

## **Strategic Alliances and the Performance of Small and Medium Enterprises in Kenya**

### **Abstract:**

The overarching objective of this study was to assess how SMEs in strategic alliances differed from SMEs not involved in such alliances in terms of asset value, liability portfolio and net worth. In other words, were SMEs in strategic alliances performing better than SMEs not involved in alliances? Data was sourced from a total of 289 SMEs, of which 120 were involved in strategic alliances. Chi square and one-way ANOVA were used to test hypotheses; while binary logistic regression was applied to determine the difference in performance, while taking into account the effect of firm attributes. The study found that alliance and nonalliance SMEs were significantly different in terms of type of business activities, location of premises, legal status, average monthly income, firm size and access to ICT systems within premises. At the multivariate level, alliance SMEs were 2.5 times more likely to own more assets than non-alliance SMEs, when the effect of background profile is taken into account. The study also found that alliance SMEs were 3.9 times more likely to have liabilities below the OECD threshold of KES 5,000,000. In addition, alliance SMEs were 2.1 times more likely have higher net worth than non-alliance SMEs. In conclusion, the involvement of SMEs in strategic alliances was advantageous by improving their returns on investment, asset value and net worth, while minimizing their liabilities. The study recommends the need to: strengthen the SME sector and incentivize firms to initiate strategic alliances; provide information to enhance knowledge and awareness about strategic alliances; and develop appropriate curriculum on strategic alliances and encourage all the Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) institutions to provide training on the subject.