STRATEGIC BUSINESS NETWORKING AS A SOURCE OF
COMPETITIVE ADVANTAGE IN THE MOTOR VEHICLE
INDUSTRY IN KENYA

NJUI R. FELIX

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

OCTOBER, 2013
DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university or institution.

Sign: ........................................ Date: ........................
NJUI R. FELIX
D61/60002/2010

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

Sign: ........................................ Date: ........................
DR. J. M. MUNYOKI

Snr. Lecturer, Department of Business Administration.
University of Nairobi.
DEDICATION

I dedicate this work to my priceless parents and family as a whole for their constant encouragement, patience and understanding throughout the entire MBA course.
ACKNOWLEDGEMENTS

It is my pleasure to acknowledge the very generous assistance of those who helped me at different stages in the preparation of this project. I sincerely wish to express my heartfelt gratitude and appreciation to my supervisor, Dr. J. M. Munyoki for the very useful and instructive discussions I have had with them throughout the preparation of this project. My special thanks go to the managers in the different motor vehicle companies for their maximum support and cooperation during data collection.

My gratitude and appreciation are extended to my mother Prof. H. Njui for her love and constant encouragement in words that she never fails to voice, that “you can do all things through Christ who strengthens you”. Your words were a strong pillar of hope. My gratitude and appreciation are also extended to my father Dr. F. Njui for his constant walk with me, generous and selfless self and his God given wise words of council that have made me always confident in all that I do. My very special thanks also go to the rest of my family; my brother and sister for their patience and support and constant encouragement during the entire process of my MBA study.

Above all I thank the Almighty God for the provision of resources, good health and the above mentioned people that have made it possible to achieve my MBA. He is truly the reason for the season.
ABSTRACT

The competitive business environment has forced organizations to overhaul their thinking and re-assess the external and internal environment. Organizations need to acquire new skills to develop a strategic vision for the future course of their business. This brings the need for business networking among firms so as to allow a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms. This study establishes how strategic business networking is a source of competitive advantage in the Motor Vehicle Industry in Kenya. The study adopted a cross sectional survey design. The entire population of the 17 players in the motor vehicle industry participated in the research. A structured three part questionnaire was used to collect data. The data was analyzed by the use of descriptive statistics so as to summarize and relate variables which were attained from the administered questionnaires. The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and graphs were used for presentation of findings. Regression and correlation analysis was also done to establish on various relationships of variables. The study established that strategic business networking is formed for a variety of reasons, which include increase of markets, better resource utilization, synergy and competitive advantage, improve organizational learning, flexibility development, financial risks sharing and firm’s innovation process contribution. The ways in which the companies achieve competitive advantage through the adoption of strategic business networking was indicated as added value, company's product and service diversity, firm creation and sustainable fruitful collaborations, superior quality of services, firm unique corporate culture, use of strategic networking that enables the company to access complementary resources and skills that reside in other companies, unique resources, speed of offering the service and the firm managing its strategic networks more effectively than competitors. Strategic business networking tend to maintain and improve competitive advantage by making strategic decisions, which are primarily focused on development of new products, services, and processes.
# TABLE OF CONTENTS

DECLARATION .............................................................................................................. i  
DEDICATION ............................................................................................................... ii  
ACKNOWLEDGEMENTS ............................................................................................... iii  
ABSTRACT .................................................................................................................. iv  
LIST OF TABLES .......................................................................................................... viii  
LIST OF ABBREVIATIONS AND ACRONYMS ............................................................... ix  
CHAPTER ONE .............................................................................................................. 1  
INTRODUCTION .......................................................................................................... 1  

1.1 Background of the study .......................................................................................... 1  
1.1.1 The Concept of strategy ..................................................................................... 2  
1.1.2 The Concept of Competitive Advantage .............................................................. 3  
1.1.3 Strategic Business Networking .......................................................................... 4  
1.1.4 The Motor Vehicle Industry in Kenya ................................................................. 5  
1.2 Research Problem ................................................................................................... 5  
1.3 Research Objective ................................................................................................ 7  
1.4 Value of the study ................................................................................................... 7  

CHAPTER TWO ........................................................................................................... 9  
LITERATURE REVIEW ................................................................................................. 9  

2.1 Introduction ............................................................................................................ 9  
2.2 Theoretical Foundation of the Study ...................................................................... 9  
2.3 Competitive Advantage ....................................................................................... 11  
2.4 Strategic Business Networking ........................................................................... 12  
2.5 Strategic Business Networking and Competitive Advantage ......................... 15
CHAPTER THREE .................................................................................................................. 17

RESEARCH METHODOLOGY ............................................................................................. 17
3.1 Introduction .................................................................................................................. 17
3.2 Research Design .......................................................................................................... 17
3.3 Target Population ........................................................................................................ 17
3.4 Data Collection ........................................................................................................... 17
3.5 Reliability and Validity ............................................................................................... 18
3.6 Data Analysis ................................................................................................................ 18

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION ......................... 19
4.1 Introduction ................................................................................................................... 19
4.2 Demographic Profile .................................................................................................... 19
4.2.1 Respondent Profile .................................................................................................. 19
4.2.2 Company Profile ..................................................................................................... 20
4.3 Strategic Business Networking ....................................................................................... 20
4.4 Role of strategic business networking on organizational competitive advantage ........ 22
4.4.2 Ways of Achieving Competitive Advantage ............................................................ 23
4.5 Pearson and Spearman's Correlations ......................................................................... 24

CHAPTER FIVE .................................................................................................................. 27
SUMMARY, CONCLUSION AND RECOMMENDATIONS ................................................. 27
5.1 Introduction ................................................................................................................... 27
5.2 Summary of Findings ................................................................................................... 27
5.3 Conclusion ..................................................................................................................... 28
5.4 Recommendations ....................................................................................................... 30
5.4.1 Recommendations with Policy Implications ......................................................... 30
5.4.2 Suggestions for Further Research .......................................................................... 30
REFERENCES ................................................................................................................................. 32

APPENDICES .................................................................................................................................. 37

APPENDIX I: Letter of Introduction ................................................................................................. 37
APPENDIX II: Questionnaire .............................................................................................................. 38
APPENDIX III: List of Motor Vehicle Firms in Kenya ...................................................................... 43
List of Tables

Table 4.1: Factors Influencing Strategic Business Networking………………………22
Table 4.2: Benefits of Strategic Business Networking……………………………23
Table 4.3: Ways of Achieving Competitive Advantage…………………………24
Table 4.4: Pearson and Spearman’s Correlation Coefficient………………………26
List of Abbreviations and Acronyms

CMC: Cooper Motors Corporation

GM: General Motors

KMI : Kenya Motor Industry

PwC: Pricewaterhouse Coopers

TAM: TransAfrica Motors
CHAPTER ONE
INTRODUCTION

1.1 Background of the study
In the 21st century business landscape, firms need to compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (De Nisi et al., 2003). Therefore, achieving the desired performance is a major pre-occupation of senior managers in the competitive and slow growth markets, which characterize many businesses today and the sources of competitive advantage have been a major concern for scholars and practitioners (Peteraf, 1993). The intensity of competition in an industry is not a matter of luck. Rather, competition is rooted in underlying industry economics and goes well beyond the established competitors. Not all industries have equal potential. They differ fundamentally in their ultimate profit potential as the collective strength of the forces of competition differs (Woodward, 2008).

The resource-based view regards firms as collections of resources that include tangible assets and capabilities (or intangible assets—usually semi-permanently attached to the firm) (Wheelen and Hunger, 2002). This collection of resources must be simultaneously valuable, rare, imperfectly imitable, and non-substitutable and are also the firm’s source of sustainable competitive advantage (Anderson et al., 2004). Firms will engage in strategic networking when there is a need for additional resources (specifically involving technology) that are expensive and difficult to replicate in a certain time frame; and can enhance the value of their existing resources. From this perspective, firms adopt alliances as a means to extend their collection of value-creating resources, which are otherwise unattainable independently.

The new wave of liberalization and competitive business environment has forced organizations to awaken from the slumber, overhaul their thinking and wear new caps to re-assess the external and internal environment. Organizations need to acquire new skills to develop a strategic vision for the future course of their business. Many organizations
have adopted various strategies such as strategic alliances, diversification, mergers and acquisitions. The Motor Vehicle Industry in Kenya is expanding and firms are finding it increasingly difficult walking the journey of business alone if they are to stay competitive. Motor vehicle firms are able to provide consistent quality at the best price through a standardized business systems that minimize the cost and difficulty the customer faces in acquiring motor vehicles and spares. Networking has opened the door to new markets for motor vehicles companies by enabling partners to transfer work in real time across the country. Businesses no longer need to innovate, manufacture, market, or sell singlehandedly. They can work in concert with partners in their network—designers, suppliers, vendors, co-innovators, customers, and even competitors—to leverage other companies’ core competencies.

1.1.1 The Concept of strategy
A strategy is a pattern or plan that integrates an organization’s major goal, policies and action sequences into a cohesive whole (Porter, 1980). Strategy is a fundamental framework through which an organization can simultaneously asset it vital continuity and facilitate its adaptation to a changing environment. It is the direction and scope of an organization over a long term; which gives advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets to fulfill owners' expectation (Hax and Majluf, 2006). Johnson and Scholes (2000 pg. 12) define strategy as “the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. The conclusion is that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates.

Johnson and Scholes (2000) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. He concludes that strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. This is sometimes known as search for strategic fit. The concept of strategy is therefore built around winning. Strategy helps
to achieve success whether in business or otherwise. Success however in this context refers to the realization of objectives that are desired. Effective strategy is formulated around four factors. These are, the goals and objectives are simple, consistent and relate to the long term, there is profound understanding of the competitive environment, there is an objective appraisal of the resources available and that there is effective implementation (Hitt et al., 2008).

1.1.2 The Concept of Competitive Advantage

Competitive advantage is the ability of the firm to occupy a superior position in an industry and outperform its rivals on the primary performance goal- profitability. A company’s superior competitive position allows it to achieve higher profitability than the industry’s average (Porter, 1985). Firms strive to survive and succeed in competition by pursuing strategies that enable them to perform better than their competitors. When two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit (Hill et. al, 2001). According to Winer (2004), developing competitive advantage centers on three key components. Winer (2004) states first that competitive advantage must be able to generate customer value. Customer value can be defined by the customer in terms of lower price, speedy delivery, convenience, or some other characteristic. Second, the enhanced value of the product or service must be perceived by the customer. Regardless whether the product could be considered superior to competitor’s products might not be as important as whether the customer perceives the product to actually be superior. Finally, effective competitive requires that whatever business tactic used should be difficult for business competitors to copy.

Competitive advantage typically results in high profits, but these profits attract competition, and competition limits the duration of competitive advantage in most cases, therefore most competitive advantage is temporary (Barney, 2008). On the other hand, some competitive advantages are sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering. Therefore, competitive advantage must reside in a firm's value chain. Porter (1985) posits that a firm can achieve a higher rate of profit (or potential profit) over a rival in one of two ways: either it
supplies an identical product or service at a lower cost, in which case the firm possesses a cost advantage; or it can supply a product or service that is differentiated in such a way that the customer is being able to pay a price premium that exceeds the additional cost of the differentiation advantage.

1.1.3 Strategic Business Networking
Strategic business networking is defined as a set of two or more connected business relationships in which exchange in one relationship is contingent upon exchange (or non-exchange) in another (Anderson et al., 2004). Wheelen and Hunger (2002) state that the network organization allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise. Jarillo (2008) argue that competitive strength of strategic networks is based on sound economic foundation by not only allowing firms to reap economies of scale, but also benefits of internal focus, plus the flexibility to switch suppliers whenever technological or market developments occur. The entire set of existing and potential relationships among firms in a particular industry can be called a “network organization” (Miles and Snow, 2002). They observe that a network organization allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise and thus can term them as a “modular corporations” made up of multiple specialist companies as their key building blocks.

The concept of strategic networking includes a variety of different coalitions among distinct firms (or business units), such as strategic alliances, joint ventures, long-term supplier–buyer agreements, trade associations, industrial districts, franchising and other similar agreements or contracts (Zineldin, 2002). Van Aken and Weggeman (2000) argue that the exchange of knowledge between lead firms and their suppliers, and between universities and technological companies, are all examples of highly informal innovation networks. Effective networking is especially important for organization since it helps overcome the financial and human resource limitations that prevent them from accessing new technologies that are required for new product innovations (Anderson et al., 2004). The process of innovation may involve collaborative relationships with
different partners, each offering significant resources such as complementary know-how, subsidies, new technologies, research and training (Zineldin, 2002).

1.1.4 The Motor Vehicle Industry in Kenya
The Motor industry in Kenya is primarily involved in the retail and distribution and after sale service of motor new vehicles. Data by consulting company Pricewaterhouse Coopers (PwC) indicates that the automotive industry in Kenya has for long been dominated by major companies that are responsible for supplying 75% of the entire new car market of new cars in Kenya. However, other vehicle brands are digging in, either establishing assembly plants here or expanding their sales network across the economic community.

Motor Vehicle dealers face intense competition from imported second-hand vehicles, mainly from Japan and United Kingdom. These imports now account for about 90% of the market. More to that, a rather depressed economic environment has made it almost impossible for individuals, small and middle business owners to purchase new vehicles. The Kenya Motor Industry Association (KMI), the representative body of the corporate participants in the motor industry, has been lobbying hard to reverse this trend. Some of these measures have helped the industry recover from its lowest point in 2000, when only 5,869 units were sold. On their part, the companies themselves have become more innovative in responding to customer needs. KMI has advocated for three major measures aimed at salvaging the second the new car sales from competition from the second hand imports. These are: Implementation of strict criteria on importation of second hand vehicles, Incentives to promote local assembling of commercial vehicles and Export incentives aimed at encouraging car manufacturers to expand operations in the region.

1.2 Research Problem
In today's environment, creating sustainable value for customers and shareholders requires creating effective business networks. Increasingly, with rapid wealth growth of emerging global economies, the basis of competitive advantage is changing from internal capacities to network capabilities. According to Nadkarni and Narayanan (2007) what matters is not a company ownership of hard assets but rather its ability to fully utilize
them to capture the worldwide business opportunities. Economic globalization, technical revolution, unutilized opportunities, open international market and its private nature have helped a greater number of companies to realize it is impossible for them to accomplish new market development only with their own resources and techniques. Therefore, they choose to establish strategic business networks in order to gain clear channels through their joint market contracts. By doing so, they can make up for their shortages in technology and manufacturing, perfect the effect of the supply chain, achieve market or scale economy (Thompson, 2006) and strengthen their domestic or international competitive advantage.

The Motor Vehicle Industry in Kenya has witnessed increased competition in the recent past and these has forced companies to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively for their products. A major solution to this challenge would be by accessing more knowledge and competence through networks with other firms. By acquiring knowledge and competence by enforcing inter-organizational relationships, firms in the Motor Vehicle Industry could strengthen their offerings and become attractive competitors on the local market by doing so. Regional competition is making the business environment for these firms extremely competitive and difficult. A firm’s success is dependent on external actors and competencies that are outside their own core competencies; its business network and relationships are central when trying to penetrate new markets. There are some successful firms that reap great success on the regional market, offering solutions that are environmentally sound and efficient. Understanding of a firm’s strategy based on independent and collaborative resources requires a combination of theories and methodologies.

A number of studies have been done on business networking. For instance, in the cargo industry, Velez (2006) researched on the role of strategic alliances as a source of competitive advantage in the airline cargo business - evaluation of SkyTeam cargo and WOW alliance and established that strategic business alliances was on routes, code sharing; block spacing; shareholdings; and franchising and these resulted in them
achieving competitive advantage over its competitors. Nyaga (2010) researched on the business benefits of social networking in gaining leverage among media houses in Kenya and established that it helps the media houses to build social capital and enable them to obtain the critical resources in the form of information, knowledge acquisition and exploitation, financial capital, human capital, and marketing and technological opportunities. On the other hand, Thrikawala (2011) studied on the Impact of Strategic Networks for the Success of SMEs in Sri Lanka and found out that there was a strong impact of network relationships for the success of SMEs in Sri Lanka.

Based on the results of the above mentioned studies, it is evident that business networking yields competitive advantage however how much it yields competitive advantage in the Motor Vehicle Industry in Kenya is yet to be proven. This study therefore seeks to determine how strategic business networking act as a source of competitive advantage in the Motor Vehicle Industry in Kenya.

1.3 Research Objective
The research objective of this study was to determine the role of strategic business networking as a source of competitive advantage in the Motor Vehicle Industry in Kenya.

1.4 Value of the study
This study is of value in the theoretical and practical aspects as well. It acts as source of knowledge and a benchmarking example in business world. The study will be quite enriching to researchers, academic institutions and scholars. This is because it will add to value to their knowledge and enables them to be more informed when considering forming strategic business networking thus make informed decisions and choices. This is mainly so because the study aims to highlight factors unique to strategic business networking in the service industry.

The management of different firms in the Motor Vehicle Industry will establish the value of strategic business networking thus increase the number of networks they enter into so as to achieve competitive advantage over their competitors. Other firms in different industries will use the findings of the study to understand the value of networking. An
additional benefit in this research may include organizations that are looking into entering strategic networking with partners who operate in unrelated businesses so as to overcome competitive challenges. The study will help managers in various organizations understand the subject of strategic business networking in strengthening competitiveness in the service industry and thus may use it as a strategic tool in maximizing competitiveness.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter provides information from publications on topics related to the research problem. It examines what various scholars and authors have said about the role of strategic networking as a source of competitive advantage. The chapter is divided into four main areas: the theoretical framework on the concept business networking, concept of strategy, strategic business networking and the role of business networking as a source of competitive advantage.

2.2 Theoretical Foundation of the Study
The importance of strategic business networking in today’s business environment has been a common point of discussion from several scholars. Different sets of reasons can be found as to why a company should seek for strategic networking in order to compete in today’s open, aggressive markets. For some of them, strategic networking are a ‘must’ in today’s business strategy and are a matter of survival; “Alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today” (Moss, 2004, p.96). Gomes-Casseres state, “the reality of alliances is complex, but their impact on every facet of economic competition is profound. No firm can afford to ignore the use of networking in competitive strategy”.

In the transaction costs theory, the reason for inter organizational cooperation is found in potential for transaction costs reduction for the firms involved (Frey, 2002). On the other hand, the game theory explores the problems of strategic interdependence of firms and using the famous prisoner's dilemma demonstrates the terms in which cooperation leads to better results compared to individual action (Axelrod, 1984) and emphasizes trust as an important element upon which cooperative arrangements are based. In the strategic management literature, firms’ networks are seen as a potential source of competitive advantages for the firms involved. As such, they are defined as "long term purposeful
agreements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantages \textit{vis-à-vis} their competitors outside the network” (Jarillo 2008, p 32).

Resources are defined as: “stocks of knowledge, physical assets, human capital, and other tangible and intangible factors that a business owns or controls, which enable a firm to produce, efficiently and/or effectively, market offerings that have value for some market segments” (Pearce and Robinson, 2007, p. 42). A similar definition is given by Barney (1986) who among others noted that the use of resources has many potential advantages for firms such as the achievement of greater efficiency and therefore lower costs, increased quality and the possibility of greater market share and/or profitability (Grant, 1996).

The resource-based view regards the firm as a cognitive system, which is characterized by idiosyncratic and context-dependent competences that are core to strategic purpose. These are conditioned by hierarchical capabilities, or sets of routines, involved in the management of the firm's core business processes that help to create value. Competences typically involve the development of specialist expertise, and firms may become locked into a trajectory that is difficult to change effectively in the short to medium-term (Amit and Schoemaker, 1993). The premises of the resource-based view is that successful firms develop distinctive capabilities on which their future competitiveness will be based; which capabilities are often idiosyncratic or unique to each firm, and may also be tacit and intangible in nature (such as knowledge) (see Teece \textit{et al.}, 2007).

Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization, or in other words from the astute management of physical and intellectual resources which form the core capability of the business. Teece \textit{et al.} (2007) define core capabilities as “a set of differentiated skills, complementary assets, and routines that provide the basis for a firm’s competitive capacities and sustainable advantage in a particular business”. Such capabilities or core competences are not built on discrete independent skills but are “the synthesis of a variety of skills, technologies and knowledge streams” (Prahalad and Hamel, 1990).
2.3 Competitive Advantage

Real competitive advantage implies companies are able to satisfy customer needs more effectively than their competitors and it is achieved if and when real value is added for customers. A business must add value if it is to be successful. According to Kathuria et al., 2007, the important elements in adding value by a firm will include understanding and being close to customers - in particular understanding their perception of value; a commitment to quality; a high level of all-round service and speedy reaction to competitive opportunities and threats. Small organizations which understand their customers can create competitive advantage and so benefit from higher prices and loyalty of customers. Higher capacity utilization can then help to reduce costs. While it is important to use all resources efficiently and properly; it is also critical to ensure that the potential value of the outputs is maximized by ensuring they fully meet the needs of the customers for whom they are intended. An organization achieves this when it sees its customers´ objectives as its own objectives and enables its customers to easily add more value or, in the case of final consumers, feel they are gaining true value for money (Ross, 2008).

Competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors. It is an advantage an organization has over competitors, gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices (Kathuria et al., 2007). The overall objectives of an organization is to create value for customers, competitive advantage and improved profitability for the financial institutions, the dimensions of value that may be important to customers and the mechanisms whereby competitive advantage and improved profitability can be achieved. Within an organization, customer value is created through collaboration and cooperation to improve efficiency or market effectiveness in ways that are most valuable to key customers. Value is not inherent in products or services, but rather is perceived or experienced by the customer. Therefore, in order to compete through creating customer value, a firm must understand, and deliver the value perceived as important by its customers.
An organization’s competitive advantage is built upon a well-planned and executed strategy that is sustainable. Competitive advantage belong to those organizations that can activate concurrent business processes and core competences that merge infrastructures, share risks and costs, leverage the shortness of today’s product life-cycle, reduce time to market, and gain and anticipate new vistas for competitive leadership (Ross, 2008.) In the competitive context, successful organizations either have a productivity advantage or value advantage, or ideally, a combination of these two. According to Porter (1985), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. This therefore means that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. This can be interpreted to mean that sustained competitive advantage results from strategic assets; which Barney (1991) regards as those that are internally controlled and permit the firm to formulate and implement strategies that expand its efficiency and effectiveness. Competitive advantage is thus dependent not, as traditionally assumed, on such bases as natural resources, technology or economies of scale, since these are increasingly easy to imitate. Rather, competitive advantage is, according to the resource base view, dependent on the valuable, rare, and hard-to-imitate resources that reside within an organization (Stiles and Kulvisaechana, 2004).

2.4 Strategic Business Networking
Wheelen and Hungar (2000, p. 125) state that “a strategic networking is an agreement between firms to do business together in ways that go beyond normal company-to-company dealings, but fall short of a merger or a full partnership”. On their part, Ernst & Bamford (2005) define a business networking as “an agreement between two or more separate companies in which there is shared risk, returns, and control, as well as some operational integration and mutual dependence”. Gomes-Casseres (2003, p.328) presents his definition of business networking as “any governance structure to manage an incomplete contract between separate firms and in which each partner has limited control”, and the same author complements his definition by stating that “an alliance is a way of sharing control over future decisions and governing future negotiations between the firms – it is a recognition that the initial agreement is in some sense incomplete”.

12
The importance of strategic alliances in today’s business environment has been a common point of discussion from several scholars. Different sets of reasons have been identified to explain why a company should seek for strategic alliances in order to compete in today’s open, aggressive markets. For some of them, strategic business networking is a ‘must’ in today’s business strategy and are a matter of survival; “Alliances between companies, whether they are from different parts of the world or different ends of the supply chain, are a fact of life in business today” (Moss, 1994, p.96).

Kleymann and Seristo (2001), present three categories in which benefits from alliances can be classified, being market presence related, resource utilization related and learning of practices. Learning of better practices is, in a way, an indirect source of benefits as it eventually leads to financial benefits either through better utilization of resources or through maximization of revenues. As to market-presence related benefits, alliances have an impact over its member’s revenues allowing them to be present in markets where they wouldn’t participate as a single organization. Concerning resource utilization benefits, it differentiates, for instance, labour productivity, aircraft productivity, and benefits of accruing from lower costs of procured goods and services. Most of the cost reduction potential is in labour costs, whether that labour is in marketing, maintenance, ground handling or flight operations. Other sources of cost reduction are in equipment and property costs, capital costs mainly for aircraft, and expenses paid for third party services such as ground handling. Within marketing, the payment to the distribution channel offers a potential for cost reduction (Kleymann and Seristo).

Button et al. (1998), suggest a number of possible reasons for networking formation for example in the airline industry to include – cost savings, market penetration and retention, financial injection, infrastructure constraints, circumventing institutional constraints and market stability. More specifically, they identified four advantages of business networking and includes: access to new markets by tapping into a partner’s underutilized capacity, traffic feed into established gateways to increase load factors and to improve yield; defense of current markets through seat capacity management of the
shared operations; and costs and economies of scale through resource pooling across operational areas or costs centers, such as sales and marketing, station and ground facilities and purchasing.

Jennings and Beaver (2007) propose that a small firm and its owner-manager or entrepreneur is engaged in network of stakeholders with whom the firm must interact in order to secure its future. Within the firm are employees seeking a variety of benefits or outcomes from the owner-manager including job security, job satisfaction, and career development. Surrounding the firm is a range of other stakeholders including financial institutions, customers, suppliers, local government authorities, and the government. The successful entrepreneur can leverage on this network to secure support, finance, and gain market access and market intelligence. Partnering with customers, employees, suppliers, financial institutions and government agencies is a hallmark of successful small firms (Hall, 1992). A key benefit of networks for the small firm entrepreneurial process is the access to information and advice. For example, ties with capitalists and professional service organizations are a means for tapping into key talent and market information (Freeman, 1999). Beyond the start-up stage, entrepreneurs continue to rely on networks for business information, advice, and problem solving, with some contacts providing multiple resources (Johannisson et al., 2004). Similarly, relationships with distributors, suppliers, competitors, or customers are important conduits of information and know-how.

Van Aken and Weggeman (2000) argue that the exchange of knowledge between lead firms and their suppliers, and between universities and technological companies, are all examples of highly informal innovation networks. Effective networking is especially important for SMEs since it helps overcome the financial and human resource limitations that prevent them from accessing new technologies that are required for new product innovations (Jones et al, 2007). The process of innovation may involve collaborative relationships with different partners, each offering significant resources such as complementary know-how, subsidies, new technologies, research and training (Gemunden et al, 1992).
2.5 Strategic Business Networking and Competitive Advantage

Organizations enter strategic alliances with other enterprises in order to improve their own competitive position using the resources that others posses and/or which can be developed in cooperation with other business subjects. The cooperation between the enterprises creates the new outlook towards the world because it substitutes the enterprise as the basic source of the economic strength. Strategic networking is based on the reciprocity: the partners take over, change or integrate the specific business resources for their own benefit (Cauley de la Sierra, 2004. p. 4). According to Teece (2007), there are four potential benefits that international business may realize from strategic networking and include ease of market entry, shared risks, shared knowledge and expertise and improved synergy.

Risk sharing is another common rationale for undertaking a cooperative arrangement (Winer, 2004). When a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important since competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm’s risks. According to Box and Miller (2011) most firms are competent in some areas and lack expertise in other areas; as such, forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. Thus a learning organization is a growing organization.

According to Potter (2000), the term ‘Strategic’ under strategic network has time dimension and to the importance and impact on members. With regard to time, strategic networks are generally designed with a long time perspective. The analysis of cluster conditions indicates that the membership composition chosen for a strategic network will
have a decisive impact on potential relationship types. When resources are complementary, the bringing together of firms with no or weak previous ties may result in forming supplier-buyer relationship and extended network horizons. In strategic networks made up of firms with similar resources the member firms will rather already have overlapping network horizon the member firms will already have overlapping network horizons and only through observations and comparing that competence development may take place.

Synergy and competitive advantage is yet another advantage that strategic business networking process will yield to the business partners (Timmons, 2004). As compared to entering a market alone, forming a strategic alliance becomes a way to decrease the risk of market entry, international expansion, research and development etc. Competition becomes more effective when partners leverage off each other’s strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. In retail, entering a new market is an expensive and time consuming process. Forming strategic alliances with an established company with a good reputation can help create favorable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. In most of the times, smaller companies can achieve speed to market quicker than bigger, more established companies (Timmons, 2004). Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand.
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction
This chapter explains the design of the research and the data collection and data analysis techniques that were used in the study.

3.2 Research Design
The research design adopted was cross sectional survey design. A cross sectional study looks at data collected across a whole population to provide a snapshot of that population at a single point in time. This design was used for the study as it enabled the researcher to have an insight of the role of strategic business networking as a source of competitive advantage in the entire motor vehicle industry in Kenya.

According to Emory (2005), a survey is feasible when the population is small and variable and hence the researcher was able to cover all the elements of the population. Therefore a survey is considered to be more efficient and economical than observation. In addition, the researcher adopted this researcher design because the study is concerned with univariate questions in which the researcher will ask questions about the size, form distribution and existence of strategic business networking as a source of competitive advantage. This method facilitated the drawing of inferences and help in maintaining the continuity of the research process.

3.3 Target Population
All 17 firms in the Motor industry participated in the research. The selection of the industry players was necessitated by present level of competition being experienced in the sector as well as restrictions faced in the international market. The population size and the sample size of the study was the same thus a census was conducted.

3.4 Data Collection
The study used primary data. The data was collected through a self-administered questionnaire that consisted of structured questions made up of both open and closed
ended questions that were designed to elicit specific responses for qualitative analysis. The questionnaire was made up of three sections namely: Introduction, Business Networking Practices and the Role of Business Networking Practices as a source of competitive advantage. The questionnaires were administered in the organizations offices whereby the researcher targeted respondents in the managerial level specifically in sales departments.

3.5 Reliability and Validity
The research questionnaire was evaluated by a team of university professors to ensure that it was a precise and accurate tool. A test data collection was conducted among several students also to establish on the precision and accuracy variables of the research instrument.

3.6 Data Analysis
The data was analyzed by the use of descriptive statistics so as to summarize and relate variables which were attained from the administered questionnaires. The data was classified, tabulated and summarized using descriptive measures, percentages and frequency distribution tables while tables and graphs were used for presentation of findings. Correlation analysis was also done to establish on various relationships of variables.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
The research objective was to determine the role of strategic business networking as a source of competitive advantage in the Motor Vehicle Industry in Kenya.

This chapter presents the analysis and findings with regard to the objective and discussion of the study. The findings are presented in percentage, frequency distributions, mean and standard deviations. A total of 17 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 17 questionnaires issued out, only 15 were returned back to the researcher. This represented a response rate of 88%.

4.2 Demographic Profile
The demographic information considered in this study was gender of the respondents, level of education, length of continuous service with the motor vehicle company, duration of company existence, ownership of the company and the number of employees in the motor vehicle company.

4.2.1 Respondent Profile
Out of the 15 respondents, 80% were male while 20% were female. 93.3% of the respondents had attained university level while 6.7% of the respondents were tertiary college level holders. The results indicates that majority of the respondents were university degree holders, a clear indication that employees in the motor vehicle industry are mostly university graduates.

6.7% of the respondents had worked in the organization for a period of less than 5 while 93.3% of the respondents indicated that they had worked for a period of a period of 5 to 10 years. Majority of the respondents had worked in the organization for more than 5 years, thus indicating a high level of understanding of the company’s strategic partnership.
4.2.2 Company Profile

It was established that 46.7% of motor vehicle companies have been in operation for over 20 years, 33.3% have been in operation for less than 5 years, 13.3% of the companies have been in operation for 6 to 10 years while 6.7% of the companies have been in operation for 11 to 15 years. These results indicate that the duration in which the motor vehicle companies have been in operation is varied. This enhances the understanding that there is a need to for adoption of strategic business networking as a source of competitive advantage.

It was also established that 60% of the motor vehicle companies are locally owned. 26.7% of the companies are of both local and foreign ownership while 13.3% of the companies are of foreign ownership. These results indicate diverse ownership in the motor vehicle industry.

This research established that 40% of the companies had employees ranging from 51 to 100, 33.3% of the companies had employees ranging from 101 to 200, 26.7% of the companies employees were more than 200. The results indicate that the number of employees varied with different companies and thus the use of strategic networking would be the reason for the companies employing few employees.

4.3 Strategic Business Networking

Strategic business networking allows a company to concentrate on its distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.

The researcher established that 46.7% of motor vehicle companies use value creating network, 33.3% of the companies uses horizontal networks while 20% of the companies indicated that they use vertical integration. The use of different networking strategies by the companies indicates that companies engage in networking that is favorable to their business.

The respondents were requested to indicate the factors that influence strategic business networking success in a five point Likert scale on a range ‘not at all (1)’ to ‘very great extent’ (5). The scores of not at all were taken to represent a variable which had mean
score of 0 to 2.5 on the continuous Likert scale; (0≤ not at all <2.4). The scores of ‘moderate’ were taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: (2.5≤ Moderate Extent. <3.4) and the score of both great extent and very great extent which were generalized to be ‘large extent’ were taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; (3.5≤ Large Extent. <5.0). A standard deviation of >0.7 implied a significant difference on the impact of the variable among respondents. The results generated are presented in Table 4.1.

Table 4.1: Factors Influencing Strategic Business Networking

<table>
<thead>
<tr>
<th>Factors influencing strategic business networking</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using clearly understood roles</td>
<td>4.1892</td>
<td>.6598</td>
</tr>
<tr>
<td>Creating an environment of trust</td>
<td>3.6667</td>
<td>.6172</td>
</tr>
<tr>
<td>Empathizing with for others, even those who are still competitors in other areas</td>
<td>2.2667</td>
<td>.7988</td>
</tr>
<tr>
<td>Having committed senior management</td>
<td>3.8108</td>
<td>.5606</td>
</tr>
<tr>
<td>Having Clearly defined, shared goals and objectives</td>
<td>3.9333</td>
<td>.7037</td>
</tr>
<tr>
<td>Maintaining broad strategic vision</td>
<td>3.9742</td>
<td>.7164</td>
</tr>
<tr>
<td>Communication between partners: maintaining relationships</td>
<td>3.7413</td>
<td>.5936</td>
</tr>
<tr>
<td>Frequent performance feedback</td>
<td>3.8096</td>
<td>.4140</td>
</tr>
</tbody>
</table>

Source: Survey Data, Research Computation (2013)

As shown in Table 4.1, it was established that the factors that influence strategic business networking, in order of extent and impact felt was using clearly understood roles, maintaining broad strategic vision, having clearly defined, shared goals and objectives, having committed senior management, frequent performance feedback, communication between partners: maintaining relationships and creation of an environment of trust. The mean scores of the results generated were 4.1892, 3.9742, 3.9333, 3.8108, 3.8096, 3.7413 and 3.6667 respectively. It was however established that the companies do not empathize with for others, even those who are still competitors in other areas. The mean scores of the results generated for this particular factor was 2.2667. The findings indicate that the success of strategic business networking depends on several factors that need to be adopted by both enterprises in order to realize their objective. The low variation of
standard deviation indicates that the respondents were unanimous on the factors that influence strategic business networking.

4.4 Role of strategic business networking on organizational competitive advantage

Organizations enter strategic alliances with other enterprises in order to improve their own competitive position using the resources that others possess and/or which can be developed in cooperation with other business subjects. The cooperation between the enterprises creates the new outlook towards the world because it substitutes the enterprise as the basic source of the economic strength.

The respondents were requested to indicate on the benefits of strategic business networking to their company. The results generated are shown in Table 4.2.

Table 4.2: Benefits of Strategic Business Networking

<table>
<thead>
<tr>
<th>Benefits of strategic business networking</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of markets (rapid entry into other markets while keeping the cost down)</td>
<td>4.4673</td>
<td>.5070</td>
</tr>
<tr>
<td>Financial risks sharing (New, uncertainty and instability in a particular market, sharing risks becomes particularly important)</td>
<td>3.8016</td>
<td>.7746</td>
</tr>
<tr>
<td>Improve organizational learning (Allow ready access to knowledge and expertise in an area that a company lacks)</td>
<td>3.9333</td>
<td>.8338</td>
</tr>
<tr>
<td>Flexibility development (Ability to introduce novel product or service in short time)</td>
<td>3.8649</td>
<td>.8280</td>
</tr>
<tr>
<td>Better resource utilization (Extension of value-creating resources, which are otherwise unattainable independently)</td>
<td>4.1284</td>
<td>.8280</td>
</tr>
<tr>
<td>Networks contribute to the firm’s innovation process</td>
<td>3.7483</td>
<td>.8280</td>
</tr>
<tr>
<td>Synergy and competitive advantage (Leverage off each other’s strengths, bringing synergy)</td>
<td>3.9667</td>
<td>.8997</td>
</tr>
</tbody>
</table>

Source: Survey Data, Research Computation (2013)

The results in Table 4.2 indicate that the use of strategic business networking results in increase of markets, better resource utilization, synergy and competitive advantage, improve organizational learning, flexibility development, financial risks sharing and firm’s innovation process contribution. These results are in order of extent and impact
felt. The mean scores of the results generated were 4.4673, 4.1284, 3.9667, 3.9333, 3.8649, 3.8016 and 3.7483 respectively. The results indicate that the entry of motor vehicle companies into strategic business networking would enable them to achieve results that would otherwise be difficult to achieve singlehandedly.

### 4.4.2 Ways of Achieving Competitive Advantage

The researcher required respondents to indicate the competitive advantage they achieve as a result of strategic business networking adoption. The results generated are presented in Table 4.3.

**Table 4.3: Ways of Achieving Competitive Advantage**

<table>
<thead>
<tr>
<th>Ways of Achieving Competitive Advantage</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The superior quality of services is a source of competitive advantage</td>
<td>3.7634</td>
<td>.7237</td>
</tr>
<tr>
<td>Company's product and service diversity is a source of competitive advantage</td>
<td>3.8428</td>
<td>.6761</td>
</tr>
<tr>
<td>The firm uses strategic networking that enables the company to access complementary resources and skills that reside in other companies</td>
<td>3.7139</td>
<td>.9856</td>
</tr>
<tr>
<td>Speed of offering the service is one factor that led to achieving competitive advantage</td>
<td>3.6014</td>
<td>.7988</td>
</tr>
<tr>
<td>The firm manages its strategic alliances more effectively than competitors</td>
<td>3.5903</td>
<td>.8338</td>
</tr>
<tr>
<td>Unique resources are a source of sustained competitive advantage in the firm</td>
<td>3.6158</td>
<td>.8468</td>
</tr>
<tr>
<td>The added value is a source of competitive advantage</td>
<td>3.9112</td>
<td>.8280</td>
</tr>
<tr>
<td>The firm create and sustain fruitful collaborations thus giving it a significant competitive advantage</td>
<td>3.8124</td>
<td>.8808</td>
</tr>
<tr>
<td>The firm unique corporate culture enables the firm to achieve competitive advantage over its rivals</td>
<td>3.7586</td>
<td>.8556</td>
</tr>
</tbody>
</table>

*Source: Survey Data, Research Computation (2013)*

As shown in Table 4.3, the ways in which companies in the motor vehicle industry achieve competitive advantage is through added value, company's product and service diversity, creation of fruitful and sustainable collaborations, superior quality of services, firm unique corporate culture, use of strategic networking that enables the company to
access complementary resources and skills that reside in other companies, unique resources, speed of offering the service and the firm managing its strategic alliances more effectively than competitors. The low variation of standard deviation indicates that the respondents were unanimous on the ways in which the motor vehicles companies achieve competitive advantage. These results are in order of extent and impact felt. The mean scores of the results generated were 3.9112, 3.8428, 3.8124, 3.7634, 3.7586, 3.7139, 3.6158, 3.6014 and 3.5903 respectively. The results indicate that the entry of motor vehicle companies into strategic business networking would enable them operate more competitively.

4.5 Pearson and Spearman's Correlations

Correlation analysis was done to establish on various relationships of variables. Pearson’s Correlation analysis is used to establish the relationship between variables such as those between strategic business networking and its effect as a source of competitive advantage to a firm’s operations. Table 4.4 below shows the correlation coefficient generated from the data.
### Table 4.4 Pearson and Spearman’s Correlation Coefficient

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Networking</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.264</td>
<td>.198</td>
<td>.386</td>
<td>.102</td>
<td>.259</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.043</td>
<td>.133</td>
<td>.003</td>
<td>.444</td>
<td>.047</td>
<td>.023</td>
</tr>
<tr>
<td><strong>Market Share</strong></td>
<td>Pearson Correlation</td>
<td>.264</td>
<td>1</td>
<td>.517</td>
<td>.633</td>
<td>.604</td>
<td>.042</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.043</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.754</td>
<td>.284</td>
</tr>
<tr>
<td><strong>Risk Sharing</strong></td>
<td>Pearson Correlation</td>
<td>.198</td>
<td>.517</td>
<td>1</td>
<td>.431</td>
<td>.832</td>
<td>.094</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.133</td>
<td>.000</td>
<td>.001</td>
<td>.000</td>
<td>.479</td>
<td>.039</td>
</tr>
<tr>
<td><strong>Org Learning</strong></td>
<td>Pearson Correlation</td>
<td>.386</td>
<td>.633</td>
<td>.431</td>
<td>1</td>
<td>.139</td>
<td>.169</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.003</td>
<td>.000</td>
<td>.001</td>
<td>.293</td>
<td>.200</td>
<td>.399</td>
</tr>
<tr>
<td><strong>Flexibility</strong></td>
<td>Pearson Correlation</td>
<td>.102</td>
<td>.604</td>
<td>.832</td>
<td>.139</td>
<td>1</td>
<td>.062</td>
</tr>
<tr>
<td><strong>Development</strong></td>
<td>Sig. (2-tailed)</td>
<td>.444</td>
<td>.000</td>
<td>.000</td>
<td>.293</td>
<td>.638</td>
<td>.494</td>
</tr>
<tr>
<td><strong>Resource Utilization</strong></td>
<td>Pearson Correlation</td>
<td>.259</td>
<td>.042</td>
<td>.094</td>
<td>.169</td>
<td>.062</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.047</td>
<td>.754</td>
<td>.479</td>
<td>.200</td>
<td>.638</td>
<td>.119</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Pearson Correlation</td>
<td>.296</td>
<td>.142</td>
<td>.270</td>
<td>.112</td>
<td>.091</td>
<td>.205</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Sig. (2-tailed)</td>
<td>.023</td>
<td>.284</td>
<td>.039</td>
<td>.399</td>
<td>.494</td>
<td>.119</td>
</tr>
</tbody>
</table>

*Source: Survey Data, Research Computation (2013)*

The results show a positive relationship between business networking as a strategy and various parameters that lead to an organization’s competitive advantage. However, there are then key strong relationships that are ranked with higher correlation coefficient values than others. This analysis will focus on those relationships that have a coefficient correlation coefficient of more than ($r = 0.5$). There is a notably strong relationship between the level of risk sharing and risk development with a positive correlation coefficient of ($r = 0.832$). With the firm not cushioning all the possible risks by itself, it is possible for a firm to have the ability to make changes in the product being developed or in how it is developed, even relatively late in development, without being too disruptive. There is a notably strong relationship also with the level of organizational learning and the market share. This means that as the level of a firm’s organizational learning resulting
from the business networking increases, there is a positive correlation \((r= 0.633)\) with the market share. With the firm getting to understand the operations of an industry, new strategies of maintaining and growing the market will be learnt thus giving the firm a competitive advantage. This in itself justifies the outcome of the results. On the other hand the lower correlation ratio \((r= 0.042)\) between the level of resource utilization and the organizations market share is expected. As a firm employs limited resources in furthering its objectives, the market share level will be constrained as well. Another strong relationship that is between the level of flexibility development and market share with a correlation coefficient of \((r= 0.604)\). With the firm being in a position to make changes in the product being developed or in how it is developed, even relatively late in development, without being too disruptive, it is possible for a firm to achieve competitiveness on the grounds’ that they can come up with products that are needed immediately in the market. There is also a fairly strong relationship between the level of risk sharing and market share with a correlation coefficient of \((r= 0.517)\). With the firm not cushioning all the possible risks by itself, it can increase its ability to make changes in the product being developed or in how it is developed, even relatively late in development, without being too disruptive thus in the long run enhancing the firm’s competitiveness.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter provides information on the summary of findings, drawn conclusions, and recommendations by the researcher.

5.2 Summary of Findings
The study shows that majority of the respondents have worked in the organization for a longer period of time and therefore they understand the need of their organization engaging in strategic business networking so as to achieve competitive advantage. The study also establishes the fact that companies in the motor industry are both local and foreign owned. However majority of the companies are locally owned. The study establishes that foreign companies have entered into strategic networking with the local companies leading to companies concentrating on their distinctive competencies, while gathering efficiencies from other firms who are concentrating their efforts in their areas of expertise.

The type of business network adopted by the motor vehicle companies differs though majority of the companies indicate that they use value creating network which create strategic advantage for the entire group. The choice of the company to enter into a strategic business networking with so as to ensure their success depends on using clearly understood roles, maintaining broad strategic vision, having clearly defined, shared goals and objectives, having committed senior management, frequent performance feedback, communication between partners: maintaining relationships and creation of an environment of trust. The companies however do not use empathizing with for others, even those who are still competitors in other areas.

The study established that strategic business networking is formed for a variety of reasons, which include increase of markets, better resource utilization, synergy and competitive advantage, improve organizational learning, flexibility development,
financial risks sharing and firm’s innovation process contribution. In this period of advanced technology and global markets, implementing strategies quickly is essential. Forming business network is often the fastest, most effective method of achieving objectives. Companies must be sure the goals of the networking partner(s) are compatible with their existing businesses goals so as to ensure that their expertise is transferable to the network.

The ways in which the companies achieve competitive advantage through the adoption of strategic business networking was indicated as added value, company's product and service diversity, firm creation and sustainable fruitful collaborations, superior quality of services, firm unique corporate culture, use of strategic networking that enables the company to access complementary resources and skills that reside in other companies, unique resources, speed of offering the service and the firm managing its strategic networks more effectively than competitors. Strategic business networking tend to maintain and improve competitive advantage by making strategic decisions, which are primarily focused on development of new products, services, and processes. Individual resources may not yield to a competitive advantage. It is through the synergistic combination and integration of sets of resources that competitive advantages are formed.

The study also established a positive relationship between strategic business networking and the parameters that enhance competitive advantage. It was established that strategic business networking indeed has a positive relationship with market share, risk sharing, organizational learning, flexibility development, resource utilization, and in the innovation process.

5.3 Conclusion
In the current competitive market, many organizations cannot operate alone without partnering with others. The main agenda is bringing together the resources available from both organizations is to enhance synergy for better operation in the volatile business environment. Intense competition in the market place is forcing organizations to examine different ways by which they could enhance or retain their competitive edge. Strategic
networking is one such option through which an organization can leverage its resources to emerge as an effective competitor. Strategic networking has continued to grow globally but as the same time reports are on the increase on failed strategic relationships. This highlights the need for considering some key factors before embarking on strategic alliance. The utilization of strategic business networking as a source of competitive advantage in today’s world is a reality. No matter the size of the organization or the industry in which it participates, most organizations see in a strategic networking an interesting opportunity of growth, knowledge, efficiency and profitability.

The sources of competitive advantage through inter organizational relationships such as strategic network can be obtained through relation specific assets, knowledge sharing routines, complementary resources and effective governance as firms enter into strategic networks so they can leverage the resources provided by the partner firm. Therefore in order to manage in a competitive environment motor vehicle companies can utilize strategic networking to strengthen their own core competences, to access complementary resources and tacit knowledge and strength market position in a certain industry while reducing costs and risks that would occur had they decided to work alone. Strategic partnership provides opportunities for participants to tap into the resources, knowledge, and skills of their immediate partners in a portfolio of inter-firm agreements. By developing strategic partnership firms shares their excess and/or complementary capabilities and resources with others and create a new entity to get competitive advantages. When alliances are effectively managed, the participating firms can gain several benefits that ultimately bring profitability. Mutual trust and interdependency are increasingly becoming important for cooperation. Firms recognize the value of partnering with companies known for their trustworthiness. In a partnership, when mutual trust exist firms can use the opportunities of maximum utilization of resources. On the other hand, in a formal contractual relationship if there is no trust, extensive monitoring systems are used to controlling purposes. It increases the cost of operations that ultimately hamper the competitiveness of the alliances.
5.4 Recommendations
This study makes several recommendations for policy implementation and also suggest for further research.

5.4.1 Recommendations with Policy Implications
The study established that all the motor vehicle companies engage in different strategic business networking, it is recommended that the in order to improve the chances of success, companies must follow a careful, organized process from start to finish; from strategic conception to partnership termination. It is important to take the time to properly set the strategy for the partnership, to create the optimum structure for the partnership to flourish, to set clear rules of governance, and to monitor the results on a timely basis.

Secondly, the study established that the companies derives competitive advantage as a result of engaging in strategic partnership, it is recommended that the companies considers their partners carefully as the partnership can create indirect costs by blocking the possibility of cooperating with competing companies, thus possibly even denying the company various financing options.

Lastly, the study found out that the motor vehicle companies derive several benefits as a result of strategic business networking however partnership expose the company to its partners, and the unique technologies that it has are sometimes revealed to its partner company, which could later become a competitor or could utilize the fruits of the venture or the know-how better than the startup itself. In addition, strategic partners may often lead the company in directions that serve the partner company better than they do the company itself. It is therefore recommended that the companies should not expose all its competitive resources to other companies as this can work against the company in the long run.

5.4.2 Suggestions for Further Research
The study confined itself to all the motor vehicle companies operating in Kenya and the findings may not be applicable in other sectors as a result of uniqueness of the motor vehicle industry. It is therefore recommended that the study is replicated in other sectors to establish the use of strategic business networking as a source of competitive advantage.
Also strategic business networking is not risk free. If a contract is not developed appropriately, or if a partner misrepresents its competencies or fails to make them available, failure is likely. Risks in strategic partnership and rate of failure should also be an area of interest as far as study work is concerned. Costs not only in economic but also, in social values, environmental and ecological consequences, cultural factors should be considered in the study of strategic partnership.
REFERENCES


Smarta G.K (2004), Strategic groups and rivalrous firm behaviour: Towards a


APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

University of Nairobi

School of Business Studies

Dear Respondent,

I am a postgraduate student in the School of Business Studies, University of Nairobi, conducting a management research paper on strategic business networking as a source of competitive advantage at motor vehicle industry in Kenya.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request your assistance giving me information to the attached interview guide. This information will be treated with strict confidence and is purely for academic purposes. A copy of the final report will be availed to you upon request.

Your assistance and co-operation in this exercise will be highly appreciated.

Yours faithfully,

Felix Njui Ritho
MBA student

Dr. J. Munyoki
Supervisor
APPENDIX II: QUESTIONNAIRE

Part A: Demographic and Respondents Profile

1. Name of the Motor Vehicle
   ............................................................................................................................

2. Gender?
   Male ( )  Female ( )

3. What is your highest level of education qualification?
   a) Post graduate level ( )
   b) University ( )
   c) Tertiary College ( )
   d) Secondary ( )

4. For how long have you worked for the company?
   a) Less than five years ( )
   b) 5-10 years ( )
   c) Over 10 years ( )

5. For how long has your company been in operation in Kenya?
   a) Under 5 years ( )
   b) 6 – 10 years ( )
   c) 11 – 15 years ( )
   d) 16 – 20 years ( )
   e) Over 20 years ( )

6. What is the Ownership base of your Company?
   a) Local ( )
   b) Foreign ( )
   c) Both local and foreign ( )
7. How many employees are in your organization?

   a) 0 – 50  (   )
   b) 51-100  (   )
   c) 101 – 200  (   )
   d) More than 200  (   )

**Part B: Strategic Business Networking**

8. Which of the following business networking strategies does your firm use?

<table>
<thead>
<tr>
<th>Strategy</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical integration (Firms preserve their own firm’s independence)</td>
<td></td>
</tr>
<tr>
<td>Social network (benefit of each other due to loyalty and involvement</td>
<td></td>
</tr>
<tr>
<td>developed through friendship)</td>
<td></td>
</tr>
<tr>
<td>Horizontal networks (Alliances with similar firms in similar markets)</td>
<td></td>
</tr>
<tr>
<td>Value creating networks (Creates strategic advantage for the entire group)</td>
<td></td>
</tr>
<tr>
<td>Market based transactions</td>
<td></td>
</tr>
</tbody>
</table>
9. To what extent does your firm consider the following in order to ensure that its networking succeeds? Tick as appropriate using the guidelines below.

1-Not at all,
2-Small extent,
3-Moderate extent,
4-Great extent,
5-Very great extent.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Using clearly understood roles</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creating an environment of trust</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Empathizing with for others, even those who are still competitors in other areas</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having committed senior management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having Clearly defined, shared goals and objectives</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintaining broad strategic vision</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication between partners: maintaining relationships</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequent performance feedback</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Part C: Role of strategic business networking on Organizational Competitive Advantage

10. To what extent does your firm achieve the following as a result of using strategic business networking? Tick as appropriate using the guidelines below.

1-Not at all,
2-Small extent,
3-Moderate extent,
4-Great extent,
5-Very great extent.

<table>
<thead>
<tr>
<th>Benefits of strategic networking</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of markets (rapid entry into other markets while keeping the cost down)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial risks sharing (New, uncertainty and instability in a particular market, sharing risks becomes particularly important)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve organizational learning (Allow ready access to knowledge and expertise in an area that a company lacks)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexibility development (Ability to introduce novel product or service in short time)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Better resource utilization (Extension of value-creating resources, which are otherwise unattainable independently)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Networks contribute to the firm’s innovation process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synergy and competitive advantage (Leverage off each other’s strengths, bringing synergy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
11. To what extent does your firm achieve the following competitive advantage as a result of adopting a strategic business networking? Tick as appropriate using the guidelines below.

1-Not at all,
2-Small extent,
3-Moderate extent,
4-Great extent,
5-Very great extent.

<table>
<thead>
<tr>
<th>Ways of achieving competitive advantage</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The superior quality of services is a source of competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company's product and service diversity is a source of competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm uses strategic networking that enables the company to access complementary resources and skills that reside in other companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed of offering the service is one factor that led to achieving competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm manages its strategic alliances more effectively than competitors</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unique resources are a source of sustained competitive advantage in the firm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The added value is a source of competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm create and sustain fruitful collaborations thus giving it a significant competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The firm unique corporate culture enables the firm to achieve competitive advantage over its rivals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX III: LIST OF MOTOR VEHICLE FIRMS IN KENYA

Amazon Motors Limited
Bavaria Auto Kenya
Cooper Motors Corporation (CMC)
DT Dobie Kenya
Foton Kenya
GM (General Motors)
Honda Kenya
Hyundai E.A Holdings Ltd
Marshalls East Africa Limited
RMA Group Kenya
Simba Colt Motors
Stantech Motors
Subaru Kenya
Tata Africa Holdings Kenya Limited
Toyota Kenya
TransAfrica Motors (TAM)
Urysia (K) Limited

Source: www.kmi.com/ke/kmi-briefs- 2013