Effect of Partner Management on Performance of a Strategic Alliance; a Case of Animal Welfare Action Kenya (AWAKE)

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Abstract: The research study sought to determine the effects of partner management on performance of a strategic alliance using Animal Welfare Action Kenya (AWAKE) as a case study. The study assumes that the deliberate actions that managers use to manipulate resources in their respective organisations through acts of planning, organizing, leading and control to achieve organization goals affect performance of the alliance. Being an alliance that is not intended to fulfill financial objectives, respondent perception on satisfaction and goal achievement will be used to determine the alliance performance. The study was guided by four specific objectives that include; To determine the extent to which planning in partner organisations affect performance of a strategic alliance in AWAKE; To determine the extent to which organizing affect performance of a strategic alliance in AWAKE; To determine the extent to which leading in partner organisations affect performance of a strategic alliance in AWAKE and To determine the extent to which control in partner organisations affect performance of a strategic alliance in AWAKE. The study adopted a descriptive research design and makes use of primary data from questionnaire. To draw meaning and relationship between the variables, multivariate regression analysis on data collected is done and findings presented through tables and charts complemented by own interpretation.

Keywords: Strategic alliance, Performance, Partner management, Strategy, Perception.

I. Introduction

It is becoming apparent that as market complexity is growing, firms are increasingly adopting collaborative organizational strategies designed to enable them complement their abilities to compete successfully and to achieve strategically significant goals and objectives that are mutually beneficial (Anderson and Sedatole, 2003; Neergaard et al., 2009).

Literature has already acknowledged a number of positive outcomes for organisations engaged in strategic alliances. For example, alliances have been shown to have a potential for creation of synergy producing results that partners could not obtain without such collaboration. In their literature, Armstrong, (2006) and Grant, (2008) concur that strategic alliances position a firm such that a wide array of opportunities becomes available and that they generate corporate social capital in the form of organizational prestige, reputation, status, and brand name recognition. Kanter, (1994), adds other reasons for forming a partnership to include; donor requirements, need for expansion and reaching out to more geographical areas, sharing skills and information and building resilience through collectivism. However, despite the increasing adoption of this cooperative strategy, they are without drawbacks as shown in different studies that have raised an alarming rate of failure reaching as high as 70% (Das and Teng, 2000).

The adoption of strategic alliances as a corporate strategy to enhance its competitiveness presents a significant challenge to the parent organizations management particularly the decision-making processes where each parent firm has to make a multitude of far-reaching decisions, take actions and make commitments, such as, defining scope and extent of engagement, representation in the alliance, allocating resources among others. According to Colletti et al. (2005), parent organisation will ensure the most effective use of whatever strategic resources it shares with the partners. Hence managers within partner organisations have to manipulate resources to get strategy activities completed efficiently and effectively through efforts in planning, organizing, leading and control which are core management functions (Das and Teng, 1998; Hitt, et al. 2002; Richard, 2003; Gomez and Balkin, 2012).

The relationship between management and performance within a strategic alliance has been studied before relative to planning, organizing, leading and control (Colletti et al., 2005; and Uderzo, 2010); however, these same variables have not been researched or analyzed sufficiently when considering the partner-to-strategic alliance relationship, nor have examples of this construct been applied to alliances that do not have financial objectives as their main motivation. So, instead of discussing the management of an alliance to partner relationship, this paper looks at the management of an alliance partner in relation to the alliance and more specifically perception of performance.

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With the increased attention and adoption of strategic alliances, one critical concern is how performance is measured given the fact that many alliances being formed do not necessarily have financial incentive and objective in their formation but instead are formed to fulfill a range of motives and to overcome an urgent problem which partners feel cannot be approached by individual organisation making performance measurement complicated. This concern has led several researchers to turn to subjective, perceptual measures of partnership performance such as satisfaction and goal achievement (Geringer & Hebert, 1991; Ittner and Larcker, 2003).

This paper focuses and draws its conclusions from a specific alliance that has no financial motivation but one where organisations come together from time to time to drive a specific agenda. The Animal Welfare Action Kenya (AWAKE) was established in 2005, when organisations promoting animal welfare in Kenya came together and formed in line with World Animal Health Organisation (OIE) requirements that the government work in partnership with animal welfare networks and groups to promote animal welfare (OIE., 2003; FAO, 2009). The alliance provides a platform for partnership and enhanced synergy, information sharing, lobbying, advocacy and joint awareness creation thereby achieving more without duplication. One of the senior managers responsible for the alliance will fill in the questionnaire for later analysis to determine the effect of partner management on performance of a strategic alliance of AWAKE specifically the extent to which management functions of planning, organizing, leading and control affect performance of a strategic alliance in AWAKE.

II. Literature Review

2.1. Theoretical Framework

In strategic alliance literature, the social network theory and resource dependency theories have been used to explain an organization’s motivation for forming external collaboration and how management practices are critical to guard the organisations interest without too much exposure (Chi, 1994; Arya & Salk, 2006). Social network theory gives a sociological perspective on how relationships are established and maintained (Neergaard et al, 2009). The theory is central in the study of partnerships and network relations between organizations thus understanding such relationships is important as it can provide important information about potential partners’ capability and reliability. The theory indicates that organizations within the network possess unique social capital that gives them access to specific actors and resources (Arya & Salk, 2006). The social capital is an important element in social network theory as a precondition for the process of transferring and utilizing the knowledge required for the partnership to succeed.

Resource dependence theory proposes that actors lacking the essential resources in their business environment will seek to establish relationships with others in order to obtain the needed resources. A strategic alliance has to contribute to the successful implementation of the strategic plan; therefore, the alliance must be strategic in nature (Margarita, 2009). In a strategic partnership, each of the partners invests resources with the intention of getting as much as possible in return. The theory suggests that certain "strategic resources” generate competitive advantage and superior performance (Chi, 1994). Barney, (1991) adds that alliances enable firms to create new resource bundles that can generate additional rents not otherwise available to either parent. The theory proposes that because the most valuable resources involved are often intangible, a crucial factor determining the return a parent can expect from the collaboration is the amount of control that parent can impose (Mjoen & Tallman, 1997).

Transaction cost theory (Williamson, 1975) suggests that companies form alliances in order to minimize their costs and/or risks, forming an alliance according to the theory represent an internalization process for a firm, thereby removing it from the price vagrancies of the market place, accompanying negotiation, and risk. Thus, according to Williamson (1975), forming an alliance represents one way a firm adapts to an uncertain world.

2.2 Empirical Evidence

2.2.1. The Concept of Management

An important aspect of managerial revolution has been on understanding the meaning of the term management. This has resulted to various definitions of management being set out in literature. Bower, (1966) defined management as the activity or task of determining the objectives of an organisation and then guiding the people and other resources of the organisation in the successful achievement of those objectives. Folop and Linstead, (1999) explains management as the process of getting activities completed efficiently and effectively with and through other people. They further add that management characterizes the process of leading and directing all or part of an organisation, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible).

There is need to consider that strategic alliances foster cooperation between organizations thus the parent organisation management has an impact on the performance of the partnership. According to Colletti et al. (2005), parent organisation will ensure the most effective use of whatever strategic resources it shares with
the partners. Hence managers within partner organisations have to manipulate resources to get strategy activities completed efficiently and effectively through efforts in planning, organizing, leading and control which are core management functions (Das and Teng, 1998; Richard, 2003; Gomez and Balkin, 2012; Hitt, et al. 2012).

These functions of management and performance have attracted scholarly attention. Reviewed literature confirms that effective management positively influences performance and survival of organizations, partnerships and other forms of strategic alliances in the modern competitive economies (Colletti et al., 2005). An analysis by Spekman et al., (2000) concluded that poor alliance management is one of the common causes of their failure estimated to be between 55% (Leisen et al, 2002) and 70% (Das and Teng, 2000). A more recent study by Kukundakwe et al, (2013) pointed out that the management of partnership is fundamental in performance through participatory and effective planning and coordination mechanisms. An earlier study by Uderzo, (2010), highlighted coordination as a fundamental tool to partnership in sharing of knowledge, ideas, past experiences, resources, and a call for joint actions. Other investigations into management strategies affecting performance of micro, small and medium enterprises in Kenya by, Njanja, (2009), all share in the same conclusion that effective management leads to improved performance.

2.2.2. Four Core Components of Management

Drawing mainly from work of Hellsten & Klefsjo, (2000) and Richard, (2003), it can be argued that the deliberateness through which managers take actions to reach intended goal leads to four important parts of management i.e. Planning, Organizing, Leading, Coordinating and Controlling. Managers are the people to whom this management task is assigned (Mohr and Spekman., 1994).

Planning is a deliberate effort designed to lead the organisation to fulfill its mission that includes setting future objectives and mapping out the activities necessary to achieve those objectives. (Gomez and Balkin, 2012). As such, Koontz et al (1990), saw planning as being inextricable linked with decision-making by looking at planning to be deciding in advance what to do, how to do it, when to do it, and who is to do it. It is a deliberate effort designed help managers set objectives for the future and map out the activities and means that will make it possible to achieve those objectives Gomez-Mejia, (2012). This entails the creation of a path leading to the intended goal(s), allocation of resource and presence of implementation guidelines that show how the intended actions will be carried out along with expected activities establishing performance standards (Mintzberg, 1994; Geringer & Hebert, 1991). According to Margarita, (2009), strategic alliance has to contribute to the successful implementation of the strategic plan which is a long-term strategy for the organisation. This should also reflect in the short term plans and in the policies of the organisation.

Gomez and Balkin, (2012) discusses the management function of organizing as the process of determining how the firm’s human, financial, physical, informational, and technical resources are to be arranged and coordinated. This includes defining roles for all players, delegating tasks, marshalling and allocating resources, clarifying procedures, and determining priorities. Earlier, Koontz and Donnel, (2000) had suggested that organizing creates a mechanism to put plans into action that involves designing and creating an organizational structure, which will assist in carrying out its activities. It is essential that the appropriate type of structure be identified and developed that supports the way the organisation allocates resources, assigns tasks, and goes about accomplishing its goals (Richard, 2003).

Leading is a management function that energizes people to contribute their best individually and in cooperation with other people (Gomez and Balkin, 2012). According to the same author, leading involves clearly communicating organizational goals, inspiring and motivating employees, providing an example for others to follow, guiding people, and creating conditions that encourage people from diverse backgrounds to work well together. However, if planning and organizing haven’t been done well, this function will not succeed. According to Folop and Linstead, (1999), the process of leading often involves the deployment and manipulation of human, financial, material, intellectual or intangible. Richard, (2003) highlights that in many organizations, leading involves making assignments, assisting workers to carry out assignments, interpreting organizational policies, and informing workers of how well they are performing. To effectively carry out this function, managers must have leadership skills in order to get workers to perform effectively (Rosenzweig, 2007).

Control is a management function that measures performance, compares it to objectives, implements necessary changes, and monitors progress (Gomez and Balkin, 2012). It constitutes a set of activities that ensure that the activities of organisation members are leading the organisation towards its goals (Stevenson, 2000). Organisations achieve this by influencing, to varying degrees, the behavior and output through the use of power, authority and a wide range of bureaucratic, cultural and informal mechanisms (Ouchi, 1977). Colletti et al., (2005) and McGregor, (2009), concluded that perceptions of performance are strongly and positively related to overall control. Geringer and Hebert, (1989) proposes that control can be achieved through governance structures, the planning process, the reporting relationships and a variety of informal mechanisms.
2.2.3. The Concept of Performance in a Strategic Alliance

To a large extent, performance depends on how resources are allocated, effective management of people and the management’s ability to adapt to changing conditions (Gomez & Balkin, 2012).

The debate in literature has predominantly focused on performance in a variety of financial indicators, such as profitability, growth and cost position (Lecraw, 1984). Strategic partnership may not be intended to fulfill financial objectives such as profit generation, but may instead be formed to fulfill a range of motives or to overcome an urgent problem which they feel they cannot or should not approach on their own. Hence, the extent to which a partnership has achieved its aims may not be adequately reflected by financial and objective measures. This has led several researchers to turn to subjective, perceptual measures of a partnership performance such as satisfaction and goal achievement (Killing, 1983; Beamish, 1987).

In discussing the strategic alliance, we have concentrated on analyzing the results on perception of individual managers to the two elements under study i.e. partner management and performance as it relate to the strategic alliance of AWAKE. We are concerned not only with the perception of a particular management function but also but also with the overall picture of the effect.

III. Methodology

In the study we used descriptive research design using a case approach to enhance a systematic description that is accurate, valid, reliable and current (Mugenda and Mugenda, 2003). The importance of a case study was emphasized by Kothari, (2009) and Saunders, 2009 who stated that a case study is a very powerful form of qualitative analysis that involves a careful complete observation of a social unit irrespective of what unit is under study. The research methodology for this study was primary data using a questionnaire as the main data collection instrument.

The independent variables were drawn from the core management functions of planning, organizing, leading and control (Hellsten & Klefsjo, 2000 and Richard, 2003) as the independent variables and a non-financial measure of performance perception of satisfaction and goal achievement (Geringer & Hebert, 1991) as the dependent variable for the study.

To draw meaning from the data collected, correlation and multivariate regression analysis were used to estimate the relationship between variables. This was made possible by the use of R computing statistical package. However, the questionnaire was distributed to ten (10) purposively sampled organisations that are representative of the population. The target population of the study was 20 organisations within AWAKE alliance resulting to a 50% sample of the population. According to Field, (2005) and Mugenda, (1999) the sample met a good threshold. Only nine (9) returned back the copy of their questionnaire for analysis in line with the set specific objectives.

The analysis adopted a regression analysis formula as follows;

\[ Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \]

Where :-

- \( Y \) = Strategic Alliance Performance (Satisfaction with AWAKE) being the Dependent variable
- \( \alpha \) =constant. It defines the value of \( Y \) if all independent variables have a value of Zero
- \( X_1 \) = Planning, \( X_2 \) = Organizing, \( X_3 \) = Leading and, \( X_4 \) = Control
- \( \beta_1, \beta_2, \beta_3, \beta_4 \) = Regression Co-efficient defines the amount by which \( Y \) is changed for every unit change of predictor variables \( (X_1, X_2, X_3 \) and \( X_4) \).

IV. Findings And Discussion

4.1. Profile of the organisations

To establish grounds for authentic responses, the researcher had sought to establish the duration the respondent had represented his/her organisation within in the alliance and how long the organisation had been a member of the alliance. Based on the data, 33.5% of respondents had represented their organisations for 10 years, 22% had represented their organisations for 7 years, 11% had represented his organisation for 5 years while 33.5% had represented their organisations for 1 year. From the study, it was evident that majority of the respondents had a fair knowledge of AWAKE and the interest of their respective organisations in the alliance. It was also established that the sampled organisations had joined AWAKE on different years making an average period of membership to 5.556 years. This indicated that all the organisations had a long relationship with the alliance. Nevertheless, it was observed that 56% of the organisations did not have a partnership policy while 44% had a partnership policy. An overall observation was that AWAKE as an strategic alliance does not have a well-structured and established secretariat.

4.2. Effect of Planning on Performance

The study found out that 56% of the organisations had acknowledged the alliance as a strategy in their long-term plans. However, the respondent felt that the alliance activities were not well captured in the short term.
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plans. This was attributed to the fact that the alliance had not developed a routine calendar of activities but responded on emerging issues. Just like in an earlier study by Elena, (2010) that concluded that the effective planning leads to improved performance, the respondent felt that planning affect performance of the alliance. However, aspects of planning such as financial resource allocation, clarity of organizational goal and objectives and decision making had more effect on performance.

4.3. Effect of organizing on performance

The research established that partners’ effort in determining how the human, financial, physical, informational, and technical resources are arranged and coordinated was an integral element that affected the performance of the alliance considerably. And as Dawson, (1996) recons that organizing is managerial operations that affects, staffing and control this function precede planning. Ability to marshal resources, clarity of roles and clarity of organisation procedures and priorities were consideration to affect performance in that order. From the regression analysis, organizing had the most effect with a positive Beta coefficient of 0.61 and p value of 0.22.

4.4. Effect of Leading on performance

Regarding the effect of leading on performance, the study revealed that leading practices by the partner organisation are intended to energize staff to contribute their best individually and in cooperation with other others. Many respondents felt that the contribution of this function to performance of the alliance was limited. However, further analysis of data showed that communication and interpreting policies within the organisation to employees had a high correlation effect on performance. Effective communication has been hailed as a key success factor of an alliance (Mohr and Spekman, 1994). Team work aspect within the organisation was also established as a critical issue that affected performance.

4.5. Effect of control on performance

Control has been shown as an approach that is progressively pursued over time both before the action, during planning, and after the action in the monitoring and analysis of results phase (Mjoen, H. and Tallman S., 1997). The research established that most of the organisations have not set up mechanisms of control as described by Gomez and Balkin, (2012) as a management function that measures performance, compares it to objectives, implements necessary changes, and monitors progress through governance structures, the planning process, the reporting relationships and a variety of informal mechanisms. In this alliance, it was established that respondents indicated a small extent of relationship between control and performance of the alliance.

V. Regression Analysis

Regression analysis involves identifying the relationship between a dependent variable and one or more independent variables. The data findings analyzed showed that taking all other independent variables at zero, a unit increase in partner planning will lead to 0.07143 increase in alliance performance; a unit increase in process organizing will lead to 0.60714 increase in alliance performance; a unit increase in leading will lead to 0.39286 decrease in alliance performance while a unit increase in control will lead to 0.32143 decrease in alliance performance.

In this study the multivariate equation was of the form of: equation Y= 0.85714+ 0.07143X1 + 0.60714X2 – 0.39286X3 - 0.32143X4. The beta coefficients show the estimates of predictors; X1, X2, X3, X4. Using a data set of 10 AWAKE members, the effects of various aspects of (Planning, Organizing, Leading, and Control) were found to have a beta coefficient of 0.07143, 0.60714, – 0.39286 and - 0.32143 as values of X1, X2, X3 and X4 respectively

A Positive beta means that all the factors had a positive effect on the performance of AWAKE while a negative coefficient was an indicator that the attribute had a negative effect on the performance of AWAKE. Constant or Y intercept in this study was 0.85714. Table 4.12 summarizes the beta coefficients and the constant of this study.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.7509</td>
<td>0.5638</td>
<td>0.1276</td>
<td>0.4119</td>
<td>0.4049</td>
</tr>
</tbody>
</table>

Source: Researcher, 2014
a. Predictors: Planning, Organizing, Leading, and Control
b. Dependent variable: performance (measured by goal satisfaction)
A large p value is indicative of no evidence of lack of fit of the model we fitted i.e. it was a good model.
The regression model determines whether performance of AWAKE has a linear dependence on planning, organizing, leading and control activities of the partners. The study established an R-squared value of 0.5638. The coefficient of determination depicts that the four management factors contribute 56% to the performance of AWAKE while other factors not studied in this research contribute 44% variability of the factors that contribute to performance of AWAKE.

### Table 5.2: Regression Coefficients

|                | Estimate  | Std. Error | t value | Pr (>|t|) |
|----------------|-----------|------------|---------|----------|
| (Intercept)    | 0.85714   | 0.36509    | 2.348   | 0.0787 ** |
| Effect of control | -0.32143  | 0.3733    | -0.861  | 0.4378  |
| Effect of leading | -0.39286  | 0.30146   | -1.303  | 0.2625  |
| Effect of organizing | 0.60714  | 0.41917   | 1.448   | 0.2211  |
| Effect of planning | 0.07143   | 0.42633   | 0.168   | 0.8751  |

Independent variables: Planning, Organizing, Leading, and Control

Beta coefficients show the estimate of the variables. The higher the value of the coefficient is the more the variable influences the dependent variable. Although all attributes of management were not statistically significant influencing the performance of AWAKE at p=0.07, the organizational control had a negative coefficient (with a Beta coefficient of -0.32 and a p value of 0.4), leading had a negative coefficient of -0.39 and a p value of 0.26, planning had a positive effect with a Beta coefficient of 0.07 and a P value of 0.8 while organizing had the highest positive Beta coefficients of 0.60, and p value of 0.22.

### VI. Conclusion

The general objective of this study was to analyze the effect of partner management on performance of a strategic alliance. The study concludes to a large extent, planning has the highest effect on performance of the alliance within which resource allocation, delegation of duties, decision making and organizational goal and objectives were felt important respectively. On organizing, the study concludes that marshaling and allocation of resource have the highest effect on performance of strategic alliance. On leading, the study concludes that communication of organisation goals to employees and the ability to interpreting policies within the organisation affect performance. The study concludes that the organisation should focus on these aspects to enhance performance of the alliance. Without clear activity calendar for the alliance, most organisations have not developed clear mechanisms for determining effect of control. Though control had a negative beta coefficient setting performance targets and standards were critical.

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