THE IMPACT OF STRATEGIC ALLIANCES ON THE PERFORMANCE OF SELECTED FIRMS IN KENYA

BY

JOHN L. MUGERWA

A Project Report Submitted to the School of Business in Partial Fulfillment of the Requirements for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

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I, the undersigned declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: John L. Mugerwa (ID 608002) Date: 14/04/2006

This project paper has been presented for examination with my approval as the appointed supervisor.

Signed: Dr. George K’Aol Date: 22/05/06

Signed: Dean, School of Business Date: 26th June 2006

Signed: Deputy Vice Chancellor Academic Affairs Date: 6th July 2006
DEDICATION

I dedicate this research project paper to my dear wife Maureen and our lovely children for their patience during the period of study, and to my parents for their abiding belief in the value of education.
ACKNOWLEDGEMENT

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The study was a case study. The study focused on four firms that had formed strategic alliances in Nairobi. A sample of 14 top and functional managers from the four selected firms namely, Kenya Airways and Royal Dutch Airlines (KLM), and TNT International Express and Nation Courier were used for the study. The primary data was collected using a structured questionnaire developed by the researcher. The questionnaire was distributed to 10 of the respondents who completed it. The researcher held face-to-face interviews with 4 of the respondents using the questionnaire. The data were analyzed using descriptive statistics in terms of averages and frequency distribution for quantitative data. The data were summarized and presented in terms of graphs and pie charts. The analysis was done according to the four rapid response questions from the research questions. The data was analyzed using excel spreadsheet.

The study showed that the firms involved in the strategic alliances had common objectives of expanding their network, improving their market share, and increasing their profitability through benefits from synergies and economies of scale.
The growing importance of strategic alliances coupled with their unsatisfactory performance or outright failure, especially in developing economies, constitutes a serious management dilemma for firms in Kenya. This study was aimed at investigating the impact of strategic alliances on the performance of selected firms operating in Kenya, namely Kenya Airways and Royal Dutch Airline, and Nation Courier and TNT International Express. The study explored and answered the following broad questions:

1. What are the main objectives for entering the strategic alliance?
2. What critical areas need to be addressed in the planning and implementation of strategic alliances?
3. What are the major benefits of strategic alliances?
4. What are the main challenges faced by firms in strategic alliances?

The research design was a case study. The study focused on four firms that had formed strategic alliances in Nairobi. A sample of 14 top and functional managers from the four selected firms namely: Kenya Airways and Royal Dutch Airlines (KLM), and TNT International Express and Nation Courier were used for the study. The primary data were collected using a structured questionnaire developed by the researcher. The questionnaire was distributed to 10 of the respondents who completed it. The researcher held face-to-face interviews with 4 of the respondents using the questionnaire. The data were analyzed using descriptive statistics in terms of averages and frequency distribution for quantitative data. The data were summarized and presented in tables, bar graphs and pie charts. The analysis was done according to the four broad categories arising from the research questions. The data was analyzed using excel spreadsheet.

The results showed that the firms involved in the strategic alliances had common objectives of expanding their network, enlarging their market share, and increasing their profitability through benefits from synergies and economies of scale.
Regarding the critical areas in the planning and implementation of strategic alliances, the results revealed that the most critical areas were: selection process or criteria and agreeing on a mutually acceptable memorandum of understanding; and compatibility of organizational cultures and management policies.

The firms in the strategic alliances enjoyed benefits mainly in terms of increased productivity and profitability, increased market share, and network expansion. The research findings indicated that the firms in the strategic alliances encountered challenges in terms of incompatible organizational cultures, differences in management styles, competition instead of cooperation, imbalance in resources and benefit sharing, and delays in decision-making.

The study concluded that the strategic alliances have had an overall positive impact on the four firms surveyed: Kenya Airways, Royal Dutch Airlines (KLM), TNT International Express, and Nation Courier. This can be attributed to the fact that the individual firms had strategic, specific and complementary objectives, and handled the critical areas in the planning and implementation of the strategic alliances carefully and properly.

The study recommends that strategic alliances should go through post-formation dynamics and changes particularly with regard to governance. This will enable the partnering firms to address any emerging problems. This may entail making alterations such as changes in the strategic alliance contract, changes in the joint board or committee overseeing the strategic alliance, and the introduction or formalization of monitoring mechanisms.
In today’s increasingly dynamic and turbulent business environment, many firms have realized that neither the traditional “cutthroat” competition approach nor the “go-it-alone” perspective can enable them achieve their major objectives of profitability and growth. Schoeniger (2002) has observed that virtually in every industry, organizations are forming alliances as a strategy to enable them to grow. During the relatively stable economic environment that characterized the 1970s and early 1980s, strategic alliances were perceived as a preserve for large international firms.

However, faced with unprecedented levels of competition since the late 1980s, many firms are now looking for ways of sharing their resources and expertise to develop new products, achieve economies of scale, and gain access to new technology and markets (Trott, 1998). According to Doz and Hamel (1998), 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. In this regard, several scholars and practitioners of strategic management have pointed to the decline and imminent “death” of competition, as we knew it (Moore, 1996; Mintzberg, Ahlstrand, and Lampel, 1998). This has resulted in different forms of business cooperation, coalition, and partnership between or amongst firms, out of mutual need. According to Rigsbee (2000) partnering is the *modus operandi* of the third millennium. Yoshino and Rangan (1995) put the significance of alliances in sharp focus when they assert that alliances are part of the game of global competition, and are critical to winning on a global basis.

The overall objective of strategic alliances is to achieve better performance and efficiency through synergy—what is often referred to as the “1+1=3” or “2+2=5” effect (Shoeniger, 2002; Trott, 1998).
Firms benefit from greater resources, economies of scale, new product development and increased profitability (Cartwright and Cooper, 1999).

Through strategic alliances, firms can spread into foreign international markets, in a globalized business environment. The rate of alliance formation among the largest US firms, for instance, has been increasing by 25 percent annually since 1985 (Pekar and Allio, 1994). According to Harbison and Pekar (1998), the largest 1,000 U.S. companies generated 21 percent of their revenues from alliances in 1997, and this figure was projected to reach 35 percent by the year 2002. Research also shows that the same rapid pace of alliance formation is evident in European and Asian countries (Beamish and Delios, 1997).

According to Trott (1998), strategic alliances can take the form of inter-industry or intra-industry partnership. Trott has identified three generic types of strategic alliances: joint ventures, Research and Development (R&D) Consortia, and Collaboration. According to Vyas, Shelburn, and Rogers (1995), there are two major forms of strategic alliances: market-related and technology-related. For instance, the decision by Kenya Airways and Royal Dutch Airlines to cooperate in such areas as marketing and route scheduling constitutes an intra-industry, market alliance (Ondigo, 2002).

The cooperation between the Computer firm IBM and Microsoft to develop software is an example of intra-industry, technology alliance. Inter-industry alliances, on the other hand, occur in cases where firms from different industries join efforts to achieve a common goal. Kenya Airways, established in 1977, was performing dismally until it underwent commercialization and privatization in 1996. It entered a strategic alliance with KLM in the same year, and is today the leading regional carrier to Africa out of Nairobi.

KLM owns a 26% stake in KQ, 52% of the shares are owned by local and international investors, while the government of Kenya has a 23% shareholding. Today KQ boasts of the largest distribution network out of Nairobi, and is the fastest growing commercial airline in Africa.
This improvement in performance is largely attributed to the alliance with KLM, and in particular KQ’s service benchmark with its alliance partner (Kenya Airways Annual Report, 2000).

KLM was founded in 1919 in the Netherlands and is now the world’s oldest international airline. The airline has improved its position in the global aviation industry through a strategy of providing better products at a lower cost, and strategic alliance formation. In order to enhance its position further, KLM decided to merge with Air France in early 2004 in an arrangement that is unique in the aviation industry. The two airlines will operate under one holding Company, although they will continue to work independently but in close cooperation before integration. The synergy to be generated out of this merger in a period of about five years is estimated at between Euros 400-500 million on an annual basis. (KLM Annual Report, 2004)

Nation Courier is a subsidiary of the Nation Media Group (NMG), the largest independent media group in East Africa that was founded by the Agha Khan in the 1960s. NMG has its headquarters in Nairobi but it has bureaux in major towns in Kenya as well as offices in Dar-es Salaam in Tanzania, and Kampala in Uganda for its East African operations. The Nation Group runs its own transport company, Nation Carriers Limited that has a fleet of vehicles to distribute its products around Kenya. Nation Carriers has also been incorporated in Uganda as Nation Carriers (U) Limited. Nation Courier, its subsidiary, acquired an international link after entering a strategic partnership with TNT International Express to deliver mail and packages outside Kenya. TNT International Express, established in 1946, is one of the leading providers of business-to-business express delivery services for documents, parcels and freight. TNT employs over 40,000 staff worldwide, and has a fleet of 43 freighter aircraft, and over 20,000 vehicles in a worldwide network of operations.

In spite of the tremendous advantages of strategic alliances, there are also several challenges. Chan and Heide (1993) have observed that strategic alliances can: lead to competition instead of cooperation, result in loss of competitive knowledge, cause conflicts arising out of incompatible cultures and objectives, intellectual property, and diminished management control.
Burton (1995) has argued that some companies are being lured into the cozy embrace of alliances whereas their primary need remains that of sharpening their competitive thrust rather than blunting it through collaboration with other firms.

Several studies have revealed that the mortality rate of alliances is over 50% (Rigsbee, 2000; Schoeniger, 2002; Lettellier, 2002), while current trends indicate that strategic alliances in developing countries are more unstable compared to those in developed countries (Xiaohua and Germain, 1998).

1.2 Statement of the Problem

In spite of the numerous benefits that accrue from strategic alliances, many firms, especially in developing countries are reluctant to form alliances. According to Ellis (1996), strategic alliances are surging in popularity but an estimated 60% of strategic alliances end in outright failure, especially in developing economies.

This constitutes a serious management dilemma for firms. Although extensive research has been done on strategic alliances in general, and on key success factors in particular, most of the studies relate to firms in the developed world, and focus mainly on successful alliances (Beamish and Killing, 1997; Lorange and Roos, 1993; Moody, 1995). Deeds and Hill (1996) contend that strategic alliances enable high technology firms to gain access to the complementary assets required to develop new products thereby increasing a firm’s productivity and profitability.

Thus, the greater the number of alliances that a firm enters, the greater its output over a given period of time. However, the relationship between strategic alliances and productivity may not be linear in the sense that although strategic alliances may initially have a positive effect on productivity, this relationship may begin to exhibit diminishing returns over time.

Hagedoorn (1995) has pointed out that although strategic alliances have become a familiar aspect of corporate behavior, the key question is whether strategic alliances do actually establish stable networks of firms resulting in improved productivity.
This study therefore seeks to investigate the relationship between strategic alliances and performance by focusing on strategic alliances in a developing country, Kenya. Previous studies on strategic alliances have mainly focused on investigating the motives and factors for entering strategic alliances (Deeds and Hill, 1996; Shan, Walker, and Kogut, 1994; Hagerdoorn, 1993). In addition, several previous studies have explored the key success factors to consider in the formation and implementation of strategic alliances (Koigi, 2002; Parkhe, 1993; Ellis, 1996; Lei and Slocum, 1991).

However, there is a scarcity of research on the actual impact, in terms of performance, that entering into a strategic alliance has on the partnering firms, especially in developing countries. Most of the research findings available on this subject relate mainly to firms in the developed countries in Europe, North America and South East Asia. A study by Deeds and Hill (1996) on a sample of 132 firms in the United States found out that contrary to the general belief that entering a strategic alliance increases performance in terms of productivity, strategic alliances may initially have a positive impact but diminishing returns may set in. Ellis (1996) has pointed out that one of the major reasons that hinder the success of strategic alliances is that firms often do not formulate specific performance benchmarks against which to measure the impact of entering a strategic alliance.

The current study aims at contributing towards bridging this knowledge gap by focusing on the impact of strategic alliances on the performance of selected firms in a developing country.

1.3 **Purpose of the Study**

This study was aimed at investigating the impact of strategic alliances on the performance of selected firms operating in Kenya, namely Kenya Airways and Royal Dutch Airline, and Nation Courier and TNT International Express.
1.4 Research Questions

In order to investigate the impact of strategic alliances on the firms' performance as pointed out in the purpose statement, the study was guided by four key research questions:

1. What are the main objectives for entering strategic alliances?
2. What are the critical factors that need to be addressed in the planning and implementation of the strategic alliance?
3. What are the major benefits of forming a strategic alliance?
4. What are the challenges faced by firms in strategic alliances?

1.5 Importance of the Study

The globalization of industries has created a new set of strategic opportunities as well as problems for managers (Porter and Fuller, 1986). Whereas alliance formation is not new in international competition, alliances are becoming more strategic through linking major competitors to enable them compete effectively and efficiently worldwide. This research has great significance to the following categories of stakeholders:

1.5.1 Firms in or intending to enter Strategic Alliances

The impact of strategic alliances on the performance of selected firms was studied. In particular, the study considered the main objectives for entering strategic alliances; critical factors that need to be addressed in the planning and implementation stages; major benefits accruing from strategic alliances; and the challenges. The results could provide insights and guidelines to firms contemplating entering or forming strategic alliances in order to increase their firms' productivity and profitability.
1.5.2 The Particular Firms Studied

The four firms in this case study namely: Kenya Airways, KLM Royal Dutch Airlines, TNT International Express, and Nation Courier could benefit from the results of this research on the impact of strategic alliances on the performance of the respective firms. In particular, seeking solutions to the challenges identified by the study might enable the firms to optimize the benefits from the strategic alliances while at the same time avoiding the pitfalls recognized.

1.5.3 Policy Makers

The study can assist policy-makers in understanding the role that strategic alliances can play in improving the performance of businesses including parastatals organizations. The results of the study can provide an insight for divestiture or privatization policy options. The strategic alliance that Kenya Airways entered into with KLM Dutch Airlines, for instance, transformed the former from an ailing nationalized organization into a successful private company.

1.5.4 Researchers

The findings of this study can be of particular significance to researchers. The can be used as a starting point for subsequent studies on strategic alliances in developing countries.

1.6 Scope of the Study

The study focused on two strategic alliances involving four firms operating in Kenya. The first strategic alliance was in the airline industry and comprises Kenya Airways and Royal Dutch Airlines. The second strategic alliance was in the Courier sub-sector and involved Nation Courier Company and TNT International Express.

The researcher sought the views of five functional managers in each firm, analyzed them, and made conclusions based on the findings. Although some of these firms had regional and international offices based in foreign countries, this research was conducted in Nairobi.
1.7 Definition of Key Terms

1.7.2 Coalition

A coalition is a formal, long-term alliance between firms that link aspects of their businesses but falls short of a merger (Porter and Fuller, 1986).

1.7.2 Strategic Alliance

A strategic alliance is an agreement between two or more firms (partners) to share knowledge or resources for the mutual benefit of all the parties involved (Vyas, Shelburn, and Rogers, 1995). According to Dussauge and Garette (1999), the key element in the concept of strategic alliances is the fact that each firm involved in the partnership remains independent, despite the agreement linking it to its partner or partners.

1.7.3 Intellectual Property

Intellectual property is a generic term for patents, trademarks, copyrights, trade secrets, and other intangible property produced through the intellectual efforts of their creators (Burgunder, 2001).

1.7.4 Strategy

Strategy refers to long-term, future-oriented actions and decisions aimed at achieving organizational objectives (Ansoff and McDonnel, 1990).

Strategy is also defined as the direction of an organization over the long term, that achieves competitive advantage for the firm through configuring resources in a changing environment to meet the needs of consumers and the expectations of the stakeholders (Johnson and Scholes, 1999).
This chapter considered the background information on strategic alliances, statement of the problem, purpose of the study and its scope, and the importance of the study. The research questions that guided the study were also specified. The study was aimed at investigating the impact of strategic alliances on the performance of selected firms in Kenya, namely: Kenya Airways and Royal Dutch Airlines, and TNT International Express and Nation Courier.
This chapter considers literature review relevant to the study. It is divided into four main areas according to the research questions. The areas are: motives for formation of strategic alliances, planning and implementation of strategic alliances, benefits of strategic alliances, and the challenges, risks and limitations of strategic alliances.

2.2 Motives for Formation of Strategic Alliances

According to Ohmae (1989) strategic alliances have become a necessity due to the convergence of consumer needs, and the dynamic technological changes in a global business environment. Firms must therefore find strategic partners to share the immense fixed costs. Kogut (1988) advances three principal theories to explain the shift towards strategic alliances: transaction cost economics, organization theory, and business strategy. The transaction cost theory holds that alliances are intermediate hybrid forms between the extremes of markets and hierarchy (Gulati, 1995; Borys and Jemison, 1989).

The main premise of transaction cost theory is that strategic alliances are designed to achieve such a minimum cost arrangement (Garcia-Canal, 1996). Kogut (1988) developed the resource dependency approach in which organizations depend on other organizations within their environment to acquire needed sources. As Rigsbee (2000) has pointed out, formation of strategic alliances is therefore a means for stabilizing the flow of resources that a company needs and for reducing the uncertainty confronted by the company.

Porter (1980) has stated that the formation of strategic alliances is influenced by and depends on the five forces: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and rivalry among firms.
The three generic strategies provided by Porter (1985) namely cost leadership, product differentiation, and focus, are used in conjunction with the five forces by firms to outperform competitors. Alliances are therefore formed to hedge against strategic uncertainty (Kogut, 1988).

Lorange and Roos (1999) have provided a two dimensional framework for analyzing why firms enter into alliances. The first dimension is by examining the strategic importance of the particular product or business in which the alliance is being contemplated. This is done in order to establish whether the product or business is part of the core activity of the prospective partner, or whether it is of peripheral value to the firm. If the product or business is a core activity for both firms, then the firms will be interested in maintaining the alliance. The second dimension relates to the firm’s relative position in the industry: is it a market leader or follower? If a firm is a leader with a large market share, state-of-the-art technology, or superior corporate image, it will approach the alliance differently than one that is a market follower.

Beamish and Killing (1997) have pointed out that the most fundamental question in the process of forming a strategic alliance is: why cooperate and form an alliance at all versus going it alone? In the formation of strategic alliances, it is often assumed that the prospective partners have a shared point of view or strategic intent. In reality, however, each firm has its own perspective and strategic intent. It is therefore vital to study what motives different firms have for entering strategic alliances, and how they deal with differences in strategic intent (Koigi, 2002). Firms will therefore seek alliances depending on their position in the industry, and whether the product or business is of core or peripheral importance.

A study by Bleeke and Ernst (1995) revealed that firms enter into alliances when they realize that there is a gap between their strategic and current goals—what the firms would like to achieve and what they are able to achieve. In this case, the motive for forming the strategic alliance is to reduce the perceived gap. Burton and Hanlon (1995) have identified six motives or objectives for formation of strategic alliances, and outlines the advantages and disadvantages of each objective as summarized in Table 1.
Table 1: Six Motives for Strategic Alliances

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
<th>Positive Aspects</th>
<th>Negative Aspects</th>
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<tbody>
<tr>
<td>Learning</td>
<td>Acquire needed know-how (markets, technology, management)</td>
<td>Inexpensive and efficient acquisition</td>
<td>Partner opportunism, organizational challenges</td>
</tr>
<tr>
<td>Leaning</td>
<td>Replace value-chain activities; fill in missing firm infrastructure</td>
<td>Specialization advantages</td>
<td>Decision paralysis, evolving environment</td>
</tr>
<tr>
<td>Leveraging</td>
<td>Fully integrate firm operations with partner</td>
<td>Entirely new portfolio of resources</td>
<td>Greater inflexibility in vertical relations</td>
</tr>
<tr>
<td>Linking</td>
<td>Closer links with suppliers and customers</td>
<td>Closer coordination of vertical activities</td>
<td>Cultural incompatibility</td>
</tr>
<tr>
<td>Leaping</td>
<td>Pursue radically new area of business</td>
<td>Expanding universe of market opportunity</td>
<td>Static strategic position, ephemeral advantage</td>
</tr>
<tr>
<td>Locking out</td>
<td>Reduce competitive pressure from non-partners</td>
<td>Temporary competitive hiatus</td>
<td></td>
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</table>

**Source:** Burton & Hanlon, (1995, p. 21).

Koigi (2002) carried out a study on the strategic alliance formed between Kenya Post Office Savings Bank (KPOSB) and Citibank (Kenya) in 1997. Through the Postal Corporation of Kenya, KPOSB has the biggest service delivery network available to any bank in Kenya—24 independent branches. In addition, KPOSB has 40 branches within post offices spread throughout the country. KPOSB’s market share was about 6% in 2002.

Citibank (Kenya) is part of Citigroup, the world’s biggest financial service institution based in New York. It is one of the few banks in Kenya that mainly offer corporate banking services with branches in Nairobi, Mombasa and Nakuru, and controls about 10% of the financial market share. KPOSB and Citibank (Kenya) entered into an alliance in which the retail banking needs of some of Citibank’s corporate clients are served at KPOSB outlets at a commission.

The research findings showed that whereas both KPOSB and Citibank (Kenya) had common motives of expanding their product range and increasing their profitability, Citibank’s specific objective was to use KPOSB’s branch network to increase its domestic geographical spread, while KPOSB’s specific objective was to improve its corporate image. The strategic alliance therefore created a value proposition for Citibank’s clients and beneficiaries. It also created value for both banks through revenue earned by KPOSB and business transacted by Citibank.
The study identified two major challenges faced by the strategic alliance from the outset. First, one partner (Citibank) was perceived as stronger and richer. Second, the corporate and cultural backgrounds of the two banks were different, as were their niche markets. It was also established that as the strategic alliance evolved, both banks had to make the requisite adjustments in the structures and responsibilities to include new duties arising from the alliance. In order to effect changes in service delivery, KPOSB had to embark on more automation to be able to offer expeditious service. In addition, KPOSB realized the need for more empowerment of staff in order to be more responsive to customer needs in conformity with the service quality standards specified by Citibank (Koigi, 2002).

According to Reuer, Zollo, and Singh (2002), most strategic alliances go through post-formation dynamics and changes particularly with regard to governance. Such changes include contractual alterations, changes in the joint board or committee overseeing the strategic alliance, and the introduction or formalization of monitoring mechanisms. In a well-known case of contractual changes in strategic alliances, XEROX substantially altered its relationship with its partner, FUJI-XEROX, several times as the venture evolved. For instance, XEROX reduced royalty percentages paid by the venture and instituted a manufacturing license fee, both of which allowed for greater autonomy (Reuer et al. 2002).

2.3 Planning and Implementing Strategic Alliances

The second research question relates to the critical areas that need to be addressed in the planning and implementation stages of the alliance for it to succeed. According to Lorange and Roos (1993), the process of forming a strategic alliance can be painstaking, because it must be done in a planned and systematic manner.

Kanter (1997) has proposed a five-stage roadmap for developing strategic alliances. He argues that strategic alliances, like human relations, go through the stage of courtship, engagement, setting up house, bridging the differences, and discovery of the changes that occur due to accommodating each other. Trott (1998) points out that the formation of strategic alliances is a three-step process: selection of a suitable partner, negotiation of mutual needs, and management towards collaboration.
Rigsbee (2000) has identified six major steps in the process of forming a strategic alliance: monitoring, learning, selecting, organizing, agreement and post-agreement.

2.3.1 Monitoring the Industry and Firms

According to Dussauge and Garette (1999), a firm that intends to enter into a strategic alliance must have good reasons for doing so, and should clearly know what it will gain from such an alliance. This entails an internal examination of the firm’s strengths (that might be valuable to a prospective partner), weaknesses, and identifying areas for improvement (Koigi, 2002). It is also vital to study other industries that have embraced partnering along with the individual industries that have formed successful alliances—what worked, what did not, and why?

2.3.2 Learning About Prospective Partners

The second step involves learning about those companies that a firm might consider for strategic alliance arrangements: their strengths, weaknesses, and likely impact on your firms’ business (Mitchell and Mirvis, 1998). Hitt, Tyler, Hardee, and Park (1995) have observed that in this era of rapid globalization, no company can afford to limit its competitor analysis to past or current experiences. Relying too heavily on a static analysis of a firm’s competitors does not provide insight into their strategy, intent, direction, or basic orientation for developing competitive positions. Firms must seek arrangements that create win-win results from the strategic alliance, ensure that the company cultures are complementary, and that the employees who will make the alliance work have the ability to cooperate. According to Hitt et al. (1995), strategic alliances often run into problems because the partnering firms do not clearly understand each others’ intent—their strategy, goals and objectives—and because they are unable to communicate clearly with managers from a different organizational culture.

2.3.3 Selecting the Right Partner

A study by Bleeke and Ernst (1995) revealed that selection of the right business partner is the most critical step in forming an alliance—a foundation on which future efforts will be built.
This must be done with knowledge, understanding, and commitment. Mitchell and Mirvis (1998), have observed that successful partnering firms must know what they are looking for and conduct a thorough due diligence to ensure that they get what they want. The process of screening the potential candidates is critical and covers the obvious strategic and financial criteria, but must also extend to include the assessment of the human and cultural elements that often undermine an otherwise sound strategic alliance.

Mitchell and Mirvis (1998) have stated that when choosing a prospective strategic partner, a firm must target a company that will enhance its efficiency and productivity through synergies and improvement in key areas such as research and development, marketing, technology, and production. It is therefore crucial for firms to consider the compatibility of their organizational cultures, the attitude of the leaders involved, and ensure that the focus of the partnership is strategic to their individual goals.

Schoeniger (2002) has stated the importance of ensuring that the firms’ approach to business is compatible: Does the prospective partner value customer relationships and high levels of service? Is decision making centralized and hierarchical, or are line managers empowered to respond to market changes? Dussauge and Mirvis (1999) have observed that some key factors to take into account while selecting a partner include:

i. The degree of mutual trust between or amongst the partners,

ii. The commitment to invest jointly for the long term in both physical assets and intangible resources such as technical know-how,

iii. The fit between the partners’ strategies.

2.3.4 Organizing for the Alliance

After selecting the right partner, the next step is to organize for the strategic alliance. This entails identifying, understanding, and putting together the possibilities of the alliance (Rigsbee, 2000). The firm must work with the internal and external personnel to develop an appropriate alliance structure, and plan (road map).
It should also make sure that all levels of both organizations share the alliance attitude, and have a stake in its success.

Mitchell and Mirvis (1998) have cautioned that senior executives sometimes enter strategic alliances with different expectations about the outcomes. In order to avoid this, firms must plan for the medium and long term, encouraging strategies that will sustain the alliance. In this regard, open channels of communication and sharing of information on a continuous basis is crucial. Both firms must thoroughly discuss cooperative or joint budgeting, forecasting, and payment terms.

2.3.5 The Alliance Charter or Agreement

The firms must decide on the form of the agreement: whether it will be a handshake, or an actual contract. According to Rigsbee (2000) all strategic alliance agreements should be written to ensure that both parties remember their promises and commitments easily. In the agreement or charter, the nature, purpose, and name of the strategic alliance should be clearly spelt out. As Schoeniger (2002) aptly points out, the contract must be negotiated because it documents shared strategies and goals, and how the relationship will work. The contract should state specifically what each company would contribute to the alliance, how that contribution will be measured, and how the proceeds the alliance generates will be shared. Provisions for representations, warranties, capital contributions, intellectual property, and conflict resolution are vital elements in an alliance agreement. In view of the fact that each party sees the alliance as a business opportunity, the agreement should have terms and conditions of for partners to resolve issues relating to frustrated business opportunity.

When firms enter into strategic alliances, a whole spectrum of legal issues must be considered (Burgunder, 2001). This is due to the fact that in spite of the partnership, the firms remain independent and autonomous entities that decide to co-operate in certain areas, and to share knowledge to some extent (Trott, 1998). According to Lettellier (2002), one of the critical issues that must be clarified in the formative stages if the alliance is intellectual property brought to the alliance by its members or intellectual property likely to be developed during the course of the alliance.
In particular, the agreement must provide for a mechanism of distribution of profits and losses between or among the partners. While negotiating the agreement, each party should also ensure that it has an exit strategy as a safety valve in case the alliance does not work. Schoeniger (2002) has rightly observed that an alliance isn't a marriage; it isn't for better or worse. When the relationship stops delivering value to both parties—when market conditions change, or you no longer need to fill a gap, or the relationship no longer meets its goals—it's time to adapt the alliance or dismantle.

2.3.6 Post Agreement Review and Evaluation

Mitchell and Mirvis (1998) have observed that no matter how well planned the implementation of a strategic alliance may be, midcourse corrections are commonplace in successful strategic alliances. The implementation of the alliance must involve periodical review and evaluation regarding whether the partnership should be maintained, upgraded, or downgraded (Koigi, 2002). This stage also entails discussing opportunities for improvement in the quality of the partnership in order to enhance performance (Schoeniger, 2002).

According to Reuer et al. (2002), transactional features such as the strategic alliance’s scope, its division of labor and the relevance of the partnership to the parent firm bear upon the dynamics of the strategic alliance. In particular, changes are often made in the strategic alliance’s governance including contract alterations, changes in the board or oversight committee, and the introduction or formalization of monitoring mechanisms.

2.4 Benefits of Strategic Alliances

The third research question deals with the benefits that are likely to accrue from strategic alliances. Rigsbee (2000) and Trott (1998) have observed that the motives for forming strategic alliances become apparent when firms understand the benefits likely to accrue from the strategic alliance. The two authors point out eight general areas in which firms can profit by forming alliances.
Firms can benefit through access to better technology, increased productivity, financial stability and economies of scale, improved customer care, greater market share, management training, reduced cost of research and development, and standardization.

2.4.1 Access to Better Technology

Dussauge and Garette (1999) have pointed out that firms often exchange technology (technology transfer) or gain access to better technology through strategic alliances. This can enable such firms to gain a technology edge and competitive advantage in their industry. For instance, the alliance between the computer firms IBM and Apple to develop a new operating system for compatibility of their hardware formats resulted in increased sales for both—a win-win strategy (Rigsbee, 2000). According to Mcfarlan and Nolan (1995), companies are increasingly outsourcing information technology (IT) for a variety of reasons such as concern for quality and cost, lagging IT performance, supplier pressure, and other financial factors. The outsourcing solution is more acceptable to both large and small firms through strategic alliances especially in an ever changing IT environment.

2.4.2 Increased Productivity

According to Mitchell and Mirvis (1998), the creation of more wealth or value through combining resources is touted vigorously in boardrooms—whether it called synergy, leverage or efficiency. Rigsbee (2002) has reported that a study conducted on 18 projects of firms that entered strategic partnerships in the United States revealed that productivity increased by about 16% to 17% from previous levels. Strategic alliances can enable firms to undertake joint market intelligence regarding new products, competitive technologies, improved product quality, and improved culture and business philosophy. Strategic alliances for by-product utilization can result in increased productivity and profitability for the partnering firms. This alliance exists where one firm's by-products constitute another firm's raw materials or inputs. For instance, the by-products of sugar factories are often raw materials for brewing of gin or beer.
2.4.3 Financial Stability Economies of Scale, and Risk Sharing

According to Mitchell and Mirvis (1998), access to increased capital is one of the primary reasons for organizations (especially smaller ones) to develop strategic alliances (preferably with bigger ones). For instance, by partnering with Royal Dutch Airlines (KLM), Kenya Airways (KQ) has been able to gain access to more capital for upgrading of its fleet of aircraft.

Through strategic alliances the partnering firms can achieve economies of scale through sharing of some facilities, equipment, and employees. Strategic partnerships also enable firms to share risk and liability. This makes it possible for the firms to undertake activities ranging from new product development to new technology creation that would otherwise be too costly or too risky to undertake on their own (Trott, 1998).

2.4.4 Improved Customer Care

Through strategic alliances, many businesses have found strategies to provide better and quicker customer service while keeping the costs manageable. For instance, KQ has been able to improve its customer service by benchmarking its services to its partner’s (KLM) standards (Ondigo, 2002). Many manufacturing firms are partnering with their dealers and retailers. This alliance facilitates better exchange of information regarding consumer preferences (Rigsbee, 2000).

2.4.5 Increased Market Share

Firms can increase their market share by gaining access to the marketing strengths of their strategic partners, or by enhancing their joint marketing effort (Rigsbee, 2000). This can be attained through marketing synergy and cross promotion, co-branding or code-share (KQ/KLM, United Airlines/Starbucks), access to new markets, and reduction on direct competition.

For instance, the partnership (code-share) between Regional Air and British Airways on the South African route (originating from Kenya with most of the flights operated by Regional Air) in 2001, enabled British Airways to expand its route offerings to Southern Africa, while enhancing Regional Air’s market share.
Narus and Anderson (1996) have pointed out that a number of companies are experimenting with ways to make their distribution channels more flexible and responsive. Many firms have realized that by sharing resources in novel ways, they can take advantage of opportunities that they could otherwise not exploit alone. Business dynamics and emerging technologies make this new approach both essential and feasible. In particular, developments in shared information and integrated logistics systems make such cooperative efforts more practicable. The benefits of such partnerships are enormous. As redundant pools of inventory and duplicate service operations are reduced, costs fall and less business is lost because of stockouts and inability to respond to emergencies.

2.4.6 Management Training and Organization

Hamel (1991) observes that global competition highlights the asymmetries in the skill endowments of firms. He points out that strategic alliances provide an opportunity for one partner to internalize the managerial and organization skills of the other and thus improve its position both within and without the alliance. In a strategic alliance, the firms' managers and employees can gain expertise by sharing experiences and knowing what makes one firm perform certain functions better than its partner.

Trott (1998) gives the example of the general expertise that management of the British motor company Rover gained by sharing experiences with their Japanese counterparts of Honda. As a result, firms may re-engineer their structures for better organization. Koigi (2002) points out that Kenya Post Office Savings Bank gained knowledge on risk management form its alliance with Citibank Kenya.

2.4.7 Reduced Cost of Research and Development

The cost of research and development can be prohibitive to individual firms' attempts at new product development (Moody, 1995). Through strategic alliances, firms can share the cost of R&D thereby reducing the cost incurred by each firm. In Japan, for instance, firms can form an R&D consortium referred to a Keiretsu consisting of 20-50 firms including suppliers, distributors and manufacturers (Rigsbee, 2000).
When several firms enter into strategic alliances, especially those that include suppliers and manufacturers, it is easier to come up with industry standards regarding quality and other specifications. The alliance between IBM and Apple for the production of compatible computer operating system is a case in point (Rigsbee, 2000; Trott, 1998).

2.5 Challenges of Strategic Alliances

The foregoing benefits of strategic alliances notwithstanding, there are several challenges of strategic alliances. The fourth research question therefore aims at investigating this critical area of concern.

Chan and Heide (1993) have observed that strategic alliances can lead to competition instead of cooperation, result in loss of competitive knowledge, and may cause conflicts arising out of incompatible cultures and objectives. Rigsbee (2000) has identified conflict in such vital areas as values, goals, facts, procedures, and management styles as the major causes of “divorce” of strategic alliances.

2.5.1 Incompatible Values, Cultures, and Management Styles

Alliances can be wrecked by conflicts between or amongst partners arising out of incompatible values, organizational cultures, employee “turf” protection, and resistance to new ideas and ways of doing business. In addition, at a managerial level, alliances require a shift in the style of management to a more consultative, participatory, and consensus building approach with the partnering firm (Koigi, 2002). A study of alliances between Chinese and American firms operating in China by Xiaohua and Germain (1998), identified differences in organizational culture as a major challenge for international strategic alliances.

According to Cartwright and Cooper (1996), the critical aspects of organizational culture that must be addressed are:

i. the degree of risk a firm is willing to take in its investment and business operations;
ii. whether managerial attitude is characterized by a short-term or long-term perspective in investment decisions;

iii. the extent to which power and control are delegated in the firm; and

iv. the importance attached to various functions in the organizational structure.

2.5.2 Competition Instead of Cooperation

In cases where strategic alliances are formed in haste without clarifying the goals and objectives of each partner, the initial cooperation may give way to competition (Trott, 1998). This is particularly likely when alliances are developed with multiple partners who later become rivals to one another due to conflicts or misunderstandings over such issues as intellectual property valuation or compensation. Parkhe (1993) points out that strategic alliances are complex to manage due to the inherent likelihood of "cheating and profiting" at the partner's expense sometimes making them fraught with competition for unfair advantage.

2.5.3 Lack of Commitment

Strategic alliances entail relinquishing some control with the expectation of greater shared returns. However, both parties must be prepared to make some sacrifices for the alliance to succeed. In some cases, the firms' management and staff lack the commitment because they are ultimately answerable to the owners or shareholders and yet in an alliance they do not feel sufficiently empowered to make key decisions (Bleeke and Ernst, 1995). Rigsbee (2000) has observed that because the dynamics of alliance relationships are constantly changing, inflexibility of partners can easily kill a strategic alliance. Each firm must be willing to give a little, especially in times of change for a partnering agreement to work. Just as devastating is a partner making a partnering commitment, and having a hidden agenda that would be destructive to the alliance.

Kanter (1997) has identified five main challenges that are faced by firms in strategic alliances. To begin with, firms are reluctant to give up autonomy over their strategic resources. Secondly, it not easy to attain an operating momentum in a situation of differences in organizational culture.
The third challenge is to maintain focus on the external environment—competition and customers—instead of losing valuable energy and time on internal friction points.

Fourth, organizational politics and individual managers’ interests can negatively impact on the success of the alliance. Fifth, firms must maintain the momentum to continue cooperating and to increase their willingness to learn. In a study by Koigi (2002) of the alliance between KPOSB and Citibank, the respondents identified imbalance in power, resources, and benefit sharing as a critical challenge for the alliance.

2.5.4 Power Imbalance and Opportunism

Small or start-up firms that decide to enter into strategic alliances with large firms face particular challenges in terms of asymmetry of objectives. When technological uncertainty is high, large firms have high incentives for forming strategic alliances with innovative start-up firms to take advantage of their need for complementary assets. (Tripsas and Gavetti, 2000). Large firms can benefit from accessing the innovative technology of the start-up firm and therefore avoid the upfront capital expenditures outlay and risks undertaken in developing the technology. Large firms are therefore likely to enter strategic alliances with innovative start-up firms mainly to gain access to or acquire their technology to expand new lines of business (Alvarez and Barney, 2001; Kelley and Rice, 2001). Start-up firms, on the other hand, mainly enter the strategic alliance to get access to critical assets such as manufacturing facilities and distribution channels so that they can exploit and commercialize their core technology, survive, and grow.

The needs of the start-up or small firms are usually more critical to their business compared with the needs of the large firms. This leads to power imbalance. By granting large firms the right to control or use their proprietary technology in return for access to a large partner’s less specific assets, start-up firms run the risk of losing their core assets. After acquiring the start-up firm’s knowledge, a large firm may not be interested in the strategic alliance anymore, while the start-up firm remains dependent.
Therefore, when the innovative technology is the core asset of the start-up firm, the loss of that proprietary technology threatens its survival (Kelley and Rice, 2001). On the other hand, a large firm can get sucked into a strategic alliance with a smaller firm hoping to take it over and end up losing resources.

Rigsbee (2000) gives an example of TIMEX’s experience in India, in which it forfeited $60 million in lost revenue and learned about the challenges of partnering overseas. In the early 1990s, when it was illegal to export watches into India, Timex entered the Indian market and proceeded to select a local watchmaker as its partner. Unfortunately Timex should have spent more time on due diligence. Timex assumed it could dominate the relationship and have the Indian manufacturer carry out its manufacturing needs on cue. After 18 months of frustration, Timex wanted to get out of the strategic alliance it created in India. It took Timex six months of negotiations and an undisclosed settlement before the company could rid itself of the partner. Today, Timex is in a successful strategic alliance with Indian watchmaker TITAN Industries, which is a subsidiary of TATA Group, one of the largest corporations in India. The Timex-/Tata strategic alliance went to market in late 1992 and in its first year sold 400,000 watches. Two years later annual sales leaped to 1.9 million watches.

2.5.5 Conflict

Rigsbee (2000) has observed that in relationships based on trust or what is perceived as trust, firms can be lulled into a false sense of security, and fail to detect signs of conflict. Alliance conflict emanates from five core areas: values, facts, procedures and misinformation. Conflict doesn’t have to be a hindrance to a successful strategic alliance the partnering firms are willing to resolve the conflict in a timely manner. In fact, a resolved conflict can lead to a stronger relationship through improved communication. Unfortunately, conflict that is left unresolved will lead to fatal flaws that will erode the relationship. Some of the more common areas of conflict in alliance relationships are accessibility, culture clashes, hidden agendas, management tenure, poor communications and unrealistic expectations.
Even in a Partnering relationship, individual firms are still accountable for their own success. Firms in strategic alliances must therefore make sure that their bottom-line expectations take into account the fact that servicing the partnering agreement is going to require extra resources.

Rigsbee (2000) further contends that it is easy to underestimate how much time, energy and resources will be necessary to commit to a strategic alliance. The closer the planned relationship between the two companies, the greater the importance of the linkages between them. In situations where a small company partners with a large company, challenges in working together will be that of the representatives, usually top executives of the small firm can make decisions on the spot. Unfortunately, the employees of the large firm must take a proposal up the chain of command. This sometimes slows progress. Complacency of either partner is an insidious relationship-killer. Firms should continuously ask their alliance partner questions in a way that encourages them to relate performance problems and shortcomings. Such questions as: "What haven’t we done lately?" and "What is it you really need from us?" help in clarifying the problem areas (Rigsbee, 2000).

2.6 Key Success Factors

In an attempt to provide guidelines on how to successfully plan and implement a strategic alliance, a number of researchers have investigated the key success factors. These factors relate to the research questions: the objectives for entering strategic alliances, the critical factors that must be addressed in the planning and implementation stages, the benefits accruing from strategic alliances, and the challenges encountered.

2.6.1 Objectives for entering Strategic Alliances

2.6.1.1 Having Strategic Reasons

To begin with, the prospective partnering firms must have strategic reasons for entering or forming a strategic alliance. They should consider whether the purpose and objectives of the strategic alliance are clearly stated, mutual, and consistent with the firms' business strategies (Koigi, 2002).
In addition, the prospective partner must have the scale, technology, market access, or any other contribution that the alliance seeks (Porter and Fuller, 1990). According to Porter (1980), the formation of strategic alliances is influenced by and depends on the five forces: the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and rivalry among firms. Porter (1985) provides three generic strategies namely: cost leadership; product differentiation; and focus which can be used in conjunction with the five forces by firms to outperform competitors. One of the primary objectives of forming alliance is the need to hedge against strategic uncertainty (Kogut, 1988).

2.6.1.2 Complementary Needs, Objectives, and Competencies

For the strategic alliance to succeed, the needs, objectives, and competencies of the partnering firms should be complementary (Bleeke and Ernst, 1995). In this regard, one of the partners must not be too strong or too weak as to render the alliance unstable (Porter and Fuller, 1990). The partnering firms must have the capability to nurture the strategic alliance for enhanced growth and market share through both activity and financial contributions (Koigi, 2002). For this to happen, the partnering firms should have a low risk of becoming competitors (Porter and Fuller, 1990).

2.6.2 Planning and Implementing Strategic Alliances

2.6.2.1 Monitoring the Industry and Firms

A firm that intends to enter into a strategic alliance must clearly know what it will gain from such an alliance (Dussauge and Garette, 1999). This entails an internal examination of the firm’s strengths (that might be valuable to a prospective partner), weaknesses, threats, and opportunities (SWOT analysis) and identifying areas for improvement (Koigi, 2002). It is also vital to study other industries that have embraced partnering along with the individual industries that have formed successful alliances—what worked, what did not, and why?
2.6.2.2 Learning about Prospective Partners

An intensive and extensive study of those companies that a firm might consider for strategic alliance arrangements is critical. Such a study should take into account the firms’ strengths, weaknesses, and likely impact on your firms’ business (Mitchell and Mirvis, 1998). Firms must seek arrangements that create win-win results from the strategic alliance; ensure that the company cultures are complementary; and that the employees who will make the alliance work have the ability to cooperate.

2.6.2.3 Selecting the Right Partner(s) or Partner Match

Selection of the right business partner or partners is considered the most critical step in the process of forming or entering a strategic alliance (Bleeke and Ernst, 1995). It must be done carefully, with knowledge, understanding, and commitment. Mitchell and Mirvis (1998), have observed that successful partnering firms must know what they are looking for and conduct a thorough due diligence to ensure that they get what they want. The findings of a study by Bucklin and Sengupta (1993) demonstrate the fact that compatibility of strategic alliance partners’ management style and organizational culture is critical to alliance success. When choosing a prospective strategic partner, a firm must target a company that will enhance its efficiency and productivity through synergies and improvement in key areas that a particular firm may not be performing well such as research and development, marketing, or technology (Mitchell and Mirvis, 1998). It is therefore crucial for firms to consider the compatibility of their organizational cultures, the attitude of the leaders involved, and to ensure that the focus of the partnership is strategic to their individual goals.

2.6.2.4 Negotiating the Strategic Alliance Charter or Agreement

It is imperative that firms entering into or forming a strategic alliance decide on the form of the agreement: whether it will be a handshake, or an actual contract. According to Rigsbee (2000) all strategic alliance agreements should be written to ensure that both parties remember their promises and commitments easily.
Schoeniger (2002) aptly points out that the contract must be meticulously negotiated because it documents shared strategies and goals, and how the relationship will work. The contract should state specifically what each company would contribute to the alliance, how that contribution will be measured, and how the proceeds that the strategic alliance generates will be shared. Provisions for representations, warranties, capital contributions, intellectual property, and conflict resolution are vital elements in an alliance agreement. This is necessary in view of the fact that each party sees the strategic alliance as a business opportunity. The agreement should have terms and conditions for partners to resolve any contentious issues. In particular, the agreement must provide for a mechanism of distribution of profits and losses between or among the partners. While negotiating the agreement, each party should also ensure that it has an exit strategy as a safety valve in case the alliance does not work (Schoeniger, 2002).

2.6.2.5 Post Agreement Review and Evaluation

No matter how well planned the implementation of a strategic alliance may be, midcourse alterations are common in successful strategic alliances (Mitchell and Mirvis, 1998). The implementation of the strategic alliance must involve periodical review and evaluation regarding whether the partnership should be maintained, upgraded, or downgraded (Koigi, 2002). This stage also entails discussing opportunities for improvement in the quality of the partnership in order to enhance performance (Schoeniger, 2002).

2.6.2.6 Commitment to the Success of the Strategic Alliance

For the strategic alliance to succeed, the leadership, management, and staff of the partnering firms must be committed to the goals and objectives of strategic alliance. They must not only possess the requisite skills, abilities, and aspirations, but also the passion to make the strategic alliance succeed. This is a critical success factor since all the stakeholders must own the strategic alliance initiative for it to succeed (Lorange and Roos, 1993; Koigi, 2002).
2.6.2.7 Developing Trust and Collaboration in Strategic Alliances

Parkhe (1998) and Smith (1995) have emphasized the critical importance of trust in developing long-term and successful strategic alliance relationships. According to Moore (1998), trust reduces the perception of risks associated with opportunistic behavior. Kumar (1996) has pointed out that strategic alliance partners that trust each other generate more profits, serve their customers better, and are more adaptable to change. Firms in strategic alliances must also collaborate to achieve their strategic objectives. A highly collaborative strategic alliance relationship provides the requisite flexibility and adaptability necessary to overcome some of the challenges encountered. Inkpen (1996) has observed that successful strategic alliances exhibit high levels of effective communication and information sharing.

2.6.3 Benefits from Strategic Alliances

The motives for forming strategic alliances become apparent when firms understand the benefits that are likely to accrue from the strategic alliances (Rigsbee, 2000; Trott, 1998). The two authors point out eight general areas in which firms can benefit by forming alliances: access to better technology; increased productivity; financial stability and economies of scale; improved customer care; greater market share; management training; reduced cost of research and development; and standardization. However, the critical success factor is for each firm to identify and prioritize the key benefits that will enhance its performance and profitability through synergy.

2.6.4 Challenges of Strategic Alliances

Strategic alliances can lead to competition instead of cooperation, result in loss of competitive knowledge, and may cause conflicts arising out of incompatible organizational cultures and objectives (Chan and Heide, 1993). Rigsbee (2000) has identified conflict in such vital areas as values, goals, facts, procedures, and management styles as the major causes of “divorce” in strategic alliances.
2.6.4.1 Ensuring Compatibility of Values, Cultures, and Management Styles

Ensuring that the process of selecting a strategic alliance partner is done carefully as explained above can alleviate this challenge. However, in cases where due diligence may not have been carefully done, management must ensure that the requisite alterations and adjustments are made to ensure convergence. This requires a more consultative, participatory, and consensus building approach with the partnering firm (Koigi, 2002; Rigsbee, 2000).

2.6.4.2 Avoiding Competition Instead of Cooperation

This challenge mainly arises in cases where strategic alliances are formed in haste without clarifying the goals and objectives of each partner. In such cases, the initial cooperation may give way to competition (Trott, 1998). To alleviate such a situation, firms must maintain focus on the external environment—competition and customers—instead of losing valuable energy and time on internal friction points. In addition, most successful strategic alliances go through post-formation dynamics and changes particularly with regard to governance (Reuer, Zollo, and Singh, 2002). Such changes include contractual alterations, changes in the joint board or committee overseeing the strategic alliance, and the introduction or formalization of monitoring mechanisms.

2.6.4.3 Commitment to the Success of the Strategic Alliance

Since strategic alliances entail relinquishing some control with the expectation of greater shared returns, both parties must be prepared to make some sacrifices for the alliance to succeed. The firms’ management and staff should be sufficiently empowered to make key decisions (Bleeke and Ernst, 1995).
Chapter Summary

This chapter has reviewed literature and research findings on the strategic alliances with particular reference to the theoretical framework, motives for their formation, the planning and implementation process, and the benefits that accrue from alliances. In addition, it examined the challenges encountered in strategic alliances. The key success factors for strategic alliances were also highlighted. From the literature review, it is evident that most of the research and studies done on strategic alliances mainly focused on developed countries in America, Asia and Europe (Lettelleir, 2002; Bleeke and Ernst, 1995; Vyas, Shelburn, and Rogers, 1995; Xiaohua and Germain, 1998).

The case study of the alliance between two firms operating in Kenya—KPOSB and Citibank—by Koigi (2002) provided a useful insight into strategic alliances in a developing country. The next chapter focuses on the research methodology and shows how the research was conducted.
CHAPTER 3

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the overall research methodology that was used to carry out the study. This included the research design, population and sample size, data collection methods, research procedures, data analysis and presentation methods, and the chapter summary.

3.2 Research Design

The type of research design was a case study. A case study focuses on one or a few firms selected from the total population of other firms in the same industry. The case study method involves intensive study of a relatively small number of situations. This design was chosen because it provides in-depth analysis of a research problem while providing valuable insights for problem solving, evaluation, and strategy (Cooper and Emory, 1996). It therefore enables the researcher to be more focused and provide analysis and recommendations that are specific and relevant. In addition, case studies are of particular value in investigating a problem that entails interrelationships of a number of individual factors that are difficult to understand in isolation (Cooper and Schindler, 2000).

The four firms in strategic alliances selected were: Kenya Airways (KQ) and Royal Dutch Airline (KLM); and Nation Courier and TNT International Express. They were chosen because they are representative of one of the major forms of strategic alliances, namely marketing, sales, and service-related partnership (Vyas et al., 1995).

3.3 Population and Sampling Design

A population is the total collection of elements with common observable characteristics about which some inferences can be made (Mugenda, O.M. and Mugenda, A.G. 1999).
A large set of observations is referred to as a population while the smaller set is called the sample. In cases where the population is very large, a sample is often examined to make conclusions about the population.

### 3.3.1 Population

The population of the study constituted the top management and functional managers of the selected firms. The researcher identified firms in Nairobi that had formed strategic alliances in the category of market/service nature. Two main criteria were used in the selection of the firms for the study:

1) An alliance involving a foreign internationally reputable firm and a local firm with international operations,

2) Whether the information required for the study would be readily available from the selected firms.

### 3.3.2 Sampling Design and Sample size

#### 3.3.2.1 Sample Frame

A sample frame refers to a list of elements from which the sample is actually drawn and is closely related to the population (Cooper and Schindler, 2000). The sample frame will comprise of the top management and functional managers.

#### 3.3.2.2 Sampling Technique

The sample was determined using the structured sampling technique. This method was chosen because it enables the researcher to use specific cases that have the requisite information for the objectives of the study (Mugenda, O.M. and Mugenda, A.G., 1999). In this case, Kenya Airways and KLM and Nation Courier and TNT International Express were chosen because they are representative of one of the major forms of strategic alliances, namely marketing, sales, and service-related alliance.

i) **Sample Size**

A sample size of 14 respondents in total was selected using the stratified sampling method from the 4 firms.
In the Kenya Airways/KLM strategic alliance, the population of senior and functional managers in Nairobi as at December 31, 2003 was 12 and 7 respectively. In the Nation Courier/TNT strategic alliance the number of senior managers was 4 and 8 respectively. The respondents included functional managers in the areas of Finance and Administration, Marketing, Human Resource, Operations, Strategy and Planning, and Customer Care.

Table 2: Sample Frame

<table>
<thead>
<tr>
<th>Company</th>
<th>No. of Senior Managers</th>
<th>Sample size Percentage</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya Airways</td>
<td>12</td>
<td>42%</td>
<td>5</td>
</tr>
<tr>
<td>Royal Dutch Airlines (KLM)</td>
<td>7</td>
<td>43%</td>
<td>3</td>
</tr>
<tr>
<td>Nation Courier</td>
<td>4</td>
<td>50%</td>
<td>2</td>
</tr>
<tr>
<td>TNT International Express</td>
<td>8</td>
<td>50%</td>
<td>4</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>29</strong></td>
<td><strong>48%</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

Primary data was derived from the structured questionnaire that was given to the 10 of the respondents, and face-to-face interviews using the questionnaire with 4 of the respondents. The questionnaire was structured in sections to address the four specific research questions: 1) What are the main objectives for entering the strategic alliance? 2) Which critical areas need to be addressed in the planning and implementation stages of the alliance for it to succeed? 3) What specific benefits have accrued from the strategic alliance, and what impact has the alliance had on the overall performance of the firm? 4) What are the challenges faced by firms in alliances? Secondary data was derived from other sources such as library material, the Firms' Annual Reports, and the Internet.

3.5 Research Procedures

The researcher developed the data collection instrument, which was a questionnaire, based on the research questions. It had both structured and unstructured questions. The Likert-type rating scale used enabled the researcher to compare responses given to different items.
Each item in the questionnaire was developed to address a specific objective or research question. The data collection instrument was pilot tested among four staff members (one from each firm) with a view to detecting any weaknesses in its design and instrumentation. After pilot testing, some of the questions were refined.

The data collection instrument was administered to the respondents in the four organizations namely Kenya Airways, Royal Dutch Airlines, TNT International Express and Nation Courier. The researcher provided the questionnaire to 10 of the respondents, which he collected after completion, and held face-to-face interviews with 4 respondents using the questionnaire.

3.6 Data Analysis Methods

The data were analyzed using descriptive statistics in terms of averages and frequency distribution for quantitative data. The data were summarized and presented in tables, bar graphs and pie charts. The analysis was done according to the four broad categories arising from the research questions. The data was analyzed using excel spreadsheet.

3.7 Chapter Summary

This chapter covered the methods that were used to collect the required information. The research design was a case study of two strategic alliances: Kenya Airways and KLM, and Nation Courier and TNT International Express. The population, sample frame, sample size, and the sampling technique were also specified. The data collection instrument used was a structured questionnaire. The data analysis method was discussed with particular reference to Excel spreadsheet as the analysis tool.
This chapter considers the findings from the questionnaire. The results were divided into four broad areas according to the research questions namely: objectives for entering strategic alliances, critical factors in planning and implementation, major benefits, and the challenges of strategic alliances. The results were presented in tables and the graphs were generated using excel spreadsheet to give a pictorial representation of the findings.

4.2 Objectives for Entering Strategic Alliances

The results presented in Table 3 show the overall distribution of the main objectives for all the firms to enter strategic alliances.

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>f</td>
<td>%</td>
</tr>
<tr>
<td>1. Network expansion/enlarged market share</td>
<td>14</td>
</tr>
<tr>
<td>2. Increase profit/benefit from synergies</td>
<td>7</td>
</tr>
<tr>
<td>3. Improve competitiveness/economies of scale</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>26</strong></td>
</tr>
</tbody>
</table>

The results indicated that the two main objectives for the four selected firms to enter into strategic alliances were to increase network expansion and enlarge market share to 54% of the respondents, and to increase profits and benefit from synergies to 27% respectively. The third main reason was to improve competitiveness and economies of scale to 19% of the respondents. Figure 1 shows these results.
The results presented in Table 4 indicate the distribution of the main objectives for the individual firms entering into the strategic alliance.

### Table 4: Individual Firms’ Objectives for Entering the Strategic Alliance

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya Airways</td>
</tr>
<tr>
<td>1. Network expansion/enlarged market share</td>
<td>4</td>
</tr>
<tr>
<td>2. Increase profit/benefit from synergies</td>
<td>3</td>
</tr>
<tr>
<td>3. Improve competitiveness/ economies of scale</td>
<td>2</td>
</tr>
</tbody>
</table>

The results in Table 4 reveal that in the Kenya Airways/KLM strategic alliance, the overriding objective for Kenya Airways to enter the partnership, to 80% of the respondents, was to expand its network and enlarge its market share (international), followed by increasing profitability and benefiting from synergies. For KLM the main objective, to 100% of the respondents, was to improve on competitiveness and economies of scale, followed by expanding its network and enlarging its market share (regional).
In the strategic alliance between TNT International Express and Nation Courier, the key objective to all the respondents for Nation Courier was to expand its network and increase its market share whereas TNT’s major objective was improving its competitiveness and economies of scale to 75% of the respondents.

4.2.2 Rating of Objectives for Entering Strategic Alliances

The study sought to rate the objectives for entering the strategic alliance in order of importance from the managers’ point of view. The findings were tabulated as presented in Table 5.

Table 5: Frequency Distribution and Rating of Objectives for Entering Strategic Alliances

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Extremely Important</th>
<th>Very Important</th>
<th>Important</th>
<th>Less Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gain access to better technology</td>
<td>6</td>
<td>43</td>
<td>43</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>2. Increase productivity</td>
<td>8</td>
<td>57</td>
<td>29</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td>3. Access increased capital and economies of scale</td>
<td>12</td>
<td>86</td>
<td>2</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>4. Improve customer care</td>
<td>3</td>
<td>21</td>
<td>4</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>5. Benefit from management training</td>
<td>5</td>
<td>36</td>
<td>43</td>
<td>2</td>
<td>21</td>
</tr>
<tr>
<td>6. Reduce the cost of R&amp;D</td>
<td>2</td>
<td>14</td>
<td>8</td>
<td>57</td>
<td>4</td>
</tr>
<tr>
<td>7. Ensure standardization of products/services</td>
<td>4</td>
<td>29</td>
<td>8</td>
<td>57</td>
<td>2</td>
</tr>
<tr>
<td>8. Increase market share</td>
<td>12</td>
<td>86</td>
<td>2</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>9. Access international markets</td>
<td>11</td>
<td>79</td>
<td></td>
<td>3</td>
<td>21</td>
</tr>
</tbody>
</table>

Table 5 shows the results that were obtained from the rating of objectives for entering the strategic alliance in order of importance. Regarding the objective of gaining access to better technology, it was extremely important to 43% of the respondents, very important to 43%, and less important to 14%. Increasing productivity was extremely important to 57% of the respondents, very important to 29 %, and less important to 14%. Access to increased capital and economies of scale was extremely important to 86% of the respondents and very important to 14%, improvement of customer care was extremely important to 21%, very important to 29 %, and important to 50%. The objective of benefiting from management training was very important to 36 % of the respondents, important to 43%, and less important to 21%.
Increasing market share was extremely important to 86% of the respondents, and less important to 14%, whereas the objective of accessing international markets was extremely important to 79%, and less important to 21%. Figure 2 shows the above results.

![Rating of Objectives for Entering Strategic Alliances](image)

Figure 2: Rating of Objectives for Entering Strategic Alliances

### 4.3 Critical Areas in Planning and Implementation of Strategic Alliances

The study sought to establish the critical areas that need to be addressed carefully in the planning and implementation stages of the strategic alliances in general and for the individual firms in particular, and also to rate those critical areas in order of importance. The findings were as follows:

**Table 6: Overall Critical Areas in Planning and Implementation of Strategic Alliances**

<table>
<thead>
<tr>
<th>Critical Area</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Selection criteria and memorandum of understanding</td>
<td>10</td>
</tr>
<tr>
<td>2. Compatibility of management policies and organizational culture</td>
<td>8</td>
</tr>
<tr>
<td>3. Network and schedule of partners’ market penetration</td>
<td>4</td>
</tr>
<tr>
<td>4. Strategic plan for enhancing financial performance and benefit sharing</td>
<td>6</td>
</tr>
<tr>
<td>5. Management commitment to strategic alliance/staff motivation</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>30</strong></td>
</tr>
</tbody>
</table>
As can be seen from Table 6, the results indicated that the most critical area to be considered in the planning and implementation of strategic alliances is the selection process or criteria and a mutually acceptable memorandum of understanding to 33% of the respondents. Compatibility of management policies and organizational culture was considered as a critical area to 27%, and the network and schedule of the strategic alliance partner’s market penetration was critical to 13%. Having a strategic plan for enhancing financial performance and benefit sharing was considered a critical area to 20%, whereas management commitment to the strategic alliance and staff motivation was critical to 7%. These results are shown in figure 3.

![Overall Critical Areas in Planning and Implementation of Strategic Alliances](image)

Figure 3: Overall Critical Areas in Planning and Implementation of Strategic Alliances

4.3.1 Individual Firms’ Critical Areas in Planning and Implementation of Strategic Alliances

The findings in Table 7 point out the individual firms’ critical areas in the planning and implementation of the strategic alliances.
As is evident from Table 4, in the Kenya Airways/KLM strategic alliance, the most critical area for Kenya Airways, to 80% of the respondents, was selection criteria and memorandum of understanding. The most critical area in the planning and implementation stages for KLM, to 100% of the respondents, was compatibility of management policies and organizational culture.

In the strategic alliance between TNT International Express and Nation Courier, the most critical area to TNT was selection criteria and memorandum of understanding to 50% of the respondents, whereas for Nation Courier it was selection criteria and memorandum of understanding, and having a strategic plan for enhancing financial performance and benefit sharing to all the respondents.

### Rating of Overall Critical Areas in Planning and Implementation of Strategic Alliances

The results presented in Table 8 show the rating of the overall critical areas in the planning and implementation of strategic alliances.
Table 8: Frequency Distribution and Rating of Critical Areas in Planning and Implementation of Strategic Alliances

<table>
<thead>
<tr>
<th>Critical Area</th>
<th>Extremely Important</th>
<th>Very Important</th>
<th>Important</th>
<th>Less Important</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monitoring/gathering information on potential strategic alliance partners</td>
<td>f 10</td>
<td>% 71</td>
<td>% 4</td>
<td>% 29</td>
<td></td>
</tr>
<tr>
<td>2. Having strategic reasons for entering the alliance</td>
<td>f 12</td>
<td>% 86</td>
<td>% 2</td>
<td>% 14</td>
<td></td>
</tr>
<tr>
<td>3. Selecting the right partner</td>
<td>f 11</td>
<td>% 79</td>
<td>% 3</td>
<td>% 21</td>
<td></td>
</tr>
<tr>
<td>4. Adequate planning and organizing for strategic alliance</td>
<td>f 8</td>
<td>% 57</td>
<td>% 2</td>
<td>% 14</td>
<td>% 29</td>
</tr>
<tr>
<td>5. Intellectual property issues</td>
<td>f 2</td>
<td>% 14</td>
<td>% 6</td>
<td>% 43</td>
<td>% 57</td>
</tr>
<tr>
<td>6. Compatibility of organizational culture and management styles</td>
<td>f 6</td>
<td>% 43</td>
<td>% 8</td>
<td>% 57</td>
<td></td>
</tr>
<tr>
<td>7. Integration of the firms' operations</td>
<td>f 4</td>
<td>% 29</td>
<td>% 2</td>
<td>% 14</td>
<td></td>
</tr>
<tr>
<td>8. Firms' commitment to the success of the alliance</td>
<td>f 9</td>
<td>% 64</td>
<td>% 5</td>
<td>% 36</td>
<td></td>
</tr>
</tbody>
</table>

Table 8 shows the results obtained from the frequency distribution and rating of critical areas in the planning and implementation of strategic alliances. As indicated in the table, monitoring and gathering information on potential strategic alliance partners was considered extremely important to 71% of the respondents, and very important to 29%. Having strategic reasons for entering the alliance was extremely important to 86%, and very important to 14%; selecting the right partner was extremely important to 79%, and very important to 14%.

4.4 Benefits of Strategic Alliances

The results in Table 9 show the distribution of the overall benefits derived from strategic alliances.

Table 9: Frequency distribution of Overall Benefits of Strategic Alliances

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>1. Increased productivity</td>
<td>f 12</td>
</tr>
<tr>
<td>2. Gained access to better technology</td>
<td>f 10</td>
</tr>
<tr>
<td>3. Increased market share</td>
<td>f 14</td>
</tr>
<tr>
<td>4. Reduced cost of R&amp;D</td>
<td>f 2</td>
</tr>
<tr>
<td>5. Standardization of products/services</td>
<td>f 10</td>
</tr>
<tr>
<td>6. Improved customer care</td>
<td>f 8</td>
</tr>
<tr>
<td>7. Accessed management training</td>
<td>f 10</td>
</tr>
<tr>
<td>8. Accessed new international markets or expanded regional marketing network</td>
<td>f 14</td>
</tr>
</tbody>
</table>
The results indicated that 86% of the respondents considered that benefits accrued from the strategic alliances mainly in terms of increased productivity, whereas 14% did not. Regarding access to better technology, 71% of the respondents were affirmative, whereas 29% were negative. As for increased market share and access to new international markets or expanded regional marketing network, 100% of the respondents agreed that this benefit was derived from the strategic alliance.

4.4.1 Individual Firms’ Benefits from the Strategic Alliance

The results in Table 10 demonstrate the individual firms’ benefits from the strategic alliances in specified areas.

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya Airways</td>
</tr>
<tr>
<td>1. Increased productivity</td>
<td>4</td>
</tr>
<tr>
<td>2. Gained access to better technology</td>
<td>5</td>
</tr>
<tr>
<td>3. Increased market share</td>
<td>5</td>
</tr>
<tr>
<td>4. Reduced cost of R&amp;D</td>
<td>1</td>
</tr>
<tr>
<td>5. Standardization of products/services</td>
<td>5</td>
</tr>
<tr>
<td>6. Improved customer care</td>
<td>3</td>
</tr>
<tr>
<td>7. Accessed management training</td>
<td>5</td>
</tr>
<tr>
<td>8. Accessed new international markets or expanded regional marketing network</td>
<td>5</td>
</tr>
</tbody>
</table>

4.4.2 Overall Impact of Strategic Alliances on Performance of Firms

The findings in Table 11 reveal the overall impact of the strategic alliances on the performance of the firms.

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>High f</th>
<th>Improved f</th>
<th>Low f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Profit Before Alliance</td>
<td>8</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Annual Profit After Alliance</td>
<td>5</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>Market share Before Alliance</td>
<td>9</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>Market Share After Alliance</td>
<td>2</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Productivity Before Alliance</td>
<td>7</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Productivity After Alliance</td>
<td>5</td>
<td>29</td>
<td></td>
</tr>
</tbody>
</table>
As shown in Table 11, the overall impact on the firms’ performance after entering the strategic alliance in terms of annual profit was considered high to 57% of the respondents, and improved to 14%. The market share after entering the strategic alliance was considered high to 69%, and improved to 21%, whereas productivity after entering the strategic alliance was considered high to 50%, and improved to 14%.

It is worth noting that it was not easy to get figures on performance indicators from most of the firms, except Kenya Airways. The reason advanced was that the parent companies for KLM, TNT and Nation Courier considered these firms as business units whose performance figures are incorporated in the overall parent Companies’ performance.

From the secondary data obtained from Kenya Airways Annual Reports for the period 1996-2004, the overall impact of the strategic alliance with KLM on Kenya Airways’ performance has been very positive. For instance, before the Kenya Airways entered into a strategic alliance with KLM in 1995, only 14% of its revenues were earned in African countries excluding Kenya. But by 1999 these revenues had trebled and accounted for 38% of the total. In addition, the strategic alliance with KLM has produced substantial cost savings for Kenya Airways through joint purchasing that has reduced the prices of some supplies from abroad by 20 to 40% and the savings in 2000 were estimated at US$ 2.9 million. Cost savings amounting to US$ 1 million were also made on insurance premiums. Table 12 shows Kenya Airways’ Financial Performance indicators for the period 1999-2004.

Table 12: Kenya Airways Financial Performance for the Period 1999-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales Revenues (Kshs M)</th>
<th>Earnings before tax (Kshs M)</th>
<th>Profit after tax (Kshs M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>13,225</td>
<td>1,425</td>
<td>1,207</td>
</tr>
<tr>
<td>2000</td>
<td>17,840</td>
<td>2,853</td>
<td>2,922</td>
</tr>
<tr>
<td>2002</td>
<td>25,165</td>
<td>1,304</td>
<td>868</td>
</tr>
<tr>
<td>2003</td>
<td>27,461</td>
<td>969</td>
<td>345</td>
</tr>
<tr>
<td>2004</td>
<td>30,421</td>
<td>2,736</td>
<td>1,302</td>
</tr>
</tbody>
</table>
The results presented in Tables 13 and 14 show the frequency distribution of the overall and individual challenges encountered by firms in the strategic alliances respectively.

**Table 13: Frequency Distribution of Overall Challenges in the Strategic Alliances**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>1. Incompatible organizational culture</td>
<td>2</td>
</tr>
<tr>
<td>2. Difference in management styles</td>
<td>4</td>
</tr>
<tr>
<td>3. Lack of commitment to the objectives of the strategic alliance</td>
<td>3</td>
</tr>
<tr>
<td>4. Competition instead of cooperation</td>
<td>12</td>
</tr>
<tr>
<td>5. Imbalance in financial resources and benefit sharing</td>
<td>10</td>
</tr>
<tr>
<td>6. Delays in decision-making</td>
<td>9</td>
</tr>
</tbody>
</table>

The results pointed out that incompatible organizational culture was considered a challenge by 14% of the respondents. Difference in management styles was considered a challenge by 29% of the respondents, whereas competition instead of cooperation was viewed as a challenge by 86% of the respondents.

**Table 14: Challenges faced by Individual Firms in the Strategic Alliances**

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kenya Airways</td>
</tr>
<tr>
<td>1. Incompatible organizational culture</td>
<td>f</td>
</tr>
<tr>
<td>2. Difference in management styles</td>
<td>1</td>
</tr>
<tr>
<td>3. Lack of commitment to the objectives of the strategic alliance</td>
<td>0</td>
</tr>
<tr>
<td>4. Competition instead of cooperation</td>
<td>5</td>
</tr>
<tr>
<td>5. Imbalance in financial resources and benefit sharing</td>
<td>4</td>
</tr>
<tr>
<td>6. Delays in decision-making</td>
<td>3</td>
</tr>
</tbody>
</table>

From the above results, it is clear that from Kenya Airway's viewpoint the major challenges in its strategic alliance with KLM were perceived competition instead of cooperation to all the respondents, and imbalance in financial resources and benefit sharing to 80% of the respondents.
The major challenges for KLM were: perceived competition instead of cooperation, imbalance in financial resources and benefit sharing, and differences in management styles to 67% of the respondents. In the TNT/Nation Courier strategic alliance, the key challenges for TNT were lack of commitment to the objectives of the strategic alliance, and delays in decision-making to 75% of the respondents. For Nation Courier, the main challenges were perceived competition instead of cooperation and delays in decision making to all the respondents.

4.6 Chapter Summary

In this chapter, the results of the research have been presented. The information was received from the respondents through the use of a questionnaire, and the results were categorized into four broad areas based on the research questions. The categories were objectives of entering into strategic alliances, critical areas in the planning and implementation stages, benefits, and the challenges. The research findings were tabulated and charts were generated using excel spreadsheets for specific highlights.

Regarding the objectives for the firms entering strategic alliances, it was noted that the main overall objectives were network expansion and enlarged market share to 54% of the respondents, increased profit and benefit from synergies to 27% of the respondents, and improved competitiveness and economies of scale to 19% of the respondents.

In terms of the most critical areas in the planning and implementation stages of the strategic alliances, the results showed that overall, the selection process or criteria and a mutually acceptable memorandum of understanding were critical to 33% of the respondents. Compatibility of management policies and organizational culture was considered as a critical area to 27% of the respondents.

Another area of focus was benefits derived from the strategic alliances. The results showed that 86% of the respondents considered benefits as accrued from the strategic alliances in increased productivity.
As for increased market share and access to new international markets or expanded regional marketing network, 100% of the respondents agreed that this benefit was derived from the strategic alliance.

The study also highlighted the challenges encountered in strategic alliances. The results revealed that the majority of respondents did not consider incompatible organizational culture as a key challenge. However, competition instead of cooperation was viewed as a challenge by 86% of the respondents.
This chapter begins with a summary of the entire research report. The main focus of the chapter will be discussions that arise from the data analysis considered in chapter 4 with particular reference to objectives for entering strategic alliances, critical factors in planning and implementation, major benefits, and the challenges, risks and limitations of strategic alliances. The conclusions are based on the research findings. Recommendations are also given to the practitioners and for future research.

5.2 Summary of the Research

This study was aimed at investigating the impact of strategic alliances on the performance of selected firms operating in Kenya, namely Kenya Airways and Royal Dutch Airline, and Nation Courier and TNT International Express. The research questions used were:

1. What are the main objectives for entering strategic alliances?

2. What are the critical areas that need to be addressed in the planning and implementation of the strategic alliance?

3. What are the major benefits of a strategic alliance?

4. What are the challenges faced by firms in strategic alliances?

The research was a case study. The population of the study constituted the top management and functional managers of the selected firms. The researcher identified firms in Nairobi that had formed strategic alliances of a market/service nature. A sample size of 14 respondents in total was selected using the stratified sampling method from the 4 firms involved in two strategic alliances.
In the KQ/KLM strategic alliance, the population of senior and functional managers in Nairobi as at December 31, 2003 was 12 and 7 respectively. In the Nation Courier/TNT strategic alliance the number of senior managers was 4 and 8 respectively. The respondents included functional managers in the areas of Finance and Administration, Marketing, Human Resource, Operations, Strategy and Planning, and Customer Care. The primary data were collected through a structured questionnaire that was developed by the researcher according to the research questions. The questionnaire was hand-delivered to 10 out of the 14 respondents who completed it, while the researcher held face-to-face interviews with 4 of the respondents using the questionnaire. The data were analyzed using descriptive statistics in terms of averages and frequency distribution. The analysis was done according to the four broad categories arising out of the research questions, using excel spreadsheet program.

In terms of the objectives for the firms entering strategic alliances, the findings revealed that the main overall objectives were network expansion, enlarged market share and increased profit and benefits from synergies. The study results indicated that 54% of the respondents rated network expansion and enlarged market share as a major objective for entering strategic alliances, 27% rated increased profit and benefits from synergies, and 19% rated competitiveness and economies of scale as a major objective.

Regarding the critical areas in the planning and implementation stages of the strategic alliances the study showed that overall, the selection process or criteria and a mutually acceptable memorandum of understanding was the most critical area. Compatibility of management policies and organizational culture was considered the second critical area, and the network and schedule of the strategic alliance partner’s market penetration was considered the third critical area.

Another area of focus was benefits derived from the strategic alliances. The results showed that 86% of the respondents considered benefits as accrued from the strategic alliances in terms of increased productivity.
As for increased market share and access to new international markets or expanded regional marketing network, 100% of the respondents agreed that this benefit was derived from the strategic alliance.

The study also highlighted the challenges encountered in strategic alliances. The results showed that incompatible organizational culture was not considered a major challenge by 86% of the respondents. Competition instead of cooperation was viewed as a challenge by a majority of the respondents.

5.3 Discussion

5.3.1 Main Objectives for Entering Strategic Alliances

The research findings revealed that the firms involved in the strategic alliances had overall common objectives of expanding their network, enlarging their market-share, and increasing their profitability through benefits from synergies and economies of scale. This reinforces the proposition by Mitchell and Mirvis (1998), and Bleeke and Ernst (1995) that firms enter into alliances when they realize that there is a gap in terms of efficiency and profitability. Such a gap can be bridged through synergies and economies of scale in such key areas as marketing and production, as the findings demonstrate. The results also demonstrated that the individual firms had specific but complementary objectives. Kenya Airways’ overriding objective for entering the strategic alliance with KLM was to expand its international network and increase market share by taking advantage of KLM’s wide international routes network. KLM’s major objective was to expand its regional network and improve its competitiveness by accessing Kenya Airways extensive regional network.

In the strategic alliance between TNT International Express and Nation Courier, the key objective for Nation Courier was to expand its network and increase market share whereas TNT’s major objective was improving its competitiveness and economies of scale. This reinforces the findings by Koigi (2002) that firms seeking strategic alliances should have complementary individual objectives that result in creation of value and win-win outcomes.
The results also showed convergence in terms of the respective firms’ main objectives for entering the strategic alliances. This lends credence to the view espoused by Beamish and Killing (1997) that strategic alliances stand a better chance of succeeding if the prospective partners have a high degree of confluence in their objectives or strategic intent. It is also an affirmation of the findings of a study by Bucklin and Sengupta (1993) that indicated that having similar objectives is one of the critical conditions for partner compatibility and match.

According to the findings of the study, majority of the respondents considered access to increased capital and economies of scale as a major objective for entering the strategic alliances. This confirms the proposition by Kogut (1988) that the theories of transaction cost, resource dependency, and business strategy explain the shift towards strategic alliances. The fact that the majority of respondent managers rated access to better technology or reducing the cost of research and development as not extremely important is an indicator that the strategic alliances surveyed were of an intra-industry, market-related type rather than of a technology-related focus. It is therefore instructive, as Vyas, Shelburn, and Rogers (1995) have pointed out, to note although there are general objectives for entering or forming strategic alliances, there are specific objectives for specific industries or sectors.

5.3.2 Critical Areas in Planning and Implementing Strategic Alliances

The results of the study revealed that overall; the most critical area to be considered in the planning and implementation of strategic alliances is the selection process or criteria and a mutually acceptable memorandum of understanding. This finding supports the assertion by Bleeke and Ernst (1995) that selection of the right business partner is the most critical step in forming an alliance—a foundation on which future efforts should be built. It also supports the view advanced by Rigsbee (2000) that since each firm sees the strategic alliance as a business opportunity, the firms should negotiate a memorandum of understanding with terms and conditions for sharing benefits as well as resolving any misunderstandings.
The need for firms entering strategic alliances to consider the compatibility of their organizational cultures and management policies, as suggested by Mitchell and Mirvis (1998), is borne out by the study findings showing that this is considered the second overall most critical area, and the most critical area for KLM.

5.3.3 Benefits of Strategic Alliances

The study results indicated that the firms involved derived significant benefits from the strategic alliances. All the respondents concurred that benefits accrued in terms of increased productivity and profitability, and access to new international markets or an expanded regional marketing network. These findings reinforce Mitchell and Mirvis' (1998) proposition that creation of more wealth or value through combining resources is touted vigorously in boardrooms as the new approach to competition. Majority of the respondents agreed that their firms benefited from access to better technology, and improved customer care, confirming Dussage and Garette’s (1999) findings that firms often exchange or gain access to better technology through strategic alliances.

However, regarding benefits in terms of reduced cost of Research and Development, the study results showed that these particular firms did not enjoy significant benefits from the strategic alliances. This can be attributed to the fact the strategic alliances surveyed were of the intra-industry market-related type, and not of the technology related type as clarified by Vyas, Shelburn, and Rogers (1995).

Regarding the overall impact on the firms’ performance after entering into the strategic alliances in terms of annual profit, majority of the respondents considered it high and improving. Both market share and customer care after entering the strategic alliance were also considered high and improving to a majority of the respondents. This adds authenticity to the submission by Rigsbee (2000), Ondigo (2002), and Koigi (2002) that firms can increase their market share and improve their customer care by gaining access to the marketing strengths of their strategic partners, or by enhancing their joint marketing efforts.
5.3.4 Challenges of Strategic Alliances

The research findings demonstrated that firms in strategic alliances face challenges in terms of incompatible organizational cultures, differences in management styles, competition instead of cooperation, imbalance in resources and benefit sharing, and delays in decision-making. According to the findings, majority of the respondents were of the overall view that the strategic alliances were heading in the direction of competition instead of cooperation. This puts in sharp focus the validity of the proposition by Chan and Heide (1993) that strategic alliances can lead to competition instead of cooperation. In addition, majority of the respondents perceived imbalance in financial resources and benefit sharing as a major challenge in the strategic alliances supporting Koigi's (2002) finding that often strategic alliances have to contend with situations where one partner can be perceived as stronger or richer.

The results showed that a minority of the respondents considered incompatible organizational culture as a challenge or a risk, while a majority of the respondents did not consider differences in management styles as a constraint. This would seem to contradict the propositions by Rigsbee (2000), Cartwright and Cooper (1996), and Xiaohua and Germain (1998), that incompatible organizational culture is a major challenge in strategic alliances. However, it only confirms the fact that these particular firms must have carried out their selection process carefully, and gave due consideration to compatibility of the respective firms' organizational cultures as advocated by Kanter (1997).

In the dynamic world of business, firms must ensure that decisions are taken promptly for efficiency, and taking advantage of opportunities when they arise. The study showed that delays in decision-making were a matter of concern to 64% of the respondents. This indicates that lack of adequate coordination regarding decision-making between the firms in the strategic alliances remains a major challenge even is largely successful strategic alliances as pointed out by Cartwright and Cooper (1996).
5.4 Conclusions

From the findings of the study, it can be concluded that strategic alliances have had a positive impact on the performance of the four firms surveyed: Kenya Airways, Royal Dutch Airlines (KLM), TNT International Express, and Nation Courier. It is therefore evident that the two strategic alliances studied are largely successful.

5.4.1 Objectives for Entering Strategic Alliances

The success attained by the firms in the strategic alliances can be attributed to the fact that they had strategic, specific, and complementary objectives for entering into the strategic alliances: network expansion, market share enlargement, and increased profitability through synergy.

5.4.2 Critical Stages in the Planning and Implementation of Strategic Alliances

Based on the findings of the study, all the firms seem to have handled the critical stages in the planning and implementation of the strategic alliances, namely the selection process and the negotiation of the agreement or contract, carefully and properly. However, the respondents were of the view that there is lack management commitment, and inadequate attention to motivation of staff.

5.4.3 Benefits from Strategic Alliances

From the study results, all the firms derived significant benefits from the strategic alliances. These benefits accrued in terms of increased productivity and profitability, and access to new international markets or an expanded regional marketing network. In addition, the firms benefited from access to better technology, and improved customer care.

5.4.4 Challenges of Strategic Alliances

The findings showed that the firms in the strategic alliances studied faced two major challenges. First, there was a majority perception that the strategic alliances were heading in the direction of competition instead of cooperation. Second, there were concerns that imbalances in financial resources and benefit sharing exist.
These are salient challenges, which, if not addressed, may impact negatively on these otherwise successful strategic alliances.

5.5 **Recommendations**

5.5.1 **Recommendations for Improvement**

In view of the fact that results demonstrated that strategic alliances have had a positive impact on the performance of the individual firms, more firms in Kenya in particular, and developing countries in general, should seriously consider forming or entering strategic alliances to benefit from the synergies generated for their increased profitability and growth. For those firms that are already in strategic alliances, they need to ensure that they take the necessary corrective measures to ensure optimization of the benefits, and to mitigate the likely negative effects of the challenges identified.

5.5.1.1 **Objectives for Entering Strategic Alliances**

Firms intending to enter strategic alliances should ensure that they have strategic, specific, and complementary objectives so that they know what performance gap they want to bridge, and how the relationship will add value in terms of achieving the objectives and goals of the respective firms.

5.5.1.2 **Critical Stages in the Planning and Implementation of Strategic Alliances**

The critical stages in the planning and implementation of the strategic alliances, namely the selection process and the negotiation of the agreement or contract, must be handled meticulously and properly. However, all the firms need to pay more attention to management commitment for the continued success of the strategic alliances, and to motivation of staff, which are key success factors.
5.5.1.3 Benefits from Strategic Alliances

In addition to benefits that can be derived from strategic alliances in terms of increased productivity and profitability; access to new regional or international markets; access to better technology; and improved customer care, firms should consider focusing on other areas of benefit such as management training. This is likely to enhance the overall performance of the individual firms.

5.5.1.4 Challenges of Strategic Alliances

The firms should address the two major challenges identified in the strategic alliances: the perception that the strategic alliances were heading in the direction of competition instead of cooperation, and concerns over imbalances in financial resources and benefit sharing, exist. These are salient challenges that may impact negatively on these otherwise successful strategic alliances.

This may call for changes particularly with regard to co-ordination, communication, and governance. Alterations may be made in the joint board or committee overseeing the strategic alliance or by introducing or formalizing monitoring mechanisms to address any emerging issues.

5.5.2 Recommendations for Further Studies

The study found out that overall, the strategic alliances were successful and had a positive impact on the respective firms’ performance. However, the majority of respondents felt that the strategic alliances were headed in the direction of competition instead of cooperation, and that the commitment by management to the strategic alliance and staff motivation was lacking. This may be due to factors related to the concept of strategic alliance life cycle, or post-formation dynamics that may not have been anticipated in the planning stage. Future studies could explore and find out the reason for this. This study focused on strategic alliances of an intra-industry, market-related nature. Future research could focus on strategic alliances of an inter-industry, technology-related type in a developing country.
REFERENCES


This study is aimed at investigating the impact of strategic alliances on the performance of selected firms in Kenya. It attempts to establish why the selected firms decided to enter into a strategic alliance, the critical areas that need to be addressed in the planning and implementation stages of the alliance for it to succeed, and specific benefits that may accrue from the strategic alliance. In addition, it examines the challenges, risks, and limitations encountered from the firms' point of view. More specifically, the study seeks to explore the impact of the alliance on the overall performance of the firm.

For Sections I and II, please indicate your response in the space provided, and tick the number that best describes your response in the table. The numbers represent the following responses: 5 = Extremely Important, 4 = Very Important, 3 = Important, 2 = Less important, 1 = Not important

SECTION I-Objectives for Entering Strategic Alliances

What were the two main objectives for your firm entering the strategic alliance?

1. .................................................................
2. .................................................................
Which of the following objectives influenced your firm's decision to enter the strategic alliance? Please rate each objective in order of importance.

<table>
<thead>
<tr>
<th>Objective</th>
<th>Extremely Important</th>
<th>Rating Scale</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To gain access to better technology</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>2. To increase productivity</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>3. To access increased capital and economies of scale</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>4. To improve customer care</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>5. To benefit from management training</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>6. To reduce the cost of R &amp; D</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>7. To ensure standardization of products/services</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8. To increase market share</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>9. To access new international markets</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>
In your view, which critical areas need to be addressed carefully in the planning and implementation stages of the strategic alliance?

Please rate the importance of the following areas in the planning and implementation stages of the strategic alliance?

<table>
<thead>
<tr>
<th>Area</th>
<th>Extremely Important</th>
<th>Rating Scale</th>
<th>Not Important</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Monitoring and gathering information on potential strategic alliance partners</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Having strategic reasons for entering the alliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Selecting the right partner</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Adequate planning and organizing for the strategic alliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Intellectual property issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Compatibility of organizational cultures and management styles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Integration of the firms' operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Firms' commitment to the success of the alliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other (Please specify)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION III- Challenges of Strategic Alliances

Please put a tick against your chosen response to the items A-F:

What are the main challenges that your firm has encountered in the operations with your strategic alliance partner?

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Incompatible organizational culture</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Differences in management styles</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Lack of commitment to the objectives and goals of the strategic alliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Competition instead of cooperation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Imbalance in financial resources and benefit sharing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Delays in decision-making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Other (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION IV- Benefits from Strategic Alliances

Please put a tick against your chosen response to the items A-G:

In which areas has your firm derived benefits from the Strategic Alliance?

<table>
<thead>
<tr>
<th>Area</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Increased Productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Gained access to better technology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Increased market share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Reduced cost of R&amp;D</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Standardization of products/services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Improved customer care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Access to management training</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Access to new international markets or expanded regional marketing network</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION V-Overall Impact of Strategic Alliance on Firm’s Performance

Please fill in the information requested in the table below.

What has been the overall impact of the strategic alliance on your firm’s performance in terms of profitability and market share?

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Before Alliance</th>
<th>After Alliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Annual Profit Margin/Profitability</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Market Share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Productivity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Other (please specify)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Thank you for sparing your time to complete this questionnaire.

I am a postgraduate student at United States International University- Nairobi (USIU) currently working on my Research Project as partial fulfillment of the requirements for the award of a Master of Business Administration (MBA) degree. The Research Project is titled “The Impact of Strategic Alliances on Performance: Royal Dutch Airlines in Kenya”, and the Supervisor is Dr. GEORGE KACH. Assistant Dean of the School of Business at USIU. The objective of the Research is to investigate the impact of strategic alliances on the performance of selected firms in Kenya, and I intend to use the KLM-Kenya Airways as a case study.

In this regard, I have already communicated to the Customer Manager, Mr. Peter Gachanja, who was advised by the Personnel Assistant to contact you. I have also already received the co-operation of the MD & CEO of Kenya Airways who allowed me to send interview guides to the Managers of Kenya Airways’ Marketing, Finance, Human Resource, Marketing & Sales, and Operations.

I am thankful for your time and assistance in providing your input. I have attached a copy of the letter of introduction from USIU.

Please accept the expression of my highest consideration.

Yours sincerely,

[Signature]
The Marketing Manager  
Royal Dutch Airlines (KLM)  
NAIROBI

Dear Madam,

RESEARCH ON THE STRATEGIC ALLIANCE BETWEEN ROYAL DUTCH AIRLINES AND KENYA AIRWAYS

I am a postgraduate student at United States International University, Nairobi, (USIU) currently working on my Research Project in partial fulfillment of the requirements for the Award of a Master of Business Administration (MBA) degree.

The topic for my Research Proposal is "The Impact of Strategic Alliances on Performance Among Selected Firms in Kenya", and the Supervisor is DR. GECRGE K'AOL, Associate Dean of the School of Business at USIU. The objective of the Research is to investigate the impact of strategic alliances on the performance of selected firms in Kenya, and I intend to use the KLM/KQ Strategic Alliance as a case study.

In this regard, I have already communicated to the General Manager, Mr. Pieter Deman, and was advised by his Personal Assistant to contact you. I have also already received the concurrence of the MD & CEO of Kenya Airways who allowed me to send interview Guides to the Managers of Strategy and Planning, Finance, Human Resource, Marketing and Operations which have been completed.

I wish to request you to facilitate this endeavour by completing the attached questionnaire. I have attached a copy of a letter of introduction from USIU.

Please accept the assurances of my highest consideration.

Yours sincerely,

JOHN L. MUGERWA
The Chief Executive Officer
Kenya Airways
NAIROBI.

Attn: Mr. Titus Naikuni,

RESEARCH ON THE STRATEGIC ALLIANCE BETWEEN KENYA AIRWAYS AND ROYAL DUTCH AIRLINES

I am a postgraduate student at United States International University, Nairobi, (USIU) currently working on my Research Project in partial fulfillment of the requirements for the Award of a Master of Business Administration (MBA) Degree.

The topic for my Research Proposal is “The Impact of Strategic Alliances on Performance Among Selected Firms in Kenya”, and the Supervisor is DR. GEORGE K’AOL, Associate Dean of the School of Business at USIU. The objective of the Research is to investigate the impact of strategic alliances on the performance of selected firms in Kenya, and I intend to use the KQ/KLM Alliance as a case study.

In this regard, I wish to request you to facilitate this endeavour by authorizing me to seek information on the following areas:

i) Objectives for entering the Strategic Alliance.
ii) The critical factors that must be addressed – in the planning and implementation stages of the Alliance.
iii) The major benefits from the Strategic Alliance.
iv) The challenges, risks and limitations faced by firms in Strategic Alliance.

I would be grateful if I could carry out brief interviews with yourself, and three or four functional managers of Finance, Human Resource Management, Sales and Customer Service. All information availed to me will be treated with strict confidentiality and will be used for academic purposes only.

As I await your early response which can be sent to fax No. 4443772/330970, please accept the assurances of my highest consideration.

Yours sincerely

JOHN L. MUGERWA
18th December 2003

John L. Mugerwa,
U.S.I.U.,
P. O. Box 34041,
NAIROBI.

Dear Sir,

RE: RESEARCH ON THE STRATEGIC ALLIANCE BETWEEN NATION COURIER AND TNT

Your letter of 20th November refers.

Please contact the undersigned through Tel. No. 823720 on the issues you wish to discuss.

Yours faithfully,

MAINA HUGUI
GENERAL MANAGER