



RELATIONSHIP BETWEEN COMMUNICATION COLLABORATIONS AND PERFORMANCE OF SMES IN TRANS-NZOA COUNTY, KENYA

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Abstract:

This paper looks at the relationship between communication collaborations and performance of SMEs in Trans-Nzoia County, Kenya. This was done due to the challenges that individuals are facing in surviving in business. SMEs enter strategic collaboration to access to provide access to information necessary for their business growth and survival. The theory that informed this study is resource based view theory advanced by Barney. A descriptive research design was used to select 136 SMEs from a target of 216 located in Trans-Nzoia County, Kenya. Data for this research was collected using questionnaire. Correlation statistics showed that there existed significant positive relationship between strategic communication and performance of SMEs in Trans-Nzoia County. This happened through sharing of information or viability of business enterprises through the formal collaborating networks by SMEs in the county. The paper concludes that for performance of SMEs to improve, joint communication and sharing is a critical component. The paper therefore recommends that: the communiqué on decision reached by strategic collaboration members should all be inclusive to make all members feel part of the association.

Keywords: relationship, performance, strategic, collaboration; communication

1. Introduction

Small and medium enterprises (SMEs) play a significant role in country's economic development. In Kenya, they are classified as organisations that employ not more than 100 people (Kimani, 2016). In the current world we are living, SMEs have continued to face rapid changes in its business operations, thus they have been forced to adapt to new methods of conducting business and abandon the traditional ways, which were

more individualistic, highly closed and secretive, to being open to collaborations in order to reap the maximum benefits from the synergies (Rambo, 2012). Collaboration plays an important role in the growth of creative industries since it can help small entrepreneurs develop marketing networks and relationships (Widjajanti, 2015). Most companies collaborate with the aim of increasing profits in the short term and attaining a sustained superior performance in the long term. As one of the strategies, most SMEs have adopted the strategic collaboration to deal with their deficiencies (Mestry & Grobler, 2012). Strategic collaborations have been one of the ways in which firms can overcome some or all of the difficulties and remain in business while maintaining a competitive advantage positioning the market. Therefore, companies choose to establish strategic collaborations and cooperation in order to gain clear channels through their joint market contracts (Kimani, 2016). In Europe, Diaz et al. (2011) reports that small firms do not have to bear the entire burden of developing new technologies, finding new markets, training skilled workers, or raising capital. Many of the costs of specialisation are shared by or embedded in a dense of alliances among firms. Entrepreneurial firms benefit because, the linkages allow firms to enhance their strategic marketing options and to compete effectively in, or circumvent, channels normally controlled by larger firms, serving as a source of competitive advantage.

Strategic collaborative efforts reflect the desire to open up new business channels through networking activities. SMEs often need to engage in collaborations to overcome their internal weaknesses (Yasa, Sukaatmadja, Jawas, & Marhaeni, 2013). Therefore, SMEs should start thinking of collaboration as a reliable strategy for survival in a competitive environment. However, a research by Rambo in 2012 noted that between one-half and two-thirds of strategic collaborations formed by Small and Medium Enterprises (SMEs) fail to realize their purpose due to various factors. Strategic collaboration may fail in the absence of good communication between partners in the network. Communication behavior is defined as the quality and quantity of information sharing among multiple partners and reflects on the process of interaction that occurs between activities (Widjajanti, 2015). Therefore, for organisations to succeed collaboration in information sharing is the key. Park et al. (2004) maintain that the establishment of strategic collaborations is a critical strategy for most contemporary firms as such relationships can help in the attainment of information and with access to complementary resources, among other benefits. This explains why this papers looks at how strategic communication collaboration influences the performance of SMEs in Trans-Nzoia County, Kenya. Reports from research conducted shows that that SMEs in Trans-Nzoia County have been underperforming in recent years. Some businesses have closed down while SMEs premises and properties have been auctioned due to their inability to repay their loans. This state of affairs motivated the researcher to establish the where there existed relationship between strategic collaboration and performance of SMES in Trans-Nzoia County, Kenya.

1.1 Objective of the Paper

The paper looks at the relationship that exists between strategic communication collaboration and performance of SMEs in Trans-Nzoia County, Kenya.

2. Theory Underpinning the Study

The study was also guided Resource-Based View (RBV) theory developed by Barney (1991). RBV theory emphasizes that resource accumulation is a possible source of enduring competitive advantage for firms. RBV rests on two assumptions for analysing competitive advantage. First, RBV informs that firms may be heterogeneous with respect to the resources they control in the sense that they develop or accumulate resources differently over time because of their own unique histories. Secondly, many resources are imperfectly mobile like valuable land or access to unique raw materials and can lead to sustained differences (heterogeneity) between firms that actually can grow over time (Barney, 2012). These resources can include tangible components such as plant, machinery and skilled personnel and intangibles such as reputation, specialised knowledge of production processes, marketing expertise, and trade industry contacts (Wernerfelt, 1984). Lack of unique and unmatched resources drives a firm's decision to seek external sources of assets that can provide a way for the firm to generate competitive advantage over time (Nelson, 1991). Acquisitions and strategic collaborations enable firms to trade otherwise non-marketable resources and/or to buy or sell resources in bundles (Wernerfelt, 1984). Acquisitions are argued to be more attractive for firms that can find unique non-imitable synergy between assets within their firms and those of acquiring firms (Barney, 2012). In an RBV context, the choice of whether to enter through acquisitions or strategic collaborations depends upon whether the resulting outcome of the relationship has the potential to be closely linked with (or is specific to) the firm's operations (Connor, 2002). The more closely aligned the resources of the external firm are to the existing firm's resource base, the more likely, a firm will choose acquisitions over strategic collaborations (Hagedoorn & Duysters, 2002). Conversely, if there is lack of specificity in asset bases between the existing firm and the external entity, strategic collaborations may be more appropriate than acquisitions. The RBV theory was applied in the study because performance of SME is the result of a strategy that utilizes its unique resources and skills. The theory is relevant to the study since it has been applied in explaining the choice of strategic collaborations as a business option for organizations. This is because, if firms were to grow rapidly in size, it is necessary for them to exchange, share or even aggregate information with other firms when it may be difficult and costly to obtain individually. Therefore, SMEs may use Resource Based View theory to improve their performance by considering forming strategic communication collaborations with other SMEs that will contribute to information and skills with little cost of redundancy.

2.1 Review of Empirical Studies

Collaboration will fail in the absence of good communication between partners. Communication behavior is defined as the quality and quantity of information sharing among multiple partners and reflects on the process of interaction that occurs between activities (Widjajanti, 2015). Connell and Voola (2007) pointed out that there are two forms of learning that can result from a strategic collaboration: the partners can obtain from each other technical knowledge about processes relating to commercially viable technology, and they can learn from each other management and business skills that individually they were lacking. Various studies have been conducted to determine the relationship between joint communication collaboration and performance of SMEs. In United States, Harris, McDowell and Gibson (2011) examined the performance between operational variables for small and medium-sized businesses (SMEs) within the context of inter organizational relationships. They specifically investigated the role of information quality and continuous quality improvement and the varying importance that SMEs place on each of these constructs. The sample consisted of 134 vendors of a large university in the South-Western region of the United States. The results indicated that there was a positive relationship between information quality and continuous quality improvement with performance in SMEs.

In the United Kingdom, Levy, Loebbecke and Powell (2001) used data from UK SMEs to investigate management of knowledge sharing and the role of information sharing in managing knowledge. Cooperative competition forces did influence SMEs, though the context was significant. Some SMEs employ tactics to mitigate and exploit these forces through knowledge sharing management, though their efforts are largely unsuccessful. The authors suggested that SMEs needed to be proactive in knowledge sharing agreements, to recognise knowledge has value and the value added derived from knowledge exchange. While some SMEs here expect new technology to open up global markets, their collaborations are essentially local. Another research by Darabi and Clark (2012) investigated the initiation and development of effective business relationships, including knowledge transfer partnerships, with the primacy of trust as a key factor for collaborative development. The methodological approach employed was the general analytic induction for the interpretation of the data. A purposive sampling procedure was followed in the selection of the organisations and the participants in the research. In all, 23 semi-structured interviews were conducted with 13 managers in the SMEs and with 10 academic managers in the business school. The results emphasized that trust, especially trust in individuals, was fundamental to collaborative settings, from both practitioners' and academic points of view. Both sectors believed in personal level of relationship, mutual understanding, customizing the relationship, clear and deliverable objectives as important factors in building trust in the collaboration.

In Switzerland, Ferrary (2015) explored an organizational design that allowed firms to invest in transferable strategic human capital. Ferrary conceptualised the use of collaboration based on co-specialisation as a strategy to optimize investment in strategic human capital resource. The work draws upon the RBV and TCT to examine an alliance

as a strategy for leveraging the human capital resources for accessing new markets, building reputation and sharing the risks across more than one organization. The study found out that collaboration was an alternative means of optimising returns on investment in human capital with strategic transferable knowledge. Further, Marco, Garcia and Sabater (2003) synthesised the main aspects associated with human resources and their influence on the success or failure of strategic collaborations. The scholars analysed the role played by such variables as the management and leadership system, and the corporate culture or human resources practices in general in the formulation and implementation of an agreement. They found out that human and cultural aspects alone could decide the success or failure of an alliance.

In a comparative study between USA and Canada, Veilleux, Haskell and Pons (2012) explored the internal mechanisms (consequences) related to the international collaboration formation strategy of SMEs. The final samples comprised 12 Boston firms and 16 from Montreal (which represented response rates of 32 percent and 42 percent, respectively). They found out that learning achieved by Boston firms particularly related to planning (33 percent); this was also a recurring theme for Montreal firms (25 percent), along with negotiation (25 percent). Half of Montreal firms used team meetings to share acquired knowledge. However, internal meetings to share knowledge did not appear to be a concern for Boston firms. Indeed, only one firm, compared to five in Montreal, documented learning from previous collaborations. In Portugal, Franco (2011) determined factors influencing the success of strategic collaborations. To attain this objective, the results were obtained from an empirical investigation based on some key informant interviews and a sample of 109 alliances formed by Portuguese firms. It was found that the most outstanding factors affecting collaborations success were a good relationship with the partner, mutual trust, a minimum commitment between the parties, and clear objectives and strategy. The logistic regression results also suggested that strategic collaboration success was influenced more by process than structural factors.

Haase and Franco (2010) also investigated how learning collaborations affected corporate entrepreneurship. They adopted a quantitative research approach in a cross sectional study of 80 Portuguese small and medium-sized enterprises. They found out knowledge acquisition and absorptive capacities were not relevant when an individual or organisation undertake entrepreneurial actions. They concluded that learning collaborations did not automatically create value for corporate entrepreneurship and performance. In Latin America, Rossiter (2011) assessed the impact of a wide range of factors on the internationalisation of firms. Using logistic regressions in the analysis of empirical evidence gathered through a national survey sample of 148 Brazilian software firms, results suggested that studies based on the business network model of internationalisation could no longer ignore the impact of other factors at the contextual, organisational, and entrepreneurial level as it influenced their performance. In Latin America Koljatic and Silva (2011), reported findings of an exploratory study to assess the nature of collaboration that businesses and non-profits had developed with SMEs

and cooperatives operating in low-income sectors. Cross-sector collaborations were categorized according to Austin's collaboration continuum framework. The findings indicated that the proportion of cooperatives engaged in at least one collaboration with businesses or other non-profit organizations was higher than that of SMEs, with cross-sector alliances falling predominantly into the transactional category. Allied organizations appeared to play an important role in orchestrating value chains for cooperative business ventures but not for those of SMEs. A study was also conducted in Mexico by Diaz, Rietdorf and Dornberger (2011) focusing on collaboration decision-making process with specially emphasis on SMEs. Based on social capital and social exchange theory, the research concentrated analysis on a sample of SMEs from Mexico in which both experienced and inexperienced alliances entrepreneurs were involved. The results showed that the internal collaboration initiative, frequently enterprise diagnose, trust based on partners' prestige and smaller or similar characteristics of potential partners have strong influence on positive alliance decision making. Opposite expected characteristics were found between collaboration experienced entrepreneurs and alliance inexperienced entrepreneurs.

In East Asian countries, Jabar, Soosay and Santa (2011) examined the Malaysian manufacturing relationship between organizations' resource availability and absorptive capacity as well as type of alliances with organizational performance. The result indicated that collaborations and partnerships was factor of consideration in enhancing organisation capabilities and performance. This means that firms planning to improve their performance need to consider alliances with other firms especially those in manufacturing sector. Azudin, Ismail and Taherali (2014) study focused on knowledge sharing among workers, particularly the approach used to share knowledge through informal communication outside their organizations. Results were validated through primary data from the knowledge workers working in Cyberjaya with an exploratory study through questionnaires distribution. They found out that knowledge sharing through informal communication in Cyberjaya took place during lunch hour compared to workplace. It was found to be new because people see knowledge sharing as a threat or burden, afraid of losing face, credibility, or, their position in organization. However, this research was restricted only to 50 people who are working in the Cyberjaya area. In China, Long and Zha (2010) determined how SMEs controlled the risk involved in business strategic collaborations. They considered the SMEs in Zhejiang province, China. They applied qualitative research methods to collect data for this research; further, our research design included a case study of the SMEs in Zhejiang, China. They found out that the imbalance of information resulting from the ineffective technology and knowledge exchange system created a communication obstacle within the alliance. Based on the analysis of the four alliances, they concluded that communication problems also gave rise to relationship risk within a business strategic alliance and this ultimately affected SME performance.

In India, Kumar, Banerjee, Meena and Ganguly (2017) study sought to uncover joint planning and problem-solving roles in developing culture in supply chain collaboration (SCC). The research viewed collaborative activities as internal and external focused functional areas. The model was validated with industry data using PLS approach. Findings showed that joint problem-solving and measurement were critical in developing collaborative culture and executing effective planning; hence, it affected core and non-core activities of collaboration. They concluded that joint planning at operation level was very important in culture development in supply chain collaborations. In South Africa, Pooe, Mafini and Loury-Okoumba (2015) examined the influence of information sharing, supplier trust and supplier synergy on supplier performance in SMEs. A quantitative research design was adopted in which a survey questionnaire was administered to a sample of 309 owners and managers of SMEs based in southern Gauteng province. Information sharing exerted a moderate positive and significant influence on supplier trust and a weak but significant influence on supplier synergy.

In Kenya, Rambo (2012) studied risk factors influencing the survival of SME alliances in the Sub-Sahara Africa (SSA). The study sourced primary data from 120 SMEs involved in strategic collaborations. Quantitative and qualitative techniques were used to analyze the data. Rambo found out various types of organizations, including competitors, customers, suppliers, financial institutions, educational institutions and government research institutions initiated strategic collaborations. In addition, up to 80.8% SMEs were collaborating with only one partner, 18.3% had two partners, while one SME had formed an alliance with more than two partners. Results indicate that the survival of SME alliances is a function of factors including the proportion of skilled staff, transportation cost, information sharing, level of trust among partners and integration of computers to support business activities. The results show that SME strategic collaborations remain risky ventures, requiring a concerted effort of all stakeholders to initiate appropriate mitigative measures to avert economic losses resulting from alliance failure. Kimani (2016) determined the effect of strategic collaboration on firm performance of Small and Medium Enterprises in Nairobi Central Business District. The study used was descriptive research design. The population of the study was 726 SMEs operating in Nairobi Central Business District. The findings of the study were that collaboration between the SMEs and other organizations was influenced by conflict resolution mechanisms between partners, partner resources, mutual trust, commitment of partners, effective and efficient communication, and complementarities and synergies between partners.

2.2 Materials and Methods

This paper was guided by descriptive research design. The target population consisted of; 216 SMEs operating in the agricultural, wood, hardware and hospitality sectors according to Micro and Small Enterprise Authority (MSEA, 2017). A sample size of 136 SMEs were chosen for the study through stratified random sampling method. The

research instrument; questionnaire was validated and tested for reliability before being administered to respondents. Data collected was analysed using means, standard deviations, frequencies, percentages and correlations.

3. Results and Discussions

In order to establish the existence of strategic collaboration, the respondents were asked to indicate the number of SMEs that they worked together through alliances. Findings are given in Figure 1.

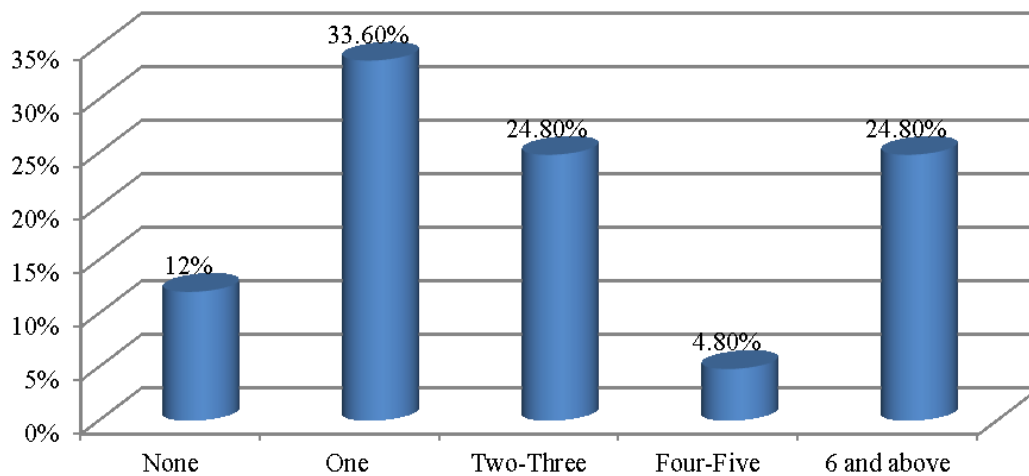


Figure 1: Number of SMEs that are in strategic collaboration

The results in Figure 1 show that only 15 (12.0%) of the SMEs indicated that they were not in strategic collaboration. Further, 42 (33.6%) said they have been involved in a single, collaboration, 31 (24.8%) said they were in between two to three collaborations, 31 (24.8%) indicated that they were in more than six collaborations and 6 (4.8%) said that they were in between four to five collaborations. This implies that majority of SMEs are engaged in strategic collaboration. The research question for this paper was to determine how joint communications and knowledge-sharing by SMEs in Trans-Nzoia County influenced their performance. The researcher asked the respondents to indicate the frequency with which joint communications collaboration happened using the Likert scale of five; Never (1), Rarely (2), Sometimes (3), Often (4) and Always (5). The results of analysis are presented in Table 1.

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Table 1: Joint Sharing and Communication Collaboration among SMEs

	Never	Rarely	Sometimes	Often	Always	Mean	SD
Decision making on the mode of marketing communication is done jointly and always consultative among partners		22 (17.6%)	57 (45.6%)	20 (16.0%)	26 (20.8%)	3.4000	1.00803
Our firm has processes for learning from mistakes or bad experiences with other organisations		10 (8.0%)	21 (16.8%)	38 (30.4%)	56 (44.8%)	4.1200	.96386
Regular meetings are held to deliberate and solve conflicts		10 (8.0%)	38 (30.4%)	17 (13.6%)	60 (48.0%)	4.0160	1.05482
We can obtain knowledge from each other with regard to viable business ideas and even technology			38 (30.4%)	25 (20.0%)	62 (49.6%)	4.1920	.87709
We share business and management skills together in collaboration with other SMEs		23 (18.4%)	38 (30.4%)	21 (16.8%)	43 (34.4%)	3.6720	1.13433
There is a balance of power between the partners in the main business network to which the firm belongs	6 (4.8%)	6 (4.8%)	65 (52.0%)	20 (16.0%)	28 (22.4%)	3.4640	1.04375
The main business network has established mechanisms for regular communication and operational links, which allow collaborative norms to be developed	6 (4.8%)	11 (8.8%)	43 (34.4%)	45 (36.0%)	20 (16.0%)	3.4960	1.02094
Joint communication collaboration has resulted in access to capital, resources, and market information for our SME		5 (4.0%)	37 (29.6%)	55 (44.0%)	28 (22.4%)	3.8480	.81375
This firm has easy access to established broader networks such as institutional and policy and technological networks	6 (4.8%)	5 (4.0%)	45 (36.0%)	21 (16.8%)	48 (38.4%)	3.8000	1.14300
Composite scores						3.7787	1.0066

Results in Table 4.1 shows that 57 (45.6%) of respondents said that sometimes decision making on the mode of marketing is done jointly and in consultation with other collaborating patterns, 22 (17.6%) indicated that it rarely happens, 20 (16.0%) said it often happens and 26 (20.8%) indicated that it always happens. The result therefore implies that sometimes (M=3.4 and SD=1.01) decision making is done jointly on matters pertaining marketing among partners. The decision to consult other member on occasional basis is to ensure that if there are issues to be addressed and determined is made by all members hence facilitating effective communication. When asked as to whether their business had procedures for learning from previous experience with

other organisation, 10 (8.0%) said it is rare, 21 (16.8%) said happens sometimes, 38 (30.4%) indicated that it often happens and 56 (44.8%) indicated that they always learn from mistakes of other firms which helps them to initiate measures of addressing them.

The results therefore suggest that often ($M=4.12$ and $SD=0.96$) SMEs in collaboration learn from each other past mistakes which help them to strategise on how they can avoid them in future in their businesses. Results also showed that close to half 60 (48.0%) of respondents agreed that SMEs in collaboration always meet to discuss and solve conflicts among themselves. Computed mean values suggests that this process often ($M=4.01$ and $SD=1.05$) happens among collaborating SMEs in Trans-Nzoia County. Close to half 62 (49.6%) of respondents said that they always obtain information from other SMEs who are members on viable business ideas and new trends in technology. This shows that often ($M=4.19$ and $SD=0.87$), SMEs collaborate in sharing of ideas on viable business and on technology. When asked as to whether there is balance of power between individual members in the main business network, 65 (52.0%) said sometimes it is.

Only 28 (22.4%) said that there is always balance of power. The descriptive statistics suggests that often ($M=3.46$ and $SD=1.04$), there exist a balance of power by all members in collaboration to ensure that no one is above other member or even in negotiating power is equally distributed. Findings revealed that 45 (36.0%) of respondents said that the collaboration network often establishes mechanisms for regular communication and operational links which is significant to development of norms in the association, 43 (34.4%) said that it sometimes happens, while 20 (16.0%) said that it always happens. This suggests that often ($M=3.49$ and $SD=1.02$), the collaboration network is used to develop methods of regular communication and links that are necessary for the formation and development of group norms. These norms guide the conduct and activities of each SME in the collaborative network. Research also revealed that 55 (44.0%) of respondents said that often, joint communication collaboration among SMEs has resulted to increased capital, resources and market information for all. This implies that often ($M=3.84$ and $SD=0.81$) joint communication and collaboration enhances the growth of SME through increased capital operation, resources and market information which improves their performance. Through joint communications collaboration, 48 (38.4%) of respondents said that they always have accesses to broader established networks like technological networks and institutional policies. Mean value shows that collaboration often ($M=3.8$ and $SD=1.14$) resulted to development of institutional policy and technological networks. Average statistics shows that joint communication and sharing was often used by SMEs in Trans-Nzoia County, Kenya.

To answer the research question for the study, a correlation analysis was computed between combined variables for joint sharing and communication collaboration and performance of SMEs in Trans-Nzoia County. Therefore, a Karl Pearson correlation analysis was computed, and results presented in Table 2.

Table 2: Relationship between Joint Communication Collaboration and Performance of SMEs

		JCC	Performance
JCC	Pearson Correlation	1	.445**
	Sig. (2-tailed)		.000
	N	125	125
Performance	Pearson Correlation	.445**	1
	Sig. (2-tailed)	.000	
	N	125	125

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

Key: JCC-Joint Communication Cooperation

Research findings in Table 2 shows that there exists an average degree of relationship ($r=0.445$) between joint communication and sharing collaboration and performance of SMEs in Trans-Nzoia County. The correlation is also significant ($p=0.001$) implying that increased in joint communication and sharing collaboration would increase the performance of SMEs in the county. In line with the study findings, a research by Durabi and Clark (2012) in UK found out that mutual understanding and customisation of the relationship assisted managers to manage the expectations of SMEs which increased their confidence in sharing the information hence leading to building trust in the process of collaboration. The study found out that communication and knowledge sharing strategic correlations were often ($M=3.77$ and $SD=1.06$) conducted by SMEs in the study area. For instance, the respondents said that they often obtain information from other members on viable business ideas and also technological changes. This ensured that that had to make well informed decision making before venturing into a specific business. The joint communication and sharing facilitated access to capital by SMEs, resources and new markets. Study findings indicated that increased communication by collaborating members in a network increased the likelihood of performance improvement. In contrast to the study findings, a research conducted in Canada by Veilleux *et al.* (2012), findings established that majority of managers did not implement measures which encouraged information sharing and knowledge integration among collaborating partners. This therefore appears that they missed out on the full benefits of learning acquired from strategic collaboration alliances.

4. Conclusions and Recommendations

The study found out that joint information sharing and communications enabled businesses to have up to date information on the current developments in the industry. Computed correlation statistics shows that the relationship between the variables was positive. The study found out that joint communication collaborations enabled participatory decision making and helped in resolving disputes amongst collaborating members amicably. In recommendations, there is need for SMEs joint communication leaders to consider all-inclusive decision making by all members. This will allow all members to fill they are part of the association and they are input is valued to the

success of the organisation. This will ensure that there is a balance of power between partners in the business network and promote ownership among individual members.

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