**Strategic Alliances and Performance of Commercial State-Owned Enterprises in Nairobi City County, Kenya**

# ABSTRACT

Most commercial State-Owned Enterprises (SOEs) in Nairobi, Kenya, have been underperforming, often relying on financial bailouts. This study investigated the impact of strategic alliances on their performance, focusing on resource sharing, risk sharing, regulatory compliance, and cost-efficiency-based alliances. Grounded in resource reliance, resource-based view, and public interest theories, the study employed a descriptive survey design, targeting all 46 commercial SOEs in Nairobi. Using purposive sampling, one senior manager from each SOE participated, and structured questionnaires were used for data collection. Data analysis involved descriptive statistics (mean, standard deviation, and coefficient of variation) and inferential statistics (Pearson correlation and multivariate regression). Results indicated that strategic alliances significantly influenced SOE performance, explaining 88.7% of performance variation. Resource-sharing alliances had a positive and significant impact (β1= .321, p=.001), while risk-sharing alliances also strongly predicted performance (β2= .369, p=.005). Regulatory compliance-based alliances had the highest effect (β3=1.171, p=.000), and cost-efficiency-based alliances significantly enhanced performance (β4= .454, p=.000). The F-calculated value (63.043) exceeded the critical value (2.69), confirming the strong relationship between strategic alliances and SOE performance. The study concluded that forming strategic alliances is crucial for improving the financial and operational sustainability of commercial SOEs in Kenya.

**Key words:** *Strategic alliances, State-Owned Enterprises, resource sharing, risk sharing, regulatory compliance, cost efficiency, financial performance*.

**1.0 INTRODUCTION**

The global business environment is evolving rapidly, with businesses facing stiff competition and various environmental forces impacting their performance across different regions (Qi & Kotz, 2020). While all businesses, regardless of size, ownership, or location, are affected by these environmental factors, commercial State-Owned Enterprises (SOEs) are particularly vulnerable (Aharoni, 2024). Due to their government ownership, commercial SOEs struggle to compete effectively with fully private firms, often characterized by rigid structures that hinder their performance. As a result, governments worldwide are increasingly concerned about the efficiency and sustainability of SOEs (Bernier & Florio, 2020).

Globally, SOEs face scrutiny regarding their efficiency and productivity due to bureaucratic inefficiencies, lack of competition, and political interference (Phi et al., 2021). Many SOEs lag behind private enterprises in terms of efficiency and innovation due to outdated technology, rigid organizational structures, and limited incentives for performance improvement. Consequently, SOE performance varies significantly based on indicators such as profitability, revenue growth, financial stability, and market share (Baporikar & Randa, 2020). While some SOEs contribute positively to economies, others struggle with financial challenges, including high debt levels, liquidity constraints, and reliance on government bailouts. Despite these trends, Chinese SOEs have demonstrated relative success over the past four decades due to strong corporate governance, efficient financing, and corporate social responsibility (Lin et al., 2020).

In Africa, commercial SOEs play a crucial role in economic development by providing employment opportunities, essential services, and supporting key industries (Marimuthu, 2021). However, many African SOEs face challenges such as high debt, inefficiencies, and dependence on government subsidies (Marimuthu, 2021). Weak governance structures, political interference, corruption, and lack of transparency significantly undermine their performance (Bernier et al., 2020). Financial issues such as liquidity constraints and unsustainable debt burdens further exacerbate their struggles. Addressing these challenges requires adopting sound financial management practices, enhancing revenue generation, and reducing operational costs (Girón et al., 2021). In Ghana, for example, SOEs play a vital role in public service delivery but continue to experience declining performance, necessitating urgent strategic interventions (Ohemeng et al., 2020).

In Kenya, SOEs contribute significantly to economic development by offering essential services, creating employment, and supporting industries. Despite their importance, several commercial SOEs have been underperforming, with many seeking financial bailouts from the government (Nyingi, 2019; Treasury and Planning Department, 2023). Reports indicate that the country faces fiscal risks due to insolvent and poorly performing SOEs, with about 18 such enterprises requiring Ksh. 382 billion over the next five years to recover (IMF, 2021). A notable example is Kenya Airways (KQ), which continues to record significant financial losses despite turnaround strategies. In 2023, KQ posted a loss of Ksh. 22.6 billion, an improvement from the previous year’s loss of Ksh. 38.2 billion (Kenya Airways, 2024).

To revitalize struggling commercial SOEs, strategic alliances (SAs) have emerged as a viable business strategy (Skokic, 2015). Given the increasingly competitive global business landscape, firms leverage SAs to enhance competitiveness, enter new markets, access critical skills, and share risks and costs associated with large-scale product development (Mamédio, et al, 2019). Identifying suitable partners for strategic alliances has become essential for firms seeking long-term sustainability (He, 2020).

Studies highlight a positive correlation between strategic alliances and organizational performance. For example, Klus et al. (2019) found that alliances between banks and FinTech firms facilitated faster innovation while allowing FinTech firms to leverage banks’ resources and market reach. Cacciolatti et al. (2020) observed that strategic alliances provided startups with essential financing, improving their performance. Similarly, Nakos, et al (2019) established that strategic alliances significantly enhanced the performance of small and medium-sized enterprises (SMEs). Additionally, Junaidu et al. (2019) found that alliances positively influenced financial and non-financial performance in the textile industry.

Further, Anoke et al. (2022) revealed that strategic alliances, particularly backward, forward, and horizontal integration, directly contributed to SME growth by expanding market reach and customer access. Muthoka (2022) emphasized that environmental, firm-specific, and partner-related factors influenced strategic alliance effectiveness. In the banking sector, Chepkoech (2022) found that strategic partnerships helped commercial banks increase their customer base, expand product offerings, and enhance profitability. Similarly, Maselo (2019) concluded that strategic alliances contributed to market share growth in Kenya’s commercial banking sector. Overall, while commercial SOEs face significant performance challenges globally, regionally, and locally, strategic alliances present an opportunity to enhance competitiveness, improve financial stability, and drive long-term growth. Implementing effective governance structures, adopting innovative business strategies, and forming strategic alliances can help commercial SOEs navigate the complex global business environment and achieve sustainable success.

Organizational performance refers to the extent to which businesses utilize their resources to create value. Traditionally, financial metrics such as profitability and revenue growth have been widely used to assess performance, particularly in the manufacturing sector. These financial measurements provide critical insights into a firm's financial health. However, scholars argue that financial indicators alone do not offer a complete picture of organizational performance. Non-financial metrics such as market share, growth, and cost efficiency are also essential. Operational efficiency, for example, is a key performance measure that cannot be solely quantified through financial data. Consequently, a comprehensive performance evaluation integrates both financial and non-financial indicators. This study adopts a dual approach, incorporating profitability, market share, growth, and cost efficiency to measure organizational performance.

Strategic alliances (SAs) are formal partnerships between firms aimed at achieving business objectives collaboratively rather than competitively. These alliances are often motivated by various benefits but also come with challenges. For strategic alliances to succeed, they must be well-structured, supported by strategic managers, and implemented in an environment of trust and supportive organizational culture. The motivations for forming SAs are diverse and have been categorized differently by scholars. Oliver (1990) classified them into internal and external factors. External motivations include regulatory requirements, industry policies, and competitive pressures, while internal factors involve acquiring both tangible and intangible resources such as expertise, financial capital, and human resources.

Another classification of SA benefits was proposed by Gils and Zwart (2009), who identified three categories: firm-based, environmental, and partner-based. Firm-based motivations stem from a company’s need to acquire resources, both material and immaterial, to sustain operations. Environmental-based motivations aim at reducing risks associated with market concentration, competitive pressures, and geographical limitations. Partner-based motivations focus on leveraging industry connections, enhancing reputation, and gaining access to new opportunities through collaboration.

This study follows the classification of strategic alliances as suggested by Muthoka (2022) and other scholars, categorizing them into four main types based on benefits or underlying reasons: resource sharing, risk sharing, compliance with regulations, and cost efficiency. Resource-sharing alliances enable firms to pool strategic resources, including knowledge, finances, and human capital, to enhance competitiveness. Risk-sharing alliances are formed to mitigate financial, operational, and global risks, ensuring business continuity in uncertain environments. Compliance-based alliances arise due to government regulations that necessitate collaborative operations to meet legal requirements. Lastly, cost-efficiency-based alliances focus on reducing operational costs by leveraging economies of scale, optimizing production, and minimizing expenses associated with business activities. Strategic alliances play a crucial role in improving business performance by fostering collaboration, resource optimization, and risk mitigation. However, for these partnerships to be effective, firms must align their goals, maintain trust, and implement strategies that maximize shared benefits. By integrating financial and non-financial performance measures with strategic alliances, organizations can enhance their competitive advantage and ensure long-term sustainability.

Commercial State-Owned Enterprises (SOEs) in Nairobi were established by the colonial government to provide essential services that the private sector could not handle, such as communication, transport, manufacturing, and trade facilitation. These enterprises were formed through an Act of Parliament under the State Corporation Act. Despite their intended role in economic development, some SOEs have struggled financially, often relying on government bailouts. In Kenya, SOEs serve both commercial and social objectives, including development in less developed areas, provision of essential goods and services, and correction of market failures. They can be fully or partially government-owned, with their functions determined by legal instruments such as Acts of Parliament, company laws, or executive orders. The regulatory framework governing SOEs consists of institutional, legislative, and regulatory guidelines applicable to public servants and entities. Like any business, the primary goal of commercial SOEs is wealth maximization through cost reduction, increased production, or both. SOEs are classified into commercial and non-commercial categories, with commercial SOEs focused on profitability. Key commercial SOEs in Kenya include Kenya Pipeline, Kenya Power, Kenya Ports Authority, Kenya Broadcasting Corporation, Kenya Energy Generating Company, and KCB. The study will specifically examine the role and performance of commercial SOEs.

**1.1 Research Problem**

State-owned enterprises (SOEs) play a crucial role in Kenya’s industrialization, job creation, and economic growth, contributing over 20% of salaried jobs in the public sector (KNBS, 2022). However, many commercial SOEs have been struggling financially, with some requiring government bailouts to stay afloat. Companies such as Mumias Sugar Ltd, Sony Sugar Ltd, Kenya Railways, and Uchumi Supermarket PLC have recorded poor performance, putting the country at fiscal risk. Reports indicate that 18 of these SOEs would require approximately Ksh. 382 billion in the next five years to recover (IMF, 2021). Strategic alliances (SAs) are considered a potential strategy for turning around poorly performing SOEs (Skokic, 2015). However, the extent to which Kenyan SOEs have utilized strategic alliances to enhance performance remains unclear.

Existing literature highlights the role of SAs in organizational performance, though with limited focus on SOEs. Klus et al. (2019) found that banks form alliances with FinTech firms to accelerate innovation, while FinTech firms benefit from banks’ resources. Fabian et al. (2022) established that SAs contribute to SME expansion, but their study focused on Nigeria. Muthoka (2022) demonstrated that environmental and partner-based motives enhance performance, though in the manufacturing sector. Similarly, Chepkoech (2022) found that banks form alliances to expand their customer base and increase profitability. Despite these findings, gaps remain. Most studies focus on SA types rather than motives, are conducted in global contexts, and emphasize banks, FinTechs, and SMEs, with limited research on SOEs. This study seeks to examine the impact of SAs on the performance of commercial SOEs in Nairobi, Kenya, addressing these gaps in existing literature.

**1.2 Research Objective**

This study was guided by the following general objective to: examine the effect of strategic alliance on the performance of commercial state-owned Enterprises in Nairobi, Kenya.

Specific Objectives were to; To establish the effect of resource sharing based alliance on the performance of commercial state-owned Enterprises in Nairobi, Kenya., To examine the effect of risk sharing based alliance on the performance of commercial state-owned Enterprises in Nairobi, Kenya, To evaluate the effect of regulatory compliance-based alliance on the performance of commercial state-owned Enterprises in Nairobi, Kenya and To analyse the effect of cost efficiency-based alliance on the performance of commercial state-owned Enterprises in Nairobi, Kenya..

**1.3 Research Hypothesis**

This study was guided by the following Research Hypothesis.

**Ho1**: Resource sharing based alliance has no significant effect on the performance of state-owned Enterprises in Nairobi, Kenya.

**Ho2**: Risk sharing based alliance has a significant effect on the performance of state-owned Enterprises in Nairobi, Kenya.

**Ho3:** Regulatory compliance-based alliance, has no significant effect on the performance of state-owned Enterprises in Nairobi, Kenya.

**Ho4**: Cost efficiency-based alliance has no significant effect on the performance of state-owned Enterprises in Nairobi, Kenya.

**1.4 Justification of the Study**

The study findings are valuable for top managers in State-Owned Enterprises (SOEs) to understand the motives behind forming strategic alliances by analyzing both internal and external business environments. This understanding enables managers to align alliances with specific benefits such as growth, financial performance, and market share. It also helps them identify suitable partners who can provide necessary resources to enhance performance and adapt to changing conditions. Consequently, SOEs can improve their operations, contributing to national socioeconomic growth by addressing unemployment and poverty. Additionally, the study provides significant insights for researchers exploring the relationship between strategic alliances and firm performance, particularly through the lenses of public interest, resource dependency, and resource-based view theories. It serves as a valuable source of empirical literature for future research by identifying gaps that can guide study topics and refine research problems. The findings are also beneficial for policymakers in government agencies and regulatory bodies such as the CMA, CBK, and parliament, aiding in the formulation of policies and evaluation of strategic alliances involving SOEs.

**2.0 LITERATURE REVIEW**

**Theoretical Literature**

The theoretical literature review of this study is anchored on the Resource-Based View (RBV), Resource Dependency Theory (RDT), Public Interest Theory, and the Balanced Scorecard Model. These theories and models provide a strong foundation for understanding the relationship between strategic alliances, resource utilization, regulatory compliance, and performance in state-owned enterprises (SOEs).

The Resource-Based View (RBV) Theory argues that a firm’s ability to achieve and sustain competitive advantage depends on its ability to acquire and utilize valuable, rare, inimitable, and non-substitutable resources (Barney, 2001). These resources may be tangible, such as machinery and infrastructure, or intangible, such as brand reputation, knowledge, and expertise (Hollender et al., 2017). Commercial SOEs can either develop their own resources internally or acquire them through strategic alliances with firms that possess the necessary competencies. For example, knowledge sharing, market intelligence, and innovation can be accessed through partnerships rather than through costly in-house development (Racela et al., 2007). This makes RBV relevant in explaining how resource-sharing alliances enhance firm performance. Specifically, for SOEs with global operations, strategic alliances allow them to gain foreign market intelligence, which is crucial for expanding their market reach. Thus, this theory underpins the independent variable of resource-sharing-based alliances.

The Resource Dependency Theory (RDT) was developed by Pfeffer and Salancik (1978) to explain the interdependence between firms and their external environment. Firms rely on external resources controlled by other entities, making strategic alliances necessary for business survival and success (Poole & Van de Ven, 2004). RDT assumes that organizations are dependent on external firms for critical resources, and their ability to access these resources determines their stability and performance. The power dynamics in such partnerships can create dependencies, uncertainties, and potential conflicts (Parmigiani & Rivera-Santos, 2011). However, trust, reciprocity, and commitment among strategic partners can mitigate opportunistic behavior and strengthen partnerships, leading to better resource access (Adobor, 2011; Das & Teng, 2006). For commercial SOEs, strategic alliances help in acquiring resources such as technology, financial support, and expertise that they may not independently develop. This enhances their efficiency and competitiveness in a highly dynamic business environment.

The Public Interest Theory provides another lens to analyze the relationship between regulation and SOE performance. The theory suggests that market failures, often caused by monopolies and externalities, necessitate government intervention to ensure fair resource allocation and societal well-being (Francis, 1958). Regulations are designed to correct market failures by enforcing policies that protect the public interest (Roger, 1983). Public Interest Theory assumes that politicians and regulators act in the public’s best interest and that regulatory measures enhance transparency, efficiency, and equity in business operations. However, critics, particularly from the Chicago School of Law and Economics, argue that market failures can often self-correct without government intervention, and in cases where regulation is necessary, private sector-led initiatives may provide better solutions than government oversight (Tyler, 1988). Additionally, when regulators are incompetent, corrupt, or influenced by special interests, regulation fails to achieve its intended outcomes (Peltzman, et al, 1989). Despite these criticisms, Public Interest Theory remains relevant in explaining compliance motives and regulatory impacts on SOE performance. In Kenya, various regulations have been enacted to govern state-owned enterprises, ensuring they operate transparently and serve the public good. The theory justifies why governments impose stringent regulatory standards on SOEs to ensure accountability and sustainability.

The Balanced Scorecard Model, introduced by Kaplan and Norton (1992), provides a comprehensive framework for measuring organizational performance. It translates strategic objectives into key performance indicators (KPIs) across four perspectives: financial, customer, internal business processes, and learning and growth (Kaplan, 2009). The financial perspective focuses on revenue growth, profitability, return on investment (ROI), cash flow, and shareholder value (Kaplan & Norton, 1992). The customer perspective evaluates customer satisfaction, loyalty, and retention, ensuring that the organization meets customer needs effectively (Kaplan, 2012). Important metrics in this perspective include market share, customer satisfaction ratings, and retention rates. The internal business process perspective assesses process efficiency, innovation, quality, and operational effectiveness. Key metrics include cycle time, defect rates, productivity, and process efficiency (Kaplan, 2012). Lastly, the learning and growth perspective examines the organization’s capacity to innovate, develop talent, and sustain long-term performance. This involves employee satisfaction, turnover rates, training investments, and organizational culture (Kaplan, 2012). By integrating these four perspectives, the Balanced Scorecard Model provides SOEs with a structured approach to measuring and improving their performance. The model’s holistic approach makes it relevant for assessing commercial SOEs' efficiency, strategic alignment, and long-term sustainability. The theoretical literature review integrates RBV, RDT, Public Interest Theory, and the Balanced Scorecard Model to provide a comprehensive framework for analyzing SOE performance. RBV emphasizes internal and external resource acquisition as a key driver of competitive advantage. RDT highlights the necessity of inter-firm resource dependencies and strategic alliances in ensuring access to critical resources. Public Interest Theory justifies government intervention in regulating SOEs to protect public interests and ensure optimal resource allocation. Lastly, the Balanced Scorecard Model offers a structured approach to evaluating organizational performance across multiple dimensions. Together, these theories and models help in understanding the dynamics of strategic alliances, resource management, regulatory compliance, and performance improvement in commercial SOEs.

**Empirical Review**

Empirical studies have extensively examined the relationship between strategic alliances (SAs) and organizational performance, with a focus on resource sharing, risk sharing, regulatory compliance, and cost efficiency alliances. These studies provide insights into the motives behind SAs and their impact on various industries.

**Resource Sharing Based Alliance and Organizational Performance**

Several studies highlight how firms engage in SAs to share resources and enhance growth. Anoke et al. (2022) examined SMEs in Nigeria and found that backward, forward, and horizontal integration through strategic alliances led to sustainable growth by expanding market reach. Similarly, Muthoka (2022) investigated SMEs in Nairobi’s industrial sector and found that environmental, firm, and partner-based motives significantly influenced organizational performance. Chepkoech (2022) explored how SAs influenced the performance of Kenyan commercial banks, using a case study on NCBA Bank, which engaged in alliances to enhance market share, attract customers, and develop new products. Khisa and Kariuki (2022) examined Nairobi’s automobile industry and found that logistics and production alliances directly influenced performance.

In the education sector, Yang et al. (2021) studied alliances between universities and industries, finding that government-imposed penalties and subsidies promoted stability in collaborations. Klus et al. (2019) analyzed partnerships between banks and FinTech firms, concluding that banks formed alliances to accelerate product innovation, while FinTech firms sought financial resources, market intelligence, and regulatory assistance. These studies suggest that firms form alliances to leverage shared resources and market opportunities, ultimately enhancing performance.

**Risk Sharing Based Alliance and Organizational Performance**

Risk-sharing alliances allow firms to mitigate uncertainties and enhance competitiveness. Niesten and Jolink (2020) conducted a systematic review and established that firms form alliances to share risks, reduce costs, improve reputation, and enhance legitimacy. Similarly, Wandia and Ismail (2019) examined the Kenyan banking sector, identifying that partner match and firm commitment significantly impacted performance, while strategic orientation had a weaker influence.

Maselo (2019) studied KCB Bank’s alliances and found that knowledge, risk, and market sharing significantly contributed to firm growth. Svensson et al. (2019) investigated alliances between Swedish FinTech firms and venture capitalists, revealing that these collaborations helped FinTech firms gain legitimacy in competitive markets. Doh et al. (2019) examined the role of reputation in the internationalization of emerging market firms, concluding that firms with weaker reputations were more likely to pursue SAs as a strategy to enhance credibility in global markets. These findings indicate that strategic alliances serve as an essential mechanism for firms to manage risk, expand market access, and strengthen competitiveness.

**Regulatory Compliance Alliance and Organizational Performance**

Firms also engage in strategic alliances to comply with regulatory requirements while maintaining competitiveness. Mohiuddin et al. (2020) explored alliances between profit and nonprofit organizations in Bangladesh and found that co-innovation was a key driver of strategic partnerships, helping firms navigate strict regulatory environments. Graafland and Bovenberg (2020) examined the impact of government regulations on alliance formation in 12 European countries, concluding that regulatory policies encouraged SMEs to enter strategic alliances for environmental performance improvements.

Pratono and Ratih (2019) studied alliances in Indonesia’s medical equipment industry, revealing that regulatory restrictions on foreign direct selling and the introduction of e-procurement systems prompted domestic and multinational firms to collaborate. Similarly, Schiavone and Simoni (2019) examined marketing strategies in highly regulated Italian industries and found that firms engaged reputable partners to facilitate market entry in compliance-heavy sectors. These studies demonstrate that regulatory environments significantly influence alliance formation, enabling firms to navigate complex compliance requirements while sustaining growth.

**Cost Efficiency Based Alliance and Organizational Performance**

Cost efficiency is another critical driver of strategic alliances. Gachengo (2018) studied courier firms in Nairobi, finding that resource, cost, and relational collaborations had a direct positive impact on performance. Similarly, Chiambaretto et al. (2020) analyzed partnerships among Swedish firms and found that smaller firms were more likely to enter alliances with larger firms to reduce costs and enhance learning.

Ferreira and Franco (2020) examined alliances among technology SMEs in Portugal, establishing that market, learning, and efficiency motives directly influenced human capital development. Li et al. (2019) focused on technology conglomerates and found that alliances facilitated knowledge sharing and innovation, leading to higher patent output and increased organizational performance. Alrashdan and Alnahedh (2019) investigated equity and non-equity alliances among Fortune 500 companies over 20 years. Their findings showed that non-equity alliances generated immediate value, whereas equity alliances produced delayed but sustained advantages. Similarly, Bustinza et al. (2019) explored collaborations between manufacturing and knowledge-intensive firms, revealing that these alliances enhanced service innovation, knowledge sharing, and risk management. Overall, empirical studies demonstrate that strategic alliances serve as a crucial mechanism for firms seeking to improve performance through resource sharing, risk mitigation, regulatory compliance, and cost efficiency. By leveraging strategic partnerships, firms can access new markets, share knowledge, enhance innovation, and optimize resource utilization, ultimately strengthening their competitive advantage.

**3.0 RESEARCH METHODOLOGY**

The study employed a descriptive survey design to examine the relationship between strategic alliances and organizational performance in commercial State-Owned Enterprises (SOEs). This design was chosen as it allows for data collection in a natural setting without influencing variable interactions. It also facilitated causal effect analysis between explanatory and outcome variables using quantitative data.

The target population comprised all 46 commercial SOEs in Kenya, as identified by the Ministry of Finance and Treasury (2023). The study focused on strategic-level managers who had held their positions for at least a year, ensuring they had adequate experience in strategic alliances and organizational performance. These managers provided the unit of observation, while the firms themselves served as the unit of analysis.

Since the population was relatively small, the study adopted a census approach, meaning all 46 SOEs were included. Purposive sampling was used to select one senior manager from each firm, generating 46 respondents. This ensured that only individuals with comprehensive knowledge of strategic alliances and performance participated.

Data was collected using a structured questionnaire, which consisted of different sections: Section A gathered firm-specific information, Section B focused on strategic alliance motives, and Section C addressed organizational performance. The questionnaires were self-administered to the selected senior managers.

A pilot study was conducted with five senior managers from five different SOEs, representing 10% of the sample. This process helped assess the validity and reliability of the questionnaire before its final use. Companies included in the pilot study were excluded from the main analysis to prevent data contamination.

The validity of a research instrument ensures it effectively gathers data to test hypotheses and achieve study objectives. In this study, validity was assessed through expert consultation for content validity, pilot questionnaires for face validity, and factor analysis for construct validity. A high correlation among items measuring the same construct indicated strong construct validity. Reliability, which ensures consistent measurement, was tested using Cronbach's alpha, with a threshold of 0.7 for internal consistency.

For data collection, primary data was gathered through questionnaires administered to senior managers of state-owned corporations. After obtaining a research permit from NACOSTI, the researcher contacted firms via public relations officers. The questionnaires were distributed physically and digitally through Google Forms, with respondents given a week to complete them. Secondary data was collected from annual reports and websites.

Data analysis involved coding, cleaning, and entry into SPSS version 23. Descriptive statistics such as mean, standard deviation, and coefficient of variation were used. The study also applied the multivariate Ordinary Least Squares regression model and Pearson correlation to examine the relationship between organizational performance and strategic partnership motivations. This approach ensured a comprehensive analysis of the data.

**4.0 RESULTS AND DISCUSSION**

**4.1 Response Rate**

The study issued 41 survey questionnaires to various commercial state-owned Enterprises in Nairobi of which 37 were received back having been adequately filled and usable for further analysis. The response rate was therefore 90.2%

*Table 1: Response Rate*

|  |  |  |
| --- | --- | --- |
| Survey Questionnaires | Count | Percentage (%) |
| Adequately filled | 37 | 90.2 |
| Non-responses | 4 | 9.8 |
| Total issued | 41 | 100.0 |

**4.2 Descriptive Statistics**

The study examined various strategic alliances and their impact on commercial state-owned enterprises (SOEs) using a 5-point Likert scale. The findings were analyzed through percentages, mean values, and standard deviations, providing insights into resource-sharing, risk-sharing, regulatory compliance, cost efficiency, and organizational performance.

**Resource Sharing-Based Alliance**

The analysis revealed that 64.8% of commercial SOEs formed strategic alliances to benefit from market intelligence provided by their partners (M=3.54). Research by Anoke et al. (2022) highlighted the role of such alliances in market expansion. Additionally, 59.4% of respondents agreed that these partnerships facilitated access to financial resources (M=3.32), aligning with Klus et al. (2019), who found that FinTech firms allied with banks to leverage financial resources. Moreover, 86.4% of SOEs benefited from their partners’ technology resources (M=4.21), supporting findings that banks collaborate with FinTech firms for innovation. Furthermore, 45.9% of SOEs reported leveraging human capital from their partners (M=2.94), while the same percentage acknowledged knowledge-sharing benefits (M=3.29), reinforcing Maselo’s (2019) assertion that knowledge-sharing enhances market share. A significant 94.6% of SOEs acknowledged the importance of their partners' research and development assets (M=4.82), demonstrating the value of these alliances.

**Risk Sharing-Based Alliance**

Strategic alliances played a crucial role in risk mitigation for SOEs. About 62.1% of SOEs indicated that these alliances helped them share financial risks (M=3.48). Moreover, 89.2% of SOEs reported that alliances helped spread operational risks (M=4.51), in agreement with Niesten and Jolink (2020), who noted that alliances reduce risks. Additionally, 97.3% of SOEs formed alliances to mitigate reputational risks when entering new markets (M=4.73), a finding supported by Doh et al. (2019), who highlighted the reputational challenges faced by firms in foreign markets. Furthermore, 83.7% of SOEs used alliances to mitigate political risks in cross-border operations (M=4.19), and 97.3% relied on alliances to avoid regulatory risks in new markets (M=4.59). These findings align with Pratono and Ratih (2019), who noted that regulatory restrictions prompted firms to form alliances for market entry.

**Regulatory Compliance-Based Alliance**

The study found that regulatory requirements strongly influenced strategic alliances. About 89.1% of SOEs reported that domestic laws forced them into alliances (M=4.37), consistent with Mohiuddin et al. (2020), who found that alliances foster co-innovation in highly regulated markets. Additionally, 59.4% of SOEs noted that government policies led to alliance formation (M=3.54), aligning with Graafland and Bovenberg’s (2020) findings that government regulations promote strategic alliances. Only 13.5% of SOEs indicated that regulatory frameworks from market regulators motivated alliances (M=1.86), supporting Yang et al. (2021), who found that strict penalties and subsidies drive alliance stability. Additionally, 48.6% of SOEs noted that international laws influenced their decision to form alliances (M=3.32). Notably, all SOEs in the study indicated that regulations by foreign governments forced them into strategic alliances when expanding operations abroad.

**Cost Efficiency-Based Alliance**

Cost considerations were a major driver of alliances among SOEs. About 89.2% of SOEs reported that strategic alliances reduced research and development costs (M=4.57). All respondents agreed that they entered alliances to share operational costs (M=4.84), supporting Yang et al. (2021), who highlighted the stabilizing effects of cost-sharing on alliances. Furthermore, 97.3% of SOEs benefited from synergies resulting from collaborations (M=4.86), aligning with Alrashdan and Alnahedh (2019), who noted that partnerships provide learning and synergistic benefits. However, only 18.9% of SOEs reported that alliances helped lower marketing costs (M=1.95). Lastly, 78.4% of SOEs cited that alliances lowered technology acquisition costs (M=4.24), corroborating Li et al. (2019), who found that technology firms tend to enter alliances to boost patent output.

**Organizational Performance**

The study assessed the impact of strategic alliances on SOEs’ organizational performance. The findings indicated that 64.9% of SOEs reported profitability between 1% and 10%, while 29.7% had profits exceeding 10%. Additionally, 81.1% of SOEs registered a reduction in average operational costs by less than 10%, with others reporting no change or an increase. Furthermore, 67.6% of SOEs experienced a market share increase of at least 1%, while others recorded either a decline or no change. Lastly, 91% of SOEs reported business growth, with a small percentage noting stagnation or decline. The study highlighted the importance of strategic alliances in enhancing resource sharing, risk mitigation, regulatory compliance, cost efficiency, and overall organizational performance for commercial SOEs. These alliances facilitated access to financial, technological, and human resources, reduced operational risks, ensured compliance with regulations, minimized costs, and contributed to profitability, market share growth, and business expansion. The findings align with existing literature emphasizing the strategic significance of alliances in fostering business success.

**4.3 Diagnostic Tests**

Multicollinearity was assessed using Variance Inflation Factors (VIF), with values below 10 indicating no multicollinearity (Robinson, Tomek & Schumacker, 2013). If present, techniques like centering, scaling, or logarithmic transformation would be applied (Hayashi, 2011). The results confirmed no collinearity issues, validating the use of OLS regression.

*Table 2 VIF Test for Multicollinearity*

|  |  |  |  |
| --- | --- | --- | --- |
| Model | | Collinearity Statistics | |
| Tolerance | VIF |
|  | Resource sharing based alliance | .345 | 2.895 |
| Risk sharing Based alliance | .305 | 3.278 |
| Cost Efficiency based alliance | .470 | 2.126 |
| Regulatory compliance-based alliance | .309 | 3.236 |

The study conducted normality, homoscedasticity, and linearity tests to validate regression assumptions. A histogram plot was used to assess normality, ensuring residuals formed a bell-shaped curve within the normal distribution. The findings confirmed no significant deviation from normality. Homoscedasticity was tested using a scatter plot of residuals against predicted values or independent variables. The results indicated an even distribution of residuals along the line of best fit, confirming the absence of heteroscedasticity. If heteroscedasticity were present, robust standard errors would have been used. Linearity was evaluated through the Pearson Correlation Coefficient in the model summary, where a coefficient above 0.7 indicates a strong linear relationship. The study found an overall R value of 0.942, confirming a strong linear relationship between predictors and the outcome variable. These tests ensured the reliability and validity of the regression model.

**4.4 Correlation Analysis**

The study used the bivariate Pearson correlation coefficient to assess the relationship between predictors and the result variable. A coefficient of 1 signifies a perfect association, while 0 indicates no relationship. A weak positive correlation was found between cost efficiency-based alliance and organizational performance (r = .290), whereas regulatory compliance showed a strong positive correlation (r = .825).

*Table 3 Bivariate Pearson Correlation*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | | ReSA | RiSA | CEA | RCA | OP |
| ReSA | Pearson Correlation | 1 | .782\*\* | .441\*\* | .634\*\* | .657\*\* |
| Sig. (2-tailed) |  | .000 | .006 | .000 | .000 |
| N | 37 | 37 | 37 | 37 | 37 |
| RiSA | Pearson Correlation | .782\*\* | 1 | .316 | .661\*\* | .798\*\* |
| Sig. (2-tailed) | .000 |  | .057 | .000 | .000 |
| N | 37 | 37 | 37 | 37 | 37 |
| CEA | Pearson Correlation | .441\*\* | .316 | 1 | .687\*\* | .290 |
| Sig. (2-tailed) | .006 | .057 |  | .000 | .082 |
| N | 37 | 37 | 37 | 37 | 37 |
| RCA | Pearson Correlation | .634\*\* | .661\*\* | .687\*\* | 1 | .825\*\* |
| Sig. (2-tailed) | .000 | .000 | .000 |  | .000 |
| N | 37 | 37 | 37 | 37 | 37 |
| OP | Pearson Correlation | .657\*\* | .798\*\* | .290 | .825\*\* | 1 |
| Sig. (2-tailed) | .000 | .000 | .082 | .000 |  |
| N | 37 | 37 | 37 | 37 | 37 |
| \*\*. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |

**4.5 Regression Analysis**

The study examined the impact of strategic alliances—sharing, regulatory, and cost-efficiency based—on Kenyan state-owned enterprise performance. Regression analysis revealed a strong positive correlation (R=.942). The model, encompassing these alliance types, explained 88.7% of the performance variation (R²=.887). The remaining 11.3% is attributed to unobserved factors outside the study's scope, indicating a significant influence of strategic alliances on SOE performance.

*Table 4 Model Summary*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1 | .942a | .887 | .873 | .33721 |
| a. Predictors: (Constant), ReSA= Resource Sharing based alliance, RiSA = Risk sharing based alliance, CEA = Cost efficiency-based alliance, RCA= Regulatory Compliance based alliance | | | | |

4.6 ANOVA

The ANOVA results (F=63.043, p<.001) indicate a significant impact of strategic alliances on Kenyan commercial SOE performance. Resource sharing, risk sharing, cost efficiency, and regulatory compliance alliances collectively explain this performance, as the calculated F-statistic exceeds the critical value (Fcrit​=2.69).

*Table 5 Analysis of Variance*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 28.675 | 4 | 7.169 | 63.043 | .000b |
| Residual | 3.639 | 32 | .114 |  |  |
| Total | 32.314 | 36 |  |  |  |
| a. Dependent Variable: Organizational Performance | | | | | | |
| b. Predictors: (Constant), ReSA= Resource Sharing based alliance, RiSA = Risk sharing based alliance, CEA = Cost efficiency-based alliance, RCA= Regulatory Compliance based alliance | | | | | | |

**4.7 Discussion of Findings**

This study examined the impact of strategic alliances on the performance of commercial State-Owned Enterprises (SOEs) in Nairobi, Kenya, focusing on resource sharing, risk sharing, cost efficiency, and regulatory compliance. Regression analysis revealed significant positive effects across all four alliance types. Resource sharing alliances improved SOE performance by 0.321 units, aligning with findings that resource-based collaborations facilitate market expansion and product innovation, as seen in examples like NCBA bank's strategic partnerships. Risk sharing alliances exhibited a strong positive influence, with a 0.369-unit improvement in performance, reflecting the value of shared risk in enhancing market share and legitimacy, consistent with research on environmental and market-based alliances. Regulatory compliance alliances demonstrated the most substantial impact, increasing performance by 1.171 units, highlighting the importance of strategic partnerships in navigating complex regulatory environments and fostering co-innovation, particularly in highly regulated sectors like healthcare. Finally, cost efficiency alliances contributed to a 0.454-unit improvement in SOE performance, confirming that cost reduction and learning opportunities are key drivers for SOEs entering strategic partnerships, which is in line with studies on courier firms and technology-oriented companies. The study concluded that strategic alliances significantly enhance the performance of commercial SOEs in Nairobi, with each alliance type playing a distinct yet crucial role in driving growth and efficiency.

**5.0 CONCLUSIONS**

This study explored the impact of strategic alliances on the performance of commercial State-Owned Enterprises (SOEs) in Nairobi, Kenya, focusing on resource sharing, risk sharing, regulatory compliance, and cost efficiency. Resource-sharing alliances provided SOEs with access to vital market intelligence, technology, and R&D assets, boosting profitability and market share. However, the effective utilization of partner human capital remained a challenge. Risk-sharing alliances significantly enhanced SOE performance by mitigating operational, reputational, political, and regulatory risks, though financial risk reduction was limited. Regulatory compliance-based alliances proved crucial, driven by domestic and international regulations, and effectively lowered liability and geopolitical risks. Cost-efficiency alliances were identified as a primary driver, yielding benefits like reduced R&D costs and increased synergies. Nevertheless, marketing cost reduction was not significantly achieved, highlighting an area for improvement in alliance strategies. Overall, strategic alliances positively influenced SOE performance across multiple dimensions, with specific areas needing optimization.

**6.0 RECOMMENDATIONS**

The study recommends that Kenyan commercial State-Owned Enterprises (SOEs) actively pursue and strengthen strategic alliances, particularly those focused on resource sharing, risk mitigation, regulatory compliance, and cost efficiency. Resource sharing alliances provide access to vital market intelligence, technology, and R&D assets, boosting profitability and market share. Risk-sharing partnerships help SOEs navigate operational, reputational, political, and financial risks, leading to improved performance. Adhering to domestic and international regulations through alliances minimizes liability and geopolitical risks. Cost-efficiency alliances reduce R&D costs and create synergies, though effective marketing cost management is crucial. Future research should expand beyond commercial SOEs, exploring non-commercial SOEs and private firms, and utilize diverse alliance conceptualizations and mixed methodologies to enhance data quality and generalizability.

**REFERENCES**

1. Adobor, H. (2011). Alliances as Collaborative Regimes: An Institutional Based Explanation of Interfirm Collaboration. *An International Business Journal*, *21*(1), 66-88.
2. Aharoni, Y. (2024). State-owned enterprise: An agent without a principal. In Standing on the Shoulders of International Business Giants (pp. 205-216).
3. Alrashdan, A. A., & Alnahedh, M. A. (2019). Growth through Simultaneous Alliances: Learning and Synergistic Effects. *Arab Journal of Administrative Sciences*, *26*(3),34-57.
4. Anoke, A. F., Osita, F. C., Okafor, J. N., & Nzewi, H. N. (2022). Strategic Entrepreneurship Alliances and Sustainable Growth of Small Businesses in Nigeria: The Nexus. *Global Journal of Management and Business Research*, *22*(7), 13-19.
5. Anoke, H. H., & Pius, A. (2020). A review of key paradigms: Positivism VS interpretivism. *Global Academic Journal of Humanities and Social Sciences*, *2*(3), 39-43.
6. Baporikar, N., & Randa, I. O. (2020). Organizational design for performance management in state-owned enterprises. International Journal of Service Science, Management, Engineering, and Technology, 11(4), 1- 25.
7. Barney, J. B. (2001). Resource-Based Theories of Competitive Advantage: A Ten Year Retrospective on the Resource-Based view. *Journal of Management*, 27(6), 643-650.
8. Bernier, L., Bance, P., & Florio, M. (Eds.). (2020). *The Routledge handbook of state-owned enterprises* (No. 305607). New York: Routledge.
9. Bustinza, O. F., Gomes, E., Vendrell‐Herrero, F., & Baines, T. (2019). Product–service innovation and performance: the role of collaborative partnerships and R&D intensity. *R&D Management*, *49*(1), 33-45.
10. Cacciolatti, L., Rosli, A., Ruiz-Alba, J. L., & Chang, J. (2020). Strategic alliances and firm performance in startups with a social mission. *Journal of Business Research*, *106*, 106-117.
11. Chepkoech, P. (2022). *Influence of Strategic Alliances on Performance of NCBA Bank Kenya PLC* (Doctoral dissertation, University of Nairobi).
12. Chiambaretto, P., Bengtsson, M., Fernandez, A. S., & Näsholm, M. H. (2020). Small and large firms’ trade-off between benefits and risks when choosing a competitor for innovation. *Long Range Planning*, *53*(1), 101876.
    1. *Courier firms in Nairobi city county, Kenya* (Unpublished Doctoral Dissertation, Kenyatta University).
13. Das, T. K., & He, I. Y. (2006). Entrepreneurial firms in search of established partners: Review and recommendations. *International Journal of Entrepreneurial Behaviour & Research, 12*(3), 114-143.
14. Doh, J. P., Tashman, P., & Benischke, M. H. (2019). Adapting to grand environmental challenges through collective entrepreneurship. *Academy of Management Perspectives*, *33*(4), 450-468.
15. Fabian, (1958) *‘The Anatomy of Market Failure’* (1958) 72(3) Quarterly Journal of Economics 351.
16. Ferreira, A., & Franco, M. (2020). The influence of strategic alliances on human capital development: A study applied to technology-based SMEs. *EuroMed Journal of Business*, *15*(1), 65-85.
17. Ferreira, A., & Franco, M. (2020). The influence of strategic alliances on human capital development: A study applied to technology-based SMEs. EuroMed Journal of Business, 15(1), 65-85.
18. Gachengo, L., W., (2018). *Inter-organizational collaborations and performance of*
19. Gils, B., Walker, R. M., & Monster, J. (2019). Does strategic planning improve organizational performance? A meta‐analysis. *Public Administration Review*, *79*(6), 810-819.
20. Girón, A., Kazemikhasragh, A., Cicchiello, A. F., & Panetti, E. (2021). Sustainability reporting and firms’ economic performance: Evidence from Asia and Africa. *Journal of the Knowledge Economy*, *12*(4), 1741-1759.
21. Graafland, J., & Bovenberg, L. (2020). Government regulation, business leaders’ motivations and environmental performance of SMEs. *Journal of Environmental Planning and Management*, *63*(8), 1335-1355.
22. He, Q., Meadows, M., Angwin, D., Gomes, E., & Child, J. (2020). Strategic alliance research in the era of digital transformation: Perspectives on future research. *British Journal of Management*, *31*(3), 589-617.
23. Hollender, L., Zapkau, F. B., & Schwens, C. (2017). SME foreign market entry mode choice and foreign venture performance: The moderating effect of international experience and product adaptation. *International Business Review, 26*(2), 250-263.
24. Kaplan, R. S. (2009). Conceptual foundations of the balanced scorecard. Handbooks of management accounting research, 3, 1253-1269.
25. Kaplan, R. S. (2012). The balanced scorecard: comments on balanced scorecard commentaries. Journal of Accounting & Organizational Change, 8(4), 539-545.
26. Khisa, J. W., & Kariuki, P. (2022). Strategic Alliances and Performance of Firms in the Motor Vehicle Industry in Nairobi County. *Journal of International Business and Management*, *5*(2), 01-18.
27. Klus, Milan Frederik; Lohwasser, Todor Stefan; Holotiuk, Friedrich; and Moormann, Jürgen (2019). Strategic Alliances between Banks and Fintechs for Digital Innovation: Motives to Collaborate and Types of Interaction. *The Journal of Entrepreneurial Finance,* 21(1).
28. Li, K., Qiu, J., & Wang, J. (2019). Technology conglomeration, strategic alliances, and corporate innovation. *Management Science*, *65*(11), 5065-5090.
29. Lin, K. J., Lu, X., Zhang, J., & Zheng, Y. (2020). State-owned enterprises in China: A review of 40 years of research and practice. China Journal of accounting research, 13(1), 31-55.
30. Mamédio, D., Rocha, C., Szczepanik, D., & Kato, H. (2019). Strategic alliances and dynamic capabilities: A systematic review. *Journal of Strategy and Management*, *12*(1), 83-102.
31. Marimuthu, F. (2021). Factors driving the financial performance of state-owned enterprises in an emerging market. International Journal of Entrepreneurship, 25(7), 1-17.
32. Maselo, G. (2019). *The Effect of Strategic Alliances on the Growth of Market Share of Commercial Banks in Kenya: A Case of KCB Bank PLC* (Doctoral dissertation, Pan Africa Christian University).
33. Mohiuddin Babu, M, Dey, BL, Rahman, M, Roy, SK, Alwi, SFS & Kamal, MM (2020), 'Value co-creation through social innovation: A study of sustainable strategic alliance in telecommunication and financial services sectors in Bangladesh', Industrial Marketing Management, vol. 89, pp. 13-27. <https://dx.doi.org/10.1016/j.indmarman.2020.06.003>
34. Muthoka, R. K. (2022). *Strategic alliance and performance of small and medium enterprises in the manufacturing sector in Nairobi city county, Kenya* (doctoral dissertation, Kenyatta University).
35. Nakos, G., Dimitratos, P. and Elbanna, S.M.M. (2019) The mediating role of alliances in the international market orientation-performance relationship of SMEs. *International Business Review*, 28(3), pp. 603-612. (doi: 10.1016/j.ibusrev.2018.12.005)
36. Niesten, E., & Jolink, A. (2020). Motivations for environmental alliances: Generating and internalizing environmental and knowledge value. *International Journal of Management Reviews*, *22*(4), 356-377
37. Ohemeng, F. L., Obuobisa Darko, T., & Amoako‐Asiedu, E. (2020). Employee engagement and task performance in state‐owned enterprises in developing countries: The case study of the power sector in Ghana. Journal of Public Affairs, 20(2), e2021.
38. Oliver, M. O., Dorasamy, N., & Garbharran, H. L. (2015). Debt financing structure within the State-owned corporations in Kenya. Risk Governance & Control: Financial markets and institutions, 22.
39. Peltzman, S., Levine, M. E., & Noll, R. G. (1989). The economic theory of regulation after a decade of deregulation. *Brookings papers on economic activity. Microeconomics*, *1989*, 1-59.
40. Phi, N. T. M., Taghizadeh-Hesary, F., Tu, C. A., Yoshino, N., & Kim, C. J. (2021). Performance differential between private and state-owned enterprises: An analysis of profitability and solvency. Emerging Markets Finance and Trade, 57(14), 3913-3928.
41. Poole, M. S., & Van de Ven, A. H. (2004). *Handbook of Organizational Change and Innovation*. Ed. New York; Oxford University Press.
42. Pratono, A. H., & Ratih, R. V. S. (2019). International alliance strategies: a case study of the Indonesian medical device industry. *Globalization and Development: Entrepreneurship, Innovation, Business and Policy Insights from Asia and Africa*, 381-400.
43. Racela, O. C., Chaikittisilpa, C., & Thoumrungroje, A. (2007). Market orientation, international business relationships and perceived export performance. *International Marketing Review, 24*(2), 144-163.
44. Schiavone, F., & Simoni, M. (2019). Strategic marketing approaches for the diffusion of innovation in highly regulated industrial markets: the value of market access. *Journal of Business & Industrial Marketing*, *34*(7), 1606-1618.
45. Svensson, C., Udesen, J., & Webb, J. (2019). Alliances in financial ecosystems: A source of organizational legitimacy for fintech startups and incumbents. *Technology Innovation Management Review*, *9*(1).
46. Tyler, C. (1988), *The Theory of Market Failure. A Critical Examination*. (George Mason University Press 1988); Richard O Zerbe and Howard McCurdy, ‘The End of Market Failures’ (2000) 23(2) Regulation 10.
47. Yang, Z., Chen, H., Du, L., Lin, C., & Lu, W. (2021). How does alliance-based government-university-industry foster cleantech innovation in a green innovation ecosystem? *Journal of Cleaner Production*, *283*, 124559.