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Abstract

The Malaysia banking sector has been facing stiff competition as a result of globalization where other players have joined the sector with differentiated innovative products and services. Alliances are becoming an alternative business strategy and hence the formulation of strategic alliances in the banking industry because of the development of worldwide patterns, for example, heightened rivalry, taking off cost of capital, including the cost of innovative work and the regularly developing interest for new advances. The study sought to determine effect of strategic alliances on the growth of market share for commercial banks in Malaysia. The specific objectives were determining the effects of sharing financial risk, knowledge sharing, markets access and gaining capabilities on the growth of market share for commercial banks in Malaysia. The study was anchored on four theories namely Resource Based View, Open System Theory, Game Theory and Dynamic Capabilities Theory. The study used a case study research design of Hong Leong Bank. The target population of the study comprised of the 182 directors and senior managers who are involved in the daily management of the alliances top management employees from the Hong Leong Bank. Data was collected through the use of closed ended questionnaires. The questionnaires were administered to the senior and middle level management for data collection. A pre-test on the research instrument was done to ensure it fits the requirements of the research. Data collected was analysed by use of inferential statistics. The findings suggest that strategic alliances had a positive significant relationship with market share. The findings of this study showed that strategic alliance formation has a significant effect on the growth of market share at Hong Leong Bank. The entire null hypotheses was rejected. It is recommended that firms seek appropriate kinds of partnerships and alliances that will help enhance their own market share and growth. It is further recommended that firms should reconsider reasons for engaging in strategic alliances and understand whether they will gain capabilities, knowledge, and find it easier to access new markets.

Keywords: *Strategic Alliances, Growth, Market Share, Commercial Banks.*

1.1 Introduction

The formation of strategic alliances has been seen as a response to globalization and increasing uncertainty and complexity in the business environment (Baranov, 2020), thanks to its own benefits that have been highlighted as follows (Arrigo, 2019): transaction costs, the enhancement of the competitive position and the acquisition of knowledge. Strategy can help organisations to deal with different areas such as marketing, finance, production, research and development, and public relations (Certo & Certo, 2019).

Alliances play a critical role in firm survival, providing the access to critical resources that allow gaining and maintaining competitive advantages in today turbulent economic environment (Cobeña *et. al*., 2017). They become a trend in global markets; more and more firms adopt cooperative strategies because the external market conditions show a lack of internal resources that they need for preserving their own competitive position in the marketplace.

The study was anchored on Resource Based View (Pemrose, 1959). RBV calls for strategic resources mapping in the organization and their efficient utilization in value adding activities (Arrigo, 2019). Deficiency of the strategic resources calls for their external provision through strategic alliances (Das *et al*, 2010). Dynamic capability theory focuses on the organizations capability to integrate and reconfigure both internal and external resources and to generate competencies (Arndt, 2019). RBV answers the need for creating strategic alliances while dynamic capability theory caters for their implementation.

The market share refers to a competitor's share of the total industry sales, for the firm and its key rivals (Rothaermel, 2019). Unless otherwise, the market share calculations are based on the total sales revenues of the firm in an industry as opposed to units produced or sold by the individual firms (Teng, 2018). In arriving at the right market share, it is critical for a firm to define its industry appropriately, where the industry has not been appropriately defined, it becomes difficult for the organization to understand or estimate the size of the market (Mudambi, 2020).

A firm's market share tends to increase when it invests in growth related activities. At the same time, as this share increases, it is likely to invest in innovative products, services and technologies so as to maintain the market share (Shleimer & Shulman, 2019). Studies have also indicated that research and development incumbent monopolists tend to innovate more, raising barriers for potential entrants in the market while also maintaining dominance. Additionally, studies have found that the marginal value of an innovation tends to be positively related to its market share (Arndt, 2019). Industry leaders with high market share tend to gain more from additional innovation as opposed to industry followers with low market share.

1.2 Statement of the Problem

The Malaysia banking sector has been facing stiff competition as a result of globalization where other players have joined the sector with differentiated innovative products and services (Wandia & Ismail, 2019; Mwangi 2017). A major competitor has been the emergence of mobile banking where services similar to those offered by banks are rendered at the comfort of a mobile phone. For instance, Cash transacted via mobile phones hit Sh3.7 trillion in 2018 (Central Bank of Malaysia, 2018). In addition, due to alterations in the working environment, banks have needed to form unions or one establishment assumes control over another's operations (Aggrey, 2017).

Alliances are becoming an alternative business strategy and hence the formulation of strategic alliances in the banking industry because of the development of worldwide patterns, for example, heightened rivalry, taking off cost of capital, including the cost of innovative work and the regularly developing interest for new advances (Mangar & Munyoki, 2018). For instance, some banks such as NIC bank and CBA are forming a strategic alliance to increase their market size and expand growth (Central Bank of Malaysia, 2018). In addition, the banking sector in Malaysia has in the recent past been under serious scrutiny by stakeholders after some banks ran into financial crisis and were consequently placed on receivership. The closure of Dubai, Imperial and Chase Banks left many depositors uncertain of the stability of some of the facilities in the industry (Anne, 2017).

Some of the studies conducted in this field presented research gaps; Mugo, (2019) studied the effect of financial knowledge sharing on the growth of micro-finance institutions in Malaysia. This study was based on identify the strategic alliances at Malaysia Commercial Bank Group Limited and to establish the effects of strategic alliances on the growth of Malaysia Commercial Bank Group Limited. The study presented a conceptual gap as the study will use sharing financial risk, knowledge sharing, markets access and gaining capabilities as the study variables. Wandia and Ismail (2019) conducted a study on the effects of strategic alliances on performance of commercial banks in Malaysia. The study used partner match, commitment and strategic orientation on performance of commercial banks in Malaysia. The study presented a conceptual gap as the study will use sharing financial risk, knowledge sharing, markets access and gaining capabilities as the study variables. Yasuda (2019) examined the effect of strategic alliances on financial performance and highlighted how strategic alliance was impacting the financial performance of banks. The study presented a contextual gap as the current study focused on market share using growth of the loan book, deposits and customer numbers.

1.3 Research Objectives

The general objective of this study was to determine effect of strategic alliances on the growth of market share for commercial banks in Malaysia. The specific objectives were:

i. To establish the effect of sharing financial risk on market share for Hong Leong Bank
ii. To establish the effect of knowledge sharing on market share for Hong Leong Bank
iii. To determine the effect of markets access on market share for Hong Leong Bank
iv. To identify the effect of gaining capabilities on market share for Hong Leong Bank.

1.4 Hypotheses

Ho_1; Sharing of financial risk has no significant effect on market share for Hong Leong Bank.

Ho_2; Knowledge sharing has no significant effect on market share for Hong Leong Bank

Ho_3; Markets access has no significant effect on market share for Hong Leong Bank.

Ho_4; Gaining capabilities has no significant effect on market share for Hong Leong Bank.

2.1 Theoretical review: Resource Based View

Resource Based View Theory was proposed by Pemrose in 1959. According to Barney, RBV focuses attention on an organization's internal resources as a means of organizing processes and obtaining a competitive advantage. Barney stated that for resources to hold potential as sources of sustainable competitive advantage, they should be valuable, rare, imperfectly imitable and not substitutable. The resource-based view suggests that organizations must develop unique, firm-specific core competencies that will allow them to outperform competitors by doing things differently (McIvor, 2020). In the resource-based view, strategists select the strategy or competitive position that best exploits the internal resources and capabilities relative to external opportunities. Given that strategic resources represent a complex network of inter-related assets and capabilities, organizations can adopt many possible competitive positions.

According to this theory, all resources are equally important to determine the success of project implementations. Resource-based view views the organization as a bundle of assets and resources that can create competitive advantage if employed in distinctive ways (McIvor, 2020). The resource-based perspective holds that the possession of certain resources and capabilities defines what the organization will do and what it can obtain from outside parties. For the success of a project, all the resources should be incorporated together

This theory argues that resources are the determinants of firm performance (Barney, 1991; Schulze, 1992), and resources must be rare, valuable, difficult to imitate and no substitutable by other rare resources. When the latter occurs, a competitive advantage has been created (Barney, 1991). The popularity of the resource-based view (RBV) of strategic management is manifest in its rapid diffusion throughout the strategy literature (Arrigo, 2019). The conceptual work in this stream generally has focused on the characteristics of firm resources that can contribute to a sustainable competitive advantage. Some theorists have followed Penrose (1959) quite closely, emphasizing how resources contribute.

These explanations lay the conceptual foundation for subsequent analyses of how resource-based advantages may be leveraged via diversification. Steiner (2017) identified significant roles for resource richness and diversification of resource usage, the analysis highlights the importance of resource characteristics underlying factor market imperfections as drivers of alliance formation in a single primary input supply chain. The results suggest that resource heterogeneity is important for alliance formation and organizational success in specialized supply chains. Thus, alliances can be understood as mechanisms that extend the resource horizons of firms across its existing boundaries as a means to seek necessary resources and competencies. Organizations therefore seek alliances to be able to access resources that are with other organizations. These resources would be either expensive for one organization or inaccessible for another organization.

The Resource Based View is relevant in the study as it explores the role of resources and dynamic capabilities and their effects on firms. In the banking industry, growth in customer number is key and hence the ability to possess key resources and capabilities tend to have a positive effect on the success of the firm in the market. KCB's resources and capabilities have been at the heart of the firm's performance and competitive advantage. Its ability to exploit these resources and capabilities have made the company the largest by assets as well as market share.

2.2 Empirical review

Wandia and Ismail (2019) conducted a study on the effects of strategic alliances on performance of commercial banks in Malaysia. The objective of the study was to determine the effects of partner match on performance of commercial banks in Malaysia; to assess how commitment of firms affects performance of commercial banks in Malaysia; to establish the effects of strategic orientation of partnering firms on performance of commercial banks in Malaysia; to determine the effects of synergy on performance of commercial banks in Malaysia. A case study research design will be adopted. The study found out that partner match of partner firms affect performance of commercial banks in Malaysia to a very great extent; commitment of partner firms in strategic alliances affects in a very great extent performance of commercial banks in Malaysia as indicated by the majority of the respondents; strategic orientation of partner firms affects to a great extent performance of commercial banks in Malaysia and synergy of partner firms influence to a very great extent the performance of banks in Malaysia. The study presented a conceptual gap as the study will use sharing financial risk, knowledge sharing, markets access and gaining capabilities as the study variables.

Arend *et al.* (2018) articulates that most firms are competent in some areas and lack expertise in other areas; as such, forming a knowledge sharing can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. A learning organization is a growing organization.

According to Uddin and Akhter (2019), advances in telecommunications, computer technology and transportation have made entry into foreign markets by international firms easier. Entering foreign markets further confers benefits such as economies of scale and scope in marketing and distribution (Stuart, 2018). The cost of entering an international market may be beyond the capabilities of a single firm but, by entering into a markets access strategy with an international firm, it will achieve the benefit of rapid entry while keeping the cost down.

According to Linwei *et al* (2017) dynamic capabilities are formulated for both business level strategies and corporate level strategies for expansion and other objectives. They define dynamic capabilities as a cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. Arrigo (2019) also refers to dynamic capabilities as a strategic coalition which needs a good partner to conduct a developing partnership, where organizational resources and capabilities are shared and new ones are acquired and developed. He further explains that in dynamic capabilities participating firms pursue shared objectives and create value adding processes to gain competitive advantage. Eisenhardt and Schoonhoven (2020) state that in difficult market situations, gaining dynamic capabilities can provide critical resources that may improve a firm's strategic position. From this perspective the strategy of a firm should thus be based on its resources and capabilities (Seppälä, 2010).

2.3 Conceptual Framework

The framework in Figure 1 shows how strategic alliance variables affect market share and how they contribute to the growth of market share as brought out in the literature review.

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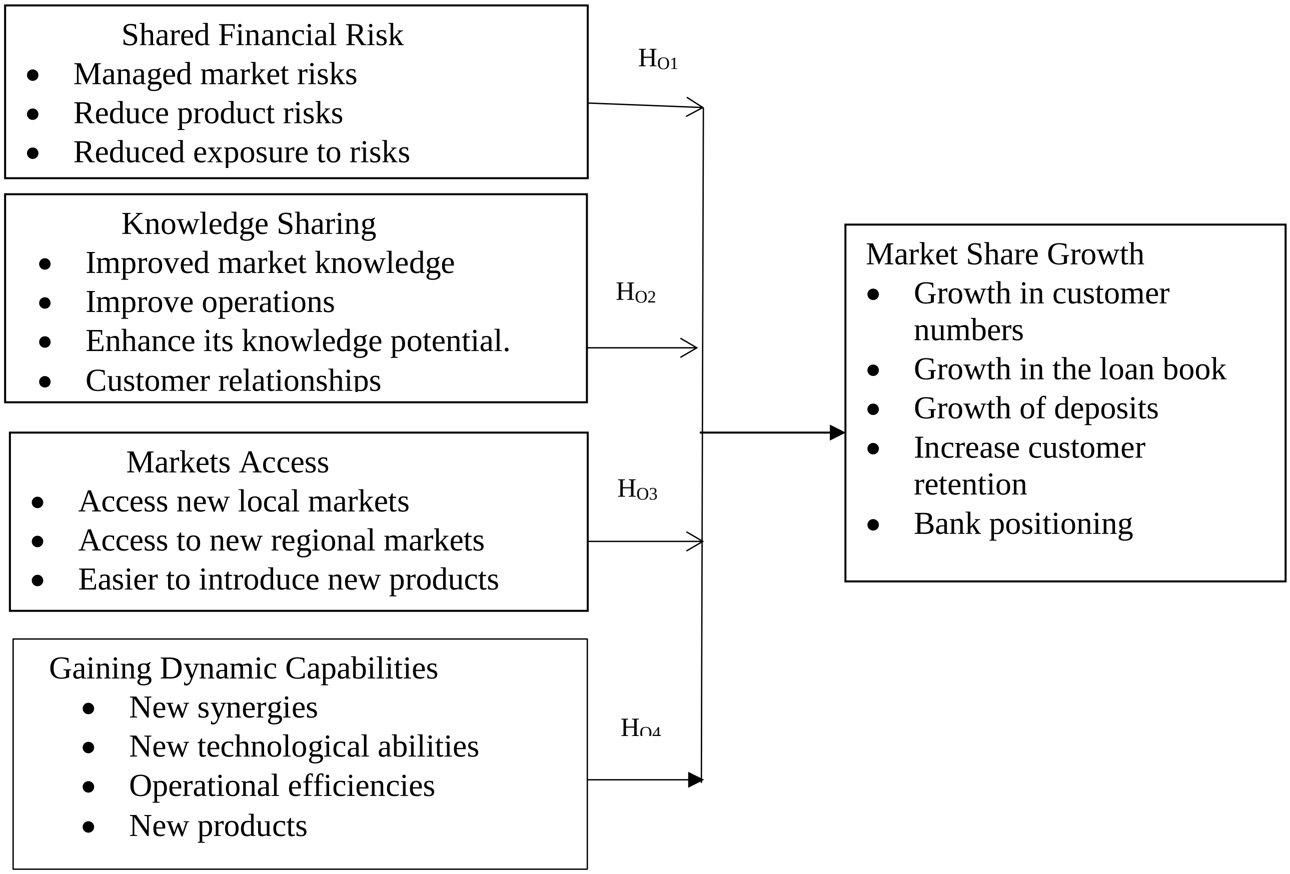

Figure 1 Conceptual Framework

3.1 Methodology

The study used a case study research design of Hong Leong Bank. The target population of the study comprised of the 182 directors and senior managers who are involved in the daily management of the alliances top management employees from the Hong Leong Bank. Data was collected through the use of closed ended questionnaires. The questionnaires were administered to the senior and middle level management for data collection. A pre-test on the research instrument was done to ensure it fits the requirements of the research. Data collected was analyzed by use of inferential statistics.

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4.1 Findings of the Study

Hypothesis One: Sharing of Financial Risk and Growth of Market Share

The first hypothesis sought to understand the relationship between shared financial risks and market share at Hong Leong Bank. The hypothesis was;

Ho_1; Sharing of financial risk has no significant effect on market share for Hong Leong Bank.

To test the hypothesis a simple linear regression analysis was conducted. The findings of the analysis are shown in the Table 1.

Table 1: Hypothesis for Sharing of Financial Risk

		Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.173[a]	0.030	0.023	2.77749		
		ANOVA[a]				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.299	1	33.299	4.316	.040[b]
	Residual	1080.023	140	7.714		
	Total	1113.321	141			
		Coefficients[a]				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	19.644	1.462		13.441	0.000
	Financial Risks	-0.251	0.121	-0.173	-2.078	0.040

a. Dependent Variable: Market Share
b. Predictors: (Constant), Financial Risks

A simple linear regression analysis was conducted to understand the relationship between shared financial risks and market share at Hong Leong Bank. The findings of the regression analysis showed that the relationship was strong (R= 0.713). Secondly, the findings also indicated that the shared financial risks explained a 3.0 percent variance in market share (R^2= 0.030), which was found to be statistically significant at $p< 0.04$. Third, the regression model was therefore significant at $F(1, 140) = 4.316$, with $p< 0.04$. From the findings, $H0_{1,}$ was rejected. This means that there was a negative significant relationship between shared financial risks and market share at Hong Leong Bank. The relationship was explained by the following equation.

Market Share (MS) = 4.316 - 0.251 shared financial risks.

The findings suggest that shared financial risks had a negative significant relationship with market share and therefore, a unit change in shared financial risks would result in a 0.245 negative change in market share. This suggests that more shared financial risks would result in a fall in market share performance at the organization. This is in line with Wandia and Ismail (2019) who established that shared financial risk significantly influenced the growth of market share in banks.

Hypothesis Two: Knowledge sharing and Growth of Market Share

The second hypothesis sought to understand the relationship between knowledge sharing s and market share at Hong Leong Bank. The hypothesis was;

Ho_2; Knowledge sharing has no significant effect on market share for Hong Leong Bank

This hypothesis sought to understand the relationship between knowledge sharing and market share at KCB Bank. To conduct the analysis, a simple linear regression analysis was implemented. The findings of the analysis are as indicated in the Table 2.

Table 2: Hypothesis for Sharing of Knowledge Sharing

		Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.302[a]	0.091	0.085	2.68839		
			ANOVA[a]			
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	101.483	1	101.483	14.041	.000[b]
	Residual	1011.839	140	7.227		
	Total	1113.321	141			
			Coefficients[a]			
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.035	0.990		13.170	0.000
	Knowledge sharing	0.245	0.065	0.302	3.747	0.000

a. Dependent Variable: Market Share
b. Predictors: (Constant), Knowledge sharing

A simple linear regression analysis was conducted to understand the relationship between knowledge sharing and market share at Hong Leong Bank. The findings of the regression analysis showed that the relationship was weak (R= 0.302). Secondly, the findings also indicated that knowledge sharing explained a 9.1 percent variance in market share (R^2= 0.091), which was found to be statistically significant at p< 0.000. Third, the regression model was therefore significant at F (1, 140) = 14.041, with p< 0.000. From the findings, $H0_{2,}$ was rejected. This means that there was a positive significant relationship between knowledge sharing and market share at Hong Leong Bank. The relationship was explained by the following equation.

Market Share (MS) = 13.035 + 0.245 knowledge sharing.

The above findings suggest that knowledge sharing had a positive significant relationship with market share and therefore, a unit change in knowledge sharing would result in a 0.245 positive change in market share. This suggests that higher knowledge sharing would result in a growth in market share performance at the organization.

This agrees with Mugo (2019) who studied the effect of financial knowledge sharing on the growth of micro-finance institutions in Malaysia. The study found that alliances provide opportunity for participating banks to tap into the resources, knowledge, capabilities and skills of their partners. They offer potential for a commercial bank to leverage its resources capabilities.The study established that strategic alliances are positive and significantly correlated with banks competitiveness in terms of improving the bank‘s ability for profit maximization, expanding market position as a result of growth in customer base, and increasing sales volume.

Hypothesis Three: Markets access and Growth of Market Share

The third hypothesis sought to understand the relationship between knowledge sharing and market share at Hong Leong Bank. The hypothesis was;

Ho_3; Markets access has no significant effect on market share for Hong Leong Bank.

This hypothesis sought to understand the relationship between easy access to markets and market share at KCB Bank. To conduct the analysis, a simple linear regression analysis was implemented. The findings of the analysis are as indicated in the Table 3.

Table 3: Hypothesis for Market Access

			Model Summary			
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.253[a]	0.064	0.057	2.72801		
			ANOVA[a]			
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71.438	1	71.438	9.599	.002[b]
	Residual	1041.884	140	7.442		
	Total	1113.321	141			
			Coefficients[a]			
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.077	0.860		16.363	0.000
	Markets Access	0.286	0.092	0.253	3.098	0.002
a. Dependent Variable: Market Share						
b. Predictors: (Constant), Access to Markets						

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A simple linear regression analysis was conducted to understand the relationship between ease of access to markets and market share at Hong Leong Bank. The findings of the regression analysis showed that the relationship was very weak (R= 0.253). Secondly, the findings also indicated that ease of access to markets explained a 6.4 percent of the variance in market share (R^2= 0.064), which was found to be statistically significant at p< 0.002. Third, the regression model was therefore significant at F (1, 140) = 9.599, with p< 0.002. From the findings, $H0_3$, was rejected. This means that there was a positive significant relationship between ease of access to markets and market share growth at Hong Leong Bank. The relationship was explained by the following equation.

Market Share (MS) = 14.077 + 0.286 markets access.

The above findings suggest that ease of access to markets had a positive significant relationship with market share and therefore, a unit change in ease of access to markets would result in a 0.286 positive change in market share. This suggests that higher levels of ease of access to markets would result in a positive growth in market share performance at the organization. This is also in line with Mwangi and William (2017), choosing a strategic partnership as the entry mode may overcome the remaining obstacles, which could include entrenched competition and hostile government regulations.

Hypothesis Four: Gaining capabilities and Growth of Market Share

The fourth hypothesis sought to understand the relationship between knowledge sharing and market share at Hong Leong Bank. The hypothesis was;

H_{o4}; Gaining capabilities has no significant effect on market share for Hong Leong Bank.

The last hypothesis was to examine the relationship between gaining capabilities and market share for KCB PLC. The study adopted a simple linear regression analysis to conduct the analysis. The findings are indicated in table 4 below.

Table 4: Hypothesis for Gaining Capabilities

		Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.390[a]	0.152	0.146	2.59634		
			ANOVA[a]			
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	169.580	1	169.580	25.157	.000[b]
	Residual	943.741	140	6.741		
	Total	1113.321	141			
			Coefficients[a]			
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	24.290	1.539		15.779	0.000
	Capabilities	0.419	0.084	0.390	5.016	0.000

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A simple linear regression analysis was conducted to understand the relationship between gaining capabilities and market share at Hong Leong Bank. The findings of the regression analysis showed that the relationship was moderate (R= 0.390). Secondly, the findings also indicated that gaining capabilities explained a 14.6 percent of the variance in market share (R^2= 0.146), which was found to be statistically significant at p< 0.000. Third, the regression model was therefore significant at F (1, 140) = 25.157, with p< 0.000. From the findings, $H_{04,}$ was rejected. This means that there was a positive significant relationship between gaining capabilities and market share growth at Hong Leong Bank. The relationship was explained by the following equation.

Market Share (MS) = 24.290 + 0.419 gaining capabilities.

The above findings suggest that gaining capabilities had a positive significant relationship with market share and therefore, a unit change in gaining capabilities would result in a 0.419 positive change in market share. This suggests that higher levels of gaining capabilities would result in a positive growth in market share performance at the organization. This is consistent with Arrigo (2019) who established that strategic alliance as a strategic coalition which needs a good partner to conduct a developing partnership, where organizational resources and capabilities are shared and new ones are acquired and developed. He further explains that in strategic alliance participating firms pursue shared objectives and create value adding processes to gain competitive advantage.

5.1 Conclusions

Research on strategic alliances or inter-organizational alliances has long recognized the value that these alliances play in enhancing the growth and performance of the firm. While these studies have been essential, they have not been clear on this relationship as many studies have considered different variables. Additionally, the Malaysian context has also not been explored. This study found that strategic alliances can impact on market share growth of Hong Leong Bank.

The findings of the regression analysis showed that there was a negative significant relationship between shared financial risks and market share at Hong Leong Bank. This means that there was a positive significant relationship between knowledge sharing and market share at Hong Leong Bank. This shows that higher knowledge sharing would result in a growth in market share performance at the organization.

There was a positive significant relationship between markets access and market share growth at Hong Leong Bank. This suggests that higher levels of markets access would result in a positive growth in market share performance at the organization. There was a positive significant relationship between gaining capabilities and market share growth at Hong Leong Bank. This suggests that higher levels of gaining capabilities would result in a positive growth in market share performance at the organization. It is critical that the above-mentioned aspects of strategic alliances are considered before venturing into these alliances. The following limitations are suggested.

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6.1 Recommendations for Policy

The findings of this study showed that strategic alliance formation has a significant effect on the growth of market share at Hong Leong Bank. It is recommended that the management of banks seek appropriate kinds of partnerships and alliances that will help enhance their own market share and growth. Secondly, it is also recommended that firms may need to reconsider reasons for engaging in strategic alliances and understand whether they will gain capabilities, knowledge, and find it easier to access new markets. This means that decisions can be built on these factors before deciding on the value of the venture. The third recommendation is that firms may need to evaluate the effect of financial risks on strategic alliances. This study found an inverse relationship between shared financial risks and market share growth. Therefore, there is need to evaluate the kind and nature of the risks before a firm engages in strategic alliances.

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