INFLUENCE OF STRATEGIC ALLIANCES ON PERFORMANCE OF KENYA WOMEN MICROFINANCE BANK LIMITED

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

2019

DECLARATION

STUDENT'S DECLARATION

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

Signature: ……………………… Date: ……………………………………………

MADRINE WAMBUI MUCHANGI

SUPERVISOR'S DECLARATION

This research project has been submitted for examination with our approval as the student Supervisor.

Signature: …………………………………… Date: ……………………………

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DEDICATION

This is work dedicated to God and my family for all the support they gave me during the entire research period. Thanks to all who supported me in the completion of this project, God bless you.

ACKNOWLEDGEMENT

My gratitude is to the almighty God for enabling me complete my studies.

Many thanks to my husband Michael for the support in all ways and my two sons Maxwell and Ian for giving me a chance to study and take care of them at the same time.

My parents and my siblings have been very keen and always encouraging me to finish this project. Many thanks for the love.

To my supervisor, Prof. Aosa, my sincere thanks for the guidance and always being available when I needed to consult and also review my document.

Finally, I am grateful to my participants for their valuable contribution in responding to the questioners.

God Bless you all.

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LIST OF ACRONYMS AND ABBREVIATIONS

AMFI:	Association of Microfinance Institutions of Kenya
CBK:	Central Bank of Kenya
CGAP:	Consultative Group to Assist the Poor
DTM:	Deposit Taking Microfinance
IT:	Information Technology
KWFT:	Kenya Women Finance Trust
MFI:	MicroFinance Institutions
RBT:	Resource-Based Theory
SAD:	Strategic Alliance Dynamism Model
SWOT:	Strength Weaknesses Opportunities Threats
UN:	United Nations
USA:	United States of America

ABSTRACT

Strategic alliances are an important element for the success of any business in the 21st century, which is characterized by a highly competitive environment. It has been projected that the rate of failure of the strategic partnerships could be 70% high, probably due to the fact that they did not satisfy the objectives of their holding firms nor delivered on strategic and operational benefits which they desired to produce. The rates of terminating an alliance have been reported as above 50 per cent. In many instances like termination of such relations has led to destruction of the value of shareholders for firms participating in those alliances. Although many studies have been done on strategic alliances in financial sector few have narrowed down to a microfinance institution. This study therefore sought to fill this research gap by establishing the influence of strategic alliance on performance of Kenya Women Micro Finance Bank Limited. The study was guided by Resource Based Theory, Capability Based View, Resource Dependency Theory and Strategic Alliance Dynamism Model. A case study design that entailed detailed investigation of individuals from the organization was adopted by use of interview guide. The study targeted seven senior managers in the following departments: Finance, Insurance, Information Technology, Legal & Regulatory, Product Development, Credit and Digital Lending. The researcher personally conducted the interviews. Content analysis was applied for analyzing the data. This study concluded that strategic alliances at KWFT are driven by competition, value adding, technology, profitability, joint sales and improved distribution channels. The study concluded Kenya Women MicroFinance Bank Limited used key performance indicators (KPIs) such as loan portfolio growth, profitability, market share and clientele growth. The study revealed that KWFT has continued to register positive growth which can be related to effective and efficient strategic alliances. The study therefore recommended that the structure of the alliance between KWFT and its partners need to be defined in a way that enables mutual balance between competition and co-operation. Senior management should be involved in strategic operations while ensuring clear and common vision to avoid conflict of interest. There should also be clear guidelines which govern the alliance in order to ensure transparency while promoting mutual trust.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

A strategy is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem (Sompong, 2014). An agreement between two organizations working on same horizontal level in the market that share resources to carry out a desired project for which for which both parties have common interest is Strategic Alliance (Ohmae, 2015). Performance is the measure of how well a firm can use assets from its primary mode of business and generate revenues. Over a given period of time the term is used as a general measure of a firm's overall financial health (Rai, 2016).

Strategic alliances are important element for the success of any business in the 21st century, which is characterized by a highly competitive environment (Parise & Prusak, 2016). Organizations in the technology space are particularly impacted by increased competition in the global arena as a result of the vibrant form of this sector 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, organizations have the capacity of responding to the variations in technology with greater efficiency and speed. Strategic alliances as well-known as collaboration or coalitions are one of the strategies which an organization may incorporate to have an advantageous competitive edge (Sompong, 2014).

Strategic alliance relationships are still a leading strategy of businesses because of the rising competition within the market globally (Garcia, 2016). Many developed nations like the US, Japan, UK and Netherlands employ strategic alliances to acquire technology, access a specific market share, and reduce financial risks and acquiring a competitive advantage. For instance, most FDI’s like the ones established by firms in the economies that are quite developed, say, U.S and Japan; in economies that are developing they tend to be completed by means of equity strategic alliances (Harzing, 2014).

From the literature, this study identified four essential theories; Resource based theory; capability based view theory, resource dependency theory and Strategic Alliance Dynamism Model. The four theories clearly emphasize on the need for collaboration between organizations (Ahuja, 2014).

As it continues to support the overall economy Kenya financial sector has grown significantly in size and complexity. Banking, capital markets, insurance, pensions, and savings credit cooperatives are comprised in the sector (Koigi, 2016). Microfinance institutions, money remittances companies, foreign exchange bureaus and development finance institutions are other players.

1.1.1 The Concept of Strategic Alliance

Multi-stakeholder partnerships and public private alliance are prevalent in handling challenges facing social economic development (Maurrasse, 2016). These forms of alliances at times called development partnerships have become quite prevalent from the establishment of UN Millennium Development Goals and adoption of the objectives specifically in nations that are developing.

The inspiration of the partnerships differs from partnership to partnership though the basic purposes for partnering in business with regard to Ernst (2014) involve risks sharing; obtaining accessibility to fresh markets; reduction of costs, globalization; the yearn for acquiring or exiting a trade and preferable regulatory action which mostly partnerships get in comparison to acquisitions and mergers (Kanter, 2014).

1.1.2 Organizational Performance

Ongeti (2014) explained, the performance of a company is related to the financial stability, effectiveness, the firm's relevance and its efficiency. Performance of an organization is the capacity of achieving its set goals through the efficient and effective use of the resources. Effectiveness alludes to the provision of a service or a product which gratifies the needs of the clients whereas efficiency alludes to the manner in which an organization utilizes its resources towards achieving objectives of an organization.

Harzing (2014) suggests, most commonly applied measures of performance of an organization, involve, the organization's productivity, effectiveness and its rating in the industry. He gave the General Electric case in illustrating the said measures that utilizes, the social responsibility, attitude of an employee, market position, leadership of the product, profitability, employee development and productivity as performance measures (Cobb, 2013).

Gittell (2015) explained the important success aspects in the performance of an organization that involve, culture coordination, strategy and leadership. Another used tool in performance measurement is the balanced score card that based on Norton and Kaplan (2001) alludes to measures which give the top most management a very comprehensive and fast business view. It involves financial measures that describe the outcomes of activities that are already pursued and supplements financial processes with the operational processes on satisfaction of customers, innovation, internal processes as well as improvement of the processes of the organization. The difficulty of management of a firm in the world today needs managers to have the capacity of viewing performance in a number of areas concurrently. It gives 4 business perspectives counting internal processes and client perspective; financial, learning and innovation perspective (Norton & Kaplan, 2001).

1.1.3 The Microfinance Industry

Microfinance worldwide has targeted the unbanked and low-income populations. According to the Consultative Group to Assist the Poor (CGAP), a unit of World Bank that is dedicated to microfinance, microfinance is defined as the supply of loans, savings and other basic financial services to the lower income individuals and groups who would not ordinarily be targeted by regular banks (Ahlstrom & Bruton, 2014). The sector was initially dominated by nonprofit, non-governmental organizations, who sought to use microfinance to eliminate poverty.

Some institutions have transformed into fully-fledged banks while others have transformed into financially sustainable microfinance institutions focusing on lending to the small and medium enterprises (Adero, 2014). Microfinance organizations are always faced with the dilemma of either to pursue a social or a profit driven mission. But the urge to sustainably provide their services to their clients as well as give a reasonable return on investment to the investors affects their strategies. The emergence of more innovative products and services, government regulation of the microfinance institutions and the profitability potential of the sector has attracted more investors thereby enhancing great competition (Coopers & Lybrand, 2017).

According to microcredit summit campaign 2015, the number of borrowers served by microfinance institutions has reached 190 million globally. In Kenya, the microfinance industry has seen tremendous growth and resilience (Kumari, 2015). The Kenyan government and Central Bank of Kenya has been emphasizing financial access as key to modernizing economy (Koigi, 2016). Innovative products and services by the microfinance organizations and progressive government policies has seen Kenya’s microfinance sector as one of the most developed in Sub-Sahara Africa.

The most notable developments are the passing of the microfinance act 2006, successful mobile banking the passing of the finance act 2010 allowing for agent banking and effective credit bureaus throughout the country. The ability to maintain low financial and operational expenses ratios has made Kenyan microfinance fairly profitable thus attracting the confidence of many international lenders and investors (Koigi, 2016).

1.1.4 Kenya Women Finance Trust Bank

Financial Experts, Trainers, Managers, Entrepreneurs, Lawyers and Bankers who were women came together in the year 1981. Their goal was establishing a financial Institution committed towards solely addressing women’s need on finances. Actually, their objectives in particular were establishing a bank led by women and serving women. KWFT was set up for providing accessibility to the financial services to female entrepreneurs for purposes of enabling them enhance their economic position and their livelihoods. From its commencement over the past 32 years, KWFT has come to be amongst the very effective microfinance organizations within the nation, having the biggest network of the offices that provide great penetration into urban and rural areas of Kenya.

KWFT continues to enjoy an extra ordinary status in the financial services being the sole institution of financing that only focuses on female customers. It creates a collection of services and products aimed at satisfying the wants of female entrepreneurs. The success of KWFT is grounded on the realization that females are an important market niche which significantly has low access levels towards financial services as compared to the other members of the population.

KWFT has been developed from a small start in the year 1981to an organization that has 800,000 clients and Two hundred and forty-five offices branches across the 45 from the forty-seven Kenyan counties. By end of December 2017, KWFT did have a book loan of Ksh 19.4 Billion, assets worth Ksh 28.9 Billion and Ksh 16.4 Billion deposits.

At around 2005, KWFT began encountering rigid competition from institutions of banking and fresh entrants in the sector of micro-financing. To guarantee its continued survival in the market, KWFT started its process of transformation. It costed the institution 5 years of resources and structure alignment to the CBK's requirements and transforming to a deposit taking microfinance (DTM) in 2010.

The transformation and succeeding supervision by CBK has coerced the organization in investing greatly in human resource towards training its employees on banking. Increased competition and business volumes due to incorporation of bank products has as well made the organization invest a lot in formation and marketing of strategic partnerships, IT and research and development of the product.

1.2 Research Problem

The external environment of business exerts pressure on corporate leaders to develop innovative strategies to cope with the dynamic market conditions and the changing customer needs. Strategic alliance being a technique for performance of the business has become immense as firms struggle to survive, cut down costs and keep growing stronger so as to be competitive (Ulijn, 2015). This challenge requires appropriate theories such as dynamic capabilities of the firm which determines how it can survive while resource dependence theory supports the ability of the firm to leverage on resources of other organization to enhance its performance.

The financial services industry like many more industries work under unstable status within the market, researches in this area give views of which capacities micro-finances need for developing and which amount of resources can be used for navigating the unstable periods of the technology changes and customer expectations (Kelly, 2012).

Although many institutions rush to form strategic alliances, few have succeeded (Rai, 2016). It has been projected that the rate of failure of the strategic partnerships could be 70% high, probably due to the fact that they did not satisfy the objectives of their holding firms nor delivered on strategic and operational benefits which they desired to produce. The rates of terminating an alliance have been reported as above 50 per cent, and for many instances like termination of such relations have led to destruction of the value of shareholders for firms participating in those alliances (Vyas, 2017). Despite this, the number of organizations getting into strategic alliances continues to surge.

A number of researches are conducted on the field of strategic partnerships. Supriyadi (2014) conducted a survey on establishing the impact of strategic alliances on the capability of innovation and performance of Indonesia's garment sector in West Java. The outcomes were, strategic alliances tend to be a key variable which is quite key since it may better the performance of a business both directly and by the innovation capacity.

Hoxtell (2015) carried out a research on business involvement in disaster risk management and humanitarian response. The research revealed, there tends to be various benefits which humanitarian institutions can enjoy through various engagement types with the private industry. Stuart (2012) during a research on rates of innovation and growth in high technology sectors attempted showing, the benefit of group partnerships focuses not very much on the size of the group rather the firm's characteristics which the domestic company is in connection with.

Locally Mugo (2012) investigated competitive intelligence practices which included strategic alliance intelligence, their effects on firms' profitability in the sector of banking, a survey of the Equity Bank. One of the findings was, technology intelligence activities which affect profitability incorporated by Equity was strategic partnerships. Ogega (2010) conducted a project on strategic partnership between Equity Bank and Safaricom in services of money transfer in making efforts of finding out the factors companies need to put partners, it happened to be a win-win state.

Walekhwa (2011) conducted a research on impacts of strategic alliances between Equity Bank and the partners of the bank on decisions concerning marketing. It was concluded that strategic partnerships gather capabilities and competencies for creating collaboration and enabling both partners attain that which they would not have done by any chance, or would have done at a lower efficiency or higher cost.

Although many studies have been done on strategic alliances in financial sector few have narrowed down to a microfinance institution. This study sought to address how KWFT has utilized strategic alliances. The following research question were to be answered by the case study: What's the strategic alliances influence on performances of Kenya Women MicroFinance Bank Limited?

1.3 Objective of the Study

To establish the influence of strategic alliances on performance of Kenya Women MicroFinance Bank Limited.

1.4 Value of the Study

The research will contribute immensely to the policy makers in the financial sector in Kenya. Knowledge on strategic alliances is important because policy makers need to know which partnerships work well and in what situations. Documentation by such research becomes contributory in provision of informed guidelines on policy to a big number of a wide range of stakeholders in business and development world. Development agents such as World Bank; World Food Programme and Africa Development Bank require a wide range of information on strategic alliances to assist them in decision making of the areas to support. They therefore can apply this research as a reference point.

This research contributes more empirical information to the knowledge body in dynamic capability and resource dependence theories in strategic management. Proponents of the two theories have recommended further exploration on the theories to find some strategic fit as the business environment keep changing hence the need to advance the existing theories. Partakers in the sector of financing require this research finding for determining means of establishing success partnerships. The outcome of the analysis on the strategic alliances provides insights on the performance which would inform future partnership engagements.

The study provides reference materials for scholars who wish to study different types of strategic alliances approach for a win-win situation in business as well as in social development work. Investors can use knowledge gathered through this study to identify organization they can partner with KWFT bank can benefit from this study because it has documented some information which may not be available to the organization.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

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

2.2 Theoretical Foundation

Below are the theories related to strategic alliances and performance; the four theories discussed include; Resource Based Theory, Capability Based View, Resource Dependency Theory and Strategic Alliance Dynamism Model.

2.2.1 Resource Based Theory

The theory basis is seen in Penrose work in mid-20th century (1959) which regarded an organization as the managerial organization and a group of the dynamic resources, both the human and the physical. The view of this theory points out that the resources of an organization that are valuable are mostly scarce, not perfectly imitable, and do not have direct alternatives (Peteraf, 1993; Barney, 1991) Therefore, the accumulation and trading of the resources tends to be a necessary strategy.

Kumar and Mas (2018), institutions of financing are identifying the capacity of getting volumes of potential clients, particularly the population of the rural region that is about 60% and over of the general population of Africa and does not have accessibility to services of banking. There is still under-development of the rural financial institutions branch network, nevertheless, because 50% an over of Africa's grownup population has accessibility to mobile phones, mobile banking can give the population in rural areas room for accessing institutions of financing and providers of the telephone service are establishing productive mechanisms of connecting the populations that are not served to the formal sector by use of the telephone (Kelly, 2012).

This theory is applicable in cost management. For institutions of financing, the major benefits of the partnership with mobile phone service providers are based on its managerial experience in forming partnerships and taking advantage of the competing technology introduced by mobile providers due to its capabilities to reach everywhere. The managerial knowhow on the competing technological power is transformation of the financial side of delivery of services, particularly through reduction of financial dealings costs. Banking through the mobile is a very powerful means of delivering financial institutions deposit mobilization services to the many potential customers in Kenya that own a phone though do not have an account in a bank.

2.2.2 The Capability-Based View

Grant (1991) posited, capacities tend to be sources of an advantageous competitive edge and the resources tend to be the roots of capacities. Shoemaker and Amit (1993) pointed out a correspondent position and outline, there’s no impact created by resources on a company’s constant competitive benefits, though its capacities do. Hansen and Haas (2005), did support the essence of capacities and indicate that a company may obtain an advantageous competitive edge from the capacity of applying its capacities to do essential activities in that company.

Grant (2016) categorizes capacity into four classes. Specialized, Cross-functional, activity-related and broad-functional capabilities; Stuart (2012) stressed the essence of learning in an organization. They contend that capacities and learning in an organization clearly and indirectly tend to be part of the firm's strategy. The idea of vibrant capabilities is key for businesses in Micro financing since the surroundings where enterprises works are not certain therefore require coping of the firms to the changes in the environment (Lewis, 2016).

Companies apply various mechanisms in building dynamic capabilities relying on the conditions that are prevailing and the firm's objectives. A company can use the strategy of outsourcing part of its operations where it is quite efficient and cheaper. That way, the company can concentrate easily on the main activities and focus on the mission and the vision of the firm. By doing so, the company can cope easily to the surrounding and effectively compete with the rivals (Kumar & Mas, 2018).

2.2.3 Resource Dependence Theory

In developing this theory Salancik and Pfeffer (1978) past environmental literature was used. This theory is grounded on the impression, environments tend to be causatives of limited resources and firms tend to rely on these limited resources in order to survive. Lacking control over those resources therefore brings about uncertainty to the firms that operate in that atmosphere. It is a must for forms to come up with a means of resources exploitation, that are as well being looked for by the rest of the companies, so as to make sure they will survive. Salancik & Pfeffer (1978) identified three aspects influencing the organization's dependence level on certain resources.

Despite that the decisions by the executive carry more weight as compared to the ones made by non-members of the executive; generally, the latter has a greater impact to the organization. This theory upholds firms are insufficient of resources; they aim at acquiring and sustaining resources from outside (external) sources. The control of these resources is done by the external players that put forth demands towards the firm. These players recognize specific benefits in their relations with the firm and use their power by controlling the resources (Pfeffer & Salancik, 1978).

This theory is applicable in cost management. For institutions of financing, the major merits of the partnership with mobile phone service providers depends on in its managerial experience in forming partnerships and taking advantage of the competing technology introduced by mobile providers due to its capabilities to reach everywhere. The managerial knowhow on the competing technological power is changing the financials of delivery of service, particularly through costs reduction of the financial dealings.

2.2.4 Strategic Alliance Dynamism Model (SAD)

Diallo (2012) suggested a conceptual framework which will be applied in studying development of strategic partnerships between firms. The writer established a 3D framework referred to as the dynamism of strategic alliance (DePamphilis, 2017). For purpose of understanding the impacts of the alliances amongst firms, the model of SAD may be applied. Here, a number of elements which describe alliances amongst the commercial banks and the providers of mobile services on performance of banks are applied.

Friendlier environment leads to successful alliance. Companies should look for partners who enable a friendly rather than a holistic working relationship. Reduction of growth or fail is brought by development of hostility during partnership. Strategic alliance success is undermined by passive relationship. To improve the relationship pursuing proactive measures is important (Das, 2012)

2.3 Strategic Alliances in Organizations

Strategic alliance has been referred to as the organization between two firms for helping each one of them in working in collaboration and making it simpler to attain those things that they desire to attain. Vonortas (2015) describes business strategic alliance as the inter firm relations that are short of complete mergers but are deeper than arm's-length market exchanges. He further asserts that these relationships include joint dependences and mutual making of decisions amongst one or many independent companies and that their rate of formation has progressively increased since the late 1970s.

According to Vonortas (2015), core competence is the process where a firm identifies those functions that it can do best within its capacity of resources and outsource those that it cannot do for reasons of costs or competence. Organizations may find it easier to get finance, skills, innovation or access to market through cooperation with another organization (Johnson & Scholes, 1999). The capacity of a company in frequently creating products that are innovative and intensively improving and enhancing the value of the firm relies on effective cooperation with the alliances from different sectors and technological domain and these collaborations are in form of strategic alliances (Andrevski, 2014). This way, an organization gains resources or expertise which on its own will be lacking and making strategic partnerships ideal for competitive advantage.

There's no proper treatment for every organization, though what triumphs rather is the reason of strategies of a company that are consistent customized to the opportunities and resources of a firm (Collins & Montgomery, 2016). There are a variety of partnership arrangements where some are formalized inter organizational relationships while others are loose arrangements of cooperation and informal networking between organizations (Johnson & Scholes, 1999). Strategic alliance can also take the form of business to business partnership or public private partnership where it involves other stakeholders such as government, development partners and communities.

2.4 Motivation of Strategic Alliances

There are a number of benefits of establishing strategic alliances (Grant, 2013). Depamphilis (2016), the inspirations of partnerships would be the sharing of risks or getting fresh market. He declares, for mitigating risks, mostly firms join partnerships for gaining accessibility to technology and the limited resources or reducing the resources which they could have used in case they were doing it solely. At times, it might be for purposes of sharing a reasonable outlay of capital or securing the supply source.

D'Aveni (2014) declares, technology tends to be a dynamic which has shifted the background of competition because firms are supposed to continue to innovate so as to satisfy the price and quality of services and goods. Lyles (2017) based on the idea of development partnerships have referred to partnerships as being an essentially challenging means to get things fixed in which through definition, need two or more actors perhaps with varying strengths and interests to collaborate for purposes of identifying means of using extraordinary strengths of every firm for purposes of accomplishing an objective which aligns with the organization's objectives.

2.5 Critical Success Factors for Strategic Alliances

As a result of difficulty in the management of partnerships, there tends to be a number of factors which re supposed to be considered in order to have an effective alliance.

Child (2011) argue, the aspect for effectiveness involve synergy that is mostly shown by attributes which complement the present strengths or do or counterbalance substantial weaknesses. The strengths are scope, economies of scale, accessibility to new goods or expertise and proprietary expertise. Another aspect is cooperation which consists of the capacity of agreeing on issues mostly grounded on the similarities of the ethics, goals, operational practices and philosophies.

Clear definition of the purpose with properly defined responsibilities are key aspects since they assist on tasks execution where everybody has clarity of what they are supposed to do (Cobb, 2013). Accountability as an aspect, deals with the holding accountable of the ones tasked with certain responsibilities of their deeds with transparent systems of rewards for improved performance and equivalent measure on failing to perform. The win-win status refers to where every partner in the partnership are in a belief that they tend to benefit from that association through attaining the objectives they have set in friendly time boundaries and the financial earnings.

2.6 Challenges of Strategic Alliances

According to Johansson (2017), lack of unclear objectives and goals has caused numerous strategic partnerships to demise since they were formed for the wrong reasons. For example, some firms enter in a partnership for combating industry rivals thinking that this is going to discourage competition. This may not be the case since the action is going to show that challenges are present in the firms which are joining and as a result the company will be on the limelight leading to increased competition.

The risk of performance is the possibility that a partnership is going to fail even where alliances fully dedicate themselves to that alliance. The risk of performance based on a research by Teng and Das (2016) come from these sources; environmental aspects, like the recession in an economy, changes of policies by the government and wars; market aspects like; severe competition and fluctuations in demand, internal factors like incompetence in vital areas or absolute bad luck.

Kanter (2014) targets the shirking risks and theft of technology. A very significant source of the moral hazard risk in partnerships is the consecutive performance responsibility of partners. Typically, the risk is dealt with through a number of contractual approaches. For instance, the biggest partner in the alliance mostly contributes a noteworthy investment in the partner who is smaller. After first investment, performance is a noticeable characteristic of many partnership agreements. Owns distinct assets that, despite being committed to the partnership, are substance to exclusive control of partners in an alliance and relapse for separating partners on dissolution, establishing the partnership for purposes of facilitating the collaboration of the two partners is key.

2.7 Empirical Studies and Research Gaps

Empirical studies are those that use existing evidence through observations or experience and which can be analyzed qualitatively or quantitatively. How complex the environment of business has become has made it necessary for many studies to be conducted in the area of strategic alliances.

Diallo (2012) did a study on how effective are the strategies of coping by the commercial banks to Senegal’s environmental dynamics. The outcomes indicated, the strategic responses used by the banks included, innovation of their product, strategic partnerships, mergers and differentiation. Banks that did employ those strategies happened to have effective operations and therefore, were capable of retaining a large volume of customers. Kasekendi (2013) discovered, incorporation of strategic responses gave the manufacturing companies room for adapting efficiently to the environment that kept changing. This did make it simple for those companies to continue recording profitability and better sales volume. A robust relation was discovered between the performance of the organization and the strategic responses.

Fasogbon and Akinyele (2016) assessed how strategic responses affect the performance of service companies in Lagos, Nigeria. The research discovered innovation of products and strategic partnership was of influence to the performance of the company. Adoption of innovation of a product resulted to a rise in sales because clients did get quality goods that were hard to be imitated by the rivals. The outcomes showed, strategic partnerships enhance collaboration between companies. It as well broadened the range of services and products that was offered to clients giving room for most clients to reach the products.

Mohammed (2014) did a study on the association amidst the strategic responses and how manufacturing companies in Tanzania's Dar-es Salaam performed. The research employed the cross-sectional design, ninety-six managers underwent the interview, it got discovered, most common strategies of responses incorporated by companies were strategic partnerships, innovation of products, differentiation and mergers. Incorporation of such responses was seen as adding value to enhanced and better performance.

For Kenya, the responses strategy has continued to attract the rising attention being an instrument of enhancing performance. Other researches have been conducted relating to the responses strategy and the performance. Mugo (2012) carried out a research on the responses strategy applied by Kenya's pharmaceutical manufacturing companies.

Collection of data was done using questionnaires, the research employed a cross-section design. Semi structured questionnaires was used for collection of primary data. The outcomes discovered, strategic alliances, marketing and pricing happened to be the most applied tactics in the Pharmaceutical companies for purposes of maintaining an advantageous competitive edge.

Ogego (2012) carried out an investigation of responses strategy applied by the NIC bank. Five heads of departments underwent an interview and analysis of data by use of content analysis. The outcomes showed, diversification and differentiation were major responses strategies applied by the NIC bank. Rai (2013) surveyed the responses strategy incorporated by the agrochemical companies. The research employed a descriptive survey for finding out responses strategy incorporated and how they contributed to the performance of the organization. Unstructured form of questionnaires used to collect primary data and later administered by use of pick and drop.

Walekhwa (2011) during a research between Equity Bank and the partners to the bank on how partnerships affect making of decisions did recommend additional research on agency banking. These researches indicate, there is still gaps in the knowledge body which needs additional studies in innovations of how partnerships are organized and the ways organizations conform themselves in responding to emergent needs. In addition, Adero (2014) conducted a research of establishing the impact of strategic alliances between large and small business in Equity bank and discovered, while partnership happens to be a good alternative, small companies require more information ahead of joining partnerships. A recommendation was, more researches to be carried out on operation and regulation of the agency banking.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used to meet the stated objectives in the study topic. The research design, methods of collecting data, techniques of analyzing used in and presenting data are hereby discussed.

3.2 Research Design

Detailed case study investigation of individuals from the organization through use of interview guide was adopted. A case study enables a researcher to gather comprehensive data on the population being investigated. The case study research design is necessary in cases where a comprehensive analysis of one unit is intended as they provide a valuable and focused view into phenomenon that otherwise would be wrongly and vaguely known.

It was therefore necessary to seek various clarifications on important issues that probably would have not been formally laid bare by the interviewees. A case study on KWFT bank was applied to determine the effects of strategic alliance on performance by probing motives and challenges faced by the organization.

3.3 Data Collection

To investigate the effects of strategic alliance on performance in KWFT bank, the study targeted seven senior managers in the following departments: Finance, Insurance, Information Technology, Legal & Regulatory, Product Development, Credit and Digital Lending. These senior managers charged with duty of formulation, implementation and evaluation of strategic management within the micro-finance. The researcher personally conducted the interviews.

In getting detailed information on the area under investigation an interview guide was used. Open-ended questions were used in the interview guide to measure sensitivity or disapproval behavior, discover salience and encourage natural modes of expression. Study objectives were prepared in line with the literature review and study objectives pre-tested before the main exercise of collecting data. Secondary data was gathered from newspapers, research reports, books, journals, websites and other bank documents that provide additional information, primary data augment.

3.4 Data Analysis

In analyzing the data content analysis was used. It is a technique of qualitative research facilitates the summary of words into less content classes according to the set coding rules. It gives the researcher a room for sifting through big data volumes with comparative ease in an orderly style. It provided a qualitative image of the feelings, attitudes, ideas and concerns of respondents.

It was protected from selective concept perception. Thus, there is going to be enhanced validity and reliability. The researcher is going to make a summary of the different opinions, measure the consensus level or variances shown by respondents and blend the patterns and the themes, which emerged. This enabled development of reassuring evidence for the findings and conclusions.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The interpretation and presentation of the findings obtained from the field are discussed in this chapter. The chapter presents the background information of the respondents and findings of the analysis based on the objectives of the study. Content analysis was used to analyse qualitative data and presented in various thematic.

4.2 Demographic Information

4.2.1 Interviewees Position at KWFT

The study wanted to establish the various positions held by the respondents. Results given show that Interviewees held various position in the following departments: Finance, Insurance, Information Technology, Legal & Regulatory, Product Development, Credit and Digital Leading. It is evident the entire senior employees targeted were well involved the study process as drawn from the study.

4.2.2 Working duration with KWFT

Interviewees were required to indicate their working duration with Kenya Women MicroFinance Bank Limited. Majority of the respondent elaborated that they had served there for more than ten years, others six years the least indicated have served for a period between one and five years. A considerable period of time was served by most of the employees making them in position to give incredible information based on their years of experience in the sector.

4.2.3 Period of service in the current position in the microfinance

The study further required interviewees to specify their period of service in the current position in the microfinance. Respondent had served in the current position in a period of six to ten years, others five to ten years and others five years according to the result obtained, implying they were in a position to give reliable information based on experience their current position.

4.2.4 Highest Academic Qualification

Participants were required to specify their highest educational qualifications, information given show that interviewees held various academic qualifications with the highest holding Masters and least bachelor's degree. This shows that all the respondents were well educated and that all were in a position to respond to research questions with easy.

4.3 Influence of Strategic Alliance on performance of Kenya Women MicroFinance Bank Limited

4.3.1 The kind of strategic Alliances made by KWFT

Reports given by interviewee's show that KWFT had has entered into various strategic alliances with various parties in order to diversify their outcomes and products. Among the major alliances noted by the respondents include KWFT partnering with various insurance companies through KWFT Insurance Agency which is a subsidiary of KWFT Microfinance Bank.

Safaricom and other local telephone service provider, recently entered into and form a strategic alliance with KWFT, to facilitate their M-Pesa and other mobile service which are widely used in sending and receiving money locally. KWFT signed a deal with Kenswitch which is independent ATMs back borne providers to enhance KWFT penetration into areas without physical banking facilities.

KWFT has also partnered with other local supplies who do supplies for the Microfinance programmes. Some of the supplies includes but not limited to: Plastic Tanks, energy saving solar panel, energy saving Jikos and affordable mobile phones among others. The supplies are usually meant to improve the client’s standard of living.

4.3.2 Key Reasons for Alliances at KWFT

The study inquired on the key reasons as to why the KWFT formed strategic Alliances. From the interviews, the reason for information of strategic alliances was to enable companies access greater markets, reduce risks and operational costs, efficient service delivery, improve the living standards of the clients, remain competitive and hence improve on their profitability.

The study further revealed that technology transfers was also a reason for KWFT entering into strategic alliances The findings were supported by Porter, (2005) who demonstrated that achieving competitive resources and a competitive advantage foster formation of strategic alliances between organizations.

4.3.3 Period Which Strategic Alliances by KWFT Will Last

Period which strategic alliances by KWFT would last was sought to be established in the study. In response, interviewees indicated that strategic alliances are neither going to end soon. According to one of digital and credit lending manager, the longevity with strategic alliances between partners is firmly founded on the diversity with partners' characteristics, terms and condition governing the partnership and market trends.

However, participants reported that KWFT was keen to laying infrastructure that will ultimately see the organization become self-independent in facing competitiveness and adjusting to all market dynamics. The findings are in line with those of Brian (2014) stating strategic alliances only thrive in in harmony and trust environment not duly considering corporate flexibility and core competencies as essentials

4.3.4 Extent to which Strategic Alliance Contribute to Performance of KWFT

Interviewees reported that strategic alliance contributes positively towards the performance of KWFT. The respondents further stated that strategic Alliance made by Kenya Women MicroFinance Bank Limited accorded the organization an opportunity to access changes towards the expected goals.

Interviewees reported a number of opportunities for growth particularly through strategic alliances and expansion into new markets, innovative technologies to improve on service delivery for the customer and new investment products in the banking industry. The finding concurred with Uddin & Akhter, (2011) who found that cooperation agreements which results from alliance between organizations structured to promote competitive firm and cooperative associations allow partners to focus on best achievable tasks in order to achieve design vision and provide value to stakeholders.

4.3.5 Strategic Alliances Benefits for the Partner Companies

Interviewees reported several benefits that both firms reaped numerous benefits in that their customers could wider access to financial services, wider distribution channels, choice of convenience and flexibility and one stop banking shop which increased organizational portability directly.

According to one of the legal and regulatory officer, alliance between organizations structured to promote competitive firm and cooperative associations allow partners to focus on best achievable tasks in order to achieve design vision and provide value to stakeholders. The findings agreed with Harrigan (2014) who observed that for a strategic alliance to succeed, at least a medium strategic significance should exist between the respective strategic partners.

4.3.6 Disadvantages that Company Gets After partnering in a Strategic Alliance

Interviewee reported numerous disadvantages associated with strategic alliances, for instance that Strategic alliances require firms to share resources and profits, and often require organizations to share knowledge and skills as well. Sharing knowledge and skills can be problematic if they involve trade secrets. Another interviewee in the ICT department elaborated that when the decision powers are distributed very uneven, the weaker alliance partner may be compelled to act in line with the will of the more powerful partners even if it is actually not willing to do.

It was also reported that differences in management styles present a big challenge between allies. Obstacle to success in alliance is failing to adjust and understand new style of management. To run successful alliance adjustment is needed in management style. On good will, interviewee reported that when firms create alliances with other organizations, reputation can be harmed by other business' poor public relation.

Interviewee reported, assigned task is controlled by partners in alliance. The result of an alliance activity cannot be controlled by any partner. According to one Finance manager if the alliance partner refuses business may not be able to use its own time-tested technology.

4.3.7 Measures of performances used by KWFT

Participants were required to elaborate on the measures of performances used in bank. Interviewee reported that the bank used key performance indicators (KPIs) such as loan portfolio growth, profitability, market share and clientele growth. To assess quality interviewees reported that KWFT used client survey score, average time to close issues, new account setup error rate and number of accounts opened.

4.3.8 Factors Leading to Success formation of Strategic Alliance at KWFT

Interviewees were required indicate some of the factors that has led to the success of the strategic alliance between Kenya Women MicroFinance Bank Limited and its partners. Interviewees reported that success of Kenya Women MicroFinance Bank Limited and its partners is based on sharing teamwork, goals, trust and communication. The findings agreed with Lewis (2012) who observed that successful building of trust among the partner organization was critical factors of a successful alliance.

Other factors favoring Success Strategic Alliance between KWFT and other partners include clearly defined Mutual goals linked to profitability for the parties, existence of defined process with details to eliminate redundancies, quantitative performance measure tools used to measure the success of alliance achievement against established goals availability.

When changes occur performance measures based incentives for partners are tied to specific benchmarks and well documented proactive focus on improving the process. According to Phillip (2013) the critical success factors for strategic alliance is post formation of evaluation stage that include supervising the alliance to standardized basis to realize the perceived worth, selection of suitable strategic partner, designing and getting up appropriate authority and control to take care of alliances,

4.3.9 Factors That Negatively Affect Operation of the Alliance

Interviewees were required indicate the factors that negatively affect or hinder the operation of the alliance, they listed environmental aspects, like the recession in an economy, changes of policies by the government and wars; market aspects like; severe competition and fluctuations in demand, internal factors like incompetence.

On internal factors negatively affect strategic alliances, the interviewees mention that unhealthy competition between partners, sabotage of strategic alliance procedures by either party, failure to share loss, unequal sharing of profits and lack of commitment hinder success of strategic alliance between the organizations.

4.3.10 Performance of KWFT for the Last 5 Years

Interviewees were required to rate performance banks microfinance for the last 5 years. Reports given revealed that KWFT has continuously registered positive results of overall performance as measured through increase its market share, reduction in cost of operations, enhanced competitiveness position in the market, increase in number of customers and increase profitability level.

4.3.11 Measures set by KWFT to evaluate partner on its performance

Interviewees reported that KWFT undertakes continuous value capture through knowledge sharing, it also tries to learn and internalize new or deficient skills and technologies from the partner, thereby building new competencies required for future business. The KWFT conducts proper scrutinizing in selecting suitable strategic partners. KWFT checks on Partners value and skills each brings to the alliance and that KWFT undertakes establishment of strategic fit and complementary structures. Establishment appropriate scope, other measures reported include development-oriented support for outreach through agents, and win-win partnership for all the stakeholders and that KWFT is involved in value creation to leverage unique resources and capabilities of the strategic partners.

4.4 Discussions

From the findings, it’s clear that that KWFT has entered into various strategic alliances with various parties in order to diversify their outcomes and products. Among the major alliances noted by the respondents include KWFT partnering with various insurance companies, local telephone service provider, independent ATMs back borne providers and other suppliers including Plastic Tanks suppliers, energy saving solar panel suppliers, energy saving Jikos suppliers and affordable mobile phones suppliers among others. The alliances have led to high profitability posting by the institution and efficient service delivery to its customers.

These findings are in line with those of Kumar and Mas, (2018) who revealed that an organization can use strategic alliances as a part of its operations. That way, the organization can concentrate easily on the main activities and focus on the mission and the vision of the firm. By doing so, the organization can cope easily to the surrounding, effectively compete with the rivals and achieve higher performance levels in terms of productivity and profitability.

The study further revealed that strategic alliance contributes positively towards the performance of KWFT. Strategic Alliance made by Kenya Women MicroFinance Bank Limited accorded the organization an opportunity to access changes towards the expected goals. The findings concur with those of Kasekendi (2013) who discovered, that incorporation of strategic alliances gave the companies room for adapting efficiently to the environment that kept changing. This did make it simple for those companies to continue recording profitability and better sales volume.

The findings are also in line with Walekhwa (2011) study which found out that strategic partnerships gather capabilities and competencies for creating collaboration and enabling both partners attain that which they would not have done by any chance, or would have done at a lower efficiency or higher cost.

The study revealed number disadvantages associated with strategic alliances. Among them includes firms sharing resources, profits, knowledge and skills. Sharing knowledge and skills can be problematic if they involve trade secrets. Uneven distribution of decision powers compels the weaker partner to act in line with the will of the more power partners even when not willing to do so, it was also reported that differences in management styles present a big challenge between allies.

The study also revealed that it’s paramount for parties getting into an alliance have a thorough scrutiny of the partners to ensure they have shared goals and vision. These findings have been supported by those of Phillip (2013) who indicated that critical success factors for strategic alliance, the post formation evaluation stage that supervise the alliance on standardized basis to realize the perceived worth, selection of suitable strategic partners, designing and setting up appropriate authority to care of the alliance.

From the findings, the success of Kenya Women MicroFinance Bank Limited and its partners based on teamwork, communication, trust and goal sharing. Other factors favoring Success Strategic Alliance between KWFT and other partners include clearly defined Mutual goals linked to profitability for the parties. The findings are in line with those of Das, (2012) who found out that friendlier environment can lead to successful alliance.

Therefore, companies should look for partners who enable them to have friendly rather than hostile working relationship. Developing of hostility during partnership reduce growth or even fail. Proactive measures should be pursued by organizations for relationship improvement.

On factors that negatively affect or hinder the operation of the alliance, results show that unhealthy competition between partners, sabotage of strategic alliance procedures by either party, failure to share loss, unequal sharing of profits and lack of commitment hinder success of strategic alliance between the organizations. The findings concur with those of Johansson (2017) who established that lack of unclear objectives and goals has caused numerous strategic partnerships to demise since they were formed for the wrong reasons.

The study finally established that KWFT used key performance indicators (KPIs) such as loan portfolio growth, profitability, market share and clientele growth. Performance assessment of the microfinance for the last 5 years revealed that KWFT had continuously registered positive results of overall performance.

These findings go in line with those of Harzing (2014) reviling measure of an organization performance commonly applied included organization’s productivity, effectiveness in service delivery, profitability, market position and product leadership.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Summary, conclusion and recommendation of the study are presented by this chapter. The study sought to establish the influence of strategic alliances on performance of Kenya Women MicroFinance Bank Limited.

5.2 Summary of the Findings

Reports given show that KWFT had has entered into various strategic alliances with various parties in order to diversify their outcomes and products. Among the major alliances noted by the respondents include KWFT partnering with various insurance companies through KWFT Insurance Agency. Safaricom and other local telephone service provider, recently entered into and form a strategic alliance with KWFT, to facilitate their M-Pesa and other mobile service.

KWFT signed a deal with Kenswitch which is independent ATMs back borne providers to enhance KWFT penetration into areas without physical banking facilities. Other supplies noted included: Plastic Tanks suppliers, energy saving solar panel suppliers, energy saving Jikos suppliers and affordable mobile phones suppliers among others.

Results assessing on Period which strategic alliances by KWFT will last revealed that the longevity with strategic alliances between partners is firmly founded on the diversity with partners' characteristics, terms and condition governing the partnership and market trends. However, participants reported that KWFT was keen to laying infrastructure that will ultimately see the organization become self-independent in facing competitiveness and adjusting to all market dynamics.

Results show that strategic alliance contributes positively towards the performance of KWFT. Strategic Alliance made by Kenya Women MicroFinance Bank Limited accorded the organization an opportunity to access changes towards the expected goals. The study reported that KWFT enjoyed numerous benefits which included convenient client access to financial services, wider distribution channels, operational flexibility and one stop banking shop which increased organizational portability.

Data also revealed numerous disadvantages associated with strategic alliances, for instance that Strategic alliances require firms to share resources and profits, and often require organizations to share knowledge and skills as well. Sharing knowledge and skills can be problematic if they involve trade secrets. The weaker partner may be compelled to act in line with the will of the more powerful partners even if not actually willing to do so, when decision powers are unevenly distributed

It was also reported that differences in management styles present a big challenge between allies. Obstacle to success alliance is failing to understand and adjust to new style of management. To run successful alliance adjustment are needed in management style. Adaptation of new management style need a change in corporate culture initiated and natured by the management.

On factors that led to the success of the strategic alliance between Kenya Women MicroFinance Bank Limited and its partners. Results show that success of Kenya Women MicroFinance Bank Limited and its partners is based on teamwork, communication, goal and trust sharing. Other factors favoring Success Strategic linked to profitability for the parties, existence of process with enough details to eliminate redundancies, availability of performance measurement tools used to measure success of alliance achievement against established goals, documented proactive focus on improving the process when changes occur and performance measures based incentives for partners and tied specific benchmarks

On factors that negatively affect or hinder the operation of the alliance, results show that unhealthy competition between partners, sabotage of strategic alliance procedures by either party, failure to share loss, unequal sharing of profits and lack of commitment hinder success of strategic alliance between the organizations. other external factors include environmental aspects, like the recession in an economy, changes of policies by the government and wars; market aspects like; severe competition and fluctuations in demand, internal factors like incompetence.

Reports show that the bank used key performance indicators (KPIs) such as loan portfolio growth, profitability, market share and clientele growth. Assessment on microfinance performance for the last 5 years revealed that KWFT had continuously registered positive results of overall performance as measured through increase its market share, reduction in cost of operations, enhanced competitiveness position in the market, increase in number of customers and increase profitability level.

5.3 Conclusions

This study concludes that strategic alliances at Kenya Women Micro Finance Bank are driven by competition, value adding, technology, meeting client's needs, improving client's standard of living, improve profitability and organisation growth. KWFT conducted a proper scrutinizing in selecting suitable strategic partners. KWFT checks on Partners value and skills each brings to the alliance and that KWFT undertakes establishment of strategic fit and complementary structures.

KWFT is keen to laying infrastructure that will ultimately see the organization become self-independent in facing competitiveness, meeting clients' needs and adjusting to all market dynamics.

The study concludes that given KWFT has continuously registered positive results as measured through increase its market share, reduction in cost of operations, enhanced competitiveness position in the market, increase in number of customers and increase profitability level.

5.4 Recommendations

This study makes the following recommendations;

The structure of the alliance between KWFT and its partners should be defined in a way that allows balance between competition and corporation to manage the complexities involved with share tasks.

The study recommended that there should be complementary strength of partner companies. Senior management in organizations should be involved in strategic operations while ensuring clear and common vision to avoid conflict. There should also be clear guidelines which govern the alliance in order to ensure transparency while promoting mutual trust.

Strategic alliance outcomes should be measured against the set objectives. This will provide a clear view on what has been achieved so far and what needs to be done. The partners also need to come up with a clearly defined method of sharing the outcomes, controlling operations and ensuring compatibility of cultural values.

Another policy recommendation is that organisations should promote good organizational culture clearly anchored in the organization core values. All stakeholders must be involved in the major decision making processes so that they can feel that they are part of the organization. This will enhance loyalty. Some of the things that should be encouraged include teamwork, sharing of ideas on challenges facing the strategic alliance, promotion of discipline among members of staff as well as developing professional focusing interest to organization.

Further the study recommended future researchers to analyse this area of study in other areas rather than banking sector.

5.5 Limitations of the Study

This study faced a number of limitations. First the study concentrated on one Micro finance institution. Further only the top management in the few departments that dealt with strategic alliances were interviewed. The study did not have a chance of interviewing the partners in the already existing alliances.

5.6 Further Research

Establishing influence of strategic alliances on performance of Kenya Women MicroFinance Bank Limited was the objective of the study. Further studies should explore on how negotiation skills affect strategic alliances in the banking industry.

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APPENDICES

Appendix i: Interview Guide

PART A

1.What is your position at Kenya Women MicroFinance Bank Limited?

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2.What is your working duration with Kenya Women MicroFinance Bank Limited?

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3. How long have you held your current position in the microfinance?

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4. Kindly state your highest academic qualification?

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PART B

5.What strategic Alliance has been made by Kenya Women MicroFinance Bank Limited?

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6. Which are the key reasons for Alliances?

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7.In your opinion how long do you think this alliance will last?

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8.To what extent does the strategic alliance contribute to performance of Kenya Women MicroFinance Bank Limited?

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9.What are strategic Alliances benefits for the partner companies?

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10.What are disadvantages does your company gets after strategic alliance?

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11.What are the measures of performances used in your Company?

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12. What has led to the success of the strategic alliance between Kenya Women MicroFinance Bank Limited and your partners?

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13. What are the factors that negatively affect or hinder the operation of the alliance?

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14. How do you rate performance of your microfinance for the last 5 years?

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15. How do you evaluate your partner on its performance?

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16. What other opinion do you have that you think can improve on the strategic alliance between Kenya Women MicroFinance Bank Limited and your partners?

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