

# **The Nexus Between Strategic Partnerships and Firm Performance of Listed Commercial Banks in Kenya**

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## **ABSTRACT**

*The aim of the research was to investigate the effects of strategic partnerships on the performance of listed commercial Banks in Kenya. Descriptive design was adopted. This research included all the employees of banks listed in the NSE. The source of information were both primary and secondary. The respondents agreed that diffusion of technology affect performance of listed banks in Kenya as shown by a mean of 0.7907. The participants revealed that creating a strategic alliance can permit complete admission to knowledge and proficiency in an area that a firm does not have as revealed by a mean of 0.6279. The study indicated that cost synergies affect performance of listed commercial banks in Kenya. The research recommends that the management of commercial banks should continue looking in to forming strategic partnerships, this will help in achieving cooperative objectives and at the same time reduce inter competition and business risks. The study further recommends that before partnership agreements are finalized it is extremely important to identify managers who are foreseen as credible across the company.*

**Keywords:** Strategic partnerships, Firm performance, Diffusion of technology, Customer service, Knowledge expertise, Cost synergies, Commercial banks in Kenya

## **1. Introduction**

Strategic partnerships are progressively becoming prevalent in the business world. To achieve competitive advantage, companies have to associate their properties and competencies in a co-operative strategy that is referred as strategic partnership. Strategic partnership is deliberated as an important form of resource sharing, learning, and hence competitive advantage in the competitive business world. Management of partnerships and value creation to achieve competitive gain is very significant in strategic partnership (Ireland *et al*, 2012). Strategic partnerships involve firms with some degree of exchange and sharing of resources and capabilities to co-develop or distribute goods or services (Baum & Usher, 2010). The attainment of competitive advantage is hard by one firm operating on its own since it does not have all needed resources and competence to be entrepreneurial and sufficiently inventive in changing competitive markets. Partnering with other firms creates the chance to share the resources and competences of firms while working with associates to develop additional resources and capabilities as the function for new competitive advantage (Kuratko *et al*, 2010).

The importance of strategic partnerships in present business setting has been a collective opinion of conversation in the world of academic. At the same time, strategic partnerships are resulting to a more and more prominent in the global economy. Strategic partnerships are fast becoming a propensity in the corporate business. The prevalent change in corporate culture and the operation of business is the quickly rising number of company deals founded not on possession, but on partnerships. Certainly, searches on the internet for strategic partnerships reveal frequent press releases of companies creating partnerships and also produce several addresses for strategic partnerships consulting companies. As asserted by Booz and Hamilton (1997), the numeral of strategic partnerships had double in ten years and was to rise enormously. A strategic partnership is an official and mutually agreed partnership between two or more industries or firms. The associates gather resources together, exchange and assimilate particular assets for mutual advantage while they remain separate and entirely independent from each other. It is a cooperative arrangement which enables partners to achieve goals together that they could not achieve alone. Strategic partnerships are viewed as mechanisms for producing a more powerful and effective mode for competing in a globalized world. Strategic partnership relationships continue to be one of the leading business strategies as a result of increasing competition in the global market. However, strategic partnerships can take different forms and as such are not limited to commercial spheres alone. It can be a partnership of strong partners who are direct competitors, partnership between strong and weak partners, partnership between those who are weak and seek to gain power, between complimentary equals, or even a merger that results in formation of a new organization altogether. The main goal of partnership is to add value with different focuses on trade, competence, information/knowledge acquisition or overcoming barriers (Gamble, Strickland & Thompson, 2007).

Presently, strategic partnerships are a prominent phenomenon in the global economy among multinational companies (MNCs) and between companies in developing countries too. Peter Chin, Chan & Lam, 2012, asserts that “the ultimate transformation in company culture, and the way business is being steered, may be the accelerating performance of relationships based not on ownership, but on partnerships”. Strategic partnerships are therefore partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial to the parties. These strategic partnerships present gigantic potential to a business. A strategic partnership is an “arrangement between firms to do trade together in conducts that is more than just firm to firm, but fall short of a unification or a full partnership” (Wheelan and Hungar, 2000). The partnerships array from casual agreements normally denoted to as “handshake” to formal arrangements with long contracts in which the parties may also exchange equity or raise capital to form a combined venture corporation. Typical strategic partnerships are formed between two firms; however, increasingly these are trending towards multi-company partnerships. A more common example is a six-company partnership strategically formed by Apple, Sony, Motorola, Philips, AT&T and Mitsushita to form General Magic Corporation to develop Telescript Communications software.

### **1.1 Strategic Partnerships in the Banking Sector**

Strategic partnership attainment is very important to the organizations that form alliances with others. This formation of alliances are some of the ways used by the commercial banks in order to deal with the current market forces of competition. Kenya commercial bank partnered with Safaricom to come up with M-Karo which is a licensing agreement with Safaricom's M-pesa to enable clients to pay school fees directly into schools' bank accounts using the mobile money transfer platform, further Kenya commercial bank has also partnered with Safaricom through Kenya commercial bank M-benki to facilitate opening of accounts using mobile phone and Kenya commercial bank Mobi which facilitate checking balances, mini statements, funds transfer to Safaricom customers and Kenya commercial bank account holders (Daily Press bulletin, 2014).

According to the World Bank Report (2014), Kenya commercial bank group has also partnered with Safaricom through Biashar@Smart portal. The solution was set to discourse real life challenges that face growing businesses. From access to funds Lipana M-PESA for merchant payments to Biashar@Smart accounting for online ERP solution. The solution also helps SMEs improve their efficiency which ultimately boost their credibility in the eyes of their customers. Biashar@Smart club also offer capacity building opportunities through partnerships targeted at delivering practical knowledge and skills in business planning finance and marketing. Kenya commercial bank, a Safaricom's financial partner, provides Biashar@Smart members with preferential interest rates on loans. Also members of the club have access to a rich business portal Biashar@Smart Connect (World Bank Report, 2014).

Keen to gain the enormous unrealized potential in domestic mobile banking, CBA made a strategic partnership with Safaricom in 2012 to unveil M-Shwari, a mobile phone-based virtual banking platform which would be reachable to the 15 million people (80% of Kenya's adult population) who already used the M-Pesa mobile money transfer (MMT) system. M-Shwari is highly innovative and convenient as the account opening process is remotely initiated by the customer and then fulfilled electronically, using automated processes to verify KYC information in the space of a few seconds. Customers can then access interest-earning accounts at CBA and apply for 30-day loans from CBA without ever having to walk into a bank or fill out paperwork.

In an attempt to offer technology supported financial services, Equity bank affiliated with MasterCard to come up with MasterCard *Pay Pass*. Persuasively mindful of achieving a cashless society position, the bank in recent times partnered with Google Kenya and launched "*Beba Pay*", a payment card which will come up with a quick and suitable way to pay for bus fares without the use of cash. Remarkably, the success of this venture will mean vigorous commission gains to the bank; with the passenger's card account details being managed from their bank accounts. Additionally, the bank has strategic partnerships with key financial institutions in the Far East, for example China Development Bank and China Union Pay.

## **2 Materials and Methods:**

### **2.1 Research Design**

As asserted by Gerhard (2004), a research design is the method a research is framed and adopted to perform the study. It encompasses organizing, preparation, gathering and data analysis to make available information and resolutions to the prevailing challenge of the research. This study adopted a descriptive research design. It assists in creating responses to the inquiries of when, who, where, what, and how related with a specific research challenge; it cannot categorically determine responses to why. Descriptive research is applied to get info regarding the present position of the occurrence and to explain what exists in relation to variables or conditions in a situation. The aim of the descriptive study is to give the investigator an outline or to define features of occurrence of concern from a firm oriented and other insight.

## **2.2 Research Duration**

The research was done in the year 2015 between the months of January and August.

## **2.3 Sample Collection**

Simple random sampling was employed in getting the sample. A simple random sample is a subsection of participants selected from a population. As asserted by Mugenda & Mugenda (2003) every respondent is selected randomly and completely by chance, this makes each to have the same probability of being chosen. All respondents of the target population were given equal chance of being selected because sampling was done indiscriminately.

## **2.4 Data Analysis**

Both inferential and descriptive statistics were employed to analyze the information by using Statistical Package for Social Sciences (SPSS) (Version 20). Descriptive analysis was done on primary data. Mean and Standard Deviations (SD) were also used as measures of central tendencies and dispersion correspondingly. Correlation was used to analyze the degree of relationship between the variables in the study. The study conducted Spearman's rank correlation coefficient which is a non-parametric test. This technique was used to test the direction and strength of the relationship between two variables. Spearman's rank correlation shows whether any numbers in a set has an influence on alternative set of numbers. It uses the statistics R's that is between -1 and +1. Information was presented in frequency tables and graphs.

# **3 Results**

## **3.1 Diffusion of Technology**

The study sought to determine how diffusion of technology affects performance of listed banks in Kenya. The participants were consequently presented with statements to rate where 1=agree and 0=disagree. Founded on the results, the participants indicated that cost of technological infrastructure makes it hard for companies to thrive alone as shown by a mean of 0.6190 and a SD of 0.49151. It was further established that technological advancement necessitated mobile banking as supported by respondents by a mean of 0.6429 and a SD (Standard Deviation) of .48497. Additionally, analysis indicated that global technological advancement has opened up diversity in market (mean=.8333, standard deviation=.37720) and that skills

and competency to manage advance levels of technology in Kenya is limited (Mean=.8049, SD =.40122). The respondents also indicated that to counter the competition the major target is to invest in new technology through a partnership as shown by a mean of 0.7442 and a standard deviation of .44148. It was also established that strategic partnerships have enhanced connecting with consumers and all stakeholders through the Internet (mean=.6744, SD = .47414) and enhances economies of Scale through resource pooling across operational areas (mean=.6744, SD = .47414). Overall, the respondents agreed that diffusion of technology affect performance of listed banks in Kenya as shown by a mean of 0.7907 and a standard deviation of .41163. The summary of the findings is shown in Table 1. Strategic partnerships among commercial banks in Kenya were necessitated by changes in technology. Creation of these new forms of cooperation was activated by the essential alterations in the structure of the global economy and process of technological change. The development of new know-hows into banking has resulted to an everlasting effect, as once old-style banking income collections are now being developed by new contenders, particularly in the payments’ place. This happens at a period when customer prospects for banking services (both online and offline) are being rearranged by the understandings being managed by traders and online benefactors, somewhere else.

**Table 1: Diffusion of Technology**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
Cost of technological infrastructure makes it hard for companies to thrive alone	.6190	.49151
Technological advancement necessitated mobile banking	.6429	.48497
Global technological advancement has opened up diversity in market	.8333	.37720
Skills and competency to manage advance levels of technology in Kenya is limited.	.8049	.40122
To counter the competition the major target is to invest in new technology through a partnership	.7442	.44148
Strategic partnerships have enhanced connecting with consumers and all stakeholders through the Internet	.6744	.47414
Economies of Scale through resource pooling across operational areas	.6744	.47414
The bank has been able to acquire new technologies from partners in the alliance.	.6744	.47414
Diffusion of technology affect performance of listed banks in Kenya	.7907	.41163

Strategic technology partnership signifies a substitute manner for rising innovation (Robertson and Gatignon, 1998) and reducing restrictions that would or else obstruct a firm’s global competitiveness. They empower firms contending internationally to grow or extend high value products, contest in markets that seek those products, and create entirely new markets worldwide (Stevens, 2009). They also provide companies a way to limit the high costs connected with the progressively rapid pace of technology development. Strategic partnerships have also played a major part in the development of emergent technologies that offer firms an unmatched chance to compete universally.

**3.2 Customer Service**

The second objective of the study sought to establish the influence of customer service on performance of listed banks in Kenya. According to the analysis of the findings, it was established that strategic partnerships have enhanced service delivery in commercial banks as shown by 0.6279 mean and a SD of 0.48908. It was similarly established that change in consumer taste and lifestyle forces branchless delivery of banking service as supported by a mean of 0.6905 and a SD of .46790. The participants also agreed that partnership with telecommunication companies is the only way for the banks to reach the unbanked population (mean=0.5814, standard deviation=.49917), customers consider diversity and convenience of services offered before they open a bank account (mean=0.8333, standard deviation=0.37720) and customers consider diversity of services offered by telecommunication companies before subscribing to their services (mean=0.7442, SD = 0.44148). Overall, the respondents indicated that customer service influence performance of listed banks in Kenya as supported by a mean of 0.6744 and a SD of .47414. Table 2 shows the findings of the research.

The strategic partnerships between commercial banks and telecommunication firms in Kenya have led to improved customer service. The development of mobile has noteworthy consequences for banks. This is because mobile have a better functionality ability, this leads to revolutionalization of the communication with the customers and sellers of the product or service. Well-resourced branches and websites will lose meaning, as consumers anticipate services to change. Location-based offers, well-timed and pertinent content, and collaborative presentations will be used as a foundation of the mobile customer’s communication with their banks.

**Table 2: Customer Service**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
Strategic partnerships have enhanced service delivery in commercial banks	.6279	.48908
Change in consumer taste and lifestyle forces branchless delivery of banking service	.6905	.46790
Partnership with telecommunication companies is the only way for the banks to reach the unbanked population	.5814	.49917
Customers consider diversity and convenience of services offered before they open a bank account	.8333	.37720
Customers consider diversity of services offered by telecommunication companies before subscribing to their services	.7442	.44148
Customer service influence performance of listed banks in Kenya	.6744	.47414

**3.3 Knowledge Expertise**

The study sought to examine the association between knowledge expertise and performance of listed banks in Kenya. From the analysis of the findings, it was established that creating a strategic alliance can permit ready admission to knowledge and skill in an area that a company lacks as revealed by a mean of 0.6279 and a SD of 0.48908. Further findings revealed that the information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes as supported by



a mean of 0.7209 and a SD of 0.45385. It was established that the expertise and knowledge can vary from learning to deal with government guidelines, production understanding, or learning how to acquire resources (mean=0.7442, standard deviation=0.44148). Based on the analysis of the findings, it was established that strategic partnerships lead to access to knowledge and technological innovation (mean=0.9767, standard deviation=0.62552) and that one of the motivation of entering into partnerships is the potential to gain access to new information and skills (mean=0.6744, standard deviation=.47414). In general, the study established that knowledge expertise influence performance of listed banks as shown by a mean of .8605 and a standard deviation of 0.35060. Table 4.5 displays the summary of the findings.

Access to knowledge and expertise through strategic partnerships ensures the banks concentrate on their core competencies. Comprehending and rising core capabilities are important to attaining market leadership. Core proficiencies are those groups of skills, activities and technologies that a company does well. This permits the company to add direct value to the customer, creating a clear advantage and differentiation and letting the firm to spread itself into a new market. Essential capabilities take time to mature and in many times the time frame to grow associations and unions are not exclusively different.

**Table 3: Knowledge Expertise**

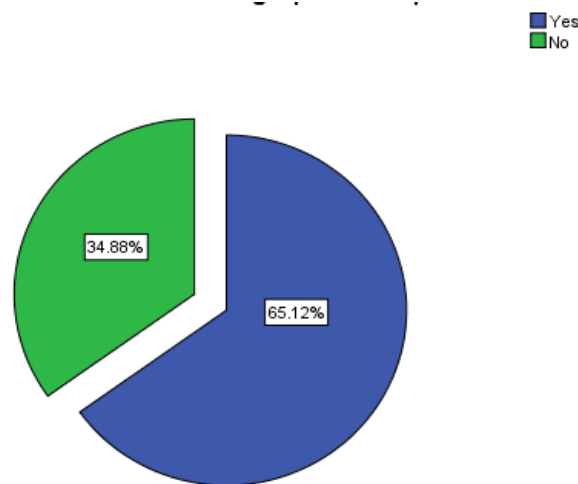
<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks.	.6279	.48908
The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes.	.7209	.45385
The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources.	.7442	.44148
Strategic partnerships lead to access to knowledge and technological innovation	.9767	1.62552
One of the motivations of entering into partnerships is the potential to gain access to new information and skills	.6744	.47414
Knowledge expertise influence performance of listed banks in Kenya	.8605	.35060

Kimberley and Roy (2003) observed that many businesses are knowledgeable in selected areas and lack know-how in some parts; for example creating a strategic alliance can enable ready admission to knowledge and capability in an area that a firm lacks. The info, familiarity and know-how that a company gets can be used, not only in the shared undertaking project, nonetheless for supplementary ventures and commitments. A learning business is a growing business.

**3.4 Cost Synergies**

The respondents were asked to indicate whether cost synergies influence performance of banks in strategic partnerships. Founded on the results, majority (65.12%) of the participants agreed while 34.88% disagreed. Figure 1 displays the findings of the research.

**Figure 1: Influence of cost synergies**



The respondents were further presented with statements to rate on concerning the influence of cost synergies on performance of listed banks. The respondents indicated that acquisition of new technology influences cost leadership of the bank thereby reducing its marketing expenditure as shown by a mean of 0.7442 and a SD of 0.44148. It was likewise established that sharing activities provide cost savings and revenue enhancements as supported by a mean of 0.6977 and a SD of 0.46470. Additional findings indicated that joining forces implies cost reductions for the cooperating partners' (mean=0.6977, standard deviation=0.46470) and that the banks reduce the installation costs in adopting a technology through strategic partnerships (mean=0.6047, standard deviation=0.49471). It was also established that the bank staff are well trained and conversant with the system lowering the cost of training on the partners (mean=0.8605, standard deviation=0.35060), the availability of suitable space and openness fundamentally act as a cost reduction factor to the partners (mean=0.7442, standard deviation=.44148) and partnerships between banks and telecoms have led to reduced costs of cash handling (mean=0.6744, standard deviation=0.47414). In general, the study revealed that cost synergies affect performance of listed commercial banks in Kenya (mean=.8605, standard deviation=0.35060). Table 4.6 shows the findings of the study.

**Table 4: Cost synergies**

Statements	Mean	SD
Acquisition of new technology influences cost leadership of the bank thereby reducing its marketing expenditure	.7442	.44148
Sharing activities provide cost savings and revenue enhancements	.6977	.46470
Joining forces implies cost reductions for the cooperating partners'	.6977	.46470
The banks reduce the installation costs in adopting a technology through strategic partnerships.	.6047	.49471
The bank staffs are well trained and conversant with the system lowering the cost of training on the partners.	.8605	.35060



The availability of suitable space and openness fundamentally act as a cost reduction factor to the partners	.7442	.44148
Partnerships between banks and telecoms have led to reduced costs of cash handling	.6744	.47414
Cost synergies affect performance of listed commercial banks in Kenya	.8605	.35060

Operation and especially information technology have positive economies of scale for any specific process or systems. That is, the larger the volumes, the lower the unit cost. Banks cannot produce the volume to cost base that external vendors can do to drive the cost reduction. The steady subject that underscores many of the difficulties experiencing the worldwide banking model in the upcoming years is cost reduction. Nevertheless, traditional downsizing strategies are not likely to be adequate to deliver the cost base reductions desirable. The researcher believes that banks should start thinking about implementing longer-term sustainable cost reduction measures, for example strategic partnerships. Strategic partnerships results into transactions of the costs under a shared cooperative arrangement thus allowing the associates to decrease the cost inquired hence circumventing opportunism between exchange associates (Beamish & Bank, 1987).

### 3.5 Firm Performance

To measure the performance of the banks, each respondent in this study was asked to evaluate it with respect to the following four dimensions: enterprise profits, employee numbers, market share/number of customers, and enterprise turnover/growth in sales. All these were benchmarked to 100% in 2009 as the base year. The findings are shown in Table 5.

**Table 5: Firm Performance**

Constructs considered	Annual growth or decline as a percentage (%)						Overall Annual growth
	2009	2010	2011	2012	2013	2014	
Profitability (ROA, ROE)	100%	22	23	23	24	31	24.6
Employee numbers	100	2	2	3	3	3	3
Market Share/Number of customers	100%	22	23	23	24	24	23.2
Turnover/Sales	100%	15	15	20	21	24	23

From the findings on performance of banks with 2009 being the base year and benchmarked at 100%, the year 2010 registered an average score of (22%), the year 2011 registered an average score of (23%), the year 2012 registered an average score of (23%), an average score of (24%) for the year 2013 with the year 2014 registering the highest percentage average profit representing (31%). As far as employee numbers is concerned, there was an average of 2% employees in 2010, an average of 2% in 2011, an average of 3% in 2012, an average of 3% in 2013 with an average of 3% employees in 2014. Further the market share/number

of customers in 2010 was 22% 2011 and 2012 stood at a constant of (23%). In 2013 and 2014, the market share stood at (24%) showing a positive increase of (1%) as compared to the previous years. Furthermore, the turnover/sales showed a progressive increase throughout the period with the highest being in 2014 with an average of (24%). The overall growth was exhibited in the banks' profits with the best performing year registering (24.6%). The growth of profits may be attributed to the high turnover and low-cost structures that are typical of commercial banks. The employee numbers average at (3%) for the five years still indicating that the performance of commercial banks is still minimal. The sales turnover increased considerably to correspond with the growth in profits. It is worth noting that despite a favorable banks performance the market share is still very depressed at a partly (23.2%) annually due to stiff competition in the banking industry.

The findings corroborates Nielsen (2007) who reflects the association between subjective measures of performance of partnerships, a set of variables, which might act as constructs of achievement before the alliance is created and a set of variables which emerge during the operation of the alliance. The empirical study, based on a web survey, examines a sample of Danish partner firms engaged in 48 equity joint ventures and 70 non-equity joint ventures with international partners. The findings indicate a significant relationship between alliance performance and partner standing foregoing alliance creation as well as strong relationships between collaborative expertise, trust, protectiveness.

### **3.6 Regression Analysis**

The investigator performed a multiple regression analysis in order to test the relationship among variables on the study. Dummy variables were used to run regression. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (firm performance) that is explained by all the four independent variables (diffusion of technology, customer service, knowledge expertise and cost synergies). Regression analyses yielded various values including R, R<sup>2</sup>, F ratio, t-values and p-values. The R-value reflects the relationship strength between the constructs while R<sup>2</sup> values depict the extent to which variations in indicators are explained. The F-value shows the statistical significance of the overall model, while t-values represent the significance of individual variables. Further, beta values show the positive or negative effect of the independent variable on the dependent variable. Finally, p-values represented the significance of the model parameters. This study tested the relationships at 95 percent confidence level ( $\alpha=0.05$ ) at which point a decision to confirm the relationship was made. Results that yielded p values < 0.05 led to significant relationships while, results with  $p>0.05$  resulted in insignificant relationships.

### **3.7 Correlation Analysis**

The correlation analysis showed strongest positive effect of customer service on firm performance (Coefficient of 0.504) and  $P<0.05$  indicating a statistically significant relationship. Diffusion of technology, knowledge expertise and cost synergies are positively correlated to firm performance (Coefficient =.367, .387 and .349 respectively and  $P<0.05$  suggesting statistically significant relations. The correlation matrix suggests that the independent variables are critical determinants of firm performance as revealed by their

strong and positive relationship with the dependent variable which was the firm performance.

It is also significant to note that diffusion of technology strongly was positively correlated with customer service (Pearson correlation coefficient =0.723 and  $P<0.05$ ), fairly correlated with knowledge expertise (Pearson correlation coefficient =0.539 and  $P<0.05$ ), strongly correlated with cost synergies (Coefficient =0.577 and  $P<0.05$ ). Further findings indicated that customer service strongly correlated with diffusion of technology (Pearson correlation coefficient =0.723 and  $P<0.05$ ), strongly correlated with knowledge expertise (Pearson correlation coefficient =0.625 and  $P<0.05$ ) and also strongly correlated with cost synergies (Pearson correlation coefficient =0.621 and  $P<0.05$ ). It was also noted that knowledge expertise was fairly correlated to diffusion of technology (Pearson correlation coefficient =0.539 and  $P<0.05$ ), strongly correlated to customer service, (Pearson correlation coefficient =0.625 and  $P<0.05$ ) and strongly correlated with cost synergies. The study also indicated that cost synergies was strongly correlated with diffusion of technology (Pearson correlation coefficient =0.577 and  $P<0.05$ ), strongly correlated with customer service (Pearson correlation coefficient =0.621 and  $P<0.05$ ) and also very strongly correlated with knowledge expertise (Pearson correlation coefficient =0.971 and  $P<0.05$ ). Strategic partnerships are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field. Strategic alliances are not an answer for all firms and every condition. Nevertheless, through strategic alliances, firms can increase their competitive placing, gain entrance to new markets, share the risk and cost of major development projects and supplement critical skills (Koigi, 2012).

Multiple regression analysis was conducted as to determine the relationship between firm performance and the four variables. As per the SPSS generated table above, the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ) becomes:

$$Y = 1492.193 + 5.431X_1 + 49.041X_2 + 79.373X_3 + 69.224X_4$$

Y (Firm performance),  $X_1$  (Diffusion of technology),  $X_2$  (Customer service)  $X_3$  (Knowledge expertise)  $X_4$  (Cost synergies)

As found from the regression equation generated, taking into account all factors that included diffusion of technology, customer service, knowledge expertise and cost synergies, constant at zero firm performance was 1492.193. The constant value of 1492.193 can be explained by other factors influencing banks performance such as the legal environment, competition and economic factors. The findings scrutinized also REVEAL that taking all other independent variables at 0, a unit addition in diffusion of technology will lead to a 5.431 increase in firm performance; a unit increase in customer service will lead to a 49.041 increase in firm performance, a unit increase in knowledge expertise will lead to a 79.373 increase in firm performance and a unit increase in cost synergies will result to a 69.224 upsurge in firm performance. At 5% level of significance and 95% level of confidence, diffusion of technology showed a 0.049 level of significance, customer service indicated a 0.032 level of significance, knowledge expertise showed a 0.036 level of significance, and cost synergies showed a 0.025 level of significance. All the significance values were less than 0.05 ( $p<0.05$ ) implying that they were statistically significant in explaining performance. A number of studies indicate that alliances may contribute to company growth (Stuart, 2010), product

innovativeness, reduced mortality (Mitchell and Singh, 2011), and facilitated organizational learning (Hamel, 2011).

**3.8 Model Summary**

Regression model was used to explain how the mean of the dependent variable varies with shifting circumstances. Regression Analysis was done out for emphasis on diffusion of technology, customer service, knowledge expertise and cost synergies and firm performance. To test for the relationship that the independent variables have on firm performance, the study did the multiple regression analysis.

**Table 6: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.531 <sup>a</sup>	.282	.206	147.5795

- a. Predictors: (Constant), Cost synergies, Diffusion of Technology, Customer service, Knowledge expertise
- b. Dependent Variable: Firm performance

The four independent variables that were studied explain 28.2% of the firm performance as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 72.8% of the firm performance. The first pointer of generalizability is the value of adjusted R Square, which is adjusted for the number of variables encompassed in the equation. This estimates the anticipated reduction in R Square that would not simplify to the population since the solution is over-fitted to the data set by containing numerous independent variables. Since the adjusted R Square value is less than the value of R Square, it is a sign that the regression equation might be over-fitted to the sample, and of limited generalizability. The values of R Square = 28.2% and adjusted R Square =20.6% are very close.

**Table 7: ANOVA**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	324285.245	4	81071.311	3.722	.012
Residual	827629.406	38	21779.721		
Total	1151914.651	42			

- a. Dependent Variable: Firm performance
  - b. Predictors: (Constant), Cost synergies, Diffusion of Technology, Customer service, Knowledge expertise
- The significance was 0.012 which is less than 0.05 thus the model is statistically significant in forecasting how diffusion of technology, customer service, knowledge expertise and cost synergies effect the firm performance in Kenya. The F critical at 5% level of significance was 3.722. This indicates that the general model was significant. The research did the process of finding the coefficients, and the findings were as revealed in Table 7. The findings therefore concurs with Gleason et al. (2006) who found that strategic partnerships have an influence on financial performance of commercial banks

#### **4. Conclusion**

Strategic partnerships could be applied to get additional complementary resources therefore enabling market extension and decreasing competition. So as this to be operational, there should be effective communication and collaboration between associates. Additionally, a determination of partners requires to be taken into deliberation as well as strategic fit and resources that the partner possesses. The management of the partnership through clear separation of tasks between partners and use of separate project teams is also a possible option between partnerships with firms in different industries. Moreover, cross industry support has been seen to provide a way through which organizations can benefit from partnerships with firms that are not part of their industry leading to supplementary advances by corporations who follow them.

From the findings, the study concluded that the independent variables studied accounted for 20.6% of the variation of banks performance while 79.4% may be affected by other factors not studied. These factors may include; management efficiency; interest income; asset quality; capital adequacy and inflation. In the current competitive market, many organizations cannot operate alone without partnering with others. The main agenda is bringing together the resources available from both organizations that enhance synergy for better operation in the volatile business environment. Technological changes coupled with increase in demand for better services at a cheaper cost by customers has generated more competition. Innovation and consistent research is the only way forward for an organization to prosper in the competitive market.

The study concludes that layout of an organization offers differentiation and integration of work undertaken by the employees of the company through the design of the structure, management established expectations for what individuals and groups will do to achieve the organization's purposes, strategic partnership structure that helps the banks to identify its hierarchy of managers and sources of authority hence improve firm performance.

The study determines that indeed commercial banks should adopt strategic partnerships, but only after having clear objectives of what they want to achieve from these partnerships, after which those adopted should be closely monitored for corrective measures. Lastly the study asserts that the choice of partner affects performance of commercial banks.

#### **5. Acknowledgement**

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