



Inter-Organizational Strategic Cooperation: An Analysis of Pakistani Commercial Banking Sector

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Abstract

Intense competition of this post computer era has made many organizations to come together and to collaborate in different fields where they have a competitive edge. Banks are also not left behind in this area and like other business ventures, are exploring new ways of having strategic alliances with other businesses. Keeping this growing strategic partnership trend in view, a study was designed to focus upon the nature of various business strategic ties of banks operating in Pakistan with the other active corporate business units of the region. Data were collected from the representative branches of the following four main categories of banks; nationalized / government owned banks, private banks, foreign banks and Islamic banks, located in the twin cities of Rawalpindi and Islamabad in Pakistan. Branch Managers of the said branches were interviewed through an interview guide developed for the present study that included open ended questions regarding the main research problem. The researcher was given access to secondary data too like promotion material published by the banks highlighting their inter-organizational business collaborations. Data were tabulated, analyzed and interpreted. The findings of the study indicated that out of the four categories of banks, foreign banks were found to have maximum strategic collaborations and special in consumer products. They opted for such inter-organizational cooperation to capture a bigger market share. Private banks had such partnerships in fewer products. The data revealed that very low or no collaborations were found in case of nationalized and Islamic banks.

Keywords: Inter-Organizational, Strategic cooperation, Analysis, Pakistani banking sector

1. Introduction

Beyond normal business activity, organizations look for some innovative ways to have competitive edge over others in this post computer era. Business expansion is one of the objectives behind various new ways of running business. One of such innovative approaches towards business is to develop strategic alliance. When independent organizations get together under some formal arrangement to reach their set objectives, the phenomenon is called strategic alliance or strategic collaboration or strategic partnership (Bateman and Snell, 2004).

Konke (2001) is of the view that there may be several forms of this inter organizational relationship like joint venture, equity investments, cooperatives, cartel, franchising, licensing, subcontractor net works and market relations etc. It all depends upon market forces, organizational / management philosophy, and nature of the business to decide which strategic collaboration to go for. There may be several motives behind this specific move of the organization. Todeva (2005) categorizes these motives into four broader areas i.e. organizational, economic, strategic and political.

Organizations are more interested in such an agreement when they realize that their counterparts are also of same level and enjoy the same market reputation in their specialized domain. Inter-organizational strategic partnership takes place in a win-win situation because the future of both partners is on stake. That is why organizations take special care in the selection of their partners. Like all other business organizations, financial institutions specially banks are also very active in developing strategic alliances with established business houses. There could be multiple objectives behind this collaboration like market penetration, market expansion, brand awareness and so on. Most of such alliances between financial institutions and other businesses have been in the area of consumer products. Some collaborations are designed to develop various resources like human, technical, financial, physical and natural. Inter-organizational strategic alliance is such a phenomenon that has hardly been addressed by the management researchers and requires primary investigations.

1.1 Statement of the Problem

Keeping the growing strategic partnership trend in view, a study has been designed to look into various dimensions of the reality i.e. inter-organizational strategic alliance, in various sub sectors (public, foreign, private and Islamic) of the Pakistani banking sector.

1.2 Objectives of the Study

Following are the objectives of the study:

1. To study inter-organizational strategic partnership phenomenon in the Pakistani Banking Sector.
2. To investigate the nature / bases of the strategic alliance e.g. consumer products, discounts etc.
3. To find out the types of organization with whom the banks develop their strategic collaborations.

1.3 Originality of the Study

Business researches are usually designed to investigate that what happens within the organizations like motivation, productivity, quality management, efficiency, services and products etc. Very few researchers address the inter-organizational phenomena. The present study thus fills a visible gap in the body of knowledge highlighting the applied aspects of the research.

2. Previous Research

The area of strategic partnership has not been widely addressed by the researchers so far. However, researches conducted by Villegas (1989), Hand (1997), Noorzoy (1982), Mirakhor (1990), Haroon (1998), Usmani (1999), Abdullah (1999), Chen and Ross (2000), Gulati and others (2000), Schaikh (2001), Hassan (2001), Bertola, Hochhuertel, and Koeniger (2005), Farooq (2007) and Abdul Mohsin (2008) highlighted the significance strategic partnerships for business growth and development and specially for banking sector.

3. Methodology

Being an exploratory study, the data were collected from different branches of the all sub sectors of the banking sector i.e. public, foreign, private and Islamic, located in the twin cities of Islamabad and Rawalpindi, Pakistan. An interview guide was developed and used for data collection. Supplemented through the secondary data in the form of materials published by the banks in shape of promotion leaflets and web sites, highlighting their inter-organizational business collaborations. Data collected were tabulated as per the banking sub sector and interpreted and analyzed accordingly.

4. Data Analysis and Findings

Based on the data analysis, following are findings of the research:

4.1 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

The analysis (Table No. 1-A) indicates that the strategic alliance of Royal Bank of Scotland is commonly found in the area of consumer products ranging from electric appliances to edibles. Royal Bank of Scotland has strategic cooperation alliances with the following companies: Mitsubishi, Homage Electric Appliances, Kenwood Electric Appliances, Cross Road, Stoneage, Yellow, Cambridge, Hang Ten, Exist, Arizona Grill, Chatterbox, Papa Johns, Singapore Sling, Talking Fish, Bread People, Nirala Sweets, Pie in the Sky – Bakers, Qatar Airways. The products offered by the above companies are Electricity Generators, Inverters, Batteries, Water Dispenser, Split AC's, Washing Machines, Kitchen Elec. Appliances, Garments, Restaurant – Food Items, Sweets, Bakery items and Discount on Tickets.

4.2 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

The data (Table No.1-B) reveal that the strategic partnership in case of Citibank is in the products of every day use. This particular strategy seems to be designed to attract maximum customers from all segments of the society. Citibank has strategic cooperation alliances with the following companies: Circuit, Axxezz, Studio S, HangTen, Clarks, Adidas, Puma, Slazenger, Samsung, United Mobiles, Almas Collection Jewellers, Subway, Cafe Zouk, Chenone, Irfan Sports, Centra Flora, Bonds Travel, Caltex, Citimobilink. The products offered by the companies are Sports Wear, Electric

Appliances, Mobile Phones, Jewellery, Food Items, Departmental Store, Sports goods, Flower Shop, Travel Services, Fuel Discounts and Credit Cards.

4.3 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

As indicated by the data (Table No. 1-C), Bank Alfalah, apart from edibles, is actively involved in telecommunication products. Citibank has strategic cooperation alliances with the following companies: Warid Telecom, Arena Family Recreational Club, Pearl Continental, Marriott, Holiday Inn, Down Town, Sogo Grill, Le Grand, and Domino Pizza. The products these companies offer are Telecom Facilities, Phone and Internet Connections, family Outing and Discount at Dinning.

4.4 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Analysis of data (Table No. 1-D) indicates a deviation from the conventional strategic partnership of foreign banks i.e. food, things of daily use and electric appliances. Here we find collaborations in investments, insurance and travel services. Standard Chartered Ltd has strategic cooperation alliances with the following companies: EFU Life Insurance, NJI Life Insurance, American Express, PIA, Palson, JS Investments, National Investment Trust, BMA Asset Management, Arif Habib Investment, and KASB Asset Management. The products offered by these companies are Educational and Marriage Plan, Life Insurance, Travel Services, Kitchen / Household Appliances, Investment Opportunities for Customers and Discount at Purchasing.

4.5 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

The data (Table No.1-E) reveal that the nature of collaboration is communication solutions, investment and financial services. Hong Kong Shanghai Bank has strategic cooperation alliances with the following companies: Multinet, Malaysia, Czech ECA, Halmore Power Generation and Metro Cash & Carry. The products offered by these companies are Communication Solutions, Power Project in Pakistan and Financial Services.

4.6 Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

The data (Table No.1-F) reveal a typical area of strategic collaboration i.e. electric appliances, financial services and food arrangements. Barclays has strategic cooperation alliances with the following companies: Mitsubishi, Sony, Pioneer, EFU Life Assurance, and Olive Garden Restaurant. The products these companies offer are Discount in Electric Appliances, Life Assurance Products and Dining,

4.7 Inter-Organizational Strategic Cooperation of Commercial Banks (Private) in Pakistan

The data (Table No.2) indicate the nature of strategic partnership of various private banks operating in Pakistan. Askari Bank was found to have collaboration in maximum areas like electric appliances, telecommunication products, insurance, funds transfer and automation etc. The distinguished position of Askari Bank among local private banks is due to its outstanding customer services for which the bank has been winning various awards for the last many years. While rest of the banks in above table indicate fewer strategic alliances. Askari Bank has strategic cooperation alliance with the following companies Household Building Finance Cooperation, Zong, Jasco, Kenwood. The products offered by these companies are Funds Transfer, Electricity Generators, Electric Appliances and some other different products.

Faysal Bank has strategic cooperation alliance with Global Investment House.

Soneri Bank Has Strategic Cooperation Alliance with Phoenix Security and Sun Micro Systems and the product the companies offer is Security Enhancement in Automation.

KASB Bank has formed strategic cooperation Alliance with Marrilynnh, MDS-ATM. The product offered by these companies is Investments – ATM.

Bank Al-Habib has Strategic Cooperation Alliance with New Jubilee Life Insurance and MCB. The products offered by these companies are Insurance Products and rupee Traveler Cheques.

NIB Bank has strategic cooperation alliance with Asian Financial Holdings PTE Ltd. The product offered by them is Project Investments.

Saudi-Pak Commercial Bank has strategic cooperation alliance with the following companies PSO and Bank Muscat. The products offered by these companies are Sale and Service through E-Banking and Strategic Stake.

Muslim Commercial Bank Ltd has Strategic Cooperation Alliance with Telenor and Bank Al-Habib. The products offered by these Companies are Phone Connections and Rupee Traveler Chouse.

4.8 Inter-Organizational Strategic Cooperation of Commercial Banks (Public) in Pakistan

The analysis (Table No. 3) indicates the nature of strategic collaboration of government owned commercial banks operating in Pakistan. The data reveal a clear difference in the range of products where partnership has been established. Most of such alliances target trade development in Pakistani market like export promotion, human resource development, promotion of micro finance products, on-line trading facilities and IT products. The emphasis is upon

macro issues relating to the economic development of the country rather than developing a broad base of customers interested in consumer products.

National Bank of Pakistan has strategic cooperation alliance with Japan Bank for International Cooperation and Sidat Hyder Morshed Associates. The products offered by these companies are promotion of trade within two countries and HR Consultation Services.

First Women Bank Ltd has strategic cooperation alliance with the following companies Canadian International Development Agency, National Rural Support Program and Super Net. The products offered by these companies are Training of Employees and Career Counseling, Promotion of Micro Finance Products and Internet Connections.

United Bank Ltd has strategic cooperation alliance with the following Companies Pakistan State Oil, EFU Life Insurance and U Phone. The products offered by these companies are Discount on Fuel, Insurance Products, Retirement Plans and Security Deposit Waiver. Allied Bank of Pakistan has Strategic cooperation Alliance with IFC and the product offered by them is Trade Guarantees.

The Bank of Punjab has strategic cooperation alliance with AMZ Securities and the product offered by them is Online Trading Services.

Habib Bank Ltd has strategic cooperation alliance with the following companies Symantec Enterprise and M Net. The products offered by these companies are Anti-Virus Solutions and IT.

4.9 Inter-Organizational Strategic Cooperation of Commercial Banks (Islamic) in Pakistan

The data (Table No. 4) indicate almost half of the Islamic Banks which do not have any collaboration with other organizations whereas rest fifty percent do have strategic alliances but in limited areas. Meezan Bank has Strategic Cooperation Alliance with the following companies Suzuki Motors, Takaful Insurance. The products offered by these companies are Speedy Delivery and insurance Products. Dubai Islamic Bank has strategic cooperation alliance with the following companies American Express, Chekkerz Card Tech Ltd and Dream World Resort. The products offered by these companies are Travel Services, Car Tracking System, Credit Cards, and Holiday Discounts.

5. Conclusion

Following conclusions are drawn from the above interpretations and findings of the study.

- Strategic alliances in case of foreign banks were found more in the area of consumer products ranging from electric appliances to edibles addressing and targeting a particular life style. The nature of collaboration indicates that their market penetration, market development and expansion strategies through such partnerships.
- Strategic partnership of various private banks operating in Pakistan were found to be in consumer products but generally in limited range. It appears that private banks do get impressed by the intensive strategies of the foreign banks but due to other promotion means, they pay less attention to this particular area.
- Strategic collaborations of government owned commercial banks operating in Pakistan reveal a clear difference in the nature of partnership. The emphasis is upon the issues relating to the economic development of the country like trade promotion, human resource development, trade facilities etc. The government banks thus seem to play their national role in the economic development of Pakistan.
- The Islamic Banks were found to have fewer collaborations in limited areas.

6. Recommendations

Foreign banks should contribute to the national development too by developing strategic partnerships with the organizations engaged in the development projects.

Islamic banks should also participate in strategic collaborations with the institutions dealing with consumer products and issues of national concern.

7. Future Research

A study may be designed to develop a comparative analysis of the performance of the organizations with heavy strategic collaboration portfolio and the lighter ones.

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Table 1-A. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Royal Bank of Scotland	Mitsubishi	Elec. Generators
	Homage Electric Appliances	Inverters, Batteries,Elec.Generators Water Dispensers
	Kenwood Electric Appliances	Split ACs, Washing Machines Kitchen Elec. Appliances
	CrossRoads, Stoneage Yellow, Cambridge Hang Ten, Exist	Garments
	Arizona Grill, Chatterbox Papa Johns, Singapore Sling Talking Fish	Restaurants – Food Items
	Bread People, Nirala Sweets Pie in the Sky – Bakers	Sweets and Bakery
	Qatar Airways	Discount on tickets

Source: Researchers' own processing

Table 1-B. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Citibank	Circuit, Axzezz, Studio S, HangTen, Clarks, Adidas, Puma Slazenger	Sports Wear
	Samsung	Electric Appliances
	United Mobiles	Mobile Phones
	Almas Collection Jewellers	Jewellery
	Subway	Food Items
	Café Zouk	Food Items
	Chenone	Departmental Store
	Irfan Sports	Sports goods
	Centra Flora	Flower shop
	Bonds Travel	Travel Services
	Caltex	Fuel discounts
	Citimobilink	Credit Card

Source: Researchers' own processing

Table 1-C. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Bank Alfalah	Warid Telecom	Telecom Facilities
	Wateen Telecom	Phone and Internet Connections
	Arena Family Recreational Club	Family Outing
	Pearl Continental, Marriott, Holiday Inn, Down Town, Sogo Grill, Le Grand, Domino Pizza	Discount at Dinning

Source: Researchers' own processing

Table 1-D. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Standard Chartered Ltd.	EFU Life Insurance, NJI Life Insurance	Education and Marriage plan, Life Insurance
	American Express, PIA	Travel Services
	Palson	Kitchen / Household Appliances
	JS Investments, National Investment Trust, BMA Asset Management, Arif Habib Investment, KASB Asset Management	Investment opportunities for the customers
	Nokia	Discount at purchasing

Source: Researchers' own processing

Table 1-E. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Hong Kong Shanghai Bank	Multinet, Malaysia	Communication Solution
	Czech ECA, Halmore Power Generation	Power Project in Pakistan
	Metro Cash & Carry	Financial Services

Source: Researchers' own processing

Table 1-F. Inter-Organizational Strategic Cooperation of Commercial Banks (Foreign Ownership) in Pakistan

Bank	Strategic Cooperation with	Products
Barclays	Mitsubishi, Sony, Pioneer	Discount in electric Appliances
	EFU Life Assurance	Life Assurance Products
	Olive Garden – Restaurant	Dining

Source: Researchers' own processing

Table 2. Inter-Organizational Strategic Cooperation of Commercial Banks (Private) in Pakistan

Bank	Strategic Cooperation with	Products
Askari Bank	House Building Finance Corporation	Funds Transfer
	Zong	Different Products
	Jasco	Electricity Generators
	Ken Wood	Electric Appliances
Faysal Bank	Global Investment House	
Soneri Bank	Phoenix Security, Sun Micro Systems	Security Enhancement in Automation
KASB Bank	Marrilynch, MDS-ATM	Investments – ATMs
Bank Al-Habib	New Jubilee Life Insurance, MCB	Insurance Products, Rupee Traveler cheques
NIB Bank	Asia Financial Holdings PTE. Ltd.	Investments
Saudi-Pak Commercial Bank	PSO, Bank Muscat	Sale and Service through E-Banking, Strategic Stake
Muslim Commercial Bank Ltd.	Telenor, Bank Al Habib	Phone Connections, rupee Traveler Cheques

Source: Researchers' own processing

Table 3. Inter-Organizational Strategic Cooperation of Commercial Banks (Public) in Pakistan

Bank	Strategic Cooperation with	Products
National Bank of Pakistan	Japan Bank for International Cooperation	Promotion of Trade within two Countries
	Sidat Hyder Morshed Associates	HR Consultation Services
First Women Bank Ltd.	Canadian International Development Agency	Training of Employees and Career Counseling
	National Rural Support Program	Promotion of Micro Finance Products
	Supernet	Internet Connections
United Bank Ltd.	Pakistan State Oil	Discount on Fuel
	EFU Life Insurance	Insurance Products, Retirement Plans
	U Phone	Security Deposit Waiver
Allied Bank of Pakistan	IFC	Trade Guarantees
The Bank of Punjab	AMZ Securities	Online Trading Facilities
Habib Bank Ltd.	Symantec Enterprise, M Net	Anti-Virus Solutions, IT

Source: Researchers' own processing

Table 4. Inter-Organizational Strategic Cooperation of Commercial Banks (Islamic) in Pakistan

Bank	Strategic Cooperation with	Products
Meezan Bank	Suzuki Motors, Takaful Insurance	Speedy Delivery, Insurance Products
Dubai Islamic Bank	American Express, Chekkerz, Card Tech Ltd.	Travel Services, Car Tracking System, Credit Cards
	Dream World Resort	Holiday Discount
Al-Baraka Islamic Bank	Nil	Nil
Dawood Islamic Bank Limited	Nil	Nil
Bank Islami Pakistan Limited	Nil	Nil

Source: Researchers' own processing