

**STRATEGIC PARTNERSHIPS AND PERFORMANCE OF EQUITY BANK IN
KENYA**

ESTHER MUTHONI MUIRURI

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DECLARATION

I the undersigned declare that this is my original work and has not been submitted to any other college, institution or university other than University of Nairobi for academic credit.

Signed

Date.....

Esther Muthoni Muiruri

Reg. D61/67402/2013

Approval

The project has been presented for examination with my approval as the appointed supervisor

Singed

Date

Professor Zack Awino

School of Business, University of Nairobi

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I thank God for this far he has brought me.

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To my family, friends and colleagues for encouragement and support.

DEDICATION

To Almighty God for his amazing grace.

To my dear daughters Leah, Gillian, Anne and all those who call me Mum.

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ABBREVIATIONS AND ACRONYMS

AGRA:	Alliance for Green Revolution in Africa
AusAID:	Australian Agency for International Development
CBK:	Central Bank of Kenya
DRC:	Democratic Republic of Congo
FAO:	Food and Agriculture Organization
HSNP:	Hunger Safety Net Programme
ICT:	Information and Communication Technology
IDA:	International Development Association
IFAD:	International Fund for Agricultural Development
KCB:	Commercial Bank of Kenya
KfW:	Kreditanstalt Fur Wiederaufbau (German Development Bank)
MDG:	Millennium Development Goals
MVNO:	Mobile Virtual Network Operator
NGO:	Non Governmental Organization
OVC:	Orphan and Vulnerable Children
P4P:	Purchase for Progress
PPP	Public Private Partnerships
SIM:	Subscriber Identification Module
SIPMK	Smallholder Irrigation Mount Kenya Region
SWOT:	Strength Weaknesses Opportunity and Threats
UK:	United Kingdom
UN:	United Nation
WFP:	World Food Programme

ABSTRACT

This era of dynamic innovations steered by technology and changing customer needs require leaders to be on top of the game in aligning organizations to take advantage of the opportunities that emerge with the changes. At the same time, there is a greater need to assess capabilities and identify ways of leveraging on resources which can be availed in the marketplace. This is true for both goods and services industries because they meet almost similar conditions in the business environment. The public sector and development agencies as well, operate in a dynamic environment necessitating focus on leveraging on private sector resources and capabilities to manage scarce resource against the increasing national and global social economic needs. Strategy remains the vehicle that helps organizations to navigate the changing environment. Strategic partnership is one of those strategies that support organizations to remain sustainable and globally competitive. The traditional business to business partnerships have seen emergence of public private partnerships outside the domain of partnerships for infrastructure. The emerging public private partnerships have wider range of stakeholders covering a wider scope of sectors to address the challenges brought about by social economic factors. The arrangements for business to business partnerships are driven by the need to maximize returns to shareholders while the development driven partnerships have the objective of providing innovative solutions to social economic needs. This study adopted descriptive research design. Primary data was used in the study and was obtained by use of an interview guide that was administered to managers who were interviewed at Equity Bank and partner organizations. These included managers who manage the partnership relationships and Director of special Projects. From the partnering organizations, the project managers were interviewed. The collected data was analysed by use of content analysis technique. This technique brings out the salient issues that make strategic partnerships work and how the concept of strategic partnership relates with performance. The study findings established that strategic partnerships between Equity Bank and its partner organizations improve the staff capacity and thus enables it to be well equipped in handling the challenges they experienced and therefore improving on its service delivery. The findings further established that partnerships enhance new customer acquisition through the creation of portfolio funds where customers can take loans and pay back. From the study findings, it can be concluded that even though banks enjoy a lot of benefits from strategic partnerships, they also equally encounter challenges. This study therefore concludes with the view that strategic partnerships have benefits in major ways and that this concept should be employed by organizations in order to survive and sustain their operations in the competitive environment. The study provides more empirical information about strategic partnerships and how they relate to organizational performance. The study further provides knowledge on the emerging trends in public private strategic partnerships and how they incorporate a wide range of sectors and stakeholders. It can therefore be useful to governments, academic institutions, development agencies, private organizations and even civil society as they all try to manage their organizations and prepare for future challenges brought about by the environments in which they operate.

CHAPTER ONE

INTRODUCTION

1.1 Background

The challenges of managing businesses in the 21st century require dynamic strategies for businesses to remain competitive and to sustainably generate returns for shareholders. Strategic partnerships also referred to as coalitions, collaborations or strategic alliances are among those strategies that organization can adopt for competitive advantage. Porter (1985) describes coalition as a way of broadening scope without broadening the firm and this is done by establishing partnership with an independent firm to perform value activities or teaming up with an independent firm to share activities. Ulijn et al. (2010) state that strategic alliance is a state where two or more companies collaborate in specific activities but remain independent. Hoxtell et al. (2015) have described partnerships from the context of non-commercial partnership following a definition by UN General Assembly which defines partnerships as voluntary and collaborative relationships between various parties; both public and non-public, in which all participants agree to work together to achieve common purpose or undertake a specific task and as mutually agreed to share risks and responsibilities, resources and benefits. Success of alliances can hence be said to be about capabilities and resources for competitiveness.

According to Teece et al. (1997), dynamic capabilities theory explains two apparently imperatives for a company to be both stable enough to continue to deliver value on one side and resilient and adaptive enough to shift when circumstances demand it. Teece further explains that dynamic capabilities are unique to a company and are rooted in business models making them difficult to imitate or copy. The term dynamic refers to the

capacity to renew competences so as to achieve strategic fit within the environment. Capability on the other hand emphasizes the key role of strategic management in appropriately adapting, integrating and configuring internal and external organizational skills, resources and functional competences to match the requirements of a changing environment (Teece et al., 1997).

As organizations operate in a dynamic environment whose volatility constrains resources, resources dependency theory emphasizes organizational adaptation to environmental uncertainty through active organizational management of resource flows and interdependencies (Pfeffer & Salancik, 1978). Resource dependence theory proposes two fundamental strategies for reducing external pressures and uncertainty which are dependency reduction and dependency restructuring. It is under dependency restructuring where organization can use various strategies such as vertical integration, joint venture, merger or partnerships to remain profitable and competitive.

The growing need for strategic partnerships as a strategy to cope with the dynamic business environment and its relationship with organizational performance is important because the outcome informs the direction that such partnerships can take. Stalk et al. (1999) state that in today's dynamic business environment, strategy too must become dynamic. They reveal that competition has become a war of movement in which success depends on anticipation of market trends and quick response to changing customer needs. In such an environment the essence of strategy is not the structure of the company products and markets but the dynamic of its behaviour that determines the company's survival (Stalk et al., 1999). This study sought to establish how the adoption of various strategic partnerships has impacted on the performance of Equity Bank. The approach in

this study has addressed the various types of partnerships that the bank has established beyond the traditional business to business partnerships. It has explored other partnerships such as public private partnerships which involve other players like government, international development agencies and non-governmental organizations (NGO).

1.1.1 The Concept of Strategic Partnership

The concept of strategic partnership is necessitated by the need for an organization to achieve its goals while leveraging on resources of another organization. Typically, strategic partnership can be viewed as a tool for competitive advantage. However, depending on the circumstances that organizations find themselves, there are various types of partnerships or collaborations that organizations can enter into. As highlighted in this study, there are partnerships between business to business organizations, business with public organizations often referred to as private public partnerships and there are also multi-stakeholder partnerships which may include private company, public organization and development agents or nongovernmental organization (NGO). Public private partnerships and multi-stakeholder partnerships are common in addressing social-economic development challenges (Maurrasse, 2013). These type of partnerships sometimes referred to as partnerships for development have been very common since introduction of the UN Millennium Development Goals and the implementation of those goals particularly in developing countries.

The motivation for partnerships vary from one partnership to another but the fundamental reasons for business partnership according to DePamhilis (2008) include sharing of risks; gaining access to new markets; globalization; cost reduction; desire to acquire or exit a business and favourable regulatory treatment that partnerships often receive as

compared with mergers and acquisition. Nadler and Tushman (1997) argue that at the front and the back of the organization where there are those processes involving customers and basic technologies, there has been increasing interest in reinforcing and expanding the organizations competitive efforts. This can be done through joint ventures and strategic alliances particularly in industries and professional sectors that are going through fundamental changes mainly in telecommunications, health care and financial services where companies are searching for ways to limit their exposure while testing the waters of new markets and technologies (Nadler & Tushman, 1997).

1.1.2 Organizational Performance

Ongeti (2014) has explained that a company's performance relates to efficiency, effectiveness, financial stability as well as relevance of the firm. Organizational performance is the ability of an organization to achieve its goals by using resources efficiently and effectively. Effectiveness means providing a product or a service that meets customers' needs while efficiency is about how the organization uses resources to achieve organizational objectives. According to Ekawati (2014) corporate performance measures commonly used include the productivity of the organization, organizational effectiveness and industry rating. He has provided the case of General Electric to illustrate these measures which uses profitability, market position, productivity, product leadership, personnel development, employees' attitude and social responsibility as measures of performance.

Gittell (2005) on his part has explained key success factors in organizational performance which include leadership, culture strategy and coordination. Another tool of measuring performance is the balanced score card which according to Kaplan and Norton (1992) is a set of measures that give top management a fast but comprehensive view of the business.

It includes financial measures which explain the results of actions already taken and complements financial measures with operational measures on customer satisfaction, internal processes and the organization's innovation and improvement activities. The complexity of managing an organization today requires that managers be able to view performance in several areas simultaneously. It looks at business from four perspectives including customer perspective; internal processes; Innovation and learning and financial perspective (Kaplan & Norton, 1992).

The public sector and non-profit making organizations as well require balanced score card to measure performance. A study by Smith (2006) reveals that to survive and thrive in an environment marked by shrinking budgets, strict regulations and changing workforce demographics, public sector must make difficult decisions that affect citizens, employees, service continuity and overall performance. He asserts that these decisions must be supported by a clear system of measurement that provides an early warning system to leaders when front line activities stray from strategic objectives and /or course corrections are required.

1.1.3 Strategic Partnerships and Organizational Performance

Johnson and Scholes (1999) defined strategic alliance as a situation where two or more organizations share resources and activities to pursue a strategy while Robbins and Coulter (2010) defined organizational performance as the accumulated end results of all organization work , processes and activities. Strategic partnership can therefore be viewed as a tool for competitive advantage which is intended to enhance performance of organization through the synergy that is derived from combined efforts of the partnering organizations.

DePamphilis (2008) highlighted the factors that motivate organizations to form strategic alliances as the need to share risks and to access new markets; globalization; cost reduction; desire to acquire or exit a business or the favourable regulatory treatments that alliances receive compared to mergers and acquisitions. These factors have a bearing to the performance of an organization and thus the organizations management requires to carry out a SWOT analysis from time to time to determine whether these factors are in the internal or the external environment of the business. The result of the analysis should determine whether strategic alliance is the right strategy to navigate the volatile environment.

According to Ram and Noel (1998), companies grow even in changing times because growth as a measure of performance is in the corporate mindset created by the company leaders. They may not accept the limits of existing products and existing markets but should have endless quest for new opportunities to expand beyond these artificial boundaries. The growth requires sensational strategy defined as the strategy of playing a different game (Ridderstrale & Kjell, 1999).

Emanating from the potential risks of coping with increasing complex environment, entrepreneurs opt to spread risk and gain other array of benefits through strategic partnerships. According to Grant (2008) there can be many advantages in creating strategic partnerships which allow use of other organizations strengths to make both firms stronger in the long run.

1.1.4 Commercial Banks in Kenya

The banking industry in Kenya operates in an environment regulated by the Companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act together with other prudential guidelines provided by CBK. The industry was liberalized in 1995 allowing all the banks to compete. The banking sector has 44 banking institutions; 8 representatives offices of foreign banks; 9 microfinance banks; 2 credit reference bureaus; 13 money remittance providers and 87 Forex Exchange Bureaus (CBK, 2014).

The innovations brought about by information and communication technology (ICT) jointly with enabling business environment has seen the industry witness exponential growth in deposits, assets and product offerings. The growth has increased the number of banked Kenyans to over fourteen million in 2014 compared to about two million in 2005. The invention of mobile money transfer has heightened financial inclusion followed by other innovations such as agency banking, merchant acquiring and the latest technology of the thin SIM and Mobile Virtual Network Operator (MVNO).

The banking sector has continued on a growth trajectory which is closely monitored by Central Bank of Kenya in line with government's efforts for a vibrant and globally competitive financial sector stipulated in Vision 2030 (CBK, 2014). According to Central Bank, the sector remains sound and resilient while the enhanced regulatory framework has strengthened corporate governance and risk management frameworks to deal with across border risks as Kenyan banks expand to the region. Banks such as KCB, Cooperative and Equity Bank have expanded to the region. The expansion is supported by technology towards transforming banking from somewhere customers go to something they do (Equity Bank Press Release).

1.1.5 Equity Bank Ltd

Equity Bank is an institution that has evolved over the last 30 years. It started its operation as Equity Building Society in 1984 with a focus of offering mortgage to its customers who were mainly low income people at the base of the pyramid but with determination to make small but steady gains towards a better life and seeking means to advance their dreams. The bank changed its focus in 1994 from a mortgage provider to a microfinance institution. This was driven by the need to fill the gap of access to financial services by the majority of the unbanked Kenyan population. Like most other Africans across the continent, majority of the Kenyan people had been excluded from the financial system over the time.

For the ten years between 1994 and 2004 ,Equity Building Society made great strides to become a leading microfinance services provider. It provided inclusive customer focused financial services through a business model guided by flexibility, accessibility and affordability with inspirational tag lines such as ‘growing together in trust and listening caring financial partner’. The rapid growth necessitated the building society to convert to a fully-fledged commercial bank in December 2004 to be able to serve the expanded customer base with a wide range of products and services. It was therefore registered as a commercial bank in 2004 and immediately started to experience exponential growth in volume of business and customer base. It was listed in the Nairobi Securities Exchange in 2006 and cross listed in Uganda in 2009 and Rwanda in 2015.

In 2004 to 2014, the focused and visionary leadership of the bank steered it to greater heights including investing heavily in technology as a driver of efficiency and speed in service delivery. The bank also established strategic partnerships with a wider range of partners covering a variety of sectors to spread its passion to empower its customers to

transform their lives and livelihoods. The strategic partners include business organization; governments; state corporations; international development agencies; Foundations and non-governmental organizations (NGOs). From these partners the bank has established business to business strategic partnerships and public private partnerships. The bank has established a strategic partnership with Airtel for Mobile Virtual Network Operator (MVNO) that brought about the Equitel platform which became the first platform in Kenya to combine the best of mobile and banking services (Equity Bank Press Release). Through a subsidiary agreement with the Government of Kenya the Bank has been administering credit for an irrigation project funded by Germany Development Bank (KfW).

Through funding from UKAid, AusAID and the Government of Kenya, the bank is implementing a social protection payment programme called Hunger Safety Net Programme (HSNP) through public private strategic partnership. To service the expanded customer base, the bank required to expand its capacity by establishing support structures in form of subsidiaries such as Equity Agency Insurance Ltd, Equity Group Foundation, Equity Investment Bank and opened up operation in the regional countries of Uganda; South Sudan; Rwanda; Tanzania and recently in DRC which is work in progress. This expansion is in line with its vision to be the champion of socio-economic prosperity of the people of Africa.

1.2 Research Problem

The external environment of business exerts pressure on corporate leaders to develop innovative strategies to cope with the dynamic market conditions and the changing customer needs. Strategic partnership as a strategy for competitive advantage has become monumental as organizations scramble for survival to reduce costs and be stronger in order to compete (Ulijn, 2010). This challenge requires appropriate theories such as dynamic capabilities of the firm which determines how it can survive while resource dependence theory supports the ability of the firm to leverage on resources of other organization to enhance its performance.

The financial services sector like most other industries operates in turbulent conditions in the market place. Studies in this field provide insights of what capabilities banks require to develop and what resources they can leverage on to navigate the tidal times of changing technology and client expectations. This study has therefore explored the impact of strategic partnerships on the performance of Equity Bank; one of the fastest growing banks in the region.

Various studies have been carried out in the area of strategic partnership. Supriyadi (2014) carried out a research to establish the effect of strategic partnerships on innovation capability and business performance of garment industry in West Java in Indonesia. The findings were that strategic partnership is a variable that is very vital because it can improve business performance both directly and through the ability of innovation. Hoxtell et al. (2015) did a study on the business engagement in humanitarian response and disaster risk management. The study established that there are a number of benefits that humanitarian organizations can reap through different types of engagements with the private sector.

Stuart (2000) in a study on growth and innovation rates in high technology industry tried to show that the advantage of a portfolio alliances is determined not so much by portfolio size but by the characteristics of the firms that the focal firm is connected to. The findings from the models of sales growth and innovation rates in a large sample of semi-conductor producers confirmed that organizations with large and innovative alliance partners perform better than those without such partners.

Jonathan and Soldi (2011) carried out a research project to establish the factors that lead to successful alliances with a focus on financial services industry as well as how the success in strategic alliances is measured. The partnership was rated successful because the parties met their expectations. Mugo et al. (2012) investigated competitive intelligence practices which included strategic alliance intelligence and their effects on profitability of firms in the banking industry in a case study of Equity Bank. One of the findings was that technology intelligence practices that impact on profitability adopted by the bank was strategic partnerships.

Ogega (2010) carried out a research project on strategic alliance between Safaricom and Equity Bank in the money transfer services in trying to find out what factors firms need to consider while entering into strategic alliances. The conclusion was that strategic partnership is the way to manage a competitive environment since for both partners, it was a win-win situation. Walekhwa (2011) did a study on effects of strategic partnerships between Equity Bank and its partners on marketing decisions. The conclusion was that strategic alliances combine competencies and capabilities to create synergy and enable the partners to achieve what they could not do at all, or could do at reduced efficiency or

greater cost. Kudate (2014) carried out a study on the influence of strategic partnerships between small and large businesses in performance; the case of Equity Bank Agency banking. In her findings she established that partnership is a good option for large and small businesses to enable them gain competitive advantage.

Although many studies have been done on strategic partnerships in Equity Bank, the diversity of partnership have not been addressed. The diversity here refers to different types of partnerships including business to business strategic partnership and public private strategic partnership. This study sought to address how these partnerships impact on the performance of Equity Bank. Specifically, the research sought to answer the question; what is the effect of strategic partnership on the performance of Equity Bank?

1.3 Research Objective

Objective of the study was to establish the impact of strategic partnerships on performance of Equity Bank.

1.4 Value of the Study

The study contributes to the policy formulation when policy makers design methods of engagement with private sector. Knowledge on strategic partnerships is important because policy makers need to know which partnerships work well and in what situations. Documentation through such a study becomes instrumental in providing informative policy guidelines to a wide range of stakeholders both in business and development world. Development agents such as World Bank; World Food Programme and Africa Development Bank require a wide range of information on strategic partnerships to assist them in decision making of the areas to support. They can therefore use this study as a point of reference.

This study adds more empirical information to the existing body of knowledge in dynamic capability and resource dependence theories in the field of strategic management. Proponents of the two theories have recommended further exploration on the theories to find some strategic fit as the business environment keep changing hence the need to advance the existing theories.

Players in the financial sector need the findings of this study to determine ways of coming up with effective partnerships. The outcome of the analysis on the strategic partnership provides insights on the performance which would inform future partnership engagements. The study provides reference materials for scholars who wish to study different types of strategic partnership approach for a win-win situation in business as well as in social development work. Investors can use knowledge gathered through this study to identify organization they can partner with. Equity Bank can benefit from this study because it has documented some information which may not be available to the organization.

1.5 Chapter Summary

Chapter one has introduced strategic partnerships as they relate to organizational performance. It has looked at the theoretical foundations mainly focusing on dynamic capabilities and resource dependence theories and their implications on strategic partnerships. The chapter has reviewed the concept of strategic partnerships and organizational performance while focusing on commercial banks with particular emphasis on Equity Bank which is the organization under case study.

The chapter has further defined the research problem from a perspective of previous studies carried out by other researchers in Kenya and elsewhere in the world. The chapter ends with statement of research objective and the value of the study. Several references have been made from a wide range of materials available on the concept of strategic partnerships.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theoretical and empirical information available related to the study on strategic partnerships and performance. It will focus on the various theories advanced in exploring the concept of strategic partnerships particularly as it relates to the dynamics of business environment and how the strategy can be adopted for competitive advantage.

2.2 Theoretical Foundation

The concept of strategic partnership has a wide scope that can be explained by a number of theories depending on the context of the study. For this study, the theories that best explain strategic partnership and organizational performance are the dynamic capability theory and resource dependence theory.

Dynamic capability theory's propensity is towards the capability of an organization to adapt adequately to changes that can have an impact on its functioning. Teece et al (1997) defined dynamic capability as the firm's ability to integrate, build and reconfigure internal and external competences to address the rapidly changing environment. From this definition, it helps an organization to navigate the turbulent business environment by providing new form of competitive advantage.

As further explained by Teece et al (1997), winners in today's business world are those firms that can demonstrate timely responsiveness with rapid and flexible product innovations combined with the management capability to effectively coordinate and redeploy internal and external competences. Focusing on core competences creates

unique integrated systems that reinforce fit among firms' diverse production and technology skills. This is a systemic advantage that competitors cannot copy (Prahalad & Gary 1990). However firms lack the organizational capacity to develop new competences quickly hence posing a challenge to organization's ability to respond to opportunities and compete effectively (Dierickx & Cool, 1989)

The central proposition of resource dependence theory is that organizations survival hinges on the ability to procure critical resources from the external environment and that in order to reduce uncertainty in the flow of needed resources, organizations will try to restructure their dependencies with a variety of tactics. Some of the tactics are unilateral in that they pass the source of constraints by reducing the interest in the valued resource, cultivating alternative sources of supply or by forming coalition (Casciaro & Piskorski 2005). This theory recognizes the importance of the environment in which organization acquire resources that it depends on for its survival. Another explanation for alliance formation based on resource dependency theory proponents by Pfeffer and Salancik (1978) suggests that firms strategically form partnerships to effectively manage symbiotic interdependencies. Such interdependencies are between suppliers and buyers or competitive interdependencies such as interdependencies between competitors.

Hillman et al (2009) in review of resource dependence theory highlighted five actions that an organization can adopt to minimize environmental dependence. These include mergers and vertical integration; joint ventures and other inter organizational relationships; board of directors; political actions and executive succession. According to Hillman et al (2009) resource dependence theory is a primary theoretical perspective to understand joint ventures and other inter organizational relationships such as strategic

alliances. Further, they have alluded that empirical evidence supports the use of inter organizational relationships to reduce domestic and international environmental complexity and gain resources. Park & Mezias (2005) observed that alliances formed in periods of low environmental munificence have more favourable stock market reaction indicating the magnitude of dependency successfully predicts these forms.

Eisenhardt and Schoonhoven (1996) identified two general sets of factors that affect firms likelihood to form strategic partnerships as resource need and social opportunities. The first set of factors assumes that firms act strategically to outperform their competitors and earn more profits. Therefore firms form alliances to gain access to resources needed to accomplish certain strategic goals. Firms may for example use alliances to reduce the transaction costs and increase their operational efficiency. According to transaction costs economics, firms purposefully establish collaborations when costs of writing and executing contracts are too high because of small number of bidders, asset specificity and hold up issues, a high degree of uncertainty or significant incentives for partners to act opportunistically and that at the same time, it is inefficient to internalize the production process because firms lack competences (Williamson, 1975).

Strategy researchers have focused on various characteristics of organizations such as top management teams characteristics, employing an innovative strategy (Eisenhardt et al., 1996), and the availability of technical and commercial capital (Ahuja & Lampert, 2001) to explain the likelihood of firms to form alliances. They have tried to explain how firms create breakthrough inventions through innovation which is a common practice among firms even today. Another research stream builds on exchange theory (Emerson, 1962) and emphasizes the need for collectively achieving strategic goals through enhanced

coordination, reciprocity and mutual support (Oliver, 1990). According to this research, the motivation to form alliances is found in collective goals. Further, research based on institutional theory (DiMaggio & Powell 1993; Tolbert & Zucker, 1983) has highlighted the need for organizational legitimacy as an important motive for forming alliances (Baum & Oliver, 1991). This research argues that firms form alliances to improve their reputation and image to signal creditworthiness; to gain government approval; to increase their attractiveness as worthy alliance partners or to increase investors' confidence in their business activities (Dacin, et al., 2007).

The other set of factors focus on social opportunities for forming strategic partnerships. Firms may have needs for external resources but may not have many opportunities for accessing the needed resources. Firms may differ in the amount of information they have, about which partners have complementary resources, which potential partners are actually interested in collaborative activity and which firms might be reliable or are valuable partners. Gulati and Gargiulo (1999) observed that firm's awareness of potential partners is a function of their prior alliance experience and their favorable position in the network structure. Ahuja (2000a) and Ahuja (2000b) established that a focal firm is considered an attractive partner when it possesses a high degree of technical or innovative and commercial capital.

Previous experience provides information which could be through third party referrals, about the complementarity of the resources held by the potential partners as well as the partners trustworthiness and the likelihood of opportunistic behaviour (Gulati, 1998; Gulati & Garguilo 1999).

According to Baum and Oliver (1991) from a dynamic analysis perspective , organization that are able to establish linkages, exhibit a significant survival advantage that increases with the intensity of competition. They argue that the effectiveness of institutional linkages in contributing to survival depends on the characteristics of organizations that establish ties and the external legitimacy of those ties (Baum & Oliver, 1991)

Firm's ability to persistently outperform rivals depends on the advantageous access to external information and resources that is uniquely held by other market participants (Dyer & Singh 1998). The unprecedented pace of technological change in most industries today (Bettis & Hitt, 1995; D'aveni, 1994) have made collaboration with other firms a necessary condition for sustained success in the market place. This increased collaboration activity, strategically initiated by firms in their efforts to outperform rivals leads to formation of a network of inter-firm relationships in form of strategic partnerships or joint ventures at the system level. Each firm in the partnership network maintains a distinct portfolio of alliances and has a distinct pattern of alliance ties with other network members which in turn provide different potential for gaining access to network resources (Gulati, 1998; Gulati et al., 2000)

As few firms are self-sufficient in specific resources, they seek strategic alliances to complete the package of the resources they require for their operations or expand their market position. Deficiency in one or more strategic resources constitutes the driving force for collaborations and a measured approach to reducing uncertainty and managing the dependency (resource dependency theory and transaction cost economics comprise a broader theory) which implies that companies adapt or react to their environment

(Varadarajan & Cunningham, 1995). Firms also form alliances for relationship marketing purposes. The notion of domesticated markets refers to the tendency of firms in industrial markets to form strong relationships with their customers and suppliers in order to deliver superior customer value or service. This type of strategic alliance is perceived as the least risky and most effective means of providing services or products that will enhance the relationship with the customer base (Gomes-Casseres, 1998). Strategic behaviour or competitive advantage theory focuses on the firms behaviour from a managerial rather than a marketing approach explaining that companies are expected to seek cooperative arrangements if they believe those arrangements will improve their ability to meet strategic objectives especially in maximizing profits or in protecting or enlarging market share Gomes - Casseres(2000) .

Knowledge-building or competence-based theory is an alternative way of looking at what drives competitive advantage. In this type, one view is that firms are motivated to acquire knowledge as a means to retain or acquire specific competencies which are analogous to resource dependence theory (Teece et al., 1997; Prahalad & Hamel 1990) and thereby maximize their ability to adapt to their environment. The alternative view is that firms acquire knowledge through strategic alliances in order to compete at different levels of the value chain and thereby alter the industry structure in which they operate. Firms adapt to competitive environment by seeking specific knowledge which can be obtained through licensing agreements or by obtaining organizational or technical knowledge that is embedded in key individuals that is tacit knowledge which can be retransferred only by learning alongside the individual (Mollenkopf et al., 1998).

2.3 Strategic Partnerships in Organizations

Strategic partnership has been defined as an arrangement between two companies or organizations to help each other work together to make it easier for each of them to achieve the things they want to achieve (Cambridge Business English Dictionary). Vonortas (2009) describes business strategic partnerships as the inter firm relationships that are short of complete mergers but are deeper than arm's-length market exchanges . He further asserts that these relationships involve mutual dependences and shared decision-making between one or more independent firms and that their rate of formation has progressively increased since the late 1970s. One of the factors that have led to the increased adoption of the concept of strategic partnerships as a strategy for competitive advantage is the notion of core competence. According to Vonortas (2009), core competence is the process where a firm identifies those functions that it can do best within its capacity of resources and outsource those that it cannot do for reasons of costs or competence.

Organizations may find it easier to obtain materials, skills, innovation, finance or access to market through cooperation with another organization (Johnson & Scholes, 1999). Alliances are not necessarily created as a result of one organization making a passive investment in another because money rarely provide basis for long term business partnership but other nonfinancial benefits (DePamphilis, 2008). The ability of a firm to frequently create innovative products and to intensively improve and enhance their value depends on successful collaboration with partners from various industries and technological domain and these collaborations are in form of strategic alliances (Andrevski, 2009). This way, an organization gains resources or expertise which on its own will be lacking and making strategic partnerships ideal for competitive advantage.

However according to Collins and Montgomery (1999) as brilliant as one strategy might be, it will not necessarily work well for all companies and that is because a company starts at a different point, operates in a different context and has fundamentally different kinds of resources. There is no best prescription for all organizations but what prevails instead is the logic of internally consistent corporate strategies tailored to a firm's resources and opportunities (Collins & Montgomery, 1999).

There are a variety of partnership arrangements where some are formalized inter-organizational relationships while others are loose arrangements of cooperation and informal networking between organizations (Johnson & Scholes, 1999). Strategic partnerships can also take the form of business to business partnership or public private partnership where it involves other stakeholders such as government, development partners and communities.

2.4 Factors that Motivate Organizations to Form Strategic Partnerships

There are many advantages of creating strategic partnerships (Grant, 2008). According to Depamphilis (2008), the motivations for partnerships could be risk sharing or gaining new market. He asserts that to mitigate perceived risks, organizations often enter into alliances to gain access to know how and scarce resources or to reduce the amount of resources they would have to use if they were to do it alone. Sometimes it could also be to share substantial capital outlay or to secure a source of supply. Gaining new market is an expensive venture involving substantial costs requiring a company to partner with another company. This is well explained in the example of Google and eBay where despite being competitors with eBay, Google was able to inexpensively gain access to eBay's non US customers in an alliance with eBay (The Economist August 10, 2006).

Technology is cited to be one of the reasons that firms seek to partner with other organizations. Technological change is happening too often mainly driven by innovations of the present time. Morris (2006) defines innovation as the process of creating new ideas and turning them into new business value. D'Aveni (1994) asserts that technology is one of the dynamics that has changed the competition landscape since companies have to keep innovating to meet the demands for quality and price of goods and services.

Reeves and McKemey (2007) from a context of partnerships for development have defined partnerships as inherently challenging way of getting things done in that by definition, they require at least two actors presumably with different interests and strengths to cooperate in order to identify ways to use unique strengths of each to accomplish a goal that is compatible with the objectives of both organizations. The numerous emerging challenges of present times including climate change, food security, health issues and natural disasters call for innovative ways of developing solutions to the social- economic global development agenda. Strategic partnerships have become the vehicles which various participants combine resources and expertise to solve problems jointly or develop innovations (Maurrassee, 2013).

According to Maurrassee (2013) cross sector collaborations have proliferated recently where partnerships are forming and evolving in local context and across nations altering approaches to development and spawning innovations while presenting new ways of doing business. This is on the realization that institutions and industries in the public, private and nongovernmental sectors coexist in an ecosystem. Geddes (2005) reveals that PPPs are no longer restricted to governments and private companies only but today's partnerships include development partners, communities and non-governmental organizations.

2.5 Critical Success Factors for Strategic Partnerships

Due to the complexity of managing strategic partnerships, there are certain factors that need to be put into consideration for a successful alliance. Child et al. (2001) contend that the factors for success include synergy which is usually demonstrated through attributes that complement existing strength or offset significant weaknesses. This strength includes economies of scale, and scope, access to new products or know how and proprietary know how. Cooperation is another factor that entails ability to agree on matters mainly based on similarities of philosophies, goals, rewards, operational practices and ethics.

Clarity of purpose together with clear roles and responsibilities are important factors because they help in the execution of tasks when everyone is clear about what is expected to be done. Accountability is a factor that has to do with holding those with responsibilities accountable for their actions with clear reward systems for good performance and equal measure for non-performance. A win-win situation is where all partners in the alliance believe they are benefiting from the collaboration by achieving their set objectives within compatible time frames and financial returns. Support from top management is paramount and provides motivation to the teams in the execution. Jonathan and Soldi (2011) have identified trust, commitment, communication, collaboration competence and conflict resolution as key factors that dictate whether a partnership is working or not.

2.6 Strategic Partnerships and Organizational Performance

Measurement of performance of strategic partnerships poses a challenge because of the nature of engagement between parties. Kaplan et al (2010) have developed the balanced scorecard as a tool to perform measurements in strategic alliances. According to Kaplan et al (2010) alliances fail to perform because most of them are defined by service level agreement that identify what each partner will deliver rather than what each hopes to gain from the partnership. An effective partnership delivers results in line with the organization objectives and addresses the needs of all the players within the organization environment.

Bleeke and Ernst (1991) have tried to define successful partnership as those that have passed two tests of achieving ongoing objectives and being able to recover cost of capital. Whereas this may hold for business to business partnership, it may not mean the same in partnerships for development where the objective is more about effective response to social, economic, political and natural challenges than recovery of costs. The United Nations Office of Partnerships developed a partnership assessment tool to ensure better alignment with development objectives with clear advantages to each party to the partnership. The tool is meant to support sustainability for a partnership to remain impactful throughout the life of that particular partnership

2.7 Empirical Studies and Research Gaps

Empirical studies are those that use existing evidence through observations or experience and which can be analyzed qualitatively or quantitatively. The complexity of the business environment has necessitated a lot of studies to be carried out in the field of strategic partnerships. There is therefore evidence of a body of knowledge that exists and that

covers quite a range of factors. As highlighted by Maurrasse (2013), the concept of strategic partnership is evolving at a very high rate and requiring additional knowledge to shape the future of the various forms of collaborations. Technology is particularly changing the way of doing business for institutions and individuals at both public and private level including communities that governments and private organizations serve.

It is on this basis that Stuart (2000) did a study on growth and innovation targeting high technology industry where he tried to establish the advantage of portfolio alliances with findings that firms with large and innovative partners perform better than those without. The study recommended more studies to explore two stage models. Jonathan and Soldi (2011) in an effort to measure success of alliances in the financial services sector found that successful partnerships are those that partners meet their objectives of establishing the partnership on a win-win situation. This study focused on service industry and recommended more research on other industries for a better generalization. On the same breath, Kudate (2014) carried out a study to establish the influence of strategic partnerships between small and large business in a case study of Equity bank and found out that whereas partnership is a good option, small firms need more information before entering partnerships. The researcher recommended more studies on the regulation and operation of agency banking.

Walekhwa (2011) in a study between Equity Bank and her partners on effect of partnerships in decision making recommended more studies in agency banking. These studies suggest that there still exist knowledge gaps that require more studies into the innovations in the way that partnerships are structured and how organizations align themselves to respond to the emerging needs.

2.8 Chapter Summary

Chapter two introduces the literature review by identifying theoretical foundations of strategic partnerships. The two major theories highlighted in this chapter are the dynamic capability and resource dependence as they both explain how organizations apply their competences and resources to cope with the dynamics of the environment in which they operate. The literature review brings out thoughts of other researchers in the area of strategic partnerships.

Strategic partnerships in organizations have been reviewed and factors that motivate organizations to form partnerships addressed. The factors that contribute to success of strategic partnerships have also been identified from the perspective of strategic partnerships and organization performance. Lastly the chapter discussed the empirical studies identifying similar studies done under the concept of strategic partnerships.

CHAPTER THREE

THE RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that has been used in this study. It has various components including the research design, data collection and data analysis.

3.2 Research Design

According to Michell and Jolley (2013) research design is the blue print or plan that guides the research process to help identify the participants in the research and how data will be collected from them. Yin (2003) asserts that a case study is a preferred research design when the focus is on a contemporary .phenomenon within some real life context. A case study is also viewed as an empirical inquiry because it studies an existing situation of which other studies could have been carried out.

Cooper and Schindler (2001) explain that the purpose of descriptive research is to show the state of affairs as it is at a point in time. It is factual, systematic and an accurate means of assessing information concerning a situation. In descriptive design it is easier to get both numerical and descriptive data for purposes of assessment of relationship between variables. This type of research also defines situation and can bring out certain characteristics or behaviour of the objects of the study.

Additionally, Kothari (1990) suggests that descriptive study can be carried out to explain relationships between variables although the researcher has no control on the variables. A good descriptive research should provoke more questions for an explanatory research.

This is mainly best when the descriptive research is more concrete than abstract. Concrete description goes deeper and gets more information than abstract description. This study was therefore a descriptive case study aimed at establishing the relationship that exists between strategic partnerships and performance of Equity Bank in Kenya.

3.3 Data Collection

This study used both primary and secondary data. Primary data was collected from respondents using interview guide administered directly to the respondents. For every partnership managers were interviewed from the bank and from the partnering organization. Secondary data was collected from documented information about the partnerships such as partnership agreements or memorandum of understanding typically drawn to guide the implementation of partnerships.

The managers interviewed in Equity Bank included Business Relationship Managers, Business Growth and Development Managers, Credit Managers, General Managers in Projects and Director of special Projects. The respondents from partner organizations were the Project Managers in charge of projects in focus. The purpose for the wide range of respondents was to get insight from the respondents about various types of partnerships. This helped in the analysis as it relates to the research objective and research question.

3.4 Data Analysis

Data analysis is the process of examining the information which has been collected. It also entails removing data which is not needed and cleaning it up editing and coding for translation by the respondents. In this study, content analysis technique has been used. Content analysis is a qualitative research that allow a researcher to compress large

volume of data easily (Ogega 2010). According to Hsieh and Shannon (2005), content analysis is a widely used qualitative research technique which uses three approaches which are conventional, direct and summative approaches to interpret meaning from the content of the text data and hence adhere to the naturalistic paradigm.

In conventional approach the study starts with observation while codes are defined during data analysis and the codes are derived from data. In directed content analysis, the study starts with a theory while codes are defined before and during data analysis and the codes are derived from theory or relevant research findings. Lastly, summative content analysis study starts with key words which are identified before and during data analysis and key words are derived from interest of researcher or literature review (Hsien & Shannon, 2005).

3.5 Chapter Summary

Chapter three has introduced the research methodology by discussing the research design used in this study. It has highlighted the importance of research design and further explained case study as a research design that is preferable when focusing on a phenomenon in real life context. Views of several authors in research design are cited to enrich the basis of the design selected for this study.

The chapter has explained the data collection process including where the data was collected from. It has explained how the data was collected and the specific respondents who were interviewed both from Equity Bank and its partner organizations. The chapter concludes with an explanation of the data analysis process as it was applied in this study. It explains that the data was analysed using content analysis technique which is a widely used technique in research as it compresses large volume of data easily. The importance of collecting information from a wide range of respondents is also highlighted in this chapter.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers the data analysis, results and discussions. This is in line with the research questions and the objectives set out in chapter one. The research design was a case study for which primary data was collected from Equity Bank staff who manage projects under strategic partnerships and managers from partner institutions. The data was thereafter analysed and presented here below.

4.2 Motives of Strategic Partnerships

The research sought to establish the respondents understanding of the term strategic partnership. Out of the 11 respondents interviewed there was one hundred per cent convergence about what they understood by the term strategic partnership. They all confirmed having participated in the development and implementation of strategic partnerships. It was established that Equity Bank has established many partnerships with a variety of partners. Among the common motives that came out from respondents explanations included that organizations partner because they share a common vision and that they leverage on strengths of each other.

4.2.1 Like Mindedness of Partners

The respondents concurred that strategic partnerships work well when the partners have similarity in mission and vision in which case they collaborate for a win-win situation; and when the partnership is beneficial relationship for all parties. This view is in line with the findings of a study by Jonathan and Soldi (2011) on the assertion that strategic

alliance can be said to be the pooling of specific resources and skills by cooperating organizations in order to achieve common goals as well as goals of the individual partners (Varadarajan & Cunningham, 1995). These views are supported by Kerry and Dykstra (2013) in their study that sustainable global progress requires greater global cooperation given the growing challenges of preserving the global commons

4.2.2 Leveraging on Comparative Advantage

Respondents were of the view that leveraging on comparative advantage is a motive to establish partnerships. This is in reference to the different specializations or resources that organizations are empowered with. The assertion fits well in the view that the competitive advantage of partnerships fall within four categories. These are investments in relation to specific assets; substantial knowledge exchange including exchange of knowledge that results in joint learning; the combining of complementary but scarce resources or capabilities which are typically through multiple functional interfaces.

These results in the joint creation of unique new products, services or technologies and lower transaction costs than competitor alliances, owing to more effective governance mechanisms (Dyer & Singh, 1998). The assertion is from the background of addressing strategic objectives and an understanding that a single organization cannot achieve much on its own.

4.3 Equity Bank's Strategic Partnerships and Impact on Performance

The study explored the diversity of strategic partnerships. The respondents were asked to indicate their understanding of strategic partnerships as well as the motives for which the bank engaged in strategic partnerships with other organizations. The respondent explained strategic partnerships to be a formal cooperation between two or more

institutions or corporate bodies with similar intentions towards a common agenda. It was established that Equity Bank has established strategic partnerships with international organizations such as International Fund for Agricultural Development (IFAD) through the Government of Kenya and Alliance for a Green Revolution in Africa (AGRA). It was highlighted that this partnership was about innovative finance under Kilimo Biashara (Farming as a Business) which is a public private partnership established in 2008 with partners including (IFAD) through the Government of Kenya –Ministry of Agriculture, (AGRA) and Equity Bank towards the green revolution of Africa. Its objective was to increase access to credit by farmers to increase food production for enhanced national food security and generation of household income for farmers.

The success of this partnership attracted a further scale-up public private partnership in 2012 with funding from European Union Food Crisis Rapid Response Facility Trust Fund through International Development Association (IDA) to the Government of Kenya Ministry of Agriculture and four commercial banks to support access to credit by farmers. From these partnerships Equity Bank has cumulatively lend Ksh 6 Billion to over 70,000 beneficiaries. This is in line with assertions of Gulati and Gargiulo (1999) who observed that firm's awareness of potential partners is a function of their prior alliance experience and their favorable position in the network structure. It also concurs with the views of Baum and Oliver (1991) from a dynamic analysis perspective that organizations are able to establish linkages exhibiting a significant survival advantage that increases with the intensity of competition. They argue that the effectiveness of institutional linkages in contributing to survival depends on the characteristics of organization that establish ties and the external legitimacy of those ties (Baum and Oliver 1991)

Another partnership for development that respondents talked about was formal and informal partnerships between Equity Bank and World Food Programme (a UN humanitarian food aid agency) where Equity Bank worked with WFP innovations in cash transfers in situations where food beneficiaries were paid cash to buy food stuff from local markets and under Purchase for Progress (P4P) where farmer groups which accessed credit from Equity Bank could sell produce to WFP. Over Ksh 3Billion was disbursed to beneficiaries across the counties under the cash for asset project.

One of the respondents explained that the partnership between Equity Group's subsidiary Finserve and Airtel where Equity is using Airtel's excess capacity to establish Mobile Virtual Net Work Operator (MVNO) services. This reduces cost of delivering services and the benefits are passed to customers. Among the critical services is the money transfer where according to the respondent, this is a free service between Equitel to Equitel line transaction. Equity has issued 1.2 million SIM cards with transaction hitting ksh 7billion by August of 2015. Equitel service has also disbursed loans worth ksh 4billion.

This observation supports the assertion that firms also form alliances for relationship marketing purposes and the notion of domesticated markets which refer to the tendency of firms in industrial markets to form strong relationships with their customers and suppliers in order to deliver superior customer value or service. This type of strategic alliance is perceived as the least risky and most effective means of providing services or products that will enhance the relationship with the customers (Gomes- Casseres, 1998). Strategic behaviour or competitive advantage theory focuses on the firms behaviour from

a managerial rather than a marketing approach explaining that companies are expected to seek cooperative arrangements if they believe those arrangements will improve their ability to meet strategic objectives especially in maximizing profits or in protecting or enlarging market share (Gomes- Casseres, 2000) .

The study established that the Smallholder Irrigation Program Mount Kenya Region (SIPMK) which is a Government of Germany funded project through KfW to Government of Kenya Ministry of Finance with a subsidiary agreement to Private Kenyan banks to increase agricultural productivity. According to the respondent loan funds for infrastructure are on lent to the bank which lends directly to farmers through farmer groups registered as cooperatives. Once the farmers access the water, Equity Bank provides them with productions loans which help them access quality inputs and access export markets through further partnerships with fresh produce exporting companies.

The Orphan and Vulnerable Children (OVC) project was presented by one of the respondents. According to the respondent, this project started in 2011 and the partners are World Bank, UKAid and the Government of Kenya. The objective was to deliver cash to the rural communities to help keep children in schools. Equity Bank used its agency banking Model to deliver cash to the beneficiaries in selected counties and thus entering into a segment which it had not explored earlier but whose opportunity presented itself.

The study also established that the bank entered into a partnership with Food and Agriculture Organization (FAO) through Kenya Forest Service in a project dubbed Sustainable Livelihood Development in the Mau Complex. This project, as was established from the interviews, was developed by FAO with Equity Bank to enhance the

financial literacy and access to financial services of 700 farmers who were targeted to participate in the project. Through this project, Equity Bank and FAO created a revolving fund for the Kenya Forest Service, which enabled the participating farmers to get loans from the fund and pay back to the revolving fund. It was established that Equity bank played a very crucial role in the implementation of this program by coordinating the trust funding and lending it to farmers as well as ensuring that farmers repaid the funds borrowed. This project was also said to be the first time that FAO implemented two concepts together which are Rural Invest and Farmers Field Schools to build capacity of rural farmers.

4.4 Objectives of Strategic Partnerships

The study also sought to establish the benefits of strategic partnerships. As established through the interviews administered, the benefits can either be business related as well as non-business related. Among the business benefits, the respondents asserted that through strategic partnership, the bank was able to increase its credit portfolio to the target value chain. The findings also indicated that through strategic partnership the bank was also able to improve the staff capacity and thus they were better equipped in handling the challenges they experienced and were therefore able to improve on its service delivery. It was also established that through strategic leadership the bank was in a position to develop more innovative products.

The non-business benefits of strategic partnership were established to include better working conditions or working relations with partners and also ensuring greater networking opportunities for the banks. This is in line with the assertions of Depamphilis

(2008) who asserted that the motivations for partnerships could be risk sharing or gaining new market. Further, it was established that firms seek to partner in order to leverage on resources of partners and share the risk of undertaking expensive and highly uncertain projects.

4.5 Factors that Contribute to Success of Partnerships

The respondents were asked to explain what factors that make strategic partnerships work and they had hundred per cent convergence that strategic partnerships work because of combination of factors. These included Synergy, courage to take risks, harmony, unity of purpose, personal commitment of relationship manager, leadership and support from top management, governance, service level agreement, having previous successful experience, training of project beneficiaries, technical backstopping, chances for further partnerships, willingness to invest resources including human resources, flexibility of partners, method of conflict resolution, use of technology as an enabler, sharing of risk, trust between partners and good flow of communication.

The responses were consistent with assertion of Austin (2000) that organizations initiate strategic alliances to achieve compatible goals. It is also in line with views of Waddock (1989) that organizations form alliances with partners who have similar beliefs about or approaches to a shared problem. This assertion also concurs with Perry et al (2004) highlights from a survey of 106 firms on the importance of trust and commitment to the success of alliances and further considers them as the building blocks for effective alliances.

Synergy was said to be the benefits that accrue to organizations when they come together to work for a common goal. Each organization must discount the need to reinvent the wheel and agree to collaborate in the area it has comparative advantage. This concurs with assertion of Harrigan (1985) that strategic alliances succeed when partners possess complementary assets and therefore a firm will seek knowledge it considers lacking but vital for the accomplishment of its strategic objectives. The study established that during the initiation stage of partnership formation, it must be clear what each party brings to the table in terms of resources or capabilities. This makes analyses of the results or outputs of a partnership an easy task.

It was established from the findings that sharing of risk is a factor that made partnerships work. This was evident in cases where the bank was entering into areas that are perceived as risky in which case it sought partners who were willing to take some of the risks. This was the assertion of DePamphilis (2008) that entering in a new market or developing a new product can be a risky endeavour and therefore partners need to agree on how to share risks. Henderson (1990) asserts that one of the qualities consistent with the concepts and theories of participatory decision making in describing the term partnership is sharing of risks and benefits.

The respondents attributed the success of strategic partnerships to top management support as a critical factor. It was established that top management in consultation with implementing teams identify the strategic areas that the bank seeks to establish partnerships. They also get involved in signing of agreements or contracts that establish such partnerships as a sign of commitment to the performance of the partnerships. The

respondents confirmed that top management also attends review meetings with partners when required to do so. This is consistent with the assertion that companies grow even in changing times because growth as a measure of performance is in the corporate mind set created by the company leaders. They may not accept the limits of existing products and existing markets but should have endless quest for new opportunities to expand beyond these artificial boundaries (Ram & Noel, 1998)

Communication was said to be the glue that keep the relationship in strategic partnership together. It was established that for every partnership there is a dedicated relationship manager who becomes the contact person for a particular partnership. It is through that manager that the communication is channelled to the bank and from the bank. The same relationship manager is required to ensure that reports are prepared in good time and feedback shared among the relevant teams. The importance of communication is supported by Kanter (1994) who observes that alliances must have open communication in which partners share the information needed to collaborate including their objectives and goals, technical data or challenges.

The findings from Equity Bank and its partner organizations indicated that from the initiation stage of the partnership to the implementation ,it is made clear what the purpose of the partnership is. It is also made clear what are the objectives it set out to achieve and this becomes the basis for measuring the performance. The roles that each will play is also set out in the initial discussions. It was established that whenever there is conflict the resolve is amicable because the roles are clear.

It came out clear that the strategic partnerships that the bank establishes are intended to generate further partnerships for sustainability. This concurs with the views of Pfeffer and Salancik (1978) which suggests that firms strategically form partnerships to effectively manage symbiotic interdependencies such as interdependencies between suppliers and buyers and competitive interdependencies such as interdependencies between competitors. One partnership can therefore create further partnerships which must be integrated through the value chain.

The findings from this study indicated that all the partnerships covered by the study were technology driven in the implementation. It was established that the processes in the implementation were embedded on capability of technology. According to the respondents from the partnering organizations, it came out that one of the factors of choosing Equity bank as a partner was because of its capability in technology driven innovations. They explained that the bank had a wide outreach enabled by technology including branch network that is supported by Agencies who are recruited and trained by the bank to offer financial services including opening accounts for communities in the rural areas. The representatives of international agencies interviewed asserted that one of their major objectives in their work in rural areas was financial inclusion targeting majority of rural communities who over time have been excluded from the financial system. The respondent from the bank explained that financial inclusion will be difficult to achieve without technology that brings efficiency in time and costs of service delivery.

The most recent technology as explained by the respondents from the bank is the thin SIM technology which allows customers who wish to retain more than one mobile phone to have a thin SIM which is much cheaper than maintaining two phones. The respondent further asserts that sending money from Equitel line to another Equitel line is free thus giving better value to customers. These views concur with the assertion of D'aveni (1994) that companies must keep innovating to meet demands of price and quality. It is also supported by the observations of Ahuja and Lampert (2001) that firms create breakthrough inventions through innovation.

The respondents observed that partners must be willing to invest towards the resources required by the partnership. These include financial resources materials, equipment, time technology and human capital. One of the fundamentals of strategic partnership is about leveraging on resources of partners within the network of the alliance. This then supports the assertion that based on the agreement or contract that establishes a partnership there must be stipulated formulae of how resources are shared. Proponents of dynamic capability theory and resource based theory are emphatic about resources in the overall performance of strategic partnerships. These views are in line with the recently adopted United Nations Sustainable Development Goals that supports partnerships for development to make the world reach the objectives of Agenda 2030 (United Nations 2015)

The respondents who were interviewed from Equity Bank and its collaborating partners concurred that when the targeted partnerships beneficiaries are provided with technical knowledge of the projects or facilities and are well trained to understand the project objectives, then the results are positive. This is achieved through partners identifying

project implementation team that is knowledgeable and understands the details of the partnership requirements. In such cases, training becomes part of the project implementation components and there is a lot of knowledge sharing between the partners and the partnership beneficiaries for sustainability. This view is further supported by the assertion that firms acquire knowledge through strategic alliances in order to compete at different levels of the value chain and thereby alter the industry structure in which they operate. Firms adapt to competitive environment by seeking specific knowledge which can be obtained through licensing agreements or by obtaining organizational or technical knowledge that is embedded in key individuals; that is tacit knowledge which can be retransferred only by learning alongside the individual (Mollenkopf et al., 1998). This is further supported by assertion that strategic alliance can be an effective way to diffuse new technology (Elmuti & Kathawala, 2001).

Ninety per cent of the partnerships had very clear formal signed agreements in form of subsidiary agreements or memorandum of understanding that set out structures and processes which were available to all partners. The respondents confirmed that when structures are clear, the implementation becomes a smooth process and the reporting guidelines are well understood. It was however revealed that the only partnership that did not have a formal signed agreement also performed well and met the strategic objectives which were set by the partners. This revelation is supported by the views of Henderson (1990) who asserts that the term partnership is used to describe working relationship that reflect long term commitment and a sense of mutual cooperation shared risks and benefits and other quality consistent with the concepts and theories of participatory decision making.

4.6 Challenges of Managing Partnerships

The respondents confirmed that partnerships are bound to encounter challenges at any stage of the process. They highlighted particular challenges encountered in different partnerships including flow of information where top leadership is well versed with the objective and requirements while those on the ground have scanty information and sometimes disconnected with the project they are supposed to be implementing.

Flow of resources is another challenge which according to the respondents do not always become available when they are required leading to delays in the implementation. According to the respondents, when two or more organizations come together, they come in with different cultures and it takes time for the different partners to learn and understand the culture of each partner which again causes implementation delays. For partnerships that are project based, respondents were of the view that the time given to prepare, implement and evaluate the performance is a challenge because there is always a rush to meet the project deadlines. A related challenge of project based partnership is that when the project does not have in-built sustainability mechanisms, all the investment done during the existence of partnership becomes a waste. Ordinarily, the team that manage such a project could be paid for by the project such that when the project funding comes to an end the implementing team ceases to exist and therefore no further activities can take place. This is on the basis of assertion that alliances must move through several phases; they are initiated to meet a variety of needs; their operation require certain organizational structures and process; and that a variety of factors influence progress of alliances (Wohlstetter et al., 2005). They further reveal that alliances move through several stages including initiation, operation and evaluation and all the stages are important for success of a partnership.

The other challenge is consistence of resource person or contact person. Whenever there are changes in personnel due to different reasons more often than not there is bound to be some gap before another person gets into the system. This challenge causes disconnects with the partnership objectives. Similarly, a change in leadership also comes with some challenge to the flow of strategic partnership implementation because a new leader may not be exactly like another in terms of perception of issues. Other challenges are changes brought about by natural causes like weather and climate change which are unpredictable but have adverse effects especially to agricultural related partnerships activities. Equally changes in policies especially for partnerships that involve governments may cause implementation challenges in the event that policy changes directly affect some elements of the resources or processes.

4.7 Achievements of Strategic Partnerships

The research sought to establish whether the partnerships had achieved the set objectives. According to the respondents interviewed, all the partnerships despite encountering one or more challenges had achieved the intended objectives. This was achieved through entering new market segments successfully, delivering of the services such as money transfer and increasing access to credit for customers who were previously viewed as risky. The respondents from Equity Bank confirmed that the partnerships increased the customer base, increased deposits and transaction income while those that were credit based increased the number of borrowers as well as the loan portfolio. They also confirmed that performance of loans under partnerships was better because it had inbuilt risk mitigation mechanisms.

This observation concurs with the views that firms that are able to accumulate resources and capabilities that are rare, valuable, non-substitutable and difficult to imitate will achieve competitive advantage over competing firms (Barney, 1991). This observation agrees with a study done to establish the effect of strategic partnerships on innovation capability and business performance of garment industry in West Java in Indonesia. The findings were that strategic partnership is a variable that is very vital because it can improve business performance both directly and through the ability of innovation (Supriyadi 2014).

There were also non-financial achievements in terms of brand visibility and social responsibility which are considered crucial for growth and expansion of the bank. The respondents also confirmed that the challenges encountered were turned out to be opportunities because they created need for further innovations. Participants from partnering organizations registered satisfaction with implementation of the various projects under the partnerships. Those in development work met their development goals and appreciated the partnership with Equity Bank citing their innovative approach and willingness to take risks and offer their technology and network for use by other organizations.

This observation is in line with the findings of a study on effects of strategic alliances on financial performance on commercial banks in Kenya Kilimo (2012). The study revealed that banks have entered into various alliances in order to enhance their strategic objectives. The study further recommends that banks should establish partnerships while ensuring that their financial leverage is kept as low as possible (Kilimo, 2012).

4.8 Chapter Summary

Chapter four has focused on data analysis and the results of the findings. It has identified the motives for strategic partnerships focusing on like mindedness of partners and how partners leverage on comparative advantage. The chapter further identifies strategic partnerships in Equity Bank and how they impact on performance. Various partnerships are cited to illustrate the kind of partnerships that have been implemented and those that are still in the process of implementation.

The objectives of partnerships are analysed including both business and non business objectives. The factors that contribute to success of partnerships are discussed at length. Some of the factors highlighted include synergy, risk factors, commitment, leadership and support from top management, availability of resources, flexibility, use of technology as an enabler, unity of purpose and having previous experience. The challenges that hamper success are discussed at length and the achievements that result from partnerships are also highlighted.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to establish the impact of strategic partnerships on performance of Equity Bank. This chapter presents the summary of the study based on the findings derived from chapter four. It further presents the conclusion arising from the study based on the research objective. It concludes with the limitations and recommendations for further studies.

5.2 Summary

The findings indicated that Equity Bank has embraced strategic partnerships as a strategy for competitive advantage. As established in this study, the bank has not only taken up business to business partnerships but also brought in a diversity of partnerships by establishing public private partnerships. This diversity has provided a platform for expansion of business both in high potential areas as well as areas that might be perceived as risky and less attractive for business.

Strategic partnerships have helped the bank to leverage on resources of other organizations mainly based on the corporate philosophies and by positioning itself as an innovative organization such that it can provide solutions for a wide range of sectors. Investment in technology was said to be one of the building blocks for partnerships due to the cost reduction nature of technology driven services that allows provision of services to wide area and integration with systems of other organizations.

It was revealed that while there are many factors that make partnerships work successfully as highlighted in the data analysis, there are also factors that present challenges which can make partnerships fail. The implementers must therefore keep constant checks and balances to ensure that the implementation is on course.

5.3 Conclusion

The study reveals that one of the factors that has made Equity Bank to be one of the fastest growing organizations is the ability to establish diverse strategic partnerships. These partnerships have both financial and non-financial benefits to the bank. The financial benefits are in terms of growth in customer numbers, which is currently over ten million and hence in transactions income and deposits while the relationships maintained with partners have also contributed in growth in loan portfolio.

The non financial benefits include brand visibility mainly through corporate social responsibility by reaching the areas which are perceived as risky. This is in line with its corporate philosophies and organizational culture which are well articulated in its mission and vision. Further, it was evident that staff capacity is also enhanced through working with other organizations in partnerships. This has made the organization to stay ahead of competition because of the disruptive nature of innovation and internal capability.

5.4 Recommendations

The study recommends strategic partnerships as an excellent strategy that organizations should adopt because they have benefits to partnering organizations and can impact positively to the organizational performance. The organizations however require to carefully select partners with which they share same ideologies whether they are business

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

5.5 Areas for Further Research

The concept of strategic partnership is quite wide and covers different aspects. This study addressed issues of public private partnerships for development as well as business to business partnerships as they relate to performance of one organization. This provides an avenue for further study into partnering organizations to establish whether the partnerships impact positively to their organizational performance.

This study focused on a few of the many strategic partnerships that Equity Bank has established with a wide range of partners. To get the total effect of the role of partnerships on the performance of Equity Bank, there is need for each partnership to be analysed in details and all partnerships to be studied with a view of establishing whether all of them contribute to the performance. A more quantitative approach may bring more insights into the effects of partnerships on performance.

A further approach for more interrogation is the time period where research period can be determined and research carried out to establish a trend over the time in relationship to performance. The focus can also be on the different subsidiaries within the organization to establish the effect of partnerships in those subsidiaries.

5.6 Limitations

The study focused on development as well as corporate partnerships environment which differ in perspective typically because of the objectives for which such partnerships are established. As such, the parameters of measure of success are different and therefore cannot be generalised to represent impact of all partnerships.

The study also focused on partnerships with different time periods. Some of the partnerships are short term in nature covering one year period. Others are medium term partnerships going up to three years while others are long term period of five years or more. It is therefore a challenge to measure impact on performance because it is not uniformly attributed to their contribution to the organization performance

The study was carried out using interview guide and therefore the information provided was qualitative in nature and may to some extent not capture all the intended effects of strategic partnerships on the performance. The diversity of respondents made data collection a long process because some respondents work in organizations outside Kenya.

5.7 Implication of the Study on Policy, Theory and Practice

The study brings out additional knowledge that policy makers require to access for them to provide policy direction in matters of collaborations. These include local as well as global level as it has looked at local partnerships and also partnerships that involve international development agencies.

The issues analysed in this study enhance the existing body of knowledge in theories that explain the concept of strategic partnerships. The analysis also provides insights to different actors in international, public, private or civil society organizations who intend to establish partnerships on what factors to consider when establishing partnerships.

5.8 Chapter Summary

Chapter five has provided summary conclusion and recommendations based on the findings of the study. It has specifically summarised the findings by focusing on the partnerships that Equity Bank has been implementing and how they have impacted on the business while highlighting the role of technology. The chapter has also revealed that some factors support partnerships while others can make it fail.

The chapter has further highlighted the conclusion drawn from the findings in that partnerships are beneficial to organization performance and that there are business and non business benefits. The chapter has also covered the recommendation made based on the findings that strategic partnership is an excellent strategy that organizations with business objective and development objective should adopt to be competitiveness and for better realisation of objectives.

The chapter has provided areas for further studies based on the observation that strategic partnership has a wide scope of thematic areas which form basis for further research. The limitations of the study are highlighted and the chapter concludes with implication of the study to policy, theory and practice.

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APPENDICES

Appendix I: University of Nairobi Letter of Introduction



**UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME**

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

P.O. Box 30197
Nairobi, Kenya

DATE 14/9/2015

TO WHOM IT MAY CONCERN

The bearer of this letter ESTHER MUTHONI MUIKORI


Registration No. D61/67402/2013

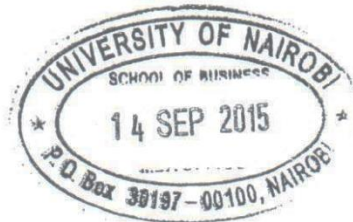
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.


**PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS**



Appendix II: Letter of Introduction

Esther Muiruri

University of Nairobi

P.O. Box 30197-00100

Nairobi

RE: REQUEST FOR ASSISTANCE FOR RESEARCH

I am a post graduate student at The University of Nairobi School of Business pursuing Master of Business Administration Degree. As part of the course requirements, I am required to undertake a research project. The project I am undertaking is Strategic Partnerships and Performance of Equity Bank in Kenya.

I would be grateful to have an opportunity to interview you about the partnerships that the Bank has been implementing.

Thank you

Esther Muiruri

Appendix III: Interview Guide for Equity Bank Staff

1. What do you understand by the term strategic partnership?
2. Which strategic partnership do you manage in Equity Bank?
3. When did it start?
4. Who are the partners?
5. What were the business objectives?
6. What were the non business objectives?
7. What factors make it work? synergy, cooperation, clarity of purpose, roles and responsibilities, accountability, top management support, trust, commitment, conflict resolution
8. What are the business benefits you have seen in this partnership?
9. What are the non business benefits have you seen in this partnership?
10. What are the challenges have you encountered in managing this relationship?
11. What lessons have you learnt in the process of implementation?
12. What is the future of the partnership?
13. What other information do you consider important for strategic partnerships

Appendix IV: Interview Guide for Equity Bank Strategic Partners

1. What do you understand by the term strategic partnership?
2. What is the nature of partnership that your organization have with Equity Bank?
3. How did it start?
4. When was it started?
5. What were the objectives?
6. Why did you select Equity Bank to be your organizations partner?
7. What has made it work? : synergy, cooperation, clarity of purpose, roles and responsibilities, accountability, top management support, trust, commitment, conflict resolution
8. What have been the achievements?
9. What are the challenges?
10. What is the future of the partnership?
11. What other information do you consider important for strategic partnerships?