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Strategic Partnerships and Performance of Commercial Banks in Nairobi City County, Kenya

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ABSTRACT

Purpose: This research was to explore how strategic partnerships impact bank performance in Kenya, specifically focusing on evaluating the effect of these partnerships on the performance of commercial banks within Nairobi City County.

Methodology: The research utilized a mixed-methods design combining quantitative and qualitative approaches. The study employed structured questionnaires to gather quantitative data from 108 branch managers and operational managers. Qualitative insights were obtained through semi-structured interviews with 38 Chief Executive Officers. Stratified random sampling was used to select participants. Data collection adhered to ethical guidelines and included a pilot study to test the instruments for reliability and validity. Quantitative analysis involved descriptive statistics, correlation, and regression analyses, while qualitative data were thematically analyzed for comprehensive insights..

Findings: The study on strategic partnerships within commercial banks in Nairobi City County revealed high respondent agreement on their importance, with the highest mean score of 4.16 (SD = 0.69) for proactive engagement in partnerships. A simple linear regression analysis demonstrated a strong positive correlation ($R = 0.653$) between strategic partnerships and bank performance, explaining 42.7% of the variance ($R^2 = 0.427$). The relationship was statistically significant ($F(1, 184) = 137.842$, $p < 0.001$), with an unstandardized coefficient of 0.585, indicating that each unit increase in strategic partnerships leads to a 0.585-unit increase in performance. Overall, these findings underscore the critical role of strategic partnerships in enhancing bank performance in a competitive environment.

Unique Contributions to Theory, Policy and Practice: The study provides critical insights for banking leaders, policymakers, and academic scholars regarding the importance of strategic partnerships for enhancing strategic flexibility and fostering sustainable growth in the banking sector. It also offers practical recommendations for commercial banks in Kenya to actively pursue strategic partnerships and enhance their responsiveness to market trends.

Keywords: *Strategic Partnerships, Performance, Commercial Banks, Nairobi City County*

JEL Codes: *L25, M21, G21, L25, G21, O16*

INTRODUCTION

Background of the Study

The performance of banks in Kenya is being influenced by a multitude of factors, including increased competition (KPMG, 2023), rising operating costs (PwC, 2022), reduced interest margins (Central Bank of Kenya, 2023), credit risk (Central Bank of Kenya, 2023), technological disruption (KPMG, 2023), and evolving regulatory requirements (Central Bank of Kenya, 2023). The intensifying competitive landscape has contributed to declining interest margins and profitability (KPMG, 2023), while escalating operating costs and stringent regulatory demands have further impacted profitability (PWC, 2022). Additionally, credit risk remains a pressing issue, as evidenced by a rising trend in the non-performing loan ratio (Central Bank of Kenya, 2023). The emergence of fintech companies and digital payment platforms has significantly disrupted the traditional banking sector (KPMG, 2023), compelling conventional banks to invest in digital transformation initiatives to sustain their competitive edge. Consequently, numerous Kenyan banks are grappling with diminishing profitability and returns on equity (ROE) (Central Bank of Kenya, 2023), with some institutions facing substantial challenges in maintaining their competitiveness and profitability amidst these dynamic obstacles.

The exploration of strategic flexibility and performance across various studies highlights the nuanced yet significant relationships between these variables within diverse geographical and organizational contexts. Ahmed and Ali (2016) conducted a quantitative study in the Middle East that revealed a positive correlation between strategic flexibility and organizational performance. By examining organizations in this region, they presented a unique perspective that contrasts with my current research focused on Kenya's commercial banking sector. While the approach employed by Ahmed and Ali involved surveys to understand how strategic flexibility impacts performance, my study implements a different methodology that incorporates industry-specific primary data. This highlights the varying dynamics of strategic flexibility's influence across different regions, revealing how cultural and contextual factors shape this relationship.

In a complementary analysis, Maphiri et al. (2022) addressed the strategic flexibility landscape within South African firms, emphasizing the roles of organizational culture and leadership. Their mixed-methods approach provided rich insights into how a strong organizational culture fosters adaptability amidst market changes. However, their findings also noted gaps regarding the influence of external factors such as economic fluctuations and regulatory changes on firms' abilities to adapt. Their work underscores that while internal determinants are crucial for developing strategic flexibility, future studies should also address macroeconomic and industry-specific challenges that impact decision-making processes. This aligns with my assertion that understanding strategic flexibility requires a comprehensive approach considering both internal capabilities and external pressures.

Mutua and Muthoka's (2023) investigation into the impact of strategic flexibility on the performance of SMEs in Kenya offers another valuable dimension to this discussion. Their quantitative analysis of over 200 SMEs indicated that firms with strategic agility were better positioned to respond to competitive pressures and capitalize on new market opportunities, thereby improving financial outcomes. They identified significant barriers to the adoption of strategic flexibility, such as limited resources and underdeveloped business support systems, which is vital for understanding the context of my research. Addressing these barriers and the potential role of government policies in enhancing strategic flexibility among SMEs could significantly contribute to their resilience and success in a competitive environment.

Similarly, Mbatha and Muthoni (2017) focused on the strategic flexibility-performance relationship in SMEs across Africa, discovering a significant positive association. Their study, similar to mine, employed a quantitative methodology but centered specifically on the SME sector. This highlights the commonality in findings regarding the importance of strategic flexibility for SMEs while also emphasizing the distinct sector and operational nuances that exist between SMEs and commercial banks. Given that both studies aim to elucidate the importance of strategic flexibility, they collectively imply that strategic management practices must be tailored to fit the unique demands and characteristics of different sectors, thus enhancing contextual relevance.

Njanja and Kiarie (2016) provided crucial insights into the interplay between strategic flexibility and market dynamism within Kenya's commercial banking sector. Their research underscored that banks with greater strategic flexibility can navigate unpredictable market changes effectively, thereby improving overall performance. The synergy between strategic flexibility and market dynamism is vital for commercial banks looking to maintain competitiveness in a rapidly evolving landscape. This resonates strongly with the focus of my current study, as it highlights the critical need for banks to embrace adaptability and innovation to succeed. Ultimately, these studies collectively emphasize that while strategic flexibility remains a pivotal factor for performance across various contexts, the specific internal and external factors influencing this dynamic warrant further investigation to fully understand and leverage strategic flexibility in different organizational settings.

Statement of the Problem

The commercial banking sector in Kenya, while displaying resilience, has experienced notable declines in recent years. In 2023, profit before tax fell by 8.8%, primarily due to expenses outpacing income growth. Moreover, the gross non-performing loan (NPL) ratio increased from 13.9% in 2022 to 15.6% in 2023, signaling a deterioration in asset quality (CBK, 2023). Rising operational costs, shrinking returns, and increasing credit risk continue to pose challenges to the sector’s sustainability and profitability. Amid intensifying competition, shifting regulations, and technological disruptions, performance across banks has varied significantly evident in contrasting

ROEs and NPL levels between institutions like KCB Group, National Bank, and StanChart (CBK, 2022; KPMG, 2022; PwC, 2022).

Despite these challenges, many commercial banks have not effectively adjusted to the volatile market environment. Cases of institutional collapse—such as Chase Bank, Imperial Bank, and Dubai Bank highlight the consequences of inadequate strategic and operational planning (CBK, 2022). These developments stress the critical need for strategic flexibility, enabling banks to proactively respond to shifts in market dynamics and maintain performance. However, existing research, including studies by Kariuki & Mwangi (2019), Kimani & Mwangi (2020), and Gikiri (2021), reveals limited understanding of how this flexibility influences performance, particularly in the face of external pressures like technological change and regulatory demands. Methodological gaps and the absence of contextual variables further limit the applicability of previous findings.

This study aimed to fill that gap by analysing the moderating effect of market dynamism on the link between strategic flexibility and commercial bank performance. Focusing on Nairobi City County, the research offers practical insights into how banks can improve competitiveness and sustainability in a turbulent financial landscape. In particular, it explored how strategic partnerships impact bank performance in Kenya, highlighting the role of collaborative strategies in boosting resilience, fostering innovation, and strengthening the ability to adapt to rapid industry changes.

General Objective

This study focused on examining the effect of strategic partnerships on performance of commercial banks in Nairobi City County, Kenya.

Research Hypothesis

$H_0$1: Strategic partnerships have no significant effect on performance of commercial banks in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory, articulated by Jay B. Barney in 1986, provides a significant framework for understanding how commercial banks can leverage their unique resources and capabilities to gain a competitive advantage. Within the Kenyan banking sector, where competition is intense and financial technologies are rapidly evolving, the RBV emphasizes the strategic importance of internal assets such as technology, expertise, and customer relationships. By forming strategic partnerships, banks can augment their resource base, capitalizing on their partners' strengths to improve overall performance and adaptability. For instance, partnerships with fintech companies can provide banks with cutting-edge technologies and innovative solutions that enhance service delivery and operational efficiency.

One of the primary strengths of the RBV theory is its focus on the significance of distinctive resources. It asserts that organizations with valuable, rare, inimitable, and non-substitutable resources are more likely to achieve sustained competitive advantage. In practice, this implies that commercial banks in Kenya can differentiate themselves by effectively leveraging partnerships that provide access to advanced technologies, market expertise, or enhanced distribution networks. By aligning these unique resources with customer needs and market demands, banks can enhance their performance metrics, including customer acquisition, retention, and overall profitability.

However, the RBV theory faces certain limitations, particularly in terms of intangible resources that are more difficult to quantify and value, such as brand reputation or employee expertise. Assessing the impact of these intangible assets on performance can be complex and subjective, complicating decision-making for managers. Moreover, while the RBV emphasizes resource heterogeneity, establishing a direct causal relationship between resource deployment through strategic partnerships and improved performance can be challenging due to the influence of various external factors, such as market conditions and regulatory changes.

To address these weaknesses, researchers and practitioners can explore qualitative methodologies and alternative frameworks to better define and assess intangible resources within the banking industry. Longitudinal studies and mixed-method assessments could provide deeper insights into the dynamics of resource deployment and performance outcomes. Additionally, integrating concepts from complementary theories, such as dynamic capabilities, could enhance the robustness of the RBV by addressing its limitations and offering a more comprehensive understanding of how resources and capabilities interact, particularly how strategic partnerships contribute to performance enhancement.

Contingency Theory

Contingency Theory, developed by Joan Woodward in 1965 and furthered by Paul R. Lawrence and Jay W. Lorsch in 1967, emphasizes the importance of aligning organizational strategies with contextual factors, particularly regarding strategic partnerships. In the context of commercial banks in Nairobi City County, this theory highlights how the effectiveness of strategic partnerships is contingent on various internal and external factors, such as organizational structure, leadership styles, and regulatory requirements. Therefore, understanding how these variables interact is crucial for banks seeking to form strategic partnerships that enhance their competitive position and performance.

A notable strength of Contingency Theory is its recognition that there is no one-size-fits-all approach to achieving success through strategic partnerships. Instead, the theory advocates for tailored strategies that are responsive to the specific characteristics of each partnership and the surrounding environment (Fiedler, 1964; Donaldson, 2001). For commercial banks, applying insights from Contingency Theory can help them identify the most suitable partners based on compatibility in terms of resources, capabilities, and market goals. This alignment can foster more effective collaborations, enabling banks to leverage their partners' strengths while achieving mutual benefits (Nadkarni & Narayanan, 2007).

Despite its strengths, Contingency Theory presents challenges, particularly in defining and assessing the appropriate context for strategic partnerships. The varying goals, cultures, and operational philosophies of partnering organizations can complicate the development of universally applicable strategies (Pettigrew, 1973). Additionally, each partnership might invoke different contingencies, making it challenging to generalize conclusions about what constitutes an ideal partnership structure. This variability underscores the complexity of managing partnerships and highlights the importance of continuous evaluation and adaptation (Lawrence & Lorsch, 1967).

To enhance the application of Contingency Theory in the context of strategic partnerships, organizations must consider a broader range of factors beyond the immediate strategic objectives. Elements such as organizational culture, communication styles, and previous experiences in partnerships can significantly impact the effectiveness of collaboration (Hamel, 1991). By gaining a comprehensive understanding of these variables, commercial banks can better design and manage strategic partnerships, ensuring that their collaborative efforts are aligned with both organizational objectives and market demands, ultimately contributing to superior performance in a competitive landscape (Doz & Hamel, 1998).

Empirical Literature

Strategic Partnerships and Performance of Commercial Banks

The study by Huang, Liu, and Batra (2013) delves into the effects of strategic partnerships on the performance of commercial banks in China, emphasizing profitability, customer satisfaction, and market share as key performance indicators. While the research uncovers a positive relationship between strategic partnerships and bank performance, there are several points for critique. Conceptually, a more detailed elucidation of how strategic partnerships and bank performance were conceptualized and operationalized could augment conceptual clarity. Methodologically, although utilizing regression analysis with data from 150 bank managers is appropriate, providing additional information on the specific variables measured and regression techniques applied would enhance methodological transparency. Contextually, the study's focus on Chinese commercial banks offers valuable insights, yet a more robust integration of theoretical frameworks such as strategic management theories could fortify the theoretical underpinnings of the research. Strengthening these aspects would not only refine the study but also offer practical implications for leveraging strategic partnerships as a means to enhance performance in the Chinese banking sector.

The study by Al-Matari, Abdullah, and Al-Swidi (2014) in Yemen exploring the link between strategic partnerships and financial performance within commercial banks provides valuable insights into the Yemeni banking sector. While the research uncovers a positive and significant relationship between strategic partnerships and financial performance indicators like return on assets (ROA) and return on equity (ROE), there are areas for critique. Conceptually, a more detailed explication of how strategic partnerships and financial performance were conceptualized and operationalized could bolster conceptual clarity. Methodologically, while the use of a quantitative approach and structural equation modeling (SEM) is appropriate, enhancing the description of the SEM model and data analysis procedures would strengthen methodological transparency. Contextually, the study's focus on Yemeni commercial banks offers specific insights, yet further integration of theoretical frameworks such as resource-based view theory could enhance the study's theoretical foundations. By addressing these aspects, the study can not only refine its findings but also provide practical implications for leveraging strategic partnerships to bolster financial performance within the Yemeni banking industry.

The study by Chen, Huang, and Liu (2016) in Taiwan, investigating the impact of strategic partnerships on commercial banks' performance, sheds light on the significance of collaborative relationships in the banking sector. While the research reveals a positive influence of strategic partnerships on market performance, financial performance, and innovation performance, there are areas for critique. Conceptually, detailing the operationalization of strategic partnerships and performance dimensions could enhance conceptual clarity. Methodologically, while employing a quantitative approach and structural equation modeling (SEM) is appropriate, providing additional information on the model specifications and data analysis techniques would enhance methodological transparency. Contextually, focusing on commercial banks in Taiwan offers specific insights, yet a deeper integration of theoretical frameworks such as network theory could strengthen the study's theoretical underpinnings. By addressing these aspects, the study can refine its findings and offer practical implications for leveraging strategic partnerships as a means to foster sustainable growth and success in the Taiwanese banking industry.

The research conducted by Mensah and Yentumi (2017) in Ghana, exploring the influence of strategic partnerships on the financial performance of commercial banks, provides valuable insights into the Ghanaian banking landscape. While the study establishes a positive relationship between strategic partnerships and financial performance indicators like profitability and return on assets, there are areas that warrant critique. Conceptually, a more detailed explanation of how strategic partnerships and financial performance were defined and measured could enhance the study's conceptual clarity. Methodologically, while utilizing a quantitative approach with correlation and regression analyses is appropriate, providing further details on the variables measured and regression methodologies employed would strengthen methodological transparency. Contextually, the study's focus on Ghanaian commercial banks offers specific insights, yet a more robust integration of theoretical frameworks such as strategic alliance theory could fortify the theoretical underpinnings of the research. By addressing these aspects, the study can refine its conclusions and provide practical implications for leveraging strategic partnerships to bolster financial performance and market presence within the Ghanaian banking sector.

The study by Al-Mamun, Chowdhury, and Ahmed (2018) in Bangladesh, examining the correlation between strategic partnerships and the financial performance of commercial banks, offers valuable insights into the banking sector of Bangladesh. The research establishes a positive and significant relationship between strategic partnerships and financial performance indicators such as profitability and asset quality. However, there are areas that could benefit from enhancement. Conceptually, providing a detailed explanation of how strategic partnerships and financial performance were conceptualized and operationalized could improve the study's conceptual clarity. Methodologically, while the use of a quantitative approach and structural equation modeling (SEM) is appropriate, offering more information on the specific variables measured and SEM techniques used would enhance methodological transparency. Contextually, the study's focus on Bangladeshi commercial banks provides specific insights, yet a deeper integration of theoretical frameworks such as the resource dependence theory could strengthen the study's theoretical foundations. By addressing these aspects, the study can refine its findings and offer practical implications for leveraging strategic partnerships to enhance the financial performance of commercial banks in the competitive banking landscape of Bangladesh.

Conceptual Framework

The conceptual framework illustrates the relationship between strategic partnerships, as the independent variable, and the performance of banks, as the dependent variable. It suggests that the formation and management of strategic partnerships significantly influence banking performance, highlighting the importance of collaborative efforts in enhancing operational outcomes.

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Independent Variable

(Strategic Partnerships)

Dependent Variable

(Performance of Banks)

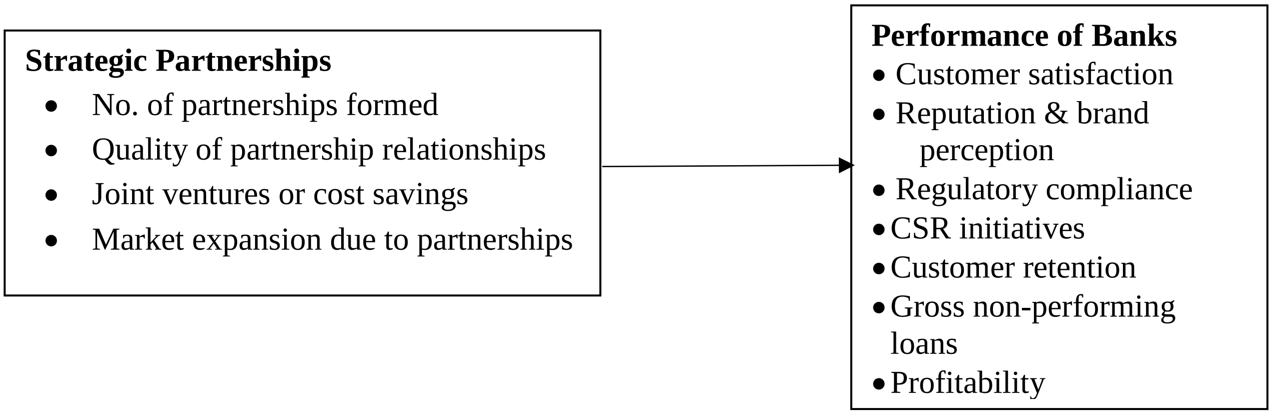

Figure 1: Conceptual Framework showing Interaction of Variables

Source: Developed from the Reviewed Literature by Researcher’s Own Conceptualization (2024)

This framework, developed from reviewed literature and the researcher’s own conceptualization (2024), emphasizes how effective strategic alliances can serve as a key driver for improved performance in the banking sector.

RESEARCH METHODOLOGY

The research employed a pragmatic philosophy, leveraging a mixed-methods approach that combined both quantitative and qualitative methodologies to investigate the relationship between strategic flexibility, market dynamism, and bank performance in commercial banks in Nairobi City County, Kenya. The study utilized a cross-sectional survey design, gathering quantitative data via structured questionnaires from 108 operational and branch managers, while semi-structured interviews provided qualitative insights from 38 Chief Executive Officers. Stratified random sampling was applied for the quantitative component, ensuring diverse representation, while a pilot study validated the research instruments. The sample size was calculated using Nassiuma's formula:

$$S = \{N (Cv^2)\}/\{(Cv^2 + (N-1)\ e^2)\}$$

where S is the sample size, N is the population size (480), Cv is the Coefficient of Variation (21%), and e is the standard error (2%). This resulted in a final sample size of 216 individuals. Ethical considerations were upheld throughout the data collection process, ensuring research integrity and participant confidentiality.

Reliability analysis demonstrated strong internal consistency across the study variables, with Cronbach's Alpha values ranging from 0.842 to 0.902, indicating that the research instruments

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were reliable. Validity was established through expert reviews, content validity assessments, and factor analysis, which confirmed that the instruments accurately measured the intended constructs. The rigorous validation process also included criterion validity checks showing significant correlations between strategic flexibility variables and bank performance. This comprehensive methodology facilitated a nuanced understanding of the intricate impacts of strategic partnerships on bank performance in an evolving financial landscape, thus offering valuable insights for banking practitioners and policymakers.

PRESENTATION AND DISCUSSION OFFINDINGS

Response Rate

The study targeted a stratified sample of 216 respondents across branch managers and operational managers from commercial banks in Nairobi City County, Kenya.

Table 1: Response Rate

Management Level	Distributed	Returned	Response Rate
Branch Managers	108	85	78.7%
Operations Managers	108	81	75.0%
Total	**216**	**186**	**86.1%**

The sample 108 branch managers, and 108 operations managers. Out of the 216 questionnaires distributed, 186 were completed and returned, representing an overall response rate of 86.1%. Table 1 presents the detailed breakdown of response rates by management level. Twenty (20) out of 38 Chief Executive Officers participated in the interviews.

The overall response rate of 86.1% is considered adequate for statistical analysis and aligns with similar studies in the banking sector. The rates for branch and operations managers (78.7% and 75.0% respectively) indicate good engagement at these levels. Mugenda and Mugenda (2013) highlight the significance of response rates in research, emphasizing that a response rate of 70% or higher is generally acceptable for ensuring the reliability of survey results in social research.

Descriptive Analysis

Table 3: Descriptive Statistics for Strategic Partnerships

Statement	SD	D	U	A	SA	Mean	Std. Dev.
Our bank actively seeks strategic partnerships to enhance its competitive advantage and market position.	1 (0.5%)	4 (2.2%)	13 (7.0%)	114 (61.3%)	54 (29.0%)	4.16	0.69
Collaborating with external partners has positively impacted our bank's profitability and growth.	2 (1.1%)	5 (2.7%)	18 (9.7%)	108 (58.1%)	53 (28.4%)	4.10	0.75
Strategic partnerships have enabled our bank to access new markets and customer segments.	2 (1.1%)	6 (3.2%)	15 (8.1%)	110 (59.1%)	53 (28.5%)	4.11	0.76
Our bank effectively leverages its strategic partnerships to expand its product and service offerings.	1 (0.5%)	5 (2.7%)	19 (10.2%)	107 (57.5%)	54 (29.1%)	4.12	0.73
Collaborating with partners has improved our bank's operational efficiency and cost-effectiveness.	1 (0.5%)	7 (3.8%)	24 (12.9%)	104 (55.9%)	50 (26.9%)	4.05	0.77
Strategic partnerships have enhanced our bank's ability to innovate and stay ahead of industry trends.	3 (1.6%)	5 (2.7%)	17 (9.1%)	108 (58.1%)	53 (28.5%)	4.09	0.79
Our bank maintains strong relationships with its strategic partners based on trust and mutual benefit.	1 (0.5%)	4 (2.2%)	21 (11.3%)	110 (59.1%)	50 (26.9%)	4.10	0.71
Strategic partnerships play a crucial role in achieving our bank's long-term strategic goals and objectives.	2 (1.1%)	5 (2.7%)	15 (8.1%)	108 (58.0%)	56 (30.1%)	4.13	0.76

Source: Field Data (2025); *Note: SD = Strongly Disagree, D = Disagree, U = Undecided, A = Agree, SA = Strongly Agree*

Strategic partnerships, another essential aspect of strategic flexibility, were assessed using eight questionnaire items. Respondents were asked to indicate their level of agreement with statements related to their bank's engagement in strategic partnerships, the impact of partnerships on profitability, access to new markets, product and service expansion, operational efficiency, innovation, relationship quality, and strategic goal achievement. The responses were measured on a five-point Likert scale, where 1 represented "Strongly Disagree," and 5 represented "Strongly Agree." Table 3 presents the descriptive statistics for strategic partnerships.

The results in Table 3 show that the majority of respondents agreed or strongly agreed with the statements related to strategic partnerships. The highest mean score of 4.16 (SD = 0.69) was observed for the statement, "Our bank actively seeks strategic partnerships to enhance its competitive advantage and market position," indicating a proactive approach towards establishing strategic partnerships. The lowest mean score of 4.05 (SD = 0.77) was observed for the statement, "Collaborating with partners has improved our bank's operational efficiency and cost-effectiveness," suggesting that there may be opportunities for further improvement in leveraging partnerships for operational efficiency.

The mean scores for all statements were above 4.00, indicating a high level of agreement among respondents regarding the importance and impact of strategic partnerships on their bank's performance. The standard deviations ranged from 0.69 to 0.79, suggesting a relatively low dispersion of responses around the mean.

Overall, the descriptive statistics suggest that commercial banks in Nairobi City County actively engage in strategic partnerships and recognize their importance in enhancing competitive advantage, profitability, market access, product and service expansion, innovation, and the achievement of long-term strategic goals. These findings highlight the significance of strategic partnerships as a key component of strategic flexibility in the dynamic and competitive banking industry.

4.6 Descriptive Statistics for Performance of Commercial Banks

The performance of commercial banks, the dependent variable in this study, was assessed using eight questionnaire items. Respondents were asked to indicate their level of agreement with statements related to their satisfaction with the quality of products and services,

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Table 4: Descriptive Statistics for Performance of Commercial Banks

Statement	SD	D	U	A	SA	Mean	Std. Dev.
We strive to provide high-quality services and products.	2 (1.1%)	4 (2.1%)	14 (7.5%)	112 (60.2%)	54 (29.1%)	4.14	0.72
I feel motivated and committed to my work at this bank.	1 (0.5%)	5 (2.7%)	15 (8.1%)	114 (61.3%)	51 (27.4%)	4.12	0.70
The bank's processes and systems are efficient and minimize delays or errors.	2 (1.1%)	6 (3.2%)	19 (10.2%)	109 (58.6%)	50 (26.9%)	4.07	0.76
The bank effectively manages and mitigates risks.	1 (0.5%)	3 (1.6%)	15 (8.1%)	115 (61.8%)	52 (28.0%)	4.15	0.68
The bank embraces innovative solutions and leverages technology to enhance its services.	1 (0.5%)	5 (2.7%)	17 (9.2%)	112 (60.2%)	51 (27.4%)	4.11	0.71
The bank demonstrates a strong commitment to social responsibility and sustainability.	3 (1.6%)	5 (2.7%)	16 (8.6%)	109 (58.6%)	53 (28.5%)	4.10	0.78
The bank has a positive reputation and aligns with my expectations.	1 (0.5%)	4 (2.1%)	18 (9.7%)	112 (60.2%)	51 (27.5%)	4.12	0.70
I am confident that the bank complies with all relevant laws and regulations.	1 (0.5%)	4 (2.2%)	16 (8.6%)	113 (60.8%)	52 (27.9%)	4.13	0.69

motivation and commitment to work, efficiency of processes and systems, effective risk management, adoption of innovative solutions and technology, commitment to social responsibility and sustainability, positive reputation and alignment with expectations, and compliance with relevant laws and regulations. The responses were measured on a five-point Likert scale, where 1 represented "Strongly Disagree," and 5 represented "Strongly Agree." Table 4 presents the descriptive statistics for the performance of commercial banks.

The results in Table 4 show that the majority of respondents agreed or strongly agreed with the statements related to the performance of commercial banks. The highest mean score of 4.15 (SD = 0.68) was observed for the statement, "The bank effectively manages and mitigates risks," indicating a high level of confidence in the risk management practices of commercial banks.

The lowest mean score of 4.07 (SD = 0.76) was observed for the statement, "The bank's processes and systems are efficient and minimize delays or errors," suggesting that there may be some room for improvement in streamlining processes and reducing operational inefficiencies.

The mean scores for all statements were above 4.00, indicating a high level of agreement among respondents regarding the performance of commercial banks across various dimensions, including quality, employee motivation, risk management, innovation, social responsibility, reputation, and

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regulatory compliance. The standard deviations ranged from 0.68 to 0.78, suggesting a relatively low dispersion of responses around the mean.

Overall, the descriptive statistics suggest that commercial banks in Nairobi City County demonstrate strong performance across various indicators. Respondents express satisfaction with the quality of products and services, feel motivated and committed to their work, and perceive their banks as effectively managing risks, embracing innovation, demonstrating social responsibility, maintaining a positive reputation, and complying with relevant laws and regulations. These findings provide a positive outlook on the performance of commercial banks in Nairobi City County and underscore the importance of maintaining high standards across multiple performance dimensions.

Correlation Analysis

Table 5: Correlation Matrix

Variables	**1**	**2**
1. Strategic Partnerships	1	0.653**
2. Performance of Commercial Banks	0.653**	1

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

The correlation analysis, as presented in Table 5, showed a significant positive relationship between strategic partnerships and the performance of commercial banks, with a correlation coefficient of 0.653 at the 0.01 level (2-tailed). This indicated that higher levels of strategic partnerships were associated with improved performance in commercial banks, highlighting the importance of collaboration and alliances in enhancing operational outcomes within the banking sector.

Regression Analysis

A simple linear regression analysis was conducted to examine the relationship between strategic partnerships and the performance of commercial banks in Nairobi City County. The analysis aimed to determine the extent to which strategic partnerships predict the performance of commercial banks. Table 6 presents the model summary, ANOVA, and coefficients for the regression analysis.

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Table 6: Simple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.653	0.427	0.424	0.38124

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.047	1	20.047	137.842
	Residual	26.903	184	0.146	
	Total	46.950	185		

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1	(Constant)	1.739	0.177		9.825
	Strategic Partnerships	0.585	0.050	0.653	11.740

a. Dependent Variable: Performance of Commercial Banks b. Predictors: (Constant), Strategic Partnerships; Source: Field Data (2025)

The model summary in Table 6 shows that the R-value, which represents the correlation between strategic partnerships and the performance of commercial banks, is 0.653. The R-square value of 0.427 indicates that strategic partnerships explain 42.7% of the variance in the performance of commercial banks. The adjusted R-square value of 0.424 suggests that the model has a good fit and is not over-fitted to the sample data.

The ANOVA results in Table 6 reveal that the regression model is statistically significant ($F(1, 184) = 137.842$, $p < 0.001$). This indicates that strategic partnerships significantly predict the performance of commercial banks in Nairobi City County.

The coefficients table in Table 6 provides information about the impact of strategic partnerships on the performance of commercial banks. The unstandardized coefficient (B) for strategic partnerships is 0.585, with a standard error of 0.050. This means that for every one-unit increase in strategic partnerships, the performance of commercial banks increases by 0.585 units, holding other variables constant. The standardized coefficient (Beta) of 0.653 indicates that strategic partnerships have a strong positive impact on the performance of commercial banks. The t-value of 11.740 and the corresponding p-value (Sig.) of 0.000 confirm that the relationship between strategic partnerships and the performance of commercial banks is statistically significant at the 0.001 level.

The regression equation can be represented as follows:

Performance of Commercial Banks = 1.739 + 0.585 * Strategic Partnerships

This equation suggests that when strategic partnerships are zero, the performance of commercial banks is predicted to be 1.739 units. For every one-unit increase in strategic partnerships, the performance of commercial banks is expected to increase by 0.585 units.

Overall, the simple linear regression analysis provides strong evidence that strategic partnerships are a significant predictor of the performance of commercial banks in Nairobi City County. The positive and statistically significant relationship between strategic partnerships and bank performance highlights the importance of fostering collaborative relationships, leveraging synergies, and accessing complementary resources and capabilities through strategic partnerships to enhance the overall performance of commercial banks in a competitive business environment.

The study findings demonstrated a significant positive relationship between strategic partnerships and bank performance, with strategic partnerships explaining 42.7% of the variance in bank performance. This finding aligns with Al-Mamun et al. (2018), who found that strategic partnerships accounted for 39.8% of the variance in financial performance among Bangladeshi commercial banks. The similar explanatory power across different banking contexts suggests the consistent importance of strategic partnerships in driving bank performance.

The strong positive correlation between strategic partnerships and bank performance ($r = 0.653$, $p < 0.001$) supports the research of Chen et al. (2016), who reported a comparable correlation coefficient ($r = 0.648$) in their study of Taiwanese commercial banks. Similarly, Mensah and Yentumi (2017) found that strategic partnerships significantly enhanced financial performance metrics among Ghanaian banks, particularly in areas of market expansion and technological innovation.

Fang et al. (2019) provided theoretical support for the current study's findings through their research on service transition strategies. They found that strategic partnerships enabled firms to access complementary resources and capabilities, leading to enhanced performance. The current study extends their findings by demonstrating the specific application of this principle in the banking sector.

The study's findings regarding technological partnerships align with Boubakri et al. (2018), who found that banks forming strategic alliances with fintech companies demonstrated superior innovation performance and financial outcomes in the Maghreb region. The current study confirms the importance of such technological partnerships in the Kenyan banking context.

The emphasis on trust and mutual benefit in successful partnerships, as revealed in the qualitative data, corresponds with Eisenhardt and Martin's (2010) research on dynamic capabilities. They argued that the ability to form and manage strategic partnerships effectively represents a critical dynamic capability that enhances firm performance. The current study provides empirical support for this theoretical perspective in the banking sector.

The findings regarding the role of partnerships in market expansion and product development support Zahra et al. (2014), who found that strategic partnerships facilitated market access and product innovation among entrepreneurial firms. The current study extends their findings by demonstrating how these benefits translate specifically to the banking sector.

The study's results also align with Furrer and Thomas (2000), who emphasized the importance of cultural fit and strategic alignment in partnership success. The current study's qualitative findings reveal how banks in Nairobi County carefully consider these factors when selecting and managing strategic partners, leading to enhanced performance outcomes.

These findings have significant implications for bank management, as highlighted by Hitt et al. (2013). Their research emphasized the strategic importance of building and maintaining effective partnerships, which is strongly supported by the current study's findings in the context of commercial banks in Nairobi City County. The results suggest that banks should invest in developing robust partnership management capabilities to enhance their performance in an increasingly competitive environment.

CONCLUSIONSAND RECOMMENDATIONS

Conclusions

The study concluded that strategic partnerships are crucial for improving bank performance in Nairobi City County. The analysis revealed a significant positive correlation ($r = 0.653$, $p < 0.001$) between strategic partnerships and bank performance, with a substantial proportion of variance explained by these partnerships ($R^2 = 0.427$). This indicates that banks that effectively cultivate and manage strategic alliances are more likely to achieve superior performance outcomes.

Furthermore, qualitative insights reinforced these findings by illustrating how such partnerships facilitate access to new markets, enhance technological capabilities, and improve overall service delivery. The combined quantitative and qualitative evidence underscores the importance of strategic collaborations in driving performance improvements within the banking sector, suggesting that banks should prioritize the development and management of partnerships to thrive in a competitive environment.

Recommendations

To improve bank performance, it is recommended that banks develop comprehensive frameworks for identifying, evaluating, and managing strategic partnerships. This process should include the establishment of dedicated teams focused on partnership management, the creation of clear evaluation criteria for partnerships, and the implementation of robust governance mechanisms. Additionally, bank management should prioritize long-term relationships with strategic partners, moving away from short-term transactional arrangements. This approach is essential, as the study findings indicated that strategic partnerships significantly influenced performance outcomes, accounting for 42.7% of the variance in performance.

Furthermore, banks should adopt a culture of innovation that complements their strategic partnerships to enhance performance. By allocating adequate resources to research and development activities, establishing innovation labs, and instituting reward systems that encourage creative thinking, banks can foster environments conducive to innovative strategies. Implementing systematic measures to assess the impact of partnerships and innovation initiatives on performance is also crucial. Given the dynamic nature of the market, ongoing monitoring and adjustments to partnership management strategies are recommended to ensure they remain effective and provide continuous improvements in bank performance.

Suggestions for Further Research

i) Future research could focus on conducting longitudinal studies to investigate the long-term effects of strategic partnerships on bank performance. By analyzing data over extended periods, researchers can assess how partnership dynamics evolve, how their impact on performance changes over time, and which factors enhance the sustainability of beneficial partnerships.

ii) Investigating strategic partnerships between banks and other sectors, such as technology or retail, could yield valuable insights. Understanding how these cross-industry partnerships influence innovation, customer satisfaction, and market competitiveness would contribute to a broader understanding of the strategic partnership landscape and its implications for bank performance.

iii) Given the rapid advancement in technology, further research could explore how digital transformation affects the nature and effectiveness of strategic partnerships in banking.

iv) Future studies could delve into how organizational culture influences the effectiveness of strategic partnerships. This research could investigate the characteristics of an organizational culture that fosters successful partnerships, as well as how cultural alignment between partner organizations impacts the overall success and performance of collaborative efforts. Understanding these dynamics could help banks tailor their partnership strategies to their unique cultural contexts

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