

**ROLE OF STRATEGIC PARTNERSHIP IN VALUE CREATION
BETWEEN DEVELOPMENT AGENCIES AND BUSINESSES:
A CASE STUDY OF USAID KENYA**

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DECLARATION

This research project is my original work and has not been presented for any academic award in any other institution.

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This research project has been presented for examination with my approval as the university Supervisor.

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

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DEDICATION

To Almighty God, who has been my strength and divine inspiration in everything I do.

To my mother, Anne Jebeet Busieney who taught me at a tender age, the virtue of hard work and whose teachings have shaped me to who I am today. She saw my strengths and capabilities and made me understand that I can do anything that I purpose to achieve in life through determination.

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ABSTRACT

Today's environment requires firms to embed in relationships with other actors in the industry in order to gain access to resources needed. In seeking to establish this relationship, they should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business and at the same time build on awareness and understanding of current strategies and successes. Consequently, collaborative relationships between business and non-governmental organizations (NGOs) have become an important strategy that is implemented to achieve organizational success. The objective of the study was to determine role of strategic partnership in value creation between USAID Kenya and businesses. The study adopted a case study research design. The study used primary data which were collected using an interview guide and analyzed using content analysis. The study findings were that USAID Kenya has entered into strategic partnership with businesses, micro finance institutions and Saccos. This relationship will involve USAID Kenya providing technical assistance such training, design and develop products; operational manuals to ensure efficiency in carrying out operations and development of financial models that help businesses achieve economic development and growth. The main motivations for USAID Kenya partnering with business was found to be intended in helping the organization accomplish their objectives and mandate through businesses since the unit are familiar with the needs at the grassroots levels therefore making it easier for USAID Kenya to penetrate such areas through partnership. In order to ensure achievement of the objectives, the partnership requires mutual trust, communication and cooperation. The other key ingredients for the partnership to succeed were the need for information sharing, joint cost management, flexibility and adaptability and allocation of adequate resources. The study concluded that implementation of value creating methods leads to achievement of sustainable competitive advantage for the partners and realization of their respective objectives due to the resultant synergistic effects. Because of the benefits found to result from the partnership between USAID and the business units, it is recommended that other NGOs engaged in different fields consider exploring the same strategy due to its beneficial effects.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Global challenges such as pollution and climatic change, dwindling natural resources, human rights abuses, poverty, and growing economic inequality are all serious threats for society. Global challenges are too complex for any one sector to address or solve alone and there is growing awareness that the private sector and the civil sector have important roles in providing solutions (Dalberg, 2008). Businesses are frequently seen as key drivers of globalization and are often considered to be the culprit behind many of the challenges the world is facing today. Yet, there is increased awareness and acknowledgement that businesses can also be an enormous force for good. There is growing consensus that business needs to act sustainably to be successful in the future: “There’s no alternative to sustainable development” (Nidumolu et al., 2009). This marks a distinct departure from the traditional doctrine of “the business of business is business” (Friedman, 2007). Sustainability issues also affect businesses: “Companies cannot escape the impact of core development problems they too need a safe and stable environment in which to operate. There is growing recognition of these shared problems, prompting innovative approaches to find shared solutions” (World Bank, 2010).

Today’s environment requires firms to embed in relationships with other actors in order to gain access to resources needed. Hakansson and Snehota (2007, p. 17) argue that “no business is an island” indicating that companies are involved in long-term relationship and that the atomistic company does not exist. In order to be successful, organizations

must be strategically aware. They must understand how changes in their competitive environment are unfolding. They should actively look for opportunities to exploit their strategic abilities, adapt and seek improvements in every area of the business, building on awareness and understanding of current strategies and successes. Organizations must be able to act quickly in response to opportunities and barriers. Leaders, in business and NGO are progressively recognizing that the global challenges facing the world require partnership and collaborative efforts across all three economic sectors to respond effectively. As an emerging phenomenon, the literature on the relationship, in the main, is located within the ambit of business and society relations (Kourula and Laasonen 2010). Collaborative relationships between business and non-governmental organizations (NGOs) have become an important strategy that is implemented to achieve organizational success (van Huijstee and Glasbergen, 2010).

1.1.1 Value Creation

Value creation involves activities that enhance the worth of products and goods for customers (Sarkar *et al.*, 2008). In a broader sense, value is created for customers to ensure their satisfaction, for employees to motivate themselves towards the organizational goals, and for investors to maximize their wealth. In a competitive environment, firms try to perform customer centric operations to achieve competitive advantage over their rivals. If there is an alignment between upstream and downstream firms, it can create value and maintain sustainable strategic partnerships. This interfirm value creation process is involved in a vertical relationship, i.e., a supply chain relationship. In a horizontal or peer level relationship, value creation is not so easy because of interfirm competition and status consciousness of top management. To

achieve and maintain sustainable competitive advantage, development of interfirm relations are common in the business world. Firms are increasingly developing relationships with suppliers and customers to create value for both parties (Mentzer *et al.*, 2001). The understanding of formation and change in interfirm relationships benefits the interfirm relationships (Su *et al.*, 2008).

Value creation depends on relational bonding that enables a relationship to withstand disorderly forces and enlarges partners' willingness to view their relationship as a longer-term strategic partnering (Sarkar *et al.*, 2008). Strategic partnering enjoys a collaborative environment that is crucial for implementation of value creating techniques. A successful business relationship is vital but the proper execution of strategies is also crucial for the achievement of interfirm goals (Christopher and Gattorna, 2005). The motivating conditions influencing the development of interfirm cooperation as well as the relationships that derive from this cooperation produce benefits often associated with such activities and strategies. These relationships are typically long-term and require considerable strategic and operational coordination (Mentzer *et al.*, 2001). The motive behind the formation of interorganizational relationships is to increase relational competitive advantages. But these competitive advantages require successful utilization of value creating activities. For that purpose, a relationship characterized by mutual trust and dependency, cooperation, commitment, and sharing of resources is required (Andaleeb, 2005).

1.1.2 Strategic Partnership

Strategic partnership refers to a partnership or alliance between a for-profit organization and a non-governmental organization (Arya and Salk, 2006). Strategic partnership includes various types of partnerships ranging from low involvement, funding relationships all the way to high involvement, equity joint ventures. In these kinds of partnerships, partners work together strategically “on a common problem which they would both like to see resolved” (Neergaard *et al.*, 2009). Such ventures create a much more dependent relationship between the partners, and “value will only be created through a mutually dependent exchange of ideas, resources and efforts” (Googins and Rochlin, 2000, p. 139). In these partnerships the partners see intractable problems that affect both of their missions, and are not in a position to solve things by themselves. They are thus required to collaborate in order to succeed. Strategic partnerships have, according to partnership theory, the most potential for added value, since joining forces allow actors to reach outcomes that neither partner could have achieved on their own (Neergaard *et al.*, 2009).

While strategic partnerships have long considered each other as ‘adversaries’, there is now a growing interest for working together towards a sustainable future. Because neither sector is capable of handling escalating environmental and social concerns on their own, there is a need to join forces (Pearce and Doh, 2005). Awareness that engaging in partnerships could provide access to different core competencies that are often unique to each organization and sector is building. Strategic partnerships bring benefits to both sides. Non Governmental Organizations receive financial resources, access to networks;

business organizations understand local conditions, relations with local communities, get higher reputation and credibility. A real collaboration implies contributing skills, resources and expertise, and sharing the risk. The nature of this collaboration is changing. Sometimes they include government agencies, international organizations and present multimember partnerships.

1.1.3 United States Agency for International Development (USAID)

Kenya

USAID Kenya is working with Kenyans for Kenya to advance democracy and the rule of law, to increase access to and improve the quality of health and education services, and to modernize and grow the economy so that Kenya's wealth is shared by more. USAID Kenya supports long-term and equitable economic growth and advances U.S. foreign policy objectives by supporting: economic growth; agriculture and trade, global health and democracy, conflict prevention and humanitarian assistance. The US and Kenya have been partners in development for as long as the modern Kenyan nation has existed. This partnership is based on mutual strategic interests and a history of friendship.

USAID Kenya's is designed to facilitate the expansion and innovation of financial services in five areas key to the development of Kenya's economic growth and prosperity: agriculture, renewable/clean energy, information and communication technology, gender/youth, and policy reform. USAID Kenya also capitalizing on opportunities that can potentially advance the frontier of financial services into, for example, water, health, and education, in order to benefit marginalized and excluded populations across Kenyan society. To achieve these objectives, USAID Kenya works in

partnership with and supports a wide variety of commercial actors in the financial services industry, government of Kenya agencies and stakeholders, associations, donors, business service providers, and consultants.

1.2 Research Problem

Strategic partnerships between non-governmental organizations and businesses are receiving increased attention from several directions; from no-governmentals seeing engagement as means of achieving their missions, from business as a way of reaching their goals and gaining competitive advantage, from governments as an instrument for addressing global challenges and development, and from academics, as a social phenomenon in need of deeper research and understanding. Non-governmental s and businesses are interested in strategic partnerships because they have started to see that collaboration between the sectors can bring added value that would not be possible to accomplish independently. By combining strengths and resources of each sector and by pursuing common goals, strategic partnerships enable partners to exploit each other's differences for mutual benefit. Governments, business and individuals acknowledge the scale of global challenges and an apparent need for new approaches, including a more active role for business (Mayer 2007). Consequently, even as business is blamed for its role in exacerbating social and environmental problems, it is increasingly seen by governments, multilateral institutions and elements of civil society as part of the solution (Austin 2000).

Strategic partnering can promote effective results for all concerned businesses, USAID Kenya , and especially the society/community. This rise of engagement between USAID Kenya and business sector is an important step towards a better and more sustainable society. USAID Kenya has been partnering with businesses so that they can change the behavior of business in order to create value, address escalating social and environmental threats to sustainability. By joining forces, a strategic partnership leads to environmental and social improvements and innovations, and minimize negative business impacts by leveraging USAID Kenya's expertise and knowledge.

Several studies that have been undertaken on the value creation includes; Ndirangu (2011) who studied the strategic value of ISO certification among state owned enterprises and established that the main drive was to increase efficiency and productivity in all areas of operations in terms of having a systematic approach to meeting quality. Customers' confidence on products and services improved and therefore the customers were satisfied. Ogutu (2010) researched on the business value of strategic information systems of small and medium enterprises (SME's) within the Westland's division of Nairobi. The findings of the study was that the most outstanding benefits SMEs enjoy by investing in strategic information systems include; improved communication and flow of information within the business, improved accuracy, reliability and easier access to information and customer satisfaction and loyalty. Mohammed and Bilkis (2010) researched on interfirm value creation: conceptualizing for the success and sustainability of strategic partnerships. The findings of the study was that interfirm value creation requires proper implementation of value creating methods such as information sharing, electronic

collaboration, joint programs and joint cost management. Also, value creating methods require a strategic relationship that is featured by interfirm trust and dependency, communication and commitment. Kourula (2009) researched on company engagement with non-governmental organization from a corporate responsibility perspective and established that the motives for engaging with NGOs include gaining legitimacy and knowledge, managing risk, improving reputation and increasing operational efficiency. Boue and Kjaer (2010) researched on creating value through strategic partnerships between Businesses and NGOs. The findings of the study was that NGOs possess a set of competences that can be of strategic importance for companies. By partnering with NGOs, companies can complement shortfalls in their own organizational capabilities. Partnering with NGOs can help companies gain competitive advantage for the future. The studies above have not dealt with strategic partnership between international non-governmentals and the businesses and it is on this premise that the study will be undertaken to determine the role of strategic partnership between USAID Kenya and businesses in value creation. This therefore has raised the need for further research in the role of strategic partnership in value creation. What is the role of strategic partnership between USAID Kenya and businesses in value creation?

1.3 Research Objective

To establish the role of strategic partnership between businesses and USAID in value creation

1.4 Value of the study

This study will be of value to the management of USAID and the business as they will be able to know the benefits of interfirm relationship development and the value creation for all participating firms in a strategic partnership. The findings of the study will be useful to other international non-governmental organizations as they will understand the importance of strategic partnership to the firms' value creation

The study will also be significant in informing development practitioners on areas of collaboration among stakeholders in the development discourse. This will forestall duplication of interventions in communities among NGOs and government agencies to offer an opportunity to bring about equity and meaningfully social and economic development of beneficiaries within the study area.

Academicians will benefit from the information of the study as it will contribute to existing body of knowledge. This study will also open more areas, of future studies in the non-governmental sector for scholars. The study will further provide the background information to research organizations and scholars who will want to carry out further research in this area. The study will also facilitate individual researchers to identify gaps in the current research and carry out research in those areas.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is concerned with the review of literature related to the study. An overview of theoretical foundation of the study, value creation, antecedents of interfirm value creation and non-governmental organization - business collaboration and value creation will be discussed.

2.2 Theoretical Foundation of the Study

In the stakeholder theory, stakeholders' expectations are constantly changing over time, dialogue is essential to sense their changing demands. Dialogue is additionally useful for giving the organizations' own perspectives to the stakeholders (Salonene, 2004). Non-Governmental organizations are commonly perceived as proxies for societal and environmental needs as their organizational legitimacy is often grounded on social representation for companies, engaging with NGOs can be more convenient than trying to address the numerous stakeholders individually (Latta, 2008). According to stakeholder theory, collaborating with NGOs through partnerships can be considered a potentially beneficial stakeholder management approach, because it can involve a high degree of information and knowledge exchange. Therefore stakeholder theory holder great potential to explain the increased interest in collaboration in partnerships between NGOs and businesses, but it falls short of explaining what can be expected by entering a partnership.

According to the resource dependence, perceived mutual dependencies between organizations can motivate potential partners to come together and join resources when the organization perceive critical strategic interdependencies with other organizations in their environment (Kort and Klijn, 2011). Interdependence causes uncertainty in managing necessary resources for organizational survival and drives organizations to seek complementary or supplementary capabilities and resources in others.

While the resource dependency theory looks at the external interdependence with other actors, a highly related theory is the resource-based view. Resource based view has a more internal view on resources, looking at how organizations can obtain and maintain competitive advantages. Prahalad and Ramaswamy (2004) argue that partnering occurs when organizations are facing strategic needs and social opportunities that they cannot deal with by themselves. When an organization does not have the necessary resources internally, it is dependent on external actors who have these needed resources. These resources can include financial, technical capabilities, knowledge, and organizational legitimacy. Companies and organizations could address these issues strategically in a partnership by using other organizations to fill their core needs. The main rationale for creating strategic partnerships is the potential for value creation through pooling organizations' resources together (Gronroos, 2007). Partnering requires important considerations because the partnership performance will be affected by the possibility of aligning each partner's interests. These interests consist of two dimensions; resource similarity and resource utilization, which directly affect the collective strengths and potential conflicts in the partnership (Austin, 2000).

Social network theory gives a sociological perspective on how relationships are established and maintained. This theory is considered central to the study of partnerships, and focuses on “social interaction and network relations within and between organizations” (Prahalad and Ramaswamy, 2004). Understanding such relations is important because the social context from previous alliances and considerations of strategic interdependence can influence partnership decisions. There are two main foci in the social network theory (Hawkins *et al.*, 2008): the structural configuration of the network itself, and the centrality and dynamics of individual actors. The theory examines the relations between organizations in society, represented by a system of actors (people, groups and organizations).

2.3 Value Creation

Value creation is a dynamic process that changes as the relationship between partners evolves. The realization of the potential collaborative value depends on the partnering processes that occur during the formation, selection, and implementation phases. It is these processes that tap the four sources of value and produce the four forms of value. The dynamic nature of social problems on one hand and the complexities of partnership implementation on the other can result in a multitude of problems including early termination and hence inability to materialize their potential by providing solutions to social problems. Understanding the formation and implementation process in partnerships is important in order to overcome value creation difficulties during the implementation stage (Seitanidi and Crane, 2009) but also to unpack the process of co-creation of synergistic value.

In cross-sector partnerships, beneficiaries can accrue social and/or economic value. Partners join forces to pursue —societal betterment through the removal of barriers that hinder social inclusion, the assistance of those temporarily weakened or lacking a voice, and the mitigation of undesirable side effects of economic activity (Austin *et al.*, 2006: 264). By mission and design, the incremental social value created by a cross-sector partnership is channeled towards the target beneficiaries (Austin, 2000). Cross-sector partnerships may also create (although they typically do not appropriate) financial gains. Beneficiaries may access some of these financial gains depending on their (perceived) role in the value creation process.

2.4 Antecedents of Interfirm Value Creation

Antecedents are the motivating conditions influencing formation of interorganizational cooperation, as well as relationships that derive from benefits potentially associated with such activities. A growing literature deals with interorganizational cooperation and the antecedents of interfirm relationships, as well as interfirm value creating methods under the purview of interorganizational analysis (Hawkins *et al.*, 2008). Antecedents consist of organizational, interorganizational, and external environmental issues.

2.4.1 Mutual Trust and Interdependency

Mutual trust between the partners is required for each relationship (Tomkins, 2001). Trust is a behavioral aspect of both parties in a relationship and arises step by step in the interaction between both parties (Su *et al.*, 2008). Mutual trust produces a belief between the partners that one will not do anything against the other. Formation of a partnership to create value requires trust as a vital antecedent in partnership investment. To become

trustworthy to each other, tangible or intangible trust needs must be met in terms of judgment, motives, character, and the role of competence. There is always a possibility of opportunistic behavior by the other party and the limitation that all ambiguity can never be fully removed in an interfirm relationship.

Hutt *et al.*, (2000) have recognized, that importance on personal relations grows, when the business relationships develop more collaborative. Informal contracts become more important than formal and they enable fast adaptation to the needs. Trust between persons can be calculative, cognitive or normative. Calculative trust is based on a thought that breaking a promise is more offending, than what can be gained through keeping the promises. Cognitive trust is based on parties' common way to think and to the belief that through that you can predict behavior of other parties. Normative trust is based on shared values and common sense of moral. Earned trust would make it possible to focus less on control and keep the attention in value creation.

2.4.2 Communication

Understanding and communication of common goals, and resolution of disagreements are done through communication between firms (Su *et al.*, 2008). And a communication strategy in the supply chain is a means to influence the negotiation process that manufacturers and suppliers use for communication in their bargaining sessions. To reduce the rate of fall in investment as perceived by suppliers and the associated supplier frustration, the buyer can ensure an increased flow of communication and information. Communication is essential for joint programs and performance measures; and increasing absorptive capacity as well as assimilating functional units that bind the organizations.

Functional assimilation is needed to apply complex technology to accomplish organizational objectives (Tuet *al.*, 2006). Information sharing requires effective communication that increases the probability that it will lead to the discovery of new ways to enhance the relational performance of the partners. The most important groups of information to share include: operations information, planning information, customer requirement information, and financial information. Effective communication is necessary for supply chain partners to develop cost management relationships.

2.4.3 Cooperation

Collaboration with others that is intended to produce common benefits or attain rewards or, more generally, all activities carried out mutually, which include attitudes and the potentiality of future behavior, as well as behavioral fundamentals is defined as cooperation (Su *et al.*, 2008). To extend dealings beyond the transactional exchange towards developing relationship, parties show their willingness for this result through cooperation, and it is a predecessor of a continued relationship and the level of that cooperation is a performance measure of the success of the interfirm relationship. Multi-dimensional constructs have been conceptualized to describe these relationships and include parameters such as joint action, resource and information sharing, harmony, and flexibility (Mavondo and Rodrigo, 2001).

Competitiveness in the global economy requires firms to develop strong partnership relationships built on cooperation and trust with their remaining suppliers, which facilitate the sharing of information and the performance of joint activities (joint process,

joint production design) by the partners. Uncertainty in supply and demand and more dependency on external resources justify the appropriateness of the formation of a close long-term cooperative relationship in interfirm relationships (Su *et al.*, 2008). Cooperation builds a system in the cooperation process, and systems made up of cooperation mutually produce richer structures and stable social and technological networks.

2.4.4 Environmental Pressure

Environmental pressures arise from three areas, namely uncertainty, global competition, and time and quality based competition (Mentzer *et al.*, 2000). Behavioral uncertainty arises from the difficulty in predicting the actions of the counterpart in the interorganizational relationship, because opportunistic behavior and bounded rationality preclude the writing of a completely contingent contract (Zaheer and Venkatraman, 1995). Since individual firms cannot control the issue of uncertainty and technological changes (Mentzer *et al.*, 2000) by encouraging collective strategies to reinforce collaborative coordination and by recognizing resource dependency, firms engage in a joint and collaborative endeavor to reduce technological change and uncertainty (Kim *et al.*, 2010).

Business environment and business are in continuous change in both service provider and customer organizations. There are plenty of small scale and large scale uncertainties in business relationships. Some of them are recognized and there are opportunities to prepare for those. Some uncertainties are unknown and might be harmful to the relationship when they are suddenly realized. Increases in return on assets or reductions

in unit costs, waste, downtime, or cost per unit or client are some of the incentives for establishing interfirm relationships for the purpose of improving competence. Therefore, by sharing resources, costs, and information, firms get influence to reduce environmental pressure through the formation of relationships with other firms (Erakovich and Wyman, 2009).

2.5 Strategic Partnership

The advocacy, operations and service delivery of many NGOs is designed to ameliorate intractable social and environmental problems, working on multiple issues including combating hunger, curtailing human rights abuses, countering environmental degradation and improving health care. NGOs and for-profit corporations are also developing more collaborative relationships of potential mutual benefit. Their relationships with NGOs can provide corporations with access to different resources, competencies and capabilities than are otherwise available internally, or which they might acquire from alliances with other for-profit organizations (Kourula and Laasonen, 2010). These can enable corporations to overcome business model liabilities in developing countries by helping them to identify market shifts and trends, accelerating market entry, and in some cases, co-developing innovative new business models.

Through strategic partnerships, business and NGOs are able to meet goals that they would otherwise not have achieved on their own. As an emerging phenomenon, business and NGOs are using strategic partnerships to leverage off one another's comparative competencies (Lambell *et al.*, 2008). On the one hand, business offers NGOs management skills, financial resources, access to business networks and other resources

that it may possess in exchange from NGOs for social legitimacy, access to civil society networks, and critical information as well as analysis on the local context in which they operate. These competencies in turn offer both business and NGOs a competitive advantage in meeting their respective goals (van Huijstee and Glasbergen, 2010).

2.6 Role of Strategic Partnership in Value Creation

Strategic Partnership can and do create economic and social value on their own. For non-profits, alliances with businesses increase their ability to pursue more effectively their missions. The calls for heightened social legitimacy for corporations, corporate accountability and increased accountability for nonprofit organizations, signaled the equal importance of process and outcomes while paying attention to the role of multiple stakeholders, such as employees and beneficiaries (Seitanidi and Crane, 2009). Involvement of nonprofit organizations as a source of value creation ranges from their potential to co-produce intangible resources such as new capabilities through employee volunteering programmes and new production methods as a result of the adoption of advanced technology held by nonprofit organizations.

The fundamental reason for the proliferation of nonprofit-business partnerships is the recognition that how businesses interact with nonprofits can have a direct effect in their success due to the connection of social and financial value (Austin, 2003). Equally, nonprofits are required to work with other organizations to achieve and defend their missions against financial cuts, a shrinking pool of donors, fierce competition by demonstrating efficiency and effectiveness in delivering value for money. Coupled with the realization that nonprofits are of significant value to business is the acceptance that

nonprofits can also achieve mutual benefit through the collaboration with companies (Austin, 2003).

2.6.1 Information Sharing

The benefits of supply chain management can be achieved through the cooperation and sharing of information between partners. Information sharing requires an effective communication process between the partners. The role of information sharing has been explored in operations management literature including new product and process development as well as customer satisfaction (Primo and Amundson 2002). Learning through information sharing is important for the partners in interfirm relationships because it facilitates gaining new skills and identifying new opportunities. Cooper and Slagmulde (2004) found that information sharing enables firms to get collaborative benefits. They argued that in the joint product development process the role of guest engineers is very crucial and facilitates information sharing that is an example of an interfirm cost management practice. Credible information exchange in an interfirm relationship strengthens the relationship with a long-term orientation and new opportunities (Ryu *et al.*, 2007).

Information sharing in interfirm relationships should contain some cost and production related information (Tomkins, 2001). Sharing of information facilitates buyers and suppliers in identifying ways of effective coordination and reducing relevant costs so as to ensure competitive advantage. In NGO-business engagements, NGOs provide advice and external view to social and environmental issues that are new to the private sector and through collaboration significant new scientific expertise as well as useful local

networks are generated (Alsop, 2004). Companies also engage NGOs in strategy work because it helps them avoid conflict with other external groups. Many large multinationals have invited an NGO executive to serve on their boards. It is viewed that NGO collaboration increases a company's credibility by providing a credible "seal" to it. By collaborating with NGOs corporations can thus improve legitimacy and trust for their social and environmental initiatives, and thereby safeguard their business continuity in the long run.

2.6.2 Joint Cost Management

The contribution of Shank and Govindarajan (2003) in strategic cost management is considered as the origin of joint cost management or interfirm cost management. Strategic cost management supports improvements in decision-making and analysis, helps set priorities, improves an organization's competitive advantage and results in a better allocation of resources (Ellram and Stanley, 2008). In an interfirm relationship, to create values for both parties cost management techniques, such as target costing, internal cost management (activity-based costing), open book methods, and value chain analysis, are used. In an interorganizational relationship, target costing plays an important role in the cost control aspect that ensures competitive advantages. Based on market requirements, target costing starts from the product planning stage so as to generate profit to the firm by satisfying customer requirements (Ibusuki and Kaminski, 2007).

The origin of internal cost management is also considered as a strategic cost management technique is considered as a supportive tool for target costing. Without cooperation, the open book cannot be implemented and again when an open book is implemented it leads

towards cooperation between the partners. Value creation by using joint cost management and the sharing of information depends on the partnering firms' capabilities (Barringer and Harrison, 2000). Relational governance occurs in an interorganizational relationship as the consequence of joint performance measures. Joint action by the partners is viewed as a governance process because the joint responsibility for the activities of the dyad serves to protect each party with specific assets from their appropriation. Compatible corporate culture is essential in long-term customer supplier relationships (Mentzer *et al.*, 2000) and therefore, organizational compatibility is positively related to a strategic partnering orientation and value creation.

In a strategic relationship, participating firms pursue strategic targets through ongoing, long-term joint programs, where skills and expertise are especially crucial. In this process, firms adapt business processes from each other over time and they perform their respective roles in the relationship (Hakansson and Lind, 2007). Consequently, interdependency between firms arises and that fosters long-term continuation of the relationship. By joint process and product development participating firms control the related cost which ensures competitive advantage. Because of changes in design or changes in technology, manufacturing processes may also have to be changed. In that case, firms perform product and process redesign to maintain customer satisfaction and loyalty (Agndal and Nilsson, 2009).

2.6.3 Flexibility and adaptability

Services need all the time to adapt to changes in customers' business environment. The growing customerships and changing physical and business environments make it

possible to do the work more efficiently because of new resourcing and synergy possibilities (Ryan and Bernard, 2003). From the collaboration performance point of view it could be equally important that also customer can adapt in such a way that service provider can use their resources as efficiently as possible and schedule the services in a cost efficient way. The needs of the customer change all the time and therefore there is need to communicate continuously with the customer to be able to respond quickly to the changes and re-organize resources.

Even though a positive relation between collaboration performance and outcomes has been verified in several empirical studies, research has also shown that collaboration has distinct cost effects, depending on the level and type of collaboration exercised (Rice, 2002). Costs of collaboration emanate from the activities pursued to enhance the exchange of information and resolve the conflicts between interdependent actors. There is no point to invest time and money to business relationship, if there are no expectations of future beneficial outcomes. Collaboration can be considered to be effective if the advantages of the collaboration exceed the costs of the collaboration.

2.6.4 Resources

Salient among these is that the directionality of the resource flow shifts from unilateral to bilateral. There is an explicit exchange of resources and reciprocal value creation (Googins and Rochlin, 2000). There is higher resource complementarity and the type of transferred resources the partners' are deploying is often more specialized assets with their greater value generating potential (Waddell, 2000). The partners have linked interests in that creating value for oneself is dependent on creating it for the other.

Associational value is more salient and organizational fit is more essential to value creation. The value creation tends to be more quantifiable and the benefits to the organizations more direct, however, there is less certainty regarding the realization of improved societal welfare.

When the donation is a company's product, it is more distinctive than a cash contribution; product donations are sometimes preferred as a way of moving inventories or promoting product usage and brand recognition. There is evidence that a company that is perceived as collaborating with nonprofits and contributing to the resolution of social problems will garner greater respect and preference from consumers (Seitanidi, 2010). There is the potential for associational value, whereby the company's reputation and goodwill with various stakeholders, including communities and regulators is enhanced due to its philanthropic association with the nonprofit and its social mission. This is in part due to the generally higher levels of trust associated with nonprofits and the value created for the business when that asset is transferred through association (Seitanidi, 2010). Many companies encourage their management employees to volunteer as board members of nonprofits and some have supported formal governance training and placement (Epstein and McFarlan, 2011). In these more elaborated forms, the collaboration migrates from the philanthropic stage towards the transactional stage.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was applied in carrying out the study. It describes the proposed research design, data collection and the techniques for data analysis that will be used.

3.2 Research Design

The research design was a case study. The study used a case study as a strategy research in order to understand or explain the phenomena. The reason for this choice was based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay and Callus, 1998).

A case study is an in-depth study of a particular research problem rather than a sweeping statistical survey as it narrows down a very broad field of research into one or a few easily researchable examples. It allows for testing whether a specific theory and model actually applies to phenomena in the real world. It is a useful design when not much is known about a phenomenon as it allowed a researcher to use one or more of the several research methods depending on the circumstances. The study was thus used to establish the role of strategic partnership between USAID Kenya and businesses in value creation.

3.3 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents to be interviewed were those involved with formulation, implementation of the organizations strategies. These are the Chief of Party, the deputy chief of Party, the Operations Manager and the M&E / DCA Manager.

The choice of the respondents is very important, as the respondents are involved in the running of the Organization. Additionally, managers of all levels have a holistic view of the organization and of the implementation of strategies. Furthermore, they may provide access to more significant and useful secondary data as documents, and other valuable information. The interviews were semi-structured so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which were “face to face” interviews. The order of the questions may also be varied depending on the flow of the conversation (Saunders *et al.*, 2000).

3.4 Data Analysis

A content analysis technique was used to generate and categorize items for comparison with the interview results from the managers. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It is a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It involves observation and detailed description of objects, items or things that comprise the object of study.

The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis was done using content analysis.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

The research objective was to establish role of strategic partnership in value creation between USAID Kenya and businesses. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

4.2 Respondents Profile

The respondents comprised the top management of USAID Kenya. In total, the researcher interviewed four respondents that had been intended to be interview in the research design. The respondents were made of two partnership specialist, Monitoring and evaluation manager, and the Deputy Chief of Party. All the respondents interviewed had worked in their respective positions for at least 2 years and cumulatively had work experience of 24 years within USAID Kenya and other local development NGO hence they do have the experience required to respond to matters related to strategic partnership in value creation.

Academically, the respondents had all attained university education with 3 of them having undertaken a master's degree in their respective fields. In addition 1 of the interviewees had rising through the ranks in the organization to occupy the present management position. With their solid academic and work life background in the affairs of the NGO, the respondents were found to be knowledgeable on the subject matter of the research and thus capable to help in the realization of the research objective.

4.3 Strategic Partnership Process at USAID Kenya

While NGOs and businesses have long considered each other as adversaries, there is now a growing interest for working together towards a sustainable future because neither is capable of handling escalating environmental, economic and social issues on their own. The respondents noted that USAID Kenya has entered into strategic partnership with businesses, micro finance institutions and Saccos whereby USAID Kenya would provide technical assistance such training, helping them to design and develop products, helping them to design operational manuals to ensure efficiency in carrying out operations, helping them develop financial models that that can help businesses achieve economic development and growth. Gaining access to such expertise could lead to new ways of thinking and identifying new markets and products and also in addition making businesses more able to address stakeholder concerns about sustainability and development.

The NGOs and the business sector have different perspectives and divergent motivations for considering cross-sector alliances. The respondents noted that the main motivations for USAID Kenya partnering with business is that it is intended to help USAID Kenya accomplish their objectives and mandate as partners with USAID Kenya are more familiar with the needs at the grassroots levels and as such it makes it easier for USAID Kenya to penetrate such areas through partners, help businesses leverage on their risk sharing initiative to venture into some investments which are usually avoided by most businesses due to the risk profiles, ensure that institutions and businesses are strengthened and to improve access to financial services and that it makes it easier for service delivery, thus cutting costs and creating ownership.

The motive behind the formation of interorganizational relationships is to increase relational competitive advantages. But these competitive advantages require successful utilization of value creating activities. The respondents indicated that successful smooth relationship between USAID Kenya and the business was attributed to mutual understanding and agreement of objectives both parties ought to achieve, policies of both the Agency's country and the business' country i.e contracts entered into to guide and define their engagement thereby minimizing the chances of misunderstandings along the implementation period, common understanding that is reinforced through a memorandum of understanding and appreciating the role of each partnerships. The respondents also noted that open and frequent communication and allowing for differences to be expressed as keys to success and minimization of risks of partnership.

4.4 Role of strategic partnership in value creation between USAID

Kenya and businesses

The fundamental reason for the proliferation of nonprofit-business partnerships is the recognition that how businesses interact with nonprofits can have a direct effect in their success due to the connection of social and financial value. This study sought to look at factors affecting strategic partnerships in value creation such as, information sharing, joint cost management, flexibility and adaptability and resources.

4.4.1 Information Sharing

The motivating conditions influencing the development of interfirm cooperation as well as the relationships that derive from this cooperation produce benefits often associated with such activities and strategies. One of the main motivations for entering into strategic

partnership by USAID Kenya is the potential to gain access to new information and skills. For instance during technical meetings, partnership specialist engaging in brainstorming sessions raising ideas that could be essential for the success of the partnership and to the benefit of each other. The respondents indicated that strategic partnership has enabled USAID Kenya to use the information from the businesses to explore more opportunities for interventions. This has caused an impressive impact where current partners are appraised and the key parameters on the type of partners the organization needs to engage in are also discussed as communicating and engaging in knowledge exchange allows for synergies in the partnerships to be attained.

Strategic Partnership can and do create economic and social value on their own. For non-profits, alliances with businesses increase their ability to pursue more effectively their missions. The partnerships has enabled USAID Kenya to reduce risks inherent in the financial sector through credit information sharing among microfinance institutions, has resulted in capacity building of the institutions to perform core functions, solve problems, define and achieve objectives; and understand and deal with their development needs in a broad context and in a sustainable manner and better knowledge of a company's projects, strategic plans and internal audits may help USAID Kenya be better partners.

Structure is a highly developed concept and typically includes elements such as goals, specialization of tasks and division of labor, rules and standard operating procedures, and designated authority relationships. Coordination and cost reduction was achieved through USAID Kenya having prior knowledge of market rates charged by businesses for a particular technical assignment and encouraged cost sharing, use of top notch service providers by USAID Kenya to offer technical assistance hence offering solutions that are

market led and use of Credit reference bureau will make it cheap to access credit information of borrowers. This will greatly reduce credit evaluation cost as this information will be readily available from credit reference bureaus at a small fee. Partnering provides an effective way for USAID Kenya to change the behavior of businesses towards more sustainable practices, products and services. USAID Kenya collaboration with the business have resulted into long-term relationships and has resulted into multiple and new partnerships, good financial standing, hence reaping maximum benefits and understanding the local issues without having to deal directly with the people. USAID Kenya collaborate with the businesses because of the belief that companies can contribute to the Agency's overall mission; they too are important in solving global challenges.

4.4.2 Joint cost management

Through collaboration, business and NGOs are able to meet goals that they would otherwise not have achieved on their own. As an emerging phenomenon, business and NGOs are using collaboration to leverage off one another's comparative competencies. Respondents indicated that partnership has improved decision making and allocation of resources as they have a work plan and budget for every activity and leverage resources. The respondents noted that USAID Kenya uses corporate foundations which help to develop better financial management and clear procedures of collaboration what strengthen the trust and make the collaboration easier thus achievement of competitive advantage. The competitive advantage achieved is as a result of combination of the organizations' competencies and resources. This is particular high value source because it is uniquely due to the alliance's existence and therefore nonreplicable. The respondents

said that capturing synergies derived from complementarity are more the case for USAID Kenya partnership. The partnership between USAID Kenya, other organizations and educational institutions to train students who were later on employed in the organizations could not have been executed without the specific partners combining their core competencies in a distinctive and new manner.

Whereas some partnering benefits can be readily defined and quantified, others are more complicated. The respondents indicated that the cost management techniques used was activity based costing by breaking down to deliverables. Benefits may be expressed both quantitatively and qualitatively. Whatever the benefit indicators are, they are deemed useful and convincing to the relevant to each organization in order to garner the internal support necessary for sustainability. The value generated from the partnership was indicated by the respondents that it must also weigh the costs of the specific collaboration relative to the benefits. Costs involve the resources that must be deployed to mount and manage collaboration rather than being put to an alternative use (i.e., their opportunity costs). Often, the scarcest resource that needs to be considered is management and staff time. Reduced costs in joint cost management were achieved through having employees who serve both organizations and spreading the cost of the assignment by percentage of deliverable. The respondents said that strategic partnership has resulted in better allocation of resources as a budget is prepared and all the resources channeled to the intended project. At the same time technical assistance has resulted in efficiency in running operations e.g. if its developing a business strategy, a strategy helps to identify key pillars, key activities to bring multiple income; thus enhancing business re-engineering thus process maps are strengthened.

4.4.3 Flexibility and adaptability

The growing customerships and changing physical and business environments make it possible to do the work more efficiently because of new resourcing and synergy possibilities. On how strategic partnership has helped USAID Kenya in effective governance, resourcing and synergy possibilities, it become apparent that governance as a set of coordinating and monitoring activities must occur in order for partnership to survive. The network governance emerges through frequent, structured exchanges that develop network level values, norms, and trust, enabling social mechanisms to coordinate and monitor behavior. In addition to social mechanisms, the choice among types of governance structure is likely to influence network effectiveness.

These types include self-governing structures in which decision making occurs through regular meetings of members or through informal, frequent interactions; a lead organization that provides major decision-making and coordinating activities; and a network administrative organization, which is a separate organization formed to oversee network affairs. The respondents indicated that contingencies such as network size and the degrees of trust among members influence which form is appropriate, and managerial choice is critical for matching the best form to conditions. The respondents indicated that USAID Kenya has partnered with KOOFA, the Apex body of Tea Tree , for oil farmers and this partnership has enabled them create a financial model which teaches the farmers on how to grow crops. The farmers have managed to increase their produce five folds, USAID Kenya has also helped to review the pricing upwards and supported SMEP to develop new products in the market which has made other firms to come up and support such initiatives.

The respondents said that strategic partnership has enabled USAID Kenya to co-produce intangible resources as in has resulted in creation of internship programmes which has acted as a learning opportunity. The credibility and opportunities for learning for USAID Kenya was indicated to have been achieved through Innovation of new products, capitalized on the individual strengths of each participating organization, provided local contacts and links to local communities/stakeholders who may be critical to the success of the program you want to launch or implement, provides reduced-cost opportunities and expertise for each participating organization, led to the discovery of new products “the credit factory” and the technical team being able to learn on new ways of handling partnerships due to the uniqueness of each partnership.

4.4.4 Resources

Strategic partnerships have, according to partnership theory, the most potential for added value, since joining forces allow actors to reach outcomes that neither partner could have achieved on their own. For effective strategic partnership, the partnership must be supported by decisions regarding the appropriate resource allocation. On whether weather exchange of resources between USAID Kenya and businesses resulted in reciprocal value creation was that the fundamental viability of an alliance depends on its ability to generate value for each of its partners. High-performance USAID Kenya partnership are about much more than giving and receiving money; they are about mobilizing and combining multiple resources and distinctive capabilities to generate benefits for each partner. The respondents noted that reciprocal value was achieved through improvement of lifestyles/living conditions of the people, businesses being able to grow by expanding

their projects without much input from USAID Kenya after undergoing technical training and creation of an environment that is conducive to do business. Imbalance in the value exchange may hinder the development of the relationship. Because the resources exchanged may depreciate in value over time, alliance vigor requires innovation in creating new value sources.

The role of the partnership is for the businesses to gain from the NGOs expertise and therefore the employee volunteers will be incorporated in USAID Kenya in order to train them so that they can ensure that the company objectives are achieved. At the same time USAID Kenya benefits from the employees as it has resulted in fast tracking of internal operation processes thus leading to efficiency, helpful in internal assignments like data analysis. Strategic partnership can be considered a potentially beneficial stakeholder management approach, because it can involve a high degree of information and knowledge exchange. The success of the projects has always been credited to the partnership and the appreciation of the projects by the organizations due to the involvement of USAID Kenya. The respondents noted that strategic partnerships has enables all the organizations to achieve what neither of them to achieve as the businesses has been able to understanding about local context, conditions and relationships with local communities; ability to pilot new innovations/interventions; access to networks; policy advocacy and mobilization skills. On the other hand USAID Kenya has been able to access networks and plan and work at scale.

4.5 Discussion

Resource dependency theory suggests that partnerships occur as a means to gain access to critical resources necessary for own success and survival (Arya and Salik, 2006). The idea is that organizations team up with each other to enhance their ability to tackle strategic needs and social opportunities by accessing each other's resources. The findings of the study was consistent with the theory as USAID Kenya enter into a partnership with businesses, micro finance institutions and Saccos whereby USAID Kenya would provide technical assistance such training, helping them to design and develop products, helping them to design operational manuals to ensure efficiency in carrying out operations, helping them develop financial models that that can help businesses achieve economic development and growth while USAID Kenya was to accomplish their objectives and mandate as partners with USAID Kenya are more familiar with the needs at the grassroots levels and as such it makes it easier for USAID Kenya to penetrate such areas through partners, help businesses leverage on their risk sharing initiative to venture into some investments which are usually avoided by most businesses due to the risk profiles, ensure that institutions and businesses are strengthened and to improve access to financial services and that it makes it easier for service delivery, thus cutting costs and creating ownership. Through strategic partnerships, business and NGOs are able to meet goals that they would otherwise not have achieved on their own. As an emerging phenomenon, business and NGOs are using strategic partnerships to leverage off one another's comparative competencies.

Strategic partnership can and do create economic and social value on their own. The study found out that in order to ensure achievement of the objectives, the partners

ensured that there was trust, communication and cooperation. Information sharing requires an effective communication process between the partners. Ryu *et al.*, (2007) indicated that credible information exchange in an interfirm relationship strengthens the relationship with a long-term orientation and new opportunities. In NGO-business engagements, NGOs provide advice and external view to social and environmental issues that are new to the private sector and through collaboration significant new scientific expertise as well as useful local networks are generated (Alsop, 2004). This was consistent with the findings of the study that ensured that institutions and businesses are strengthened and to improve access to financial services, exploration of more opportunities for interventions, reduce risks inherent and assist in capacity building of the institutions to perform core functions.

In order to ensure that there is accountability in the partnership the study found out that USAID Kenya uses activity based costing by breaking down to deliverables. The results are in line with Ellram and Stanley (2008) findings that in an interfirm relationship, to create values for both parties cost management techniques, such as target costing, internal cost management (activity-based costing), open book methods, and value chain analysis, are used. Services need all the time to adapt to changes in customers' business environment. The study established that the resources being channeled to the partnership by USAID Kenya were both financial and non-financial and distinctive capabilities to generate benefits for each partner and this is consistent with Waddell (2000) that there is higher resource complementarity and the type of transferred resources the partners' are deploying is often more specialized assets with their greater value generating potential.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The research objective was to establish role of strategic partnership in value creation between USAID Kenya and businesses. This chapter presents the summary of findings, conclusion and recommendation. Recommendation for further research will also be presented.

5.2 Summary of Findings

The study found out that all the respondents have worked in the organization for more than two years and therefore they have knowledge of the extent and organizations to which USAID Kenya have entered into strategic partnership with and the value created as a result of the partnership. All the respondents were found to have attained university level with some having masters as well. The study further establishes that USAID Kenya have entered into strategic partnership with several organizations whereby it is providing assistance in order to ensure that they achieve the desired objectives. The motivations for entering into strategic partnership was found to be different for the businesses and for USAID Kenya, the main motivations for USAID Kenya partnering with business is that it is intended to help USAID Kenya accomplish their objectives and mandate as the businesses are more familiar with the needs at the grassroots levels and as such it makes

it easier for USAID Kenya to penetrate such areas through partners, help businesses leverage on their risk sharing initiative to venture into some investments which are usually avoided by most businesses due to the risk profiles, ensure that institutions and businesses are strengthened and to improve access to financial services and that it makes it easier for service delivery, thus cutting costs and creating ownership. In order to ensure achievement of the objectives, the partners ensured that there was trust, communication and cooperation.

Presently, strategic partnership in USAID Kenya is considered as a strategic tool. The company has been able to utilize the partnership to share information which has resulted in exploration of more opportunities for interventions, reduce risks inherent, in capacity building of the institutions to perform core functions, solve problems, development of new ideas are brought forth and current partners are appraised and the key parameters on the type of partners they need to engage in are also discussed as communicating and engaging in knowledge exchange allows for synergies in the partnerships to be attained. The adoption of strategic partnership by the USAID Kenya has brought about improvement in its cost management. For instance, USAID Kenya has been able to meet goals that they would not have been achieved. The internal performance of USAID Kenya has been affected by the way decision making is made. It was found that that the organization has been effective in containing costs and all other parameters that influence the performance of the firm in the value chain activities. In addition, it was pointed out that the organization uses activity based costing cost management technique by breaking down to deliverables. The study found out that the partnership has resulted in better

allocation of resources as a budget is prepared and all the resources channeled to the intended project

The study found out that strategic partnership result in flexibility and adaptability as it has helped USAID Kenya in governance, resourcing and synergy possibilities. The network governance emerges through frequent, structured exchanges that develop network level values, norms, and trust, enabling social mechanisms to coordinate and monitor behavior. The respondents said that strategic partnership has enabled USAID Kenya to co-produce intangible resources as in has resulted in creation of internship programmes which has acted as a learning opportunity. The study established that the resources being channeled to the partnership by USAID Kenya is both financial and non-financial and distinctive capabilities to generate benefits for each partner.

5.3 Conclusion

Strategic partnership between NGOs and business organizations has received attention in recent years. NGOs and business organizations need to develop new approaches to collaboration. When forming partnership organizations need to identify their real strategic needs. It is also important to understand partners from other sector and their interest in order to use this information for developing the common strategy for partnership. Some businesses do show interest in cooperating with professionally working NGOs. Business organizations and NGOs need to be more open and transparent.

The study established that the value created as a result of the partnership was as a result of USAID Kenya's ability to manage its business processes and, on the other hand, the

effectiveness and efficiency of performing organizational processes based on organizational competencies.

The partnership resulted in synergistic gains which effectiveness through connections that focus on large-scale information exchange in social chains. Achieving collaborative advantage will promote efficiencies gained by reducing the time to generate results.

The implementation of value creating methods leads to achieving sustainable competitive advantage and other value for partners. Interfirm value creation also includes customer satisfaction and loyalty, the long-term orientation of the relationship, the growth of the existing relationship, and new opportunity. To create value in the relationships it was found that it requires much effort and a collaborative environment from both sides.

The study established that effective communication among the partners played a major role in the success of the partnership and therefore USAID should continue engaging all the partners so that misunderstanding does not occur which hinders the achievement of the intended objectives.

A collaborative environment was found to have been built on mutual trust and interfirm dependency, both formal and informal communication, strong commitment towards the goals, interorganizational capability and the management creating a network culture. When these components are present in an environment, value creating methods such as, information sharing, electronic integration, interfirm cost management, and flexibility

and adaptability can be implemented. Successful implementation of value creating methods ensures value added outcomes.

5.4 Recommendations

This study makes several recommendations for policy implementation and also suggest for further research.

The study established that effective communication among the partners, mutual trust, and high level of commitment that both organizations have invested into the partnership resulted in effective collaboration that resulted in value creation; it is therefore recommended that the all organizations that intend to enter into a relationship put in place mechanisms that will ensure that they adhere to them otherwise the partnership will not be successful.

The study found out that there are several motivating factors that motivate USAID Kenya to enter into strategic partnership by applying value creating techniques. Interfirm value creation is not possible without a shared strategic orientation and successful implementation of value creating methods. Managers may evaluate their current relationships and formulate strategies for redesign or develop ways to reinforce the partnership. The study found out that information sharing, information, interfirm cost management, and flexibility and adaptability results in value creation and it is recommended that USAID Kenya should pursue the strategy as they will achieve the desired objectives. The study established that effective communication among the partners played a major role in the success of the partnership and it is recommended that

the USAID should continue engaging all the partners so that misunderstanding does not occur which hinders the achievement of the intended objectives.

5.5 Limitations of the Study

Owing to the nature of the working conditions in the organization, it was not possible to interview managers who had tight schedules of work and on official duties.

There were managers who had been in the organization during major strategy implementation phases who had since left and their experience could not be incorporated in the study. Some managers refused to be interviewed as they felt that the information they were to provide to the research was very sensitive.

5.6 Suggestions for Further Study

The study was undertaken on USAID Kenya and it is recommended that the study is undertaken on all international Non-Governmental Organizations to establish the role of strategic partnership in value creation. Further, a research to needs to be undertaken to establish the challenges faced Non-Governmental Organizations in strategic partnership with businesses.

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APPENDICES

Appendix I - Letter of Introduction

Dear Sir/Madam,

RE: REQUEST FOR RESERCH INFORMATION.

I am a student at the university of Nairobi pursuing a Masters degree in Business Administration (MBA) I am undertaking a research project on the role of strategic partnership in value creation between USAID Kenya as part of the academic requirements for the award of the stated degree.

I would be grateful if you could spare a moment of your time and allow me to interview using the attached interview guide, to help me gather the necessary information. The information you give shall be treated with utmost confidentiality and be used solely for this research problem. A copy of the same shall be availed to you on request.

Any additional information you might consider necessary for this study will be highly appreciated.

In case of any queries pertaining to this research project, do not hesitate to call me on Tel: 0723488762.

Thank you in advance.

Yours sincerely

Kimeli Rose Chepchirchir

Appendix II – Interview Guide

INTERVIEW GUIDE FOR STRATEGIC PARTNERSHIP AT USAID KENYA

Kindly answer all the questions by filling in the spaces provided.

Part A: Background Information on the interviewees

1. What current position do you hold in USAID Kenya?
2. For how long have you been holding the current position?
3. How many years have you worked in USAID Kenya?
4. What is the highest level of education you have received?

Part B: Strategic Partnership

5. Has USAID Kenya entered into strategic partnership with businesses?
6. What type of partnership has USAID Kenya entered with businesses?
7. What influenced USAID Kenya to enter into strategic partnership with businesses?
8. What factors have ensured that there is smooth relation between the NGO and the businesses in strategic business?

Part C: Role of strategic partnership in value creation between USAID Kenya and businesses.

a) Information Sharing

9. How has sharing of information resulted in USAID Kenya gaining new skills and identifying new opportunities?
10. Has the partnership between your organizations resulted in information sharing?
11. How has strategic partnership with businesses resulted in identification of effective ways of coordination and reducing relevant costs so as to ensure competitive advantage?
12. How has the collaboration with businesses strengthened USAID Kenya the relationship with a long-term orientation and new opportunities?
13. Have alliances with businesses increase USAID Kenya's ability to pursue more effectively their missions?

b) Joint Cost Management

14. How has cost management supported USAID Kenya's improvements in decision-making and analysis, helps set priorities, improves an organization's competitive advantage and results in a better allocation of resources?
15. Which cost management techniques does USAID Kenya use in order to create value for both parties in interfirm relationship?
16. How has joint cost management help USAID Kenya in lowering transaction costs to ensure competitiveness?
17. Has strategic partnership resulted in USAID Kenya better allocation of resources improves thus improving organization's competitive advantage?
18. Has USAID Kenya's partnership with businesses resulted in opportunities for processes based improvements?

c) Flexibility and Adaptability

19. How has strategic partnership helped USAID Kenya in effective governance through influencing transaction costs as well as the willingness of alliance partners to engage in value-creation initiatives?
20. Has partnership with businesses helped USAID Kenya to do the work more efficiently because of new resourcing and synergy possibilities?
21. How has partnership enabled USAID Kenya to co-produce intangible resources such as new capabilities through employee volunteering programmes?
22. How has USAID Kenya received credibility and opportunities for learning through strategic partnership?

d) Resources

23. How has exchange of resources between USAID Kenya and businesses resulted in reciprocal value creation?
24. How has USAID Kenya benefited from the skills of employee volunteers from the businesses?
25. Has strategic partnership enhanced awareness between the stakeholders and USAID Kenya?
26. Has strategic partnership enabled USAID and businesses to reach outcomes that neither partner could have achieved on their own?