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# The Influence of strategic alliances on competitiveness of internationally ranked law firms in Kenya

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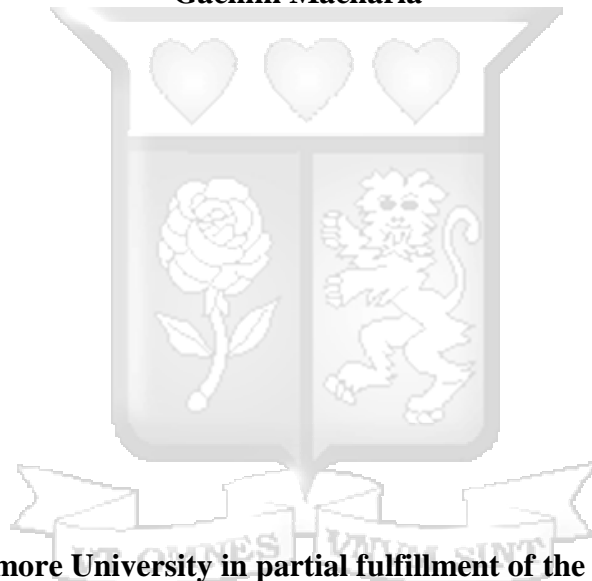
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**The Influence of Strategic Alliances on Competitiveness of Internationally Ranked Law  
Firms in Kenya**

**Gachini Macharia**



**Submitted to Strathmore University in partial fulfillment of the requirements for the  
Degree of Masters of Business Administration**

**2018**

## Declaration

This thesis is my original work and has not been submitted for the award of a degree by this or any other university. To the best of my knowledge and belief, this dissertation contains no material previously published or written by any other person except where due reference is made in the thesis itself.

Signed By

Gachini Macharia

MBA/7448/16

Date

This thesis was reviewed and approved by the following:

Dr. Nancy Njiraini (Supervisor)

Signature

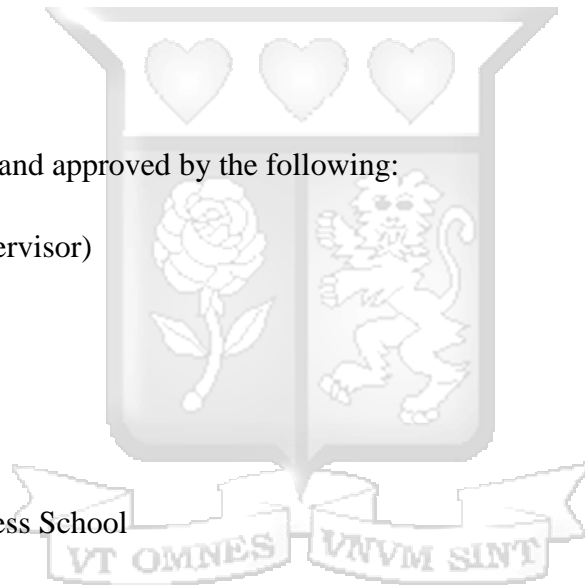
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## Abstract

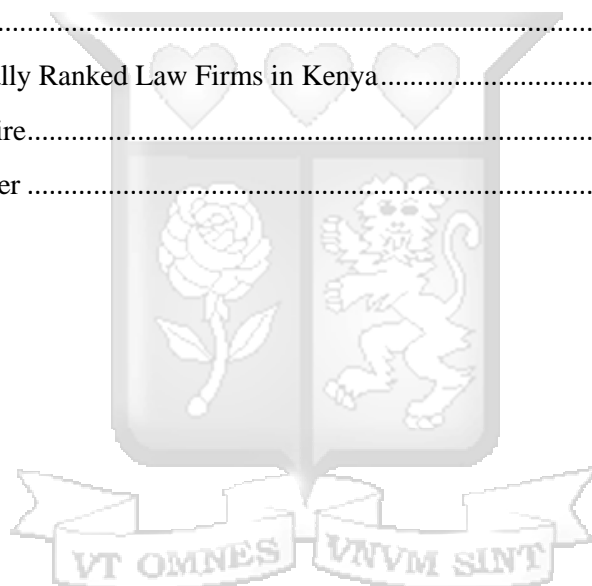
Law firms, just like other forms of for-profit legal entities, operate with the aim of maximizing profits. Law firms have used various strategies to achieve this goal, in particular and the focus of this study, entering into strategic alliances with foreign law firms with the intention of entering into new markets, increasing market power, acquisition of skills and for strategic renewal. As a result of adopting these strategic alliances, certain law firms have improved their competitiveness against other players in the market for legal services. Law firms in Kenya are also adopting the strategy of entering into strategic alliances with foreign law firms to enhance their competitiveness. The study evaluated the types of strategic alliances that law firms in Kenya are entering into and analyzed how these alliances influence their competitiveness. The research was guided by the resource based theory because of the use of strategic alliances to access valuable resources from the other firms. A quantitative research design was used through a questionnaire to collect primary data while secondary data in the form of the position held by the various law firms in global legal ranking publications was also collected. A purposive sampling technique was used in which the targeted population for the study was a total of 16 law firms listed on the following global legal ranking websites: IFLR1000; Chambers and Partners; and Legal 500. Considering the size of the population, data was collected from the entire population. Descriptive as well as inferential statistics were used to analyze the data. In particular, to test the strength of relationships between variables, a Spearman's rank correlation coefficient (Spearman's rho) was carried out. The study found that law firms in Kenya are entering into Ad Hoc Referral, Best Friends and Swiss Verein forms of strategic alliances with foreign law firms. Of the three strategic alliance models, the Swiss Verein model had the greatest influence in bringing about a positive increase in competitiveness and access to new markets and opportunities is the key resource driving competitiveness.. The study suggests that future research considers using a longitudinal research design and using financial measures of competitiveness.

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## Dedication

To Kawira, for gently spurring me on.



## CHAPTER ONE: INTRODUCTION

### 1.1 Background of the Study

Law firms operate in a competitive environment and face the challenge of maximizing profitability and establishing a plan for future growth (Rifkin, 2016). For this reason, law firms are beginning to apply more discipline to the task of measuring and managing performance of the firm. Lawyers and legal professionals are being forced to become more active business managers and running the firm like a business rather than a collection of legal experts (LexisNexis, 2012).

In response to these competitive forces, law firms are considering techniques to increase profitability, for instance, entering into cross-border strategic alliances (Jagersma, 2005) taking the form of international alliances (Jarret-Kerr, 2012) and other innovative associations (Anand, 2012). Influenced by globalization, law firms in Kenya are undergoing rapid transformation and similarly considering these strategic alliances with five of the largest law firms in Kenya being members of a formalized international legal network (Klaaren, 2016).

To illustrate this, in March 2018, Dentons (one of the largest global law firms) announced its combination with the Kenya firm of Hamilton, Harrison & Mathews after an informal association for more than 10 years (Dentons, 2018). This followed the 2016 collaboration of the Kenyan firm of Walker Kontos with the global firm of Norton Rose Fulbright (Norton Rose Fulbright, 2016). It does not appear that the trend of Kenya law firms entering into strategic alliances with international law firms will reduce given Coulson Harney's successful entry into the market and its average incremental growth in revenues being at least 25% based on its strategic alliance with South African's Bowmans law firm (Taddia, 2016). It is in this context that the study was carried out with the aim of analyzing the influence of such strategic alliances on the competitiveness of law firms. The study also aims to serve as a guide for law firms in Kenya seeking to enter into strategic alliances with foreign law firms for the purpose of enhancing competitiveness.

#### 1.1.1 Strategic Alliances

Culpan defines strategic alliances as, 'a variety of long-term both equity or non-equity collaboration between firms established to gain a competitive edge for the partners' (Culpan, 2008, p. 98). Gulati (1998), on the other hand, defines strategic alliances as voluntary arrangements

between firms involving exchange, sharing or co-development of products, technologies or services. Ahern (1993) offers a broader definition of strategic alliances as, agreements that constitute part of each partner's competitive strategy, involve shared decision making between otherwise independent actors and command some, but not all, of each participant's resources.

The last twenty years has seen an increasing number of strategic alliances in response to the need to remain competitive in changing environments in the global marketplace. The rationale for the alliances is that each of the alliance partners has useful knowledge (Culpan, 2008) and that the partnership will give rise to specific advantages, in particular: entry into new markets; increased market power; the acquisition and exchange of skills; strategic renewal; reduction of liabilities of foreignness; governance or trade barriers; and the acquisition of institutional legitimacy (Dacin, Oliver, & Roy, 2007). The alliances also enable firms to respond to complexity and change in their environments (Ahern, 1993). Key facets that firms consider when entering into such alliances include: the choice of an appropriate partner; the choice of structure for the alliance; and the dynamic evolution of the alliance as the relationship develops over time (Gulati, 1998).

While alliances are increasing in popularity, they have shown to be difficult to manage and, in general, half of the alliances formed fail. However, not all firms suffer from low alliance success rates with some firms being more successful and managing and creating value from them (Kale & Singh, 2007). Accordingly, this research proposes to study the strategic alliances entered into between law firms in Kenya and foreign law firms and highlight the critical resources that these law firm will need to successfully implement the alliance and in turn enhance their competitiveness in the market.

### **1.1.2 Competitiveness**

There is generally no agreed universal definition of competitiveness (Siudek & Zawojka, 2014). Certain organizations view competitiveness as the ability to persuade customers to choose their products or services over alternatives while others view competitiveness as the ability to continuously improve capabilities (Feurer & Chaharbaghi, 1994). Competitiveness in the context of this study can be defined as a firm's share in the competitive market (Ajitabh & Momaya, 2004) or a firm's economic strength against its rivals in the marketplace where products, services, people and innovations move freely despite the geographical boundaries (Chao-Hung & Hsu, 2010).

While an empirical measurement of competitiveness is difficult (Siudek & Zawojka, 2014), a firm's competitiveness comprises of three interrelated measures, that is, competitive performance, competitive potential and competitive process. Competitive potential refers to the resources used to generate (superior) performance. Competitive performance is a performance outcome relative to that of competitors while competitive process relates to the management (administration) of the firm (Buckley, Pass, & Prescott, 2010). Competitive measures can also be classified as static or dynamic, that is, the competitiveness level at a single point in time and the competitiveness level over time (Siudek & Zawojka, 2014).

The study measured competitiveness based on competitive performance. The parameters selected in determining performance was the firms' perception of increase in revenue, as a financial indicator, and market share as a non-financial indicator (Santos & Brito, 2012). The study also considered the level of competitiveness at a static point.

### **1.1.3 Strategic Alliances by Law Firms**

While law firms can enter into strategic alliances with various types of entities, this research focuses on strategic alliances entered into between local law firms in Kenya and foreign law firms. These strategic alliances are referred to in the market for legal services as networks and affiliations (Garg, 2011). In contemporary African corporate lawyering, formal legal networks are increasingly common place. The strategies adopted by law firms in this regard vary. For instance, firms may adopt a non-exclusive network strategy (such as Lex Africa) whilst others seek a more exclusive approach with informal contacts and formal working relationships in which fully owned offices are preferred over the network form of organization (for instance Bowman Gilfillan Group) (Klaaren, 2016).

### **1.1.4 Types of Law Firm Strategic Alliances**

Anand (2012) (as also explained by Garg (2011) and Morgan & Quack (2006)) sets out three basic models for alliances between global law firms and local law firms: Ad Hoc Referrals; De Facto Control; and Best Friends. Jarrett-Kerr and Wesemann (2012) on the other hand advocate for the Swiss Verein structure.

In the Ad Hoc Referral model, firms keep informal ‘correspondent’ law firms in their database to whom they refer clients in need of legal help in a particular country. The relationships are built from attorney acquaintances or simply having dealt with the firm on a prior deal (Garg, 2011). The De Facto Control model involves the indirect takeover of a local firm by an international firm by helping local lawyers start their own firm which operates locally but serves as an informal foreign office. This model, also referred to as the surrogate model of affiliation, the local firm will informally be a local office of the foreign firm. It has however been criticized as in effect the local firm is being owned and controlled by the foreign firm and therefore derogates from the restrictions under the Kenyan Advocates Act.

The Best Friends model is the most reported on form of alliance (Garg, 2011). In this case, international law firms seeking a strong and long-lasting association with a specific country have sought to create an exclusive “Best Friend” relationship with a law firm in that country. On the other hand, a *verein* is a Swiss corporate holding structure. With respect to law firms, a Swiss *Verein* allows globally oriented brands to combine and promote a unified brand across borders while still affording the individual firms within the *verein* structure separate corporate or partnership status with discrete legal liability and financial independence (Richmond & Corbin, 2014).

The Royal Bank of Scotland review of the legal market 2014 (Tsolakis, 2014), points out three options for firms wanting to access foreign markets. First, open ‘greenfield’ offices from scratch. Second, merge with or acquire a local law firm or team. These two options have however been pointed out as being extremely time-consuming, expensive, difficult to integrate and disruptive, with returns on investment potentially years away. As a final option, form a partnership or alliance with local firms particularly in countries that have protectionist rules in place and as a platform to expand when regulatory conditions permit. An assessment of the strategic alliance models referred to above in relation to the competitiveness of law firms is set out in chapter two.

### **1.1.5 Law Firms in Kenya**

The market for corporate commercial legal services in Kenya is dominated by the law firms of Anjarwalla & Khanna, Coulson Harney, Hamilton Harrison & Mathews, Kaplan & Stratton and Walker Kontos (Taddia, 2016). These law firms are members of a formalized legal network and

Kenya law firms are represented in one of the four corporate law networks of Lex Africa, Lex Mundi, African Legal Network or the DLA Piper Africa Network (Klaaren, 2016).

International firms' interest in closer integration with Kenyan law firms has resulted in such firms coming up with innovative ways to partner more closely (Taddia, 2016). For instance, Coulson Harney has partnered with South Africa's Bowman Gilfillan. Operating on a single-firm principle, this strategic alliance is neither a network nor an association having fully integrated IT and financial systems, business development, client service and governance. On the other hand, Dentons, the world's largest firm by number of lawyers, announced in March 2018 that it had entered into an agreement to combine with Hamilton Harrison & Mathews after having a very close association with Hamilton Harrison & Mathews (Munda, 2018). Anjarwalla & Khanna is the founder of the African Legal Network (ALN), an alliance of independent top-tier firms in 13 African countries. Kaplan & Stratton, is part of Lex Africa, an alliance of leading firms in over 20 African countries. The intention of the networks is to create pan-African or pan-regional businesses and as a result have one firm that can service all their clients' needs in the countries they are in (Taddia, 2016). DLA Piper is also another of one of the few UK firms to have a presence in Kenya, through DLA Piper Africa Group member firm Iseme, Kamau & Maema Advocates (IKM) (Freeland, 2015).

## **1.2 Problem Statement**

The key priority and challenge for law firms is to come up with ways to improve competitiveness in today's competitive environment (Rifkin, 2016). To address this challenge, law firms are adopting various strategies such as aligning with global law firms to provide legal services (Mwaluma, 2014). The latest collaborations were a strategic alliance between Walker Kontos (a Kenya law firm) and the global firm of Norton Rose Fulbright which was announced in the last quarter of 2016 (Norton Rose Fulbright, 2016) and the combination of Dentons with Hamilton Harrison & Mathews (Munda, 2018).

The law firms that have entered into such alliances have however had varying degrees of success. TheRemsenGroup, (2015), a consulting firm specializing in advising law firms on the business of law, notes that in spite of law firms facing challenges in remaining competitive, only 46% had developed viable strategies. For instance, the tie-up between Kenya's Coulson Harney and South

Africa's Bowmans has seen the Kenyan firm achieve a 25% incremental growth annually (Taddia, 2016). On the other hand, the Kenyan firms of Hamilton Harrison & Mathews and Oraro & Co Advocates, citing problems resulting from integration, officially announced in April 2015 that they had formally agreed to demerge just 6 months after the firms decided to join forces (Crabb, 2015). The firms of East Africa Law Chambers (a Tanzania law firm) and Bookbinder Business Law (a Botswana law firm) separated from their alliance with Bowmans after Bowmans embarked on a 'one firm' strategy in which independent law firms in various African countries were expected to operate as one firm under the Bowmans brand (Mizner, 2016).

Law firms in Kenya are entering into strategic alliances in the form of legal networks and other types of affiliations without a clear picture of how these alliances will result in a real and measurable benefit to them and more so in a manner that enhances competitiveness. Addressing this issue in the Kenyan context, Kiguru (2017), while recommending that law firms should adopt business development, talent management and client management strategies, explains that these variables are not exhaustive in explaining strategies that could influence performance of commercial law firms and there is need for further investigation. The purpose of this study is therefore to address the problem faced by law firms when pursuing a strategy which takes the form of entering a strategic alliance with a global law firm for the purpose of enhancing competitiveness. The study intends to: set out various alliance options available to these law firms; establish the resources required for success of the alliance; and concludes by investigating how strategic alliances influence competitiveness.

### **1.3 Research Objectives**

#### **1.3.1 Main Objective**

The main objective of the research was to analyze whether the strategic alliances entered into by internationally ranked law firms in Kenya with foreign law firms influenced their competitiveness in the market for legal services.

#### **1.3.2 Specific Objectives**

Taking into consideration the problem statement above, the specific objectives of this study were:

- (i) To evaluate the types of strategic alliances that law firms in Kenya have adopted;

- (ii) To assess how strategic alliances assist in accessing resources that contribute to the success of law firms; and
- (iii) To analyze the influence of strategic alliances on competitiveness of law firms in Kenya.

#### **1.4 Research Questions**

- (i) What types of strategic alliances can law firms in Kenya enter into?
- (ii) How do strategic alliances assist in accessing resources that contribute to the success of law firms?
- (iii) How do strategic alliances influence the competitiveness of law firms in Kenya?

#### **1.5 Scope of the Study**

This study will look into the relationship between the various models of strategic alliances between law firms in Kenya and foreign law firms. It will focus on law firms ranked by the following international organizations: IFLR1000; Chambers and Partners; and Legal 500. This is for the reason that there is a considerably high number of law firms in Kenya and consequently a need to analyze potential data in a manageable manner (Saunders, Lewis, & Thornhill, 2016). In addition, these organizations provide tiered rankings of law firms which is useful when measuring the influence of the respective strategic alliances on competitiveness (Ketels, 2016).

#### **1.6 Significance of the Study**

##### **1.6.1 Kenya Law Firms**

This study will be useful to law firms as its findings point to the most suitable strategy to adopt when a law firm seeks to enter into a strategic alliance with a foreign law firm with the intention of enhancing its competitiveness. This research will give law firms a clear indication into the resources it will need to access from the foreign law firm so as to achieve a successful strategic alliance that will enhance its competitiveness and, in turn, realize a real and measurable benefit.

### **1.6.2 International Law Firms**

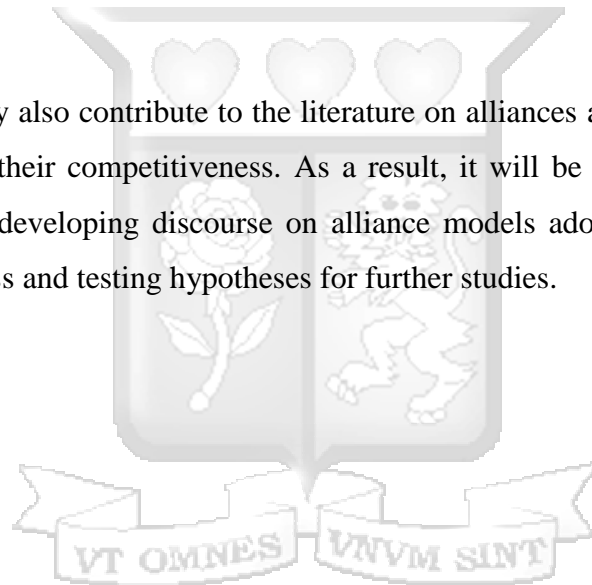
International law firms will benefit from the study by using the findings of the study to ensure that the structure of the strategic alliance with local law firms allows for access to the key resources that are critical in ensuring a successful alliance.

### **1.6.3 Law Society and Policy Makers**

This study also considers regulatory restrictions on the structure of strategic alliances entered into by law firms. Accordingly, the research will be useful in assisting policy makers and influencers such as the Law Society of Kenya to understand the needs of law firms and come up with enabling legislation which allows for cooperation between law firms across different jurisdictions.

### **1.6.4 Academia**

The findings of this study also contribute to the literature on alliances as a corporate strategy for law firms in improving their competitiveness. As a result, it will be useful to researchers and academics interested in developing discourse on alliance models adopted by law firms in the operation of their business and testing hypotheses for further studies.



## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

This chapter sets out the literature review in relation to the study. This includes the theoretical anchorage of the study and literature relating to the research objectives of: evaluating the types of strategic alliances that law firms can enter into; assessing the influence of strategic alliances in accessing resources that contribute to the success of the law firms; and commentary on the influence of strategic alliances on competitiveness.

This chapter concludes by setting out the findings of the review and a conceptual framework is developed from the literature review.

### 2.2 Resource Based Theory

The seminal works of Rumelt (1984) and Wernerfelt (1984) emphasized the usefulness of analyzing the firm from a resource perspective. The contribution of the resource based view is that a firm's competitive position is defined by a bundle of unique resources and relationships. Das and Teng further develop the link between the resource-based view and strategic alliances by asserting that firms use alliances to gain access to other firms' valuable resources (Das & Teng, 2000). Comparing the transaction cost rationale and the resource based rationale, Das and Teng note that alliances are preferred when a different party owns (inseparable from other assets of the firm) critical inputs required to pursue an opportunity or collaboration, enhance knowledge in specific areas where the requisite level of knowledge is lacking or that cannot be developed within reasonable time or cost. Accordingly, the resource-based view emphasizes on value maximization of a firm through pooling of resources.

The resource-based theory therefore anchors this study as it considers strategic alliances as strategies used to access the resources of other firms for the purpose of attaining otherwise unavailable competitive advantages to the firm (Das & Teng, 2000). This is demonstrated in McGarry's handbook of law firm networks (2017) in which, access to other firms resources, obtaining new clients, exchange of knowledge and the prestige of being associated with other leading firms are listed in the response to the question 'why do firms join?' in a manner similar to the findings of Das & Teng (2000). Accordingly, the resource based theory articulates the

theoretical assumption that for law firms to secure a competitive advantage through strategic alliances, the alliances should be structured in a manner which allows access and exchange of otherwise unattainable resources from other law firms.

The type of strategic alliance also has a bearing on the ability of the law firm to access these key resources. The Ad Hoc Referral model is an informal arrangement and consequently, the foreign law firm invests less time and energy in the relationship (Anand, 2012) therefore limiting access to key resources. On the other end of the spectrum, the Swiss Verein model provides for a unified brand with integrated procedures (Richmond & Corbin, 2014) and therefore creating opportunities for the local law firm to access the critical resources for success.

For the reasons set out above, while various theories of firm behavior such as transaction cost theory, organizational learning theory and resource dependency theory can be used to explain strategic alliances, this study is based on resource based theory as there is a demonstrated relationship between the strategic alliance model, access to resources and a successful strategic alliance. The resource based view has been used by Lavie (2006) in a study of the competitive advantage of interconnected firms and by Huang et al (2015) in drawing a distinction between temporary competitive advantage and sustainable competitive advantage. The resource based view has also been used by Kiprono (2013) in a study on strategic planning practices by large law firms in Nairobi, Kenya where he found that strategic planning, such as a strategy to enter into a strategic alliance, serves as a basis for resource allocation. The resource based view is therefore the theoretical basis for this study as it guides the objectives of evaluating the types of strategic alliances, assessing the resources that contribute to the success of strategic alliances entered into by law firms and how these resources, once accessed through the strategic alliance, influence competitiveness of the respective firms.

### **2.3 A Review of the Types of Strategic Alliances Entered into by Law Firms**

According to Carine, strategic alliances are formed between law firms to gain from their business partner's market, clients or legal expertise in some way (Carine, 2003). Strategy should determine the correct architecture for any organization, but it has been all too easy for law firms to use perceived structural difficulties as an excuse for doing nothing (Jarrett-Kerr and Wesemann, 2012). The Royal Bank of Scotland's 2014 review of the legal market shows that many law firms are

challenging their traditional business models and seeking different approaches to structure their firms. In particular and drawing attention, is the focus on such firms executing legal activities in lower-cost jurisdictions (Tsolakis, 2014).

In Kenya for instance, structural difficulty includes the restriction on advocates sharing profits with a person who is not qualified as an advocate in Kenya (section 37, Advocates Act, Chapter 16 Laws of Kenya). To maximize their potential and build relationships with foreign firms to serve clients better, firms are coming up with innovative solutions to bypass such restrictions. Consequently, forming affiliate relationships between local and foreign firms has become increasingly popular (Anand, 2012).

Law firms in Kenya can consider the Ad Hoc Referral, Best Friends and Swiss Verein structures when entering into strategic alliances with global law firms. Outlined below is a review of these three forms of alliances. The options of the De Facto control model, opening greenfield offices and forming mergers are not considered in this study for the reason that they would fall foul of the protectionist rules under the Kenya Advocates Act.

### **Ad Hoc Referrals**

In this structure, global law firms refer their clients who require legal assistance in a particular country to a law firm they have worked with before in that jurisdiction. The referrals are generally based on bilateral relationships between firms, personal knowledge and reciprocity (Morgan & Quack, 2006). These are commonly used by law firms in high demand that cannot rely on a single or exclusive international partner to maintain their revenue streams. The benefits of the Ad Hoc Referral system are: it complies with regulation restricting sharing of profits with an unqualified person as there are negligible concerns around the foreign practice of law; there is no pressure to promote the practice of any particular firm; and they are also non-exclusive in nature and, as a result, do not restrict the local firm from receiving referrals from multiple foreign law firms (Garg, 2011).

It however imposes no obligation of any kind on either side as a result of its non-exclusive nature. Accordingly, the Ad Hoc Referral is not appropriate for a local firm intending to invest considerable time and energy in an association which includes foreign law firms and vice versa (Anand, 2012). In addition, such referral networks are only as good as the partner firm the foreign

law firm is recommending (Tsolakis, 2014). Also, the foreign firm is unlikely to invest time and know-how supporting a large number of counterparts or assist the local firm build up the necessary practice areas with only an informal relationship (Garg, 2011). Further, if the streams of referrals flowed steadily in one direction, it is likely that the firm sending the referrals would look for another partner more willing to reciprocate (Morgan & Quack, 2006). For the reasons stated above, the Ad Hoc Referral structure presents limited opportunities for the local law firm to access the resources of the global firm and, in turn, attain otherwise unavailable competitive advantages to the local law firm.

### **Best Friends**

Best Friends structures invariably operate as an exclusive referral relationship which allows investment of time and energy to build a stable, long-term relationship. This commitment would include sharing of technical, administrative and managerial knowledge in order to harmonize the business culture and structures. The Best Friends model is more synergistic than the Ad Hoc Referral model of affiliation and the firms will invest in training, resources and implement changes in their business structures to better fit with each other (Garg, 2011). Morgan and Quack (2006) label this strategy as network internationalization where firms retain their independence at a national level but advertise and effect a longer transnational reach by establishing relationships among firms. He considers two models: first, the informal network model where law firms achieve an international reach through informal network relationships; and secondly, the formal network model where convergence of strategy and structure are particularly striking.

The advantage of this model is that foreign firms will often invest time and energy into strengthening the local affiliate's areas of weakness. The foreign law firms in turn will benefit from having a strong local firm which will help it serve its clients better. The affiliation should also not fall foul of regulation where the foreign firm remains a separate legal entity from the local firm (Garg, 2011). Morgan and Quack (2006) note that the network model offers greater flexibility where the network can grow, be closed down or reduced in scale in a relatively straightforward manner.

According to Garg (2011), the downside of the Best Friends model is that certain local firms will have underdeveloped practice areas and require assistance from the foreign firm or the foreign

firm may not be able to rely on the expertise of a single local firm. Sending referrals to another local firm with a better developed practice area may be difficult. Accordingly, the foreign firm must find a local firm with a well-rounded practice or be prepared to build up areas of relative weakness. For the local firm, it may be difficult to generate enough business through referrals from a single firm.

The Best Friends model therefore presents opportunities for the local law firm to access the resources of the global law firm and use this to secure otherwise unattainable resources resulting in a competitive advantage over competitors.

### **Swiss Verein**

Jarrett-Kerr and Wesemann (2012) advocate for the Swiss Verein as the structural vehicle that helps law firms deal with the legal and financial hurdles of international mergers. The Swiss Verein structure is conceptually simple yet has infinite variability (Reeser, 2011). They range from loose affiliations of law firms sharing a common brand to a tight-knit organization utilizing a unified brand name with integrated procedures and standards (Richmond & Corbin, 2014). They are flexible, allowing for expansion by readily adding new members, and subject to few structural limitations (Richmond & Corbin, 2014). Through this structure, a collection of law firms in different countries can present themselves internationally as a single organisation without complying with the legal restrictions of each country by maintaining their status as distinct legal entities in those countries. The advantage of the Swiss Verein is the avoidance of two stumbling blocks. First, members do not share commercial or professional liability for the debts or actions of other member firms and secondly, there is no sharing of revenues or pooling of profits (Jarrett-Kerr & Wesemann, 2012).

The RBS review of the legal market 2014 (Tsolakis, 2014) also suggests that many firms have pursued their international growth strategy by utilizing the well-established and flexible Swiss Verein structure giving law firms greater access to new markets, boost areas of expertise and produce greater economies of scale and efficiencies.

Critics have argued that a collection of law firms presenting themselves as a single global firm by forming a Swiss Verein is an illusion on the basis that vereins are simply marketing platforms and lack the common culture, shared knowledge and standardized practices that single partnerships

enjoy (Kalis, 2011). Vereins also do not necessarily guarantee unified levels of expertise or service from one office to another (Tsolakis, 2014). Further, vereins see geographic reach as an end in itself, doing away with financial integration. Financial integration is an important value for law firms as it promotes a ‘one for all, all for one culture’ (Chambi, 2017).

Law firms seeking to enter into a Swiss Verein must take into account administrative, cultural, economic and professional virtues of practicing within a verein as opposed to other organizational forms (Richmond & Corbin, 2014). Building on the advantages of the Best Friends model, the Swiss Verein includes the significant aspect of operating under a unified brand. Depending on the strength of the brand, the local law firm will be in a position to access resources of the foreign law firm that are critical for a sustained competitive advantage.

In conclusion, and irrespective of the model that is adopted of the three above, Anand cautions that:

Picking the best model of association is a decision that requires a strategic insight into a firm’s long-term strategy, its size, its expected volume of work, and various other factors. At the end of the day, the best choice for one firm may drastically differ from the best choice for another. What is clear is that those firms that have made an informed decision from among the various modes of association, are best positioned to enjoy a long-lasting association, better financial health, improved client satisfaction and more efficient client service (Anand, 2012, p. 24).

In summary, law firms are at liberty to choose the most appropriate form of strategic alliance that suits their strategy. Garg (2011) looking into affiliations by Indian law firms noted that certain law firms preferred an ad hoc referral model for the reason that a closer exclusive relationship with a single foreign law firm would cut-off work from other firms. An ad hoc referral model however represents the weakest form of strategic alliance. In this model, the foreign law firm is unwilling to invest significant time and know-how in the relationship. The Swiss Verein model on the other represents the strongest form of a strategic alliance. It presents the best opportunity for a local law firm to access otherwise unattainable resources of the foreign law firm that are necessary to improve competitiveness. These resources are set out under section 2.4 below.

## **2.4 Resources Required for a Successful Strategic Alliance by Law Firms**

In considering whether to enter into a strategic alliance, Wesemann, (2006) asserts that there are four primary resources that a law firm should focus on acquiring. The first is leadership. Jarret-Kerr & Wesemann (2012) point out that the law firm should enter into a strategic alliance with a firm that has clear leadership and implementation capabilities. The alliance structure must provide the right sort of governance, that is, it should not result in a loose association of independently run law firms.

Second is the aspect of building capacity. A key value of the strategic alliance should be sharing of knowledge and skill, often involving proprietary knowledge that is not readily available in the market place, to build core competencies to develop a specific practice area. It also includes, funding, information technology, accounting and other technical assistance support. For instance, the Bowmans Africa Group, which includes the Kenya law firm of Coulson and Harney operates on a single-firm principle in which member firms have fully integrated IT and financial systems, business development, client service and governance (Taddia, 2016).

The third consideration is access to market. A particular advantage of strategic alliances is the entry into new markets (Culpan, 2008). The strategic alliance should establish a geographical footprint that allows for access to new markets and enhances existing client relationships by creating new opportunities.

Finally, local law firms should want to partner with foreign law firms with a strong brand. Brand and identity is potentially an extremely valuable asset (Larkan, 2012). The brand creates the critical mass that is often the measure by which clients make decisions (Wesemann, 2006).

## **2.5 Influence of Strategic Alliances on Competitiveness**

Dacin, Oliver, & Roy (2007) have emphasized that strategic alliances serve an important legitimating function, in particular, that strategic alliances are a means to an economic and competitive end by allowing firms to access critical resources such as technology, markets, partners and customers. Culpan (2008) also asserts that the basic premise of strategic alliances is in building competitive and sustainable advantages for partners.

Various studies have been carried out to demonstrate the influence of strategic alliances on competitiveness. For instance, Makau (2012) in a case study of the Kenya Commercial Bank in connection with strategic alliances and organizational competitiveness, notes that there is a positive relationship between strategic alliances and organizational competitiveness. Further, Kimani (2014), in a study of the effects of strategic alliances on the competitive advantage of Airtel Kenya Limited (“Airtel”) found that Airtel had gained a competitive advantage as a result of entering into strategic alliances with partners and recommends strategic alliances as one of the main ways in which organizations can sustain their operations in a competitive environment. Also, Wasike (2016) found that there was a strong relationship between a firm’s competitiveness and the competitive strategies that it adopts.

## **2.6 Summary of Key Findings and Confirmation of Research Gap**

The literature by Garg (2011), Anand (2012) and Morgan & Quack, (2006) demonstrate that law firms have various models to consider when seeking to enter into strategic alliances with foreign law firms. Of all the types of strategic alliances, the ad hoc referral model offers minimal opportunities to access the resources of the foreign law firm while the Swiss Verein represents the most significant opportunities to access resources. Further, Klaaren, (2016) and Taddia (2016) have considered aspects of African corporate lawyering including Kenya. The literature however does not tell us whether all the types of strategic alliances are being entered into by law firms in Kenya.

The literature also points out that the key resources that local law firms should seek to acquire when entering into strategic alliances are governance, access to market, capacity and a strong brand. It is however not clear whether law firms in Kenya are taking these aspects into consideration when entering into strategic alliances with foreign law firms.

Finally, the research by Makau (2012), Kimani (2014) and Wasike (2016) indicate that there is a positive relationship between strategic alliances adopted by firms and competitiveness. The literature however does not establish whether the strategic alliances entered into by law firms also bring about a similar positive relationship with respect to competitiveness. This study therefore seeks to fill the research gap in the three areas referred to above.

## 2.7 Conceptual Framework

The conceptual or theoretical framework represents how the various concepts from the literature review are related to each other. The framework attempts to examine and explain factors that affect and therefore influence the competitiveness of law firms in Kenya entering strategic alliances.

Manipulation of any independent variable is expected to influence the dependent variable either in a positive or negative way.



Figure 2.1: Conceptual Framework

The conceptual framework shows the relationship between the types or forms of strategic alliances that law firms can enter into and their effect on the competitiveness of the specific law firm.

## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

This chapter outlines the research design of the study and the rationale for its selection. In particular, it focuses on the population of the study, the data collection method and data analysis method. In addition, this part addresses the research quality with respect to reliability, validity as well as setting out the ethical considerations.

### 3.2 Research Design

Design is concerned with the overall plan for a research study and the process of answering the research questions (Saunders et al., 2016). To achieve this, a cross sectional survey research design was used. An evaluative approach was adopted to determine the types of strategic alliances that law firms in Kenya are entering into. The research also adopted an explanatory approach where relationships between variables were studied in order to determine how strategic alliances assist in accessing resources and the influence of these alliances on competitiveness.

### 3.3 Research Population and Sampling

The Law Society of Kenya places the number of advocates in Kenya at over thirteen thousand<sup>1</sup>. In addition, the number of law firms operating in Nairobi is estimated at over 600 (Kiprono, 2013). As indicated by Saunders et al (2016), for many research questions, it will not be possible to analyze all the potential data available owing to restrictions of time, money and access. A sampling technique will therefore need to be chosen to reduce the amount of data by considering data from a sub-group. In addition, the researcher may redefine the population into something more manageable by setting a target population.

Accordingly, the research adopted a purposive sampling technique where the target population was the entire population of Kenyan law firms ranked in all the practice segments of the following international organizations: IFLR1000; Chambers and Partners; and Legal 500. The rationale of the target population is based on the purpose and focus of the study, which is law firms in Kenya that possess the requisite international visibility to consider entering into strategic alliances with

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<sup>1</sup> <http://lsk.or.ke/about-lsk/>

foreign law firms for purposes of improving their competitiveness in the Kenya market for legal services. Where the target population is less than 50 cases, probability sampling is discouraged (Saunders et al., 2016), accordingly the study collected data from the entire population.

A list of all the 16 law firms together with their respective rankings is set out in Appendix I. The unit of study was the individual law firms. The respondents to the questionnaire were partners at the law firm being studied and therefore possessed the requisite knowledge of the operations of the firm from a strategic perspective.

### **3.4 Data Collection Technique**

The study used a directly administered questionnaire as its main data collection technique as set out in Appendix II. The questionnaire was accompanied by an explanatory cover letter set out in Appendix III. The questionnaire was divided into four sections: Section A contained the law firms' general bio data; Section B contained information on the models of strategic alliances adopted by the law firms; Section C contained information on the resources that are accessed by the law firms as a result of the strategic alliances; Section D sought information on the influence of the strategic alliances on the law firms. Nominal and interval scales were used in the questions and comprised closed ended questions and one open ended question.

As indicated above, secondary data in the form of the Kenyan rankings of law firms from each of IFLR1000, Chambers and Partners, and Legal 500 was collected for the purpose of assessing the influence of the various strategic alliances on competitiveness.

### **3.5 Data Analysis**

The data from the completed questionnaires and the secondary data from the international ranking websites was summarized, coded and tabulated. To understand the data, an Exploratory Data Approach (EDA), emphasizing on the use of graphs, was used including the presentation of the data in percentages and frequency tables. Secondary data was used to support the findings from the questionnaires. To test the strength of relationships between variables in connection with the competitiveness of law firms, a Spearman's rank correlation coefficient (Spearman's rho) was carried out using SPSS.

### 3.6 Research Quality

#### 3.6.1 Validity

According to Orodho (2009) validity of a research instrument is the degree to which results obtained from the analysis of the data actually represent the phenomenon under investigation. The questionnaire was pilot tested to assess the questions validity and for refinement to ensure that respondents would have no problem in answering the questions and no issues would arise in recording the data. Law firms that completed the pilot did not fall within the target population, the results of the pilot revealed that these law firms had not entered into strategic alliances with foreign law firms.

#### 3.6.2 Reliability

Reliability refers to replication and consistency (Saunders et al., 2016). A Cronbach's reliability analysis was carried out to measure the questionnaires tool reliability. The test revealed an Alpha value of (0.951) above the requisite threshold of (0.7) as indicated in table 3.1.

Reliability Statistics	
Cronbach's Alpha	N of Items
.951	8

Table 3.1: Reliability

#### 3.7 Ethical Considerations

Ethical considerations are aimed to address issues of confidentiality, anonymity and freedom of the study. The study raised ethical concerns in relation to maintaining confidentiality of the information gathered from the law firms and retaining anonymity when reporting the results of the study. To address these concerns, the questionnaire was supported by a covering letter explaining the purpose of the study as well as giving suitable assurances with respect to confidentiality and anonymity of the law firms involved in the study.

## CHAPTER FOUR: PRESENTATION OF RESEARCH FINDINGS

### 4.1 Introduction

This chapter sets out the data analysis. It is divided into different sections based on the research objectives and the responses to the questionnaire. The data is presented in the form of tables and graphs.

The main objective of this study examined the influence of strategic alliances on the competitiveness of internationally ranked law firms in Kenya. Primary data was collected through self-administered questionnaires. Secondary data in the form of the rankings of the various law firms on international websites was also collected.

### 4.2 Response Rate

Out of the 16 firms that were the target population of the study, 12 firms responded to the questionnaire, 2 firms declined to respond while 2 firms did not respond to the request for information. This resulted in a response rate of 75%. The collected data was analyzed using descriptive and inferential statistical analysis and the findings presented in the form of graphs, charts and tables.

### 4.3 Profile of Law Firms

The study sought to collate information on the profiles of the firm in terms of nature of legal entity, year of establishment, number of employees, advocates and partners. This demographic information was important as it reflected the reliability of information and built on the research objectives. The period within which the law firms studied had been in existence ranged from the late 1800s to early 2000s. This demonstrated that the law firms had been in existence in the market long enough to contemplate adopting competitive strategies so as to influence their competitiveness in the market. One firm was established as a sole proprietorship, two of the firms were established as limited liability partnerships while all the rest were general partnerships. Four firms had a staff complement of over 100 employees and a majority of the firms had between 16 and 50 advocates. In addition, the number of partners per law firm was generally spread evenly between firms with no more than five partners and firms with over 15 partners. A snapshot of the law firm demographics is set out below.

<b>Firm Profile Summary</b>			
Demographic Characteristic		Frequency	Percentage (%)
Form of Legal Entity	Sole Proprietorship	1	8.3
	Partnership	9	75
	Limited Liability Company	0	0
	Limited Liability Partnership	2	16.7
	Other	0	0
	<b>Total</b>	<b>12</b>	<b>100</b>
Number of Employees	1 to 50	4	33.3
	51 to 100	4	33.3
	101 to 150	2	16.7
	Over 150	2	16.7
	<b>Total</b>	<b>12</b>	<b>100.</b>
Number of Advocates	1 to 25	4	33.3
	26 to 50	5	41.7
	51 to 100	3	25
	Over 100	0	0
	<b>Total</b>	<b>12</b>	<b>100</b>
Number of Partners	0 to 5	3	25
	6 to 10	4	33.3
	11 to 15	3	25
	Over 15	2	16.7
	<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.2: Demographics

#### 4.4 Strategic Alliance Types

One of the objectives of the study was to evaluate the types of strategic alliances that law firms in Kenya can enter into. To meet this objective, the law firms were asked a series of questions. First, whether they had entered into an alliance followed by questions to describe the characteristics of the alliance in order to determine the specific category they would fall into based on the three types of alliances revealed from the literature review. Finally, based on definitions set out in the questionnaire, firms were asked to indicate which alliance best described the model adopted by the law firm. All the firms studied reported to be in an alliance which allowed for the mutual referral of clients. A summary of the responses in relation to the salient features of an alliance in terms of exclusivity, brand and the specific type of alliance is set out below.

#### 4.4.1 Exclusivity of Alliance

Exclusivity is an important aspect in determining the type of strategic alliance that a law firm is entering into. Accordingly, respondents were asked to indicate whether the alliance type was exclusive in nature. 33% of the law firms adopted alliances that were exclusive in nature while 67% of the respondents were at liberty to engage with law firms outside the alliance.

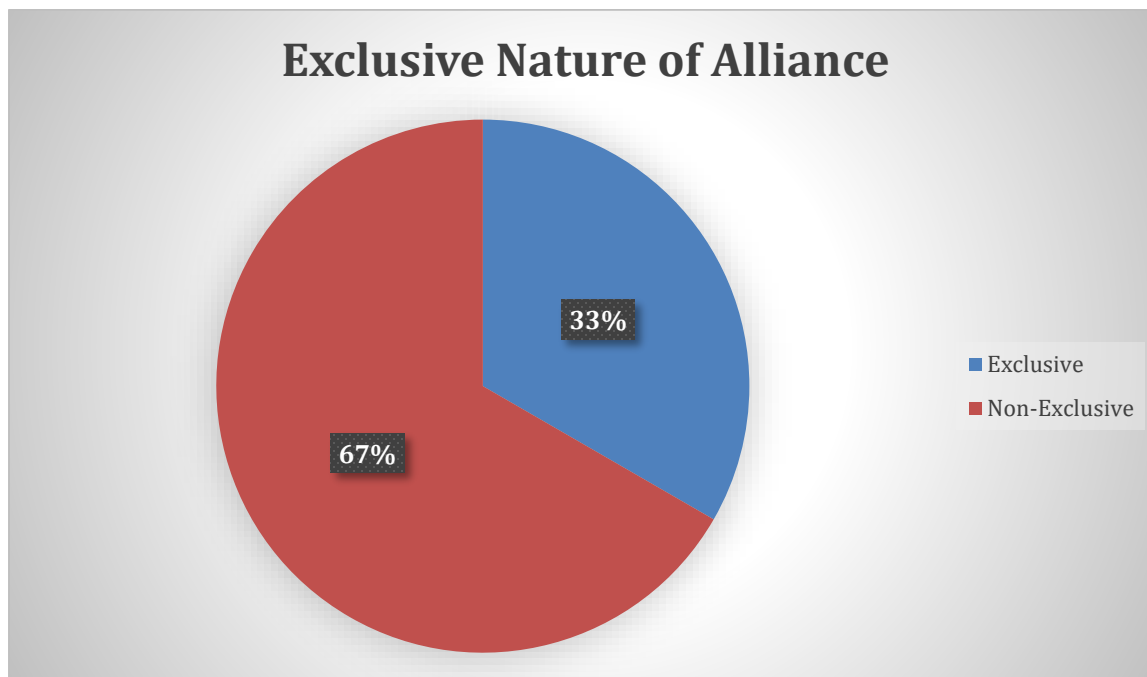


Figure 4.1: Exclusive Nature of Alliance

#### 4.4.2 Promotion of Brands across Jurisdictions

The interplay between the brand of the local firm and the foreign firm is an important consideration in assessing the type of strategic alliance. Accordingly, to further understand the specific type of strategic alliance, firms were asked whether the alliance provided for the promotion of a unified brand across multiple jurisdictions and, in addition, whether the law firm maintained a separate brand that was distinct from that of the strategic alliance. 42% of the law firms studied had alliances which allowed for the promotion of a unified brand across multiple jurisdictions and only 25% maintained a single brand in both the local and foreign jurisdictions. Accordingly, 25% of the law firms demonstrated characteristics of a Swiss Verein strategic alliance model.

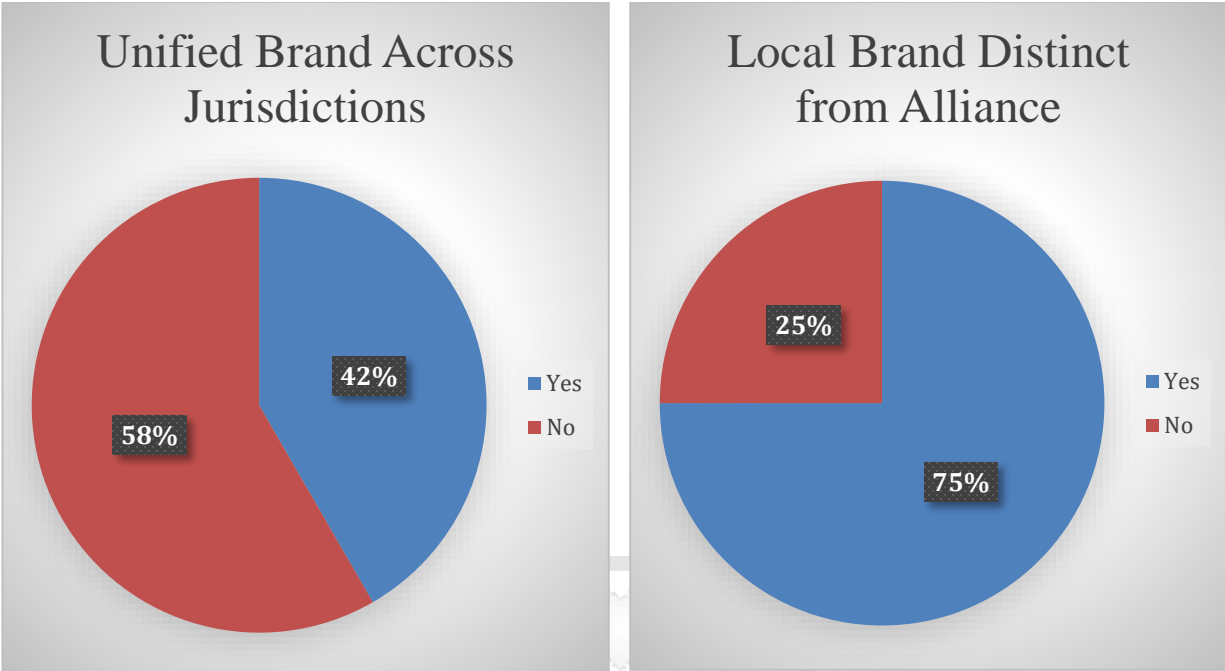


Figure 4.2: Operation of Brands

**4.4.3 Individual Firm Assessment of Type of Alliance**

To confirm the type of strategic alliance based on the responses given in relation to descriptive characteristics of the models, the law firms were asked to indicate whether their alliances fell within the Ad Hoc Referral, Best Friends or Swiss Verein models. In addition, as one of the objectives of the study was to evaluate the types of alliances that law firms entered into (including outside of the Ad Hoc Referral, Best Friends and Swiss Verein models set out in the literature review) an option was allowed in the questionnaire for the identification of other types of alliances. A chart of the types of strategic alliances entered into by the law firms studied and the respective distribution is set out below. Two firms posted results under the ‘other’ section as ‘network of firms’ and ‘strategic and operational integration’.

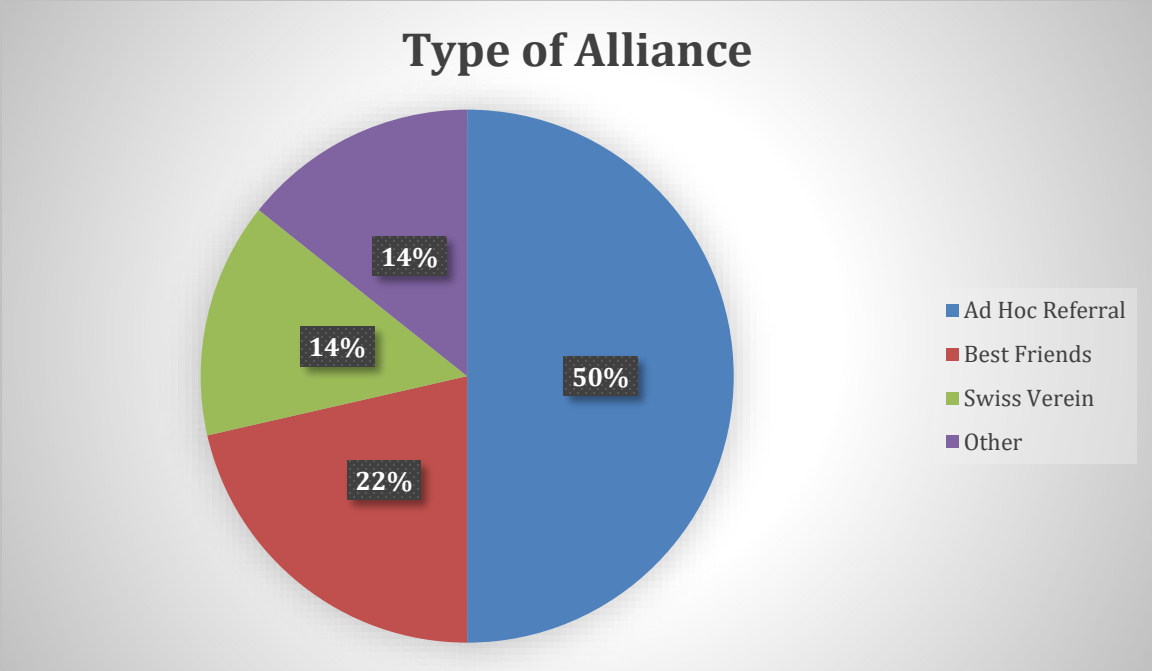


Figure 4.3: Types of Strategic Alliance

#### 4.4.4 How Strategic Alliances Assist in Accessing Resources

The literature review identified certain factors that affected the relationship between the independent variable (form of alliance) and the dependent variable (competitiveness of the law). These were: leadership or governance; additional capacity of the law firm (access to new knowledge, technical assistance, information technology, financial and marketing support); access to new markets; and brand. Accordingly, respondents were asked the extent to which the alliance model influenced these factors. A summary of the responses is set out below.

Influence of Alliance on Leadership and Governance		
Scale	Frequency	Percentage (%)
Very small extent	6	50
Small extent	4	33.3
Moderate	0	0
Large extent	1	8.3
Very large extent	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.3: Leadership and Governance

<b>Influence of Alliance on Capacity of the Firm</b>		
Scale	Frequency	Percentage (%)
Very small extent	3	25
Small extent	4	33.3
Moderate	1	8.3
Large extent	2	16.7
Very large extent	2	16.7
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.4: Capacity

<b>Influence of Alliance on Access to Market</b>		
Scale	Frequency	Percentage (%)
Very small extent	2	16.7
Small extent	3	25
Moderate	5	41.7
Large extent	1	8.3
Very large extent	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.5: Access to Market

<b>Influence of Brand on Access to Market</b>		
Scale	Frequency	Percentage (%)
Very small extent	3	25
Small extent	3	25
Moderate	3	25
Large extent	2	16.7
Very large extent	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.6: Brand

The responses were then analyzed with respect to each alliance type and weighted based on the scores in the relevant Likert scale and a clustered graph prepared. The graph is set out below. Firms which adopted the Swiss Verein model reported the greatest influence on leadership, building capacity and access to market (including in relation to the alliance brand) as a result of entering the strategic alliance. There was little to no difference between the responses received from firms that adopted either an Ad Hoc Referral or Best Friends model when it came to governance and building capacity. Firms in the Best Friends model however reported a greater influence of the alliance on access to market than those in the Ad Hoc Referral model.

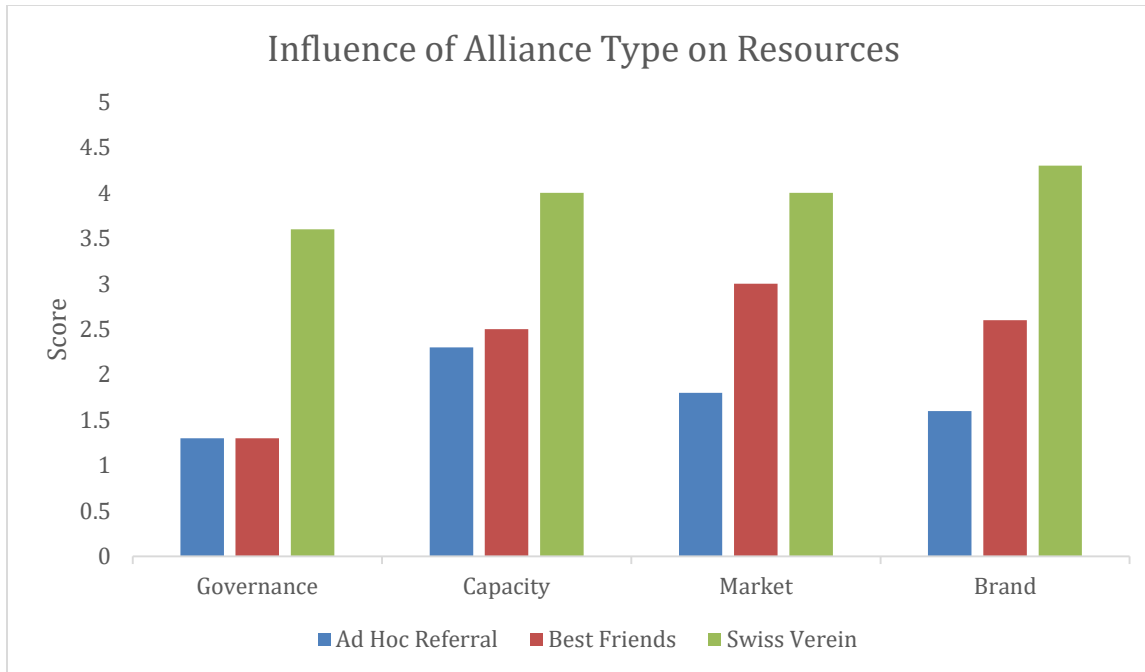


Figure 4.4: Influence of Alliance Type on Resources

#### 4.5 Influence on Competitiveness

The parameters selected in measuring competitiveness was the firms' perception of increase in revenue, as a financial indicator, and market share as a non-financial indicator (Santos & Brito, 2012). Respondents were asked the extent to which, as a result of entering into the strategic alliance, they had seen an annual increase in revenues and market share. The firms were also asked the extent to which the alliance played a part in maintaining market share already created. A summary of the responses is set out below.

Effect of Alliance on annual increase in revenues		
Scale	Frequency	Percentage (%)
Very small extent	4	33.3
Small extent	3	25
Moderate	4	33.3
Large extent	1	8.3
Very large extent	0	0
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.7: Revenue

<b>Effect of increase in market share</b>		
Scale	Frequency	Percentage (%)
Very small extent	5	41.7
Small extent	3	25
Moderate	3	25
Large extent	0	0
Very large extent	1	8.3
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.8: Effect on increase in market share

<b>Effect on maintaining market share</b>		
Scale	Frequency	Percentage (%)
Very small extent	5	41.7
Small extent	3	25
Moderate	3	25
Large extent	1	8.3
Very large extent	0	0
<b>Total</b>	<b>12</b>	<b>100</b>

Table 4.9: Effect on maintaining market share

The responses were then analyzed with respect to each alliance type and weighted based on the scores in the relevant Likert scale and a clustered graph prepared as set out below. Firms in the Swiss Verein model reported the greatest influence on increase in revenues and market share than those law firms that posted the Ad Hoc Referral and Best Friends models as a result of entering the strategic alliance. Firms in the Best Friends alliance model in turn reported a greater influence on competitiveness than those in Ad Hoc Referral alliances.

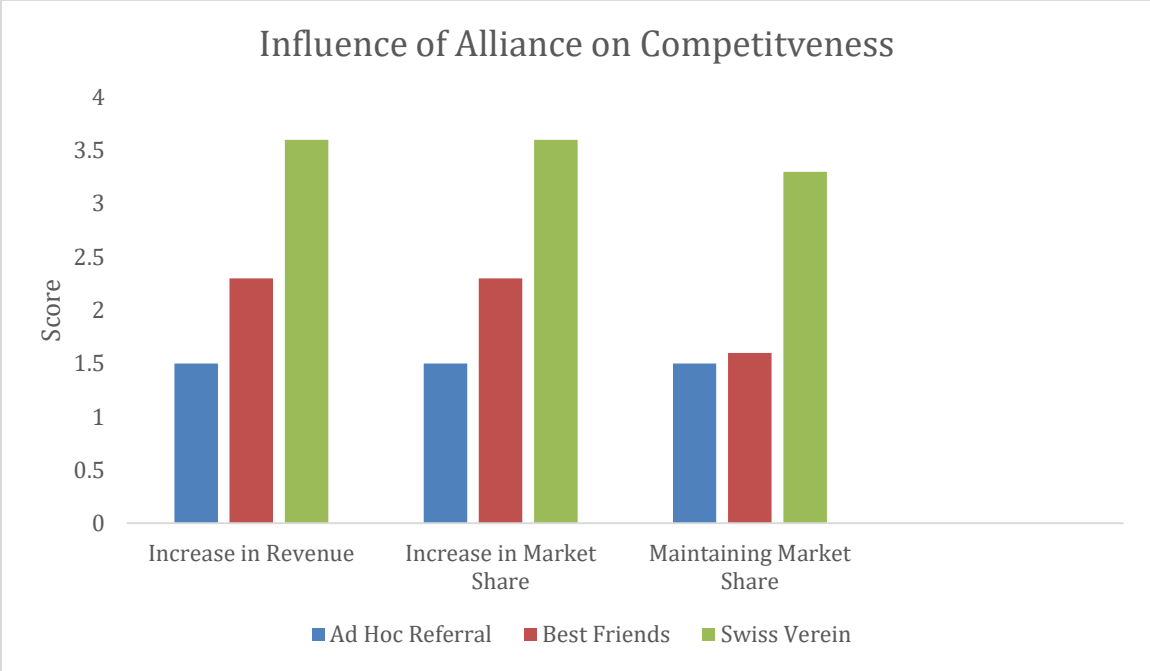


Figure 4.5: Influence of Alliance Type on Competitiveness

**4.6 Rankings on International Websites**

To further test the data, an analysis was carried out to check whether firms in a specific strategic alliance model recorded a higher ranking on the international ranking websites. This analysis was important as a high ranking on international ranking websites created the perception of a firm being competitive in the market for legal services. To complete the analysis, a cross sectional survey was carried out on the positions held by the law firms that responded to the study for the year 2017 on IFLR1000, Legal 500 and Chambers and Partners rankings. The law firms were grouped based on the strategic alliance type they had entered into. Thereafter, based on the rank of the specific law firm, scores were awarded as follows: a maximum of 5 points was allocated to law firms that were in the Tier 1 category and a minimum of 1 point for law firms in the Tier 5 category. The scores were summed up and an average score was then computed based on the number of law firms in each alliance type.

A summary of the results is set out in the table below. The findings show that firms which adopted the Swiss Verein model scored the highest average score of 4.47, 4.7 and 4.7 respectively in the IFLR 1000, Legal 500 and Chambers and Partners rankings. This was followed by firms in the Ad

Hoc Referral model with a score of 3.46, 3.5 and 4. Finally, the Best Friends model posted a score of 2.75, 3 and 3 respectively in the IFLR 1000, Legal 500 and Chambers and Partners rankings.

<b>IFLR 1000</b>			
	Ad Hoc Referral	Best Friends	Swiss Verein
Energy	3.25	3	4.33
Infrastructure	3.75	3	4.33
Financial & Corporate	2.6	2	4.6
Mining	4.25	3	4.6
<b>Total Average</b>	<b>3.4625</b>	<b>2.75</b>	<b>4.47</b>

Table 4.10: IFLR 1000 Rankings

<b>Legal 500</b>								
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Score	Frequency	Av. Score
AdHoc Referral	0	1	1	0	0	7	2	3.5
Best Friends	0	0	1	0	0	3	1	3
Swiss Verein	2	1	0	0	0	14	3	4.7

Table 4.11: Legal 500 Rankings

<b>Chambers and Partners</b>								
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Score	Frequency	Av. Score
AdHoc Referral	1	0	1	0	0	8	2	4
Best Friends	0	0	1	0	0	3	1	3
Swiss Verein	2	1	0	0	0	14	3	4.7

Table 4.12: Chambers and Partners Rankings

#### 4.7 Correlation Analysis

A bivariate correlation analysis was carried to establish whether variable relationships existed between the type of alliance and each of the three parameters of measuring both the influence of resources and competitiveness as indicated in the research instrument. The parameters for influence on resources were leadership or governance, building capacity of the firm, access to markets and the effect of the strategic alliance brand. On the other hand, the parameters for

competitiveness were increase in annual revenues, increase in market share and maintenance of market share.

In terms of the alliance type, the data was arranged in an ordered category from the loose Ad Hoc Referral model followed by the more formal Best Friends alliance and finally the long-term and binding Swiss Verein strategic alliance. On the basis that the data sets were categorical and ranked, a Spearman’s rank correlation coefficient (Spearman’s rho) was carried using SPSS to represent the degree of agreement between the sets of ranking.

#### 4.7.1 Correlation between Alliance Type and Influence on Governance / Leadership

The findings of the correlation analysis indicate that there is a moderate positive linear relationship between the alliance model chosen by law firms and influence on the leadership and governance of the local law firm. Accordingly, whilst there is an influence on leadership or governance on a local law firm as it considers the range of alliances from an Ad Hoc Referral model to a Swiss Verein structure, the effect would be moderate. The results of the correlation analysis are set out below.

#### Correlations

			Alliance Model	Governance
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.595*
		Sig. (2-tailed)	.	.041
		N	12	12
	Governance	Correlation Coefficient	.595*	1.000
		Sig. (2-tailed)	.041	.
		N	12	12

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

Table 4.13: Correlation Analysis – Alliance model and Governance

#### 4.7.2 Correlation between Alliance Type and Building Capacity of the Law Firm

The findings of the correlation analysis indicate that there is a weak positive linear relationship between the type of alliance and the extent to which the alliance model builds capacity of the law firm in terms of new knowledge, technical assistance, information technology, financial and marketing support.

			Alliance Model	Capacity
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.387
		Sig. (2-tailed)	.	.215
		N	12	12
	Capacity	Correlation Coefficient	.387	1.000
		Sig. (2-tailed)	.215	.
		N	12	12

Table 4.14: Correlation Analysis – Alliance model and Capacity

#### 4.7.3 Correlation between Alliance Type and Access to Market

The findings of the correlation analysis indicate that there is a significantly strong positive linear relationship between the alliance type and access to markets at  $r (.846)$ ;  $p < 0.01$ . Accordingly, as law firms move from an Ad Hoc Referral alliance to a Swiss Verein, there is an increasingly significant influence on access to new markets.

			Alliance Model	Access to Markets
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.846**
		Sig. (2-tailed)	.	.001

	N	12	12
Access to Markets	Correlation Coefficient	.846**	1.000
	Sig. (2-tailed)	.001	.
	N	12	12

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

Table 4.15: Correlation Analysis – Alliance Type and Access to Market

#### 4.7.4 Correlation between Brand of Alliance Type and Access to Market

Similar to the findings under paragraph 4.7.3, there is a significantly strong positive linear relationship between the brand of the alliance type and access to markets at  $r (.839)$ ;  $p < 0.01$ . Accordingly, as law firms move from an Ad Hoc Referral alliance to a Swiss Verein, there is an increasing significant influence on the brand of the alliance on access to new markets.

#### Correlations

			Alliance Model	Influence of Brand on Access to Market
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.839**
		Sig. (2-tailed)	.	.001
		N	12	12
	Influence of Brand on Access to Market	Correlation Coefficient	.839**	1.000
		Sig. (2-tailed)	.001	.
		N	12	12

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

Table 4.16: Correlation Analysis – Brand of Alliance Type and Access to Market

#### 4.7.5 Correlation between Alliance Type and Increase in Revenue

The findings of the correlation analysis show there is a significantly strong linear relationship between the alliance model and increase in annual revenue at  $r (.755)$ ;  $p < 0.01$ . Accordingly, as law firms move from an Ad Hoc Referral alliance to a Swiss Verein, there is a reported increase in annual revenue.

			Alliance Model	Increase in Revenue
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.755**
		Sig. (2-tailed)	.	.005
		N	12	12
	Increase in Revenue	Correlation Coefficient	.755**	1.000
		Sig. (2-tailed)	.005	.
		N	12	12

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

Table 4.17: Correlation Analysis – Alliance Type and Increase in Revenue

#### 4.7.6 Correlation between Alliance Type and Increase in and maintaining Market Share

The findings show that there is a significantly strong linear relationship between the type of alliance and increase in and maintaining market share at  $r (.659)$ ;  $p < 0.05$ . Accordingly, as law firms move from an Ad Hoc Referral alliance to a Swiss Verein, there is a reported increase in and maintaining of market share. A table showing details of the correlation results is set out below.

			Alliance Model	Increase in Market Share
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.659*
		Sig. (2-tailed)	.	.020
		N	12	12

Increase in Market Share	Correlation Coefficient	.659*	1.000
	Sig. (2-tailed)	.020	.
	N	12	12

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

Table 4.18: Correlation Analysis – Alliance Type and Increase in Market Share

Correlations			Alliance Model	Maintaining Market Share
Spearman's rho	Alliance Model	Correlation Coefficient	1.000	.659*
		Sig. (2-tailed)	.	.020
		N	12	12
	Maintaining Market Share	Correlation Coefficient	.659*	1.000
		Sig. (2-tailed)	.020	.
		N	12	12

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

Table 4.19: Correlation Analysis – Alliance Type and Maintaining Market Share

#### 4.8 Chapter Summary

The findings of this study are presented in this chapter. A demographic profile of the law firms that were the subject of the study is presented. This is followed by an analysis of the strategic alliance models entered into by the law firms including the salient features of the alliances in terms of exclusivity, application of the brand and the specific type. The results of the study show that law firms primarily enter into an Ad Hoc Referral, Best Friends and Swiss Verein alliance models. Further, there is a significant positive relationship between the type of alliance model chosen and both access to markets and the parameters measured for competitiveness that is, increase in annual revenues and increasing and maintaining market share.

## **CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This study sought to analyze the influence of strategic alliances on competitiveness of internationally ranked law firms in Kenya. Its objectives were: to evaluate the type of strategic alliances that law firms can adopt; assess the influence of strategic alliances in accessing resources that contribute to the success of law firms; and analyze the influence of strategic alliances on competitiveness of law firms. A review of the literature revealed that law firms are entering into the Ad Hoc Referral, Best Friends and Swiss Verein models of strategic alliances. Further, in entering into strategic alliances, the key resources that a law firm should be seeking to acquire were leadership, building capacity, access to market and partnership with a strong brand. Finally, that studies in other fields showed that there was a positive relationship between strategic alliances and organizational competitiveness.

This chapter discusses the findings and presents the conclusions ascertained from the data analysis. The discussion has been summarized based on the objectives of the study, conclusions drawn from the data analysis and recommendations given. The chapter concludes by setting out the limitations of the study and the areas for further research.

### **5.2 Discussion of the Findings**

#### **5.2.1 Types of Strategic Alliances**

Internationally ranked law firms in Kenya are looking to enter into strategic alliances with foreign law firms. In the course of carrying out this study, the Kenyan law firm of Harrison, Hamilton and Matthews announced a strategic alliance with Dentons, a multinational law. It was therefore timely to carry out a study on the influence of these strategic alliances on law firms in Kenya.

The results of the study showed that law firms are primarily entering into the three types of strategic alliances with foreign laws firms as set out in the literature review, that is, the Ad Hoc Referral, Best Friends, and Swiss Verein affiliation models. Additional types of alliances, based on the responses to the questionnaire, included a ‘network of firms’ and a ‘strategic and operational integration’. The responses given by the law firms relating to the descriptive characteristics of the strategic alliances, that is, exclusivity and the interplay between the local brand and the brand of

the strategic alliance, however, pointed to a Swiss Verein structure. This confirms the view held by Reeser (2011) that the Swiss Verein has infinite variability from affiliations sharing a unified brand to organizations with integrated standards and procedures. Accordingly, where the findings are adjusted in this regard, the distribution of the law firms in terms of types of alliance was Ad Hoc Referral 50%, Best Friends 25% and Swiss Verein 25%. As indicated in the literature review, no firm posted results akin to the *de facto* control or surrogate alliance model as this model would contravene mandatory provisions of the Advocates Act.

### **5.2.2 How Strategic Alliances Assist in Accessing Resources**

For an alliance to be successful, Wesemann, (2006) pointed out that there should be a focus on acquiring resources relating to leadership or governance, building capacity of the firm, access to markets and building a partnership with a strong brand. Accordingly, the study sought to determine how a particular type of strategic alliance model adopted by the law firms influenced these key resources required for a successful strategic alliance. Law firms that adopted a Swiss Verein strategic alliance reported the greatest influence of the alliance type on governance, capacity building of the firm and access to new markets. Further, the correlation analysis pointed to a significantly strong relationship between the alliance type and access to market. The correlation between the alliance type and influence on governance and building capacity was however moderate. The findings also showed that there is no difference between the Ad Hoc Referral Model and the Best Friends model when it came to the influence of the alliance type on governance or leadership. In addition, there was a marginal variance between these two alliance models with respect to building capacity of the law firm.

Accordingly, the findings show that, in entering into a strategic alliance for purposes of increasing competitiveness, the most critical resource of the four pointed out by Wesemann, (2006) is securing an alliance with a foreign law firm with a strong brand that will allow the local law firm to access new markets and opportunities. This confirms the findings by Larkan (2012) when he points that a local law firm should want to partner with a law firm with a strong brand as brand identity is an extremely valuable asset. Further, when considering whether to enter into an Ad Hoc Referral or Best Friends strategic alliance model, there will only be a marginal difference in the

ability of the law firm to access key resources that are necessary in ensuring the success of the alliance.

### **5.2.3 Influence of Strategic Alliances on Competitiveness**

While it is appreciated that measuring competitiveness may be difficult, guided by Siudek & Zawojka, (2014), the study measured influence of strategic alliances on competitiveness based on perception of performance metrics. These metrics were in increase in annual revenue, increase in market share and maintaining market share. The study found that there was a significantly strong positive linear relationship between the type of alliance and both increase in annual revenues and increase in market share. This showed that there is a positive relationship between strategic alliance models and the competitiveness of law firms. The findings build on the research by Makau (2012), Kimani (2014) and Wasike (2016) which found a positive relationship between strategic alliances and competitiveness in the banking, telecommunication and pharmaceutical industries respectively. Accordingly, the study fills the research gap identified in the literature review in this regard.

The study also found that law firms that adopted a Swiss Verein structure reported a greater increase in annual revenues and market share. This was followed by firms in the Best Friends model and finally the Ad Hoc Referral strategic alliance. Further, based on a scoring metric in connection with the positions held by the law firms on international ranking websites, the study found that firms that adopted a Swiss Verein structure were positioned higher in the rankings than other law firms and accordingly recorded a higher average score. Further, from the correlation analysis, there was a significantly strong positive linear relationship between the type of alliance and both increase in annual revenues and increase in market share. Accordingly, a Swiss Verein strategic alliance had the greatest positive influence on the competitiveness of the law firms than the other affiliation models.

### **5.3 Conclusion**

Based on the findings, the study concludes that law firms in Kenya are essentially entering into three types of strategic alliances: Ad Hoc Referral; Best Friends; and Swiss Verein models. While other types of strategic alliances have been pointed out by the respondents, these are variations of the three structures set out above, in particular the Swiss Verein model. This confirms the view

held by Reeser (2011) that the Swiss Verein has infinite variability from affiliations sharing a unified brand to organizations with integrated standards and procedures.

Of the three strategic alliance models, the Swiss Verein model has the greatest influence in resulting in a positive increase in competitiveness with a significantly strong and positive correlation in relation to increase in annual revenue and market share. The Ad Hoc Referral model reports the lowest influence on competitiveness of law firms. This points to Garg's (2011) observation that foreign law firms in an Ad Hoc Referral model are unlikely to invest the requisite time and know how in supporting local firms that they have entered into an alliance under this model as a result of the informal relationship.

Finally, irrespective of the model of strategic alliance chosen, success will be significantly influenced by the ability of the local law firms to enter into an alliance with a foreign law firm with a strong brand that will allow it to access new markets and opportunities. The influence of governance and capacity building on the local law firms was however found to be moderate and therefore law firms should put more emphasis on the extent to which the strategic alliance allows for access to new markets and opportunities more than building capacity of the local firm or the effect of leadership and governance.

#### **5.4 Recommendations**

In addressing the challenge faced by law firms in adopting strategies that improve competitiveness, based on the findings of this study, the researcher recommends that law firms seeking to enhance their competitiveness in the market for legal services conclude strategic alliances with foreign law firms that take the form of a Swiss Verein model. This is for the reason that the Swiss Verein strategic alliance has the strongest influence on the competitiveness of law firms than other strategic alliance models.

When entering into a strategic alliance, it is further recommended that the local law firms focus on the ability of the strategic alliance to influence access to new markets and opportunities as this has a significant impact on the relationship between the form of strategic alliance and competitiveness. In considering the party to enter into the strategic alliance with, greater weight should be placed on the brand of the foreign law firm that consequently allows for access to new markets and

opportunities more than the ability of the local law firm to access resources that build on the capacity of the law firm or enhance its governance or leadership structure.

### **5.5 Limitations of the Study**

Due to constraints of time and cost, the study employed a cross sectional research design. It would be interesting to consider a longitudinal study to assess the influence of the various strategic alliances on competitiveness of the law firms over time. It will also be of interest to note how the law firms have been ranked over time as their strategic alliance models were introduced and developed.

Law firms by their nature hesitate to disclose commercial information, for this reason perceptual measures of competitiveness were used in measuring annual revenue and market share rather than financial measures. This may have limited the study for the reason that perceptual measures are sometimes biased and different results could be obtained by using financial measures.

Finally, the study limited its population to Kenyan law firms ranked on international ranking websites. This is a considerably smaller population from the over 600 law firms operating in Nairobi. It is possible that law firms outside of these rankings are incorporating strategic alliances with foreign law firms in improving their competitiveness in the market for legal services.

### **5.6 Areas for Further Research**

A possible area for further research is to employ a longitudinal research design in carrying out the study. This will give more clarity to the findings as it will consider the influence of the strategic alliances on competitiveness of the law firms over time. Further research may also consider expanding the scope to include law firms that are not ranked on international ranking websites. In addition, the study was undertaken in Kenya, it will be useful to replicate the study particularly in emerging markets considering the interest of multinational law firms in accessing foreign markets. Future research may also be conducted using financial measures if access will not be an issue.

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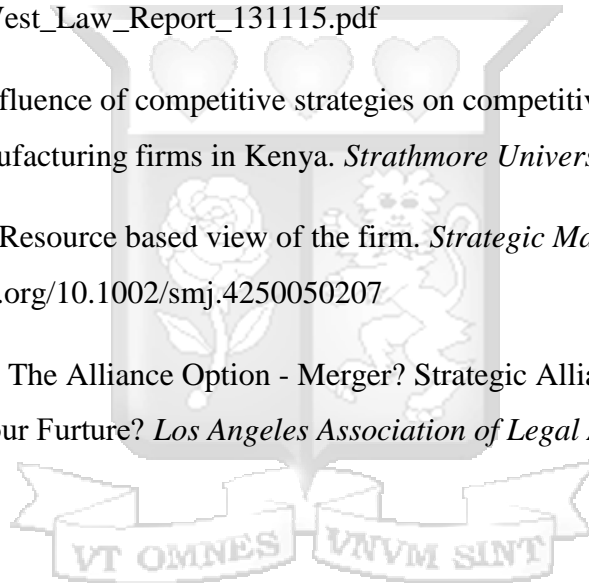
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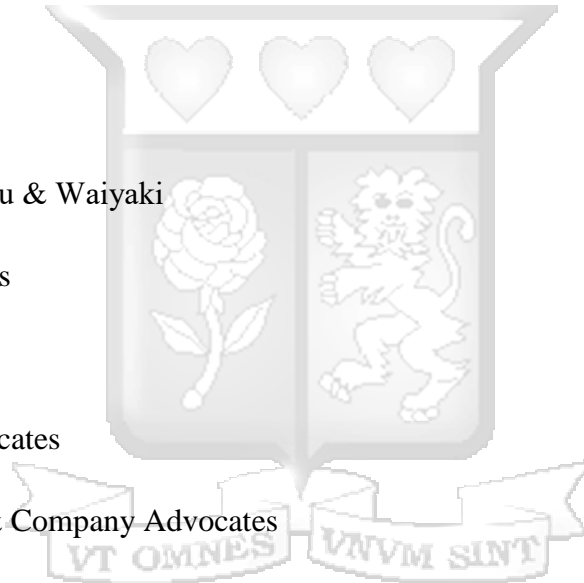
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## Appendices

### Appendix I: Internationally Ranked Law Firms in Kenya

1. Kaplan & Stratton
2. Anjarwalla & Khanna
3. Bowmans (Coulson Harney)
4. Iseme Kamau & Maema Advocates
5. Hamilton Harrison & Mathews
6. Walker Kontos
7. Daly & Inamdar
8. Mboya Wangong'u & Waiyaki
9. MMAN Advocates
10. MMC Africa Law
11. Oraro & Co Advocates
12. Njoroge Regeru & Company Advocates
13. Raffman Dhanji Elms & Virdee
14. Tripleoklaw Advocates
15. Mohammed Muigai Advocates
16. Prof. Albert Mumma & Company Advocates



IFLR 1000 Rankings



Legal 500 Rankings



Chambers and  
Partners Rankings

**Appendix II: Questionnaire**

**LAW FIRM QUESTIONNAIRE**

This questionnaire will be given to respondents of the study being law firms in Kenya ranked on the websites of the following organizations: IFLR 1000, Chambers and Partners; and Legal 500.

Please indicate your response by checking the box relevant to your firm or completing the information requested.

**Section A: General Bio Data**

1. What form of legal entity is your firm?

- ◆ Sole Proprietorship [ ] ◆ Partnership [ ] ◆ Limited Liability Company [ ] ◆ Limited Liability Partnership [ ] ◆ Other [ ] specify .....

2. In which year was your law firm established?

.....

3. How many employees does your law firm have?

- 1 – 50  51-100  101-150  More than 150

4. How many advocates does your law firm have?

- 1 – 25  26-50  51-  More than

5. How many directors does your law firm have?

- 0 – 5  6-10  11-15  More than 15

6. How many partners does your law firm have?

- 0 – 5  6-10  11-15  More than 15

**Section B – Models of Affiliations / Strategic Alliance**

7. Is your firm part of an affiliation or strategic alliance with a foreign law firm or network of foreign firms?

Yes   No

8. Does the form of affiliation or strategic alliance with the foreign law firm(s) allow for mutual referral of clients between your firm and the foreign law firm(s)?

Yes   No

9. Is the nature of the affiliation or strategic alliance under question 8 above exclusive in nature?

Yes   No

10. Does the form of affiliation or strategic alliance with the foreign law firm(s) provide for the promotion of a unified brand across multiple jurisdictions?

Yes   No

11. Does your law firm maintain a separate brand that is distinct from that of the affiliation or strategic alliance?

Yes   No

12. Does each firm within the affiliation or strategic alliance maintain its own legal identity that is separate from other members of the affiliation or strategic alliance?

Yes   No

13. Of the models of affiliation or strategic alliance set out below, which one best describes the model adopted by your law firm? For this question, you may select more than one item.

▪ **Ad Hoc Referral:** an informal arrangement in which firms in different jurisdictions refer clients to each other and are non-exclusive in nature

▪ **Best Friends:** a strong and long lasting association between law firms in different jurisdictions operating as an exclusive referral relationship

- **Swiss Verein:** law firms operating under an ‘umbrella’ all-encompassing brand and presenting themselves internationally as a single organization while maintaining a separate corporate or partnership status with discrete legal liability
- **Other:** please specify .....

**Section C: Affiliation / Strategic Alliance Resources**

14. To what extent does the affiliation or strategic alliance influence the leadership, governance, management and strategic direction of your law firm?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

15. To what extent does the affiliation or strategic alliance build the capacity of your law firm? That is provide access to new knowledge, technical assistance, information technology, financial and marketing support.

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

16. To what extent does the affiliation or strategic alliance allow for access to new markets, customers and opportunities to your law firm?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

17. To what extent does the brand of the legal network under the affiliation or strategic alliance influence your firm’s ability to access new clients and opportunities?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

**Section D: Influence on Competitiveness**

18. As a result of entering into the affiliation or strategic alliance with the foreign law firm(s), to what extent have you seen an annual incremental growth in the revenues of your law firm?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

19. As a result of entering into the affiliation or strategic alliance with the foreign law firm(s), to what extent have you seen an increase in the market share of your law firm in Kenya?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

20. To what extent does the network underlying the affiliation or strategic alliance play a part in maintaining the market share of your law firm?

(Key: 1 – very small extent 2 – small extent 3 – moderate 4 – large extent 5 – very large extent)

1	2	3	4	5

### Appendix III: Cover Letter

Gachini Macharia

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Tel: 0720 227548

P.O. Box 60848 00200

Nairobi, Kenya

[♦] Advocates

Nairobi

[Date]

For the Attention of: [♦]

Dear Sirs

#### **Research Study: Request for Information**

I am graduate student at Strathmore University pursuing a degree in Masters of Business Administration (**MBA**). For my MBA project, I am carrying out a study on ‘The Influence of Strategic Alliances on Competitiveness of Internationally Ranked Law Firms in Kenya’. As your law firm is ranked on IFLR1000, Chambers and Partners and Legal500, your law firm falls within my research population. Accordingly, I am inviting your firm to participate in this research by completing the enclosed questionnaire.

The questionnaire will take approximately 7 minutes to complete. The information from the completed questionnaires will be kept confidential and used only for academic purposes. Further, anonymity of the law firms that participate in the study will be maintained when reporting its findings.

If you choose to participate in this study, a Google Form link to the questionnaire will be shared with you. Please answer the questions and submit. While the questions are drafted in a fairly generic manner, to the extent that you consider completing a specific question will disclose commercially sensitive information, please skip that question and move on to the next one.

A letter from [insert] of Strathmore University in support of this study is enclosed. Thank you for taking the time to assist me in my educational endeavors. If you would like a copy of the completed study please let me know and I will be pleased to share it with you.

Please do not hesitate to reach out to me if you have any additional information or require clarification.

Yours faithfully

Gachini Macharia

