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INFLUENCE OF STRATEGIC ALLIANCES ON ACHIEVEMENT OF COMPETITIVE ADVANTAGE OF EQUITY BANK, KENYA

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Abstract

Organizations of all types of industries and in all parts of the world have elected to form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. The purpose of the study is to examine the influence of strategic alliance on achievement of competitive advantage of Equity Bank. The study was guided by the following specific objectives; to establish the influence of resource fit on achievement of competitive advantage, to determine the influence of economies of scale on achievement of competitive advantage, to determine the role of knowledge management on achievement of competitive advantage and to analyze the influence of risk sharing on achievement of competitive advantage of Equity Bank. The study was guided by Stakeholder Theory, Resource Dependency Theory and Resource Based View Theory. The study used descriptive research technique using a case study design and employ both qualitative and quantitative approaches. The target population of this study was the Kenya based employees who number 500, consisting of top level, middle level and lower level management employees from the corporate strategy, finance, marketing, risk management and legal and regulatory departments. This study employed stratified random sampling technique to get a sample size of 222.The researcher used primary and secondary data. Questionnaires were used to collect primary and secondary data was sourced from Equity Bank and Central Bank of Kenya. The data that was presented in the form of figures, tables, graphs and charts. The study used linear regression model to analyse the data.

Keywords: Strategic Alliances, Achievement, Competitive Advantage

Background of the Study

Strategic alliances are a critical component for the success of any business in the 21st century which is characterized by a highly competitive environment (Parise & Prusak, 2006). Firms in the technology space are particularly impacted by increased competition in the global arena due to the dynamic nature of this industry and they have therefore resulted to strategic alliances in order to be able to develop new products faster, enter new markets and meet the evolving market demand. With the strategic alliance, firms are able to respond to changes in technology with greater efficiency and speed (Sompong *et al* 2014). Business alliances range from informal agreements to formal agreements with lengthy contracts in which the parties may also exchange equities or contribute capital to invest or buy a joint venture (Hunger & Wheelen, 2007). On the other hand, according to Porter (1990), competitive advantage is the ability to earn returns on investment consistently above the average for the industry. 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. Globally, strategic alliance relationships continue to be one of the leading business strategies as a result of increasing competition in the global market (Gleason *et al.*, 2006). Many developed countries like the United States, Japan, United Kingdom and Netherlands employ strategic alliances to acquire technology, access a specific market share, reduce financial risks and acquiring a competitive advantage. For instance, many foreign direct investments such as those made by companies in developed economies like Japan and U.S. in developing economies are completed through equity strategic alliances (Harzing, 2002).

Firms are faced with rapid changing global trends and dramatic economic development, it is always impossible for firms to grow individually. Strategic alliances provide opportunities for participating firms to tap into the resources, knowledge, capabilities and skills of their partners. They offer potential to a firm to leverage its resource capabilities and gain sustainable competitive advantage over its competitors. The increased competition in the Kenyan financial sector has resulted in a situation where financial institutions such as commercial banks and micro-finance institutions (MFIs) are finding it difficult to go it alone (Olweny & Shipho, 2011).

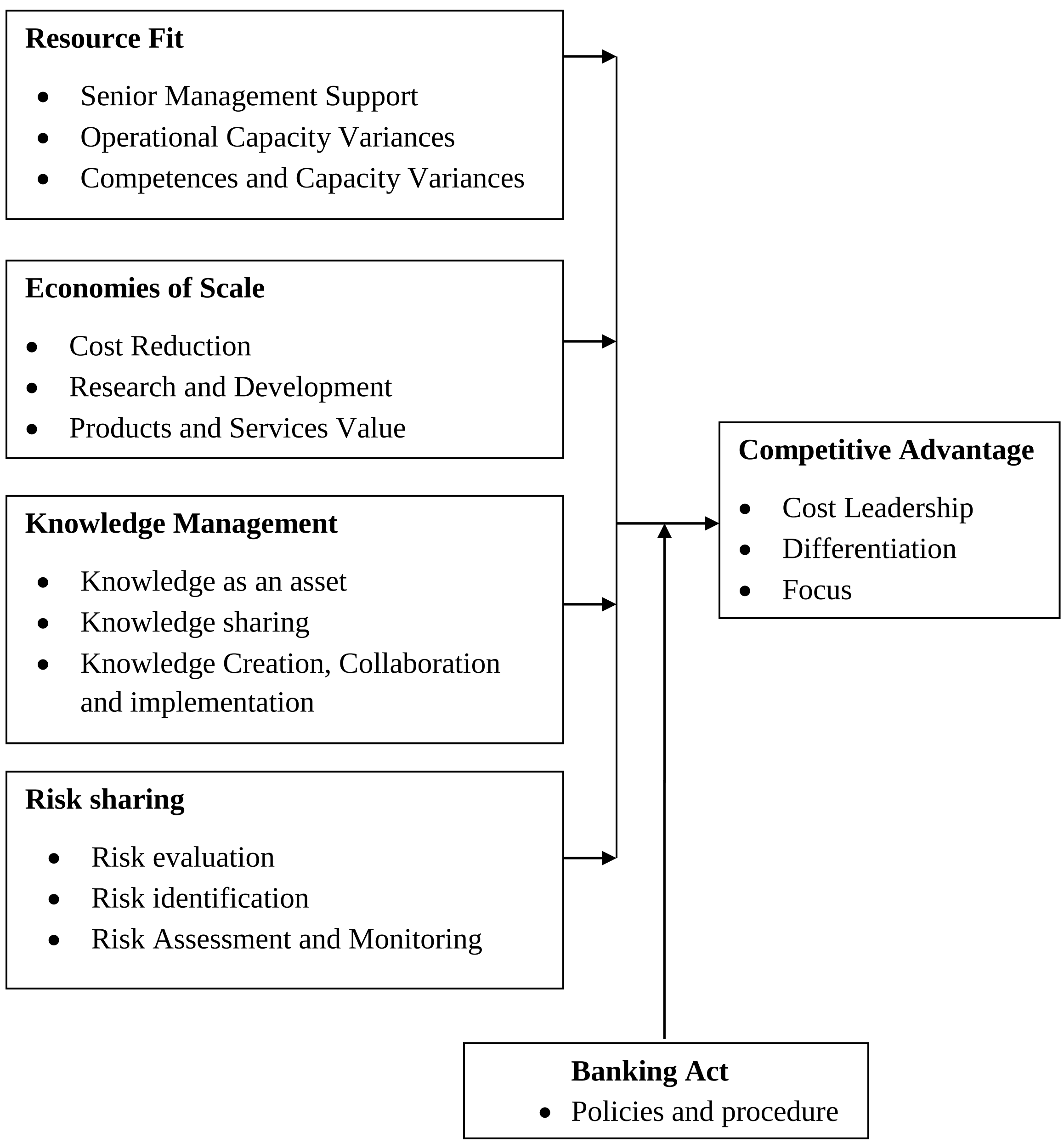
Majority of the commercial banks in Kenya are in strategic alliances with other firms to increase their competitive edge and remain profitable. In Kenya, most banks form strategic alliances in direct response to competition and to reduce future uncertainty. Kenya Commercial Bank has partnered with technology firms such as Kenswitch to increase the number of ATMs and telecommunication firms such as Safaricom for mobile banking and fee collection platforms (Kithinji &Waweru, 2007). It is against this background that the study investigated influence of strategic alliance on achievement of competitive advantage of Equity Bank, Kenya.

Statement of the Problem

Although many institutions rush to form strategic alliances, few have succeeded. It has been projected that the failure rate of strategic alliances could be as high as 70%., probably due to the fact that they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they intended to provide. Alliance termination rates are reportedly over 50%, and in many cases terminating such relationships has resulted in shareholder value destruction for the institutions engaging in alliances. Despite this, the number of organisations getting into strategic alliances continues to surge, hence the need to research on the influence of strategic alliance on achievement of competitive advantages of Equity Bank Kenya.

Conceptual Framework

Strategic Alliance **Competitive Advantage**



Independent Variables Intervening variable Dependent Variable

Figure 1: Conceptual Framework

The above figure 1 shows the relationship between the independent variables of strategic alliance which comprise of resource fit, economies of scale, knowledge management and risk sharing.

The dependent variable is achievement of competitive advantage conceptualised by cost leadership, differentiation and focus. The intervening variable is the banking act.

Research Design

The study used descriptive research technique using a case study design. The researcher employed both quantitative and qualitative approaches since they are both objective and subjective respectively hence giving results that can be compared. The target population of this study was all the Kenya based employees of Equity group, and was composed employees who number 500. They consisted of top level management, middle level management and lower level management employees from the corporate strategy, finance, marketing, risk management and legal and regulatory departments. The table below illustrates the population distribution.

The researcher used questionnaires to collect the data. The respondents are required to respond to each and every question in the questionnaire. The linear regression model that was used was as follows;

$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$ (Error Rate)

Where:-

Y = Achievement of Competitive Advantage

$\beta 0$ = Constant.

β_1, β_2, $\beta_3$and β_4 = Regression Coefficients

ε = Unexplained Variation i.e. error term

X_1 = Resource Fit

X_2 = Economies of Scale

X3 = Knowledge Management

X_4= Risk Sharing

Influence of Resource Fit On Achievement of Competitive Advantage (n=210)

The respondents were asked to indicate the influence of resource fit on achievement of competitive advantage. The findings are as presented below.

Table 1. Influence of Resource Fit on Achievement of Competitive Advantage

Resource Fit		**SD**	**D**	**N**	**A**	**SA**	**Total**	**Means**
The bank's management support is the most important resource in achieving competitive advantage	Freq	19	19	17	120	35	210	3.633
		9	9	8.1	57.1	16.9	100	(72.7%)
	%							
Operational capacity variances in	Freq	36	122	17	18	17	210	2.324

the bank may have not been significant effect on achievement of competitive advantage	%	17	58.4	8.1	8.6	8.1	100	(46.8%)
Competencies and capacity variances are well compensated by the other organizations in the strategic alliance to enhance the achievement of competitive advantage	Freq %	19 9	35 16.7	34 16.3	88 42.1	34 16.3	210 100	3.395 (67.9%)
The bank has expanded its processes in order to achieve competitive advantage	Freq %	32 15.2	102 48.6	14 6.7	27 12.9	35 16.7	210 100	3.329 (66.6%)
The bank offers valuable, rare and imperfectly imitable resources and products as a source of a sustained competitive advantage.	Freq %	14 6.7	27 12.7	29 13.8	114 54.3	26 12.4	210 100	2.471 (49.4%)

According to Table 1, it was clear that 72.7% of the respondents agreed that the bank's management support is the most important resource in achieving competitive advantage with a mean of 3.633 while 46.8% of the respondents agreed that operational capacity variances in the bank may have not been significant effect on achievement of competitive advantage (Mean= 2.324). The findings also revealed that 67.9% of the respondents were of the opinion that competencies and capacity variances are well compensated by the other organizations in the strategic alliance to enhance the achievement of competitive advantage with a mean of 3.395 and 66.6% agreed that the bank has expanded its processes in order to achieve competitive advantage (Mean= 3.329). The remaining 49.4% of the respondents agreed that the bank offers valuable, rare and imperfectly imitable resources and products as a source of a sustained competitive advantage with a mean of 2.471.

Influence of Economies of Scale on Achievement of Competitive Advantage (n=210)

The respondents were asked to indicate the influence of economies of scale on achievement of competitive advantage. The findings are presented below;

Table 2. Influence of Economies of Scale on Achievement of Competitive Advantage

Economies of Scale		**SD**	**D**	**N**	**A**	**SA**	**Total**	**Means**
The bank conducts research to improve on cost efficiency	Freq %	29 13.8	24 11.4	115 54.8	18 8.6	24 11.4	**210** **100**	3.076 (61.5%)
The bank ensures that costs are	Freq	2	9	5	175	19	**210**	3.952

reduced to improve on achievement of competitive advantage	%	1.0	4.3	2.4	83.3	9.1	**100**	(79.0%)
The bank has the ability to utilize the available inputs to provide a broader range of products and services to enhance achievement of competitive advantage	Freq %	12 5.7	116 55.2	41 19.5	14 6.7	27 12.8	**210** **100**	3.343 (66.9%)
The bank has better excess to financial markets hence experiences lower costs of raising capital to improve on competitive advantage	Freq %	15 7.1	17 8.1	118 56.2	24 11.4	36 17.1	**210** **100**	2.767 (55.3%)
The bank is less risky than other firms.	Freq %	**9** 4.29	**17** 8.10	**147** 70.0	**31** 14.8	**6** 2.86	**210** **100**	2.962 (59.2%)

Table 2 shows that 61.5% of the respondents were of the opinion that the bank conducts research to improve on cost efficiency with mean of 3.076 while majority (79.0%) of the respondents agreed that the bank ensures that costs are reduced to improve on achievement of competitive advantage (Mean=3.952). The findings also showed that 66.9% of the respondents were of the opinion that the bank has the ability to utilize the available inputs to provide a broader range of products and services to enhance achievement of competitive advantage with a mean of 3.343 and 55.3% were of the opinion that the bank has better excess to financial markets hence experiences lower costs of raising capital to improve on competitive advantage (Mean=2.767) and the remaining 59.2% of the respondents were of the opinion that the bank is less risky than other firms with a mean of 2.962.

Influence of Knowledge Management on Achievement of Competitive Advantage (n=210)

Table 3 shows the influence of knowledge management on Achievement of competitive advantage. The findings are as presented below;

Table 3 Influence of Knowledge Management on Achievement of Competitive Advantage

Knowledge Management		**SD**	**D**	**N**	**A**	**SA**	**Total**	**Means**
The bank's employees consider their knowledge as an organizational asset to improve on competitive advantage	Freq %	4 1.9	3 1.4	7 3.3	17 8.1	179 85.2	**210** **100**	4.733 (94.6%)
The bank shares its knowledge	Freq	28	24	112	18	28	**210**	3.029

orally at meetings or at informal gatherings to achieve competitive advantage	%	13.3	11.4	53.3	8.6	13.3	**100**	(60.6%)
The bank employs information technology and its tools to support collaborative work	Freq	31	10	12	27	130	**210**	4.024
	%	14.8	4.8	5.7	12.9	61.9	**100**	(80.5%)
The bank supports the exchange of data, information and knowledge among organizational units	Freq	31	11	14	17	137	**210**	4.038
	%	14.7	5.2	6.7	8.1	65.2	**100**	(80.8%)
The general management of the bank promotes cooperation and exchange of experience among the employees to improve on competitive advantage	Freq	**14**	**15**	**115**	**17**	**49**	**210**	3.343
	%	6.7	7.1	57.8	8.1	23.3	**100**	(59.2%)

Table 3 shows that majority (94.6%) of the respondents were of the opinion that the bank's employees consider their knowledge as an organizational asset to improve on competitive advantage as shown by a mean of 4.733.

The findings also shows that 60.6% of the respondents agreed that the bank shares its knowledge orally at meetings or at informal gatherings to achieve competitive advantage as shown by a mean of 3.029 while 80.5% of the respondents agreed that the bank employs information technology and its tools to support collaborative work (Mean=4.024). It was also clear that 80.8% of the respondents were of the opinion that the bank supports the exchange of data, information and knowledge among organizational units with a mean of 4.038 and that 59.2% of the respondents agreed that the general management of the bank promotes cooperation and exchange of experience among the employees to improve on competitive advantage with a mean of 3.343.

Influence of Risk Sharing On Achievement of Competitive Advantage (n=210)

The respondents were asked to indicate the influence of risk sharing on achievement of competitive advantage. The findings are as shown;

Table 4. Influence of Risk Sharing On Achievement of Competitive Advantage

Risk Sharing		**SD**	**D**	**N**	**A**	**SA**	**Total**	**Means**
The bank ensures that risks are evaluated with assumptions and uncertainties being clearly considered and presented	**Freq**	4	13	21	44	128	**210**	4.329
	%	1.90	6.19	10.0	20.9	60.9	**100**	(86.6%)
The bank ensures that the roles	**Freq**	8	5	11	29	157	**210**	4.533

and responsibilities for risk identification are clearly defined	**%**	3.8	2.4	5.2	13.8	74.8	**100**	(90.6%)
The bank venturing into strategic alliance has been able to assess and monitor risks to improve on competitive advantage	**Freq**	35	70	17	53	35	**210**	2.919
	%	16.7	33.3	8.1	25.2	16.7	**100**	(58.3%)
The bank has a mechanism for sharing risks through mitigation to achieve competitive advantag**e**	**Freq**	52	86	17	37	18	**210**	2.443
	%	24.8	41.0	8.1	17.6	8.6	**100**	(48.9%)
The bank has established standards for risks to improve on competitive advantage	**Freq**	53	106	17	17	17	**210**	2.233
	%	25.2	50.5	8.1	8.1	8.1	**100**	(44.7%)

Table 4 shows that 86.6% of the respondents were of the opinion that the bank ensures that risks are evaluated with assumptions and uncertainties being clearly considered and presented as shown by a mean of 4.329 while 90.6% of the respondents were of the opinion that the bank ensures that the roles and responsibilities for risk identification are clearly defined as shown by a mean of 4.533. The findings also showed that 58.3% of the respondents agreed that the bank venturing into strategic alliance has been able to assess and monitor risks to improve on competitive advantage as shown by a mean of 2.919 and 48.9% felt that the bank has a mechanism for sharing risks through mitigation to achieve competitive advantage as shown by a mean of 2.443 and the remaining 44.7% of the respondents were of the respondents accepted that the bank has established standards for risks to improve on competitive advantage (Mean=2.233).

Achievement of Competitive Advantage Indicators (n=210)

Table 5. Achievement of Competitive Advantage Indicators

Competitive Advantage Indicators		**SD**	**D**	**N**	**A**	**SA**	**Total**	**Means**
The bank has improved on cost leadership	**Freq**	17	17	17	88	71	**210**	3.852
	%	8.1	8.1	8.1	41.9	33.8	**100**	(77.0%)
The bank has improved on Differentiation	**Freq**	17	36	18	87	52	**210**	3.576
	%	8.1	17.1	8.6	41.6	24.9	**100**	(71.5%)

There is improved focus in the bank	**Freq** **%**	17 8.1	88 41.9	17 8.1	54 25.7	34 16.2	**210** **100**	3.000 (60.0%)

Table 5 shows that 77% of the respondents were of the opinion that the bank has improved on cost leadership as shown by a mean of 3.852 while 71.5% of the respondents agreed that the bank has improved on differentiation (Mean= 3.576) and the remaining 60.0% agreed that there is improved focus in the bank as shown by a mean of 3.000.

Summary of Findings

So as to come up with key findings from the research and consequently draw conclusions the researcher summarized the research findings,

Influence of Resource Fit on Achievement of Competitive Advantage

From the findings, it was clear that majority (72.7%) of the respondents agreed that the bank's management support is the most important resource in achieving competitive advantage with a mean of 3.633 while a significant number of the respondents agreed that operational capacity variances in the bank may have not been significant effect on achievement of competitive advantage. sustained competitive advantage.

Influence of Economies of Scale on Achievement of Competitive Advantage

The findings revealed that majority (79.0%) of the respondents agreed that the bank ensures that costs are reduced to improve on achievement of competitive advantage (Mean=3.952) while a significant number of the respondents were of the opinion that the bank conducts research to improve on cost efficiency.

Influence of Knowledge Management on Achievement of Competitive Advantage

From the findings majority (94.6%) of the respondents were of the opinion that the bank's employees consider their knowledge as an organizational asset to improve on competitive advantage as shown by a mean of 4.733.

Influence of Risk Sharing on Achievement of Competitive Advantage

The findings revealed that 90.6% of the respondents were of the opinion that the bank ensures that the roles and responsibilities for risk identification are clearly defined as shown by a mean of 4.533. It was also clear that a significant number of the respondentswere of the opinion that the bank ensures that risks are evaluated with assumptions and uncertainties being clearly considered and presented.

Achievement of Competitive Advantage Indicators

The findings also showed that majority (77%) of the respondents were of the opinion that the bank has improved on cost leadership as shown by a mean of 3.852 while a significant number of the respondents agreed that the bank has improved on differentiation and the remaining partly agreed that there is improved focus in the bank.

Conclusion

Influence of Resource Fit on Achievement of Competitive Advantage

It was clear that bank's management support is the most important resource in achieving competitive advantage while a significant number of the respondents agreed that operational capacity variances in the bank may have not been significant effect on achievement of competitive advantage. The findings also revealed that the respondents were of the opinion that competencies and capacity variances are well compensated by the other organizations in the strategic alliance to enhance the achievement of competitive advantage and that the bank has expanded its processes in order to achieve competitive advantage. The remaining partly of the respondents agreed that the bank offers valuable, rare and imperfectly imitable resources and products as a source of a sustained competitive advantage.

Influence of Economies of Scale on Achievement of Competitive Advantage

It was clear that bank ensures that costs are reduced to improve on achievement of competitive advantage while a significant number of the respondents were of the opinion that the bank conducts research to improve on cost efficiency. The findings also showed that the respondents were of the opinion that the bank has the ability to utilize the available inputs to provide a broader range of products and services to enhance achievement of competitive advantage and were of the opinion that the bank has better excess to financial markets hence experiences lower costs of raising capital to improve on competitive advantage and the remaining partly of the respondents were of the opinion that the bank is less risky than other firms.

Influence of Knowledge Management on Achievement of Competitive Advantage

It was established that the bank's employees consider their knowledge as an organizational asset to improve on competitive advantage. The findings also shows that the respondents agreed that the bank shares its knowledge orally at meetings or at informal gatherings to achieve competitive advantage while a significant number of the respondents agreed that the bank employs information technology and its tools to support collaborative work. It was also clear that the respondents were of the opinion that the bank supports the exchange of data, information and knowledge among organizational units and the remaining of the respondents agreed that the general management of the bank promotes cooperation and exchange of experience among the employees to improve on competitive advantage.

Influence of Risk Sharing on Achievement of Competitive Advantage

It was also clear that a significant number of the respondents were of the opinion that the bank ensures that risks are evaluated with assumptions and uncertainties being clearly considered and presented. The findings also showed that the bank venturing into strategic alliance has been able to assess and monitor risks to improve on competitive advantage and felt that the bank has a mechanism for sharing risks through mitigation to achieve competitive advantage and the remaining partly of the respondents were of the respondents accepted that the bank has established standards for risks to improve on competitive advantage.

Achievement of Competitive Advantage Indicators

Achievement of competitive advantage indicators are that the bank has improved on cost leadership while a significant number of the respondents agreed that the bank has improved on differentiation and the remaining partly agreed that there is improved focus in the bank.

Recommendations

Based on the findings of the study, the following recommendations are made;

The study recommends for proper guidance on how all employees can manage their resources to make production both effective and efficient and hence enhance competitive advantage.

Equity Bank management also needs to take advantage of huge numbers of production and consequently gain from economies of scale through cost reduction should be the banks management priority to enhance and improve competitive advantage.

Equity Bank management also needs to define how to incorporate and integrate other knowledge technologies to reap maximum benefits of knowledge management including extranet, e-commerce, and groupware technologies amongst others. A centralized knowledge system will ensure that everyone within an organization has access to the same knowledge at any one given time.

The bank is encouraged to come up with innovative ways to look for and partner with other similar minded organizations so as to benefit from shared risks

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