

INFLUENCE OF COMPETITIVE STRATEGIES ON PERFORMANCE OF COMMERCIAL AIRLINES IN KENYA: A SURVEY OF THE AIRLINE INDUSTRY IN KENYA

Hassan Ali Farah

Masters Degree in Strategic Management, Kenya Methodist University, Kenya

Jane Munga

Kenya Methodist University, Kenya

James Mbebe

Kenya Methodist University, Kenya

©2018

**International Academic Journal of Human Resource and Business Administration
(IAJHRBA) | ISSN 2518-2374**

Received: 13th March 2018

Accepted: 16th March 2018

Full Length Research

Available Online at:

http://www.iajournals.org/articles/iajhrba_v3_i1_170_189.pdf

Citation: Farah, H. A., Munga, J. & Mbebe, J. (2018). Influence of competitive strategies on performance of commercial airlines in Kenya: A survey of the airline industry in Kenya. *International Academic Journal of Human Resource and Business Administration*, 3(1), 170-189

ABSTRACT

Competitive threats from multinational players across the globe are increasingly making domestic players such as KQ more conscious of their vulnerable state and incentivizing them to proactively engage in an effort to ensure their sustainability in these turbulent times. However, despite implementing these strategies, the operators in Kenya have continued to record dismal performance in the recent years epitomized by globalization, liberalization and consolidation of the African markets. The profitability of the airlines in Kenya has been dismal over the years unlike their counterparts in the region such as Ethiopian airlines. Further, the Kenyan sky is dominated by the European and Middle East carriers. The study aimed at determining the influence of competitive strategies on performance of commercial airlines in Kenya with reference to Airline Industry in Kenya. The specific objectives of this study were to:- establish how cost leadership strategy, product innovation strategy, market focus strategy and product differentiation strategy influences the performance of commercial airlines in Kenya. This study was based on the following theories theory of strategic balancing, porter's generic model, contingency theory and mathematical theory of games. A descriptive research design was used this study. A sample population of 194 managers was arrived at by calculating the target population of 393 managers at Airline Industry with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004). The researcher used a semi structured questionnaire as the primary data collection tool. The questionnaire was

administered using email and a drop and pick later method to the sampled respondents. Data processing and analysis were included data preparation, editing, coding, classification and analysis. This involved a sequence of operations to check and code forms, transfer the tabulation on computer files, check for errors and make an exploratory analysis. The quantitative data in this research was analyzed by descriptive statistics using statistical package for social sciences (SPSS) version 24. Inferential statistics such as regression analysis was used to gauge the relationship between the dependent and independent variables. Data was presented in tables, charts and graphs. The study shows that cost leadership affects performance in Airline Industry in Kenya to a much extent, that product innovation strategy affect performance their Airline to a much extent, that market focus affect performance in Airline Industry to a much extent and that product differentiation affect performance in Airline Industry to a much extent. The study concluded that cost leadership strategy influences the performance of commercial airlines in Kenya positively, that product innovation strategy influences performance of commercial airlines in Kenya positively, that market focus strategy influences performance of commercial airlines in Kenya significantly and that product differentiation strategy influences the performance of commercial airlines in Kenya significantly. The study recommends that managers be on the look for any possible factor that has an implication on the operations of the business and respond appropriately and that the management of the company needs to have the required knowledge, expertise and skills before they can agree

and embark upon an implementation program.

Key Words: *competitive strategies, performance, commercial airlines, airline industry, Kenya*

INTRODUCTION

Today's competitive environment in the airline industry worldwide has never been tougher or more unforgiving (Seng, 2013). More and more players are one strategic step away from competitive extermination. Approaches that worked in the past simply cannot be used today's extremely competitive marketplace (Malburg, 2010). Times have never been worse for the airline industry. The margin of error is thinner than the average profit margin. Carriers are in a "make or break" moment and need to fundamentally change the way they do business (Prescott, 2011). Most of these airlines are struggling to survive these negative trends, with several carriers experiencing financial difficulties and some becoming bankrupt. These increased pressures have resulted in mergers, alliances, acquisitions and industrial consolidation by airlines in order to reduce operating cost and thus enhance profitability (Ho, 2009).

The airline industry operates in an extremely competitive environment (Kahavya, 2015). In the recent years there has been an industry shakedown, which has had far reaching effects on the industry's trend towards expanding domestic and international services (Razvi, 2012). The air transport industry has an important role to play in achieving sustainable development in the East African sub-region (Irandu, 2010). More specifically is the expansion of air travel a necessary condition for the development of the transportation industry this region. In addition, improvements in the region's transport infrastructure would help to raise livelihood standards and alleviate poverty by lowering transport costs, supporting a more rapid economic growth, and increasing personal mobility (Oxford Economic Forecasting, 2015).

In the 21st Century world economy, the airline industry has been thrust to the forefront due to its role in enabling mobility of factors of production internationally through transportation of goods and people. Gichohi (2010) observed that the entire airline industry is essentially cyclical in nature and is therefore easily affected by any form of economic uncertainty which has caused a deep crisis of confidence in Airline stocks worldwide. Airlines have exhausted the usual downturn responses, like staff cutbacks and reduced flying. Airlines are under unprecedented pressure to produce sustainable economic results or perish as fuel, labor and asset cost escalates and demand declines. With the industry positioned for recovery from time to time, competition is expected to intensify as low-cost carriers continue to gain market share from full-service carriers by attracting both leisure and business segments. In addition, new operating model, innovative entrants and further airline consolidation will create more difficulties and intense competition. To respond to this airlines have employed a narrowly focused near-term strategy, including reduction in seat capacity and product unbundling (for example, paying extra for a window or aisle seat, or for more exit-row legroom) which could potentially have long term consequences on customer loyalty, experience and profitability from core product. The future of the airline industry will depend on ability to harness emerging technologies to deliver superior customer experiences and secure loyalty in addition to improving operational efficiencies (Lock et al., 2010).

Heavy protection provided by respective national governments a few decades ago has indeed become a thing of the past (Rosli, Kuswanto & Omar, 2012). The national carrier is no longer given more priority since there are many more small airlines which have joined the industry and are offering competitive pricing. Hence they must be globally competitive for their own survival and growth (Karagozoglou & Lindell, 2014). Unprecedented changes in the aviation industry within East Africa heralded by rivalry coerced airlines to reshape their business strategy in order for them to remain competitive. Most of the markets in which the African airlines operate are highly competitive. Levels of competition vary, route by route, with competition and a dwindling passenger base heating up. Airlines need to ramp up their delivery of the customer experience and not just at the gate and on board; carriers need to understand their customers' needs along the full spectrum of travel from ticket purchase to destination arrival (Weber, 2011).

According to Prescott (2011), the Yamoussoukro Declaration on a New African Air Transport Policy was signed by many African states in 1988. This declaration was intended to secure the integration of airlines and the establishment of regional controlling bodies. This was to be carried out through interstate aviation infrastructure development projects, the exchange of air traffic rights so that each country would have open access to the air space of another country, the establishment and continued use of a fair and open reservations system, amongst various other means (Prescott, 2011). The East African Community (EAC), and specifically Kenya, Uganda and Tanzania, have made great efforts in modernizing the air transport industry in order to meet the increased demand for international transportation. Traffic demand within the last decade has increased considerably due to the opening up of trade between East Africa and the rest of the World. Other factors include tourism, horticulture and movement of people from one city to another has been made more accessible, easier and faster. According to Irandu (2010), the importance of an efficient domestic air transportation network is a complement to the inadequate surface transportation system in the sub region thus cannot be overemphasized.

The East African Airways (EAA) a pioneering airline was incorporated in 1945 under a committee recommendation for air transport in London. The airline was to be responsible to the governments of Kenya, Uganda, Tanganyika and Zanzibar (last two are now the republic of Tanzania). All the three countries were territories of the British Colony (Hunter, 1946-1977). Initially EAA had a good reputation for service and reliability and with the formation of East Africa Community it passed into joint ownership of the Government of Kenya, Tanzania and Uganda. The success with which East African Airways was operated since its inception can be judged by the fact that it was one of the very few world airlines that operated at a profit over its first 11 years. Shortly after the collapse of East African Community in 1976, the East African Airways Corporation was dissolved in 1977, as all three member countries established their own airlines (Prescott, 2011).

Additionally over time, there sprung up an increasing number of private regional carriers. A view of the ramp at the Jomo Kenyatta International Airport, Julius Nyerere International Airport and Entebbe International Airport gives an idea of this rapid growth in East Africa. Some of the airlines in this region include: Fly 540, Air Uganda, Precision Air, Nas Air, Air

Uganda and Kenya Airways just to mention a few. Air travelers today seem to be looking for carriers that are able to offer quality customer service, on-time performance, and considerably low fares all at once (Dostaler & Flouris, 2014). Competition in the airline industry in Kenya is becoming stiffer and stiffer with passage of time. More locally owned airline companies are getting registered and more International airlines doing business in Kenya. Locally owned airlines are being faced with lower bottom lines due to the increase in competitors who offer similar services and at reducing prices. These changes have made the landscape for doing air transport business drastically change. Firms that are able to remain agile in such markets are the only ones that will remain competitive and sustainable. Otherwise they will have to close shops. Airline companies have to adjust the position of their products in the consumers' minds and convince the consumer to buy their services against what competing airlines are providing (Ikiara, 2010).

Profitability in the airline closely responds to Kenya's economic growth and trade performance. Airlines such as Kenya Airways recognize the need for radical change to ensure its survival and prosperity due to the many challenges they face now and in future. This has prompted the need to ensure effective strategic choices have to be made in order to successfully continue to tackle high costs of operation and improve their products. Even the licensed airlines that serve the local market are facing stiff competition given that the market is narrow while the number of airlines is increasing. The stiffer competition is a direct challenge to the ability of the airlines to gain competitive advantage over competitors and calls for careful positioning (Kamau & Kavale, 2015). The trend today is a perfect competition and the Kenyan government has avoided and withdrawn active management of the market forces within the airline industry. As such, Kenyan airlines work on their own in regards to what are the relevant products and rates to be offered to the market. In this regard, assessment of the attractiveness of the industry became a necessity. It is time these regional airlines graduated from the basic strategies of operating their organizations to more specific and deliberate strategies. In addition, the industry has been hit hard by the rising fuel prices, leasing costs, labor costs, insecurity and other operational costs which have slowly eaten into the revenue that is collected; thus reducing significantly the profits that airlines make. This calls for innovative ways of doing business which enables the industry players to compete effectively and successfully.

STATEMENT OF THE PROBLEM

The Airline industry in Kenya is faced by several challenges. According to Mutema (2016), in the State of the Kenya Airline Industry article, the challenges being faced include diminishing market potential, high fuel prices, safety records, need for skilled human resources, internal liberalization, high taxes and the environment. While looking at the market capacity and potential perspective, intercontinental capacity to and from Africa by African airlines currently stands at 36.4% compared with 63.6% by non-African airlines mainly from Europe, the Middle East and lately North America and Asia. As a result of this intense competition on the intercontinental routes, the best opportunities for expansion and growth for African airlines lies in the African regional and domestic markets which have not reached yet. In addition, Gichohi (2015) observed that oil prices have been unpredictable and

the world economy's growth rate has slowed. Currently prices (with Brent crude oil prices expected to be slightly over US\$100 a barrel in 2012), jet fuel prices have a huge negative impact on airline profitability. Due to the very competitive market conditions, airlines are not allowed to just pass on the extra costs to the consumer through taxes or ticket prices, this impacts the profit margins negatively. Further to this, Africa's poor safety record is being exploited by other competitors for commercial gain, requiring that Kenyan carriers to put its house in order. The airline industry has found itself in a very competitive market characterized by globalization and increased consumer demand for quality services and increased value for their money. A case at hand is the poor performance of Kenya airways which posted a 26 billion loss in the fiscal year 2015/2016 (NSE, 2016). Ethiopian airline seems to have gone through the same financial crisis before going into receivership in January 2016. Various strategies have been pursued to gain competitive advantage. Airlines in Kenya have embraced formation of strategic alliances with other organizations to be able to compete effectively in the global arena (Kahavya, 2015).

Competitive threats from multinational players across the globe are increasingly making domestic players such as KQ more conscious of their vulnerable state and incentivizing them to proactively engage in an effort to ensure their sustainability in these turbulent times. Despite the previous strategies implemented by KQ, i.e. portfolio decisions such as the Jambo Jet, route expansion, optimization, efficiency and expansion related and partnership agreements the airline has poorly performed financially with the latest being the financial year 2014 huge losses for the 'African Giant - The Pride of Africa,' amounting to 7.9 Billion attributed to harsh economic and geopolitical conditions (Mutema, 2016). KQ also posted a 26 billion loss in the fiscal year 2015/2016 (NSE, 2016). Another key challenge is the recruitment and training of pilots, engineers, air traffic controllers and security screeners in a growing, very competitive world market. Looking at the internal liberalization, a lot has been said but not matched by equal measure of action on the implementation of the Yamoussoukro Decision. It was agreed that for speedy market development, countries and aviation regulators must open up the African markets to African carriers. The airline industry in Africa is also over-taxed and over-charged making it difficult to establish lower ticket prices and constricting the awareness of its huge traffic growth potential (Kahavya, 2015).

The above setbacks have resulted to the airline operators in Kenya adopting survival strategies such as use of advertising, on-time flight departures, comfortable seats, good customer service, better planned route strategies and reduced fares. However, despite implementing these strategies, the operators in Kenya have continued to record dismal performance in the recent years epitomized by globalization, liberalization and consolidation of the African markets. According to Kamau and Kavale (2015), in the State Of the Airline Industry currently, the Kenyan sky is dominated by the European and Middle East carriers. These carriers for example, Qatar airways, Emirates, British Airways and KLM Royal Dutch airlines are well known internationally, and have better equipment compared to local carriers. They also have more to offer in terms of connectivity to the World. The stiff rivalry has led to restructuring in the local commercial airlines and also cancelation of some flights in a bid to cut cost and remain competitive. In a conference held in Maputo on 24th October 2012, Tony

Tyler, IATA's Director General and CEO said "The aviation industry has re-shaped itself to cope with investing in new fleets, adopting more efficient processes, carefully managing capacity and consolidating. But despite these efforts, the industry's profitability still balances on a knife-edge, with profit margins that do not cover the cost of capital." In essence most of the Kenyan airlines are currently struggling to cover their operation costs. This study therefore, aims at identifying the effect of implementing competitive strategies and their effect on performance of commercial airlines in Kenya with reference to Airline Industry in Kenya.

GENERAL OBJECTIVE

The study aimed at determining the influence of competitive strategies on performance of commercial airlines in Kenya.

SPECIFIC OBJECTIVES

1. To establish how cost leadership strategy influence the performance of commercial airlines in Kenya.
2. To assess the influence of product innovation strategy on the performance of commercial airlines in Kenya.
3. To examine the influence of market focus strategy on the performance of commercial airlines in Kenya.
4. To determine how product differentiation strategy influences the performance of commercial airlines in Kenya.

THEORETICAL REVIEW

This study was based on the following theories theory of strategic balancing, porter's generic model, contingency theory and mathematical theory of games.

Theory of Strategic Balancing

Theory of strategic balancing is founded on the premise that the strategy of an organization is partly comparable to the strategy of an individual. Certainly, the performance of organizations is affected by the actors' behavior, such as the system of leaders' values (Collins et al., 2009). An organization wavers between many antagonistic poles that signify cooperation and competition. This allows for existence of various configurations of alliances that disappear only if the alliance swings in the direction of a mainstream of poles of confrontation.

Strategic balancing is comprised of three models which include: relational, symbiotic and deployment models. Competition attests to be part of the relational model and the model of deployment. It can be liable to undulation between the two aggressive strategies, one being primarily cooperative as depicted by the relational model and the other being predominantly competing as exemplified by the model of deployment. The organization can then take turns in adopting the two strategies so as to keep their relationship balanced. This argument is very close to that of Belsley et al, (1980). According to him, there are three types of competitive

relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is also comparable to the fluctuation between the relational model and the model of deployment (Barney, 2009).

Competitive strategies, should concentrate on the management-needs recognition process. A number of African airlines have achieved this. Hammer and Champy (1993) used the key intelligence topics (KIT) process to identify and prioritize the major intelligence needs of senior management and the organization itself. This made sure that intelligence operations were successful and suitable intelligence was produced. Their approach is valuable since it allows corporate intelligence staff to recognize strategic issues and as a result senior management can guarantee that action is taken regarding the results given. The additional advantages are that an early warning system can be created and this will allow possible threats to the organization and major players in the industry are identified and monitored.

Porter's Generic Model

Porter (2015) identifies five forces of competition as fierce rivalry, threat to entry, threat to substitutes, power of suppliers and power of buyers. He upholds that understanding the forces that shape a sectors competition is the basis for developing a strategy. Generic strategies can be effectively correlated to organizational performance by using key strategic practices. Porter posits that if the forces are extreme, no organization earns striking returns on investment and if the forces are benign, most of the companies are profitable. The composition of the five forces varies by industry and that an organization needs a separate strategy for every distinct industry such as the airline industry. Porter's (1998) generic strategies comprise of low cost, differentiation, focus and combination strategies. These are commonly conventional as a strategic typology for all organizations.

Porter (2010) asserts that an organization is mostly concerned with the amount of competition within its industry. He asserts that low cost and differentiation are distinct ends of a continuum and that may for no reason be related to one another has sparked a great deal of theoretical debate and empirical research. This debate may have been partly encouraged by the absence of conceptual building blocks supporting his value system theory. Scholars have since postulated theories that argue against Porter's point of view, proposing that low cost and differentiation may really be independent dimensions that should be strongly pursued concurrently (Fournier, 2015). Empirical research using the MIS database by Miller and Dess (1993) suggests that the generic strategy framework could be enhanced by viewing cost, differentiation and focus as three dimensions of strategic positioning other than as three discrete strategies. The idea that pursuing multiple sources of competitive advantage is both feasible and desirable has also been supported by other researchers (White, 2015). Thus, the research in strategic management following from Porter does not provide explicit support for Porter's original formulation.

Porter's model is an influential tool for methodically diagnosing the main competitive pressures in a market and assessing how strong and significant each one is. Kitoto (2010) observed that a correct analysis of the five forces will assist a firm choose one of the generic

strategies that will successfully enable the organization to compete profitably in an industry. Managers in the airline industry therefore can only develop and choose winning strategies by first identifying the competitive pressures that exists, measuring the virtual strength of each and gaining a profound understanding of the sector's whole competitive structure.

Porters Model allows for the determination of the attractiveness of the industry. With the knowledge about intensity and power of competitive forces, airlines in East Africa can then develop options to influence them in a way that improves their own competitive position. To survive, the airlines must adapt their strategies to suit the dynamic market place. The winning strategy selected can change the impact of competitive forces on the firm. The aim is to decrease the power of competitive forces. Although numerous companies pursuing cost and differentiation concurrently may become trapped in the middle, there is patent evidence to suggest that at least some companies have been triumphant in achieving higher economic performance by pursuing both advantages (Bresnahan & Reiss, 2010).

Contingency Theory

Contingency theory proposes that there is no best strategy for all organizations and argues that the most popular choice of strategy variables adjusts according to contingency factors. Strategic management scholars have looked at a wide range of contingency factors, such as aspects of the environment, organization structure, technology (Dowling & McGee, 2009), and marketing choices (Claycomb, Germain & Droege, 2015). They also looked at how these and other factors intermingle with strategy variables to determine the firms' performance. Research has been done to identify the contingent effects of strategy on a firm's performance. Contingency theory therefore, seeks to understand the behavior of a company by analyzing discretely its components, making disaggregated one-to-one comparisons of variables and their associations with performance (Meyer, Tsui & Hinings, 2010). Strategic choice is then concerned with the evaluation of these strategic options and selection of the most appropriate actions for achieving the objectives.

Mathematical Theory of Games

The mathematical theory of games was invented by Johnson and Scholes (2000). Game theory is the study of the ways in which strategic interactions among rational players produce outcomes with respect to the preferences of those players, none of which might have been intended by any of them Zalta (2014). Game theorists describe this by means of an abstract concept called utility. This refers to the amount of satisfaction a manager derives from choosing a strategy over another. Welfare refers to some normative index of relative well-being, justified by reference to some background framework. In the case of people, it is most typical in economics and applications of game theory to evaluate their relative welfare by reference to their own implicit or explicit judgments of it Alexander (2009).

Brands, as a result of innovations and differentiation, can be considered as a method of signaling quality and other product characteristics to consumers. This allows various models developed in game theory to be applied, such as Akerlof (1970) classic "market for lemons" model in which price signals quality. The "hidden" value that may be uncovered by applying

game theory is the deterrence value of investments in intellectual capital. As is well known, patents and copyrights add value by deterring competitors from making use of the same work and allow the patent or copyright holder to enjoy exclusive use of the intellectual work for a limited time. However, game theory shows that such a deterrence effect can also occur in the absence of patents and copyrights. The simplest scenario is where the market is limited and there is overcapacity in the industry. In such a scenario, an incumbent that makes a pre-emptive move by making a large investment may deter new entrants if the entrant believes that the incumbent will react aggressively to entry, or if the move allows the incumbent to move so far down the learning curve that it is difficult for new entrants to catch up. The mere fact of making a large investment may be enough to deter entry even if there is no patent or copyright protection. Most of the examples that can be quoted are practical benefits of applying game theory in the valuation of intellectual capital. However, game theory provides additional benefits in allowing one to draw insights about how to gain strategic value from intellectual capital. The conventional strategic management wisdom expounded by many authors (Grant, 2009) is that, in order for a firm's resources (including intellectual capital) to lead to a sustainable advantage, they must be difficult to replicate, durable and imperfectly mobile or not easily traded.

RESEARCH METHODOLOGY

Research Design

A descriptive research design was used in this study. The design was chosen since it is precise, accurate and involves description of events in a carefully planned way. It also portrays the characteristics of a population fully (Babbie, 2009). The research design was both quantitative and qualitative with the aim of determining the relationship between competitive strategies (independent variables) and organizational performance (dependent variable).

Population

The target population of this study was 393 top and middle level managers Airline industries in 65 airlines operating in Kenya. Mugenda and Mugenda (2003) explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study.

Sampling Frame and Technique

This research study used a stratified random sampling method to select 194 respondents. According to Chandran (2004), stratified proportionate random sampling technique produce estimates of overall population parameters with greater precision and ensures a more representative sample is derived from a relatively homogeneous population. Stratification aims to reduce standard error by providing some control over variance. The study grouped the population into three strata; top, middle and low-level managers. Feedback was received from approximately. A sample population of 194 managers was arrived at by calculating the

target population of 393 managers at Airline Industry with a 95% confidence level and an error of 0.05 using the formula taken from Kothari (2004).

Research Instrument

The quality of the research depends on the quality of data hence the importance of data collection process. Data collection tools are the instruments which are used to collect the necessary information (Mugenda & Mugenda, 2003). This refers to the means the researcher used to gather the required data or information. Although several tools exist for gathering data, the choice of a particular tool depends on the type of research. For the purpose of this study, the researcher used a semi structured questionnaire and interviews as the primary data collection tool. The questionnaire was structured to include both closed, open-ended and matrix questions to allow variety. The structured questions were normally close ended with alternatives from which the respondent is expected to choose the most appropriate answer (Mugenda & Mugenda, 2003). Unstructured questions were open-ended and present the respondent with the opportunity to provide their own answers. Matrix questions were also utilized. This type of questions present the respondent with a range of questions against which they are expected to respond based on a predetermined rating scale. The most commonly used was the likert scale. These types of scales are used to measure perceptions, attitudes, values and behaviour (Cooper & Schinder, 2007). These types of questions are popular with the respondents and researchers as they are easy to fill in, economical and provide easy comparability. The Likert type of questions enabled the respondents to answer the survey easily and for ease in data interpretation. The survey questionnaire was seen as appropriate as it allowed data from the sampled groups to be collected in a quick and efficient manner.

Data Collection Procedure

The researcher administered the questionnaire individually to all respondents of the study. The researcher exercised care and control to ensure all questionnaires issued to the respondents are received and to achieve this, the researcher maintained a register of questionnaires, which was sent, and which was received. The questionnaire was administered using email and a drop and pick later method to the sampled respondents.

Data Analysis

Data analysis is the process of looking at and summarizing data with the intent to extract useful information and develop conclusions. According to Kombo & Tromp (2014) data analysis refers to examining what has been collected in a survey and making deductions and inferences. It involves uncovering underlying structures, extracting important variables, detecting any anomalies and testing underlying assumptions. Data processing and analysis included data preparation, editing, coding, classification and analysis. This involved a sequence of operations to check and code forms, transfer the tabulation on computer files, check for errors and make an exploratory analysis (Mutai, 2001). Data preparation involved editing of and validation of the data collected. This was aimed at identifying incorrect entries; entries entered in the wrong places and missing entries. Data coding facilitated proper data

categorization. Emory (2010, p.319) writes that “data categorizations should ensure appropriateness, exhaustiveness, mutual exclusivity and have a single dimension or the use of one concept”. The returned questionnaires were checked for consistency, cleaned, and the useful ones coded and analyzed.

Data analysis tool used was dependent on the type of data to be analyzed depending on whether the data qualitative or quantitative. The quantitative data in this research was analyzed by descriptive statistics using statistical package for social sciences (SPSS) version 24. This version was used since it is the most recent version of SPSS and hence it has more advanced features. Descriptive statistics included mean, frequency, standard deviation and percentages to profile sample characteristics and major patterns emerging from the data. In addition to measures of central tendencies, measures of dispersion and graphical representations were used to tabulate the information. The use of Likert Scale as described earlier was used to enable easier presentation and interpretation of data. Data was presented in tables, charts and graphs. Completeness of qualitative data collected was checked for and cleaned ready for data analysis. Content analysis was used in processing of this data and results presented in prose form. Open-ended questions in all the questionnaires were analyzed by identifying evolving patterns in the text of the questions and categorizing them into themes (Patton, 2009).

In addition, a multivariate regression model was applied to determine the relative importance of each of the four variables with respect to organizational performance. Multiple regression is a flexible method of data analysis that may be appropriate whenever quantitative variables (the dependent) are to be examined in relationship to any other factors (expressed as independent variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account, (Cohen, West & Aiken, 2003). The regression model was as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where: Y = Organizational performance; β_0 = Constant Term; β_1 , β_2 and β_3 , = Beta coefficients; X_1 = Cost leadership strategy; X_2 = Product innovation strategy; X_3 = Market Focus strategy; X_4 = Product differentiation strategy; ε = Error term

RESEARECH RESULTS

Cost Leadership Strategy

The study sought to establish how cost leadership strategy influences the performance of commercial airlines in Kenya. The study shows that cost leadership affects performance in Airline Industry in Kenya to a much extent. This concurs with Muasa (2014) who noted that people-oriented capital has a significant relationship with competitive advantage. The study also found that the airline maximizes on capacity utilization (i.e. extent to which the airline actually uses its installed productive capacity) and were neutral that the airline observes economies of scale (i.e. cost advantages that the company obtains due to expansion). These

findings concur with Muthiani (2015) who argue that the strategy of cost-leadership catches the most charming issue (lower price) in emerging economies, offering the product or service to people with low level of disposable income.

The study revealed that the airline has formed linkages with customers, that the airline has formed linkages with service providers and that the airline has formed linkages with other financial/supplementary institutions. These findings are in line with Muthiani (2015) who suggests that if a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average. The study also revealed that the airline shares cost across functions and that the airline rarely practices cross selling. The study also found that the airline uses many suppliers to hedge on cost exploitation, that the airline has partnership agreements with other airlines and that the airline conducts all the services on its own. This is in line with Muasa (2014) who noted that people-oriented capital has a significant relationship with competitive advantage. The study further revealed that the airline focuses on reducing overhead expenses, that the airline focuses on lower cost of purchase of equipment, that the airline focuses on lower installation costs i.e. entry into service and that the airline focuses on reducing costs related to regulation levies. This agreed with Muthiani (2015) who suggests that if a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average.

Product Innovation Strategy

The study sought to assess the influence of product innovation strategy on the performance of commercial airlines in Kenya. The study found that product innovation strategy affect performance their Airline to a much extent. Ngugi and Karina (2013) agree with these findings by arguing that process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons. The study revealed that the airline continually upgrades all non performing products, that the process innovation is adopted to a very great extent in the airline, that the airline has intensive technological innovations and that the airline is involved in product upgrading. This is in agreement with Muthui (2013) who noted that advantage of this strategy is that it might be difficult for other firms to imitate on the same products.

The study findings also revealed that the airline has introduced services with added advantages, that the airline has introduced a lower-priced fares, that the airline has entered the high end of the market and that the airline has strategies to increase the number of passenger travelling. The findings also showed that the company has opened ticketing offices in major cities/ towns and that the airline has recruited agencies to help in marketing and selling. This is in agreement with Ngugi and Karina (2013) who arguing that process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons.

Market Focus Strategy

The study further sought to examine the influence of market focus strategy on the performance of commercial airlines in Kenya. The study shows that market focus affect performance in Airline Industry to a much extent. This concurs with Naughton (2014) who noted that focus also is based on adopting a narrow competitive scope within an industry. The study found that the airline practices segmentation based on Social Class of The Customers, that the airline practices segmentation based on Income Level of The Customers and that the airline practices segmentation based on Benefit Sought By The Customers. The study also found that the airline practices segmentation based on Education Level of The Customers and that the airline practices segmentation based on Age of The Customers while they the airline practices segmentation were based on Physiological Aspects of The Customers e.g. lifestyle. These findings were in agreement with McQuarrie (2014) who stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements.

Differentiation Strategy

The study sought to determine how product differentiation strategy influences the performance of commercial airlines in Kenya. The study revealed that product differentiation affect performance in Airline Industry to a much extent. This correlate with Prescott (2011) who argue that product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily. The findings showed that airline industry offers reliable services, that airline has courteous staff and that airline industry has empathetic staff. The study also found that Airline industry services have an assurance and that airline industry offers more tangible services. These findings are in line with Hyatt (2011) who said that cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive.

The study also found that Airline industry have price quality match, Airline industry have lower price/premiums, that Airline industry have credit facilities and that Airline industry have low interest. The study further revealed that Airline industry close airline-passenger relationships, that airline have well trained agents, that airline has readily available agents and that airline has service delivery guarantees. The study also found that airline has a location convenience. These concur with Jones (2011) who notes that investing is a two-dimensional process based on return and risk. When a portfolio performance is evaluated, the total return to the investor is relevant. The study found that airline has fast accurate quotes, that the airline has fast complaint handling system, that airline has creative sales promotion, that airline has well trained sales force and that airline has creative advertising therefore superior brand personality. These findings are in line with Forbes (2013) a survey conducted by Alexander Forbes Consulting Actuaries in December 2013 had 30 Schemes participating.

The study findings revealed that the airline employees are reliable, that the airline employees are competent, that the airline employees are courteous, that the airline employees are credible, that the airline employees are fairly responsive to customers' needs and that the airline employees have average communication skills. These findings concur with Hyatt (2011) who said that cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. The findings also showed that that the airline has comprehensive written/ audio visual media, that the airline has a conducive working environment, the airline has quality and attractive symbols and that the airline participates in events such as air shows and exhibitions. These findings are in agreement with Bodie (2015) who argue that to obtain reasonably reliable performance measures, we need to maximize the number of observations by taking more frequent return readings and specify the exact makeup of the portfolio to obtain better estimates of the risk parameters at each observation period.

REGRESSION ANALYSIS

Regression analysis shows how dependent variable is influenced with independent variables. The study sought to determine the influence of competitive strategies on performance of commercial airlines in Kenya.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829 ^a	.687	.678	.51107

Table 1 is a model fit which establish how fit the model equation fits the data. The adjusted R² was used to establish the predictive power of the study model and it was found to be 0.678 implying that 67.8% of the variations on performance of commercial airlines in Kenya is explained by resource constraint, information communication technology, strategic alliance and organizational structure leaving 32.8% percent unexplained. Therefore, further studies should be done to establish the other factors (32.8%) affecting performance of commercial airlines in Kenya.

Table 2: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	75.167	4	18.792	71.947	.000 ^b
Residual	34.216	131	.261		
Total	109.382	135			

The probability value of 0.000 indicates that the regression relationship was highly significant in predicting how cost leadership strategy, product innovation strategy, market focus strategy and differentiation strategy affected performance of commercial airlines in Kenya. The F calculated at 5 percent level of significance was 71.947 since F calculated is greater than the F critical (value = 3.225), this shows that the overall model was significant.

Table 3: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	12.557	1.209		10.387	.000
1 Cost leadership strategy	.169	.038	.622	4.430	.000
Product innovation strategy	.106	.025	.441	4.213	.000
Market focus strategy	.267	.064	.350	4.182	.000
Differentiation strategy	.043	.020	.397	2.196	.030

The established model for the study was:

$$Y = 12.557 + 0.169 X_1 + 0.106X_2 + 0.267X_3 + 0.043X_4$$

The regression equation above has established that taking all factors into account (cost leadership strategy, product innovation strategy, market focus strategy and differentiation strategy) constant at zero, the performance of commercial airlines in Kenya was 12.557. The findings presented also show that taking all other independent variables at zero, a unit increase in cost leadership strategy would lead to some 0.169 increases on the performance of commercial airlines in Kenya. The variable was significant since $0.000 < 0.05$. The study also found that a unit increase in product innovation strategy would lead to a 0.106 increase the performance of commercial airlines in Kenya. The variable was significant since $0.000 < 0.05$. Further the study found that a unit increase in market focus strategy would lead to a 0.267 increase on the performance of commercial airlines in Kenya. The variable was significant since $0.000 < 0.05$.

Further, the findings showed that a unit increases in the differentiation strategy would lead to a 0.043 increase on the performance of commercial airlines in Kenya. The variable was significant since $0.030 < 0.05$. Overall, market focus strategy had the greatest effect on the performance of commercial airlines in Kenya while differentiation strategy had the least effect on the performance of commercial airlines in Kenya. All the variables were significant ($p < 0.05$).

CONCLUSIONS

The study concluded that cost leadership strategy influences the performance of commercial airlines in Kenya positively. The airline maximizes on capacity utilization (i.e. extent to which the airline actually uses its installed productive capacity) and has formed linkages with customers. The airline has formed linkages with service providers and other financial/supplementary institutions to shares cost across functions and practices cross selling. The airline also uses many suppliers to hedge on cost exploitation where they focus on reducing overhead expenses and costs related to regulation levies.

The study concluded that product innovation strategy influences performance of commercial airlines in Kenya positively. The airline in this case, continually upgrades all non performing

products by adopting process innovation to a very great extent. The airline has introduced services with added advantages such as lower-priced fares. The airline has entered the high end of the market and has strategies to increase the number of passenger travelling through opened ticketing offices in major cities/ towns where in many cases it has recruited agencies to help in marketing and selling.

The study concluded that market focus strategy influences performance of commercial airlines in Kenya significantly. The key benefits of market segmentation include the easiness of addressing the needs of smaller groups of customers and helps in focusing on under-served or un-served markets. This allows for growth in the airline industry in that they are able to identify which market they should channel their resources to. The basic idea of market segmentation in the airline industry is to link the needs and wants of prospective passengers to the airlines' competences in such a way as to attain competitive advantage over rivals in the region. Market segmentation plays a key role in expanding the competitive strategy chosen by a company.

The study concluded that product differentiation strategy influences the performance of commercial airlines in Kenya significantly. For the aviation industry in East Africa it is important for each player to differentiate their products based on the strategies that they are pursuing. This is what gives them the competitive advantage. The Airline industry should have close airline-passenger relationships since they have well trained agents and readily available agents to ensure service delivery guarantees. The airline employees are reliable and fairly responsive to customers' needs.

RECOMMENDATIONS

The managers to ensure the airline is able to explore new opportunities and is able respond swiftly to environmental changes. This is because the airline operating environment is very dynamic. Airlines from the west and Far East are able to predict and respond to the changing environmental needs and competitor tactics.

Airlines in East Africa need pull their synergies together to ensure that their operating market is not dominated by foreign airlines. The foreign airlines so far have negatively affected the market share held by the local airlines.

The civil aviation authorities should be more sensitive and supportive to local airlines. This is in terms of allocation of prime airport gates and parking bays, payment of airport fees and landing and takeoff fess. This should be waived to promote the local airlines.

The airlines should know where their strengths and weaknesses are. This will help in coming up with strategies that are more favorable and what they can pursue. They should also know what their core business is as this helps to keep them in check.

The government while negotiating for the bilateral air service agreement (BASA) with foreign airlines should consider the local airlines prospects of growth and thus should consult the local airlines to ensure that their interests are safeguarded.

There is need for the airlines to use modern technology to reduce the dominance of the market by few firms. This can be done by establishing the root cause of the dominance and coming up with methods of countering these causes. This is because dominance tends towards monopolies which may make prices high and present a limiting effect to new entrants of the market as has been evident in this study.

Managers should be on the look for any possible factor that has an implication on the operations of the business and respond appropriately. So far, the response strategies have been successful but more needs to be done so as to maintain the status of the companies in the industry.

REFERENCES

- Alexander, J. M. (2009). *Evolutionary Game Theory*. (E. N. Zalta, Ed.) Retrieved January 19, 2013, from Stanford Encyclopedia of Philosophy: <http://plato.stanford.edu/entries/game-evolutionary/>
- Babbie, E. (2009). *The practise of social research* (10th Ed). Thomson Belmont CA: Wadsworth Publishing Company.
- Barrney, J. (2011). Resource-based theories of competitive advantage: a ten-year retrospective on the resource-based view. *Journal of Management*, 27(6).
- Bodie, L. (2015). Strategy and the Environment: A Conceptual Integration, *Academy of Management Review* 5, 25–39.
- Bresnahan, T. F & Reiss, P. (2010). Entry and Competition in Concentrated Markets, *Journal of political economy*, *University of Chicago Press*, 99(5), 977–1009.
- Claycomb, H., Germain, A. & Droege, C. (2015). The seeking of strategy where it is not: Towards a theory of strategy absence, *Strategic Management Journal*, 16(2), 313-323
- Cooper, D. & Schinder, P. (2007). *Business Research methods* (8th Ed.). New Delhi: Tata Mcgraw Hill.
- Emory, C. W. (2010). *Business research methods* (3rd Ed). New Delhi: Tata McGraw Hill
- Forbes, N. (2013). Introduction: the emerging competence perspective, in Foss, N.J., Knudsen, C. (Eds), *Towards a Competence Theory of the Firm*, Routledge, London,.
- Fournier, S. (2015). Consumer and their brands: developing relationship theory in consumer research, *Journal of Consumer Research*, 24(4), 343-73.
- Gliem, J.A. & Gliem, R.R. (2003). *Calculating, Interpreting, and Reporting Cronbach's Alpha Reliability Coefficient for Likert-Type Scales*. Midwest Research to Practice Conference in Adult, Continuing and Community Education

- Ho, C. (2009). *Hyper-competition: Managing the dynamics of strategic maneuvering*. New York: Free Press.
- Hunter, D. (1977). *East African Airways History*. Retrieved October 15, 2012, from East African Airways: <http://www.eastafricanairways.com/EAA/Welcome.html>
- Hyatt, L. (2011). A simple guide to strategy, *Nursing Homes*, 50(1), 12-3.
- Irandu, E. M. (2010). *Opening African Skies: The Case of Airline Industry Liberalization in Ease Africa*. Fargo: Transportation Research Forum.
- Juma, A. (2013). *State Of The Africa Airline Industry*. Retrieved January 15, 2013, from *Wings Over Africa Aviation Limited*: <http://www.wingsoverafrica-aviation.com/index.php/flight-news/547-state-of-the-africa-airline-industry.html>
- Kelly, R. (2015). *Practical Research: Planning and Design* (6th Ed.). Upper Saddle River, NJ: Prentice Hall, Inc.
- Kitoto, F. (2010). Porter's Generic Strategies as Determinants of Strategic group Membership and Organisational Performance. *Academy of Management Journal* 27, 467-488.
- Kombo, D. K. & Tromp, D. L. A (2014). *Proposal and Thesis Writing*. Nairobi. Paulines Publications.
- Miller, S.H. (2011). *Competitive Intelligence – An Overview*, *Society of Competitive Intelligence Professionals*, Alexandria, VA. [online] Available at: HYPERLINK http://www.scip.org/2_overview.php "www.scip.org/2_overview.php .
- Mintzberg, H. (1978). Management Science. *Patterns in Strategy Formation* , 24(9), 934-948.
- Mugenda, O. & Mugenda, A. (2003). *Research Methods, Quantitative & Qualitative Approaches*, Nairobi: Acts Press
- Mutema, K. (2016). *How to write standard dissertation: A systematic and simplified approach*. New Delhi: Thelly Publications.
- Oxford Economic Forecasting. (2015). *The Contribution Of Air Transport To Sustainable Development In Africa*. Geneva: Air Transportation Action Group.
- Patton, M. Q. (2009). *Qualitative Research and Evaluation Methods*. 3rd ed. Thousand Oaks, CA, Sage.
- Pearce J. A. & Robinson R. B. (2007). *Strategic Management Formulation, Implementation and Control*; 10th Edition; Irwin Mc Graw-Hill, Boston.

- Phillips, D. & Peterson, F. (2011). *Online Public Relations*. London: Kogan Page.
- Porter, M. E. (1980). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: Free Press.
- Porter, M. E. (1998). *Competition and Firm Strategy*. Retrieved October 15, 2012, from Institute for Strategy and Competitiveness: <http://www.isc.hbs.edu/firm-competitive.htm>
- Porter, M. E. (2012). *What is Strategy: Issues for the World Bank*. Retrieved October 15, 2012, from Institute for Strategy and Competitiveness: http://www.isc.hbs.edu/pdf/2012-0802---World_Bank_Strategy.pdf
- Razvi, A. (2012). *Revival of A Sick Airline*. Student Thesis.
- Rosli, M. M., Kuswanto, F. & Omar, A. R. (2012). *Competitive Strategies and Firm Performance: A Comparative Study of Malaysian and Indonesian Small and Medium Enterprises. 3rd International Conference on Business and Economic Research Proceeding*, (p. 461). Bandung.
- Seng, P. S. (2015). *Increasing Competition in the U.S. Domestic Airline Industry through International Competition*. Bachelors of Science in Economics Thesis. University of Puget Sound
- Weber, H. R. (2007). *Will big airlines fly into the sunset?* Retrieved January 17, 2013, from USATODAY.com: http://usatoday30.usatoday.com/travel/news/2004-07-20-legacy-carriers_x.htm
- White, N. (2015). Innovative organizational structures and performance: a case study of structural transformation to groovy community centers, *Journal of Organizational Change Management*, 16(5), 512-534.
- Winston, C. & Crandall, R. W. (2014). *Unfriendly Skies*. Retrieved January 16, 2013, from The Brookings Institution: <http://www.brookings.edu/research/opinions/2014/12/18corporations-crandall>
- Zalta, G. S. (2014). *Barriers to entry: A Corporate Strategy Perspective*. Lexington, Massachusetts: Lexington Books.