STRATEGIC ALLIANCES AND PERFORMANCE OF FOOD AND BEVERAGE MANUFACTURING COMPANIES IN KENYA

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Abstract - The current hash economic times and scarce resources has forced organizations to foster strategic alliances in order to break even in firm performance. Empirical studies have been conducted to investigate the influence of strategic alliances and firm performance with varied results. The paper tested the hypothesis that strategic alliances is associated with firm performance. The evidence collected from 125 Food and Beverage Manufacturing Companies in Kenya did not support this preposition.This suggests that management in food and beverage manufacturing company's strategy should focus on alternative corporate strategies for improvement in firm performance.

Keywords - Strategic AlliancesandFirm Performance

I. INTRODUCTION

Present economic hard times and scarce resources has led to formation of strategic alliances among companies operating in similar industry. Daft (2000) defines firm performance as the company's capability in realising its goals productivity with a cluster of available resources. If corporate strategy exists and well executed, an organization will have limited or no challenge in managing external variations (Ilori, 2015). Strategy is about taking decisions to safeguard a long-term competitive edge and excellent output through mounting crucial capabilities (Lin, Tsai & Wu, 2014). Firm performance is directly influenced by the company's executed strategies for production of high profits (Bowman & Toms, 2010).Strategic alliances as a firm-level strategy are argued to boost firm's benefits on economies of scale and firm performance.

Glaister, Huusan, and Burckley (2006) argued that organizations have an alternative of selecting strategy encompassing product, process, market or organization (simple strategies). Recent proof indicate that a good proportion of innovative companies chose a mixture of strategies simultaneously (Tavassoli &Karlsson, 2015). Consequently, a strategy is an intimation of how the firm relates with the surrounding and retain the input-output cycle to bring forth a match with its environment. The study investigated strategic alliances as a firm-level strategy construct of the firm to mitigate environmental challenges.

The paper was anchored on Industrial Organization Economics (IOE) theory(Mason, 1939; Bain,1956).The IOE theory informs making long-term economic firm decisions for competitive edge and higher performance. Controlled consumption ensures reduced misuse of assets by the management. In contrast, controlled utilization of capabilities hinders innovativeness in firm operations. The paper adopted SBSC measures of organizational performance which include financial, customer, operational excellence and learning and development (Hubbard, 2009).

Globally, government's sustenance for agriculture, biofuels and food production has vital consequences transversely to the global food value chain. This sector funding can stimulate responsible practices, fiscal progress and enhance public health. Despite ongoing challenges in FBMC, the industry is optimistic of its future (Rigby, 2015). In Kenya, the sector is anticipated to direct the socio-economic advancement of Kenya (KIPPRA, 2013). Kenya's FBMC sector is among key productive ventures of the nation identified under Vision 2030 long-term economic blueprint to spur growth and development because of its immense potential for wealth creation, employment creation and poverty eradication (Kenya-Vision 2030, 2007).Strategies adopted vary from one firm to another leading to changes in performance (Awino, 2011; Parnell et al., 2015; Murgor, 2014). Hence, the research investigated the effect of strategic alliances on organizational performance in the Kenyan context.

II. LITERATURE REVIEW

Strategic alliances for firm performance has been broadly studied in the arena of management with diverse conceptual and contextual frameworks.Taking recognizance of Ansoff and MacDonnell (1990) who argued that strategic choices adopted by companies are determined by the surrounding in which the firm operates rather than industry; scientific inquest in strategic management have focused more on firm's inner resources and capabilities as the prime foundation of competitiveness and good performance (Bowman & Toms, 2010). The theory of IOE predicts effect of

economic changes through laying attention on the working aspects and highlights the working systems. The stakeholders approach (Freeman, 2004) view firms as existing to serve its numerous stakeholders who are equally internal and external to the organization. From this perspective firm performance is observed as the extent to which firm contents its stakeholders.

Research in social science has attempted to comprehend why some companies achieve high standards of performance than others and yet they operate in similar contextual setup (Parnell, Long & Lester, 2015). This variations in organizational performance could be attributed to strategic linkages adopted by firms.

III. STRATEGIC ALLIANCES AND FIRM PERFORMANCE

In current competitive environment, firms cannot rely completely on internal capabilities alone to enhance performance (Giudici & Reinmoeller, 2013). They must partner with other companies to obtain necessary information, skills, expertise, assets, and technologies and thus leverage their internal weakness. Consequently, superior integration through collaboration and alliances between firms improves the innovativeness and could have an affirmative effects on organizational performance (Chrowman, Pries, & Sara, 2017).

Strategic alliance among firms has developed to a common concept in interfirm management relationship management. However, elucidating the precise nature and levels of strategic alliance-performance link in FBMC remains a theoretical and empirical challenge for management scholars. For instance, Robson, Katsikaes and Bello (2008) established that interfirm trust becomes stronger when alliances size declines. Lin, Yang and Demirkan (2007) argued that strategic coalition establishments that focuses on firm features, its industry limitations or the dynamic networks in which the firms is entrenched enhances organizational performance.

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H_{01}. There is a significant relationship between strategic Alliances and Firm Performance.

IV. METHODOLOGY

In order to test our hypothesis, we have conducted an empirical study and we have covered 125 large-scale food and beverage manufacturing companies in Kenya as on 31st December 2016 (KAM, 2016). The study adopted cross sectional census surveywith the use of a standardized questionnaire developed to provokedefinitefacts from respondents who were MD/CEO's of the targeted firms.Data was analysed using frequency tests, descriptive statistics (Mean and standard deviations), mean comparison t tests and regression analysis. The concept of strategic alliances was conceptualized as an independent variable with the empirical role of influencing firm performance.

V. FINDINGS

Strategic alliances are contractual partnerships between firms that contribute to skills and expertise. Firms combine capabilities to counter the threats of a much superior or new type of competition. Strategic partnership is a win-win arrangement between companies in a monopolistic market competition. Firms usually agree to share information about markets, new products and access to specific resources to other (Glaister, et al., 2006). The study pursued to determine the impact of strategic alliance on organizational performance.

Table 1: Coefficient Results of Financial Performance

	Unstandardized	**Coefficients** Beta (β_0)	**Standardized**			
Model	**BStd Error**		**T**	**Sig.**	**Tolerance**	**V.I.F.**
1 (Constant)	.02.02		.15	.25		
Strategic Alliances	-.01.01	-.06	-.82	.41	.37	2.69

a) Dependent variable: Financial Performance.

The results for strategic alliances were not statistically significant to financial performance ($p \geq 0.05$). The statistical testof the beta coefficient ($t = 4.76$; Std. Beta=0.0) for the concept of firm-level strategy, the beta coefficient was equal to -0.6 and hence the hypothesis that there is a significant relationship between strategic alliances and performance of FBMC in Kenya was not supported.

Table 2: Regression Coefficient of Firm-Level Strategy on Return on Investment

	Unstandardized	Coefficients Beta (β_0)	Standardized	
Model	**BStd Error**		**T**	**Sig.**
1 (Constant)	.01.03	.04	.134	1.56
Strategic Alliances	-.03.04	-.05	-.79	1.15

Dependent variable: Return on Investment.

Table 2 indicate that the coefficient of strategic alliance on ROI were negatively correlated and hence not statistically significant ($P \geq 0.05$). Hence, the regression model could not be offered from the variables. The lack of significance shows that the choice of strategic alliances does not influence immediate returns on investment. Initially, the cost of executing a strategy outweighs returns. The significance values of (P=1.15) for the variable was more than 0.05 which explains that all the independent variables were not significant in explaining return on investment.

Table 3: Regression Coefficient of Firm-Level Strategy on Return on Assets

	Unstandardized	Coefficients Beta (β_0)	Standardized	
Model	**BStd Error**		**t**	**Sig.**
1 (Constant)	.04.04	.035	.35	1.46
Strategic Alliances	-.04.04	-.05	-.58	1.24

a. Dependent variable: Return on Asset.

Table 3 shows that the coefficient of strategic alliances on ROA is not statistically significant ($P \geq 0.05$). The significance values of (1.24) for the construct was more than 0.05 which implies that the variable was not significant in explaining return on assets. This indicates that the choice of strategic alliances as a firm-level strategy is informed by the anticipated future returns on assets. The benefits of entering into strategic alliances are only realized in the long-run.

Table 4: Regression Coefficient of Firm-Level Strategy on Internal Business Process

	Unstandardized		Coefficients Beta (β_0)	Standardized	
Model	**BStd Error**			**t**	**Sig.**
1 (Constant)	.03	.02	.06	.12	1.39
Strategic Alliance	-.03	.04	-.04	-.71	1.84

a) Dependent variable: Internal Business Process.

The results of the effect of strategic alliances on return on assets are offered in Table 3. The results indicate that the beta coefficient (β=m- 0.04, $P \geq 0.05$) shows that strategic alliances is not significant to internal business processes. This implies that the selection of firm-level strategy is based the extent of development of its internal business processes. The t-values were significantly lower an attestation of absence of multicollinearity.

Table 4: Regression Coefficient of Firm-Level Strategies on Customer Focus

	Unstandardized		Coefficients Beta (β_0)	Standardized	
Model	**BStd Error**			**t**	**Sig.**
1 (Constant)	.02	.04	.08	0.23	1.56
Strategic Alliance	-.05	.045	-.06	).65	1.56

a) Dependent variable: Customer Focus.

The results show that strategic alliances are not statistically significant to customer focus ($P \geq 0.05$). This means that the choice of strategic partnerships is not pegged on the level of customer satisfaction. The significance levels for strategic alliances is (P= 1.56). The t-values were significantly higher, a suggestion of presence of multicollinearity.

Table 5: Regression Coefficient of Firm-Level Strategy on Learning and Development

	Unstandardized		coefficients Beta (β_0)	Standardized	
Model	**B**	**Std Error**		**T**	**Sig.**
1 (Constant)	.23	.20	.05	.20	1.21
Strategic Alliance	.24	.05	.04	-.46	1.98

The results were not statistically significant ($p \geq 0.05$). The p-values for the variables fluctuated from (P-values = 1.98). This shows lack of connection amongst firm-level strategies and learning and development of a firm. This implies that firms can select a firm-level strategy whether there is capacity initiatives or not. The t-values were significantly lower a demonstration for absence of multicollinearity.

CONCLUSION AND RECOMMENDATIONS

The main objective of the paper was to establish the influence of strategic alliances on performance of food and beverage manufacturing companies in Kenya. The results shows a low positive numeric values for strategic alliances are associated with firm performance. Therefore, the hypothesis that there was a significant linkage between strategic alliances and performance of FBMC in Kenya was not supported.The study fails to validate IOE theory whose key paradigm is Structure-Conduct-Performance by establishing lack of significant relationships between strategic alliances and firm performance. IOE theory which posits that the strategies of a company are essential determinants of general performance.

In a major departure from majority of previous studies, it was established that strategic alliance characteristics was not statistically significant in explaining variations in performance (p-value>0.05). The findings are not surprising taking into consideration the non-significant results of strategic alliances found by Muthoka and Oduor (2014). In contrast, the results run contrary to Chrowman, Pries, and Sara (2017) who maintains that superior integration and alliances between firms can have a positive effects on innovation and collaborations with other firms improves the innovativeness of firms. In addition, the study contradicts Robson et al. (2008) who established that firm performance is driven and influenced by confidence in strategic alliances through distributive fairness and partner similarities. Nonetheless, this preposition may be true based on the context of the study.

On a theoretical perception, the inquired evidence on the corporate strategy as well as theories of the firmhave focused on the overall firm-level strategy and organizational performance while neglecting the influence of the sub-variable of strategic alliances.On policy making perspective, the present paper represents a helpful tool when making between providing government support to corporations vs privatization, to which the magnitude of firm development vs partnership of prevailing firms and how such financing should be molded to yield maximum earnings to the nation.

The paper did not utilize secondary data based on its paradigm. Cross sectional research design lacks the rigor to test causality among concepts. Firm performance requires a longitudinal design in order to test causality for a five to ten year term. Although linear regression analysis is a powerful tool for testing relational hypotheses, the regression analysis used in testing combined effect is sensitive to the order in which the variables were entered in the regression model.A purely qualitative approach would also provide a rich insight on influence of strategic alliances and performance of food and beverage manufacturing companies in Kenya.

Future studies should also consider the entire FBMC sector in Kenya in order to capture data for small and medium size firms on a regional basis. Additionally, Researchers should consider introducing other corporate strategy variables such as the strategic planning, diversification, internal restructuring, market development and product development and establish their influence on firm performance. Researchers could equally consider using other statistical tools to analyse data such as Tobin Q or logistic regression analysis or multivariate analysis.

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