



STRATEGIC ALLIANCE AMONG SMALL AND MEDIUM ENTERPRISES: FIRM BASED MOTIVES IN THE MANUFACTURING SECTOR IN KENYA

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Abstract

Besides the challenges posed by globalization, the SMEs operating in Kenya are exposed to peculiar challenges of high cost of production systems and weak institutional linkages in the production chain, low-quality products, high cost of credit, insufficient demand, corruption and stiff competition from an influx of counterfeits goods. As a result, SMEs in Kenya have embraced strategic alliances to overcome such challenges to improve their poor performance. The study was designed to investigate the motives that motivate SMEs in Kenya to form strategic alliances. To this end, the study's overall objective was to investigate the effect of firm-based motives on firm performance and targeted manufacturing SMEs in Kenya. The target population consisted of 74 SMEs with existing strategic alliances and was based in Nairobi City County. The study adopted descriptive and explanatory research designs and analyzed the data using descriptive and inferential statistics. The survey findings showed that firm-based motives have a positive and significant effect on the performance of manufacturing SMEs in Kenya. Based on this findings, the

study concluded that diverse firm-based motives motivate manufacturing SMEs to form a strategic alliance and that these motives have a positive and significant effect on SME performance. The study contributed to the general body of knowledge by bridging the contextual and empirical gaps identified after the literature review. The study recommends that top management teams in the manufacturing industry need to map firm-based motives and align such motives to specific aspects of their value chain activities to facilitate the identification of suitable alliance partners, access to the requisite resources to improve SME performance.

Keywords: Strategic Alliances, Firm Based Motives, Small and Medium Enterprises, Firm Performance

INTRODUCTION

The current global trends continue to expose organizations to challenges that have affected their performance. These trends have resulted in changes in the customer's needs, preferences and increase competition at the domestic and international levels. As a result, organizations especially Small and Medium Enterprises (SMEs) have experienced poor performance (Nyuur, Brecic & Simintiras, 2016), thus failing to realize their contribution towards economic development.

The desire by top managers in organizations to improve their performance has resulted in the need to acquire resources. One of the strategies adopted by SMEs to meet their resource requirements has been to form strategic alliances with other firms. The study of strategic management has relied on the concept of organizational resources to better understand the concept of firm performance. The Resource-Based View of the firm has extensively been used to expound on this relationship by demonstrating that firms that accumulate strategic resources are in a position to build new resource bundles, competencies and capabilities which enable them to improve their competitiveness and performance (Barney, 2001).

The need to accumulate resources to ensure continuous performance improvement and competitive advantage in the presence of a dynamic business environment presents practical challenges to top managers in SMEs. As such, empirical studies on strategic alliances have shown that managers have embraced alliances as a viable strategy to gain access to critical resources which can improve the performance of their organizations (Gronum, Verreyne & Kastle, 2012; Panda, 2014). Even though the study of strategic alliances has been well documented especially in developed economies (Dickson & Weaver, 2011; TJemkes, Vos & Burgers, 2012; Remigijus & Giedrius, 2013; Klossek, Meyer & Nippa, 2015), the same has not been achieved in developing economies.

Even though studies on strategic alliance formation have been undertaken elsewhere (Skokic, 2015; Jeje, 2014; Franco & Pereira, 2013), Gils and Zwarts (2009) are of the opinion that the motives behind alliance-building are context-specific, industry-specific and firm-specific thus limiting the applicability of prior studies across different context, industries and firms. Likewise, studies available on strategic alliances in Kenya have restricted their focus on the types of alliances as well as the benefits of alliances (Muteshi & Awino, 2018; Rambo 2012; Muange & Maru, 2014), neglecting the stream of research on the strategic alliance motives that push and pull firms to alliance formation.

This study seeks to bridge this gap by investigating the strategic alliance formation motives among manufacturing SMEs in Kenya. To this end, the study will contribute to providing comparable data on the firm-based motives among SMEs and alliance formation. In addition, the study will also contribute by generating knowledge on the effect of the firm-based motives on the performance of manufacturing SMEs and highlight how top managers in SMEs can align such firm-based motives with their value chain activities and contribute to resources accumulation and performance improvement.

This publication highlights the following sections, a conceptual review of the key construct is presented followed by a theoretical and empirical review which provides a roadmap for the study hypotheses. The survey methodology is presented to show the research population, data collection approach, data analysis and presentation. The study findings and the implication of the findings are also presented together with the survey conclusions. Lastly, the study offers recommendations and point out areas of further research based on the limitations of the current study.

The Research Problem

Small and Medium Enterprises in the manufacturing sector need to embrace strategic alliances as a resource accumulation strategy. The study of strategic alliances fits well in the context of the manufacturing sector and among SMEs since it offers a basis for accessing resources that are considered scarce and necessary for improving performance. Despite the documentation of the presence of strategic alliance in Kenya, such empirical studies have not exploited the full spectrum of strategic alliances specifically the motives that pull and push firms to alliance formation. This is deemed relevant since such motives define the types of resources that an organization is pursuing through strategic alliance as well as the most suitable alliance to connect with. Despite the presence of strategic alliance literature in Kenya (Rambo 2012; Muange & Maru, 2014), this study is considered necessary to expand the existing conceptual

scope to include the motives that guide alliance formation with a special interest in Small and Medium Enterprises in the manufacturing sector.

The need to carry out this study is supported by several reasons namely, the study of strategic alliances has been skewed towards the developed economies (Dickson & Weaver, 2011; Tjemkes, Vos & Burgers, 2012; Remigijus & Giedrius, 2013; Klossek, Meyer & Nippa, 2015). Moeller (2010) points out that such bias results in geographical bias and limits the generalization of survey findings. Secondly, Gils and Zwarts (2009) are of the opinion that the motives behind alliance-building are context-specific, industry-specific and firm-specific thus limiting the applicability of prior studies across different contexts, industries and firms. This, therefore, calls for studies on alliance formation motives covering different countries, industries and firms. Thirdly, this study perceived the phenomena of strategic alliance motives as directly linked to the concept of performance which can be partly explained using these motives.

By focusing on strategic alliance formation motives in the perspective of the firm-based motives, this study seeks to understand the different motives that motivated SMEs to engage in strategic alliances and the effect of such alliances on the performance of manufacturing SMEs. To fulfil this mandate, the study was guided by several objectives as outlined below.

Study Objectives

This study was carried out to establish the effect of firm-based motives on SME performance in the manufacturing sector in Nairobi City County. The specific study objectives included:

- i. To establish the effect of new technology motives on SME performance in the manufacturing sector in Nairobi City County.
- ii. To ascertain the effect of improved production motives on SME performance in the manufacturing sector in Nairobi City County.
- iii. To determine the effect of improve product awareness motives on SME performance in the manufacturing sector in Nairobi City County.
- iv. To assess the effect of new research information on the industry motives on SME performance in the manufacturing sector in Nairobi City County.

REVIEW OF LITERATURE

Firm Based Motives and Firm Performance

This study perceived strategic alliance as a voluntary cooperative agreement between two or more firms for purposes of achieving a specific corporate goal ((Klossek, Meyer & Nippa, 2015). The decision to form a strategic alliance is mostly based on the consideration to either

solely or jointly pursue strategic goals by top management teams. Subsequently, a strategic alliance is considered as an outcome of a firm's strategic decision to pursue strategic objectives jointly with other firms due to internal lack of the required resources to achieve such initiatives (Lin & Darnall, 2015).

The manufacturing sector in Kenya is dominated by SMEs whose contribution to the Kenyan Gross Domestic Product (GDP) stands at 24.3 percent (Kenya National Bureau of Statistics, 2016). The association of SMEs in the manufacturing sector as a source of innovation and entrepreneurship proves the importance of SMEs in National building and Economic transformation (Economic Strategy for Wealth and Employment Creation 2003 to 2007; Keya Vision 2030).

Empirical studies have discovered several challenges experienced by SMEs in the manufacturing sector which include, high cost of production systems and weak institutional linkages in the production chain (Schluter, 1984), low-quality products due to slow technological advancement which fares poorly compared to imports in the local market, high cost of credit and imported raw materials (Private Sector Development Strategy, 2006), insufficient demand, power shortages, corruption and stiff competition from an influx of counterfeit goods (United Nations Industrial Development Organization, 2001).

These challenges have negatively affected the performance of SMEs in Kenya, with less than 1 percent of SMEs reporting a turnover of over 1 million Kenya Shillings which is below 5 million Kenya shillings, the classification standards benchmark for SMEs in developing countries set by the Organization for Economic Co-operation and Development (Rambo, 2012). Similarly, a study undertaken by Viffaconsult focusing on the performance of SMEs in Kenya between 2017 and 2018 reported that 58 percent of SMEs had a decline in revenue while 75 percent reported staff reduction.

This study perceived the creation of strategic alliance by manufacturing SMEs as a viable strategy that can enable them to boost their internal resources richness through forming strategic alliances (Taleb, Yadollahi & Miriasl, 2017) and overcome most of their resource restriction challenges (Stainer, Lan and Boxall, 2016). According to the Resource-Based View (RBV), the strategic alliance offers an avenue for a firm to gain access to external resources held by other firms to constitute new resource bundles, build new capabilities and competencies that bring about superior performance (Park, Mezas & Song, 2004). The same authors articulate that besides internally available resources, firms can also access resources held by other firms to complement already existing resources and improve their performance.

Empirical studies on strategic alliance have centred around four streams of study which include the motivating factors for strategic alliance formation, strategic alliance partner selection,

strategic alliance form or governance structure and strategic alliance success or failure (Dickson & Weaver, 2011). This study follows the same tread due to the applicability of the concept in strategic management and focused on the motivating factors for strategic alliance formation among SMEs in the manufacturing sector in Kenya.

The motives for alliance building are not universal and diverse reasons, factors and conditions are considered by top management teams (Lin & Darnall, 2015). Scholars in the study of strategic alliances have developed different categorizations to explain the motivating factor that pushes or pull firms to join a strategic alliance. Oliver (1990) classified strategic alliance formation motives based on exogenous and endogenous motives. In this case, exogenous motives were identified as external factors that motivate firms to form alliances while in contrast, endogenous motives constitute internal factors (Mattos, Burgess & Shaw, 2013; Ireland, Hoskisson, & Hitt, 2006).

Another categorization was advanced by Gils and Zwart (2009) using three types of motives namely, firm-based motives, environmental-based motives, and partner-related motives. Firm-based motives relate to the internal needs of the organizations, Environmental-based motives are geared towards minimizing the impact of industry dynamics including product similarity, geographical location (Ghosh, Ranganathan & Rosenkopf, 2016) competition and regulation on the firm (Das & Teng, 2000). The Partner-related motives reflect strong social positions held by firms in an industry (Norheim-Hansen, 2015).

For purposes of this research study, the categorization advanced by Gils and Zwart (ibid) was adopted as this classification offers a wide breadth of factors on strategic alliance formation motives. This study singles out firm-based motives and investigates the effect of firm-based motives on alliance formation among SMEs in the manufacturing sector in Kenya. Empirical studies on SMEs in the manufacturing sector have commonly identified that SMEs in this sector are motivated by organizational factors of production improvement, access to research information, and market access (Gils & Zwart, 2009). Consequently, the current study adopted the factors of new technology, improved production, product awareness and access to research information in measuring firm-based motives due to their applicability in the manufacturing sector.

The need for technological resources is deemed necessary in the manufacturing sector in Kenya as this is perceived as a solution to the typical challenges of over-reliance on high-cost technologies, and the low adoption of information communication technology (ICT) (Kenya National Bureau of Statistics, 2016), which in turn reduces their competitiveness. As evidenced by Jeje (2018), the need for technological resources is a core motivator for firms to form strategic alliances. Likewise, Sompong, Smith and Igel (2012) affirm that strategic alliances

have been formed based on the need to acquire new technologies to support business strategies that are geared towards improving industry strategic positions.

In the manufacturing sector, the acquisition of technological resources has an impact on the manufacturing process and the quality of products. As such, possession of technological resources is considered necessary for the success of firms in this sector which according to the RBV theory can be acquired or accessed through forming a strategic alliance with other firms (Lin & Darnall, 2015). Therefore, this study proposes that technological motives which are a basis for accumulating technological resources motivate manufacturing SMEs in Kenya to form strategic alliances.

This study defines production as any process that involves value addition. The investment cost in production facilities and systems in the manufacturing sector requires heavy investment and expenditure in resources that most SMEs lack (Meler, Horvat & Misetic, 2003). In the Kenyan context, manufacturing SMEs are faced with the challenge of accessing raw materials consistently and the inability to produce products that meet the quality requirements of customers (Kenya Climate Innovation Centre, 2020). Moreover, the need to meet the demands of industry competition, short product lifecycles and changing customer preferences has pushed top managers in manufacturing SMEs to continuously seek a reliable source of resources through strategic alliances to enable their firm to remain competitive and guarantee improved performance (Emden, Calantone & Droge, 2006).

The strategic alliance literature postulates that firms that lack the capabilities to produce quality products can complement their resource bundles through forming alliances with other firms (Harrison, Hoskisson, Hitt & Ireland, 2000). Pullen, Weerd-Nederhof, Groen and Fisscher (2012) established that strategic alliances are beneficial in assisting SMEs to develop quality products through innovations that can improve their performance and competitive advantage. This study therefore observes that manufacturing SMEs in Kenya will be motivated to form strategic alliances to improve their production processes and systems.

One of the firm-specific motives for alliance formation is the need to acquire resources that can complement product marketing through robust logistical and distribution systems that support product availability and awareness of existing and new products (Reijonen & Komppula, 2010). It is anticipated that the acquisition of such market-orientated resources creates unique and firm-specific capabilities that create value, are difficult to imitate, thus conferring the organization competitive advantage (Srivastava, Fahey & Christensen, 2001).

The same authors have also argued that the acquisition of market-related resources is linked to top managers ability to scan their business environments and identify the emerging changes that necessitate the improvement of current firm resources. Hence the strategic choice

of top managers to form strategic alliances is equated to the need to amass marketing resources in the form of tangible and intangible resources that enable their firms to match prevailing marketplace conditions.

The accumulation of market-related resources through alliances allows manufacturing SMEs to establish reliable and functional distribution systems, reduce the lead time in delivery of goods to the market and create product awareness (Lin, Yang & Arya, 2009). As perceived by the RBV, the accumulation of specific and distinct resources which are also difficult to imitate can result in competitive advantage (Barney, 1991). Lin *et al.* (2009) affirm that firms can achieve greater resource complementarity through strategic alliances and as such, benefit from product delivery and product awareness at the market level. Likewise, Tiwari, Sen & Shaik (2016) ascertained that small firms can improve their branding as well as entry into new markets by forming strategic alliances which grants them the necessary resources and know-how. The authors are therefore of the opinion that manufacturing SMEs will be motivated to form strategic alliances to improve their product awareness.

Globally, SMEs are faced with the challenge of information access especially research information regarding the industry as a result of poor collaboration (Schluter, 1984). Likewise, SMEs in Kenya do not have access to recent information either about technological changes, regional and international market opportunities and this has negatively affected their performance (Kenya Industrial Innovation Centre, 2020).

The formation of strategic alliances by SMEs demonstrates that top management teams in manufacturing SMEs perceive alliances as a viable strategy that can facilitate the access of information due to their firm's inability to gather or access such information. According to Sampson (2007) and Isoraite (2009), strategic alliances can offer access to knowledge capabilities as well as the knowledge base held by other firms which can promote innovations, adherence to regulation, adoption of new technology, and aid product development. Yli-Renko, Autio, Sapienza, (2001) believes that the routine access of knowledge resources is critical for the survival and growth of SMEs and that such resources have been a source of competitive advantage.

The RBV recognizes knowledge resources as a source of competitive advantage where a firm can combine existing and new knowledge to derive benefits that are specific and difficult to imitate by competitors (Barney 1999). Lin and Darnall (2015) offer propositions that firms in strategic alliances can gain access to knowledge and information that can result in the creation of new competencies and know-how that are firm-specific and difficult to copy by competitors thus enhancing competitive advantage. This study argues that manufacturing SMEs in Kenya will be motivated to form strategic alliances with other firms by the need to acquire new information about the industry.

The authors observe that the process of resource exchange within a strategic alliance is explained by the Resource Dependence Theory (RDT) and not the RBV. According to the RDT, the creation of dependencies in the form of ties within a strategic alliance facilitates the process of resource sharing among partners (Parmigian & Rivera-Santo, 2011). This study perceives argues that such dependencies are a factor of the motives held by the alliance partners and which also facilitate the creation of a conducive environment for mutual resource exchange.

In addition, the study perceives the formation of strategic alliances to be a strategic choice made by top management in manufacturing SMEs based on their assessment of the external business environment. As such, the strategic choice theory is adopted to demonstrate that top managers play a critical role in influencing the strategy and structure of their firms. The study, therefore, argues that it is the responsibility of top managers to identify alliance formation motives based on the internal shortcomings in the forms of resources and capabilities and engages the right partners to gain access to complementary resources (Rohof, 2010).

The dynamic capabilities theory is utilized by this study to demonstrate that resource acquisition enables manufacturing SMEs to build their capabilities to improve their internal systems and processes which enable them to improve their performance and competitive advantage (Culpan, 2008). Srivastava, Fahey and Christensen (2001) articulate that such capabilities comprise the mechanism for a firm to improve processes, systems and structures based on their available resources to support firm strategic objectives. This study, therefore, argues that manufacturing SMEs can develop their dynamic capabilities as a result of the resources they acquire from their strategic partners, and such resources can affect firm performance by improving routine activities, procedures and systems (Wilden, Gudergan, Nielsen & Lings, 2013).

Conceptual Framework

The conceptual framework highlights the inter-relationships that exist in the survey variables based on the reviewed literature as depicted by figure 1. The conceptual model is anchored on RBV theory, the RDT theory, the strategic choice theory and the dynamic capabilities theory which demonstrate the origin of alliance formation motives, the contribution of such motives to resource access and relationship building as well as the effect of the motives on firm performance. At the SME level, it is anticipated that alliance formation will be based on the motives of new technology, improved production, improved product awareness and the need for new research information about the industry. As such, the conceptual framework is used to illustrate the hypothesized relationship between firm-based motives and firm performance.

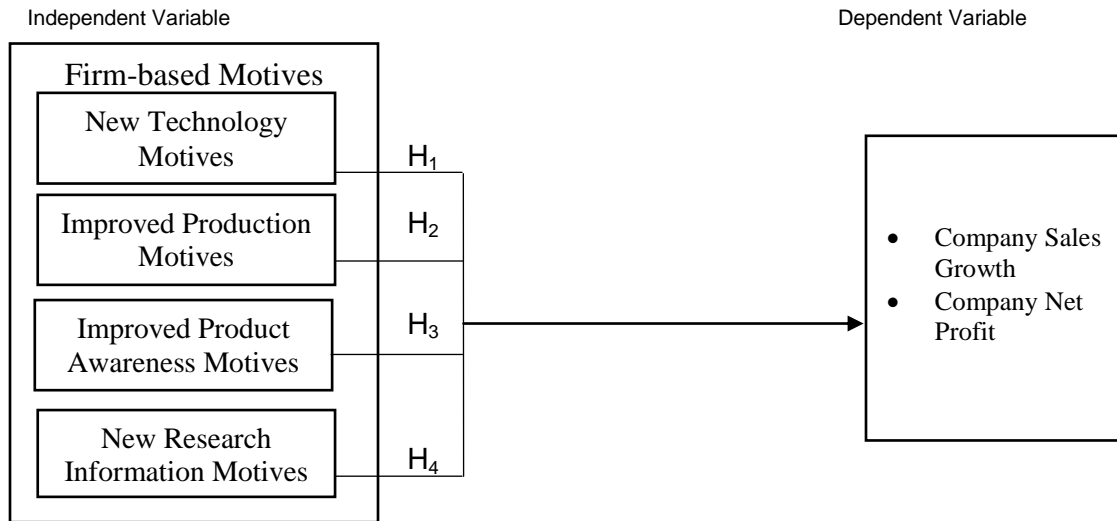


Figure 1: Conceptual Framework

The study proposes the four hypotheses in the study of firm-based motives among manufacturing SMEs in Kenya.

H₁: There is a positive relationship between new technology motives and SME performance in the manufacturing sector in Kenya.

H₂: There is a positive relationship between improved production motives on SME performance in the manufacturing sector in Kenya.

H₃: There is a positive relationship between improved product awareness motives on SME performance in Kenya.

H₄: There is a positive relationship between new research information about the industry motives on SME performance in Kenya

RESEARCH METHODOLOGY

Research Design

The study was anchored on the positivism philosophy to scientifically establish the existing causal link and relationship between firm-based motives and firm performance (Collins, 2010). This study utilized explanatory and descriptive research designs, where the descriptive research design was used to offer a description of the characteristics of the study objects and makes it possible to predict, expound on facts and features of individuals, groups or situations (Kothari, 2004). On the other hand, the explanatory research design was used to establish relationships between the various study variables (Salkind, 2010).

Survey Population

The target population for the study consisted of 74 SMEs that had formed strategic alliances with other firms. A confirmation exercise was carried out through telephone interviews to affirm the SMEs in the manufacturing sector who had formed strategic alliances. This confirmation exercise was informed by the Kenya Association of Manufacturers (KAM) directory for the year 2017/2018 which was used to identify SMEs operating in the manufacturing sector. These selected SMEs were distributed in all the 13 sub-sectors in the manufacturing sector involved in processing and value addition activities. The distribution of the firms per sector is shown in table 1.

The study's target population was considered relatively small resulting in a census. The CEO or any other senior manager formed the respondents for this study and the study targeted one respondent per SME thus bringing the total number of respondents for the study to 74. The study considered the CEOs as the relevant respondents due to the knowledge and experience they possess in forming and managing strategic alliances. Similar empirical studies targeting SMEs have reported that the CEO is an extension of the firm thus making the CEO the most relevant respondent (Dickson & Weaver, 2011; Gaur *et al.*, 2011; Flatten, Greve & Brettel, 2011). In the absence of the CEO, the study used any senior manager who works closely with the CEO in the sampled firms.

Data Collection

The primary data was obtained using questionnaires which according to Sunder *et al.* (2009), are ideal for descriptive and explanatory research. This questionnaire was self-administered by the study respondents. The questionnaire was designed to include a 5-point Likert scale and the structure of the questionnaire was divided into sections to collect general information of the respondents and specific information on firm-based motives and firm performance.

The study validated the research instruments using face validity, content validity and construct validity. Face validity was estimated through a pilot study while content and construct validity were ensured through an extensive literature review. The reliability of the study instrument was checked using Cronbach alpha where all study variables had a score above 0.7. This score was considered reliable based on the recommendation of Cortina (2003) who advocates for a threshold of not less than 0.7 as an indicator of reliability.

This study operationalized the dependent variable using commonly used financial performance indicators of company net profit and overall sales. To this end, the authors measured organization performance by comparing the performance prior to and after the SMEs

formed a strategic alliance. The SME's CEO or any other senior manager was requested to report the relative change in company net profit and overall sales growth.

The independent variable firm-based motives were operationalized as the need to gain both tangible and intangible resources. These resources were classified as new technology motives, improved production motives, improved product awareness motives and new research information about the industry motives. The study used a 5 scale Likert scale based on a scale of 1-5 to measure the extent to which firm-based motives motivated manufacturing SMEs to form strategic alliances.

Data Analysis

Data analysis was done using descriptive and inferential statistics. The descriptive statistics were calculated using percentages, frequencies, mean and standard deviation and presented using tables. The inferential statistics were done using simple linear regression analysis where the decision rule was based on a statistical threshold of 95 percent level of confidence. The study performed several diagnostic tests to ensure that the data met the assumptions of linear regression. These included normality test, linearity test, multicollinearity test, homoscedasticity test, and sample adequacy test.

The following statistical model was developed for the study.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \dots \dots \dots (1)$$

Where:

Y = Firm Performance

β_0 = Beta Coefficient for the Constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta Coefficients

X_1 = New Technology motives

X_2 = Improved Production motives

X_3 = Product awareness motives

X_4 = New research information on the industry motives

ε = Error term

RESULTS AND DISCUSSION

The study targeted 74 SMEs in the manufacturing sector with strategic alliances. A response rate of 100% was achieved by the study. This rate of achievement was deemed necessary since the study target population was considered small.

Respondent's Characteristics

The demographic data for the respondents were presented in percentage and frequency and incorporated responses that were considered critical to the study variables. The study collected data on years of service of the respondents to indicate their expertise at the firm and industry level. The analysis indicated that 39% of the respondents had more than 5 years of experience in their current establishment while 34% had between 4-5 years of experience. This demonstrates that the extensive experience possessed by the respondents who participated in this study thus strengthening the relevance of the findings in understanding strategic alliance among SMEs as well as their performance.

The survey also collected data on the sampled companies which included the size of the firm, years of existence, the main collaborators, the purpose of the collaboration and the classification of the collaborators based on the geographical location. The data analysis established that 54 percent of SMEs targeted by this study had between 10-50 employees while 20 percent had between 50-100 employees, signifying that majority of the participating firms were small enterprises. Further analysis regarding the number of years in operation indicated that most of the SMEs (45 percent) had operated for more than 5 years, 19 percent for the last 4-5 years, 10 percent for between 1-3 years. This indicated that the targeted SMEs had operated long enough to master the trends in the manufacturing sector in Kenya.

Table 1: Main Collaborators for Manufacturing SMEs

Main Collaborators	Strategic Alliance Partner(s) Classification		
	Local	Regional	International
Suppliers of raw materials	33	32	9
Distributors of goods	32	27	9
Utility companies	2	14	0
Government departments	10	3	0
Consultancy firms	1	1	0
Logistics/Transport companies	24	21	9
Universities/Collages	1	0	0
Media Companies	4	2	0

As presented in table 1, the analyzed data shows that the main collaborators for the SMEs include suppliers of raw materials, distributors of goods, logistics/transport companies. This indicates sourcing for raw material is a critical stage in most value chains among SMEs as well as possessing the capability to deliver goods to the target market. These strategic alliances had been formed for purposes of providing raw materials, the distribution of finished products to the market, acquisition of more capital, and accessing marketing services. According to the respondents, SMEs had entered strategic alliances with local, regional and international

companies with local and regional partners taking precedence when compared to international partners as shown in table 2. This distribution evidenced the diversity of strategic alliance partners among the SMEs in the manufacturing sector in Kenya.

Table 2: Cross Tabulation Firm Size & Partner Classification

	10-50 Employees	50-100 Employees	Total
Local strategic alliance partner(s)	23	10	33
Regional strategic alliance partner(s)	22	10	32
International strategic alliance partner(s)	9	0	9
Total	54	20	74

Descriptive Analysis of Study Variables

The independent variable of the study firm-based motives was associated with the sourcing of tangible and non-tangible resources through strategic alliances. The research instrument was designed to establish the extent to which resource accumulation push firms to form a strategic alliance with other firms in the manufacturing sector. This analysis as shown in table 3 indicates that the mean score for the variables ranged between 3.26 to 4.34 signifying a moderate to a high score on the measurement scale that new technological motives, improve production motives, improve product awareness motives and improve access to new research information about the industry motives are highly considered and motivate the manufacturing SMEs to form strategic alliances. The standard deviation ranged between 0.71 to 1.18 indicating congruence in responses received and that the respondents agree on the factors outlined as motives for strategic alliances formation.

Table 3: Descriptive statistics for Firm-Based Motives and Organizational Performance

Firm Based Motives	(α)	Mean	Std. Deviation
Access new technology motives	0.754	3.26	0.95
Improve on production motives	0.793	4.34	0.71
Improve on product awareness	0.857	4.26	0.86
Improve access to new research information about the industry motives	0.896	3.65	1.18
Aggregate Score		3.88	0.71
Organizational Performance			
Company net profit	0.899	3.76	0.824
Company overall sales	0.919	3.59	0.775
Aggregate Score		3.625	0.59

As outlined in table 3, the respondents indicated that firm-based motives contribute to a moderate extent to SME performance(s) with an aggregate mean score of 3.625 and a standard

deviation of 0.59. The aggregate mean score implies that firm-based motives contributed between 10 percent and 20 percent of overall sales and net profit among the sampled manufacturing SMEs in Kenya. This analysis demonstrates that firm-based motives that drive manufacturing SMEs to form strategic alliances contribute to their performance.

Hypotheses Testing

The study adopted multiple regression to test the survey hypotheses whose results were interpreted based on the adjusted R squared values and the P values at $P < 0.05$ significance level. A composite index was computed for the sub-variable scores for the independent variable and the dependent variable to facilitate the regression analysis. This regression analysis was performed using SPSS.

Table 4: Statistics for Firm-Based Motives and Firm Performance

Goodness of fit	Test Statistics	P-value	
Adjusted R-Squared	0.512		
R-Squared	0.539		
F-Statistic (3,70)	20.157	0.000**	
Dependent Variable= Organization Performance		Linear Regression Results	
	Coefficients	t-statistic	P-value
Constant	0.844	1.019	0.312
New Technology Motives (NTM)	0.766	4.827	0.000**
Improve on Production Motives (IPM)	0.672	2.827	0.005**
Improve on Product Awareness Motives (IPAM)	0.177	0.815	0.418
Improve Access on New Research Information about the Industry Motives (NRIM)	0.94	0.664	0.509
a. Dependent Variable: Firm Performance (FP)			
**Significant at 5 percent			

The linear regression analysis on firm-based motives and firm performance is outlined in table 4 and shows the value of adjusted R-squared as 0.539 implying that the independent variable had a predictive power of 53.9 percent. As such, 53.9 percent of the variation in firm performance is explained by firm-based motives while other variables explain the remaining 46.1 percent of the variation in firm performance. The ANOVA results show that the F statistics (4,69) was 20.157 with a P-value of 0.000 which is comparatively less than the $P < 0.05$ the selected threshold for hypotheses testing. These statistics meant that the model significantly predicts the relationship between firm-based motives and the performance of manufacturing SMEs in Kenya.

The components of the regression model show that the beta coefficients symbolize the real effect of new technology motives, improvement on production motives, an improvement on product awareness motives and access to new research information about the industry motives,

on the performance of manufacturing SMEs in Kenya. The linear regression model derived from table 5 can be summarized as follows.

$$FP = 0.844 + 0.766 \text{ NTM} + 0.672 \text{ IPM} + 0.177 \text{ IPAM} + 0.094 \text{ NRIM} + \epsilon \dots \dots \dots (2)$$

The regression model implies that if all factors are held constant, the performance of manufacturing SMEs would be 0.844. Moreover, the model indicates that when all other factors are constant, new technology will increase performance by 0.766, improved production will increase performance by 0.672, product awareness will increase performance by 0.177 while new research information will increase performance by 0.094.

Further, the regression analysis denotes that new technology motives and improved production motives had a P-value of less than 0.05, implying a positive and significant effect on the performance of manufacturing SMEs in Kenya. The P-value for product awareness motives and new research information about the industry Motives were 0.418 and 0.509 respectively, revealing that both variables had a positive effect on performance, however, this effect was not significant in affecting SME performance. Based on the survey findings, H_1 and H_2 were supported while the H_3 and H_4 were not supported.

Discussion

The survey findings have conceptual, theoretical, empirical, and contextual implications which the authors discuss based on hypothesized conceptual relationships. The first objective of the study was aimed at establishing the effect of new technology motives on the performance of SMEs in the manufacturing sector in Nairobi City County. The findings showed that new technology motives are to a moderate extent embraced and practiced by manufacturing SMEs in Kenya with a mean score of 3.26 and a standard deviation of 0.95 indicating a low variation in the responses offered that new technology motives contribute to forming strategic alliances. In addition, the survey findings also indicated that new technology motives contribute 76.6 percent variation of SME performance, and this effect is statistically significant.

In discussing the implication of these findings, the authors observed that top management teams in the manufacturing SMEs accord high relevance to the accumulation of technology resources which are deemed critical in achieving the SME strategic options and increasing their competitiveness. As such, manufacturing SMEs in Kenya are highly motivated to form strategic alliances for purposes of accumulating technological resources. The authors pointed that the quest for a strategic alliance is a strategic choice that enhances the pursuit of the desired strategic direction by top management teams in the manufacturing SMEs.

These findings are in line with other previous studies that have identified technological resources as critical in influencing firm performance (Sompong *et al.*, 2012; Pullen *et al.*, 2012;

Jeje 2018). The study findings support the propositions of the RBV in that possession through strategic alliances manufacturing SMEs can gain access to complementary resources that can improve already existing resources, therefore creating new competencies and capabilities that improve performance (Lin & Darnall, 2015).

The process of resource exchange within a strategic alliance is explained by the Resource Dependence Theory (RDT) and not the RBV. To this end, the study supports the arguments of the RDT theory in that the creation of dependencies in the form of ties within a strategic alliance facilitates the process of resource sharing among partners (Parmigian & Rivera-Santo, 2011). This study perceives that such dependencies are a factor of the motives held by the alliance partners and that such motives will also facilitate the creation of a conducive environment for mutual resource exchange. However, the contribution of the acquired resources to performance and competitiveness is explained using the dynamic capabilities theory.

The perspectives of the dynamic capabilities theory are upheld by the survey findings in that technological resource acquired by manufacturing SMEs has enabled them to build their capabilities to improve their internal systems and processes thus improving their performance and competitive advantage (Culpan, 2008). The findings also demonstrate that such capabilities comprise the mechanism for improving processes, systems and structures to support the SMEs strategic objectives (Srivastava *et al.*, 2001).

The second objective of the study was aimed at ascertaining the effect of improving production motives on SME performance. The findings showed that manufacturing SMEs in Kenya to a high extent have adopted and practice motives for improving production as indicated by the mean score of 4.34. The effect of improving production motives on performance variation was recorded at 67.2 percent and this effect was statistically significant in affecting the performance of manufacturing SMEs in Kenya.

The implication of this finding is observed by the authors to mean that top management teams in manufacturing SMEs in Kenya highly consider production resources due to the nature of their sector. The authors recognize that the strategic choice by the top management to align their firms with suppliers of raw materials, distributors of goods, utility firms, government departments as well as logistical/transport companies, utility firms is a clear indication of the intentions of these SMEs to acquire production resources and improve their manufacturing processes and systems. It is therefore expected that manufacturing SMEs will be in a position to improve their production facilities and systems and overcome the resource restriction associated with such investments by exploiting the benefits associated with joining strategic alliances (Meler *et al.*, 2003).

The link of this finding to performance improvement is accredited to the capability of the manufacturing SMEs to establish a reliable source of quality raw materials that meets product quality requirements which ultimately contribute to amassing critical resources that are considered scarce and vital for the survival of these firms (Stainer *et al.*, 2016; Jeje, 2018).

This study finding is in line with other findings from prior studies that the need to accumulate production resources motivate firms to form strategic alliances and that such resources have a positive and significant effect on firm performance ((Emden *et al.*, 2006; Pullen *et al.*, 2012; Jeje, 2018). This finding also supports the propositions of the RBV theory that organizational resources are a source of performance improvement and competitive advantage (Nothnagel, 2008). This is supported by the effect of production resources accumulated through strategic alliances formed to fulfil such motives of improving production. The effect of such resources on performance has been indicated as significant. This study also links the acquisition of complementary resources to the creation of new competencies and know-how that are firm-specific and difficult to imitate by competitors as a source of enhanced competitive advantage and performance improvement.

The study also provides support to the RDT theory that firm performance can be improved by taking advantage of resources held by other firms by creating dependencies with such firms (Pfeffer & Salancik, 1978). The study perceives the dependencies created among strategic alliance partners as enabling manufacturing SMEs to reliably have a constant supply of production resources. Therefore, this study observes that motives held by SMEs are critical in the creation of dependencies with alliance partners and as such, mutual dependencies are natured leading to stronger ties that are perceived as door openers to resource sharing within an alliance configuration. To explain the performance perspective as a result of resource acquisition, the study relied on the dynamic capabilities theory.

This finding of this study also affirms the arguments of the dynamic capabilities theory that top management teams in SMEs in the manufacturing sector have defined their strategic alliance motives based on their sensing of business opportunities and threats from their business environment. The study observes that strategic alliance motives have provided critical resources to manufacturing SMEs thus resulting in new competencies and capabilities to carry out operational activities effectively and efficiently. Consequently, these findings validate the arguments of the dynamic capabilities theory and account for the positive effect of improve production motives on organizational performance.

The third objective for the study was aimed at determining the effect of improving product awareness motives on SME performance in the manufacturing sector in Nairobi City County. The survey results showed that manufacturing SMEs in Kenya to a high extent have

embraced motives geared towards improving product awareness. This is evidenced by the performance variation of 17.7 percent contributed by these motives towards SME performance.

The authors observe that the positive association between improving product awareness motives and firm performance is a sign that manufacturing SMEs value the need to amass marketing resources that enable them to establish reliable and functional distribution systems, reduce the lead time in delivery of goods to the marketplace and create product awareness (Lin *et al.*, 2009). However, this positive association was statistically not significant. The authors are of the opinion that the presence of an industry association could be making a contribution towards supplying product awareness resources to manufacturing SMEs with other alliances playing a reduced role. It is noteworthy that all the manufacturing SMEs that participated in this survey were members of the Kenya Association of Manufacturers (KAM), the industry professional body.

The Kenya Association of Manufacturers' mandate includes supporting SMEs to gain access to markets through a newly established marketing hub, while at the same time, the association has also been involved in initiating activities to boost the marketing and market access of manufacturing SMEs. The association also disseminates market information through seminars and conferences, organizes trade expos and trade missions, and facilitates export market partnerships.

Consequently, the authors interpreted this survey findings to mean that top managers in the manufacturing SMEs have made the strategic choice to join the industry professional association which they consider to be a reliable avenue for sourcing product awareness resources. The authors believe that the intention to join a strategic alliance with other firms like media companies is to offer supplementary product awareness whose effect on performance is not significant.

The study finding contradicted the findings of other studies that product awareness resources contribute to performance improvement of firms (Srivastava, Fahey & Christensen, 2001; Reijonen & Komppula, 2010; Tiwari, Sen & Shaik, 2016). This contradiction can be associated with the Kenyan context.

The fourth objective for the study aimed at assessing the effect of new research information on the industry motives on SME performance in the manufacturing sector in Nairobi City County. The findings show that the motives on new research information about the industry are highly adopted by manufacturing SMEs with a mean score of 3.65 and a standard deviation of 1.18 indicating similarity in responses received that the desire for new information resources about the industry consists of the motives that push and pull manufacturing SMEs to form

strategic alliances. The effect of new research information about the industry on performance variation was recorded at 9.4 percent with such effect not statistically significant.

The authors observed that the top management in manufacturing SMEs consider new research information resources as critical and vital for the success of their firms and as such, this motivates them to join strategic alliances. The failure of such motives to affect performance can be linked to the role played by the already existing industry association that also plays a similar role in providing new industry information to its members. The authors observe that the choice to join and invest in the industry association is a strategic move that the manufacturing SMEs consider as more reliable in providing industry information with other strategic alliances providing a support role.

This finding contradicted the findings of other studies that found a positive and significant contribution of new research information to performance (Sampson, 2007; Isoraite, 2009; Yli-Renko, Autio, Sapienza, 2001). This contradiction in findings can be linked to the Kenyan context.

The various explanations offered by this study leads to several implications. One, the study provides a wider understanding of the role played by firm-based resources in the formation of strategic alliances and how such resources contribute to organizational performance. Two, these findings provide information that advances existing knowledge on how the desire to secure technological resources motivates SMEs in the manufacturing sector to form strategic alliances and how such motives contribute to organizational performance.

Three, the finding provides information that advances existing knowledge on how the desire to secure production resources motivates SMEs in the manufacturing sector to form strategic alliances and how such motives contribute to organizational performance.

Four, some of the findings are consistent with the results of empirical studies undertaken in other sectors in developed countries. Therefore, this study contributes towards the generalization of such findings on the study of strategic alliances and organizational performance.

CONCLUSION

This study was designed to assess the effect of firm-based motives on firm performance and from the research findings and explanations presented, the study draws the following conclusions.

First, the survey findings have demonstrated that firm-based motive's contribution toward organizational performance is positive and significant. Therefore, the study concluded that embracing new technology motives, improving production motives, improving product

awareness motives and new information about the industry motives can enrich the resource base and improve the performance of manufacturing SMEs. Secondly, the study concluded that new technology motives and improving production motives were found to be positive and significant in affecting the performance of manufacturing SMEs in Kenya. As such, the study concluded that manufacturing SMEs in Kenya are motivated to form strategic alliances by new technology motives and improve production motives. The adoption of these technological and production resources provides evidence of the importance of technological and production resources among manufacturing firms and their effect on performance.

Thirdly, the study concludes that even though the motives on product awareness and new information about the industry were reported as important while identifying motives for alliance formation, these motives do not affect alliance formation among manufacturing SMEs in Kenya. This finding was linked to the Kenyan context and the membership to the industry association that offer similar support. Fourthly, the strategic alliance motives embraced by manufacturing SMEs define the resource requirements needed by firms and such motives are a reflection of the extent to which strategic thinking is entrenched among manufacturing SMEs in Kenya.

IMPLICATIONS OF THE STUDY

The positive effect of firm-based motives on firm performance is affirmed by this study and the adoption of strategic alliance as part of a firm's desire to improve their resource configurations linked to performance improvement. As such, firm-based motives can result in appropriate strategic alliances that can enable SMEs to access and accumulate the necessary resources, competencies and capabilities to strategically position firms and improve their performance and competitive position in the manufacturing industry. To this end, there is a need for the CEOs or entrepreneurs to foster a learning culture in their firms to facilitate the continuous building of managerial capability to identify firm-based motives that enable their firms to partner with the relevant partner, accumulate the right mix of resources and continuously create value from such resources.

There is a need for the Kenyan government to offer a conducive business environment to motivate manufacturing SMEs to form strategic alliances with other firms. The institutions and government departments that focus on SMEs support can also design appropriate training programs targeting SMEs in Kenya and improve these firms' capability in strategic alliance formation.

LIMITATIONS AND FUTURE RESEARCH

This study was limited to SMEs in the manufacturing sector in Nairobi City County thus restricting the generalization of the study findings to other firms like large firms, in different sectors and based in other counties in Kenya. Therefore, the study findings are only applicable to SMEs, operating in the manufacturing sector and based in Nairobi City County. It is therefore suggested that a similar survey can be undertaken to ascertain whether other firms in Kenya, for example, large firms and Micro firms are motivated by the same factor to form a strategic alliance and whether these motives contribute to firm performance.

Secondly, the study findings were based on research data collected in 2019 and 2020. As such, this study was a cross-sectional study thus restricting the study findings to this particular point in time. Therefore the application of the study findings should not be related to long term study findings on the effect of strategic alliance on organizational performance. This study recommends that longitudinal research would provide more information on the causal relationship between firm-based motives and firm performance as the current study was cross-sectional and therefore limited in providing this explicit causal link.

Further, there is a need to target different sectors besides the manufacturing industry, such as consultancy firms, insurance firms, higher learning institutions, commercial banks, and other firms to establish whether firm-based motives have the same effect on the performance of such firms.

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