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Strategic alliances and competitive advantage of commercial banks in Kenya

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Commercial banks in Kenya operate in quite dynamic financial market environment and continue to experience stiff competition in the provision of financial services. The liberation of the financial markets has resulted into an upsurge in the number of institutions providing financial products and services, threatening the future of Kenyan commercial banks. This study aimed at determining the effect of strategic alliances on competitive advantage of commercial banks in Kenya. The objectives were to determine effect of joint ventures, equity alliances, and joint research and development on the competitiveness of Kenyan banks where Resource Based View, competitive advantage, and resource dependence theories were used. Causal research design was adopted where all the 42 Kenyan commercial banks formed the target population. Census survey sampling design was applied and semi-structured questionnaire used. Using descriptive and inferential statistics analysis, the study found that joint venture (β=0.435, p=0.000) equity alliances (β=0.227, p=0.018), and joint research and development (β=0.0.612, p=0.000) had positive significant effects on competitive advantage. With a coefficient of determination (R-square) of 68.9% and overall p-value of 0.000, the study concluded strategic alliances have a statistical significant effect on competitive advantage. The study recommends that managements of commercial banks should fast-truck implementation of such alliances to for improved competitiveness.

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Introduction

The loosening of stringent regulations of the world financial markets since the 1980s and 1990s saw an upsurge in the international capital inflow in form of direct capital investment (Liu, 2020). The major impact of this removal of restrictive regulations in the sector was experienced in the banking industry as international banking institutions saw the opportunity to set up their operations in foreign countries where the economic condition was conducive for the maximization of their net worth. Consequently, many banking institutions were established with foreign and local ownership as each institution sought to maximize on the liberalization of the global financial market and improve their performance.

The globalization coupled with financial market liberalization has resulted in major banking institutions entering various international and local markets with great potentials (Klus *et al*., 2019). Firms are specifically interested in strategic alliances to enable them successfully enter new markets, lower competition, utilize existing resources, and reduce the risk of setting up an investment in an uncertain market. Hence, collaborations have become of essence in the modern business environment as firms seek to acquire competitive advantage and overcome the threat of intense rivalry with existing firms.

Strategic alliances are continually becoming critical business models for commercial banks to gain competitiveness in the international market space. The coming together of two or more firms in the same or different sectors for a common purpose enables them pool together capabilities, resources, and expertise which in the long-run makes their operation efficient and have better competitive advantages. Strategic alliances in the banking industry as note by Babu *et al*. (2020), has taken various forms such as

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acquisitions, mergers, cross-border partnerships and joint ventures among others to give the partnering banks the needed capacity to compete locally and globally in such a highly volatile market.

According to David-West et al. (2020), strategic partnerships have resulted in various benefits such as expansion of the geographic operations hence reaching of large customer bases. Such alliances enable banks in the region to learn from their respective partners' strengths and best practices to enhance their service offering and experience efficient level of operations. Collaborations among firms in form of mergers and acquisitions in the region also enables them reduce on the operational cost and direct competition which in the long-run increases their competitive advantage (Hossain, 2021). Commercial banks have come under stiff competition from players in the banking industry and players outside banking sector who offer similar services leaving the commercial banks with no option but to seek strategic partnerships to enhance their regional and global presence, to remain relevant and operationally viable.

According to Ntwiga (2020), the Kenyan banking sector has witnessed significant transformation and growth recently, thanks to the adoption of disruptive technologies and liberalization of the financial market. Consequently, commercial banks in Kenya have come under pressure to offer products and services that match those of their direct competitors, coming from both the local and international markets. Muchangi (2019) affirm that strategic alliances in Kenya significantly predict the competitiveness of Kenyan commercial banks, hence the need for such institutions to revise their strategic plans to include strategic partnerships as the foundation for gaining a competitive edge.

Notable impacts of strategic alliances in the country have resulted in creation of fresh innovative banking products which has increased the commercial banks' customer satisfaction and hence acquisition of a competitive advantage. For instance, the M-PESA-Automatic Teller Machine (ATM) service has resulted in increased use of the facility which has differentiated partnering banks from the rest as customers find it more convenient to withdraw their money from ATM rather than the telecommunication agents (Mohamed, 2019). Additionally, the partnership between Western Union and leading commercial banks that enables bank customers to seamlessly send and receive money from the foreign countries has resulted in increased customer base and hence make such commercial banks more competitive ahead of their rivals that do not have such a service facility.

Competitiveness is about discovering and implementing unique and distinctive ways of competing differently from those employed by the competitors (Ribeiro *et al*., 2021). Firms with sustainable competitive advantage capacities produce products and services that align with consumers' expectations, tastes and preferences making them relevant in the industry throughout. With a competitive advantage, a firm can offer a product that is greatly superior to that of the competitor, or offer the same product as the competitor's, but a relatively lower cost as the cost of production is naturally or artificially acquired.

Michael Porter determined two competitive advantages; differentiation advantage and cost advantage. According to Ford (2020), cost advantage concerns with the production of products and services at relatively lower costs than the competitors, which enables such firms to sell the same product at lower prices than the competitors'. Moreover, differentiation advantage is the ability to offer unique commodities not offered by rival firms and which provide maximum customer satisfaction than the available products in the industry (Goyal, 2020). Ribeiro et al. (2021) competitive advantage is measured in terms of cost leadership where a firm is a key player in influencing the production of a commodity in the respective industries.

Ford (2020) state that firms that have acquired competitive advantage are believed to be value creators, giving their customers a different feeling with their unique and innovative products and services. In this study, competitive advantage was measured through the customer satisfaction and market shares. Customer satisfaction measures level of customer expectation with firm productions (Kuhl & Krause, 2019). Where customers are satisfied with such products and services, the respective companies enjoy high levels of customer loyalty which sets them apart from their rivals, hence being competitive. Firms aim at enlarging their market shares by providing customer-focused products and services and entering new markets (Argente *et al.,* 2021). This study thus, determined how these measures of competitive advantage are achieved by the respective commercial banks undertaking underlying strategic agreements.

Strategic alliances are collaborations among like-minded firms that have a shared goal that seek to achieve synergies in achieving sustainable competitive advantage (Mamédio *et al*., 2019), Consequently, the first objective of strategic alliances among similar firms is to lower or eradicate the competition among such firms as it aims at developing new products or services unique to the market. According to Hitt *et al.* (2019), this approach of developing new innovative products and services is what is described as the blue ocean strategy and can take various forms such as joint ventures, equity alliances, and joint research and development.

Strategic alliances can be horizontal, vertical, or complementary. A horizontal strategic alliance involves the collaboration of two or more firms in the same sector, to achieve synergy in their operation. Vertically, two or more firms from different industries collaborate for the shared objective (Fan *et al*., 2021). Equity and non-equity alliances are relevant in the achievement of optimal organizational performance among high-tech startups that have a social mission focus in their operation (Cacciolatti *et al*., 2020). In this study, strategic alliances were measured through joint ventures, equity alliances, and joint research and development.

According to Cacciolatti *et al*. (2020), a business arrangement that bring together two or more parties to pursue a common goal is known as joint venture. In such arrangements, parties agree to pool together their resources to accomplish a certain underlying goal which may range from launching a new product or service, starting a new firm or improving their respective operations and processes. The partnering entities are directly responsible for the costs, losses and profits arising from such strategic arrangements (Tjemkes *et*

al., 2023). Therefore, a joint venture is a strategic arrangement that enables many firms or individuals to put together their unique resources, capital, expertise, and all that pertains to it for the successful accomplishment of a defined goal and objective. Joint ventures were measured in terms of operation costs, marketing costs, and expertise.

Also known as equity partnerships, equity alliances are strategic arrangements where two or more firms decide to have a stake in the partnering firms' operations through equity investment (Cherono, 2019). According to Tjemkes *et al*. (2023), equity alliances occur through partial acquisition where a firm purchases shares in another company to have significant level of control or cross-equity transaction that occurs when the respective firms acquire certain amount of shares in each of the partnering firms. Depending on the underlying goals for the formation of equity alliances, Hitt *et al*. (2019) state that such arrangements are continuously defining various firms' strategic operations. Equity alliances were evaluated in terms of mergers and acquisitions in this study.

According to Hitt *et al*. (2019), joint research and development are collaborative efforts involving two or more firms that seek to undertake activities with an aim of developing a new product, service, or process. Joint research and developments aim at leveraging the underlying unique expertise possessed by the respective partnering firms by pooling together capabilities and resources to innovate a new product (Kuhl & Krause, 2019). In this study, joint research and development was measured through level of operational efficiencies and product differentiation of the partnering firms.

The Central Bank of Kenya (CBK) act, the Banking act, and the Companies act are the regulatory frameworks which guide activities of banking industry. Banks form the majority of the players in the Kenya banking industry which seek to provide financial products or services that promotes economic growth, development, and sustainability. The banking sector further comprises of other players such as; the Post Office Savings Bank, the insurance companies, deposit-taking microfinance institutions, foreign banks, and mortgage finance firm. The mortgage finance firm and the commercial banks which are the key players in the industry are regulated by the operation of the Banking Act, Capp 488 and accompanying regulations issued by the CBK (Wambua, 2019).

According to Sindani *et al.* (2019), Kenyan commercial banks promote financial inclusion which has resulted in the economic empowerment of their customers. Through instant access to affordable credit facilities and providing avenues for growing individual savings, the institutions play a leading role in financial capacity building of their users. Additionally, the infrastructural development to benefit society members further underlie the role of commercial banks in modern Kenyan economy, and the need for their continued strategic thinking through strategic partnerships to enhance their viability and competitive capacity and realize optimum operation. The study will therefore, seek to answer the overall research question: what is the effect of strategic alliances on competitive advantage of commercial banks in Kenya?

Kenyan banks experience stiff competition from banking and non-banking institutions in their main roe of financial services provision. From long queues to unreliable bank services, commercial banks in Kenya are starring at the threat of new entrants that offer better services, with only 60% of customers being satisfied (Kombo, 2015). According to Kariuki (2020), the emergence of new players in the financial sector locally and globally has forced banking institutions in Kenya to rethink their mode of operation, to shift away from the red ocean strategy and embrace the blue ocean strategy. The blue ocean thinking through strategic alliances focuses on not beating the competition (red ocean thinking), but being unique through differentiation to be competitive (Hitt *et al*., 2019). Such strategic alliance arrangements include joint ventures, equity alliances, and joint research and development.

Inconsistencies of findings in various studies conducted on the strategic alliances' effect on the banking and non-banking sector have narrowed on the financial performance of individual banking institutions, non-banking firms, success factors of strategic alliances, and limitations experienced in such partnerships. Consequently, little research efforts have been directed at establishing role of strategic partnerships on competitiveness or advantage of the Kenyan banking institutions. Wachiuri and Noor (2018) researched on strategic alliances and performance of KCB Group and established a statistical significant relationship between partner commitment and achieving sustainable performance. Onchwari (2017) studied strategic partnerships and competitiveness of mobile network operators and revealed that strategic partnerships result in improved customer service.

Njoroge and Mbugua (2017) researched on strategic agreements and Kenyan Postbank financial partners' financial performance and found a statistical significance in the study variables. Muchangi (2019)'s study on strategic agreements and performance revealed KWFT witnessed continued growth due to such alliances. Muthoka *et al.* (2022) researched on the integral role of collaboration among partnering firms as essential in sustainable firm performance.

Although strategic alliances have scientifically been proved as significant in organizational performance, there is still lack of adequate research on their effect in the competitiveness of Kenyan commercial banks, thus the focus of this study. Further, Sadegh *et al.* (2020) assert that the existing studies on strategic partnerships and performance and competiveness of an organization inherently suffer from methodological shortcomings where industrial biases characterize such studies to limit their applicability and generalization. As such, the current study aimed to bridge these contextual and methodological knowledge gaps for banks to navigate the changing financial service sector and overcome such challenges through strategic partnerships, both with banking and non-banking institutions.

The specific objectives of this study were:

i. To determine the effect of joint ventures on the competitive advantage of commercial banks in Kenya
ii. To examine the effect of equity alliances on the competitive advantage of commercial banks in Kenya

iii. To assess the effect of joint research and development on the competitive advantage of commercial banks in Kenya.

Literature Review

Theoretical Review

Resource Based View

This theory was conceived by Edith Penrose in 1959 (Kozlenkova *et al*., 2014). The theory's original precepts revolved around the idea that an institution is composed of resource bundles, that are both physical and human which shape its operations in tackling underlying challenges (such as competition) and thus, achieving the desired growth and survival goals in any market. The model proposes a technique to organizational managements concerning the effective and adequate management of available resources, productive opportunities and diversification strategy (Galbreath, 2005). The theory was built on the traditional model of growth of the firm theory before being advanced to management.

The RBV model highlights and predicts the fundamentals characterizing organizational performance and their competitive advantage. Its focus is on the performance of the institution on meso perspectives which was a reaction to the interest of management in the industry structure, that was more macro focused (Kozlenkova *et al*., 2014). The resource-based model proposes an internal-driven approach to valuing the underlying organizational resources as opposed to the external-driven paradigm of understanding failures or accomplishments of leveraging on the organizational opportunities (Barney & Clark, 2007). The theory focuses on the imperfectly imitable company resources that are necessary in advancing its market performance by wadding off unnecessary competition from firms that lack such critical resources necessary for the continued operation.

The RBV is anchored two fundamental assumptions. First, the theory assumes that the underlying bundle of resources owned by various firms sharply differ from each other, thereby differentiating the competitive advantage of each firm (Kozlenkova *et al.,* 2014). This heterogeneity in the resources assumption assert that firms possessing the unique resources in particular circumstances are likely to be more skill-endowed in specific operations to acquire the desired competitive advantage. The second assumption of the RBV focuses on the immobility of resources in an organization. According to this assumption, the complexities in the trading resources available to firms in a given market may result into persistence in resource differences across underlying firms (Galbreath, 2005). Thus, the two fundamental assumptions collectively asserts that the unique resources possessed by a particular form cannot be modified by external parties and that they are only specific to the underlying organization which gives an absolute advantage in the market competition.

Such unique resources include; assets, information, knowledge, firm attributes, capabilities, and business processes which are controlled and utilized by respective firms to achieve effectiveness and efficiency which are necessary in attaining competitive advantage (Barney & Clark, 2007). Low cost processes, brand management, logistics, research and development activities are some of the internal resources that firms can deploy to wade off market competition. These resources, according to RBV, are often inadequately imitable, are rare, and do not have direct substitutes (Kozlenkova *et al.,* 2014). Due to these features of the strategic resources, accumulation and trading of resources among firms becomes of strategic essence for firms to remain relevant. Since some of these resources are only specific to some firms and thus are less tradable, they are embedded or mingled in respective organizations where strategic alliances such as mergers and acquisitions are deployed to make them of use in attaining the desired market competitiveness of the underlying firm(s).

According to Galbreath (2005), RBV considers mergers and acquisitions as key approaches of accessing other organization's unique resources that are non-tradable to the underlying natural factors to gain competitive advantage. The RBV is relevant in cost management as it helps prospective firms incur low cost in acquiring and merging with firms with vital resources as opposed to incurring high costs in developing and owning such resources, some of which research have shown cannot be traded regardless and can only be utilized through strategic partnership arrangements such as mergers and acquisitions of the endowed firms (Barney & Clark, 2007). The resource-based theory was relevant in the current study by helping advance relevance of equity alliances as a strategic partnership in accessing vital and unique resources owned by banking and non-financial institutions that can enable commercial banks in Kenya acquire the optimal competitive advantage.

Resource Dependence Theory

This theory was industrialized by Emerson in 1963 and further advanced by Salancik and Pfeffer (1978) (Biermann & Harsch, 2017). According to the RDT, an organization's control over vital resources in an industry could result in other firm's lacking the control of such resources and become dependent on the resource-controlling firm. The theory acknowledges the firm's underlying differences in capabilities and resource capacities despite operating in the same industry which makes it difficult for a firm to operate in isolation without depending on another firms for a key resource that they lack. As such, the theory's assumption is that despite firms remaining viable in the long-run, such viability is partly as a result of its dependence on another firm for the supply of a key resource in its operations.

To attain optimal resources for sustenance, the proponents of the resource RDT argue that firms must deploy interaction and exchange programs with other organization in the same of different industry to attain the desired resource necessary for sustenance. To benefit

from partner resources, firms should enter into strategic partnerships to enjoy such resources at less cost while at the same time, sharing their strengths with the partnering firms (Nienhüser, 2008). The inter-firm collaboration to share resources and strengths result in firm competitiveness. The other ideology promoted by the RDT is that naturally, the environment causes scarcity of resources forcing institutions to depend on other stakeholders in the market to remain operationally viable.

According to Salancik and Pfeffer, there are three fundamental factors that determine the dependence level organizations have on specific resources. First, is that the significance of the underlying resources greatly influences the level of organizational dependence on another for such a resource (Biermann & Harsch, 2017). Secondly, the scarcity of the resource also affects the dependence level where the scarcer a resource is, the more dependent an organization becomes on other firms for the scarce resource in the industry (Jiang *et al*., 2023). The last factor characterizing the dependence level is the competition among the firms for the control of the resource under consideration. These three factors therefore, collectively influence an organizations level of dependence for a vital resource on another firm that possess absolute or natural advantage in the availability of the key resource.

The resource dependence theory asserts that firms do not operate in isolation and that such firms are not self-sufficient entities but rather, are entrenched in a complex system with other individuals, institutions, and firms for their optimal survival (Biermann & Harsch, 2017). Such external parties to the underlying firm possess unique yet important resources that are critical for the seamless function of the entity. Such resources that firms depend on from other quotas could range from political support, relationships, information, expertise, physical infrastructure, and financial support. The theory further states that firms will endeavor to minimize on their reliance on the external institutions and instead, promote internal autonomy and control of their resources (Hillman *et al*., 2009). Thus, by developing strategic partnerships, firms are able to build on such relationships to develop critical resource that are scarce in their environment collectively to minimize the level of dependence from other organizations.

By being controlled by external entities, critical resources make possible for the respective firms with their abundance to exert demand on the organization. Due to the perceived underlying advantage as a result of such collaboration to gain from each other's resources, they exert power by way of controlling the vital resources (Jiang *et al*., 2023). Organizations that enjoy abundance of critical resources become great market influencers. The principle of scarcity and criticality should be the cornerstone of most organizations' strategic operations as it is practically impossible to acquire a competitive edge over the critical resources at any given time (Hillman *et al*., 2019). This theory helped advance the concept of joint-ventures as a strategic partnership in enabling underlying commercial banks access critical resources they lack in the sector that are necessary in their competitiveness.

Competitive Advantage Theory

The CAT was suggested by Porter (1985), a renowned economist and scholar at the Havard Business School (Wang, 2014). The theory states that firms ought to pursue and implement strategies that can result into creation of high quality and standard goods that cannot only sell highly, but also have the potential to outperform the competitors' products and services. This economic theory is built around concepts explaining how organizations can acquire competitiveness over their rivals in the industry (Heeks, 2006). Consequently, the competitive advantage theory focuses on the managerial perspective rather than the marketing dimension as effective in resulting into the desired competitive level in a market that is characterized by heightened competitions.

Management of relevant organizations therefore, pursue collaborative agreements where such arrangements are seen as the most viable channel to enhance their brand visibility, operation, and market performance as measured in superior market share and returns. According to Išoraitė (2018), competitive advantage refers to the gaining of absolute or natural advantage by a firm over its rivals in a market. Further, Wang (2014) states that understanding the concept of competitiveness requires in-depth analysis of the underlying components and can only be relevant when compared with another firm or firms. Whereas every firm can acquire separate competitive advantages such as relative lower levels of wages and salaries, superior production systems, or delivery of customer-focused services, the optimal competitive advantage lies with the customers' value-ranking that results into preference over other similar products available.

According to Porter's competitive advantage theory, two types of competitive edges that a firm can acquire include differentiation advantage and cost advantage. According to the differentiation advantage concept, firms acquire competitiveness when they produce superior and unique goods and services that highly valued by customers (Išoraitė, 2018). Such products or services are non-imitable and can be achieved through strategies such as; customer service, branding, product innovation or any other scientific means that distinguishes a firm's offering in the market. Unique and high value products enable such firms to build customer loyalty and charge supreme prices, thereby achieving the desired competitive advantage.

Cost advantage on the other hand, is considered when a firm can produce and offer to the market products or services at relatively lower process compared to the competitors' (Heeks, 2006). Superior supply chain, efficient production process, access to low-cost resources, and economies of scale are some of the techniques that can help a firm achieve the cost advantage. The lower costs enable such firms attract new market shares through affordable commodity prices that translates into high profits. According to Ma (2000), more than one firm can have a competitive advantage in the same industry that is; firm B having a competitive advantage over firm C, and firm C having a competitive advantage over firm D.

The Porter's ideology is that a firm should focus on one of the two types of competitive advantage as attempts to pursue both strategies can result into a stick-in-the middle scenario where the organization fails to acquire or achieve the desired competitive advantage

effectively and efficiently (Wang, 2014). He further stated that other than the cost and differentiation advantages, firms' competitive advantage is impacted by; industry structure, threat of substitute products or new markets entrants and bargaining power of suppliers or buyers, otherwise known as the Porters Five forces which generally is a model used to analyze the attractiveness of an industry against the underlying and potential sustainable competitiveness.

The CAT emphasizes the importance of strategic position to acquire a long-term market success through enlargement of market niches and shares (Heeks, 2006). The theory proposes to firms the technique for market analysis and an understanding of the competitive advantage sources as well as the dynamics characterizing the market dynamics. The competitive advantage model will be used in this research activity to elucidate the need for commercial banks to enter into strategic alliances with partners that can enable them acquire cost leadership and produce unique products hence, achieving the optimal competitiveness. The theory therefore, helped advance the relevance of joint-research development between the commercial banks and like-minded firms to enable the production of unique and customer-focused products that can enable such commercial banks to remain relevant, achieve cost leadership, and customer loyalty.

Empirical Review

Muñoz de Prat *et a*l. (2020) researched on joint ventures and sustainability. Exploratory design aided analysis of literature to identify underlying variables relationship. Target population involved 424 past studies that were reviewed. The study found that joint ventures influence management and development sustainability of a firm. This study however, was not anchored on a theoretical model to explain underlying variables. The study therefore helped advance the concept of joint ventures on organizational sustainability in the current study.

Beshay (2018) examined joint venture strategy and employee commitment. Joint venture theory and mixed research methods were used. Data from international companies' employees was collected through in-depth semi-structured interview guides. The study found that joint ventures enhanced employee commitment to their work which created a motivated workforce to enhance international companies' competitiveness. This study was however, focused on employee commitment as the dependent variable while the current study focuses on firm competitiveness. The study in the current study enabled better understanding of joint venture strategy in promoting organisational improvement.

Israel (2022) studied joint ventures and SMEs' competitiveness. Cross-sectional design targeting 87 joint venture firms and 105 sole proprietors. Data was collected using surveys and T-test used to determine variable relationship. Study revealed enhanced competitive edge among enterprises operating joint ventures, like having increased innovation. This was however, a regional study whose findings may be limited in application. The study enabled und4rstanding pf the pitfalls surround joint ventures which may make it difficult for achievement of intended objectives.

Mburu (2018) studied mergers and acquisitions effect on competitive advantage in information technology firms. Descriptive research design targeting 48 managers and questionnaire used. The study revealed that mergers and acquisitions enhanced the competitive parity of partnering firms. This was however, a single firm study while current study was on 42 institutions. The study enabled understanding the need for stakeholder resource match when crafting mergers and acquisition agreements to result into their optimal success in the current study.

Lunani *et al*. (2018) researched on mergers and acquisition and firm's competitiveness. Oligopolistic, free cash flow, agency theories and descriptive design were used. The study targeted all employees of Hewlett-Packard East Africa, Nairobi, Kenya and used Questionnaires were used to collect data analyzed by descriptive and inferential statistics. Mergers and acquisitions improved market shares and volumes of firm transactions, hence increased competitive advantage. The study used descriptive methods as opposed to current study's causal methods. The study contributed to the current study objective of determining role of mergers on organisational competitive advantage acquisition.

Kibet *et al.* (2021) examined mergers and acquisitions' effect on financial performance. Efficiency, market power, and disturbance theories were used. The study used descriptive survey design and target population involved National Bank of Kenya and Kenya Commercial Bank. Purposive qualitative sampling was used and data collection guided applied in gathering secondary data. Using line regression, study found that mergers impact financial performance. Financial performance was measured through profitability while the current study focuses on competitive advantage measured through market share and customer satisfaction. The study's theories helped examine the inter-variable relationships in the current study to result into evidence-based findings.

Regina and Raharjo (2022) examined role of research and development on sustainable competitive advantage. Balanced-score card theory and qualitative design were used. Interviews were used targeting managers. Through descriptive and inferential statistics, study revealed that research enabling factors for research and development enhance competitiveness of cigarrete firms. This study however, did not target specific population as sought on the current study where 42 commercial banks were targeted. The study enabled understanding of findings on research and development on competitiveness of commercial banks in Kenya.

Bach *et al*. (2019)'s innovation and performance study in private companies used exploratory research design where literature was reviewed to determine underlying variable relationship. The study adopted systemization procedure to analyze data in three phases involving planning and review, conducting, and dissemination of knowledge. Innovation enhanced performance among private

companies. This study however, suffered from scope limitation since there was no defined target population and region of interest. The study's data analysis procedure informed the current study's analysis, targeting descriptive and inferential statistics.

Chege *et al*.'s (2020) information technology and firm performance used technology acceptance model to explain variables relationship. Quantitative methods characterized target population of SMEs in Tharaka Nithi County whose managers were the respondents. Questionnaire was for data gathering. Information technology innovation greatly enhanced firm performance. This study as however, conducted on SMEs whose operations are different from the commercial banks, envisaged in the current study. The study helped understand the technological relationship between strategic alliances and competitiveness of institutions.

3.0 Research Methodology

Explanatory research design, a method used to explain the underlying causal relationships of variables was used (Asenahabi, 2019). According to Harris *et al*. (2019), explanatory research design enables answering of the research problem by determining the effect of change in the competitive advantage due to varied strategic alliances- joint ventures, equity alliances and research and development) are implemented by banks.

According to the Central Bank of Kenya (2022), there are 42 commercial banks in Kenya, whose head offices are located in Nairobi City County, Kenya. The 42 commercial banks were categorized into three based on asset valuation, liabilities and customer base. Tier one 1 commercial bank comprised of those whose assets are valued at billions. Tier 2 are mid-sized banks while Tier 3 are small commercial banks. The study was restricted to the respective commercial banks' headquarters found in Nairobi City County where marketing managers were the respondents. The summary of commercial banks' size is presented on Table 1

Table 1: Classification of Commercial Banks in Kenya

Classification	Number	Percentage (%)
Tier 1	8	19.05
Tier 2	9	21.43
Tier 3	25	59.52
Total	**42**	**100.00**

Source: *Central Bank of Kenya (2022)*

Census sampling was adopted. According to Kalton (2020), census survey sampling design is applicable where the target population is small. Among the 42 commercial banks, the marketing managers from the respective head offices answered the questionnaire on strategic alliances and bank competitive advantage.

Semi structured questionnaire was used to collect data and was preferred in this study due to simplicity, clarity, and logical arrangement of its questions that encourages respondents to participate in a study, thus improving response rate.

Among the study limitations, first, there was the risk of lack of causality between strategic partnerships and competitive advantage. Lack of causality could be experienced where other phenomena that affect the competitiveness of commercial banks like technological developments, government policies, and market conditions are not included in this research. Additionally, the study could have suffered from data collection limitation where the self-reported data used in the analysis could be biased and thus, presenting incorrect state of underlying variables and phenomena. The researcher considered and acknowledged these limitations when interpreting the findings to avoid their splitting effect and ensure the accurate state of the findings is reported for interpretation on the study findings.

Findings and Discussion

Descriptive Statistics

The mean and standard deviation measure were used to enable description of data in this study. The respondents were required to indicate their levels of agreement to the statements on a scale of 1-5 where 1= strongly disagree, 2= disagree, 3= neutral, 4 = Agree and 5 = Strongly agree was used

Joint Ventures and Competitive Advantage

The respondents were presented with various statements concerning joint ventures and competitiveness as shown in Table 2.

Table 2: Descriptive Statistics for Joint Ventures

Statement on Joint Ventures	Mean	Standard Deviation
The firm's marketing and operation costs have drastically reduced due to joint ventures	3.31	0.731
Joint ventures have resulted in enhanced firm expertise, thus increased customer satisfaction	3.44	0.641
Joint ventures have increased the market share of the collaborating firms	3.49	0.556
The commercial bank has reached out to financial and non-financial institutions for joint collaborations/ ventures	3.38	0.711
Implementation of joint ventures affect competitive advantage of commercial banks	3.33	0.838
Aggregate Scores	**3.39**	**0.6954**

Source: *Research Data (2024)*

From Table 2, respondents agreed on drastic reduction of marketing and operation costs following the adoption of joint ventures (mean= 3.31; std. deviation= 0.731), joint ventures enhanced firm expertise hence increased customer satisfaction (mean= 3.44; std. deviation= 0.641), joint ventures increased market shares between the collaborating firms (mean= 3.49; std. deviation= 0.556), commercial banks sought collaborations with financial and non-financial institutions (mean= 3.38; std. deviation= 0.77), and implementation of joint ventures enhanced the competitiveness of commercial banks (mean= 3.33; std. deviation= 0.838). These findings are consistent with those of Nshimiyimana's (2022) significant relationship involving strategic cooperation and firm performance.

The descriptive aggregate score for the effect of joint ventures on competitiveness resulted in (mean=3.39; std. deviation= 0.6954) high effect of joint ventures on bank competitiveness. The findings support Muñoz de Prat *et al.'s* (2020) that asserted joint ventures influences management and development sustainability of a firm. Through the resource dependence theory, the study examined how underlying commercial banks accessed critical resources they lack in the sector that are necessary in their competitiveness.

Equity Alliances and Competitive Advantage

From Table 3, the respondents were presented with various statements concerning equity alliances and competitiveness.

Table 3: Descriptive Statistics for Equity Alliances

Statement on Equity Alliances	Mean	Standard Deviation
The firm has recently considered merging with another more vibrant commercial bank to enhance customer satisfaction	2.74	0.850
The commercial bank has identified strategic entity to acquire to enhance its competitiveness	2.69	0.863
Equity alliance arrangements have increased the bank's customer base	2.72	0.857
The firm's equity alliance arrangements have reduced competition faced by the bank	2.79	0.833
Implementation of equity alliances affect the competitive advantage of the commercial bank in the sector	2.87	0.695
Aggregate Scores	**2.762**	**0.8196**

Source: *Research Data (2024)*

From Table 3, respondents disagreed that the bank had recently considered merging with other vibrant institutions to promote customer satisfaction (mean= 2.74; std. deviation= 0.850), commercial bank had identified strategic entity for acquisition (mean= 2.69; std. deviation= 0.863), there was increase in the bank's customer base due to equity alliances (mean= 2.72; std. deviation= 0.857), equity alliances had reduced the competition faced by the commercial bank (mean= 2.79, std. deviation= 0.833), and implementation of equity alliances had increased the competitiveness of the bank (mean= 2.87; std. deviation= 0.695), thus consistent with Mburu's (2018) which claimed that mergers and acquisitions moderately result into enhancement of competitive parity of underlying firms.

The descriptive aggregate scores for equity alliances and competitive advantage were (mean= 2.762; std. deviation= 0.8196) indicating a moderate effect of equity alliance arrangements on firm competitiveness, consistent with Kibet and Nyaga's (2021) mergers' positive and significant influence on financial performance. Through the resource based theory, the study advanced relevance of equity alliances as a strategic partnership in accessing vital and unique resources owned by banking and non-financial institutions that can enable commercial banks in Kenya acquire the optimal competitive advantage.

Joint Research and Development and Competitive Advantage

From Table 4, the respondents were further presented with various statements concerning joint research and development and competitiveness.

Table 4: Descriptive Statistics for Joint Research and Development

Statement on Joint Research and Development	Mean	Standard Deviation
The bank actively involves in joint research and development with banking and non-banking institutions	1.97	0.811
Joint research and development has resulted in new and unique bank's products, hence increased customer satisfaction	2.08	0.870
Efficiencies in bank's operations due to joint research and development have resulted into widened market coverage	2.00	0.827
Product differentiation has resulted into reduced or low competition from other commercial banks	3.46	0.942
Implementation of joint research and development affect the competitive advantage of the commercial bank in the industry	3.33	1.009
Aggregate Scores	**2.568**	**0.8918**

Source: *Research Data (2024)*

Respondents strongly disagreed commercial bank's active involvement in joint research and development with banking and non-banking institutions (mean= 1.97; std. deviation= 0.811), most of the respondents disagreed that joint research and development had resulted into the bank's new, unique products for enhanced customer satisfaction (mean= 2.08; std. deviation= 0.870), efficiencies in commercial bank's operations due to joint research and development increased market share (mean= 2.00; std. deviation= 0.827), product differentiation had resulted into reduced competition threat from other banks (mean= 3.46; std. deviation= 0.942), and implementation of joint research and development enhanced competitiveness of the commercial bank in the sector (mean= 3.33; std. deviation= 1.009), supporting Chege *et al.'s* (2020) information technology innovation's improvement of firm performance.

The aggregate descriptive scores for joint research and development and competitive advantage were (mean= 2.568; std. deviation= 0.8918) indicating a moderate effect of joint research and development on competitiveness of a firm, consistent with Bach *et al.'s* (2019) on innovation's direct and significant relation to performance among private companies. Through the resource based theory, the study enabled understanding of critical resources possessed by respective commercial banks to enable them undertake research and extension activities to result in new products to give them the needed competitive advantage.

Competitive Advantage of Commercial Banks

From Table 5, results for competitiveness are presented.

Table 5: Descriptive Statistics for Competitive Advantage

Statement on Competitive Advantage	Mean	Standard Deviation
Low marketing costs, operating costs, and improved expertise result in efficient bank service delivery hence, high customer satisfaction	3.51	0.914
Mergers and acquisitions result in the acquisition of additional customers in the banking sector	2.15	0.670
Product differentiation and adequate efficiencies promote commercial bank's customers satisfaction	2.82	0.683
Implementation of strategic alliances affect the competitive advantage of the commercial bank in the industry	3.69	0.655
Aggregate Scores	**3.0425**	**0.7305**

Source: *Research Data (2024)*

Respondents agreed that low marketing, operating costs and improved expertise had resulted into efficient service delivery thus high customer satisfaction (mean= 3.51; std. deviation= 0.914), mergers and acquisitions had resulted into acquisition of additional customers (mean= 2.15; std. deviation= 0.670), product differentiation and efficiencies enhanced customer satisfaction (mean= 2.82; std. deviation= 0.683) and implementation of strategic alliances enhanced the competitiveness of commercial (mean= 3.69; std. deviation= 0.655) indicating a significant relationship. The descriptive aggregate scores for competitive advantage were (mean= 3.0425; std. deviation= 0.7305). These findings are consistent with those of Zikri (2020) that revealed a statistical significant effect of strategic partnerships and market share growth. The study's competitive advantage theory helped understand these findings on relationship between commercial banks and like-minded firms to enable the production of unique and customer-focused products that can enable such commercial banks to remain relevant, achieve cost leadership, and customer loyalty.

Inferential Statistics

Regression Analysis

Combined influence of joint ventures, equity alliances, and joint research and development on competitive advantage of commercial banks was examined through regression model. The regression analysis model was adopted since it is a reliable technique of

identifying the impact of variables on topic under study (Skiera *et al*., 2021). Table 6, 7, and 8 is the model summary, ANOVA, and regression confidents of the study variables.

Table 6: Regression Analysis

Model	R	R-Square	Adjusted R Square	Std. Error of the Estimate
1	0.845[a]	0.714	0.689	0.365

a. Predictors: (Constant), Joint Ventures, Equity Alliances, Joint Research and Development

Source: *Research Data (2024)*

The adjusted R-squared was 0.689 which indicated that the three independent variables (joint ventures, equity alliances, and joint research and development) explains 68.9% of banks' competitiveness while other factors not included in this study explain 31.1%.

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.638	3	3.879	29.077	.0000[b]
	Residual	4.670	36	0.133		
	Total	16.308	39			

a. Dependent Variable: Competitive Advantage
b. Predictors: (Constant), Joint Ventures, Equity Alliances, Joint Research and Development
Source: *Research Data (2024)*

ANOVA for regression model used fitness. The p-value was 0.000<0.05 significance level and F-calculated of 29.077. Therefore, the model was fit in predicting the how joint ventures, equity alliances, and joint research and development influence competitiveness.

Table 8: Regression Coefficients

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.619	0.393		1.574	0.124
	Joint Ventures	0.340	0.073	0.435	4.633	0.000
	Equity Alliances	0.214	0.087	0.227	2.472	0.018
	Joint Research & Development	0.398	0.060	0.612	6.592	0.000

a. Dependent Variable: Competitive Advantage

Source: *Research Data (2024)*

Table 8 shows the overall multiple regression model adopted in this study. The interpretation of the findings followed the following regression model.

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon.}$$

Hence;

$$Y = 0.619 + 0.340X_1 + 0.214X_2 + 0.398X_3$$

Where;
Y= Competitive Advantage
X_1 = Joint Ventures
X_2 = Equity Alliances
X_3= Joint Research and Development
ε = Significance level

From Table 8 the intercept (β_0) was represented by 0.619 which means that holding the three independent variables constant, banks were competitive at 0.619 units. Additionally, citeris paribus, a unit increase in joint ventures would result into increase in competitive advantage 0.340 units. The findings are consistent to those of Israel (2022) which revealed that SMEs operating joint ventures were more highly competitive, having increased ability to meet operating costs, financial outcomes, market requirements, and innovation. Joint venture arrangements lowered marketing costs and increased market base of partnering firms, thus improved competitiveness.

Moreover, a unit increase in equity alliances would result into increase in competitive advantage by 0.214, conforming to those of Lunani *et al.* (2018) that found that mergers and acquisitions help in improving market shares and volumes of firm transactions, hence increased competitive advantage. Equity alliances result in direct reduction of competiveness and increases resources necessary to maintain firm operations, thus improved competitive advantage. Equity alliances result in increased market segmentation and

adequate management of such alliances result in improved customer satisfaction to enable the underlying firms acquire targeted competitive advantage.

Additionally, a unit increase in joint research and development would result into increase in competitive advantage by 0.398 unit, supporting Bach *et al*.'s (2019) that established that adequate stakeholder management in joint and research collaborations enhance their output and participation to result in the optimum outcomes of the set objective. Concerted joint research and development efforts result in new and unique firm products and services as well as enhancing the operational efficiencies of the cooperating firms.

Qualitative

Thematic analysis was adopted for the qualitative data. After familiarization with data and identification of the recurring themes, the themes were reviewed and selected for discussion. The common themes identified included; strategic alliances and determinants of strategic alliances,

Theme One: Strategic Alliances

The respondents indicated that the most commonly adopted strategic alliance was joint research and development, followed by joint ventures and finally equity alliances. Joint venture was favored due to its ease of implementation as it does not involve numerous legal structures. Equity however, was the least adopted strategic alliance as it involved many legal requirements, from the regulatory body CBK to the partnering firms before being actualized.

Theme Two: Determinant Factors

The findings revealed that most commercial banks considered previous working relationship with the partnering firm to achieve synergy in the intended arrangement. Firms valued past working relationships to inform their decision to consider strategic partnerships with such firms as they aimed at capitalizing on the past successes during such working relationships. Additionally, the banks considered mutual trust and clarity in objectives and strategy as an enabler factors for successful strategic alliances. The strategic objective and direction adopted by various potential firms informed the commercial banks' decision to enter into a strategic alliance with the or not, to result in improved competitiveness. The other major factor considered was the resource-match where commercial banks favored strategic alliances with firms that achieved good-fit in resource base necessary in undertaking marketing expansion and penetration.

Conclusions

The study concludes that joint ventures improve the competitiveness of Kenyan banks. Therefore, commercial banks with optimal joint venture arrangements experience highly competitive advantage than commercial banks lacking such strategic collaborations. As a way of ensuring this continued optimal competitive advantage, the study advocates for continued joint venture agreements in the banking industry.

The study concluded that equity alliances enhance bank competitiveness. Commercial banks prioritizing equity alliances partnerships experience increased customer base which translates into highly competitive edge over commercial banks without equity alliances collaborations. Equity alliances enables collaborate g firms to access immediate resources which are necessary in meeting strategic costs to result into their successful implementation (strategic alliances). The study concludes that joint research is an effective strategic alliance that enhances commercial banks' competitiveness. Therefore, commercial banks characterized by concerted joint research and development efforts acquire unique capacities that distinguish them in the industry, thus enjoying better competitive advantage compared to commercial banks not involved in joint research and developments.

Policy Recommendations

To the banking industry regulator CBK, the study recommends that adequate development of favorable mergers and acquisitions framework that encourage merging with strategic partners in the industry since most commercial banks had not implemented these strategic alliances, hence affecting their competitive parity. It is further recommended that equity alliances should be given maximum support by the banking industry regulator, CBK by issuing policy recommendations and procedures that encourage such strategic collaborations. In collaboration with the chief banks' executives, the study recommends that that they should through policing create a conducive environment that encourages collaboration with financial and non-financial industry players to result in the realization of synergies such as cost reduction and operational efficiency. This is so because, most commercial banks failed to reach out for collaborations in the industry, thus unable to maintain low operation and marketing costs.

Suggestions for Future Research Direction

This study was limited to the 42 commercial banks in Kenya and sought to examine strategic alliances and competitive advantage variables. However, since commercial banks are relatively large financial institutions whose operations maybe underscored by strategic alliances, a similar study is recommended on non-banking financial institutions in Nairobi City County, Kenya. The is to compare results obtained in this study and enable accurate generalization of study findings not only to banking institutions, but also to financial non-banking institutions like deposit taking savings and credit societies.

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