking by commercial banks in Kenya. The study findings would be important towards building the agency theory, Organizational theory of resource complementarily and partner selection and the resource theory of strategic alliances. The study would also be useful to Post bank, NIC bank, I&M bank, DTB and ABC bank. Policy makers and future researchers would get insightful information on the subject under study as the findings of the study would contribute to the existing literature on partnerships and agent banking in Kenya. Researchers and academicians would therefore use the study for reference and further studies.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews available literature on strategic alliances, theories relating to this study, strategic collaborations and their role and the reasons behind the strategic partnership between Post bank and commercial banks in the implementation of agent banking.

#### **2.2 Theoretical Foundation**

This study was anchored through the agency theory, Organizational theory of resource complementarity and partner selection and the resource theory of strategic alliances. The agency theory explains the relationship between principals, such as a shareholders, and agents, such as a company's executives. In this relationship the principal delegates hires an agent to perform work. The theory attempts to deal with two specific problems: first, that the goals of the principal and agent are not in conflict (agency problem), and second, that the principal and agent reconcile different tolerances for risk (Wright et al., 2001). Organizational Theory of Resource Complementarity and Partner Selection on the other hand define the beneficial interplay of the elements of a system, where the presence of one element increases the value of others (Ennen & Richter, 2010) and that the value of interfirm collaboration is largely determined by the complementarity of the resources held by partners. The resource-based view suggests that the rationale for alliances is the value-creation potential of firm resources that are pooled together. Thus, from a resource-based perspective, successful firms are those that learn to exploit current resource-based advantages and develop (explore) new resource-based opportunities (Gupta, et al., 2006).

An agency relationship can be described as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent” (Jensen & Meckling, 1976). The main purpose of agency theory concerns “determining the most efficient contract governing the principal-agent relationship” (Eisenhardt, 1989). Agency theory defines companies as a nexus of contracts (Adams, 1994, p. 8; Fama & Jensen). The term ‘contract’ implies “a legally binding agreement that is the result of an offer and acceptance, with an agreed consideration” (Monczka et al., 2010). The contract between the principal and agent results from bargaining as well as the legal environment, which enforces and limits these contracts (Boatwright, 2002). In the framework of complete contracts, all possible eventualities are mentioned in the contract, so that no residual claims are left, which are outside the contract (Kim & Mahoney, 2005). An incomplete contract, however, implies that external factors are not perfectly foreseeable, which leads to outcome uncertainty (Hendry, 2002). As a consequence, risk emerges which has to be allocated among the contracting parties (Eisenhardt, 1989)

Complementarity can be defined as a “beneficial interplay of the elements of a system, where the presence of one element increases the value of others” (Ennen & Richter, 2010). Complementary resources are defined as those together generate super additive value-rents that exceed the sum of the rents obtainable from stand-alone resources applications. (Tanriverdi & Venkatraman, 2005). The progress beyond the idea that the value of interfirm collaboration is largely determined by the complementarity of the resources held by partners. The range of business phenomena to which the complementarity viewpoint has been applied includes multi business firms, mergers and acquisitions, human resource systems, and, of course, strategic alliances and

interorganizational relationships. Overall, this anecdotal evidence from these interorganizational collaborations indicates; that the identification of complementary resources involves more than a simple similarity comparison of the partners' resource profiles, that the parties expect it to have important economic consequences, that the task of the alliance is critical for identifying what is and what is not complementary, and that the parties are careful to assign their resources to task activities in proper doses.

The resource-based view suggests that the rationale for alliances is the value-creation potential of firm resources that are pooled together. The resource-based view suggests that a firm's competitive advantage is a function of a set of firm-specific resources and capabilities that are valuable, rare, and imperfectly imitable and for which there are no commonly available substitutes (Barney, 1991). Because resource endowments are unevenly distributed and not easily transferred, competitive advantage stems from firms possessing and using these varying resource combinations (Barney, 1991). Thus, from a resource-based perspective, successful firms are those that learn to exploit current resource-based advantages and develop (explore) new resource-based opportunities (Gupta, et al., 2006). An important issue confronting firms expanding into foreign markets is whether resource-based advantages have different levels of applicability in different external (national) institutional contexts (Priem & Butler, 2001).

### **2.3 Strategic Alliances**

A strategic alliance is an agreement between firms to do business together in ways that go beyond normal company-to-company dealings, but fall short of a merger. (Wheelen and Hungar). Therefore, one may say that strategic alliances are partnerships of two or

more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial. Alliances can take place by intra- or inter-industry participation. What makes any alliance strategic? Strategic alliances are not tactical in intent; they focus on long-range goals and major economic benefits; and feature tight linkages among partners. The alliances take care of vested interests in the allies' future, support at the highest levels of each organization, and emphasize cooperation and collaboration. To put differently, an alliance meeting any one of the following criteria is strategic (Wakeam 2003): Critical to the success of a core business, goal or objective, Critical to the development or maintenance of a core competency or other source of competitive advantage, Blocks a competitive threat, Creates or maintains strategic choices for the firm and Mitigates a significant risk to the business.

Certain situations have been defined as impacting alliance, these being; changes in market-place dynamics, breach of faith between partners, changes in the nature of competition, shifts in partner's strategic intent, shift in one's own strategic intent, changes in the number of competitors, changes in management assigned to the alliance, differences in managerial cultures between partners, changes in the partners allocation of resources and changes in the technology affecting the alliances (Spekman et al. 2000). The following steps have been defined in the process of alliance management (Spekman et al. 2000); creating a sense of urgency, Creating an alliance vision and alliance strategy and beginning to build teams of committed people, building a supportive infrastructure, looking for quick wins, constantly communicating change, culture and congruence.



Cooperation and collaboration grows more important every day. The utilization of strategic alliances as a source of competitive advantage in today's world is a reality. No matter the size of the organization or the industry in which it participates, most organizations see in a strategic alliance an interesting opportunity of growth, knowledge, efficiency and profitability. Organizational collaboration is embraced across multiple sectors of society as a primary strategy for cultivating innovation, conserving economic resources, building relationships, addressing complex problems, and reaching essential outcomes. It is through collaboration that organizations address societal issues, accomplish tasks, and reach goals that fall outside the grasp of any individual entity working independently (Friedman 2005)

#### **2.4 Role of strategic partners in strategic alliances**

The importance of strategic alliances and the role played by partners in today's business environment has been a common point of discussion from several academics. Different set of reasons can be found as to why a company should seek for strategic alliances in order to compete in today's open, aggressive markets. For some of them, strategic alliances are a 'must' in today's business strategy and are a matter of survival; "Alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today" (Moss, 1994). Gomes-Casseres state, "the reality of alliances is complex, but their impact on every facet of economic competition is profound. No firm can afford to ignore the use of alliances in competitive strategy" (Gomes-Casseres, 1998)

According to Elmuti & Khatawala (2001,) the reasons for creating strategic alliances can be classified into: Growth Strategies and entering new markets, Obtain new technology and/or best

quality or cheapest cost and Achieve or ensure competitive advantage. They based their classification in a study of Coopers & Lybrand (1997) that shows that growth strategies and entering new markets are among the main reasons cited by organizations to form strategic alliances. At the same time, the same authors citing Quinn (1995), state that “many companies are forming alliances looking for best quality or technology, or the cheapest labor or production costs” (Elmuti& Khatawala, 2001,). Button et al. (1998), suggest a number of possible reasons for alliance formation – cost savings, market penetration and retention, financial injection, infrastructure constraints, circumventing institutional constraints and market stability. More specifically, they identified four advantages of alliances: Access to new markets by tapping into a partner’s underutilized route rights or slots, traffic feed into established gateways to increase load factors and to improve yield, defense of current markets through seat capacity management of the shared operations and Costs and economies of scale through resource pooling across operational areas or costs centres, such as sales and marketing, station and ground facilities and purchasing.

## **2.5 Factors influencing choice of strategic partners in an alliance**

Alliances are sometimes equated with a joint venture, but an alliance may involve competitors, and generally has a shorter life span. Through strategic alliances, companies can improve their competitive positioning, gain entry to new markets, supplement critical skills, serve a wider geographical network and share the risk and cost of major development projects. In relation to the study, commercial banks have strategically partnered with Postbank to wade off some of the challenges that have been experienced by competitors in setting up banking agents. These challenges include; operational challenges (System reliability, data security, risk of misuse,

quality of service, cash/float availability, fraud and Infrastructure challenges), Financial challenges (Low transaction fees, default in submitting collected deposits by the agents), reputation risks (Association with poor performance of retail agents or agent fraud taints the image of the Commercial banks represented by the agent), Legal risks (Possible litigation on customer transaction issues if not well and properly handled and human resource challenges (High turnover of agent employee leading to inconsistency when handling client transactions)

Successful partnerships and alliances rely on the principle that the work involved in maintaining a partnership, and the benefits from the alliance are equally spread, rather than one partner carrying the load whilst the other reaps the benefits. The best results from a strategic partnership generally occur when each partner delivers excellence in service areas that are different but related to the other partner(s) and where the partners are not adversarial in the market place. That way, by partnering up, each partner can focus on its strengths, whilst having reliable people in other organizations to cover the areas outside its expertise (<http://www.valuenetwork.biz>). When entering into a strategic partnership or alliance, there is a lot to consider, however the following factors influence the role played by partners in the alliance. They include; Cultural compatibility or the corporate culture, learning ability during the alliance and brand management during the alliance.

Corporate culture is defined as the set of values that establish employee norms and expectations. In reality the cultures of the prospective partners are often overlooked. More often, cultural clashes resulting from the myth that once an alliance is established, the alliance would form its own hybrid culture can derail the prospect for synergistic benefit of the alliance (Stafford, 1994). when a company finds a partner that shares its values and beliefs, the resulting clarity and

strength enhance and accelerate the alliance, besides that, the compatibility allows partners of the international alliance to focus their time, energies and talents on the external business environment, thereby raising the chances of success in the international alliance (Fedor and Werther, 1996). However, if the partner lacks compatible culture, or even worse with conflicting cultures, the trust among employees may not be realized and conflicts would occur. As Mishler (1965) and Child and Faulkner (1998) point out that the greater the cultural differences, the greater the likelihood that barriers to communication would occur and so would the misunderstandings.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes how the research was conducted. It explains the research design and how data was collected and analyzed.

#### **3.2 Research Design**

This research was conducted based on the Case Study as a research tool. Management studies and organizational theory rely heavily upon the case study as a form of data collection and even as a type of unstructured analysis: As a form of research, the case study is unparalleled for its ability to consider a single or complex research question within an environment rich with contextual variables. According to Yin (1994), the Case Study is a preferred approach when 'how' or 'why' questions are to be answered, when the researcher has little control over events and when the focus is on a current phenomenon in a real-life context.

For this research, these three criteria were applicable, seeking to understand how strategic alliance/partnerships between commercial banks and post bank have contributed to the implementation of agent banking in Kenya. By design, case studies usually take as their principal subject selected examples of a social entity within its normal context. At the simplest level, the case study provides descriptive accounts of one or more cases yet can also be used in an intellectually rigorous manner to achieve experimental isolation of one or more selected social factors within a real-life context. Robert Yin tried to define a case study, as part of his defense of the method, as an attempt to examine: a contemporary phenomenon in its real life context,

especially when, the boundaries between phenomenon and context are not clearly evident. Some dismiss case study research as useful only as an exploratory tool (Tellis, 1997). Stake (1995) and Yin (1994) identified at least six sources of evidence in case studies, being; Documents, archival records, interviews, direct observation Participant-observation and Physical artifacts. For the specific case of research, the researcher worked with most of the Sources presented above, except with physical artifacts which was not applicable to this research.

### **3.3 Data Collection**

This study relied on the use of primary data to be carried through interviews. The decision to use interviews as a data gathering method was influenced by Ely et al (1991), who maintain that "qualitative researchers want those who are studied to speak for themselves, to provide their perspectives in words and other actions." According to Welman (2001), the interview is a data-collecting method which usually involves personal visits to respondents at home or at work. In the interview the interviewer asks questions from an interview schedule and records the respondents' responses. Interviews are very useful because highly specific data can be obtained in a very short space of time. The interview is also useful in providing a general overview of people's thoughts. The respondents for this research shall be, the heads of departments in charge agent banking, agent banking managers and agent banking officers.

A hallmark of case study research is the use of multiple data sources, a strategy which also enhances data credibility (Patton, 1990). Potential data sources may include, but are not limited to: documentation, archival records, interviews, physical artifacts, direct observations, and participant-observation. Unique in comparison to other qualitative approaches, within case study research, investigators can collect and integrate quantitative survey data, which facilitates

reaching a holistic understanding of the phenomenon being studied. Methods used to collect data must be selected on the basis of the nature of the data required and the sources available. According to Bless (2000), the main types of qualitative data collection methods include non-participant observation, participant observation, interviews and questionnaires.

### **3.4 Data Analysis**

In this study, content analysis - described as a method of analysing qualitative data (Saunders and Pinhey, 1983) was used in analysing responses to open-ended questions related to the perspectives and opinions of the banking staff interviewed. This involved simple content analysis only where "how" or "why" questions were posed in the interview guide within the real life context. Detailed investigation of data collected over a period of time, of phenomena, within the context was used with the aim being to provide an analysis of the context and processes which illuminate the theoretical issues being studied with an important aim of generating hypotheses and building theory.

Prior development of theoretical propositions was used to guide data analysis which was collected from the different banks under study to ascertain the theoretical orientation and interest in this case. According to YIN (2003), the three general analytic strategies for analyzing case study evidence i.e. relying on theoretical propositions, thinking about rival explanations and developing a case description were key in this analysis. Finally, the findings of the study participants were a valuable part of this analysis and enhanced validity with reference to the existing literature used to compare whether the researcher's findings were consistent with or different from extant research.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents analysis, findings and discussion of the study according to research objective with the aim of answering the research question. The objective of this study was to evaluate Post Bank as a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya. The data was collected using an interview guide as the research instrument. Respondents were from Kenya Post and Savings Bank, ABC Bank, NIC Bank, DTB and I&M Banks which have partnered with Kenya post and savings bank in the implementation of agent banking in Kenya. The respondents mainly included Heads of the agent banking unit, agent banking managers/officers and the relationship/customer service team at the head offices and branch level. Meetings were scheduled with the interviewees who provided valuable information used to complete this study. These commendable responses were made possible by the researcher making constant contact with the target respondents by scheduling the interviews beyond the prescribed working hours so as to minimize interruptions in their day to day duties at the bank. This presented the targeted respondents with humble time to participate in the study.

#### **4.2 Factors making Post bank a preferred strategic partner by commercial banks in the implementation of agent banking**

The interviewees were asked to indicate the reasons that necessitated the banks in setting up strategic alliance with post bank with regard to agent banking. From the responses, several reasons were identified. These included the wide branch network of post bank which meant that it was easy to ride on the existing network of its branches across the country to implement agent banking on their behalf. The interviewees noted that Post Bank Kenya had 99 branches in almost



all parts of this country something which made it easy to offer an appropriate agent banking platform to several strategic partners. This not only created convenience for their clients to transact but also increased their foot prints across the country.

Post bank's trusted brand by both the commercial banks and the commercial banks' customers featured highly among the respondents as one of the key factors that led to the partnership. The history of post bank, its ownership structure which is 100% government owned and its brand visibility created the needed trust among the stakeholders that made the partnership a reality. This offered a good platform for the commercial banks to extend agent banking services to their clientele through post bank. In addition, the interviewees noted that because of its customers' trust in the Bank, the product was easily adopted hence successful launch and operation of agent banking.

The interviewees also noted that strategic alliance partners found it cheaper to partner with Post Bank as opposed to setting up their own agents. By partnering with Post Bank, the strategic partners rode on post bank's already existing information technology platform that eased the installation link of communication between the partners. Besides the installation costs, the post bank staff were well trained and conversant with the system lowering the cost of training on the partners. The availability of suitable space and openness to post bank's co-branding preferences fundamentally acted as a cost reduction factor to the partners leading to the partnership between post bank and the commercial banks.

The level of competition between post bank and the commercial banks formed a key basis that led to the partnership. Despite post bank being a fully fledged bank, their product offering differs from those of the commercial banks. For instance post bank does not offer asset based products

to its clientele as opposed to the commercial banks. This fact made commercial banks consider it as a partner rather than a competitor hence the partnership. On the other hand the level of competition between commercial banks is so high that they had to devise ways of catching up with other industry players who had already set the pace by setting up independent agents that were already up and running. The interviewees noted that the level of competition in the local banking market had gone a notch higher following the upgrade of many microfinance institutions into fully fledged commercial banks and the growth in the number of microfinance institutions. This offered great competition to the banks and in order to improve their competitiveness, it was necessary that they launched their agent banking platform hence the strategic partnership so as to protect their market share and attract new clients.

The interviewees also identified efficient service delivery channels following post bank's operational efficiency arising from its already existing information system platform that made the automation process easier. Post bank's professionally trained staffs were able to offer a range of clients' needs that the commercial banks provide to their clientele to fulfill the business needs of the partners. This led to a reduction of previously witnessed long queues in the banking halls building confidence among strategic partners that the bank would be in a position to handle the needs of their customers.

On the other hand Post bank absorbed and provided excess liquidity from and or to the community of the commercial bank customers and deposits/withdraws that from the bank on their behalf. In effect, the community delegates the bothersome business of going to the bank to post bank as an agent. This delegation introduces economic efficiencies. By netting the community's overall net cash position (offsetting withdrawals against deposits), the total amount of cash that needs to be transported to and from the commercial banks is reduced leading to

reduced costs of cash handling. In this light, the fundamental role of the post bank is to aggregate the cash requirements of the community on behalf of the commercial banks. Post bank as an agent was indeed a cash-storing and transport business; it absorbs the fundamental risk of cash handling.

#### **4.3 Ways in which the Partnership has been Effective**

The interviewees were requested to indicate the manner in which the partnership had been effective. From the responses, the interviewees noted that agent banking partnership offered the commercial banks an opportunity to cross market their products through post bank where their clients were informed and advised appropriately on the availability of other financial services being offered by the commercial banks. This improved the utilization of the banks' resources and improved their financial performance and profitability. The interviewees further noted that agent banking partnership had improved the level of customer satisfaction and increased the market share and foot prints of the commercial banks. On the other hand the partnership led to improved profits for post bank due to commissions earned by acting as an agent to the banks. Besides the commissions earned by post bank, the partnership has also made it brand more visible and popular to the commercial banks' clients who continue to transact through post bank on a regular basis.

The interviewees also identified efficient service delivery channels following post bank's operational efficiency arising from its already existing information system platform that made the automation process easier. Post bank's professionally trained staffs were able to offer a range of clients' needs that the commercial banks provide to their clientele to fulfill the business needs of the partners. This led to a reduction of previously witnessed long queues in the banking halls

building confidence among strategic partners that the bank would be in a position to handle the needs of their customers.

To the clients of the commercial banks in the partnership, it them access to financial services in a more familiar and in a more flexible way to transact at a convenient time closer to their homes and business. This is due to reduced waiting time and cost of transport to the nearest branch hence the reduced risk of having huge sums of unbanked cash balances. This then implied that unique products and services are offered at their door step cementing the relationship between the banks and the clients leading to increased revenue collection by the banks and reduced risk of losing out unbanked business proceeds for the customers. Indeed the partnership is both effective to the clients and the banks.

#### **4.4 Gains to the banks after the implementation of strategic alliance**

The interviewees were requested to identify some of the gains that had accrued to the banks following the implementation of strategic agent banking alliance. From the responses, the interviewees noted that following the implementation of strategic alliance, the level of customer complaints had reduced. This was attributed to improved service delivery as far and wide clients could easily access banking services through post bank especially in areas traditionally not served by the strategic partners. This led to existence of potential synergies between post bank and its partners generating additional foot traffic and triggering additional sales. Further, this improved the level of customer satisfaction besides increasing loyalty of the clients to the partners.

Another gain that accrued to the Bank included new product development which led to development of products specifically tailored to suit the partnership. This has improved the uptake of the Banks' services by customers through agent banking service. The interviewees also noted that the partners gained from higher customer loyalty and referrals. This in turn improved the financial performance of the banks'. In addition, there was an increased uptake of more products for post bank and its partners for instance cash management which improved revenue generation ability for the banks. By netting the community's overall net cash position (offsetting withdrawals against deposits); the total amount of cash that needs to be transported to and from the commercial banks is reduced leading to reduced costs of cash handling. In this light, the fundamental role of the post bank is to aggregate the cash requirements of the community on behalf of the commercial banks. Post bank as an agent was indeed a cash-storing and transport business; it absorbs the fundamental risk of cash handling.

#### **4.5 Challenges and management of the Alliance**

Interviewees noted that one of the key challenges included frequent system down times which affected the operations at post bank and led to frequent long queues in the banking halls. On the other hand the respondents noted that despite post bank having an already existing information technology platform, there emerged system integration challenges as some systems of strategic alliance partners were not compatible with that of post bank and therefore requiring more experienced personnel to integrate the systems. This led to more time being spent on the system integration delaying the commencement of the partnership.

Further the study noted that some customers did not have valid bank cards to help post bank identify positively who the clients were when transacting leading to some instances suspicious transactions and in most circumstances delays in serving the clients as they awaited

communication from the partner bank(s). This made it difficult for front office employees at post bank to offer high quality services to customers in a timely manner. Sustainability of the partners' brand is a major challenge as noted by the respondents as they are unable to brand post bank with their corporate colours. Reconciliations especially during system down time were a major concern with most respondents in the commercial banks and post bank. This led to overtime and sometimes longer hours to trace the origin of the transactions and key them appropriately in the system in order to balance the books. Anti-money laundering is also a major challenge as post bank did not have all documentations regarding the partners' clients and hence difficult to establish the real business sources of funds being deposited on behalf of the commercial banks.

On whether the Bank communicated key objectives of the partnership to all employees, the interviewees answered yes and indicated that the communication was done through the agent banking department in both the commercial banks and post bank. They also indicated that communication was done through email, antennary, and open forums where employees were given a chance to ask and get to know more about the partnership. In order to ensure the success of the strategic alliance partnership. The banks ensured that they addressed all issues on a timely basis and gave a way forward on all issues arising in good time. Post bank on the other hand constantly engaged its agent banking partners and ensured adherence to the signed memorandum of understanding prior to the partnership.

#### **4.6 Discussion**

The agency theory, Organizational theory of resource complementarity and partner selection and the resource theory of strategic alliances have all been demonstrated and built in this study. The agency theory which explains the relationship between principals, such as a shareholders, and agents, such as a company's executives is well thought and brought out in the study. In this relationship the principal (commercial banks) delegates/hires an agent (post bank) to perform work. The theory which attempts to deal with two specific problems i.e. the goals of the principal (Commercial banks) and agent (Post bank) are not in conflict (agency problem), and second, that the principal (Commercial banks) and agent (Post bank) reconcile different tolerances for risk (Jensen & Meckling, 1976).

Organizational Theory of Resource Complementarity and Partner Selection on the other hand which define the beneficial interplay of the elements of a system, where the presence of one element increases the value of others (Ennen & Richter, 2010) and that the value of interfirm collaboration is largely determined by the complementarity of the resources held by partners. The presence of post bank significantly increased the value of the commercial banks as defined in the theory while the value of the collaboration between the commercial banks and post bank was largely determined by the resources held by post bank for example the over 99 branches across the country, the already existing information technology platform and the well trained staff.

The resource-based view suggests that the rationale for alliances is the value-creation potential of firm resources that are pooled together. Thus, from a resource-based perspective, successful

firms are those that learn to exploit current resource-based advantages and develop (explore) new resource-based opportunities (Gupta, etal, 2006). This theory is well built and demonstrated in the alliance as the commercial banks critically analysed the resources at post bank's disposal that led to the partnership to create more value. For instance a new product (Cash management) was developed between NIC bank and Post bank. This was after NIC bank realized that it can develop more value and exploit post bank's resource based advantage of 99 branches to serve its clientele in remote areas.

Firms undertake strategic alliances for many reasons: to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages that enables them to increase profits, or to gain future business opportunities that would allow them to command higher market values for their outputs (Webster 1999). Partners choose a specific alliance form not only to achieve greater control, but also for more operational flexibility and realization of market potential. The strategic motives for organizations to engage in alliance formation vary according to firm-specific characteristics and the multiple environmental factors. The study established that the main reason for the partnership between post bank and the commercial banks was to gain competitive advantage, increase profitability and command a higher market share.

Studies carried out by various scholars on strategic partnerships, alliances and collaborations both locally and globally have concur and are agreeable to the theories. Lilli J (2007) looked into the global perspective of strategic alliances in the world from the advantages, the challenges and the formation of strategic alliances at the global stage in respect to the strategic alliance between



Lenovo an IBM. Juan (2007) did an analysis of Strategic Alliances as a Source of Competitive Advantage in the airline Cargo business where he presented a disaggregated model of a Value Chain for a Cargo airline. PROM and LEMO are two German firms that in 1993 agreed to form an alliance and change their competitive relationship to collaboration. A study by Akmal SH and Desalegn A notes the three reasons for the partnership as; LEMO controlled more resources and was growing faster, which provided more scope for collaboration in developing joint products than the competition, the competitive situation had become fiercer, creating uncertainty for PROM's survival and quality control demands set by PROM's main customer, Volvo, had increased substantially. Volvo required an advanced, complete steering column, which was beyond the capacity of PROM to develop alone.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The chapter presents the summary of findings, the discussion and conclusion drawn from the data findings. In addition, it presents the recommendations of the study. The objective of the study was to evaluate the factors making post Bank a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya. Specifically, the chapter covers summary of findings, conclusions, recommendations limitations and suggestions for further studies.

#### **5.2 Summary of Findings**

The study established reasons that necessitated the commercial banks in setting up the strategic alliance with post bank in regard to agent banking included the wide branch network of post bank which meant that it was easy to ride on the existing network of branches across the country for the development of agent banking. Post Bank Kenya had 99 branches covering almost all parts of this country something which made it easy to offer an appropriate agent banking platform to several strategic partners. By partnering with Post Bank, the strategic partners rode on post bank's already existing information technology platform that eased the installation link of communication between the partners. Besides the installation costs, the post bank staff were well trained and conversant with the system lowering the cost of training on the partners. The availability of suitable space and openness to post bank's co-branding preferences fundamentally acted as a cost reduction factor to the partners leading to the partnership between post bank and the commercial banks.

Further the study established that the banks capitalized on post bank's operational efficiency arising from its already existing information system platform that made the automation process easier. Post bank's professionally trained staffs were able to offer a range of clients' needs that the commercial banks provide to their clientele to fulfill the business needs of the partners. This led to a reduction of previously witnessed long queues in the banking halls building confidence among strategic partners that the bank would be in a position to handle the needs of their customers. On the other hand Post bank absorbed and provided excess liquidity from and or to the community of the commercial bank customers and deposits/withdraws that from the bank on their behalf. In effect, the community delegated the bothersome business of going to the bank to post bank as an agent. This delegation introduced economic efficiencies. By netting the community's overall net cash position (offsetting withdrawals against deposits), the total amount of cash that needs to be transported to and from the commercial banks is reduced leading to reduced costs of cash handling. In this light, the fundamental role of post bank was to aggregate the cash requirements of the community on behalf of the commercial banks. Post bank as an agent was indeed a cash-storing and transport business; it absorbed the fundamental risk of cash handling.

Regarding the effectiveness of agent banking, the study established that the partnership has been effective to clients of the commercial banks. It has made them access financial services in a more familiar and flexible way to transact at convenient times closer to their homes and businesses. This is due to reduced waiting time and cost of transport to the nearest branch hence the reduced risk of having huge sums of unbanked cash balances. This then implied that unique products and services are offered at their door step cementing the relationship between the banks and the

clients leading to increased revenue collection by the banks and reduced risk of losing out unbanked business proceeds for the customers. Indeed the partnership is both effective to the clients and the banks. On the gains the study found out that through the implementation of the strategic alliance, the level of customer complaints had reduced. This was attributed to improved service delivery as far and wide clients could easily access banking services through post bank especially in areas traditionally not served by the strategic partners. This led to existence of potential synergies between post bank and its partners generating additional foot traffic and triggering additional sales. Further, this improved the level of customer satisfaction besides increasing loyalty of the clients to the partners.

When it came to the challenges encountered in strategic alliance partnership, the study established that one of the key challenges included frequent system down times which affected the operations at post bank and led to frequent long queues in the banking halls. On the other hand the respondents noted that despite post bank having an already existing information technology platform, there emerged system integration challenges as some systems of strategic alliance partners were not compatible with that of post bank and therefore requiring more experienced personnel to integrate the systems. This led to more time being spent on the system integration delaying the commencement of the partnership. Further from the study it is noted that some customers did not have valid bank cards to help post bank identify positively who the clients were when transacting leading to some instances suspicious transactions and in most circumstances delays in serving the clients as they awaited communication from the partner bank(s). This made it difficult for front office employees at post bank to offer high quality services to customers in a timely manner. Sustainability of the partners' brand is a major

challenge as noted by the respondents as they are unable to brand post bank with their corporate colours. Reconciliations especially during system down time were a major concern with most respondents in the commercial banks and post bank.

Finally the study established communication was key in the partnership and was done through the agent banking department in both the commercial banks and post bank as established by the study. Communication was done through email, antennary, and open forums where employees were given a chance to ask and gets to know more about the partnership. In order to ensure the success of the strategic alliance partnership. The banks ensured that they addressed all issues on a timely basis and gave a way forward on all issues arising in good time. Post bank on the other hand constantly engaged its agent banking partners and ensured adherence to the signed memorandum of understanding prior to the partnership.

### **5.3 Discussion and Conclusion**

Firms undertake strategic alliances for many reasons: to enhance their productive capacities, to reduce uncertainties in their internal structures and external environments, to acquire competitive advantages that enables them to increase profits, or to gain future business opportunities that would allow them to command higher market values for their outputs (Webster 1999). Partners choose a specific alliance form not only to achieve greater control, but also for more operational flexibility and realization of market potential. The strategic motives for organizations to engage in alliance formation vary according to firm-specific characteristics and the multiple environmental factors. The study established that the main reason for the partnership between post bank and the commercial banks was to gain competitive advantage, increase profitability and command a higher market share.

Based on findings presented above, the study established that the key driver to setting up strategic agent banking partnership was to cope with the stiff competition in the market by increasing their foot prints across the country more so by increased customer uptake and improved levels of satisfaction for its existing customers that would result in the growth of their market share. The study further concludes that agent banking helped the banks improve efficiency levels and led to new product offering tailored to suit the partnership. The study also notes that the banks experienced challenges that included frequent system down times which affected the operations at post bank its partners and led to frequent long queues in the banking halls. There were also system integration challenges as some systems of strategic alliance partners were not compatible with those of post bank delaying the kick off of some partnerships. Differences in strategic intent between post bank and its partners also served as a major challenge in the implementation of the partnership.

### **5.5 Recommendations for Policy and Practice**

From the responses on, the study established that there were several key drivers to setting up the strategic partnership. All these were meant to cope with the stiff competition in the market by increasing their foot prints across the country more so by increased customer uptake and improved levels of satisfaction for its existing customers that would result in the growth of their market share and profitability. However, the study established that post bank faced several systems down time which affected service delivery. This study therefore recommends that the bank upgrades its information technology system so as to improve its transaction processing

capacity and improve operational efficiency and profitability as it endeavors to attract more partners in the agent banking business.

The study further established that agent banking improved financial performance of post bank and its partners. Through agent banking post bank collects agent fees which improved on their bottom line while the commercial banks (Partners) improved their geographical presence in Kenya leading to uptake of more clients and increased product offering that translated to more transaction thus improved profitability. This study recommends that post bank and its partners invests innovative products so as to improve the level of customer satisfaction, loyalty and the overall impact and success of the partnership.

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

Alliances face limitations that include; Fear that collaboration will lead to future mergers or takeover, risk that one partner will abruptly change priorities, strategies, or leadership, causing the alliance to falter, risk of sharing proprietary information, fear of losing an organization's unique community identity or autonomy, turf issues and ego, resistance to change, distrust of ownership and control issues lack of co-operation among partners, fear of undisclosed agendas, staff turnover, legal liability reduced sense of closeness and community within an agency, risk that funders will encourage consolidation to the point that mega agencies are less likely be able to serve diverse needs in the community and risk that partner does not live up to promises and agreement.

The study faced the following limitations. Foremost, the study faced time constraints since the time within which the study was to be conducted was limited. However, the researcher countered

this limitation by carrying out the research across the department and management level in the organization to enable a generalization of the study findings. Secondly, the study also faced financial limitations since it was a little expensive printing all the relevant materials and also having to visit the different banks in the different locations. The researcher handled this by ensuring that he visits the banks headquarters and branches which are mostly in the central business district.

Issues of reliability, validity, and generalizability. A Hamel (1993, p. 23) observes, "the case study has basically been faulted for its lack of representativeness...and its lack of rigor in the collection, construction, and analysis of the empirical materials that give rise to this study. This lack of rigor is linked to the problem of bias...introduced by the subjectivity of the researcher and others involved in the case. They do not attempt to eliminate what cannot be discounted. They do not attempt to simplify what cannot be simplified. Thus, it is precisely because case study includes paradoxes and acknowledges that there are no simple answers, that it can and should qualify as the gold standard"

### **5.6 Suggestions for Further Studies**

The purpose of this study was to evaluate post bank as a preferred strategic partner by commercial banks in the implementation of agent banking in Kenya. However, several other business units have provided a good platform for agent banking. The study faced time constraints since the time within which the study was to be conducted was limited. However, the researcher countered this limitation by carrying out the research across the department and management level in the organization to enable a generalization of the study findings. Secondly, the study also



faced financial limitations since it was a little expensive printing all the relevant materials and also having to visit the different banks in the different locations. The researcher handled this by ensuring that he visits the banks headquarters and branches which are mostly in the central business district. This study therefore recommends that future research be carried out to determine factors affecting the choice of agent banking partner selection in Kenya. This will help generalize the findings to show how commercial banks go about in the selection of agents. The study further suggests that future studies be carried out on the other financial inclusion strategies adopted by commercial banks in Kenya and how they affect financial performance of banks. The study could cover mobile banking, internet banking, among other new forms of innovative banking models.

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## APPENDIX

### Interview Guide

This interview guide is designed to analyze the factors that make post bank the preferred strategic partner in the implementation of agent banking by commercial banks in Kenya. The responses were treated with utmost confidentiality.

### Personal Information:

1. How long have you worked in the bank? \_\_\_\_\_
2. Title of the Position now: \_\_\_\_\_

### Guide:

1. What necessitated your bank your bank to set up strategic alliance with post bank to implement agent banking?
2. In what ways has the partnership been effective to the bank?
3. What are some of the business gains to the bank after the alliance?
4. Any challenges you have encountered in the partnership?
5. What are the key factors that influenced your bank to adopt post bank as your banking agent?
6. How does the bank communicate key objectives of the partnership to all employees?
7. In what ways has the partnership with post bank positively impacted on your bank's Presence in Kenya?
9. How do you manage the partnership to ensure it's a success?
10. How has the adoption of post bank as your banking agent contributed to the overall performance of the bank?