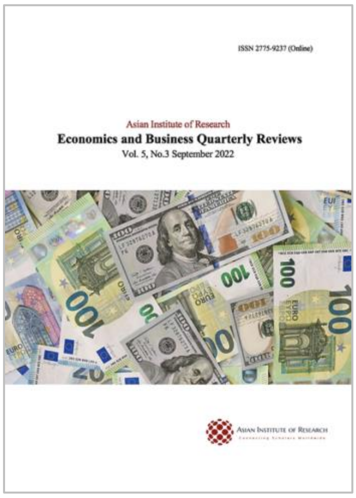

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Partner Related Motives and Strategic Alliance Formation: Evidence from Small and Medium Enterprises in Kenya

Richard K. Muthoka[1], James M. Kilika[2], Stephen M. A. Muathe[3]

[1,2,3] School of Business, Kenyatta University, Nairobi, Kenya.

Correspondence: Richard K. Muthoka. Email: rmuthocah@gmail.com

Abstract
This study investigates the effect of partner-related motives on firm performance, and the study targeted manufacturing SMEs based in Kenya. The partner-related motives were operationalized as the social factors of reputation-based motives, historical-based motives, and institutional-based motives, while firm performance is operationalized as sales growth and net profit. The target population for the study consisted of 74 SMEs based in Nairobi City County with existing strategic alliances. The study adopted descriptive and explanatory research designs and collected data from company CEOs or senior managers. The survey data was analyzed using descriptive and inferential statistics. The survey findings showed that partner-related motives have been adopted and practiced by manufacturing SMEs to a high extent (M=3.68; S.D.=0.83). The study findings indicate that partner related motives have a significant effect on performance of manufacturing SMEs (Adj R^2=0.525, β=0.444, $p<0.05$). Accordingly, manufacturing SMEs in Kenya are motivated to form strategic alliances by reputation-based motives and institutional-based motives, with the same motives having a positive effect on SME performance. In contrast, historical-based motives have no significant effect on SME performance. Therefore, the study concluded that reputation-based motives push manufacturing SMEs in Kenya to engage in strategic alliances while, historical-based motives and institution-based motives pull manufacturing SMEs in Kenya to form strategic alliances with other firms. The study recommended that top managers in the manufacturing SMEs need to adopt a vigorous diagnostic process to identify and define their partner-related motives. The study observes that such a move will enable the manufacturing SMEs to identify the most suitable alliance partner(s) who can offer complementary resources to improve performance.

Keywords: Firm Performance, Manufacturing Sector, Partner Related Motives, Small and Medium Enterprises, Strategic Alliances

1. Introduction

The demand by firms to maintain a sound performance despite the challenges posed by changes in the business environment has accelerated the rate at which firms form strategic alliances. The challenges of globalization, market liberation, and continuous changes in customer preference have necessitated strategy change, especially for resource-scarce firms like Small and Medium Enterprises (SMEs) (Gundolf *et al*., 2017). As such, the move to embrace joint cooperative strategies like alliances has become a viable strategic move for firms in the last decade, with such strategies assisting firms to lower the cost of business, reduce the risk of business, or enrich resource bundles and performance improvement (Whipple *et al*., 1996). The study conceptualizes strategic alliances as an agreement formed by two or more independent firms to fulfill their corporate strategies, which are mainly geared towards performance improvement and increasing competitiveness (Hitt, 2000).

The stream of research on strategic alliance motives has gained popularity as scholars try to unravel the factors behind strategic alliance formation. Different theoretical perspectives have been embraced to explain strategic alliance motives. For instance, the resource perspective has been one of the popular arguments supporting alliance formation (Eisenhardt & Schoonhoven, 1996), especially in the context of Small and Medium Enterprises that lack sufficient resources (Castellucci & Ertug (2017). Other theoretical perspectives include social embeddedness (Gulati, 1996) and institutional attributes (Dickson & Weaver, 2011). Further to the theoretical perspectives, different factors have been used to categorize alliance formation motives. Gils and Zwarts (2009) categorized strategic alliance motives into firm-based motives, environmental-based motives, and partner-related motives. Oliver (1990) categorized strategic alliance motives into organizational and environmental factors based on diverse contingencies. Under this categorization, organizational factors included firm efficiency and stability, while environmental factors included necessity, asymmetry, reciprocity, legitimacy, market growth, competitive position in the industry, and regulation. Kinderis and Jucevicius (2013) categorized strategic alliance motives based on strategic intentions for firms, whereas, Eisenhardt and Schoonhoven (1996) categorized strategic alliance motives into strategic and social motives.

Based on the aforementioned, this study adopts the resource perspective and argues that the need for resources is a core motivator for SMEs to seek strategic alliances with other firms. However, since the resource argument provides a broad categorization of motives, the study uses the definition of motives advanced by Gils and Zwarts (2009) that strategic alliance motives constitute organization-based motives, industry/environmental based motives, and partner-related motives. Besides adopting this categorization, this study goes a step further and groups the partner-related motives into pull and push motives.

The literature on strategic alliance motives has demonstrated that different firms, industries, and contexts will generate different motives for organizations and as such, firms will form strategic alliances that fulfill different purposes based on their motives (Whipple et al., 1996). For example, Gundolf *et al*. (2018) established that micro-firms in France's cultural and creative industries are motivated to form strategic alliances by organizational and strategic factors of opportunism and necessity guide the micro-firms to form strategic alliances. Gils and Zwarts, 2009 identified that strategic alliance formation among SMEs in Belgium and Netherlands is motivated by organizational, partner-related, and environmental-based motives. Dickson and Weaver (2011) established that manufacturing SMEs from eight European countries are motivated to form strategic alliances by different institutional factors in the external environment, that encourage SMEs to form strategic alliances with other firms.

This study seeks to investigate strategic alliance motives from the context of a developing economy and targets SMEs in the manufacturing sector in Kenya. Gundolf *et al*. (2018) observe that focusing on a specific industry generates knowledge on the subject matter specific to the industry under investigation. This study, therefore, seeks to generate knowledge specific to the manufacturing sector and the factors that contribute to strategic alliance formation among SMEs in this sector. The manufacturing sector in Kenya is a critical sector that contributes to economic growth, industrialization, and social support through employment and poverty reduction.

Moreover, this study seeks to expand the scope of empirical studies on strategic alliances in developing economies like Kenya by highlighting the partner-related motives that contribute to strategic alliance formation among SMEs in the manufacturing sector. Majority of studies on strategic alliance formation motives in developing economies have mostly concentrated on firm-based motives (Muthoka *et al*., 2021; Jeje, 2014) and environmental-based motives (Muthoka *et al.*, 2022). This scarcity of studies on strategic alliance motives in developing economies has limited our understanding of the motives that lead to alliance formation among firms operating in developing economies, especially partner-related motives among SMEs (Gils & Zwarts, 2009).

To fulfill the study's mandate, the study was guided by four objectives, one, to establish the effect of partner-related motives on SME performance, two, to establish the effect of reputation-based motives on the SME performance, three, to determine the effect of history-based motives on SME performance, and four, to ascertain the effect of institutional-based motives on SME performance. This paper is subdivided into four sections. Section one reviews existing literature on partner-related motives, while section two presents the research methodology and target group. Sections three and four present the study findings and a discussion of the partner-related motives and their effect on SME performance. The last section presents the study's conclusion, implications of the study findings, and future research.

1.1. Strategic Alliances and Partner-Related Motives

The strategic alliance literature has documented empirical evidence on the benefits of strategic alliances to SMEs. These include gaining access to markets, product distribution, and marketing, overcoming trade and regulatory challenges (MeCutchen & Swamidass, 2004), knowledge acquisition, exploit economies of scale advantages (Schoonjans *et al.*, 2013). Besides the benefits that firms gain from joining strategic alliances, the motives of forming such partnerships highlight that firms are motivated by different factors specific to the firms, the industry, and partner characteristics (Gils & Zwart, 2009). This study adopts the perspective that manufacturing SMEs face diverse challenges that push and pull them to form alliances geared towards specific partner characteristics. This study adopts the definition formulated by Fasaya *et al.* (2022) to define push and pull motives for strategic alliance formation. The push motives are mainly firm and sector-specific factors that make joining strategic alliances attractive for firms while pull factors consist of prospective opportunities in the external business environment that make joining a strategic alliance attractive for firms.

Commonly featured partner-related characteristics in strategic alliance studies include reputation, the prior alliance experience, and alliance partner firm size (Gils & Zwart, 2009; McCutchen & Swamidass, 2004). The literature on SMEs indicates that these firms suffer from the challenges of smallness and newness, affecting their social status and reputation (Singh *et al.*, 1986). One of the strategies exploited by firms to overcome such challenges is forming strategic alliances with other firms that are considered reputable and having good status. In this case, good reputation is associated with value creation by different stakeholders from an economic and product quality perspective which translates to competitive advantage for a firm (Chandler *et al.*, 2013). This study considers reputation to be a firm-specific factor thus aligning the desire to improve reputation as a push motive. This study observes that SMEs will be motivated to form strategic alliances to improve their company reputation. The study classifies these motives as enhancing company reputation motives.

Strategic alliance literature indicates that prior partnership can result in future partnerships, especially where the previous partnership was successful. For instance, Dekker and Abbeele (2010) have argued that prior alliance experience with a specific partner motivates alliance formation due to knowledge about the partner's resources, routines, and competencies. Likewise, Goerzen (2007) points out that prior alliance relationships provide an easy avenue for alliance formation due to prior ties, trust, and mutual understanding. This study, therefore, observes that the interest of prior strategic alliance partners to form new strategic alliances presents the opportunity to form new strategic alliances form manufacturing SMEs as such, these motives are considered as pull motives. This study categorized these motives as historical-based motives.

Empirical studies have indicated that firms are also motivated to form alliances by their partner's firm size. The partnership between small and large firms has demonstrated that small firms might be motivated to join such alliances for reputational resources, brand recognition, status, and image (Alveraz & Barney, 2001; Barabel *et al.*, 2014). When the firm size is a source of advantage, small firms are motivated to enter an alliance with large firms to gain competitive advantages and increase their survival rate through access to resources and capabilities (McCutchen & Swamidass, 2004). Similarly, Shaw (2006) believes that firms seek alliances with partners they perceive as a source of complementary resources to improve their performance. This study, therefore, observes that SMEs will be motivated to form strategic alliances with firms they consider larger than their firms. Hence, these motives are considered push motives which this study labels as institutional-based motives.

This study, therefore, hypothesized that manufacturing SMEs in Kenya would be motivated to form strategic alliances centered on reputation-based motives, historical-based motives, and institutional-based motives. Based on the conceptual and literature reviewed, the study perceived that such motives would positively affect the performance of SMEs in Kenya.

1.2. The Small and Medium Enterprises in the manufacturing Sector in Kenya.

This study adopted the Kenyan definition of SMEs to mean firms with employees between 10-100 (Micro and Small Enterprises Act, 2012), while manufacturing firms are perceived by this study as those involved in value addition through processing raw materials (Kenya Association of Manufacturers, 2018). SMEs dominate the manufacturing sector in Kenya, which features 13 sub-sectors, namely, Building, Mining and Construction, Chemical and Allied, Energy, Electrical and Electronics, Fresh Produce, food and beverage, Leather and Footwear, Metal and Allied, Motor Vehicle and Accessories, Paper and Board Timber, Pharmaceutical and Medical Equipment, Plastic & Rubber, Textile and Apparel, and Timber Wood and Furniture.

Most SMEs in the manufacturing sector produce to serve the local market, with few firms exploiting regional and international markets (Chege *et al.*, 2014). Therefore, this has limited the diversification of products among manufacturing SMEs, and inhibited their efforts to compete against imports into the local market (UNIDO, 2011). The presence of vertical and horizontal partnerships among manufacturing SMEs and other firms is a testimony to the desire of SMEs to overcome the challenges they face and maintain a satisfactory level of performance.
Even though the presence of strategic alliances among manufacturing SMEs in Kenya is documented (Rambo, 2012; Muange & Maru, 2015; Muteshi & Awino, 2018; Muthoka *et al*., 2021), the performance of these firms has been on the decline over time (Otieno, 2007). Adopting strategies like strategic alliances has failed to alleviate some perennial challenges faced by manufacturing SMEs, like using outdated technologies, poor-quality raw materials, non-compliance with complex regulations, and failure to protect their market share from foreign competitors. As a result, there is a need to create an enabling environment to facilitate manufacturing firms, especially SMEs, to exploit collaborative strategies and boost their performance as well as augment their contribution to nation-building (Kenya Vision, 2030). This study argues that identifying the alliance formation motives can guide the alliance formation process among SMEs and contribute to identifying suitable alliance partners who can provide access to the necessary resources needed by SMEs to improve their performance. This therefore makes the concept of strategic alliance motive important in studies of organizational performance.

1.3. Problem Statement

The domination of the manufacturing sector by SMEs is a clear indication of the vital contribution of these groups of firms to economic development. However, SMEs in Kenya have been experiencing poor performance due to challenges experienced in the manufacturing sector (Otieno, 2007). Besides the documented impact of a strategic alliance on performance improvements (Rambo, 2012; Muange & Maru, 2015; Muthoka *et al*., 2021), there is a need to expand the contextual scope of studies on strategic alliances in Kenya by investigating the reasons for poor performance among SMEs despite the formation of strategic alliances with other firms. This study expands this contextual scope by investigating the strategic alliance formation motives, precisely, partner-related motives, and how such motives affect performance of SMEs in the manufacturing sector in Kenya.

The study also contributes to strategic alliance literature by offering comparable data on partner-related motives that motivate firms to form strategic alliances which Gils and Zwart (2009) observe as scarce. In addition, a review of the literature on strategic alliance motives reveals that most of the empirical studies already undertaken focusing on strategic alliance motives have favored developed economies (Alveraz & Barney, 2001; McMutchen & Swamidass; 2004; Goerzen, 2007; Gils & Zwart, 2009; Baraqbel Meier & Soparnot, 2014) with less attention offered to developing economies. This discrepancy has created geographical bias and limited the application of the study findings. To bridge this gap, this study focused on Kenya, a developing economy, and contributes towards availing comparable data with prior studies undertaken elsewhere.

2. Review of Literature

2.1 Theoretical Review

2.1.1. Resource-Based View

The RBV has extensively been adopted in strategic alliance studies to demonstrate the perspective of resources held by other firms and how such resources can create value for organizations (Barney, 2001). This study extends the same perspective and perceives the RBV as a suitable theory to support the study of strategic alliance formation motives (Das & Teng, 2000). To this end, SMEs' general lack of resources motivates them to form strategic alliances a strategy that the RBV considers viable for acquiring resources (Das & Teng, 2000; Gundolf *at al*., 2018). Firms seek to boost their internal resources base by forming cooperative strategies to access the resources, skills, competencies, and capabilities held by other firms to achieve the correct resource bundles that are configurable to create value (Mahoney & Kor, 2003; Wilden *et al*., 2013). The economic value of complementary resources acquired by joining a strategic alliance motivates alliance formation (Lin *et al.*, 2009).

Aligned to the resource perspective is the argument that firms will be motivated to form a strategic alliance with partners they perceive to possess the correct mix of resources that can complement their existing resources. To this end, the resource limitation of SMEs will push and pull them to form strategic alliances to gain access to scarce and strategic resources that can enable them to improve their performance and competitiveness. For example, SMEs will be motivated to ally with firms perceived as reputable to gain access to reputational resources (Gu & Lu, 2014).

The acquisition of new resources, skills, and competencies can contribute to performance and competitive improvement when such resources create value by improving value chain activities for the manufacturing SMEs, improving firm reputation, status, and the image the SMEs. Such intangible resources have been characterized as inimitable, firm-specific, and can contribute to a firm's competitive advantage (Barney, 1991, Peteraf, 1993). Even though the resource argument is well articulated by the RBV, the process of resource exchange within a strategic alliance is better demonstrated using the resource dependance theory.

2.1.2. Resource Dependence Theory (RDT)

The RDT theory explains the relationships between organizations and their external environment through organizational adaptations and interdependencies (Poole & Van de Ven, 2004). According to Pfeffer and Salancik (1978), interdependence occurs when firms do not have total control over the environmental conditions to achieve their business strategy. The same authors argue that interdependencies arise due to a lack of control over all circumstances surrounding the achievement of organizational goals.

Therefore, the theory articulates that organizational performance can be explained by how organizations utilize external resources held by other firms to complement existing organizational resources. The theory extends the concept of organizational resources by focusing on a focal firm depending on the external resources held by other firms. The theory observes that access to the resources held by another firm is contingent on the dependencies created by partners in an alliance (Parmigiani & Rivera-Santos, 2011).

The RDT theory advocates relationship-building among partners through a functioning strategic alliance collaboration, which helps access resources and capabilities held by partner organizations (Das & Teng, 1996). This study adopted the RDT theory to demonstrate the resource acquisition process in strategic alliances and the conditions necessary to facilitate resource exchange among partners.

2.1.3. Institutional Theory

The origin of the institutional theory can be traced back to the 1970s from the works of Meyer and Rowan 1977 and Zucker 1977 as well as the works of DiMaggio and Powell 1983. The primary proposition in the theory is from a sociological perspective which demonstrates how social structures transform into influential determinants of organizational behaviour (Chell & Karatas-Ozkan, 2014). According to Scott (2011), an institution that influences how organizations behave is an essential feature in an organization's environment and organizations need to achieve an institutional-environment equilibrium for organizations to survive in their environment.

The sociological perspective of the institutional theory perceives organizations as competing for political power, legitimacy, and social and economic well-being. As a result of this competition, the institutional theory points out that organizations face external pressure to change their behavior and emulate other organizations that are perceived to have political power, legitimacy, social acceptance and good performance. According to the institutional theory, this influence of organization behaviours by other organizations in the same industry/sector results in isomorphism (Scott, 2011).

The institutional theory perceives isomorphism as a pathway to organizational legitimacy when organizations adhere to common structures, systems, practices, and strategies acceptable to different stakeholders (DiMaggio & Powell, 1983). According to Deephouse and Carter (2005), this conformity might result from working together in the same industry or enforcement by regulatory bodies. The institutional theory also explains an organization's reputation from a status perspective by arguing that low-status organizations will pursue strategies that improve their status by adopting mimetic behavior (Dickson & Weaver, 2011). Tseng and Chou (2011) observe that organizational behaviour reflects the norms, values, and rules present in the business environment and that such behaviour sways strategic choices made by top management teams. In practice, SMEs that strive to gain legitimacy and improve their reputation might be compelled to form strategic alliances with large firms in the industry, while SMEs experiencing poor performance might enter strategic alliances with well-performing firms (Yang *et al.*, 2014; Palthe, 2014).

2.2 Conceptual Review

2.2.1. Conceptual Framework

The conceptualized framework highlights the inter-relationships in the survey variables based on the reviewed literature. In addition, the conceptual framework illustrates the hypothesized relationship between partner-related motives and SME performance.

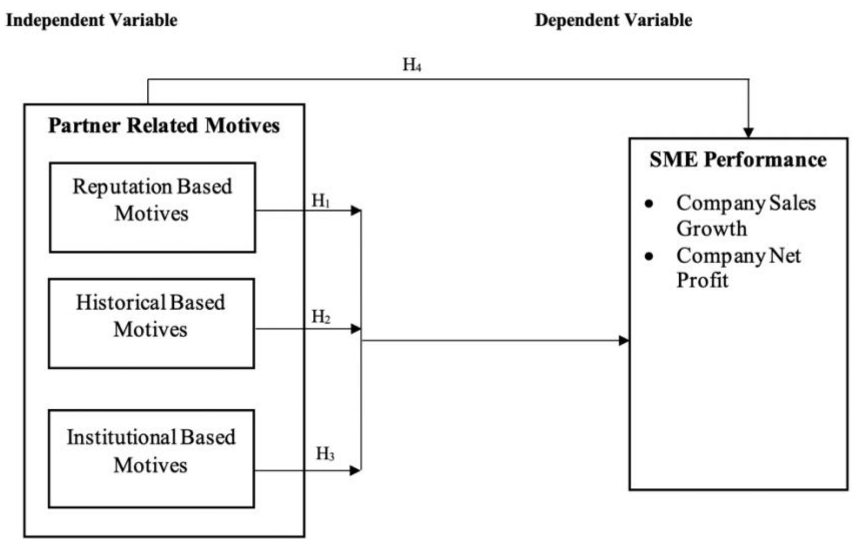

Figure 1: Conceptual Framework

2.2.2. Partner-Related Motives and SME Performance

Different perspectives have been adopted to study strategic alliances and the motives behind their formation. However, this study perceives that for Small and Medium Enterprises, the demand for resources supersedes any other need due to their resource limitation characteristic. The acquisition of social resources has been singled out as critical for the performance of SMEs due to lack of legitimacy, poor reputation, and social status (Stern *et al*., 2014). These firms will seek a strategic alliance to acquire these strategic resources to complement their internal resources (Lin et al., 2009).

Therefore, Small and Medium Enterprises will be motivated to form strategic alliances as guided by their motives to enhance their reputation. According to Gu and Lu (2014), a firm with a bad reputation will seek to form a strategic alliance, especially with firms considered to have a good reputation, to improve their status and performance. Likewise, Powell *et al*., 2017) determined that social status was pivotal in motivating Japanese firms to join international alliances. The authors also established that reputation played a role in motivating firms to form strategic alliances, especially when there is a mismatch between the social status of the two firms, for example, firms of different sizes.

This study assumes that the alignment of SMEs with other firms either locally, regionally, or internationally can grant them social resources of reputation and status, thus enhancing their customer's confidence in the SME's products. The literature on strategic alliances infers alliances as a proxy for building reputation in organizational studies (Stern *et al*., 2014). As such, firms, especially small firms that form a strategic alliance with other reputable firms, can improve their company reputation through association and consequently build stakeholder's confidence in the value of the organization's products and services, thus attracting more customers, which translates to superior performance (Stuart, 2000). In addition, reputation has also been associated with sales growth, capital access, and firm survival (Chandler *et al*., 2013). The study groups the desire to improve a firm reputation as a push motive that makes the formation of strategic alliance attractive for manufacturing SMEs.

H_1: For SMEs adopting strategic alliance as a strategic option based on their reputation-based motives, there will be a significant effect on the reputation-based motives and the respective SME performance.

This study observes that manufacturing SMEs will be motivated to form strategic alliances by historical-based motives associated with prior strategic alliance engagement. The strategic alliance literature posits that the interest of prior alliance partners to ally can be a motivating factor in alliance building. According to Zaheer *et al*. (2010), a prior alliance with the same partner offers information benefits accrued from a past partnership, and as such, the two partners possess information on the suitability of the other firm and the benefits they can offer. Such knowledge may include the resources, skills, and capabilities held by both firms and expectations of future behaviour during the alliance's lifetime. The possession of such information about the partner motivates the creation of strategic alliances among firms due to the assurance and confidence it offers.

Powell *et al*. (2017) established that prior strategic alliance experience influences the formation of strategic alliances and that firms are motivated to enter into a strategic alliance with prior partners. A study targeting twelve micro-firms in the creative industry in France established that firms are motivated to form future collaborations with other firms that they trusted and perceived as reliable partners (Gundolf *et al*., 2018). This study, therefore, assumes that in the presence and interest of a past alliance partner, manufacturing SMEs will be motivated to join a strategic alliance, and such an alliance should improve the performance of the SME. This study groups this set of motives as pull motives that makes the formation of strategic alliance attractive for manufacturing SMEs.

H_2: For SMEs adopting strategic alliance as a strategic option based on their historical-based motives, there will be a significant effect of the historical-based motives and the respective SME performance.

Another partner-related motive associated with alliance formation is institutional-based motives. The decision to form a strategic alliance with a large firm by top managers in SMEs reflects an awareness that large firms possess a wealth of resources, competencies, and capabilities that can support the value chain activities of SMEs (Alvarez

& Barney, 2001). Barbel *et al*. (2014) offer that where an alliance between a small firm and a large firm is based on mutual objectives and shared values, the small firms stand to benefit without fear of exploitation by the large company. Despite the asymmetric status between SMEs and large firms, Castellucci and Ertug (2017) believe that small firms that are beleaguered by status challenges will benefit from such asymmetric alliances with gains including product improvement and valuation, better strategic position, and reduced uncertainty (Chandler *et al*., 2013). A different study by Yang *et al*. (2014) reported that small firms that ally with a large firm can exploit their resources to improve their manufacturing processes, marketing functions, and financial and technological resources. Moreover, the same authors argue that such alliances are accredited with granting small firms' legitimacy and enabling them to overcome their liabilities of smallness and newness.

Organizations also seek partnerships and alliances with industry institutions and professional bodies to gain legitimacy, which translates to an endorsement from different stakeholders and helps resource acquisition (Walker & McCarthy, 2010). The same authors point out that a firm's embeddedness in its environment increases its survival rate, especially in a competitive environment. This study groups this set of motives as pull motives that makes the formation of strategic alliance attractive for manufacturing SMEs.

H_3: For SMEs adopting strategic alliance as a strategic option based on their institutional-based motives, there will be a significant effect of the institutional-based motives and the respective SME performance.

H_4: For SMEs adopting strategic alliance as a strategic option based on their partner-related motives, there will be a significant joint effect of the three partner-related motives and the respective SME performance.

3. Research Methodology

This study adopts a positivism philosophy to establish the existing causal links between partner-related motives and SME performance and contribute to generating knowledge to understand the paradox of organizational performance better. This study utilized descriptive and explanatory research design to explain partner-related motives. The target population for the study consisted of SMEs that are formally operating in Nairobi City County, Kenya and registered with the Kenya Association of Manufacturers (KAM), this constituted the study population. A confirmatory exercise was carried out using telephone interviews to identify the manufacturing SMEs with active strategic alliances. The exercise targeted Chief Executive Officers in the manufacturing SMEs and requested the CEOs to report whether his/her firm had active strategic alliance with other firms. A list of 74 SMEs was generated, which constituted the study sample of manufacturing SMEs operating in Nairobi City County, Kenya.

The respondents for the study were the CEO or any other senior manager in the targeted SMEs, and structured questionnaires were used to collect the primary data. The primary data was collected using structured questionnaires and the data collection process included attaining the appropriate government research permit. The study adopted the drop and pick approach to distribute the questionnaires to the respondents and bi-weekly follow-ups were carried out to ensure that respondents filled the questionnaires. The data collection process was undertaken between October 2020 and February 2021. The study achieved a response rate of 100 percent.

3.1. Research Data

The independent variable partner-related motives were operationalized and measured on a five-point Linkert scale to demonstrate how the motives push or pull manufacturing SMEs to form new strategic alliances. The component of reputational-based motives was measured by how the need to improve the company's reputation pushes or pulls manufacturing SMEs to form strategic alliances. The historical-based motives were measured by using the interest of prior strategic alliance partners to form a new strategic alliance with manufacturing SMEs. In contrast, the institutional-based motives were measured by using the firm size and the desire of manufacturing SMEs to form strategic alliance with larger firms.

The measurement of SME performance as a dependent variable was pegged on achieving organization goal(s), which are directly associated with resource utilization. The study perceived the formation of strategic alliances as based on specific strategic goal(s) whose attainment is rated using financial or non-financial performance indicators. In studies targeting SMEs, the typical performance indicators used include growth and profitability (Glancey, 1998; Flatten *et al*., 2011; Gronum *et al*., 2012). This study followed the same trend and operationalized firm performance using financial sales growth and net profit indicators. The respondents were requested to provide the performance information using a 5-point Likert scale which sought to measure the relative change in overall sales, and net profits from the time of joining the strategic alliance.

The reliability of the study instrument was checked using Cronbach alpha (α), and all study variables had a score above 0.7 which was considered reliable (Cortina, 2003). The data processing stage involved data editing, coding, classification, and tabulation while analysis encompassed computation and interpretation of the data to draw conclusions (Kothari, 2004). The data analysis was carried out using SPSS software version 25.0. The research study used descriptive and inferential statistics to analyze the collected data. Descriptive statistics were used to present the basic information regarding the study variables and the strength of the relationship among the study variables and presented using the mean and standard deviation. Multiple regression was used to conduct the inferential statistics, which was used to draw conclusions regarding the hypothesized relationships among the study variables and establish the degree of relationship among the variables.

4. Findings

This section presents the study findings which are categorized as descriptive statistics and hypotheses testing.

4.1. Table *Firm Characteristics*

Table 1 presents the attributes of the manufacturing SMEs based on firm size, the main collaborators and the geographical base of the collaborators.

Table 1: Main Collaborators among Manufacturing SMEs in Kenya

Main Collaborators	**Firm Size**		**Geographical Distribution**		
	10-50 employees	**50-100 employees**	**Local**	**Regional**	**International**
Suppliers of raw material	54	20	33	32	9
Distributors of goods	47	27	38	27	9
Government departments	60	14	41	3	0
Logistics/Transport companies	58	16	44	21	9

According to Table 1, the survey findings show that most of the main collaborators of manufacturing SMEs constitute suppliers of raw materials, distributors of finished goods, logistics/transport companies, and government departments. As per Table 1, the small firms (10-50 employees) seem to be more alliance averse than the medium-sized enterprises in the manufacturing sector. The purpose of the strategic alliance formed by manufacturing SMEs reflects the core operational activities in their respective value chain. The respondents indicated that they engage in a strategic alliance to meet their demand for raw materials, distribute goods to their intended markets, meet government regulations and policies, and lastly, have reliable means of transport to manage their logistics. The classification of the main collaborators indicates that manufacturing SMEs in Kenya have formed strategic alliances with other companies and institutions based locally, regionally, and internationally. However, most collaborations have been formed with local and regional firms.

4.2. Descriptive Characteristics

Table 2 shows the Pearson Correlation results for the independent and dependent variables. The test results indicate that reputation-based motives are positively and significant correlated to SME performance (r= 0.478, p<.001). The historical-based motives were also positively and significantly correlated to SME performance (r= 0.527, *p*<.001). The institutional-based motives were positive and significantly correlated to SME performance (*r*= 0.670, *p*<.001).

Table 2: Descriptive and Correlation Results for SME Performance and Environmental-Based Motives

	Mean	SD	SME Performance	Reputation Based Motives	Historical Based Motives	Institutional Based Motives
SME Performance	3.625	0.59	1			
Reputation Based Motives	4.16	0.92	.478**	1		
Historical Based Motives	2.89	1.11	.527**	.179**	1	
Institutional Based Motives	2.73	1.15	.670**	.274**	.753**	1

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

According to Yount (2000) and Wooldridge (2000), correlations do not equate to a causal relationship between variables. Therefore, further analysis was undertaken to establish causality. The descriptive statistics in Table 2 show that reputation-based motives contribute to a high extent in motivating manufacturing SMEs to form strategic alliances (M=4.16) while historical-based motives and institutional-based motives contribute to a low extent in motivating alliance formation among manufacturing SMEs (M=2.89 and M=2.73) respectively. The survey analysis indicates that partner-related motives contribute to a moderate extent to the firm performance (M=3.68). The study performed several diagnostics tests to ensure that the data met regression analysis assumptions. This analysis is presented in Table 3.

Table 3: A Summary of the Diagnostic Test Results

Assumption	**Test**	**Results**
Normality	Skewness and Kurtosis test	Values for all variables range between -1.0 and +1.0, implying normal distribution of the data set.
Linearity	Pearson Correlation	P < 0.05 for all predictor variables indicated a significant positive linear relationship to the predicted variable.
Multicollinearity	Variance Inflation Factor (VIF) & Tolerance (T)	VIF<10 and T>0.1 for all survey variables. Results show absence of multicollinearity.
Homoscedasticity	Breush-Pagan Test	P-value > 0.05 for all items. Results shows that the error term was homoscedastic.
Sample Adequacy	Kaiser-Meyer-Oklin	The Score of KMO statistic for all study variables was greater than 0.5. Results support that the sample is adequate for factor analysis.

4.3. Test of Hypotheses

Table 4 presents the findings of the study hypothesis undertaken to determine the true association among the study Variables.

Table: 4: Statical Analysis for Partner-Related Motives on SME Performance

Goodness of fit	**Test Statistics**		**P-value**
Adjusted R-Squared	0.525		
R-Squared	0.544		
F-Statistic (3,70)	27.874		0.000**
Dependent Variable= SME Performance	**Linear Regression Results**		
	Coefficients	**t-statistic**	**P-value**
Constant	2.882	4.631	0.000**
Reputation-Based Motives (RBM)	0.538	3.815	0.000**
Historical Based Motives (HBM)	0.103	0.602	0.549
Institutional Based Motives (IBM)	0.708	4.192	0.000**
a. Dependent Variable: SME Performance **Significant at 5 percent			

Table 4 shows that RBM has a positive and significant effect on SME performance (β = 0.538, $p<.05$), thus supporting hypothesis H_1. The finding on IBM also has a positive and significant effect on SME performance FP (β = 0.708, $p<.05$), indicating support for H_3. However, the findings on HBM indicates a positive and a nonsignificant effect on SME performance (β = 0.103, $p>.05$), thus failing to support H_2.

Table: 5: Statical Analysis for Joint Partner Related Motives on SME Performance

Goodness of fit	**Test Statistics**		**P-value**
Adjusted R-squared	0.508		
R-squared	0.514		
F-statistic (1,72)	76.230	0.000**	
Dependent Variable= SME Performance	**Linear Regression Results**		
	Coefficients	**t-statistic**	**P-value**
Partner related motive	0.444	8.731	0.000**
Constant	3.009	5.864	0.000**
Key ** significant at 5 percent			

The value of adjusted R^2 is 0.508, implying that the joint effect of partner-related motives had a predictive power of 50.8 percent on the performance of manufacturing SMEs. The ANOVA statistical results show that the F statistics (1,72) was 76.230 with a P-value of 0.000 ($p<0.05$), indicating that the statistical model was a good fit for predicting the relationship between partner-related motives and SME performance. The joint effect of partner-related motives on SME performance indicated a positive and significant effect at (β = 0.444, $p<0.05$), thus supporting H_4.

5. Discussion

The study aimed to determine the effect of partner-related motives on the performance of manufacturing SMEs in Kenya. The independent variable had three sub-variables: reputation-based motives, historical-based motives, and institutional-based motives. The study pursed the theme of partner related motives among small and medium enterprises and targeted the manufacturing sector in a developing economy. The study targeted the manufacturing SMEs in Kenya due to the sector's importance in contributing to economic development. The descriptive data indicated that manufacturing SMEs had formed strategic alliances with suppliers of raw materials, distributors of finished goods logistics/transport companies, and government departments and most of these strategic alliances were formed with both local and regional companies.

The study findings on hypothesis one indicated that the motives to improve the company's reputation are, to a high extent, well adopted and practiced among manufacturing SMEs in Kenya, with a means score of 4.16 on the measurement scale. The performance variation caused by the reputation-based motives was recorded at 53.8 percent, while the effect of the motives was established as significant on SME performance.

The authors observe that manufacturing SMEs in Kenya are pushed to form strategic alliances by the desire to improve their reputation. As such, it is inferred that strategic alliances are an attractive strategic option for accumulation of reputational resources whose effect on the performance of manufacturing SMEs is positive and significant. As a result, the strategic decisions by top managers to pursue specific partners are guided by the motives to accumulate reputational resources, which confirms the relevance of such resources to the performance of manufacturing SMEs. This study's findings affirm previous empirical studies that established that the desire to accumulate reputational resources motivates SMEs to form strategic alliances and that such resources affect firm performance. For instance, Gu and Lu (2014), established that firms with a bad reputation would seek to form a strategic alliance, especially with firms considered to have a good reputation, to improve their status and performance. Likewise, Powell, Takahashi, and Roehl (2017) reported that reputation played a role in motivating firms to form strategic alliances, especially when there is a mismatch between the social status of the two firms. Chandler *et al*. (2013) linked the acquisition of reputational resources to sales growth, capital access, and firm survival.

The findings on reputation-based motives are well supported by the institutional theory in that institutional forces sway strategic choices made by top managers (Hitt *et al*., 2000; Lin, 2012). The importance of reputational resources is well supported by the proposition of the institutional theory, which empirical studies have proved to affect firm status among different constituents positively and contribute to performance improvement (Dacin *et al*., 2007; Dickson & Weaver, 2011; Tseng & Chou, 2011). The authors of this study argue that the strategic alliances formed by manufacturing SMEs are necessary for granting them access to critical resources that are considered scarce and out of reach for most SMEs in the manufacturing sector.

The perspective of resource sharing is well-founded in the resource-based view of strategic alliance (Gulati, 1998; Lee, 2007; Flatten *et al.*, 2011; Gronum *et al.*, 2012; Panda, 2014). The acquisition of reputational resources improves SME's reputation through association and consequently builds stakeholder's confidence in the value of the organization's products and services, thus attracting more customers, which translates to superior performance (Stuart, 2000). Whereas the RDT has been used to demonstrate how strategic alliance forming motives guide. The concept of relationship-building among strategic alliance partners is well supported by the RDT theory which argues that dependencies and ties in a strategic alliance configuration create the pathway for resource exchange (Gu & Lu, 2014; Kishna *et al.*, 2016).

The study findings on hypothesis two indicated that there is a positive and non-significant relationship between history-based motives and the SME performance. The test results indicate that manufacturing SMEs in Kenya have adopted and practice these motives to a low extent (M=2.89). The contribution of these motives to performance variation was analyzed as 10.3 percent while the effect of this motives on the SME performance was shown as not significant. The findings indicate that manufacturing SMEs in Kenya are pulled to form strategic alliances by the interest of previous strategic alliance partners to engage in new strategic alliances. The opportunity presented by previous alliance partners to create new partnership to pursue strategic goals is considered as a less attractive strategic option for accumulation of new resources whose effect on the performance of manufacturing SMEs is positive and non-significant.

The authors interpreted this finding to mean that top management teams in manufacturing teams do not consider forming a new strategic alliance with previous alliance partners as critical. This also infers a clear indication of the strategic choices made by top management in manufacturing SMEs while identifying the motives to guide the strategic alliance formation process. According to Gundolf *et al*. (2018), the alliance formation among partners is only possible when alliance motives are compatible. These findings therefore indicate that it is not obvious for previous partners to forge new alliances since alliance formation highly depends on current motives and not past motives.

The finding of this hypothesis contradicts previous empirical studies that concluded that prior strategic alliance partnerships breed trust, confidence, and commitment that motivate the creation of future strategic alliances among firms. For example, Zaheer *et al*., (2010), established that a prior alliance with the same partner offers information benefits accrued from a past partnership, and as such, the two partners possess information on the suitability of the other firm and the benefits they can offer. The authors reported that such information about the partner motivates the creation of strategic alliances among firms due to the assurance and confidence it offers. A study by Powell *et al*. (2017) established that prior strategic alliance experience influences the formation of strategic alliances and that firms are motivated to enter into a strategic alliance with prior partners. Likewise, Gundolf *et al*. (2018) established that firms are motivated to form future collaborations with other firms that they trusted and perceived as reliable partners.

The study findings on hypothesis three indicated that there is a positive and significant relationship between institutional-based motives and SME performance. The statistical analysis revealed that manufacturing SMEs in Kenya have to a low extent (M=2.73), adopted and practice the institutional-based motives of partnering with companies that they consider larger than their own company. The regression analysis of this hypothesis showed that the institutional-based motives contributed 70.8 percent of the variation in the performance of the manufacturing SMEs, while the effect of this variable on SME performance was significant. The findings indicate that manufacturing SMEs in Kenya are pulled to form strategic alliances with large firms. The opportunity presented to access the resources held by large firms has a low pull factor despite its significant effect on SME performance.

The authors observe that top management teams in manufacturing SMEs have reservations in forming strategic alliances with companies considered larger than their firms despite the effect of such alliances on their performance. The risk of forming such strategic alliances can be associated with this low motivation among manufacturing SMEs to form a strategic alliance with large firms (Barbel *et al*., 2014). The findings on institutional-based motives confirm the conclusion from previous empirical studies that SMEs are motivated to form strategic alliances by institutional-based motives and such motives have a positive and significant effect on firm performance. A study by Castellucci and Ertug (2017) reported that despite the differences in size between small and large firms, small firms that have poor social status can benefit by forming strategic alliances with large firms perceived to have good social status. A different study by Yang *et al.* (2014) reported that small firms that ally with a large firm can exploit their resources to improve their manufacturing processes, marketing functions, and financial and technological resources. Moreover, the same authors argue that such alliances are accredited with granting small firms' legitimacy and enabling them to overcome their liabilities of smallness and newness.

The findings on institutional based motives can be further explained using the theoretical propositions adopted during this study. The RBV supports the argument that strategic alliances formed by manufacturing SMEs and large companies, can offer complementary resources that can boost the performance of SMEs. For example, manufacturing SME that form strategic alliances with large firms can benefit from product improvement and valuation, better strategic position, and reduced uncertainty (Chandler *et al*., 2013). The exchange of such resources among small and large firms is supported by the resource dependency theory which perceives dependency creation as critical to the success of any strategic alliance partnership. Strategic alliances between small and large firms based on mutual objectives and shared values, stand to benefit both partners without fear of exploitation by the large company (Barbel *et al*., 2014). The acquisition of new resources, skills, and competencies can contribute to performance and competitive improvement when such resources create value by improving value chain activities for the manufacturing SMEs, improve firm reputation, status, and the image of the SMEs. Such intangible resources have been characterized as inimitable, firm-specific, and can contribute to a firm's competitive advantage (Barney, 1991, Peteraf, 1993).

The findings of hypothesis four indicate that partner-related motives jointly have a positive and significant effect on SME performance. As such, the study findings indicate that manufacturing SMEs in Kenya are motivated to engage in strategic alliances with other firms by push and pull motives. The findings on partner related motives concurs with other empirical studies that firms are motivated by diverse factors to form strategic alliances. For instance, Gils and Zwart (2009) established that the motives of forming strategic alliances are consist of different factors specific to the firms, the industry, and partner characteristics. As evidenced by the descriptive statistics, the formation of different strategic alliances with other firms locally, regionally and internationally has benefited manufacturing SMEs to gaining access to markets, product distribution, and marketing, overcoming trade and regulatory challenges, knowledge acquisition, and exploit economies of scale advantages (McCutchen & Swamidass, 2004; Schoonjans *et al*., 2013).

The RBV argues that firms seek to boost their internal resources base by forming cooperative strategies like strategic alliances. As demonstrated by the diversity in strategic alliances formed by manufacturing SMEs, it can be argued that SMEs are motivated to form a strategic alliance with partners they perceive to possess the correct mix of resources and those partners who can complement their existing resources (Lin *et al.*, 2009). This study also observes that such acquired resources enable SMEs in the manufacturing sector to improve their performance and competitiveness. However, the access to the resources held by alliance partners is contingent on the dependencies created by partners in an alliance (Parmigiani & Rivera-Santos, 2011). This study observes that resource sharing at the alliance level will occur when mutual relationship is created among the partners (Pfeffer & Salancik, 1978). From an institutional perspective, partner-related motives contribute to performance improvement among manufacturing SMEs through adopting mimetic behaviour (Dickson & Weaver, 2011).

7. Implications for Theory and Practice

The study findings presented and discussed raise two implications for the practice of strategic management. One, this study affirms the positive effect of firm resources on firm performance, and therefore top managers in SMEs need to adopt strategic alliances as part of their competitive strategies based on their partner-related motives. The study findings show that strategic alliances based on reputation-based motives and institution-based motives can enable SMEs to build the necessary resources, competencies, and capabilities to improve their strategic position and performance. Therefore, top managers in the manufacturing SMEs need to adopt a vigorous diagnostic process to identify and define their partner-related motives. This study observes that such a move will enable the manufacturing SMEs to identify the most suitable alliance partner(s) who can offer complementary resources to improve their existing resource bundles.

Two, study findings on historical-based motives have contradicted previous studies and indicated that the theoretical propositions of the RBV, institutional theory and RDT failed to offer support of the motivating aspect of historical-based motives to contribute to alliance formation among manufacturing SMEs in Kenya. This failure to support historical-based motives can be linked to the Kenyan context, however, further research can be undertaken in different contexts to see whether the same conclusions will be drawn.

Three, from a contextual perspective, the study has contributed to expanding the study of strategic alliance in Kenya by focusing for the first time on the partner related motives that affect strategic alliance formation.

8. Conclusion

This survey was undertaken to determine the effect of partner-related motives on strategic alliance formation among SMEs in the manufacturing sector in Kenya and how such motives affect firm performance. The study findings and discussion contribute to several conclusions. One, the study concludes that partner related motives push and pull manufacturing SMEs in Kenya to form strategic alliances with suppliers of raw materials, distributors of goods, government departments and logistical/transport companies locally, regionally and internationally. Further, the findings show that reputation-based motives push manufacturing SMEs in Kenya to engage in strategic alliances whereas, historical based motives and institution-based motives pull manufacturing SMEs in Kenya to form strategic alliance with other firms. The study findings also indicate that partner related motives as adopted and practiced by manufacturing SMEs in Kenya have a positive and significant effect of firm performance. As such, the study concludes that the resources accumulated through partner-related strategic alliances have contributed to performance improvement among manufacturing SMEs in Kenya.

Two, manufacturing SMEs need to recognize the important role played by reputation and institution-based motives and the alignment of the same with partner selection during alliance formation. Three, the study findings have contradicted findings from other studies on the effect of historical-based motives on alliance formation. Even though this contradiction might be context-specific, further research can be undertaken in different context to see whether the same conclusions will be drawn.

This study had several limitations that can be associated with the reported findings. This study was limited to SMEs in the manufacturing sector in Kenya, thus restricting the generalization of the study findings to other firms, sectors, and countries. Therefore, the study findings are only applicable to SMEs operating in the manufacturing sector in Kenya. As a result, this study suggests that similar surveys can be undertaken to ascertain whether other firms in other developing countries are motivated by the same partner-related motives to form a strategic alliance and whether these motives contribute to firm performance.

Secondly, this was a cross-sectional study, thus restricting the findings to this particular point in time. Therefore, the application of the study findings should not be related to long-term study findings on the effect of partner-related motives on SME performance. This study recommends that a longitudinal study can provide more information on the causal relationship between partner-related motives and SME performance, as the current study is limited in providing this explicit causal link.

Further, the study collected data using the self-reporting approach which would posse challenges of accuracy of information especially the contribution of a strategic alliance on firm performance. As such, this study recommends that future research can adopt a wide scope of respondents and include respondents from all the partners involved in a strategic alliance. This can offer a comparative analysis on the effect of a strategic alliance from the perspective of both partners.

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