

**APPLICATION OF STRATEGIC ALLIANCES IN FOREIGN MARKET
ENTRY BY BANKS IN KENYA**

BY

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DECLARATION

I, **Viola M. Kioko**, do hereby declare that this project paper is my original work and has not been submitted to any other university to the best of my knowledge.

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D61/67274/2013

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DEDICATION

This project paper is dedicated to my dear parents, **Eng. and Mrs. S.K Ndambuki**, whose love, sacrifice and commitment towards giving each and every one of us an education remain unrivalled.

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ABSTRACT

Companies decide to go global and enter international markets for a variety of reasons, and these different objectives at the time of entry should produce different strategies, performance goals, and even forms of market participation. However, companies often follow a standard market entry and development strategy. The most common is sometimes referred to as the “increasing commitment” method of market development, in which market entry is done via an independent local partner. This internationalization approach results from a desire to build a business in the country market as quickly as possible and by an initial desire to minimize risk coupled with the need to learn about the country and market from a low base of knowledge. The rapid increase in international trade and cross-border financial transactions in the last two decades has been coupled, in more recent years, with an expansion in international banking. This has determined an increase in both the number of acquisitions of foreign banks and the scale of activity of foreign branches. Internationalization is a large driving force that has led to the trend of the rising number of business organizations operating beyond their home country. As with Internationalization, there is now a decrease in trade barriers which makes doing business abroad easier. Similarly, there is also an increased in the number of competitors in the local market and many a times, an organisation has to expand into a new foreign market so as to achieve a higher market share. By expanding the customer base and production scale, a business organization can achieve economies of scale. After expansion, cost advantages and higher profit can be obtained by bulk purchasing, having higher bargaining power, enjoying higher turnover rate and paying lower interest charges when borrowing. For a business organization to grow, it has to constantly find new opportunities to expand. When the local market is saturated and being well developed, the business organization should consider entering into foreign markets for expansion. An international market entry strategy is defined as the planning and implementation of delivering goods or services to a new target international market. It often requires establishing and further managing contracts in a new foreign country. Few firms successfully operate their business in a niche market without ever planning to expand into new markets (mostly due to the localized nature of their Business) but most firms strive to expand through increased sales, brand awareness and business stability by entering a new market. Developing a win-win market entry strategy involves a thorough analysis of multiple factors, in a planned sequential manner. Successful business alliances are a critical strategic component in many industries, but too many strategic alliances fail to meet their partners’ objectives. While the reasons behind alliance failures are complex, and vary according to type of alliance and industry, many failures result from ill-conceived overall alliance strategies, narrowly focused industry and firm partner selection analytical thinking and models, and poor alliance management, execution and implementation. In particular, the well-informed and strategically driven selection of alliance partners is a core element in building successful alliances. It is an important aspect for a company whether they should or not should expand their business into foreign markets. The reasons for expansion into foreign markets could be the economic characteristics of the foreign business environment, the perceived growth in a local foreign market or the financial and competitive benefits a company can gain from a successful foreign market entry (Laird et al. 2003). The economic reasons/motives that are stated have its origin in the thought that companies should bring profit and involves efficiency of resources.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The business environment in which organizations are operating has over the years witnessed drastic changes. The changes are both complex and 'chaotic' and organizations have found it difficult to cope with increasingly complex environments from internal resources and competences alone. Sometimes, firms can operate alone without formal relationship with others and remain successful. Certain developments in the environment are however making it attractive for firms to enter into collaborative arrangements. They may see the need to obtain materials, skills, innovation, finance, or access to markets, and recognize that these may be as readily available through cooperation through partnership. Channon (1999), defines strategic alliances as coalitions and cooperation agreements formed between a corporation and others in order to achieve certain strategic goals.

The growing integration of the global market place since the 1970s to the new millennium termed as globalization has seen the emergence of all sorts of corporate relationships and linkages from alliances, mergers and acquisitions, partnerships and joint ventures. Strategic alliances have been formed to facilitate entry into new markets and to reduce operation costs. These inter-firm relationships may involve two or more firms from the same industry or from varied parts of the world and cover a range of activities and functions (Yoshino and Rangan, 1995). The increased competition arising from the fast changing global market has resulted in a situation where companies are finding it difficult to go it alone. More than ever before, many of the skills, capacities, and resources that are essential to a firm's current and future prosperity are to be found outside the firm's boundaries and outside the management's direct control (Doz and Hamel, 1998). Accordingly, managers must think outside these boundaries in order to

remain competitive. Therefore, relationships that tend to give a firm these competences that are outside its current tangible and intangible assets are important.

According to Michael Porter's Theory of Competitive Advantage, competitive forces shape the strategy that an organisation adopts. The nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of suppliers, the threat of substitute products or services and industry rivalry. An organisation must understand how these competitive forces interplay in the industry and how they affect the company in order to establish a strategy that ensures steady growth into international markets despite the outstanding circumstances.

In order to stay ahead of competition, an organisation may wish to expand into new markets in a bid to enlarge market share. The mode of entry that is employed is determined by factors such as entry barriers, availability of resources, costs, economies to scale and speed to market. Foreign market entry modes differ in degree of risk they present, the control and commitment of resources they require and the return on investment they promise. Strategic alliances are one such foreign market entry. The term 'strategic alliance' has been used to refer to 'agreements characterized by the commitment of two or more firms to reach a common goal entailing the pooling of their resources and activities' (Teece et al, 1997).

The banking industry in Kenya is regulated by the Central Bank of Kenya Act, Banking Act, the Companies Act among other guidelines issued by Central Bank of Kenya (CBK).The banking industry in Kenya was liberalised back in 1995 and exchange controls revoked. The banking system comprises of 43 licensed commercial banks, 7 representatives offices of foreign banks,15 micro- finance institutions and 110 forex bureaus as of 2014.The banks have come together under the Kenya Bankers Association

(KBA), whose work is to lobby for the local banking industry. KBA also serves as a forum to address issues affecting the banking sector.

1.1.1 Concept of Strategy

The word strategy is used in the field of management from the military services where it refers to apply the forces against an enemy to win a war. The word strategy came from the two Greek words Stratus -Army and Agein -to lead. The Greeks felt that the strategy making is one of the responsibilities of the Army General. This concept today adopted even in the business.

The Chinese General Sun Tzu defined strategy as a style of thinking; a conscious and deliberate process; an intensive implementation system; the art of ensuring future success. One of the earliest definitions of Strategy is traced to the ancient Greek writer Xenophon who said Strategy knows the business you proposed to carry out. This definition implies that the knowledge of the business as strategy. Strategy acts as some kind of a guidepost for a company's ongoing development. Strategy provides a direction for the company and indicates what must be done to survive, grow and be profitable.

When a company knows which resources it possess and can work with it will have to work with strategic management. Strategic management is about understanding the strategic position of a company, the strategic choices for the future a company will make and to turn the chosen strategy of a company into action (Johnson et al. 2008). If a company analyses itself and makes the conclusion that it is time for the company to grow, the question how, will occur. A tool for company growth is new market entry (Bradley, 2002).

1.1.2 Strategic Alliances

Strategic Alliances are agreements among firms in which each commits resources to achieve a common set of objectives. Companies may form Strategic Alliances with a wide variety of players: customers, suppliers, competitors, universities or divisions of government. Through Strategic Alliances, companies can improve competitive positioning, gain entry to new markets, supplement critical skills and share the risk or cost of major development projects.

A strategic alliance is an agreement between two or more players to share resources or knowledge, to be beneficial to all parties involved. It is a way to supplement internal assets, capabilities and activities, with access to needed resources or processes from outside players such as suppliers, customers, competitors, companies in different industries, brand owners, universities, institutes or divisions of government.

A strategic alliance is an organizational and legal construct wherein partners are willing-in fact, motivated-to act in concert and share core competencies. To a greater or lesser degree, most alliances result in the virtual integration of the parties through partial equity ownership, through contracts that define rights, roles and responsibilities over a span of time or through the purchase of non-controlling equity interests. Many result eventually in integration through acquisition.

Strategic alliances permit a company to pursue an opportunity more quickly, leveraging the resources and knowledge of the other party. Fewer resources are required than if a company pursued an opportunity on its own. An alliance can provide easier access to new opportunities and a lower barrier to entry.

Partners may provide the strategic alliance with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, or intellectual property. The alliance is a cooperation or collaboration which aims for a synergy where each partner hopes that the benefits from the alliance will be greater than those from individual efforts. The alliance often involves technology transfer -access to knowledge and expertise, economic specialization, shared expenses and shared risk. Strategic Alliances have developed from an option to a necessity in many markets and industries. Variation in markets and requirements leads to an increasing use of Strategic Alliances. It is importance to integrate Strategic Alliance management into the overall corporate strategy to advance products and services, enter new markets and leverage technology and Research& Development.

1.1.3 Foreign Market Entry strategies

When an organisation has made a decision to enter an overseas market, there are a variety of options open to it. These options vary with cost, risk and the degree of control which can be exercised over them. The choice of market entry is influenced by three major issues: Marketing; which countries, which segments, how to manage and implement marketing effort, how to enter; with intermediaries or directly, with what information? Sourcing; whether to obtain products, make or buy? and Investment and Control; joint venture, global partner, acquisition?. The various mode of entry ascend in terms of great control and risk. They include: Direct exporting, licensing, franchising, joint ventures, mergers and acquisitions and foreign Direct Investments.

New market entry is a way for a company to expand its business. An entry mode can be defined as a structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations i.e., via export modes, or both production and marketing operations there by itself or in

partnership with others contractual modes, joint ventures, wholly owned operations (Sharma and Erramilli, 2004). An expansion could be about both geographical and product expansion. An expansion could also be about that a firm wants to penetrate a product market that has been unknown previously for that company since they have not been working with that kind of products before (Johnson et al. 2008).

According to Greening et al. (1996) expansion into markets in foreign countries is an excellent way for a company to grow. Yip and Hult (2012) states that there is a lot of evidence that proves that companies that adopt a global strategy to internationalize can gain competitive and financial benefits from it. This means that a company could choose to work with foreign market entry as a tool in order to both grow and to be more successful, if the company takes the right decisions.

An international market entry strategy is defined as the planning and implementation of delivering goods or services to a new target international market. It often requires establishing and further managing contracts in a new foreign country. Few firms successfully operate their business in a niche market without ever planning to expand into new markets mostly due to the localized nature of their business but most firms strive to expand through increased sales, brand awareness and business stability by entering a new market. Developing a win-win market entry strategy involves a thorough analysis of multiple factors, in a planned sequential manner.

Market entry decisions could be as a result of push or pull factors. Push factors are reactive and force the company to grow outward into new markets while pull factors are proactive and tend to offer favourable factors that lure the organisation to new markets. Push factors include: perceived/imminent saturation in domestic markets, competition, political instability/rivalry, spreading of risk, consolidation of buying

power, public policy constraints, economic conditions, the product being at decline stage of product life cycle and increased taxes. Pull factors include: unexploited markets, pre-emption of rivals, higher profit margins, access to rights/ resources that aren't possessed by competitors, access to new management, reaction to manufacturer internalization and following existing customers abroad. Being the first firm to enter a market and to capture first-mover advantages is one reason for why a company wants to internationalize into foreign markets (Gilbert and Newberry, 1982). Lee and Lieberman (2009) argues for the importance for a company to leveraging existing resources as well as filling resource gaps, and that might be a reason for expanding into new foreign markets. Internationalizing services have become more diverse as, for example, the development of new technologies for electronic commerce has made services less dependent on local operations, and therefore having offices on several foreign markets is not an obstacle for the firm (Winstead and Patterson, 1998).

1.1.4 Licensed Banks in Kenya

Commercial Banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued there under. They are the dominant players in the Kenyan Banking system and closer attention is paid to them while conducting off-site and on-site surveillance to ensure that they are in compliance with the laws and regulations. Currently there are there are 43 licensed commercial banks and 1 mortgage finance company.

Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution.

1.2 Research Problem

The banking industry has over the past few years enjoyed exponential growth in deposits, assets, profitability and product offering, mainly attributed to automation of services and branch network both locally and regionally. The growth has brought about increasing competition among players and new entrants into the banking sector.

In wake of stiff competition, banks are now focussing on the diverse customer needs and focussing on new markets rather than traditional banking products such as over the counter deposits and withdrawals. As a strategy to, maintain competitive edge, companies opt to form strategic alliances to ensure survival.

Strategic alliances are tricky arrangements where-by corporate espionage as well as attempts by partners to “steal” each other know-how may ensue. Organizations are becoming less self-sufficient and their survival largely depends on successful strategic alliances and co-operation with others. While the industry market leader has been renowned for actively been involved in strategic alliances to keep their tuff strong, no research has been conducted to analyze whether market followers in the industry stand to benefit or are at risk of practicing “me-too” endeavors.

Despite the popularity and advantages associated with strategic alliances that have seen many companies rush to form strategic alliances, few have succeeded. It has been projected that the failure rate of strategic alliances could be as high as 70%. Studies have shown that between 30% and 70% of alliances fail; in other words, they neither meet the goals of their parent companies nor deliver on the operational or strategic benefits they purport to provide (Bamford et al, 2004). Alliance termination rates are reportedly over 50% (Lunnan&Haugland, 2008), and in many cases forming such

relationships has resulted in shareholder value destruction for the companies that are listed on the stock exchange and engage in alliances (Kale, Dyer, & Singh, 2002).

A number of studies have been done on strategic alliances by banks in Kenya. Koigi, (2002) did a study on Postbank and Citibank; Kavale (2007) studied money transfer services; Mutinda (2008) studied Kenya Institute of Management; and Kipchirchir (2009) studied the banking industry. Most recently, Makau (2012) studied Strategic Alliances and Organizational competitiveness among commercial banks in Kenya. Their findings are that Strategic alliances are formations that seek to achieve organizational objectives through collaboration rather than through competition and thus making such partnering firms to gain competitive advantage over their rivals. None of the studies show how Kenyan banks have made strategic alliances as a mode of entry into foreign markets. Thus the researcher sought to answer the following question: To what extent do banks in Kenya apply Strategic Alliances as a form of foreign market entry?

1.3 Research Problem

The objective of this study was to establish the application of strategic alliances as a form of foreign market entry by banks in Kenya.

1.4 Value of the Study

Strategic alliances as a form of foreign market entry in the banking sector is still suffering from a dearth of information. Research in the various components in this area may help to unearth hitherto unknown information that may go a long way in facilitating further understanding of the factors that encourage formation of strategic alliances and what firms may do to increase outward internationalization. It might also contribute to the existing body of knowledge and fill in the gap on the successes of

strategic alliances among banks. It may also act as a source of reference materials to scholars.

Financial institutions in Kenya may be enlightened on the important factors to consider while forming strategic alliances in the highly competitive banking industry. This information may help them in partnering with the right kind of firms to foster their competitiveness in the market.

The Government and CBK may also find this information useful in formulating policies that may better guide the type of alliances and considerations before a firm decides on such cooperation. This is because as the financial sector grows the government has to come up with policies that address the various challenges within the sector so as to facilitate faster growth with minimum drawbacks.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contains the theoretical foundations, factors fostering Strategic Alliances, characteristics and Types of Strategic Alliances.

2.2 Theoretical Foundation

Michael Porter's theory of the competitive advantage of nations provides a sophisticated tool for analysing competitiveness with all its implications. Porter's theory contributes to understanding the competitive advantage of nations in international trade and production. Its core, however, focuses upon individual industries, or clusters of industries, in which the principles of competitive advantage are applied. His theory begins from individual industries and builds up to the economy as a whole. Since firms, not nations compete in international markets, understanding the way firms create and sustain competitive advantage is the key to explaining what role the nation plays in the process. Therefore, the essence of his argument is that the home nation influences the ability of its firms to succeed in particular industries. Given this interdependence, it appears that in order to draw conclusions on the competitiveness of the particular industry, consideration of the different facets of the competitive diamond of the whole nation is needed.

Product life cycle theory as proposed by Raymond Vernon divides the marketing of a product into four stages: introduction, growth, maturity and decline. When product life cycle is based on sales volume, introduction and growth often become one stage. For internationally available products, these three remaining stages include the effects of outsourcing and foreign production. When a product grows rapidly in a home market, it experiences saturation when low-wage countries imitate it and flood the international

markets. Afterward, a product declines as new, better products or products with new features repeat the cycle.

2.3 Factors fostering Strategic Alliances

Economic factors have been identified as the key reason why firms partner in strategic alliances. Companies find cooperative strategies more and more important for economic success. Technology based firms and those that are capital intensive are more eager to form alliances to ensure success. It is not practical for many firms to acquire technology fast enough on their own and therefore partnering is considered essential (Kelly et al, 2002). Strategic alliances are therefore expected to enable firms enter new markets more quickly and to create value that they could not develop by acting independently among other benefits. Cooperative strategies are hailed as profitable and large firms are noted to account for more than 20 percent of the revenue from strategic alliances. (David, 1997) has predicted that in the near future strategic alliances will account for as much as 35 percent of revenue for most companies in developed economies.

The other factor motivating firms to form strategic alliances is the entry restriction and slow-cycle market position. The restrictions on entry affect how a firm will enter into new markets or establish franchises in new markets. Competitive advantage is not sustainable in fast-cycle markets because the firm's capabilities that contribute to competitive advantage are not shielded from imitation. They are high-velocity environments that place immense pressure on top management to make quick strategic decisions sometimes; companies establish venture capital programs to facilitate efforts to build operational capacity and efficiency (Chesbrough, 2002). However, standard-cycle markets make use of economies of scale and large volume orientation as key areas

of competitive advantage where they form strategic alliances to complement their resources and capabilities (Uddin and Akhter, 2011).

Socio-political factors also affect strategic alliances. Despite China's formal entry into the World Trade Organization (WTO), most foreign firms that have entered China as a result of huge potential China's markets presents, find it difficult to establish their legitimacy (Ahlstrom and Bruton, 2001). This is most likely due to most Chinese opposition of property rights where local authorities and the Communist Party feel private enterprises undermine socialist ideals. As a result, taxes and licenses imposed on private firms are punitive. It is therefore noteworthy that the social orientation and political factors prevalent in each economy will affect the types of strategic alliances that can be established.

Cost of production is another determinant factor for strategic alliances. Most firms will establish businesses in other countries to lower the cost of production. Easy access to low-cost labour, energy and other natural resources are the motivating factors behind such establishments. Location of facilities needed for production also foster strategic alliances. Attractive location allows a firm to gain full advantage of strategic alliance (Bernstein and Weinstein, 2002). For example, Africa is a prime location for major multinational companies the same way in Eastern Europe, Hungary is a prime location for many manufactures. Africa has lower labour costs the same way Hungary is considered in Eastern Europe (Wilson, 2001)

2.4 Characteristics of Strategic Alliances and choosing a partner

A strategic alliance is a type of cooperative agreements between different firms, such as shared research, formal joint ventures, or minority equity participation. The modern form of strategic alliances is becoming increasingly popular and has three

distinguishing characteristics. They are frequently between firms in industrialized nations. The focus is often on creating new products and/or technologies rather than distributing existing ones. They are often only created for short term durations.

In this ever evolving competitive world, it is important for a company too select the most suitable partner for the strategic fit. Several factors have to be considered when selecting a partner. Strategic compatibility; the partners need to have same general goal and understanding in forming a joint venture. The differences in strategy produces more conflicts of interest in the later partnership (Hill, Charles (1997)). Complementary skills and resources; another important criterion is that the partners need to contribute more than just money to the venture (Geringer and Michael, 1988). Each partner must contribute some skills and resources that complement for another. Relative company size; Different size of companies may cause domination of one firm or unequal agreement, which is not favourable for long-term running (Hill, Charles (1997)). Financial capability; the partners can generate sufficient financial resources to maintain the venture's efforts, which is also important for long-term partnership (Hill, Charles (1997))

Some more like compatibility between operating policies (Hill, Charles (1997)), trust and commitment (Hill, Charles (1997)), compatible management styles (Geringer and Michael, 1988), mutual dependency (Hill, Charles (1997)), communications barriers (Hill, Charles (1997)) and avoid anchor partners (Geringer and Michael, 1988) are also important for partner selection but less important than the first four.

2.5 Types of Strategic Alliances

Strategic Alliances can be formed at seven levels. Horizontal strategic alliances are formed by firms that are active in the same business area. That means that the partners in the alliance used to be competitors and work together In order to improve their position in the market and improve market power compared to other competitors. Research &Development collaborations of enterprises in high-tech markets are typical Horizontal Alliances. Raue & Wieland (2015) describe the example of horizontal alliances between logistics service providers. They argue that such companies can benefit twofold from such an alliance. On the one hand, they can access tangible resources which are directly exploitable. This includes extending common transportation networks, their warehouse infrastructure and the ability to provide more complex service packages by combining resources. On the other hand, they can access intangible resources, which are not directly exploitable. This includes know-how and information and, in turn, innovativeness.

Vertical strategic alliances, which describe the collaboration between a company and its upstream and downstream partners in the supply chain, that means a partnership between an organisation, its suppliers and distributors. Vertical Alliances aim at intensifying and improving these relationships and to enlarge the company's network to be able to offer lower prices. Especially suppliers get involved in product design and distribution decisions. An example would be the close relation between car manufacturers and their suppliers. Intersectional alliances are partnerships where the involved firms are neither connected by a vertical chain, nor work in the same business area, which means that they normally would not get in touch with each other and have totally different markets and know-how. Joint ventures, in which two or more companies decide to form a new company. This new company is then a separate legal

entity. The forming companies invest equity and resources in general, like know-how. These new firms can be formed for a finite time, like for a certain project or for a lasting long-term business relationship, while control, revenues and risks are shared according to their capital contribution.

Equity alliances, which are formed when one company acquires equity stake of another company and vice versa. These shareholdings make the company stakeholders and shareholders of each other. The acquired share of a company is a minor equity share, so that decision power remains at the respective companies. This is also called cross-shareholding and leads to complex network structures, especially when several companies are involved. Companies which are connected this way share profits and common goals, which leads to the fact that the will to competition between these firms is reduced. In addition this makes take-overs by other companies more difficult. Non-equity strategic alliances which cover a wide field of possible cooperation between companies. This can range from close relations between customer and supplier, to outsourcing of certain corporate tasks or licensing, to vast networks in R&D. This cooperation can either be an informal alliance which is not contractually designated, which appears mostly among smaller enterprises, or the alliance can be set by a contract.

Michael Porter and Mark Fuller, founding members of the Monitor Group, draw a distinction among types of strategic alliances according to their purposes: Technology development alliances, which are alliances with the purpose of improvement in technology and know-how, for example consolidated Research & Development departments, agreements about simultaneous engineering, technology commercialization agreements as well as licensing or joint development agreements. Operations and logistics alliances; partners either share the costs of implementing new

manufacturing or production facilities, or utilize already existing infrastructure in foreign countries owned by a local company. Marketing, sales and service strategic alliances, in which companies take advantage of the existing marketing and distribution infrastructure of another enterprise in a foreign market to distribute its own products to provide easier access to these markets. Marketing Alliances most often operate as single country alliances, international enterprises use several alliances in each country and Technology and Development Alliances are usually multi-country alliances.

2.6 Importance of Strategic Alliances

Strategic Alliances have developed from an option to a necessity in many markets and industries. Variation in markets and requirements leads to an increasing use of Strategic Alliances. It is of essential importance to integrate Strategic Alliance management into the overall corporate strategy to advance products and services, enter new markets and leverage technology and Research& Development. Global companies have many alliances on inland markets as well as global partnerships, sometimes even with competitors, which leads to challenges such as keeping up competition or protecting own interests while managing the alliance. Managing an alliance focuses on leveraging the differences to create value for the customer, dealing with internal challenges, managing daily competition of the alliance with competitors and Risk Management which has become a company-wide concern.

2.7 Advantages and Disadvantages of Strategic Alliances

For companies there are many reasons to enter a Strategic Alliance: Shared risk: The partnerships allow the involved companies to offset their market exposure. Strategic Alliances probably work best if the companies' portfolio complement each other, but do not directly compete. Shared knowledge: Sharing skills distribution, marketing,

management, brands, market knowledge, technical know-how and assets leads to synergistic effects, which result in pool of resources which is more valuable than the separated single resources in the particular company. Opportunities for growth: Using the partner's distribution networks in combination with taking advantage of a good brand image can help a company to grow faster than it would on its own. The organic growth of a company might often not be sufficient enough to satisfy the strategic requirements of a company. That means that a firm often cannot grow and extend itself fast enough without expertise and support from partners. Speed to market: Speed to market is an essential success factor in today's competitive markets and the right partner can help to distinctly improve this. Complexity: As complexity increases, it is more and more difficult to manage all requirements and challenges a company has to face, so pooling of expertise and knowledge can help to best serve customers. Costs: Partnerships can help to lower costs, especially in non-profit areas like Research& Development. Access to resources: Partners in a Strategic Alliance can help each other by giving access to resources, personnel, finances, technology which enable the partner to produce its products in a higher quality or more cost efficient way.

Access to target markets: Sometimes, collaboration with a local partner is the only way to enter a specific market. Especially developing countries want to avoid that their resources are exploited, which makes it hard for foreign companies to enter these markets alone. Economies of Scale: When companies pool their resources and enable each other to access manufacturing capabilities, economies of scale can be achieved. Cooperating with appropriate strategies also allows smaller enterprises to work together and to compete against large competitors.

Disadvantages of strategic alliances include: Sharing: In a Strategic Alliance the partners must share resources and profits and often skills and know-how. This can be

critical if business secrets are included in this knowledge. Agreements can protect these secrets but the partner might not be willing to stick to such an agreement. Creating a Competitor; the partner in a Strategic Alliance might become a competitor one day, if it profited enough from the alliance and grew enough to end the partnership and then is able to operate on its own in the same market segment. Opportunity Costs: Focusing and committing is necessary to run a Strategic Alliance successfully but might discourage from taking other opportunities, which might be beneficial as well. Uneven Alliances: When the decision powers are distributed very uneven, the weaker partner might be forced to act according to the will of the more powerful partners even if it is actually not willing to do so. Foreign confiscation: If a company is engaged in a foreign country, there is the risk that the government of this country might try to seize this local business so that the domestic company can have all the market on its own, risk of losing control over proprietary information, especially regarding complex transactions requiring extensive coordination and intensive information sharing, coordination difficulties due to informal cooperation settings and highly costly dispute resolution.

2.8 Life cycle of a Strategic Alliance

Forming a Strategic Alliance is a process which usually implies some major steps that include: Strategy Development: In this stage the possibility of a Strategic Alliance is examined with respect to objectives, major issues, resource strategies for production, technology and people. It is necessary that objectives of the company and of the alliance are compatible.

Partner Assessment: In this phase potential partners for the Strategic Alliance are analysed, in order to find an appropriate company to cooperate with. A company must know the weaknesses and strengths and the motivation for joining an alliance of another

company. Besides that appropriate criteria for the partner selection are defined and strategies are developed how to accommodate the partner's management style.

Contract Negotiations: After having selected the right partner for a Strategic Alliance the contract negotiations start. At first all parties involved discuss if their goals and objectives are realistic and feasible. Dedicated negotiation teams are formed which determine each partner's role in the alliance like contribution and reward, penalties and retaining companies' interests.

Operation: In this phase in the life of a Strategic Alliance, an internal structure occurs under which it's functions develop. While operating it, the alliance becomes an own new organization itself with members from the origin companies with the aim of meeting all previously set objectives and improving the overall performance of the alliance which requires effective structures and processes and a good, strong and reliable leadership. Budgets have to be linked, as well as resources which are strategically most important and the performance of the alliance has to be measured and assessed.

End: There are several ways how a Strategic Alliance can come to an end: Natural End: When the objectives, the Strategic Alliance was founded for have been achieved, and no further cooperation is necessary or beneficial for the involved enterprises the alliance can come to a natural end. An example for such a natural end is the alliance between Dassault and British Aerospace which was founded to manufacture the Jaguar fighter aircraft. After the end of the program no further jets were ordered so the involved companies ended their cooperation. Extension: After the end of the actual reason for the alliance, the cooperating enterprises decide to extend the cooperation for following generations of a respective product or expand the alliance to new products or projects.

Premature Termination: In this case the Strategic Alliance is ended before the actual

objectives of its existence have been achieved. Exclusive Continuation: If one partner decides to get out of the alliance before the common goals have been achieved, the other partner can decide to continue the project on its own. Takeover of Partner: Strong companies sometimes have the opportunity to take over smaller partners. If one firm acquires another the Strategic Alliance comes to an end.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces the logical framework to be followed in the process of conducting the study. It is divided into: research design, data collection and data analysis.

3.2 Research Design

This study adopted a descriptive survey research design. This design as defined by Orodho (2003) is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The design was used because of its descriptive nature in order to assist the researcher in collecting data from members of the sample for the purpose of estimating the population parameters.

3.3 Data Collection

In this study, the researcher used primary data. The primary data was collected by questionnaires. Questionnaires made it possible to obtain data required to meet specific objectives of the study. The respondents were either the Strategy and development managers or Business development manager at Kenyan banks. According to a report published by the Central Bank of Kenya in August 2014, Kenya has 44 licensed banks in Kenya. This was a relatively small population thus it validated conducting a census study. Questionnaires were the most appropriate as the respondent had adequate time to refer and respond at their appropriate time.

3.4 Data Analysis

According to Bryman and Bell (2003) data analysis refers to a technique used to make inferences from data collected by means of a systematic and objective identification of specific characteristics. Collected data was analysed using both quantitative and qualitative measures. Qualitative data regarding the countries that Kenyan banks have grown into, the types of Strategic Alliances adopted, the reasons behind selecting such alliances, the criteria used to select the appropriate strategic partners as the level of engagement per partner.

The data was obtained from the various management team members and compared against each other in order to get more revelation on the issues under study. This

research yielded qualitative data from the questionnaires and analysed using content analysis because this study solicited data that is qualitative in nature. Quantitative data was analysed using quantitative techniques such as percentages and measures of central tendency: Mean, mode and median.

CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

This chapter reports the findings of the study thematically, according to the objective of the study outlined in chapter one. The objective of this study was to establish application of Strategic Alliances in foreign market entry by banks in Kenya. The research was conducted and data was collected by administering of questionnaires to respondents who were either the Strategy and development managers or Business development manager at Kenyan banks. Out of the 44 questionnaires distributed, 32 banks responded making a response rate of 72.7% which was sufficient for the study. Mugenda and Mugenda (1999) stated that a response rate of 50% and above is a good for statistical reporting.

4.2 Background Information

The questionnaires were administered to 44 respondents who were representative of the licensed commercial banks in Kenya. The questionnaires had 2 sections. Section one had the demographic information on the banks while section two covered the specific research questions on application of strategic alliances as a mode of foreign market entry by banks in Kenya. This subsection shall discuss the findings from the demographics.

4.2.1 Period of Business Operating

In finding out the number of years the commercial banks in Kenya have been in operation, respondents were given provided with an open ended question. They were asked to fill in the blank with the number of years. The responses were coded and the frequency established. The results are shown on Table 4.1.

Table 4.1 Period of Operation in Kenya

Age of the Bank	Frequency	Percentage
0-10 Years	0	0%
11- 20 Years	2	6%
21-30 Years	14	44%
40-50 Years	12	38%
Over 50 Years	4	13%
Total	32	100%

Source: Field data (2015)

4.2.2 Branches in Kenya

The respondents filled in a blank space in order for the researcher to find out the number of branches the bank had in Kenya. The responses were coded and the frequency established. The responses were coded and the frequency established. The results are shown in Table 4.2 below.

Table 4.2 Number of Branches in Kenya

Number of Branches in Kenya	Frequency	Percentage
1 to 10	4	13%
11 to 20	7	22%
21 to 30	11	34%
31 to 40	3	9%
41- 50	3	9%
Above 50	4	13%
Total	32	100%

Source: Field data (2015)

4.2.3 Number of African Countries present

In finding out how many of the banks' branches are outside Kenya, respondents were given an open ended question. They were asked to indicate by filling in the number of countries in which they had presence. The responses were coded and the frequency established. The results are shown in Table 4.3 below.

Table 4.3 Number of African Countries Present

Presence within Africa- Number of Countries	Frequency	Percentage
0	19	59%
1 to 5	6	19%
5 to 10	4	13%
11 to 15	3	9%
16 to 20	0	0%
21 to 30	0	0%
Total	32	100%

Source: Field data (2015)

4.2.4 Number of Countries present Outside Africa

Of all 32 respondents, only 6 banks had presence in countries outside Africa. This represents 18.75% of Commercial banks licensed in Kenya.

4.3 Preferred mode of Foreign Market Entry

The researcher sought to find out which mode of foreign market entry was most preferred by the banks. To do so, they were asked to rank various highlighted modes of

foreign market entry from most preferred to list preferred with 1 being the least preferred and 5 being the most preferred. The results were as per Table 4.4 below.

Table 4.4 Modes of Foreign Market Entry Ranked

Entry Mode	Mean
Licensing	4.90625
Strategic Alliance	3.28125
Joint Venture	3.34375
Acquisition	2.5

Source: Field data (2015)

Despite the high costs associated with physically setting up shop, most banks still prefer to Green Field Investments ranking it the highest with a mean of 4.90625 out of the 32 banks selecting it as the most preferred mode of entry into foreign markets while acquisitions were ranked as the least preferred mode of entry.

Acquisitions were ranked least with a mean of 2.5

4.4 Application of Strategic Alliance in Foreign market Entry

13 out of the 32 respondent banks declared they had presence in countries within Africa. 8 of them had made Greenfield investments by setting up shop within the host countries while the other 5 had used a Strategic Alliance. The researcher further sought to find out the mode of Strategic Alliance that each had used and the results were as depicted below.

Table 4.5 Strategic Alliances Adopted in Foreign Market Entry

Strategic Alliance	Frequency	Percentage
Franchising	0	0%
Joint Venture	2	40%
Merger	1	20%
Acquisition	2	40%
Total	5	100%

Source: Field data (2015)

4.5 Factors considered in selecting a Strategic Alliance partner

The respondents were asked to rank the factors they would consider while selecting a partner for a strategic alliance on a 5 point scale where 1= least important and 5= most important.

The results were as shown below in table 4.6

Table 4.6 Factors to consider when selecting a Strategic Alliance partner

Factors when Selecting a Strategic Alliance Partner	Mean
Financial Assets of partner	4.3125
Complementarities of Capabilities	4.875
Unique Competencies	3.59375
Commitment	5
Cost of Alternatives	3.1875
Market Knowledge/Access	4.96875
Intangible Assets	2.34375
Managerial Capabilities	4.6875
Capabilities to Provide Quality Product/Service	4.4375

Willingness to Share Expertise	4.15625
Partner's Ability to Acquire your firm's Special Skills	2.34375
Previous Alliance Experience	3.34375
Special Skills That you can Learn from your Partner	4.4375
Technical Capabilities	3.6875

Source: Field data (2015)

Mean scores were thereafter computed; the higher the mean score, the more important the factor. From the table above, it is evident that Commitment is the most important factor that banks consider when selecting a partner for strategic alliances with a mean of 5, followed closely by Market Knowledge/ Access with a mean of 4.96875.

The Partner's ability to acquire a firm's special skills and a partner's intangible assets were the least considered factors with both having a score of 2.34375.

4.6 Risks that befall a company in a Strategic Alliance

The respondents were given questions measuring the inherent risks that a company may face while in a Strategic Alliance. They were to rank them on 5 point scale where 1= least important and 5= most important. The results of which are shown below in table 4.7 alongside their respective mean scores.

Table 4.7 Risks associated with Strategic Alliances

Factors when Selecting a Strategic Alliance Partner	Mean
Having to share resources and profits	2.0625
Risk of making your partner a potential competitor	4.53125
Misaligned strategic Visions and Goals	4.5625
Administration complexities- Coordination of activities across different firms in different regions	4.03125

Risk of sharing too much information that may be fall into wrong hands leading to potential fraud	2.21875
Risk of getting the wrong partner- cases of overpromising and under delivering	4.65625

Source: Field data (2015)

Misaligned Strategic Vision and Goals had the highest mean score of 4.5625 closely followed by Risk of making your partner a potential competitor with a mean of 4.53125. The lowest risk factor was that of -Having to share resources and profits with a mean score of 2.0625.

4.7 Net Promoter Score

All the 32 respondents said they would recommend Strategic Alliances as a mode of entry into foreign markets.

4.8 Discussion of Findings

41% of banks in Kenya have presence in African countries. This could be attributed to by a number of reasons; Proximity in being in the same continent makes it easy to venture as the initial costs and subsequent administrative costs are not too high. African countries tend to depict similarities in consumer behaviour. This makes it very easy for a firm to replicate its products within African nations as the adoption process is almost similar to that in Kenya. Local policies, treaties, trading blocs and agreements within Africa are also a factor that incentivises Kenyan banks to invest in African Markets. About 18.75% of licensed commercial banks in Kenya have operations globally.

40% of the banks have adopted the Joint Ventures and Acquisitions. The benefits associated with having a joint venture are such as: Gaining access to expertise without the need to hire more staff, Leveraging existing technologies and patents developed by

other companies, sharing the risk of high-leverage but uncertain ventures, establishing a presence in new, untapped markets, including international opportunities and enables a firm enter related businesses that previously presented high barriers to entry. Growth through acquisition, too often considered the exclusive domain of the largest of companies, is also quite appropriate for the small and midsize company looking to achieve rapid expansion. The key to growth by acquisition is taking advantage of synergies: making $2+2=5$. Growth through acquisition is a quicker, cheaper, and far less risky proposition than the tried and true methods of expanded marketing and sales efforts. Further, acquisition offers a myriad of other advantages such as easier financing and instant economies of scale. The competitive advantages too are formidable, ranging from catching one's competition off guard, to instant market penetration even in areas where you may currently be weak, to the elimination of a competitor through its acquisition.

While selecting a foreign strategic alliance partner, Commitment was ranked as the most important factor. Commitment is described as a pledge by alliance members to undertake specific actions that will facilitate the attainment of the alliance's goals and objectives and is an essential part of successful long-term relationships. If a partner is to make continuous commitment to an alliance relationship, then at the onset of a project it should be willing to show these commitments in the form of pledged resources. Commitment is conceptualized as tangible contributions made by partners to an alliance project. That is, commitment is an affirmative action taken by one party that creates a self-interest stake in the relationship and demonstrates something more than a mere promise (Anderson and Weitz, 1992). Resource commitment often involves dedicating specific assets to an alliance project and making pledges throughout the process that signal continued support of the alliance. The greatest risk that may be a

pitfall for a strategic alliance is that of having a misaligned Vision and Goals. This may be as a result of inappropriate partner selection before the alliance formation, sudden shift in priorities for the partner or simply as a case of overpromising and under delivering. Once the visions are misaligned, then the underlying objectives are jeopardised as they can no longer be achieved.

Greenfield investments is the most traditional pre-dominant mode that banks have used for decades to venture into new markets. However, as the markets shift, more dynamic modes are gradually being adopted by banks. Strategic Alliances in the form of mergers, joint ventures and acquisitions are the new trends that are being explored. Locally, banks have from time to time merged or acquired examples of which are shown in table 5.1 below.

Table 4.8 Strategic Alliances of banks in Kenya

No.	Institution	Merged with	Current Name	Date approved
1	9 Financial Institutions	All 9 Financial Institutions Merged together	Consolidated Bank of Kenya Ltd	1989
2	Indosuez Merchant Finance	Banque Indosuez	Credit Agricole Indosuez	10.11.1994
3	Transnational Finance Ltd.	Transnational Bank Ltd.	Transnational Bank Ltd.	28.11.1994
4	Ken Baroda Finance Ltd.	Bank of Baroda (K) Ltd.	Bank of Baroda (K) Ltd.	02.12.1994

5	First American Finance Ltd.	First American Bank Ltd.	First American Bank (K) Ltd.	05.09.1995
6	Bank of India	Bank of India Finance Ltd.	Bank of India (Africa) Ltd.	15.11.1995
7	Stanbic Bank (K) Ltd.	Stanbic Finance (K) Ltd.	Stanbic Bank Kenya Ltd.	05.01.1996
8	Mercantile Finance Ltd.	Ambank Ltd.	Ambank Ltd.	15.01.1996
9	Delphis Finance Ltd.	Delphis Bank Ltd.	Delphis Bank Ltd.	17.01.1996
10	CBA Financial Services	Commercial Bank of Africa Ltd	Commercial Bank of Africa Ltd	26.01.1996
11	Trust Finance Ltd.	Trust Bank (K) Ltd.	Trust Bank (K) Ltd.	07.01.1997
12	National Industrial Credit Bank Ltd.	African Mercantile Banking Corp.	NIC Bank Ltd.	14.06.1997
13	Giro Bank Ltd.	Commerce Bank Ltd.	Giro Commercial Bank Ltd.	24.11.1998
14	Guardian Bank Ltd.	First National Finance Bank Ltd.	Guardian Bank Ltd.	24.11.1998
15	Diamond Trust Bank (K) Ltd.	Premier Savings & Finance Ltd.	Diamond Trust Bank (K) Ltd.	12.02.1999

16	National Bank of Kenya Ltd.	Kenya National Capital Corp.	National Bank of Kenya Ltd.	24.05.1999
17	Standard Chartered Bank (K) Ltd.	Standard Chartered Financial Services	Standard Chartered Bank (K) Ltd.	17.11.1999
18	Barclays Bank of Kenya Ltd.	Barclays Merchant Finance Ltd.	Barclays Bank of Kenya Ltd.	22.11.1999
19	Habib A.G. Zurich	Habib Africa Bank Ltd.	Habib Bank A.G. Zurich	30.11.1999
20	Guilders Inter. Bank Ltd.	Guardian Bank Ltd.	Guardian Bank Ltd.	03.12.1999
21	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal Bank	11.01.2000
22	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank Ltd.	21.03.2001
23	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
24	Bullion Bank Ltd.	Southern Credit Banking Corp. Ltd.	Southern Credit Banking Corp. Ltd.	07.12.2001
25	Co-operative Merchant Bank ltd	Co-operative Bank ltd	Co-operative Bank of Kenya ltd	28.05.2002

26	Biashara Bank Ltd.	Investment & Mortgage Bank Ltd.	Investment & Mortgage Bank Ltd.	01.12.2002
27	First American Bank Ltd	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	01.07.2005
28	East African Building Society	Akiba Bank ltd	EABS Bank ltd	31.10.2005
29	Prime Capital & Credit Ltd.	Prime Bank Ltd.	Prime Bank Ltd.	01.01.2008
30	CFC Bank Ltd.	Stanbic Bank Ltd.	CFC Stanbic Bank Ltd.	01.06.2008
31	Savings and Loan (K) Limited	Kenya Commercial Bank Limited	Kenya Commercial Bank Limited	01.02.2010
32	City Finance Bank Ltd.	Jamii Bora Kenya Ltd.	Jamii Bora Bank Ltd.	11.02.2010
33	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd	Equatorial Commercial Bank Ltd	01.06.2010

Acquisitions

No.	Institution	Acquired by	Current Name	Date approved
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1	Mashreq Bank Ltd.	Dubai Kenya Ltd.	Dubai Bank Ltd.	01.04.2000
2	Credit Agricole Indosuez (K) Ltd.	Bank of Africa Kenya Ltd.	Bank of Africa Bank Ltd.	30.04.2004
3	EABS Bank Ltd.	Ecobank Kenya Ltd.	Ecobank Bank Ltd.	16.06.2008
4	Fina Bank Ltd	Guaranty Trust Bank Plc	Guaranty Trust Bank (Kenya) Ltd	08.11.2013
5	K-Rep Bank Ltd	Centum Ltd	K-Rep Bank Ltd	29.10.2014
6	Equatorial Commercial Bank Ltd	Mwalimu Sacco Society Ltd	Equatorial Commercial Bank Ltd	31.12.2014

Source (www.centralbank.go.ke)2015

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter five of this study discusses the summary of the findings, conclusions of the study and gives recommendations for policy and practice based on study findings.

5.2 Summary of Findings

When an organisation has made a decision to enter a foreign market, there are a variety of options open to it. These options vary with cost, risk and the degree of control which can be exercised over them. Banks in Kenya have been operating for an average of between 21-30 years. Although the success of an organisation may be evaluated by the length of time it has served a market and constantly offering new products into the market, this period is considered a relatively long time in one market. Often, such a firm ends up with too many obsolete products as it constantly churns out new products to sustain and grow the same market. According to Raymond Vernon's theory of Product Life Cycle, a product that is at the decline stage in one market can be re-introduced to another market and start the lifecycle all over again. This is one of the reasons that banks in Kenya venture into new markets.

Foreign market entry modes are numerous and they vary in terms of risk exposure, capital outlay and knowledge of the market. It is therefore critical for a company to carefully analyse and select the mode of entry that it adopts. The various modes include: Exporting, Licensing, Franchising, Turnkey projects, wholly owned subsidiaries (WOS), Strategic alliances. Some advantages of a strategic alliance include: Technology exchange, this is a major objective for many strategic alliances. The reason for this is that many breakthroughs and major technological innovations are based on interdisciplinary and/or inter-industrial advances. Because of this, it is increasingly

difficult for a single firm to possess the necessary resources or capabilities to conduct their own effective R&D efforts. This is also perpetuated by shorter product life cycles and the need for many companies to stay competitive through innovation. Global competition, There is a growing perception that global battles between corporations be fought between teams of players aligned in strategic partnerships. Strategic alliances will become key tools for companies if they want to remain competitive in this globalized environment, particularly in industries that have dominant leaders, such as cell phone manufactures, where smaller companies need to ally in order to remain competitive. Industry convergence, as industries converge and the traditional lines between different industrial sectors blur, strategic alliances are sometimes the only way to develop the complex skills necessary in the time frame required. Alliances become a way of shaping competition by decreasing competitive intensity, excluding potential entrants, and isolating players, and building complex value chains that can act as barriers. Economies of scale and reduction of risk, pooling resources can contribute greatly to economies of scale, and smaller companies especially can benefit greatly from strategic alliances in terms of cost reduction because of increased economies of scale. In terms on risk reduction, in strategic alliances no one firm bears the full risk, and cost of, a joint activity. This is extremely advantageous to businesses involved in high risk / cost activities such as R&D. This is also advantageous to smaller organizations which are more affected by risky activities.

5.3 Conclusion

Some strategic alliances involve firms that are in fierce competition outside the specific scope of the alliance. This creates the risk that one or both partners will try to use the

alliance to create an advantage over the other. The benefits of this alliance may cause unbalance between the parties, there are several factors that may cause this asymmetry: The partnership may be forged to exchange resources and capabilities such as technology. This may cause one partner to obtain the desired technology and abandon the other partner, effectively appropriating all the benefits of the alliance. Using this investment initiative erodes the other partner's competitive position. This is a situation where one partner makes and keeps control of critical resources. This creates the threat that the stronger partner may strip the other of the necessary infrastructure. Strengths gained by learning from one company can be used against the other. As companies learn from the other, usually by task sharing, their capabilities become strengthened, sometimes this strength exceeds the scope of the venture and a company can use it to gain a competitive advantage against the company they may be working with. Firms may use alliances to acquire its partner. One firm may target a firm and ally with them to use the knowledge gained and trust built in the alliance to take over the other.

It is thus critical for a company to select the most suitable partner for a strategic alliance by taking into consideration factors such as: Strategic compatibility, the partners need to have same general goal and understanding in forming a joint venture. The differences in strategy produce more conflicts of interest in the later partnership. Complementary skills and resources this is another important criterion is that the partners need to contribute more than just money to the venture. Each partner must contribute some skills and resources that complement for another. Relative company size, different size of companies may cause domination of one firm or unequal agreement, which is not favorable for long-term running. Financial capability, the partners can generate sufficient financial resources to maintain the venture's efforts, which is also important for long-term partnership.

5.4 Recommendations

Owing to the increased levels of competition, it is important that banks not only improve their product offering but also expand their market share by expanding their markets. Venturing into new markets may help the banks increase profit share as a result of increased market share and increased product uptake. Instead of shelving products that have reached the maximum limits on the Product Life Cycle, banks should try introduce them into new markets. This may give them the opportunity to revive the life of the product as it picks up from the introduction stage in the new market.

Previously, most firms and especially banks preferred venturing Greenfield. This means that they would establish physical presence of the traditional 'brick and motor' but as the competition and diversity in the market increases, more innovative ways of going foreign have been adopted. These include Strategic Alliances, joint ventures, mergers, takeovers and acquisitions. These trends enable a firm to enter an international market through collaboration. This may help them acquire a market that they would otherwise not enter due to tariff and policy barriers, the initial capital outlay is relatively lower as they do not set up shop, the risks can be shared with the partner, resource sharing and knowledge transfer which leads to team synergy.

The researcher recommends that the Central Bank of Kenya review the process and policies that govern the process of getting into a strategic alliance. This could facilitate increased strategic alliances as the conditions would be favourable for internationalization. Further studies should be done to unearth the success levels of the existing Strategic Alliances.

5.5 Limitations of the study

The respondents may not have given full information in fear of breaching bank policy thus there may be other factors that this study was not able to establish. The interview targeted the senior managers who hold key positions and were quick in responding to the questions due to their busy schedule. There were several practical problems in filling in the questionnaires that might have weakened the data. For instance, five questionnaires were filled in at the time of collection and while the respondent was working and had to answer to a telephone or meet an employee. These things may have disturbed the interviewee's concentration and distorted the answers.

5.6 Recommendations for further research

This study suggests some lines of enquiry for further research. The research only involved a sample of 32 banks with operations in Kenya. The feeling of the researcher is that if this sample is broadened with regard to number of banks, the findings would provide better grounds on which to confirm if the results of this research can be a good representation of the entire population.

In addition, the researcher is of the opinion that further research could determine if the findings of this research are consistent across similar institutions outside the Kenyan borders. The operating environment in Kenya is unique in many ways and may have significant impact on how internationalization is done. A research involving banking businesses elsewhere in the world would broaden the scope of this work and add value not only to the academic thought but also to any of the Kenyan banks that might be contemplating establishing global networks.

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APPENDIX 1: RESEARCH QUESTIONNAIRE

SECTION 1: COMPANY DEMOGRAPHICS

1. Name of Company _____
2. When was the company formed? _____
3. Number of Branches in Kenya _____
4. Does the company have presence outside of Kenya?

Yes

No

If yes,

Within Africa only

Globally/Beyond Africa

Both

Specify number of Countries _____

SECTION 2: KEY RESEARCH QUESTIONS

5. Rank the modes of entry described below in terms of preference.(1= Least Preferred, 5= Most Preferred)

Mode of Entry	1	2	3	4	5
Using a firm's business model and brand for a prescribed period of time.					
A business agreement in which the parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.					

Combination of two companies to form a new company					
A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.					

Other factors (specify) -

6. Does the company use Strategic alliances as a mode of foreign market entry?

Yes

No

7. Which of the following statements best describes the mode of entry by your bank?

Using a firm's business model and brand for a prescribed period of time.	
A business agreement in which the parties agree to develop, for a finite time, a new entity and new assets by contributing equity. They exercise control over the enterprise and consequently share revenues, expenses and assets.	
Combination of two companies to form a new company	

<p>A corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm.</p>	
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8. Please rank the factors below in terms of weight when considering a suitable partner for a Strategic Alliance (1= Least Importance, 5= Highest Importance)

Factors when Selecting a Strategic Alliance					
Partner	1	2	3	4	5
Financial Assets of partner					
Complementarities of Capabilities					
Unique Competencies					
Commitment					
Cost of Alternatives					
Market Knowledge/Access					
Intangible Assets					
Managerial Capabilities					
Capabilities to Provide Quality Product/Service					
Willingness to Share Expertise					
Partner's Ability to Acquire your firm's Special Skills					
Previous Alliance Experience					
Special Skills That you can Learn from your Partner					
Technical Capabilities					

Other factors (specify) -

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9. Below are the potential risks that may befall a company that forms a strategic alliance. Rank them in order of severity to the company.

Risk Exposures	1	2	3	4	5
Having to share resources and profits					
Risk of making your partner a potential competitor					
Misaligned strategic Visions and Goals					
Administration complexities- Coordination of activities across different firms in different regions					
Risk of sharing too much information that may be fall into wrong hands leading to potential fraud					
Risk of getting the wrong partner- cases of overpromising and under delivering					

Other factors (specify) -

10. Would you recommend Strategic Alliances as a mode of entry into new markets in future?

Yes

No