Strategic Alliance and Operational Sustainability in the Nigerian Banking Sector

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ABSTRACT

There is the heightened challenge of scarcity of organizational resources needed to cope with increased level of competitiveness arising from globalization and technological breakthroughs. One of the likely ways of ensuring survival and sustainability is creation of strategic alliances value added and this has informed the current study in the Nigerian banking sector. A survey of 76 strategic bank personnel was used and the survey instrument generated data related to the examined constructs. The Spearman Rank statistic and multiple regression were used as analytical tools and findings showed that the multi-dimension of strategic alliance operationalized as technological, human capital development and research and development alliances have a significant relationship with operational sustainability and technological alliance with much weight based on the value = 0.312 on operational effectiveness therefore it was concluded that strategically created alliances ensures operational sustainability. This study has its implication in terms of emphasizing network or alliance appropriateness towards operational goals.

1.0 Introduction

The tendency of entropic experiences amongst firms has had a central place of discourse in strategic management literature (Garvin & Levesque, 2006; Aral and Weitt, 2007; Gulati & Puranam, 2009; Chittor, et al, 2009; Ekanem & Lucy; & Bada, 2014). It is increasingly made so against the increased level of competitiveness and scarcity of operational resources for firms in developing or depressed economies (Barnett & Carol, 1987; Bremin & Liu, 2000; Kendualw & Meril, 2007; Ogwo & Igwe, 2012). The link between availability of resources and the performance of organization had also been established in literature (Barney, 1991). Essentially, firms in same sector undertake their individual strategic actions which are considered necessary means of gaining strategic advantage and entrenchment within the industry. This being the case, there is also the imposing challenge of the capacity of single firms to garner all the likely operational resources and capabilities necessary for strategic positioning and achieving goals. What is strongly observed here is, in complex and dynamic operational environment, coupled with market instability harnessing capabilities through the creation of strategic formations and alliances either at the intra-functional or inter organizational level is a likely means of ensuring organizational survival and sustainability. Like all strategic conceptualizations, strategic alliance has the potency of ensuring value added relationships that are goal directed. It involves a partner or partners that bring value to the chain of activities that culminate to realization of strategic objectives and overall goals for
allying firms (Agarwal and Bayus, 2002; Garvin & Levesque, 2006; Franco, et al, 2008; Eggers & Kaplan, 2009; Davies & Arogundade, 2014). Over the years, it is believed that a close examination of some of the alliance formations has not strikingly provided the desired gains amongst firms in developing nations whose business environment contend with multifarious factors and this has made it a contentious strategic option for survival. This debate however requires an empirical position that will likely arouse the attention of management of firms’ and scholars alike. This is underscored considering the technological milieu, knowledge base and competitiveness. In this paper, attempt is made at investigating the empirical link between strategic alliance and operational capabilities in the banking sector. The Nigerian bank today operates largely a multi-product portfolio as a considered strategic option for competitiveness. This requires a synergy of activities and some of such activities and actions are external to the core business of the banks but are aimed at creating satisfaction for the customer. For instance e-banking requires a value chain of activities linked with firms in other sectors that should be effectively coordinated to achieve desired objectives. Our pilot survey preceeding this study attests to some banks involved in strategic alliances in different dimensions with a view to successfully providing prospective customer needs and gaining strategic advantage in the highly competitive sector. The extent of alliance functional outcomes requires empirical affirmation for the purpose of theory building and concrete evidence for practice. This paper is structured into six different sections. While this first section presented this introduction, the second section is used to review existing literature on the constructs investigated. The methodology constitutes the third section and the results were presented in the fourth section of the study. The fifth and the last section presented the discussion and conclusion respectively.

2.0 Review of literature

2.1 Strategic alliance

Strategic alliance has gained a huge space in strategic management literature and these multiple contributions have fundamentally conceptualized its strategic nature in organizational attempts at goals (Gulati, 1995; Chung, 1996; Gulatti, 1998; Dyer et al, 2001; Adner, 2002; Beckman & Borton, 2008; Puranam et al, 2009). For instance, Buggleman (2000) proposed strategic alliance as a resource leverage phenomenon amongst firms willing to stay competitive in a hyper competitive environment. Strategic alliance in Douma’s (1997) thinking is a contractual temporary relationship between firms maintaining their independence but aimed at realization of strategic objectives amidst uncertainties and scare resources. Gulatti (1998) also noted that strategic alliances are voluntary arrangements between firms involving exchange, sharing or joint development of products, technologies and services. These multiple positions commonly share the fact that strategic alliances are aimed at achieving a goal for which all alliance members are beneficiaries. A strategic cooperative behaviour recognizes the independence of allying firms while leveraging on the short term, the resource endowments of either firms. The functionality of alliance according to Mowla (2012) lies in the extent to which it ensure efficiency while providing the basis for enhanced market position through its ability to support rapid post development routine, knowledge sharing among work groups and prompting capabilities between the allying organizations and building core competencies. Essentially, strategic alliance is initiated with deliberate targets that strengthen competitive capacity of the organizations involved in the alliance. The tendency to adapt or influence the environment of firms that are fraught with characteristics that require optimal management consciousness would ensure such strategic option like creating goal directed alliances. Strategic alliances are created to shape the operational fortunes of allying firms and provide needed capacity to be positioned for strategic advantage amongst competing firms in same sector.

2.2 Operational sustainability

Several scholarly efforts have been used in describing and measuring performance of work organizations (Kotler & Heskekt, 1992; Kaplan & Norton, 1996; Lawler III, Mohrman & Benson, 2001; Maiga & Jacobs, 2003). Some of the measures so far have been conceptualized in relation to the functional aspects of work while some are perceptually drawn based on disciplinary orientation (Kaplan & Norton, 1996; Maiga & Jacobs, 2003; Mezil, 2004; Pitkington & Fitzgerald, Pedersen & Neergaard, 2009; Cummins & Mckenna, 2010). For instance, the accounting function relies on measures like profitability, gross profit, return of investment while the marketing function uses market share and sales growth amongst others as performance indicators. In the case of the production function which is pervasive across all functions, operational efficiency is largely applied. (Thomas, Litschert & Ramaswamy, 1991; Gimene, 2000; Ismeal et al, 2010).

Managing operations effectively and efficiently according to Mac' Odu (2008) is key to holistic attainment of goal therefore it is critical in measuring performance. Operational sustainability simply denotes capacity to maintain input-output relationship in a coordinated manner that maximizes output and desired targets without compromising the capacity to attain long-term or future goals. Ensuring specificity in the emergent operational
sustainability construct is also imperative, bearing this in mind, the literature on operational effectiveness though has understandably had scanty attention, there is need for typical measures on operational sustainability. Operational sustainability according to Perez (2009) is yet to have a consensus on what parameters are applicable in its measures. However, there exist anecdotal positions that are largely indicative of the construct. In this circumstance, the validity of the measures still remains contentious. All the same, there is theoretical strength in the work of Romirez (2010) which has operationalized operational sustainability of firms relying on capacity to timely meet customer demands, timely demand and supply of inputs for production or service rendering, quality in final product relative to competitors, cross functional interface for operational synergy, consistency in production capacity improvement amongst others. Remirez taxonomy is illustrative of the multiple measures that aptly give meaning in terms of measurement for the operational task in organizations. In the banking sector that is characteristically competitive, operational strength is strategic to attainment of goals (Basil, 2007). This simply means that it must be precisely denoted either in quantitative or qualitative measure.

2.3 Strategic alliance and operational sustainability

As earlier noted the literature of strategic alliance is inundated with its capacity to influence critically desired organizational outcomes (Raouf, 1994; Serman, 2000; Maiga & Jacobs, 2003; Cummins & Mckenna, 2010). Though increased evidence exist showing positive effect of alliance on overall performance of organizations which is the primary essence of alliance, McConnel and Newtell (1985) espoused on inequitable outcomes. In otherwords, some allying partners seemingly do not on the long-run have wholesome gains from strategic alliance. Benzil (2000) however, argued that when firms create strategic alliance, they are required to critically assess behavioural, management, structural and cultural dynamics of allying firms in order to maximize its gain – the functionality of strategic alliance is owed largely to its capacity to provide goals.

That strategic alliance ensures the survival of firm in partnership is also well expressed especially in the works of Baun & Oliver (1991), Mitchell and Singh (1996); Uzzi (1996). In the case of Hagedown and Schakenroad (1994), it was shown that empirical link exist between technologically allying firms and their innovation rates. Simon & Brew (2000) showed an empirical relationship between financial alliance and improved corporate social responsibility participation amongst medium sized manufacturing firms. This stretch of evidence so far reinforces the philosophical and conceptual direction of strategic alliance and its ability to enhance firm performance. We are however bothered in this paper the specificity of performance measures. The reason for this conceptual redirection is owed to the multiple nature of alliances and their varying objectives (Mowl, 2012; Tonnel, 2012; Narheke and Samuelson, 2014). It has been argued by Tonnel (2012) that strategic alliance targets may increasingly make it difficult to plot the performance graph of firms since they are aimed at strategic objectives according to Douma (1997). All of these may sound theoretically promising but not empirically accentuated. There is therefore the need for a proper theoretical and empirical alignment on the strategic alliance construct ability to engender specific performance parameters. This also bears in mind core organizational processes, responsibilities and actions towards overall goals. Operations function of banks is a strategic component of all other functions required for effective service delivery. A well coordinated set of operations impliedly require a pool of competencies which in some instances require strategic alliance to accomplish and achieve the goals of the organization. The implication is that it will be theoretically and empirically misleading if operational sustainability is not proxied based on targeted objectives and perhaps alliance types. In the light of the aforesaid, it is hypothesized thus:

H01: Technological alliance does not relate significantly with operational sustainability.

H02: Research and development alliance does not relate significantly with operational sustainability.

H03: Human capital development alliance does not relate significantly with operational sustainability.

3.0 Methodology

We had relied on the positivist approach in making scientific inquiry therefore the quantitative method was applicable in generating data through a structured survey instrument on the primary constructs examined. The data were generated from a sample of 76 bank executives and principal officers. The banks that constitute the sample of the study were judgmentally chosen based on the researchers knowledge of their involvement in strategic alliance with some key organizations in the fast evolving telecommunication sector that are service providers in the area of e-banking operations. This was served on respondents via e-mail and was accompanied with detailed explanation of the question item as it relates to the subject investigated. The researcher ensured compliance with issues of ethics in research especially in the light of the strategic nature of the sector studied.
3.1 Measures

The examined constructs were measured for reliability and the Cronbach alpha used as the reliability index. According to Nunnally (1978), Blaw & Altman (1997) threshold of 0.7 is considered satisfactory for social science research though Sha (2011) has recommended alpha as low as 0.5. However the alpha values relied on in this instance are high considering the number of items in each dimensions of the examined construct. The Cronbach alpha for the items are listed in the table below. Technological alliance has a measurement scale adapted from Penrose & Lee (2008) 14 item scale measure. This was validated in the work of Bryman (2010) with a coefficient alpha of 0.81. Research and Development alliance measure was adapted from Nancy & Joe (2010) 8 item scale which was also validated in the work of Ramsey (2010) with an alpha of 0.76. The Human capital development alliance adapted Kris (2009) 16 item scale. For operational sustainability the study adapted that of Mezil (2004) 13 items scale.

4.0 Results

| Table 1: Showing reliability coefficient and descriptive results of the examined constructs in the study |
|-------------------------------------------------|-----------------|------------|------|
| Construct                                       | No of Items | Cronbach α | Mean | Std Dev |
| Technological Alliance                          | 11          | 0.89       | 3.74 | 1.421   |
| Research and Development Alliance               | 9           | 0.74       | 4.11 | 0.737   |
| Human Capital Development Alliance              | 13          | 0.82       | 3.92 | 1.691   |
| Operational Sustainability                      | 12          | 0.91       | 3.90 | 1.913   |

The reliability coefficients as shown in table 1 substantiate the reliability of the instrument. All the examined constructs have Cronbach alpha values of 0.74 to 0.91 which falls within the Blaw & Altma (1997) threshold alpha. The descriptive results as expressed by the mean values from the five point scale are equally outstanding in showing the degree of the banks practices in relation to the examined variables.

| Table 2: Multiple regression and coefficient of the examined variables |
|-------------------------------------------------|-----------------|------|
| Dimensions                                      | (β)             | R   |
| SA1: Technological Alliance                     | 0.313           | 0.337 |
| SA2: Research & Development Alliance             | 0.246           | 0.492 |
| SA3: Human Capital Development Alliance          | 0.210           | 0.614 |

The r values of =0.331 (SA1 & Ops); 0.492 (SA2 & Ops) and 0.614 (SA3 & Ops) @ p < 0.01 and 0.05 shows positive and significant relationship exist between the various strategic alliance forms and operational sustainability. The magnitude of the impact of the alliance dimensions on the criterion variable was explained in the regression. From the beta (β) coefficients, it show that technological alliance having a β value of 0.313 and t =1.831 is stronger and this is followed by research and development with β =0.246 and t=1.664.

5.0 Discussion

The findings of the study provide an emphatic premise for the understanding of strategic alliance types and operational sustainability. From the results, technological alliance has a strong empirical link with operational sustainability in terms of timely service delivery and prompts controls. The findings here conforms with the works of Konrov (2007) which asserts the fact that firms technological capabilities are relied upon for effective conduct of operations. The revolutionary technological strides have altered work modes therefore the need to create value-added alliances that leverage on competencies and capabilities arising therefrom. It will not be out of place based on the outcome to say that the operational thrust of the studied sector is largely technological which also require huge investment funds and critical skills for effective usage. Human capital development alliance from the results also shows a positive and significant relationship. Extant literature presents much of the empirical position on human capital development as strategic to organizational outcome (Walker, Emma & Rowlands, 2002; Thompson et al, 2004; Vescio et al, 2008). Our study results have strengthened this position. The correlation results indicate the association between the constructs. This was also the case with research and development alliance and operational goals. In substantiating Ekanem & Lucy (2011) position, the place of research and development is key in volatile markets with fast changing consumer taste. It provides the basis for new product development through encouraged innovation culture. Research and development provides the means for exploring new work processes that facilitates operations thereby helping to achieve goals. Our study findings emphasized the outcome of Kris (2009) study in which the author had noted that small firms are financially incapacitated therefore suffer critical research and development setback in their business efforts.
Instances like this require strategic alliance to undertake critical and strategic business responsibilities in order to achieve their operational and strategic goals.

6.0 Conclusion/Policy implications

This study examined the empirical link between strategic alliance and operational sustainability of banks. The increased level competition and diminishing operational resources, require definite and focused driven strategic approaches. In order to conduct this study apriori hypotheses were made and based on the data obtained and analyzed it has shown that strategic alliance in terms of technical, human capital development and research leveraging relates positively and significantly with operational sustainability of banks. The study outcome emphasis need for valued relationships that props the much needed competitive strength and repositioning for long-term operational gains while at same time ensuring the technical capability for productivity task and providing the requisite skills across functions. Ability to improve on work processes and product development practices is enhanced through deliberate and targeted strategic alliance. The study concludes based on the findings that strategic alliance is an appropriate strategy for ensuring operational sustainability. The research outcome have clear theoretical and practical implications for understanding the dynamics of optimal operation function in the banking sector especially in the light of heightened level of need for quality and timely service delivery. The study outcome will emphasize policy direction into creating value-added alliances that will leverage on effectiveness and sustained operation that will enhance long-run performance.

Suggested for further studies

The need for further research on the behavioural dynamics that ensure the goals of strategic alliance is emphasized. The empirical relationship between strategic alliance and business sustainability amongst new ventures in a deregulated economy also call for research attention.

References


