

**DETERMINANTS OF STRATEGY IMPLEMENTATION
ON PERFORMANCE OF AVIATION INDUSTRY IN
KENYA**

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**Determinants of Strategy Implementation on Performance of the
Aviation Industry in Kenya**

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the Degree of Doctor of Philosophy in Business Administration of
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DECLARATION

This thesis is my original work and has not been presented for a degree in any other university.

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DEDICATION

I dedicate this thesis to my family; Mom (Mary Anene) and Dad (Caleb Anene) for their support and for bearing with me during this process of academic nourishment. I offer my sincere appreciation to Wife (Esther Nalika) my daughter (Andrian Amanda Anene), and Son (Emmanuel Klein Anene). May God bless you all; I will remain forever grateful for your understanding.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATAG	Air Transport Action Group
EAA	East African Airways Corporation
EBIT	Earnings Before Interest and Tax
FDI	Foreign Direct Investment
GDP	Gross Domestic Product.
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Information Communication Technology
KCAA	Kenya Civil Aviation Authority
KQ	Kenya airways
LCC	Low Cost Airlines
SBU s	Strategic Business Units
SPSS	Statistical Package of Social Sciences
UNWTO	United Nations World Tourism Organization

DEFINITION OF TERMS

- Alliances** Is association between organizations when an acquiring or an internal development is not an option as means of growing and vary in degree of commitment from simple marketing cooperation to complete mergers or acquisitions (Jangkrajarnng, 2011).
- Deregulation** It is restrictive regulations that organize airline transportation are either alleviated or totally annulled and that state's interference in airline transportation activities are reduced (Orhan & Gereade, 2013).
- Liberalization Policy** Refers to a partial or complete reduction of administrative-economic pressure on the subjects of a certain economic activity. Its impact on the economy appears in the increase (or in some cases – reducing) of the economic effectiveness of the economic system functioning and amplification of its security level (Heath & Mobarak, 2014).
- Organizational Structure** Is the framework of the relations on jobs, systems, operating process, people and groups making efforts to achieve the goals. Organizational structure is a set of methods dividing the task to determined duties and coordinates them (Monavarian, Asgari, & Ashna, 2007).
- Performance** An economic outcome resulting from the interplay among organizational attributes, actions and environment. Combs, Crook and Shook (2005) and is measured in three specific areas namely: (1) financial performance (profits, return on assets, return on investment); (2) market performance (sales, market share); and (3) shareholder return (total shareholder return) (Barnat, 2012).

Strategy

Jonas (2000) defines strategy as a plan of action that allows the organization to accomplish her mission in terms of goals, objectives and purpose.

Strategy Implementation

It focuses on the processes through which strategies are achieved. Questions addressed are who, where, when and how, the organizational objectives will be achieved (Barnat, 2012).

ABSTRACT

The aviation industry plays a key role in the Kenya sector of economy and GDP, however it has been considered as weak in performance and has been having poor declining profits yearly a feature that has seen some airlines exiting the market due to inability to fund their operations. This study aimed at establishing the determinants of strategy implementation on performance of aviation industry in Kenya moderated by liberalization policy. Specifically, the study intended to establish the extent to which organization structure, human capital development, Innovation, strategic alliances, and organizational resources determine strategy implementation and organization performance of aviation industry in Kenya. The study used positivism as a philosophy, piloting was done using 27 respondents to test the validity of the instruments whose reliability was 0.720. The study was conducted on 13 registered airlines that formed the target population of the study using census and descriptive as the research design. Systematic random sampling was used to select the managers who participated in this study and formed the unit of observation. A self-administered questionnaire was used to collect data from 200 respondents who were managers. Data was analyzed and presented through descriptive statistics that is; mean scores, variances, standard deviation, probit regression and inferential statistics namely; while bivariate correlations and regression results were used to test the hypotheses. The results provided statistical evidence that a positive and significant influence exists between the independent variables and performance of the airlines. The findings of the study revealed that organization structure, human capital development, Innovation knowledge strategic alliances and organization resources were found to be positively related to performance of airlines in Kenya. In conclusion, the study recommended that aviation industry in Kenya should put in place organizational structure strategies as it leads to high performance. Furthermore, the study recommended that the aviation industry should ensure they have a specialized organization structure, high nature of the span of control, centralized structure and have departmentalization. On innovation and organizational resources, the study recommended that aviation industry should have an improved information technology, product design improvement adoption and frequently sharpen IT skills of the employees through training. The aviation should increase their financial base access, physical resources such as planes, and landing ground. The study further recommended that firms in aviation industry should also invest more in research and development, training, networking and innovation. On the alliances, the study recommended that airlines should put in place strategies that encourage alliances since such partnerships and collaboration have a positive influence on performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The study sought to establish the determinants of strategy implementation on the organization performance of airlines industry in Kenya. This chapter presents the background of the study. The concept of the study in terms of the study variables namely organization structure, human capital development, innovation and knowledge, strategic alliances, and organizational resources as well as the context of the study that is airline industry in Kenya and their performance is discussed. Furthermore, the statement of the problem, research objectives, hypothesis as well as justification of the study is presented. The chapter finally presents the scope of the study as well as the limitations of the study.

1.1.1 Strategy Implementation

Strategy implementation is viewed as a dynamic activity within the strategic management literature that define the manner in which organization should develop, utilize and amalgamate organizational structures, control systems and manage culture in implementing strategies that lead to competitive advantage and improved performance (Jooste & Fourie, 2009; Sorooshian, Norzima, Yusuf & Rosnah, 2010).

Implementation is the second stage in the strategic management process. Strategy implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results to ensure that the vision, mission, strategy and strategic objectives of the organization are successfully achieved as planned (Thompson & Strickland, 2003).

The ability to implement strategies successfully is important to any organization. Despite the importance of the implementation process within strategic management, this is an area of study often overshadowed by a focus on the strategy formulation process (Tan, 2004). The strategy implementation process determines whether an organization excels, survives or dies (Barnat, 2012) depending on the manner in which it

is undertaken by the stakeholders. In turbulent environments, the ability to implement new strategies quickly and effectively may well mean the difference between success and failure for an organization (Hauc & Kovac, 2000).

Although formulating a consistent strategy is a difficult task for any management team, making that strategy work; implementing it throughout the organization is even more difficult (Hrebiniak, 2006), and that one key factor that contributes to the successful implementation of change is the provision of a plan that can act as an organizational roadmap.

Bossidy and Charan (2002) support this with their view that execution is the greatly unaddressed issue in the business world today. Many companies also do not have the necessary tools to execute strategy successfully (Zagotta & Robinson, 2002). Hrebiniak (2006) contributes to this with the opinion that most managers know far more about strategy development than they do about implementing it and that implementation should get more emphasis.

Strategy implementation failure cause enormous costs in the organization. Besides wasting a considerable amount of time and resources, failure of implementation efforts cause lower productivity, lower employee morale, diminished trust and faith in senior management, inefficient use of resources and decline in performance (Sorooshian, Norzima, Yusof & Rosnah, 2010). The high failure rate of change initiatives due to poor implementation of new strategies and the lack of strategic leaderships have been identified as one of the major barriers to effective strategy implementation (Jooste & Fourie, 2009).

Schaap (2006) looked at strategy implementation in the gaming industry in Nevada, United States of America, touching on communication up and down, organization structure, shared attitudes and values in the organization. Further, strategy implementation plans must be vividly developed, tasks for individuals highlighted with explicit time frames, and persons responsible for task completion identified for the proper strategy implementation.

Strategy implementation is important in an organization because it affects the organization especially on service businesses that have a different nature of environments than other kinds of business organizations; the importance of strategy implementation is therefore widely highlighted (Mumenya, Mokaya, & Kihara, 2014).

Strategy implementation is a primary operation-driven activity, revolving around the management of employees and business processes. Strategy implementation depends on building and strengthening competitive capabilities, motivating and rewarding employees in a strategy supporting manner. The strategy implementation task entails of building of organization capability; marshaling resources; instituting policies and procedures; adopting best practices; and continuous improvement (Smith, 2011).

1.1.2 Organizational Performance

Performance is the record of results achieved on a given action during a given period of time (Wang et al., 2011). Therefore, performance is identified through output, streamlined internal processes, profits, attitudes of workers, customer satisfaction among others (William, 2002). Chen (2002) described a firm's performance is the "transformation of inputs into outputs for achieving certain outcomes. With regard to its content, performance informs about the relation between minimal and effective cost (economy), between effective cost and realized output (efficiency) and between output and achieved outcome (effectiveness).

Performance management and improvement is at the heart of strategic management because a lot of strategic thinking is geared towards defining and measuring performance (Nzuve & Nyaega, 2011). The systems resource based approach defines performance as a relationship between an organization and its environment. This concept defines performance according to an organization's ability to secure the limited and valued resources in the environment (Sainaghi, 2010). The process perspective which defines performance in terms of the efficiency of the processes of an organization based on the adoption of information communication as one of the tools of driving performance (Waiganjo, Mukulu & Khariri, 2012).

Wanjiku (2009) describes performance in terms of four perspectives, which are the financial, customer, internal processes and innovativeness. The financial perspective identifies the key financial drivers of enhancing performance, which are profit margin, asset turnover, leverage, cash flow, and working capital (Odhuno, Kambona, Odhuno, & Wadongo, 2010). The customer focus describes performance in terms of brand image, customer satisfaction, customer retention and customer profitability (Lo & Lee, 2010).

Performance information must be used in day-to-day decision making so that performance-oriented reforms can be made to enhance performance (Taylor, 2011). Mukulu, Nteete and Namusonge (2012) note that performance measurement is important for organizations as a means of continuous improvement and as a means of determining whether an organization is achieving its objectives. The Kenya Institute of Management (KIM) developed a model called the Organizational Performance Index (OPI) which is a tool that drives organizations in Africa towards excellent performance and competitiveness (Ongore & Kobonyo, 2011). It uses seven global determinants which are leadership and management, human resource, customer focus and marketing, financial aspects, innovation and technology, corporate social responsibility, environmental focus, productivity and quality.

Many organizations understand the importance of continuous and regular evaluation of performance, and they are applying various approaches to performance evaluation across their organizations (Fernandes *et al.*, 2006). Many organizations have adopted the use of Balanced Score Card (BSC) concept for evaluating performance and for strategic management topics Johnson *et al.* (2008) describes BSC as forms of control measures that relies on performance targets. The BSC uses a range of performance target measures so that managers can focus on those things that are important measures for the long-term success of an organization. A typical BSC has four sets of performance targets i.e., customer satisfaction; Innovation and learning; internal process and Financial targets. Customer satisfaction may be characterized by levels of repeat businesses and customer complements. Innovation and learning involve evaluating expenditure on research and technology, patents owned by the

organization. Internal processes include issues to do with staff turnover, staff satisfaction and adequate investment in information technology among others.

Finally, financial perspective measurement may be based on return on capital, profitability index and good financial performance.

1.1.3 Organization Structure

An organization structure might be regarded as a set of entities that collectively collaborate and contribute towards one common goal. In the present globalised world, organizations require tuned work systems, involving human capital interwoven with latest technological innovations (Antonio, Castro & Oliveira, 2010). Corporate governance refers to the set of processes, customs, policies, laws and institutions affecting the way company is directed, administered or controlled in accordance with principles of responsibility and transparency (OECD, 2010).

Good governance and administration practices are important in reducing risk for investors, attracting investment capital and improving the performance of companies (Velnampy & Pratheepkanth, 2012), besides it provides a better access to financing and lower cost of capital. One of the key areas in structure management is the provision of Service quality, which has been defined as the difference between customers' expectations of service and perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Lewis, 2010). The management structure entails the board of directors who are responsible for managing the overall firms operations and in deciding financial mix. The boards have been found to have significant effect on performance either to increase costs or to reduce costs (Abor, 2007; Wen, Rwegasira, & Bilderbeek, 2002) whereas non-executive directors have been found to reduce uncertainties about a company and instead they help in raising capital.

Mbaka and Mugambi (2014) posited that a supportive communication climate is augments strategy implementation process. In this regard, communication enables knowledge dissemination for proper implementation of the strategy.

“Poor or inadequate information sharing, unclear responsibility and accountability, and working against the organizational power structure all part of organizational structure results in failed implementation processes. (Rajasekar: 2014). Mbaka and Mugambi (2014) inadequate understanding of company strategies and outlook by management, as well as inadequate attention hinder the successful implementation of strategies.

Studies by Ljungquist (2007) found that organizational structure is considered as a higher-order resource or capability. Earlier studies have demonstrated that the external environment and strategic decisions influence the factors of organizational structure in order to implement strategies successfully (Okumus, 2003). Okumus (2003) argues that the effect of strategy on firm performance is channeled through organizational structure. Organizational structure does not directly influence firm performance but how contingent it is ultimately influences the performance of firms because contingencies directly influence costs and revenues (Eriksen, 2006).whose relevance is derived from organisation of other resources and capabilities.

1.1.4 Human Capital Development

According to Cater and Pucko (2010), although a well-formulated strategy, a strong and operational pool of skills, and human capital are particularly important resources for strategy success, lowly leadership is one of the key obstacles in successful strategy execution. Human capital is the knowledge and skills of a firm’s complete workforce/employees. Strategic leaders ought to view the organizational workforce as a serious resource on which many core competencies are made and through which competitive advantages are exploited effectively. Staff appreciates the opportunity to learn endlessly and feel superior involvement when encouraged to enlarge their knowledge base. Ongoing investments in organizational workers result in imaginative, well-educated labor force, the type of workforce capable of forming extremely effective great groups (Ireland & Hitt, 2005).

As stated by (Thompson *et al.*, 2008). Effective strategy implementation therefore hinge on upon the leadership skills of working through others, organizing,

motivating, culture building, as well as creating robust fits among strategy and how the organization does things.

According to Barreto (2010), the value and performance of an organization is measured by the level of intellectual and employee capacity. Empowered staffs have confidence, room for creativity and ability to maintain and enhance the overall performance of the organization. Staff knowledge is key in cementing the capability of employees to make distinctions in the execution of their responsibilities in different contexts through a set of attributes and skills attained over time.

The incentive and motivation system of an organization can greatly affect strategy implementation process. (Mbaka and Mugambi, 2014). This was also supported by Rajasekar (2014) when he articulated that to get people involved, there is need to align the existing incentive system to the new strategic objectives. This will positively influence the strategy implementation.

1.1.5 Innovation

Innovation is part of the strategy implementation that enhances firm performance through enhancing esteem expansion and hazard decrease (Drucker, 2001). Advancement techniques are key in enhanced execution among numerous organizations and are reflected by expanded productivity and piece of the overall industry development (Palmer & Kaplan, 2007). Alpkhan and Ergun (2005) also recognize innovation strategies as critical enablers for firm's performance through creating value and sustaining the firm's upper hand in the undeniably unpredictable and quickly evolving environment.

High technical innovation performance requires flexibility and is a result of an organization successfully adapting its processes and products to changes in the environment (Donaldson, 2001; Abu Baker & Ahmad, 2010). Innovation is the process that connects new ideas to new processes and products (Aboelmaged, 2012) and requires organizations to go beyond learning from repetition, defect correction, and a desire for reducing process variation. The development of new technologies and products requires that organizations engage in practices that foster creativity,

flexibility, and experimentation (Das & Joshi, 2011). Experimentation leads to a better understanding of causation that is not apparent through repetition (Fiol & Lyles, 1985). Experimentation and flexible routines are keys to learning that can lead to better innovation performance (Benner & Tushman, 2003).

An evaluation conducted by Fugate *et al.* (2009), established that implementation of knowledge management among logistics operations of logistic companies led to improved overall organization performance. It helped in improving the effectiveness in tracking customer goods while in transit and communicating the same to customers which improved their satisfaction levels. Kaser *et al.* (2002) indicate that by increasing the level of knowledge sharing within an organization, there is a likelihood of development of new products, better processes that would lead to minimization of operational costs through improved innovation. Rapid knowledge development and dissemination improved the level of efficiency among staff hence it leads to improved overall organization performance.

1.1.6 Strategic Alliances

Strategic alliances refer to an agreement between firms to do business together in ways that go beyond normal company to company dealings but fall short of a merger or full partnership (Wheelen & Hunger 2000).

When partners in an airline alliance specifically agree to use each other's designator codes to distribute their air service in the market, the industry calls these agreements "code3 sharing" alliances (Power, 2003). Such relationships involve at least two airlines where one of the airlines either directly buys a certain number of seats or is allowed to sell, under its own name, seats on the partner's airline, the airline that actually flies the airplane. The fact that an entrant airline must use another airline to service its passengers provides the right conditions for the horizontal nature of these alliances. Given the current financial hardships many airlines have been experiencing, the practice is still common in the industry (Harris & Power, 2003; Power, 2003).

Lazzarini, 2007; Lazzarini & Joaquim, 2004). Linkages between international airline carriers, for instance, imply that travelers will have several substitute routes to reach a particular destination, serviced by groups of firms exploiting complementary legs. On Strategic alliances, the majority of studies reviewed support the view that international alliances and code-share agreements have generally benefited passengers. This reflects their focus on agreements between airlines with largely complementary networks, which benefit interline passengers in terms of both price and quality of service. The theoretical underpinnings for this view are provided by Brueckner (2001), who suggests that international code-sharing may reduce prices in behind and beyond markets while potentially increasing prices in inter-hub markets.

1.1.7 Organizational Resources

According to Masons (2002), firms' resources include all assets, capabilities, organizational processes, firm's attributes, information, knowledge and much more that enables a firm to conceive and implement strategies to improve its efficiency and effectiveness. As mentioned, the resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage, which eventually leads to a more superior organization.

Resources are the foundation for attaining and sustaining competitive advantage and eventually superior firm performance (Felin & Hesterly, 2007). Morgan *et al.* (2004) predicts that certain types of resources a firm owns and controls have the potential and promise to generate competitive advantage which eventually leads to superior firm performance. Physical resources such as the plant, machinery, equipment, production technology and capacity contribute positively towards organizational competitive advantage and eventually result in superior firm performance. In addition, financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g., stocks and shares) also help explain the level of organizational competitive advantage and performance (Morgan *et al.*, 2004; Ainuddin *et al.*, 2007).

Rose *et al.* (2007) examined resources and categorized them as tangible resources namely human, physical, organizational and financial, and intangible resources

namely reputational, regulatory, positional, functional, social and cultural. Human resources and intangible resources are deemed to be the more important and critical ones in attaining and sustaining a competitive advantage position because of their nature, because they are not only valuable but also hard to copy relative to the other types of tangible resources (namely physical and financial).

Ibrahim Al-Kandi; Mehmet Asutay; Robert Dixon (2013) Stated that the competitive advantage of an organization is illustrated by the distinctiveness of its capabilities and how it uses these capabilities to achieve extraordinary profits or returns in comparison to other organizations, and they pointed out that one of the most important capabilities that organizations can adopt is an effective and strategic decision-making process.

1.1.8 Liberalization Policy

Organizations operate in environments that have become very complex, turbulent, and unclear and highly unpredictable (Van Tonder, 2004). In turbulent situations, it is envisaged that only those organizations that are able to respond effectively and quite rapidly will be able to survive (Burnes, 2004). Environmental changes are as a result of rising global competition, innovations in technology, restructuring of economies, changes in labour force, international regulations, shifting patterns of stakeholder and customer expectations and increased dilemma of dealing with environmental impact on organization. Organizations therefore are called forth to exercise change so that they may remain in equilibrium with the changing environment. It has been confirmed that whereas the future may unclear, organizational managers should be highly alert and responsive to the rapid changes or else their future in the society will be at stake (Harper, 2004).

Moran (2010) observes, what currently comprises the existing environment has no acceptable definition. A definition that is workable is one which brings in closely the variables of the environment such as political, economic and social factors which do influence organizations.

The airlines industry has been subject to a number of legislations and regulations. Wensveen (2007) emphasizes on the establishment of IATA in 1965 and deregulation in this process. Deregulation being the most prominent one, was introduced to provide an international market for all the airlines, as that would help in global development, enable the customers to choose from a wide range of options and also increased efficiency as non-performers will not be fit enough to survive on the global level (Dunn, 2009; Iatrou & Oretti, 2007).

The USA was the first country to deregulate their airline market with the 'Airline Deregulation Act' that was signed into law in 1978, followed by the EU that undertook this gradually after 1987 (Doganis, 2005; Schnell, 2003; Williams, 2002). Today, some countries are still undertaking this process, whereas the USA and the EU countries that had deregulated their airline markets earlier, have since reached more advanced levels in terms of deregulation. Although the EU is a common market that encompasses various national states, it has today been formed into a single deregulated domestic airline market (Borenstein & Rose, 2007; Brueckner & Pels, 2007).

Studies conducted in the deregulated airline markets show that the most significant outcome of deregulation is an increase in competition and that airline companies give strategic responses to this change (Brueckner & Pels, 2007; Doganis, 2005). A significant outcome of deregulation in this context is the fact that the cost leadership strategy from Porter's competitive strategies is now visible in air transportation. Deregulation has ensured that all the restrictions on market entries and market exits, pricing, capacity offered, mergers and acquisitions are removed, so that airline companies are liberated as they will make decisions on these issues that will have an impact on their production output; thus the applicability of competitive strategies is ensured (Orhan & Gerede, 2013).

The study on the persistent financial losses of U.S. Airlines: A Preliminary Exploration by Severin (2011), observed that the U.S airline had lost nearly \$ 60 billion in domestic markets since deregulation. In 2008 and 2009, U.S. passenger airlines reported aggregate net losses, before extraordinary income and charges, of

\$14 billion on revenues of \$270 billion. About 76% of the losses were on domestic U.S. operations, which have been deregulated since the fall of 1978. Most international routes remain more heavily regulated and generally more lucrative for those carriers that are permitted to serve them. The very poor financial results in 2008-2009 again sparked discussions of why the airline industry has fared so badly since deregulation. From 1979 through 2009, U.S. airlines lost \$59 billion (in 2009 dollars) on domestic operations (Severin, 2011).

Kenyan government have permitted and continue to permit foreign airlines to land in more than one Kenyan airport and by implication, yet the local airlines have been denied chance to make revenue and contribute substantially to the economy by connecting passengers from Jomo Kenyatta International Airport (JKIA) to other destinations locally and within the region.

Whereas the Kenyan government has allowed 14 competitors including Ethiopian Airlines, Rwand Air and Qatar Airways to land in both JKIA and Moi International Airports Mombasa, their governments have protective policies that bar Kenyan airlines from landing in any other airport apart from their main hubs. This is one of the many reasons why foreign airlines make more revenue within Kenya than Kenyan airlines.

There are other numerous ailments in the country's aviation sector that have facilitated the sector's stagnation. Top on the list are aviation infrastructure and the suffocating tax regime. The two must be acted upon urgently as part of a long-term structural condition, lest the sector dies a natural death.

First, Kenya's aviation sector pays more taxes both in figures and percentages than betting and alcohol companies. Those who impose these taxes fail to realise that these taxes have a huge negative effect on the country's economy.

Kenyan passengers use foreign airlines more, which surprisingly pay less taxes than local airlines and therefore are more affordable. The number of taxes levied on airlines and their customers is over the top and we as policy makers together with the

executive must begin to see the negative impact that these taxes have had on our economy.

As demonstrated, such taxes hamper economic growth and employment through reduced air connectivity which limits business opportunities and active participation of the sector to GDP. Essentially, whilst it is impossible for airlines to be fully exempted from taxes, the government should not tax aviation simply to raise revenue for non-aviation purposes (Kimani, 2020).

According to Okwach (2012) the Government of Kenya liberalized the air transport industry through the restructuring of the Civil Aviation Act and the creation of the Civil Aviation Authority (CAA) which manages the provision of licenses for air services. The liberalization has allowed the Kenya Airports Authority that controls the use of air transport infrastructure to let private airlines to use the infrastructure the main carriers use. This has intensified competition in the air transport business. Providers of air transport have no option, but position their businesses in ways to maintain their competitiveness.

1.1.9 International Perspective of aviation Industry

The worldwide airline industry performed strongly in 2015, achieving record operating margins of 8.8% despite offering consumers lower air fares (on average, 5% lower in 2015 vs 2014), driven by continuously low fuel jet prices. At the same time, much of the industry also benefited from a period of relative capacity discipline. Airlines reacted to demand growth by cautiously adding capacity. Between 2014 and 2015, global market capacity increased by 5.6% compared with 6.5% passenger growth (European Commission, 2017).

US carriers have led global airline profitability in 2015. Following consolidation in the US industry, the three US majors (American Airlines, Delta Air Lines and United) are the top performers in all global rankings: revenue, operating profit, RPK and passengers. Worldwide, the operating profit reported by airlines has been increasing steadily in the past 5 years, with 18 airlines worldwide recording operating profits of more than \$1bn during 2015.

European carriers also had a successful 2015. Despite low economic growth in the region (+1.6% GDP growth in the Euro zone in 2015 compared to 2014), European carriers surpassed 2014's operating profits: \$7.4 billion in 2015 compared to \$1 billion in the previous year. Europe's top three airlines for profitability were Lufthansa, Ryanair and IAG. (European Commission, 2017).

International passenger traffic soared 7.9% compared to 2016. Capacity rose 6.4% and load factor climbed 1.1 percentage points to 80.6%. All regions recorded year-over-year increases in demand, led by the Asia-Pacific and Latin America regions.

Asia-Pacific carriers posted annual demand growth of 9.4%, compared to 2016, driven by robust regional economic expansion and an increase in route options for travelers. This was the first time since 1994 that Asia-Pacific led all the regions in annual growth rate. Capacity rose 7.9%, and load factor climbed 1.1 percentage points to 79.6%.

European carriers' international traffic climbed 8.2% in 2017 compared to the previous year, underpinned by buoyant economic conditions in the region. Capacity rose 6.1% and load factor surged 1.6 percentage points to 84.4%, which was the highest for any region.

Middle East carriers' traffic increased 6.6% last year. The region was the only one to see a slowdown in annual growth compared to 2016, and the region's share of global traffic (9.5%) fell for the first time in 20 years. The market segment to/from North America was hit the hardest owing to factors including the temporary ban on large portable electronic devices in the aircraft cabin as well as the proposed US travel bans affecting some countries in the region. Capacity climbed 6.4% and load factor rose 0.1 percentage point to 74.7%.

North American airlines had their fastest demand growth since 2011, with full year traffic rising 4.8% compared to 2016. Capacity climbed 4.5%, and load factor edged up 0.3 percentage point to 81.7%. The comparatively robust economic backdrop supported outbound passenger demand. This was somewhat offset by a slowdown in inbound travel partly attributable to the new immigration and security restrictions put

in place for travel to the US, as well as the extreme weather events that hit the US later in the year.

Latin American airlines' traffic climbed 9.3% in 2017, the fastest rate since 2011. However, the upward trend weakened towards the end of the year, partly owing to disruption caused by the severe 2017 hurricane season that also hurt travel to the US. Capacity rose 8.0% and load factor increased 1.0 percentage point to 82.1%, second highest among the regions (IATA, 2018).

Africa is a region of huge opportunity - as has been observed for decades - but even bigger challenges. Africa's airlines continue to struggle and collectively remain in the red while airlines in every other region in today's favourable environment are profitable. A shift in external conditions with lower commodity prices, a slowdown in major trading partners, changes in foreign exchange rates and tightening borrowing conditions caused Africa's economic activity to slow from 3.4% in 2014 to 3.0% in 2015.

The recent downturn in commodity pricing has hurt the African economy though GDP decline is projected to slow in 2016, as prices stabilize and supply constraints ease. The region has an immensely improved business and macroeconomic environment, supporting higher investment through improved policies. Population projections for Africa indicate an annual growth of 3.1% over the next 25 years, with urban growth outpacing the growth of the rural population. Structural changes and a new mind-set from African governments are desperately needed. Political interference and government meddling in airlines is a common problem, as well as protectionism and unnecessarily high taxation. (European Commission, 2017).

1.1.10 Local Aviation in Kenya

Africa is the weakest region in financial performance and in terms of traffic the continent represent less than 3% of the global market share (Afraa, 2017).The Kenyan airlines have not produced a return on investment that exceeded their weighted capital costs besides revenues were still well below the \$564 billion achieved in 2008 (IATA, 2013). The owners and shareholders have seen their capital

eroded consistently, and on average through the 2002-2009 business cycles, the industry as a whole destroyed \$19 billion of shareholder capital each year (IATA, 2011). The poor performance has been seen for instance when Jet link airline was unable to fund its operations as a result more than three hundred and fifty employees were compulsory forced on leave (Wafula, 2002), besides it was unable to pay ksh 14 Million to Fine Jet airline and ksh703 Million to Equity bank (Fayo, 2013) hence its closure. The Fly540 airline has been making losses as a result it has been operating with negative margins in excess of 20% while in financial year 2009 the margin increased to 35% that again dropped to 31% in the financial year 2011. According to Lonrho Aviation (Fly540), the financial statement between 2009-2011 reveals losses after tax that amount to 7.5,13.1 and 19.0 (CAPA, 2012) while the Kenya Airways earnings per share reduced to KShs 3.58 from KShs 7.65 reported in the prior year (Kenya Airways, 2012). KQ reported a loss of Kshs. 6.5 billions for the period ending 30th September 2012, and undergoing restructuring to avoid solvency (ROK, 2012).

Although aviation contributes 1.1 % in Kenya GDP which is ksh 24.8 billion, where by the airlines services provides Ksh 13.0 billion, (Oxford Economics, 2011), the airlines sectorial growth rate and its contribution to growth rate has been fluctuating that is the year 2005 at 5.2%, year 2006 at 9.0%, the year 2007 at 7.2%, the year 2008 at 0.1% the year 2009 at 4.0% , the year 2010 at 6.9%, the year 2011 at 5.4%, the year 2012 at 3.3% and the year 2013 at 3.6%, (ROK, 2014).

Kenya Civil Aviation Authority (KCAA)

It was established by the Civil Aviation (Amendment) Act, 2002 with the primary functions of; Regulation and oversight of Aviation Safety and Security; Economic regulation of Air Services and development of Civil Aviation; Provision of Air Navigation Services, and Training of Aviation personnel. The KCAA mandate is to plan, develop, manage, regulate and operate a safe, economically sustainable and efficient civil aviation system in Kenya, in accordance with the provisions of the Civil Aviation Act, 2013. The KCAA has Directorate of Aviation Safety Standards and Regulation (DASSR) that ensures aviation safety, security oversight, and

undertakes economic regulation of the industry. This function is discharged through seven (7) departments namely: Flight Operations, Airworthiness, Personnel Licensing, Aviation Medicine, Aviation Security, Aerodrome, and Meteorology, Air Transport, Aviation Consumer Protection and Kenya Civil Aviation Regulations. (ROK, 2014).

Kenya Airports Authority

Kenya Airports Authority (KAA) provides facilitative infrastructure for aviation services between Kenya and the outside world. The focus is on greater efficiency, superior quality service and increased capacity in all the Kenyan Airports by working closely with other government agencies and department, most notably the Kenya Civil Aviation Authority (KCAA), which is responsible for air navigation regulation. The Kenya Airports Authority provides facilitative infrastructure for aviation services between Kenya and the outside world more so it is responsible for providing and managing a coordinated system of airports in the country (GOK, 2014). The airports include: Jomo Kenyatta (JKIA), Moi, Eldoret, Wilson, Malindi, Kisumu, Wajir, Lokichoggio, Ukunda Airstrip and Manda Airstrip (ROK, 2014).

1.2 Statement of the Problem

According to IATA (2019), Kenya aviation industry accounts for 4.6 per cent of Kenya's GDP, but to ensure the consistent development, there is need to improve on infrastructure, connectivity, safety and technology which is lacking. While Kenya ranks globally in the top 10 per cent of countries for visa openness, it remains in the bottom half for air transport infrastructure. To unlock the full social and economic benefits that aviation brings, Kenya needs to improve its infrastructure, open its skies, remain vigilant and firm on safety, while taking advantage of new technologies to improve efficiency and the passenger experience.

According to Parliamentary Report on the enquiry into proposed Kenya airways privately initiated investment proposal to Kenya Airports Authority, the Kenya Airways Ceo Mr Sebastian Mikosz, accompanied by chairperson Mr. Michael Joseph, noted on their submissions that Kenyan Aviation has lost its market share

over the last couple of years to its competitors especially the Ethiopian Airlines which has grown and had 153 destinations and fleet of 100 aircrafts and 59 on order compared to Kenya airways which has 53 routes and a fleet of 40 aircrafts with none on order. The CEO also further submitted that the Kenyan aviation sector is facing a steady decline characterized by the turbulence experienced by the national carrier, as well as job loss of business at Jomo Kenyatta international Airport to other competing hubs. Notably the key reason for this situation include different mandate of Kenya aviation and competition, liberalization of aviation market in Africa and Kenya, aviation assets not being integrated and opposing interests between the national carrier and the local airport hub. He noted that if no positive changes are made to consolidate the country's aviation assets, whole market growth will be consumed by foreign airlines. Also, a revealed problem according to the CEO is that the Kenyan Aviation sector should be restructured due to the fact that despite East Africa's national airports registering capacity growth as measured by available seat kilometres(ASK) of nearly 41% between 2013 and 2017, JKIA's market share has declined steadily from a high of 50% to 34% (RoK,2019).

Another problem that faced Kenya's aviation industry was the petition to wind up the Jetlink carrier was allowed by Lady Justice Farah Amin. JetLink Ltd was accused of failing to pay FineJet Ltd Sh16.4 million for supply of jet fuel in 2012. Other creditors included were; Mexican CRJ Ltd (Sh2.3 billion), Equity Bank Ltd (Sh818 million), oil marketer Kenol Kobil Ltd (Sh19.6 million), Avmax Spares (E.A)Ltd (Sh58.7 million), the Kenya Civil Aviation Authority (Sh14.5 million), Kenya Aerotech Ltd (Sh1.8 million) and National Bank of Kenya (Sh600 million) In total, the company owes its creditors Sh4.5 billion (Anami,2016), as a result the airline ceased its operation.

The Kenya Civil Aviation Authority (KCAA) suspended Silverstone airline Dash 8 fleet from flying to allow inspection due to safety standard concerns and in compliance with the KCAA directive to suspend operations on Dash 8 fleet, the Silverstone management suspended all its scheduled services, in order to focus on the safety of passengers, crew and aircraft. The report to the Parliamentary Transport

committee also showed that Safe Air Company and Adventure Aloft licenses had been suspended due to safety concerns (Okuoro, 2019).

Theoretical studies on strategy implementation and empirical studies on successful strategy implementation have mostly been carried out in developing world (Okumus, 2001) and in other sectors Aldehayyat and Twaissi (2011). There is inadequate literature addressing the linkage between strategy implementation and the performance of aviation companies in Kenya. The literature that exists has provided general conclusions on management related factors, (Njanja & Pellesier, 2010; Beaver & Prince, 2001; Amrule, 2013) in different sectors not related to airline determinants.

Although most of the research has been done in Kenya aviation that is Mulei (2011) focused on corporate governance, Mwikya (2013) studied on time service delivery at Kenya Airways, Kweyu (2010) looked at corporate culture, Irungu (2012) focused on information technology, Mwangi (2011) did a study on cost priority in airline operations strategy. In his survey of air transport industry in Kenya, he established that cost objective contributes to an organization's competitive advantage as a result none of these studies took an in-depth analysis on the determinants of strategy implementation on firm performance of aviation industry in Kenya in both private and public airline organization hence the purpose of this study to fill the gap by studying all airlines in Kenya whose variables are different from the earlier studies.

In addition, most of the literature that exists has focused on financial performance measures (Kargar & Blumenthal, 1994). However, according to Qi (2010), it is not enough to analyse a firm's performance using financial outputs alone because the environment in which firms operate in is quite dynamic and ever changing. Firm performance can be influenced by other strategy implementation.

Furthermore, previous studies have used different methodological approaches for instance a study by Pertusa-Ortega (2008) used Partial Least Squares (PLS) technique to analyze the internal factors of organizational structure which had an influence on the firm performance, Mouelhi (2008) used firm level panel data to examine the extent to which the use of information and communication technology

has contributed to efficiency growth in Tunisian manufacturing firms while. Kibicho (2015) studied the determinants of strategy implementation in the insurance industry in Kenya the study using factor analysis. This presented methodological research gaps in the studies conducted on the topic.

A study by Gworo (2012) determined the challenges of the implementation of growth strategies at Equity Bank Kenya Ltd. The challenges established included resistance on the part of the staff to accept the new strategy, political and cultural challenges. Gakenia (2008) investigated strategy implementation in Kenya Commercial Bank. The study found that strategy implementation process at KCB follows the basic requirements for a successful strategy implementation. Amollo(2012) studied the challenges of strategy implementation at the Parliamentary Service Commission of Kenya and found that the organization encountered slow procurement procedures due to among others, bureaucracy in administration.

Chege (2012) evaluated the challenges of strategy implementation for firms in the petroleum industry in Kenya and found out that strategy implementation challenges in the petroleum Industry in Kenya has a relationship to global oil industry factors. Kibicho (2015) studied the determinants of strategy implementation in the insurance industry in Kenya the study espoused on how among other factors, management competence, resource strength, corporate culture and innovation influence strategy implementation success among insurance firms in Kenya, the outcome of the study using factor analysis as methodology was that insurance is affected in growth by issues of management, culture and resource strength. The numerous studies on strategy implementation have however not focused on Kenya airline industry; a sector which is so critical and crucial to the business and tourism industry.

Norman *et al.* (2007) also note that there are few studies assessing the effects the level of regulation has on a firm's actions and performance. Högselius and Kaiser (2010) point out that there are studies on deregulation within economics and political science. However, longitudinal studies from the past decade regarding the theme "strategy development and market liberalization are rare. This study therefore sought

to feel this gap by studying the moderating effect on liberalization on aviation industry in strategy implementation in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

To investigate the determinants of strategy implementation on the performance of aviation industry in Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were:

1. To establish the extent to which organization structure determines the performance of aviation industry in Kenya.
2. To establish the extent to which human capital development determines the performance of aviation industry in Kenya
3. To establish the extent to which Innovation determines the performance of aviation industry in Kenya.
4. To establish the extent to which strategic alliance determines the performance of aviation industry in Kenya.
5. To establish the extent to which organizational resources determines the performance of aviation industry in Kenya.
6. To establish the extent to which the moderating effect of liberalization policy determines the performance of aviation industry in Kenya.

1.4 Hypothesis

H₀: There is no significant relationship between organization structure and the performance of aviation industry in Kenya.

H₀: There is no significant relationship between human capital development and performance of aviation industry in Kenya.

H₀: There is no significant relationship between innovation and the performance of aviation industry in Kenya.

H₀: There is no significant relationship between strategic alliance and the performance of aviation industry in Kenya.

H₀: There is no significant between organizational resources and the performance of aviation industry in Kenya.

H₀: There is no significant relationship between the moderating effect of liberalization policy and the performance of aviation industry in Kenya.

1.5 Significance of the Study

The study is of significance to the management of:

a) Kenya Aviation Management

The study provides knowledge on adopted strategies in Kenyan aviation industry and effect of appropriate strategy implementation process on their success and better performance. Managers of firms in the aviation industry could use the study findings as a basis of formulation and implementation in strategy management that can enhance their performance.

b) The Investors

The aviation business investors would also benefit with the knowledge of risk management strategies employed by their agents and how they impact on performance that would form their decision to invest in shares, equities and also to offer loans and concessions based on performance output.

c) The scholars and academicians

The study findings could be used to further studies in this sector so as to further extrapolate the issues contained herein. The findings greatly contribute to the

existing body of knowledge on strategy management which future scholars and academicians could use as a reference in their studies.

d) Government and Policy Makers

The results of the study would also assist the government of Kenya in formulating policies that assist aviation industry to improve their service delivery through better and more efficient processes. This will help create fair competition and improve this sub-sector of aviation industry with a general aim of promoting development of the economy.

1.6 Scope of the Study

The study was carried out in Nairobi region in Kenya aviation industry, this is because of its proximity and accessibility to the researcher and has the head-offices of the aviation airlines. The main objective of the study was to establish determinants of strategy implementation on firm performance of aviation industry in Kenya. The constructs under study were, organization structure, human capital development, innovation, organizational resources, performances, strategic alliances and liberalization policy. The airlines under study were all the 13 registered airlines that formed the population of the study and these were: Kenya Airways, JetLink, Fly540, Bluebird Aviation, Safarilink, DAC Aviation, 748 Airservice, Freedom Express, Astral Aviation, African Express Airways, Air Kenya, African Safari Airways, Mombasa Airways. The study did not incorporate all the airlines in aviation's because some offers chartered flights, while this study focused on the air passengers' airlines. The research covered the time between the years 2007 -2013; this period is highly related to the time of low performance in the aviation industry.

1.7 Limitations of the Study

The research did not solicit information from the Kenya aviation top executive CEOs due to their inaccessibility however this problem was overcome by the researcher sourcing for information from other managers who had insights on the aviation

operational for over many years of time besides the company's websites and past studies on Kenya airlines history were used to solidify the data.

Also the study sourced for data from the Kenya Parliamentary Senatorial enquiry report on Kenya Airlines especially the one from Kenya aviation hence this enquiry was relevant to the research.

Most airlines in Kenya are private in nature unlike the Kenya airways which is a public airlines as such most of them are not obliged by law to publish their financial accounts however this issue was overcome by the researcher sourcing for the information from the Kenya Civil Aviation Authority which facilitated the confirmation of the information.

The researcher overcame the issue of financial constraints, by seeking funds from the employer besides the funds were sourced from family in support for the completion of the research work. Hence it was easier to move from location to location in collection of the data for the research work

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter attempted to integrate strategic implementation practices and organizational performance so as to provide a theoretical and conceptual framework that can be an enabler of competitive advantage. It provides an overview of related literature and further looks at related past studies in this area and the gaps that are therein. The chapter specifically examined the literature on strategic management theories, the conceptual framework, the critique and summary of the existing literature.

2.2 Theoretical Literature Review

Various theories have been advanced to justify the relationship between strategic implementation and organizational performance. The theories which advanced this research and enhanced understanding amongst were: agency theory, human resource-based theory, innovation and knowledge based theories, resource dependency theory, profit-maximizing and competition-based theory and lastly the Haggins Model 8S.

2.2.1 Agency Theory

Agency theory has been invoked in the strategic management literature to explain the structure of corporate governance mechanisms and the efficacy of the takeover mechanism. Agency theory was developed by Jensen and Meckling (1976) and is defined as the relationship between the principals, such as shareholders and agents (social entrepreneurial company executives and managers). Agency theory is a management approach where one individual (the agent) acts on behalf of another (the principal) and is supposed to advance the principal's goals (Jean *et al.*, 2002). The agent therefore advances both the principals' interests and his own interests in the organization. Laffont (2002) criticizes the agency theory saying that it only shows a relationship between owners and managers and it provides deception and misappropriation of funds by the agent. This, he adds constitute a perfect example of

the moral hazard problems that are an endemic feature of principal-agent complexities.

Agency theory therefore explains the behavior of principals and agents relationships in performance contracting in management. The agency theory has got a lot of support from Alchian and Demsetz (2002), as a framework for strategic management as they say that this theory focuses on accountability by correction for opportunistic behavior that can result from exploiting asymmetric information. Moreover the principal-agent theory as agent theory as also called has been applied extensively to a range of contractual relationships between organizations, boards, directors and managers and employees in organizations (Lee & O'Neill, 2003).

Mintzberg, Joseph, and James (2003), contends that strategies emanate from the agency theory as it is the agents who are judged with the responsibility of strategic formulation by other stakeholders who have direct control over the firm. Agency theory gives us strategy formulation hierarchy that is done at four major levels in the chain of command: corporate strategy, strategic business units level, tactical level and finally the operational level where each one in charge of every level of strategy formulation is an agent. Mintzberg (1994) contends that strategic planning is essentially by agents as planners and therefore as strategists they should make their greatest contribution around the strategy formulation process rather than being inside it. Mintzberg also says that using the managers as agents to strategic planning and more particularly to strategy formulation should have a committing style to engage employees of a firm in a journey that will help shape that cause of the organizations.

James and Raposo (2001), observes that the agent (CEO) should play a key role in defining the parameters of the organization problem. They argue that CEOs will have an incentive to propose difficult and ambitions strategies. Heinrich and Carolyn (2000) stresses that for these objectives to be achieved there has to be collaborative efforts between the managers as agents and subordinates. Strategic management programs require top managers to provide clear and visible support to the program without that support of the manager as the agent the synthesis between the individual and the organization goals does not develop. Krueger (2004) observes that strategy

formulation relies upon a team approach that flows from the corporate level to the functional level of the firm. The process relies on input from all levels of management (top to bottom and bottom up).

This theory will be beneficial to the explanation of the aviation performance and their mark of profitability ratio in relation to the agent –principle relation. Through it, it will provide an in-depth understanding of the organization structure and how information is made that determines the organizational performance.

2.2.2 The Human Resource-Universalism Theory

The Universalism theory was proposed by Pfeffer (1998) and it refers to the set of best practices by human resource that work in all organizational contexts and that all firms should use these practices. This view of SHRM argues "that all organizations will benefit and see improvements in organizational performance if they identify, gain commitment to and implement a set of best HRM practices". In this approach, the 'high commitment' concept links with human capital, as it must have a high level of commitment, enforced by the 'ideal set of practices' (Guest, 1997). This means that the best set of HR practices must improve the productivity and effectiveness of human capital, place emphasis on any motivation made toward human capital, and an aim to reach the firm's goals. Rewarding practices have to be properly set and implemented, targeting the idea of high commitment and satisfaction of employees. "A key element of best-practice is horizontal integration and congruence between policies". This concept of a 'universal best practices set' is disputable as it is a non-specific and non-accurate definition of HR policies that have to be applied. Indeed, the best practice models are constituted by different policies that vary significantly from one model to another. Performances of this approach in organizations are, because of the difficulty of generalization and conceptualization, very hard to measure as they are determined by several different factors. Even in the case of Pfeffer (1994, 1998) who advocated for a universal best practices set, it is hard to see if the performances are due to the implementation of this view of SHRM or not.

Human resource management understands that human capital can be considered the main source of competitive advantage. By considering a human as a human, giving

him satisfaction, education, motivation, training and reward, human resource strategies intend to optimize human capital and take care of the relationship between the management of the firm and this type of capital, as this relationship can be ambiguous. To add further on this ambiguous relationship, we can emphasize that the organizational strategies are implemented by human capital in a big way, creating a powerful role in the implementation process of management strategies (Wright & McMahan, 1992).

Human resource practices (HR practices) are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and thus achieve organizational goals (Collins & Clark, 2003). The human Resource theory emphasizes the importance of the human element in the strategy development of organizations. The theory highlights the motivation, the politics and cultures of organizations and the individuals' desires.

Organizations comprises of people, groups of individuals who may either influence or may be influenced by the strategies within an organization, they may make contribution or they may even resist the organization strategy but certainly they are affected by the same organizational strategies (Cyert & March, 1963). Human resources theory reveal that people respond to leadership, enthusiasm and share in the decision making process. People are important in an organization because they form part of the integral strategies in the formation of new strategies

Human resource approach lay much emphasizes on the need to manage organizational people by understanding their psychological needs and contrasts at work environment thereby enforcing and delivering improved strategies to motivate, reward, compensate, manage, engage, train and retain organizational people to drive strategic and competitive advantage (Armstrong, 2006; Atkinson, 1984; Pfeffer, 1994; Sett, 2004).

Strategic human resource management (SHRM) could be described as the effective application of the organization's human resources to accomplish the organization's overall strategies (Monks & McMackin, 2001).The human resource-based view therefore suggests that for a successful implementation of strategic management, the

quality, skills, expertise and knowledge of its human capital which is valuable, difficult to copy, and extraordinary should be the fundamental driver of its high performance and competitive advantage position.

Furthermore, (Ma, 2004) position that creativity and innovation, competitiveness, co-operation, and co-option are a determinant of competitive advantage is a human resource-based view, because creativity, innovation and co-operation are championed by organizational people. This theory will help to integrate the performance of human resources to the aviation performance and relate on how human as a resource contribute on aviation performances.

2.2.3 Innovation and Knowledge Based View Theory

This theory was advanced by Grant (1996) and viewed knowledge as an organizational resource that possess generic features. it focuses on improving the overall organization performance through identification of new ways of meeting customer expectations in an informed manner (Fricke & Faust, 2006).According to Uhlaner *et al.* (2007) organization performance could be immensely improved if organizations tapped into knowledge possessed by their different external stakeholders including: contracted suppliers, other companies in similar industry, and the target of customers' specific products and services produced by an organization. Acquisition of this knowledge improves the innovative capabilities of an organization hence improve overall customer satisfaction and organization performance. The depth of the knowledge shared among members plays a key role in determining organizational performance (Henderson & Cockburn, 2011).

Knowledge expansiveness encourages the integration of knowledge in different areas of specialization, particularly in complex settings technically (Henderson & Cockburn, 2011). In particular, knowledge breadth in different specialization or departments within an organization accumulated by employees over time can help filter the scope of learning and application for operational efficiency (Zhou & Li, 2011).

This theory focuses on the process of generating new ideas and the sharing of these ideas through knowledge. Innovation does not just mean inventing new products or production process, it means the development and exploitation of any resources of the organization in a new and radical way (Markides, 2000). In the process of innovation, one important aspect is that of sharing knowledge and ideas. This has been made easier in the over ten years as a result of the internet and telecommunication technology. Innovation moves product, markets and production process beyond their current boundaries and capabilities (Lynch, 2006).

It provides organization with the ammunition to move ahead of the competition. Thus innovation can deliver three priceless assets to corporate organizational strategy, which is substantial future growth, competitive advantage and ability to leapfrog major competition, even dominant competitors. Rogers (2003), the innovation-decision process involves five steps: (1) knowledge, (2) persuasion, (3) decision, (4) implementation, and (5) confirmation. Attributes of innovations includes five characteristics of innovations: (1) relative advantage, (2) compatibility, (3) complexity, (4) trialability, and (5) observability.

Knowledge theory appear to cluster around the development and application of several knowledge-based capabilities: knowledge protection (Hallwood, 1997), replication (Osterloh & Frey, 2000), integration (Grant, 1996; Grant & Baden-Fuller, 2000), absorption (Cohen & Levinthal, 1990), and creation (Nonaka, 1994; Nonaka *et al.*, 1999). Since knowledge is not itself measurable, we only infer it through an organization's actions. Different actions can be ascribed to different capabilities. Thus a specific constellation of actions represents a specific set of capabilities inside the firm and implies the existence of specific knowledge that is required to exercise these capabilities. Hierarchies also facilitate knowledge absorption is facilitated through sequencing and compliance with directives (Grant & Baden-Fuller, 2000), while Cohen and Levinthal (1990) have proposed that the absorption of knowledge leads to improved performance.

Firms establish formal mechanisms of knowledge protection such as patents, copyrights and trademarks, as well as informal mechanisms such as accumulating

tacit knowledge (Kogut & Zander, 1992) or encoding private information in ways that raise measurement costs (Hallwood, 1997). Protective capabilities, such as privately held knowledge (Conner & Prahalad, 1996), give a firm competitive advantage, which subsequently influences the firm's performance.

Firms with greater innovativeness will be more successful in responding to changing environments and in developing new capabilities that allow them to achieve better performance (Montes *et al.*, 2004). Innovation initiatives tend to depend heavily on employees' knowledge, expertise, and commitment as key inputs in the value creation process (Youndt *et al.*, 1996). According to this view, prior studies recognize the knowledge and competencies of human resource as valuable assets for firms because of their characteristics of firm-specific, socially complex, and path-dependent (Collins & Clark, 2003; Wright *et al.*, 2001).

2.2.4 The Resource-Based Theory

The work of Penrose (1959) provides the foundation upon which the modern understanding of the RBV exists. Penrose identified that each firm constitutes a pool of interchangeable resources, hence firm heterogeneity, and that while possession of unique resources were fundamental in attaining firm performance, which also gave rise to imperfect competition and supernormal profits, mere resource possession was insufficient. Instead, Penrose found a link between resource application, revenue creation, and firm performance.

Wernerfeldt (1984) was another early researcher to find a link between the resources of firms and competitive advantage, and he coined the phrase the 'resource-based view'. Building upon Penrose (1959), Wernerfeldt (1984) considered firms as resources and not product markets and developed ways of examining the relationship between firm resources and profitability. Crucially, resources and capabilities should also prevent losses, yet the recurring financial ill-performance of airlines and their very low ROIC questions the resources and capabilities of airlines (IATA, 2005).

Greater profitability may be achieved either through maximising resource productivity or from deploying resources in a more profitable manner. Yet resources

are not in themselves valuable or productive but rather simply enable a firm to perform particular activities within specific markets. Indeed, the RBV shows that competitive advantage does not materialize from the final product or offered service but from the resources that produced them (Hall, 1992).

Capabilities are often called distinctive competencies and are considered invisible assets (Itami & Roehl, 1987) or intermediate goods (Amit & Schoemaker, 1993) and they play a fundamental role in firms. This is because they comprise the skills of individuals and teams, cultural strengths, and organisational routines and interactions through which all tangible and intangible resources are coordinated, allocated, and deployed to achieve a desired outcome (Grant, 1991; Amit & Schoemaker, 1993). Hence, capabilities are the capacity of a pool of coordinated resources to perform specified activities, with research finding that firms that more effectively develop and exploit capabilities perform more effectively than those that do not (Conant *et al.*, 1990; Hambrick & Cannella, 1993; McDaniel & Kolari, 1987). This may be strengthened further from the gradual accumulation of specialized capabilities (Barney, 1991), thereby reinforcing intangible barriers to the duplication of capabilities.

The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (Hoffer & Schendel, 1978; Wenerfelt, 1984). The concept of resources includes all assets, capabilities, organizational processes, firm attributes, information, knowledge, that is controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Daft, 1983).

Resource based view is used to aid understanding how well organizations ought to mobilize resources to enhance the capabilities that enable an organization to achieve success in their operations (Kogo & Kimencu, 2018). The theory explains that organization resources are a source of organization capabilities, where organization capability is the capacity of employees to perform some tasks or activities (Mweru & Muya, 2015).

Resource based theory of strategy, underscores that the people factor in strategy development highlight the motivation, the politics and cultures of the organization and the desires of individuals. It particularly focuses on difficulties that can arise as new strategies are introduced that confront people with a need for change (Lynch, 2009).

The resource based model assumes that every organization is a collection of unique resources and capabilities. The uniqueness of its capabilities is the base for a firm's strategy and its ability to earn high returns. Not all firm's resources and capabilities have the potential to be the basis for competitive advantage. This potential is realized when resources and capabilities are valuable and rare, costly to imitate, and non-substitutable (Ireland & Hitt, 2011).

Pearce and Robinson (2011) have showed therefore that resource based view theory is a way of analyzing and identifying an organization's strategic advantages based on examining its distinct combination of assets, skills, organization abilities, and the intangible assets of the organization.

The RBV emphasizes on internal resources and capabilities of an organization in articulating a strategy to get sustainable competitive advantages in the marketplace. Internal resources and capabilities result in strategic choices made by organizations while competing in its external business environment. Organization's abilities also allow value addition in customer value chain, develop new products or expand in a new marketplace. The RBV draws upon the resource and capability within the organizations for it to develop sustainable competitive advantages (Midhani, 2009).

This theory predicts that specific types of resources owned and controlled by firms have the impetus to generate competitive advantage and superior firm performance (Ainuddin *et al.*, 2007). Whether the resource is valuable or not should be measured by its profitability, and thus it ought to take the form of an economic asset regardless of how tangible or intangible it is. The value of any resource should be measured by the discounted value of the expected future income stream that can be attributed to it.

While resources are the source of a firm's capabilities, capabilities are the main source of its competitive advantage (Grant, 1991) which stems from the principle that the source of firms competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995).

The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin *et al.*, 2007). This theory concentrates on the chief resources of the organization as the principal source of success and of competitive advantage. However, this does not mean that all resources of an organization will provide competitive advantage, but some resources must be able to distinctive advantage in the market place. This theory was first brought in light by the US and Japanese strategists in the 1960s and 1970s whose focus was on operations-manufacturing- and on total quality management.

The Resource based strategy according to Wernerfelt (1984), Peteraf (1993), Dierickx and Cool (1989), have placed emphasis on the organization resources, its physical resources such as the plant and machinery, its people resources, such as its leadership and skills and above all the way that such resources interact because competitive advantage is brought about by the way these resources and attributes are combined in years that may be difficult for other organization to copy. The Resource based theory draws a distinction between the general available resources within an organization such as the accounting skills and basic technology and those that are special, unique and rare. This theory has argued that only those resources that are rare and unique have the capacity to bring competitive advantage

2.2.5 The profit-Maximizing and Competition-Based Theory

This theory was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market-place (Lynch, 2006). The industrial-

organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

The Classical Profit maximization theory or as some might also call it as The Neo-Classical economic theory of the firm could be traced back as early as Adam Smith's writing in *The Wealth of Nations* (Lynch, 2000). It was not until 1950s and 1960s that this theory received considerable attention from strategic management field through writers such as Igor Ansoff, Alfred Chandler and Alfred Sloan (Lynch, 2000). Ansoff (1989) in particular stated that a firm seeks its objectives through the medium of profit, through conversion of its resources into goods and/or services and then by selling them to customers to obtain a return on sales leading to profit.

In this respect, survival of the firm depends on profit; unless profits are generated and used for generation of future profit and replacement of resources, the firm will eventually wind up. Friedman (1970) mentioned that in a free-enterprise or a private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers which is to conduct business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.

This statement by Friedman (1970) also marked the shifting of the theory perspective, in which profit maximization could only be the ultimate goal so long as the law and ethical custom allows it to do so. In United States for example, the Court of Law has adopted a view that corporate directors and officers have a fiduciary duty to maximize the long-run interest of the corporate stockholders (Hanks, 1996). And in some cases, such as in a change-of-control situation, the Court of Law permit corporate directors to also consider the other stakeholders of the firm (such as suppliers, customers, etc) beside stockholders in making decisions (Oswald, 1998). The basic premise of this theory in the field of strategic management is: "The

strategies will be driven primarily (but not exclusively) by the objective of maximizing the organization's profitability in the long run with the ultimate purpose of developing sustainable competitive advantage over the competitor" (Lynch, 2000).

The objective of turning around company is to change the company situation from bad to good or better. And the first option and perhaps the only option at that time, was to enhance the company's profitability. This means that profit-maximization is the main or perhaps the only objective available for the turning around companies in order to survive. Hence this theory will be of importance in relation to understanding the performance of the aviation in Kenya and how strategies are effected that affect organizational performances. Highly profitable firms can easily pay off their debt leading to a reduction in financial leverage (Fumey & Doku, 2013). This theory greatly explain how aviation can improve their financial leverage and performance more so it will help to answer the research variable of liberalization.

2.2.6 Haggins Model

In Higgins (2005) opinion much of strategy execution revolves around aligning key organizational functions/factors with the chosen strategy. Executives must align the cross functional organizational factors; structure, system and processes, leadership style, staff, resources and shared values with the new strategy so that the strategy opted can succeed (Higgins, 2005). All these factors tinted above in the Eight S model are vital for successful strategy execution.

Higgins (2005) says that the key here is that all the factors falling in the Contextual Seven S's must be aligned to achieve best possible strategic performance. Importantly organization's arrows should be pointing in the same direction that is they should be aligned with one another. The other six contextual S's should point in the similar direction as of the strategy (Higgins, 2005).

Strategy and Purpose: According to Higgins, strategies are formulated to achieve an organization's purpose. Change in strategic purpose leads to change in strategy. Strategic purpose includes strategic intent, vision, focus, mission, goals and strategic objectives. There are four types of strategies famed by Higgins; corporate-, business-

, functional- and process strategies. Corporate strategy defines the business of the company is or will be involved in and how business will be conducted in a fundamental way. Business strategy depicts as how a firm in a particular business can gain competitive advantage over its competitors. Functional strategy should be aligned with business strategy, hence functional strategies in areas such as marketing, human resources, Research and Development, finance and more should be allied with business strategy. Process strategies are cross functional in nature and aims at integrating an organization's processes in order to improve their effectiveness and efficiency.

Structure: Higgins avows that organizational structure consists of five parts; jobs, the authority to do those jobs, the grouping of jobs in a logical fashion, the managers span of control and mechanism of coordination. Hence when executing a business strategy, decisions are to be made regarding how an organization is structured. This incriminates decisions in terms of jobs to be completed, authority to do the jobs, grouping of jobs into departments and divisions, the span of manager's control and the mechanisms of control of such a structure.

Systems and Processes: Higgins has described systems and processes by stating that systems and process as enable an organization to execute daily activities. Hence, this element is about the formal and informal procedures used in an organization to manage information systems, planning systems, budgeting and resource allocation systems, quality control systems and reward systems.

Style: Style refers to leadership/ management mode exhibited by the leaders/managers when relating to subordinates and other employees. Abridging it further, Management style is about the manner in which management treats their colleagues and other employees and what and how they focus their attention on.

Staff: After defining company's strategic purpose, management must settle, as how many employees are needed and what are the required backgrounds and skills essential to achieve the strategic purpose. This factor also covers aspects such as staff training, career management and promotion of employees.

Re-Sources: Higgins affirms that management must ensure that an organization has access to sufficient resources toward successfully strategy execution. Resources include people, money and technology and other management systems. The firm's activities endeavor to maximize profits through the development and deployment of its key resources.

The theory's contribution to the progress of competitive advantage theory cannot be more gainsaid. Some of the resources are human, physical, financial, information and technological. These could either be considered as scarce, valuable or indispensable (Crook, Ketchen, Combs & Todd, 2008).

Resources which give firms' a sustainable competitive advantage over their rivals should exhibit qualities of being non-substitutable, non-imitable, strategic, appropriate and scarce (Ling & Jaw, 2011).

Shared Values: Shared values on the whole relates to organizational culture. Therefore, shared values are the values shared by the members of the organization making it different and diverse from the other organizations.

Strategic performance: Higgins states that strategic performance is a derivative of the other seven 'S's. Strategic performance is possessed by an organization as a total, or for profit-based parts of the whole. Performance can be measured at any level. Financial performance measurements are critical barometers of strategic performance. However, an expanded balanced scorecard approach is best.

2.3 Conceptual Framework

According to (Smith, 2004), he defined conceptual framework as a structure from a set of broad ideas and theories that help researcher to identify a problem, frame their questions and find suitable answer .It is a group of concepts that are broadly defined and systematically organized to provide focus, rationale and acts as a tool for the integration and interpretation of information (Cooper & Schindler, 2006). It is the process of forming coherent theoretical definitions as one struggles to "make sense" or organize the data and preliminary ideas about it, thus it involves developing of

new concepts, formulation of definitions for major constructs, and showing relationships among them (Neuman, 2006). Variables has been defined as anything that can take the differing or varying values, which can differ at various times for the same person, objects, or differ in time for different objects or persons (Sekaran & Bougie, 2009). Variables have been classified into different groups depending with their location in a causal relationship, that is: independent variable or the cause variable, it is used to identify forces or conditions that act on something else, or have an impact on the on other variables (Neuman, 2006).

According to Sekaran and Bougie (2009), described independent variable as one that has an influence to the dependent variable in either a positive or a negative way, and it can lead to an increase or decrease in the dependent variable. The dependent variable is of primary interest to the researcher, because it lends itself for investigation as a viable and main factor and through its analysis it provides answers or solutions to the problem at hand (Sekaran & Bougie, 2009). The moderating or interaction variable has a strong effect on the independent-dependent variable and it has a role to modify the original relationship between the independent and the dependent variable and lastly there is the mediating or intervening variable that acts as a dependent variable with respect to the independent variable and also it acts as an independent variable towards the dependent variable (Cooper & Schindler, 2008; Neuman, 2006; Sekaran & Bougie, 2009).

The conceptual framework attempts to bring into focus the following variables; the independent variables namely; organizational structure, human capital development, innovation-knowledge, strategic alliances and organizational resources, while liberalization policy was the moderating variable. The dependent variable was the performance of aviation firms in Kenya.

Kandie and Koech (2015) highlighted the factors affecting strategy implementation as stakeholder involvement in strategy development, quality of strategy, organization structure, organization culture, organization learning, strategic leadership, alignment of strategy to market conditions, operational planning, monitoring and review of progress, teamwork, resources allocation, people-strategy fit, effective

communication, strategic and management control systems and information resources. Poor communication impedes a business's ability to implement and refine its strategy.

The relationship between trade and industrial growth has been vastly studied internationally in development economics. For example, Worku (2008) studied the relationship in the context of Ethiopia; Dutta and Ahmed (2006) studied in the context of Pakistan, and Kingu (2014) studied in the context of Korea, hence this study adopted the Liberalization as a variable in moderation in this conceptual framework.

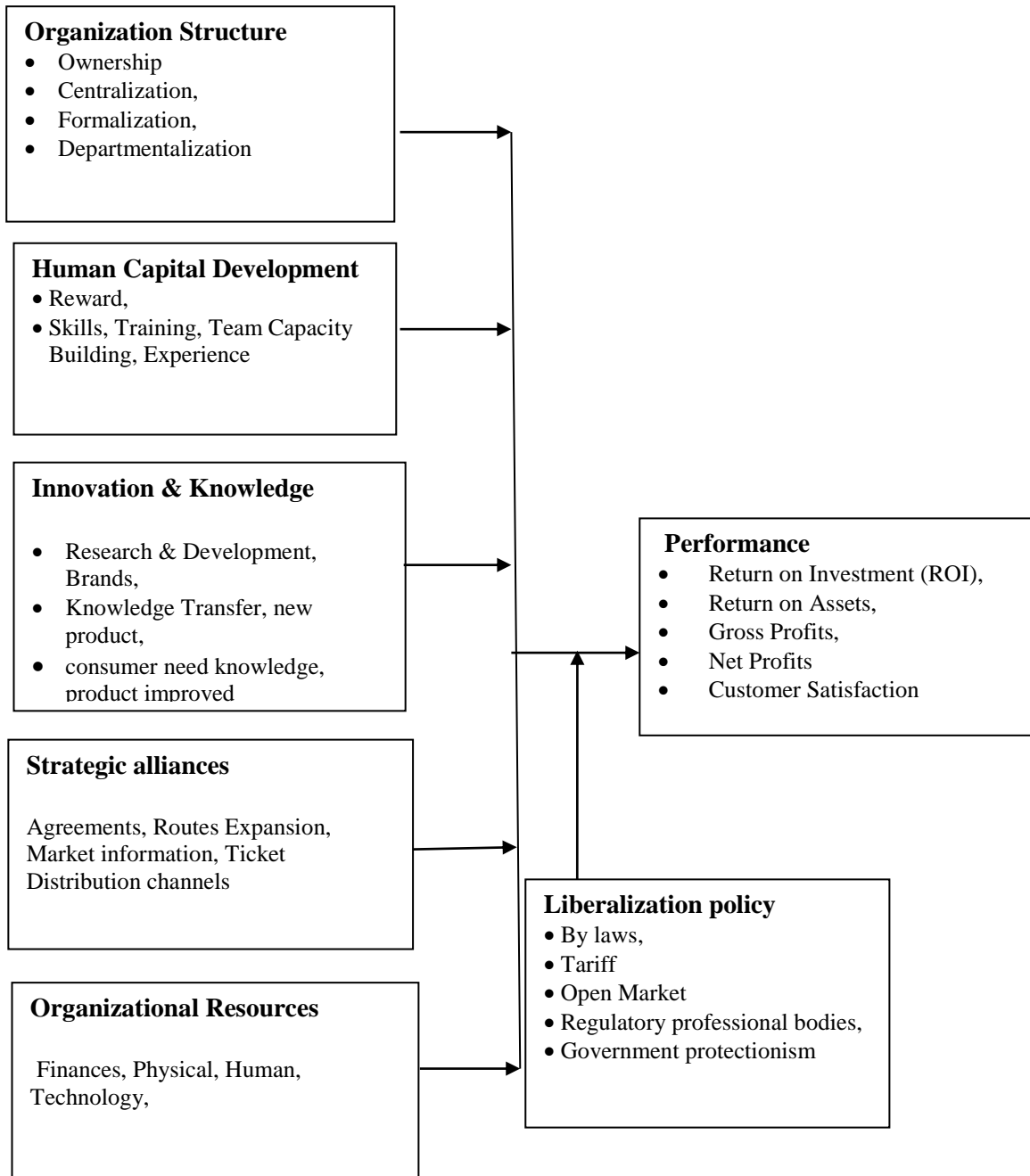
A study (Upadhyay & Upadhyay, 2013) on strategy implementation using balanced score card noted that strategy implementation is an important concern of any organization, whereas many tools and methodologies are being practiced and several innovations are coming up to address the strategy implementation challenge. Another study (Bigler & Williams, 2013) posits that there are four elements of strategy implementation, including speed, internal alignment, innovation, and executive behavior.

The study (Kiboi, Perks, & Smith, 2018) on factors influencing strategy implementation in state corporations in Kenya found that key drivers of strategy implementation include environments:- political, economic, social, technological, environmental, and legal and trends impact and ultimately drive strategy implementation.

Innovative capability refers to a firm's ability to develop new products and (or) markets, through aligning strategic innovative orientation with innovative behaviours and processes (Wang & Ahmed, 2014). This is quite close to the firm's entrepreneurial orientation construct. This encompasses several dimensions, such as developing new products and services, development of new production methods, Identification of new markets, seeking unusual and novel solutions.

As initial studies showed positive links between a firm's stock of human capital resources and firm-level financial performance (Kor & Leblebici, 2005; Skaggs &

Youndt, 2004), scholars within the field of strategic management started to increasingly focus their research efforts on human capital as a unique strategic resource.



Independent Variables

moderating variable

Dependent Variable

Figure 2.1: Conceptual Framework

2.3.1 Organization Structure

Mintzberg (1987) says structure is a fundamental, tangible or intangible notion referring to the recognition, observation, nature, and permanence of patterns and relationships of entities. Structure, whether formally or informally defined, has two aspects. It includes, first, the lines of authority and communication between different administrative offices and officers and second, the information and data that flows through the lines of communication and authority. (Chandler, 1962). The structural design describes roles, responsibilities and lines of reporting in organizations and can deeply influence the sources of organization's advantage. Thus, failure to adjust structures appropriately can totally undermine implementation. Structure is all the people, positions, procedures, processes, culture, technology and related elements that comprise the organization. It defines how all the pieces, parts and processes work together (or do not in some cases). Thus, as affirmed by (Kandie & Koech, 2015) participation of key stakeholders in strategy development ensures that there is ownership of a strategy and a buy-in into the strategy. Rajasekar (2014) asserted that there is a positive correlation between organizational culture and organizational reward structure and the culture's influence varies between the most effective which is clan culture and the least effective which is hierarchy culture. Mbaka and Mugambi (2014,) postulated that the relationship among different units affects the outcome of strategy implementation.

Grunig and Hung (2002) identified five dimensions of organizational structure: centralization, stratification, formalization, complexity, and participation in decision-making. A great deal of organizational theory literature suggests that the nature of organizational structure can be distinguished as mechanistic (inorganic) versus organic. The benefits of the organic form include rapid awareness of and response to competitive and market changes, more effective information sharing, and a reduction in the lag between decision and action (Olson, & Slater, 2002).

Daft (2003) stated, significant changes are occurring in organizations in response to changes in the society at large. He said that the *mechanistic* paradigm is effective when environments have a high degree of certainty, technologies tend to be routine,

organizations are large-scale, and employees are treated as another resource. Internal structures tend to be vertical, functional, and bureaucratic. The organization uses rational analysis and is guided by parochial values reflected in the vertical hierarchy and superior-subordinate power distinctions. The organic paradigm recognizes the unstable, even chaotic nature of the external environment. Technologies are typically non-routine, and size is less important. Organizations are based more on teamwork, face-to-face interactions, learning, and innovation. Qualities traditionally considered egalitarian such as equality, empowerment, horizontal relationships, and consensus building become more important (Daft, 2003).

Organizational structure is partly affected by the organizations external environment (Nahm, Vonderembse, & Koufteros, 2003). Research suggests that firms organized to deal with reliable and stable markets may not be as effective in a complex, rapidly changing environments (Gordon & Narayanan, 1984; Spekman & Stern, 1979). The more certain the environment, the more likely the firm's organizational structure may have a centralized hierarchy, with formalized rules and procedures (Lawrence & Lorsch, 1967, as cited in Nahm *et al.*, 2003). Organizations that operate with a high degree of environmental uncertainty may decentralize decision-making (Ruekert, Walker Jr., & Roering, 1985), rely less on formal rules and policies (Jaworski, 1988), and flatten their hierarchies (Walton, 1985). Organizations with mechanical structures are centralized, formalized, and stratified and less complex and do not allow employees to participate in decision making. Organizations with organic structures are less centralized, less formalized, less stratified, and more complex and facilitate participation in decision making.

Formalization

Formalization is the degree to which decisions and working relationships are governed by formal rules and procedures. Rules and procedures provide a means for defining appropriate behaviors. Routine aspects of a problem can be dealt with easily through the application of rules, and rules enable individuals to organize their activities to benefit themselves and the organization. They are a form of organizational memory and enable businesses to fully exploit previous discoveries

and innovations. Formal rules and procedures can also lead to increased efficiency and lower administrative costs.

Organizational structure can be categorized into centralization, flatness, management specialization and employees' specialization (Teixeira, Koufteros & Peng, 2012). It could also be dimensionalized into Centralization, formalization and specialization (Basol & Dogerlioglu, 2014; Olson, Slater & Hult, 2005). Ibrahim, *et al*, (2012) categorized organizational structure into formality structure and specialty structure. Others Such as Johari, Yahya and Omar (2011) dimensionalized structure into “decision-making; hierarchy of authority; Job codification and rule observation”

Centralization

Centralization is the organizational structure which allows decisions to be taken at the top managerial level and instructions passed down the hierarchy while feedbacks are given from lower cadre of the hierarchy to the top (Daft, 1995; Doll & Vonderembse, 1991). Lines of communication and responsibility are relatively clear in centralized organizations, and the route to top management for approval can be traveled quickly. While fewer innovative ideas might be put forth in centralized organizations, implementation tends to be straight forward once a decision is made. This benefit, however, is primarily realized in stable, non-complex environments (Slater, & Olson, 2000).

Specialization

Specialization structure, also referred to as functional structure, is the demarcation of an organization according to functions performed by the employees (Teixeira, Koufteros & Peng, 2012), also it is viewed as the degree to which tasks and activities are divided in the organization. Highly specialized organizations have a higher proportion of specialists who direct their efforts to a well-defined set of activities. These specialists might focus their attention on cooperative advertising, pricing, distributor relations, or on specific market segments. Specialists are experts in their respective areas and typically are given substantial autonomy, which enables the organization to respond rapidly to changes in its environment.

Organizations that have a high proportion of generalists are typically low in knowledge about specific market segments or in specific expertise such as e-marketing (Slater, & Olson, 2001).

2.3.2 Human Capital Development

Human capital is viewed as an individual and/or unit-level resource that relates to the ability of the firm to generate economic value (Ployhart *et al.*, 2014). It is apparent from this definition that there is a strong emphasis in this perspective on the economic utility of the underlying individual knowledge, skills, abilities, and other characteristics such as personality traits and interests (KSAOs) that underpin the human capital resources of a firm

The interest in specificity stems from the idea that as human capital becomes more customized and specific to a particular firm, the quality and/or efficiency of outputs produced by individuals and collectives can improve (Hatch & Dyer, 2004). Human capital specificity is therefore suggested to help firms enhance economic value creation. The interest in specificity also derives from the idea that the limited applicability of specific human capital can limit the mobility options of employees and thus serve as an isolating mechanism to protect economic value creation from competitor imitation.

First, and foremost, doubts have been raised as to whether firms and employees attend to and realize the potential competitive relevance of firm-specific human capital (Coff & Raffiee, 2015; Raffiee & Coff, 2016). Second, it has been suggested that firm-specificity may actually increase rather than decrease mobility of employees. Researchers suggest that individual endowments of firm-specific human capital can signal a number of desirable attributes (e.g. high-levels of cognitive ability, willingness to develop firm-specific knowledge and skills) to future employers that may diminish the wage differentials typically assumed to arise from specificity (Campbell, Saxton, & Banerjee, 2014; Morris *et al.*, 2016). Lastly, there has been a shift from thinking of firm-specificity as primarily residing within the realm of task-related KSAOs, toward a more relational-oriented aspect of the notion of specificity (Mahoney & Kor, 2015) stemming from interactions and

interdependencies with coworkers (Ployhart & Moliterno, 2011; Ployhart *et al.*, 2014).

A strong employer brand aligned with employee values and concerns is becoming recognized as one of the best ways of retaining talent with employees proud to work for a business that is highly regarded. Further, staff attrition is disruptive, putting pressure on the remaining employees and absorbing management time. Staff turnover can result in increased operating costs, loss of business to competitors and reduced customer service standards (Thornton, 2008).

Workforce planning consists of analyzing present workforce competencies; identification of competencies needed in the future; comparison of the present workforce to future needs to identify competency gaps and surpluses; the preparation of plans for building the workforce needed in the future; and an evaluation process to assure that the workforce competency model remains valid and that objectives are being met (Strandberg, 2009).

labour is under the influence of direct management control and that globalization has altered management attitudes towards employees, and Human Resource Management's single handed approach has made workers more superfluous and interchangeable than ever before (Saho & Yahya, 2013). Labor costs include total salaries, all social benefits and other costs, paid out to employees either directly or indirectly. This category gives an indication of cost of the labor inputs in an aviation's total cost structure.

Performance indicators in learning and growth perspective are becoming increasingly important for businesses that wish to stay abreast of technological developments in a rapidly developing economic climate and to achieve long-term goals (Kaplan & Norton, 2000). In order to improve performance in this perspective, airline businesses especially focus on performance indicators regarding their human resources, environment, airline cooperation and sub-contractors (Goh & Uncles, 2002).

When one airline company begins to offer an innovative service, this is quickly copied and applied by other companies. Therefore, to be able to differentiate themselves from their competitors, airline companies try other methods. One of the most effective ways of achieving this differentiation for airline businesses is 'personnel differentiation'. Better trained and better qualified personnel can better meet the demands of customers and can offer better quality service (Heracleous & Wirtz, 2009).

Training should also be provided to all members at the very beginning of the registration process to understand and interpret fully the requirements (Machuki, 2005) Training for all levels is a critical ingredient in strategy implementation. It is essential that everyone comprehend the meaning and the requirements of strategy implementation, as it demands the full participation of all employees in formulating and implementing an effective quality system. Letting everyone know why you are introducing the strategy reduces the resistance to change and gains support for continued compliance (Okumu, 2003).

2.3.3 Innovation

Innovation in management has been viewed as new structure to manage the technological innovation process; intended to improve technological and product innovations (Hargadon, 2003). Management innovation is intended to further the organization's goals, which may include both traditional aspects of performance (e.g., financial goals) and softer aspects (eg. employee satisfaction) as stated by (Birkinshaw, Hamel & Mol, 2008).

Innovation is part of the strategy implementation that enhances firm performance through enhancing esteem expansion and hazard decrease (Drucker, 2001). Advancement techniques are key in enhanced execution among numerous organizations and are reflected by expanded productivity and piece of the overall industry development (Palmer & Kaplan, 2007). Alpkan and Ergun (2005) also recognize innovation strategies as critical enablers for firm's performance through creating value and sustaining the firm's upper hand in the undeniably unpredictable and quickly evolving environment.

If the firm decides to innovate then it faces several choices on what type or what combination of types of innovation strategies to adopt OECD (2005) distinguishes between four basic types of innovation, that is, product innovation, process innovation, marketing (market) innovation, and organizational innovation, which represents four pure innovation strategies.

Process innovation is characterized as the usage of another or altogether enhanced creation or conveyance strategy and incorporates critical changes in methods, gear or programming. Handle advancement can be intended to reduction unit expenses of creation or conveyance, to increment/enhance item and conveyance quality (Tavassoli & Karlsson, 2015).

Marketing innovation is done mostly to better meet the customer's needs. Marketing innovation opens up new markets, or gives the firm's products a new position in the market with the intention to increase sales income. They are strongly related to pricing strategies, product offers, design properties, product placements and/or promotion activities (Tavassoli & Karlsson, 2015).

The success of most firms majorly depends on efficient operational processes which result from more investments in technologies that enhance firm internal efficiencies (Munyoroku, 2014). Thus technological innovation strategies adopted by firms should help to identify and explore new revenue opportunities and improve customer satisfaction through reliable delivery. Technological innovation strategies involve the adoption of systems such as ERP systems that provide capabilities that support and enhance processes associated with producing. The systems should also help improve firm activities by automating routine tasks such as order management (Valacich & Schneider, 2012).

Product innovation strategies involve the presentation of a decent or an administration that is new to the market or has been altogether enhanced in connection to its attributes or employments. These incorporate critical enhancements in mechanical determinations, segments and materials, joined, or ease of use among different capacities (Tavassoli & Karlsson, 2015). Product innovation strategies are

majorly driven by advance in technologies, ever changing customer taste and preferences, shortening item cycles and expanding rivalry.

A range of human resource levers are important for developing organizational capabilities: building these knowledge and skills through leadership development programs, career development planning, succession planning, performance management and incentive systems and competency frameworks, and seeking these knowledge and skills when recruiting new talent into the organization (Ashridge, 2008). Knowledge management is an approach to adding or creating value by more actively leveraging the knowhow and expertise resided in individual minds (Ruggles, 1998; Scarbrough, 2003).

2.3.4 Strategic Alliances

More extensive networks are more attractive to customers and offer larger economies of scope to the carrier. Airline carriers therefore form alliances in order to exploit each other's networks and to strengthen the competitive positions of all alliance partners. Establishing an alliance with an carrier may also be an efficient way for competitors to divide the market between them A large number of airlines have established or joined one of three global airline alliances: Star Alliance, Oneworld, and Skyteam. In 2002, these three alliances as allied partners control approximately 56% of world revenue passenger kilometers (Jangkrajarnng, 2011).

Airline alliances began in the 1990s, but have experienced most of their expansion in the last five to eight years. The three current global alliances, Oneworld, Sky Team and Star Alliance, account for more than two-thirds of the entire industry capacity. Participating in an alliance might be beneficial for several reasons. Firstly, alliances allow extending the network and reduce costs, by exploiting economies of scale and density. Secondly, and more importantly, an alliance might be a useful way to test for compatibility among members, which could lead to tighter forms of cooperation such as joint ventures, code-sharing, franchising, or even a merger (Bamberger, Carlton & Neumann, 2004).

Brueckner and Whalen (2000) propose a model in which the advantage of alliances comes from the internalization of the negative externality that arises when setting fares non-cooperatively; this internalization allows the alliance to set lower fares, thus attracting more costumers, and the economies of density allow for a reduction of the unit costs. Therefore, forming an alliance allows to better exploit the economies of density.

Flores-Fillon and Moner-Colonques (2007) consider the formation of an alliance allows to internalize the pricing externality on long distance flights, which, in turn, allows to attract more passengers and, consequently, exploit the return of density. They show the existence of asymmetric equilibria, in which only some companies decide to form an alliance, while others prefer to remain independent. The intuition behind this result lies on the fact that with more alliances the competition to attract passengers, in order to exploit the return of density, is tougher, leading to lower profits. Therefore, the reaction of some carriers to the formation of an alliance might be to remain independent.

The four main benefits that accrue to airlines when they enter into alliances are: (a) local market access and circumvention of restrictions on airline ownership and routes; (b) economies of scale and reduction of costs; (c) optimized demand and supply for flights; and (d) construction of entry barriers to deter new entrants (Goh & Uncles, 2003; Brueckner, 2001). Other advantages include a more effective marketing strategy (when the size of the route network increases), and lower costs for partners (through generation of favourable feeder relationships and increased capacity utilization) (Wolf, 2001). Passengers also benefit from new service routes, increased efficiency, improved services and lower fares (Oum, Yu & Zhang, 2001; Pels, 2001).

Airlines with a large number of alliance partners (i.e., which are central in the network of airline alliances) act as nodes through which information from their partners flow. Hence, they are likely to have earlier access to new information. A greater degree centrality also implies better access to the technological, human and financial resources that the alliance partners possess (Gnyawali & Madhavan, 2001).

2.3.5 Organizational Resources

Resources are inputs into the production process; they include items of capital equipment, skills of individual employees, patents, brand names, and finance, (Grant, 1991) whereas Amit and Schoemaker (1993) define resources as stocks of available factors that are owned or controlled by the firm, which are converted into final products or services.

Organization resources refers to those assets that that contribute to the creation of value added services. Resources have been classified into several categories and they include: Tangible resources which are majorly physical and they include plants, and equipments, location of an organization. There are those which are Intangible in nature that is they have no physical components but represent a real benefit to the organization. These include brand names, service levels, and technology. The last category refers to the organizational capability that involves the skills, routines, management and leadership of the organization (Lynch, 2006).

The resources explored by the organizations means that these resources need to be relevant that is they need to be better than those of the competitors, persuasive to the customers and available from within the organization. The resources of an organization have been identified to contain several attributes and they include: The innovative capacity that is the ability to innovate faster which provides competitive advantage which other organizations may take ages to cope up. Durability on resources means that resources should have some longevity. The competitive advantage of resources should be sustainable in such a manner that a resource should be able to sustain its resources such as the brand name of a product or company. Substitutability of resources refers to the ability of a resource to have competitive advantage if it cannot be substituted or an alternative form be introduced (ibid.).

The resources are expected also to be appropriability that is resources are expected to deliver the results of their advantage to the individual company and not be forced to contribute and distribute at least part of it to others. Acquired resources this refers to the resources that are already in existence within a company or an organization due to organizational history or the mere existence of the strengths of those resources.

They may include quality or even reputation. Resources also are expected to have the value of imitability. This simply means that they should not be easily copied but the resources should have the deterrence value that hinders easy imitation. Thus it is important to leverage on resources by ensuring that their potential is fully exploited to ensure their capacity is generated (Lynch, 2006).

Human resource contributes a lot to the success of strategic planning in an organization and if not implemented well then, the outcomes will be felt within the organization (Kiptoo & Mwirigi, 2014). These executors comprise of top management team, middle management, supervisors as well as shop floor workers. The quality of these people will always affect the effectiveness of strategy implementation.

2.3.6 Liberalization/Deregulation Policy

Since deregulation, airlines have started working in a more dynamic and constantly changing environment. Competitive markets make airlines face the concept of 'competitive ability'. Airlines' ability to continue their operations and be successful depend solely on their being competitive. The requirement to be competitive eventually helps airlines develop competitive strategies in these markets (Orhan & Gereide, 2013).

Deregulated markets force airline operators to develop new strategies in order to protect themselves from competition and they also open up the path for the implementation of these new strategies. In other words, airlines that were unable to take managerial decisions or to implement them freely prior to deregulation have now become able to shape their strategies by way of using certain competitive tools thanks to the flexibility they have earned through deregulation. Emergence of low cost carriers in the US by the end of the 1970's, in Europe by the end of the 1980's (Gillen & Gados, 2008; Graham & Shaw, 2008; Graham & Vowles, 2006; Jiang, 2007) and in Turkey in 2005 after having deregulated its domestic market in 2003 is an indicator of the fact that deregulation is an effective factor.

Some regional airlines that take advantage of deregulated markets and follow a focus strategy establishing their networks around one or two hub airports because they have a role of feeding the hub airports of major carriers (Burghouwt *et al.*, 2002). If a regional airline co-operates as such with a major airline that follows a differentiation strategy it will gain a remarkable competitive advantage over its rivals

As a result of the freedom in marketing brought to airline transportation by deregulation, travel agencies have become the main tool airlines use to sell their services. Thus, the increasing competition between airlines gave travel agencies the power to seek more commission than they could have asked during the regulatory period (Brenner *et al.*, 1985).

For an airline that has been liberalized in pricing decisions, price has now become one of the most important tools for survival and is even superior to others (Kangis & O'Reilly, 1998). Additionally, price is a significant demand determinant in airline transportation (Doganis, 2002; Hanlon, 2007).

Knowledge and creativity of managerial level human resources play an important role in forming the main strategies that will make airlines successful in the long run, whereas it is operational level human resources that make functional strategies a success and this will facilitate the realization of the main strategy. The quality of human resources is the most important factor for an airline in the sense that it differentiates the firm from its competitors in deregulated markets and it is this factor that will make the airline successful (Yüksel, 2007).

Liberalization of aviation markets can create direct and indirect benefits and costs. The direct impact are passengers benefit lower fares and better services, airlines lower costs and access to new markets, tourism sector will gain from stimulus provided by lower airfares and better services. And indirect impacts are on government revenue, foreign exchange effects, employment, and the improvement of business communication according to Michael (2009).

In the move for liberalization of the international air transport market, open skies agreement have been used as a tool to pursue the initiative of liberalization in air

transport to the level today. It does not convey that the air transport market is free from regulations but rather it means that some of the obvious issues which were used to be tightly controlled by the government before are now relaxed for example the issues of routes served, capacity and service levels, and double approval of fares to double disapproval. These measures improved the efficiency level of the carriers involved. A liberalization move marked by open skies agreement may lead to a more relaxed restriction on issues like capacity, air fares, routes etc. (Murty *et al.*, 2013).

2.3.7 Organizational Performance

Strategic management drivers of performance involve the translation of business strategies into deliverable results. It combines financial, strategic and operating principles to gauge how a company is able to meet its targets (Mshenga & Owuor, 2009). Strategic drivers of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance.

Different organizations use varying measures of performance. These measures may be quantitative or qualitative. Majority of the organizations employ quantitative measures to assess the effect of strategies chosen and success of their implementation. Performance variables are both financial and non-financial. Financial measures such as ROI and profitability are usually plant level measures that are subject to many factors outside the scope of manufacturing operations (Flynn & Flynn, 2004).

Since there is no single measure that effectively captures the performance outcomes of different strategic types, several researchers have suggested that financial measures must be used in conjunction with market based measures (Hambrick, 2003; Schendel & Patton, 2002). Pearce, Robbins and Robinson (2007) suggested that the effect of firm strategic factors on performance is contingent upon the level of turbulence a firm faces.

A number of studies indicate that success in non-financial performance affects financial performance in the airline industry. According to Khim *et al.* (2010), performance indicators regarding customer satisfaction in airline businesses are a

leading indicator of the future performance of the company. The results of the same study indicate that the efforts of airline companies towards correcting their errors (for example, reducing the number of damaged baggage items) positively affect both short and long-term financial performance.

The International Air Transport Association (2003) uses many performance indicators to track the annual performance of its member airlines. These performance measures can be classified under the following categories:

- (a) Operating performance: aircraft departures, kilometers flown, and hours flown.
- (b) Firm size: available seat kilometers (ASK), length of scheduled network, and passenger number.
- (c) Operating efficiency: revenue passenger traffic (RPK).
- (d) Traffic: passenger tonne kilometers performed (PTK), and freight tonne kilometers performed (FTK).
- (e) Load statistics: passenger load factor.
- (f) Financial performance: operating result.

Profitability measures the extent to which a business generates profits from the factors of production. It is therefore the excess revenue over the firm total costs obtained by matching revenues with the expenses incurred to create those revenues, plus the gain or loss on the sale of capital assets. Profit is a source of cash flow for firms. The amount of profit made by a firm is either retained for funding future investment opportunities or distributed to shareholders as dividend. Even though the amount of profit made in a particular year by a firm does not automatically translate into exactly the same amount of cash, it is unlikely that less profitable firms would have more cash flows than highly profitable firms, all other things being equal. Therefore, profitable firms are expected to have more cash than less profitable firms (Velnamby & Kajanathan, 2013). Profitability is a measure of the amount by which a company's revenues exceeds its relevant expenses. Profitability ratios are used to

evaluate the management's ability to create earnings from revenue-generating bases within the organization. A profit ratio indicates how effectively management can make profits from sales (Ajanthan, 2013).

2.4 Empirical Review

This section has reviewed secondary, empirical and other literature within the domain of strategic implementation, organization structure, Human capital development, management Innovation, strategic alliances, and organizational resources on how they impact the performance of the airlines in Kenya.

2.4.1 Organization structure

The empirical studies suggest a relationship between organization structure and the successful strategy implementation both local and global context. Njanja and Pelissier (2010) in a study of 176 small and medium enterprises looked at the effect of planning on performance and established that although strategic planning existed in most firms, there was need to operationalize the plans through adequate resource allocation. The study also did not establish the influence of strategic planning and the value of small and medium enterprises.

According to a study by Van (2015), span of control may be affected by geographical dispersion, capability of workers, if workers are highly capable, need little supervision, and can be left on their own, capability of boss, value-add of the boss, a boss that is adding value by training and developing new skills in the workers will need a narrow span of control than one who is focused only on performance management. It may also be affected by similarity of task, such that for subordinates performing similar tasks, the span of control can be wider, as the manager can supervise them all at the same time and vice versa. Again, the volume of other tasks, if the supervisor has other responsibilities, such as membership of committees, involvement in other projects, liaising with stakeholders, the number of direct reports will need to be smaller; required administrative tasks, if the boss is required to have regular face to face meetings, complete appraisal and development plans, discuss remuneration benefits, write job descriptions and employment contracts, discuss

remuneration benefits, write job descriptions and employment contracts, explain employment policy changes, then a smaller span of control is needed for leaders.

Awino, Wamalwa, Imita and K'Obonyo (2011) studied the challenges facing implementation of differentiation strategy at the Mumias Sugar Company Limited in Kenya found that differentiation strategy implementation was affected by structure and this was also established by Johnson and Scholes (2003) that organization structure, processes, relationships and boundaries may cause challenges to strategy implementation.

Shattock (2003) studied successfully managing Universities and the study revealed that functional structures was observed to be effective in coordination of separate functional units, ease decision making as a result of increase in size and diversity of the university. Sugar companies in Kenya today have experienced growth in size and increased diversity of functions which means that power dynamics, communication, processes and relationships require a structure that is aligned to strategy.

An empirical study by Kraus (2006) looked at 290 Austrian firms to analyze the implication of strategic planning on performance of small and medium enterprises. The study established that formalizing strategic planning and alignment of structure to strategy significantly impacts on the growth of firms which was measured in terms of employee count.

An empirical study by Amrule (2013), examined the role of strategic planning on the performance of information communication and technology of small and medium enterprises in Kenya established that a significant relationship between strategic planning and internal business process, learning and growth and financial performance

The empirical study by Obiajolum and Ngoasong (2008) to understand the relationship between organizational management control systems and performance established that integrated management and budgeting enables firms to be competitive. Nanara (2008) observes a trend in strategic planning process that produces a document that ends up collecting dust on as they ignore or fails to make

good use of the procured information required in the strategic planning document. African context studies (Aosa, 1992) noted that many firms created strategic plans which are rarely implemented according to the planned schedules. Realization of competitive advantage and the achievement of outcomes of organizations are hinged on the successful execution of the strategy.

Types of ownership in airlines business signify the degree of control by particular individual as shown by the percentage of share a person or a business has in an airline company. The relationship between ownership types of airlines and efficiency were deciphered in Fethi and Jackson (2000); Backx *et al.* (2002); Chang *et al.* (2004); Scheraga (2004); Carney and Dostaler (2006); Cheon (2007); Barros and Peypoch (2009); Clement Chow (2010); Sjogren and Soderberg (2011); Boyd and Hollensen (2012). Studies on the relationship between ownership types (state ownership vs private ownership/foreign ownership) and airline performance prior to 2010 uncovered a rather ambiguous finding to note the absence of relationship between ownership types of airlines and its efficiency levels. This finding is unravel in Fethi and Jackson (2000); Scheraga (2004); Carney and Dostaler (2006); Barros and Peypoch (2009); Sjogren and Soderberg (2011). The authors argued that what matters in ownership types is not who owned the airlines but rather the operational objective holds by the managers (treat the airline as a company) and the identity as well as the interest of the owner which are more important in determining sustained performance of an airline company.

In contrast, Backx *et al.* (2002); Chang *et al.* (2004); Boyd and Hollensen (2012) support the notion that privately owned airlines perform better than publicly owned airlines. The nature of studies conducted by these authors is more towards in depth investigation on the underlying factors that drives the better performance of privately owned airlines compare to publicly owned airlines. One of the notable drivers highlighted by the authors is a high absorptive capacity of an airline resulting from flexible management style and strong networks, and long term employee's relationship leading to highly competitiveness in family owned airline.

Most studies have found that state-owned firms do not better serve the public interest and, in fact, that state-owned firms are typically extremely inefficient (Dewenter & Malatesta, 2001). The conclusion from these studies is generally that state-owned companies' disregard of social objectives combined with their extreme inefficiency is inconsistent with the idea that state ownership can lead to performance efficiency that profit maximizing privately-owned firms cannot achieve. The benefit of being a private organization since the government has very limited control on their management in terms of planning for the routes of the flights. Hence they can plan in such a way that they can maximize load factors according to Jenatabadi and Ismail (2007).

Naziri (2012) in his research concluded that there is a weak inverse significant relationship between organizational structure and organizational entrepreneurship. Among the indicators of organizational structure, only recognition index is associated with organizational entrepreneurship and there is no significant relation between the other indices (complexity and concentration) with organizational entrepreneurship.

Shoa'i (2011) in his research concluded that there is association between organizational structure (formality), organizational structure (complexity), organizational structure (focus) and knowledge creation. Abdekhoda had showed that the organizational structure has a significant effect on productivity. Whatever structure be more concentrated, formal and complex productivity is lower. Khalifasoltani (2008) suggests that there is meaningful relationship between structure, complexity, formalization, concentration and entrepreneurship, and also negative significant relationship between age, work experience and entrepreneurship but there is no relationship between level of education and organizational entrepreneurship.

Waribugo and Etim (2016) study was to empirically analyze the impact of structure on strategy implementation among telecommunication firms in Nigeria. The study revealed that centralization has a positive relationship with the dimensions of strategy implementation (budgetary program implementation and resource control

implementation), though the relationships were not significant enough to reject the null hypotheses. This may be as result of the bureaucratic bottleneck associated with centralized structures. As opined by Souitaris (2001) centralized structure may result to a reduction in the ability to provide innovative answers to problems and limit communication among departments which may hinder opinion sharing among the different departments. Furthermore, Atieno and Juma (2015) submitted that centralized structure vest too much demand on the top-managers, thereby slowing the decision-making process and making the firm to depend totally on the capabilities of the top-managers. The study also explored the relationship between specialization structure and the measures of strategy implementation (budgetary program implementation and resource control implementation). The results show that there exist positive and significant relationships between specialization structure and the measures of strategy implementation. The findings may be explained by the fact that specialization leads to faster decision making (Atieno & Juma, 2015; Ibrahim *et al.*, 2012). These findings were in harmony with Basol and Dogerlioglu (2014) and grant (1996) who submits that specialization enhances the ability of a specific employee or group of employees to acquire expertise on a particular job, hence, enhancing their productivity and total output. Employees can as well be held accountable for the success or failure of any task ascribed to them as they have been empowered to take decisions on their job.

As stated by Olsen, Slater, and Hult (2005) in their study where they found out that firm performance is strongly influenced by how well a firm`s strategy is matched to its organizational structure and the behavior of its people.

2.4.2 Human Capital Development

The empirical review by Asiegbu *et al.* (2012) Study on Physical Evidence and Marketing Performance of Commercial Airlines in Nigeria, they adopted quantitative research approach and cross-sectional survey research design. Twenty-nine commercial airlines, operating in Nigeria at February 2012, formed the database of the study and used Pearson correlation and stepwise regression statistics. The finding of the study was that physical evidence provided by airline operators in Nigeria

aviation industry affects their marketing performance. Specifically, ambience, personnel competence, and service systems design positively correlate with their sales growth, market share, and profitability.

The study revealed that this is achievable by increasing air passenger value, confidence and comfort; and reducing their fears and risks. The study recommended innovations in the provision of ambience, constantly engaging personnel of high job repute and competence, and putting in place air traveler – friendly service systems designs, integration instruments such as strategic airline alliances, acquisitions, and franchising as suggested by Sezgin and Kozak (2012). The study noted that brand equity can lead to brand preference and purchase intention (Chen & Chang, 2008), therefore airlines in Nigerian can make sponsorship agreements with top sport names, famous soccer clubs and most valuable players in Nigeria through which they can showcase their airlines as the best in providing ambience, competent personnel and air passenger-based service systems design.

Chimhanzi and Morgans (2005) findings indicate that firms devoting attention to the alignment of marketing and human resources are able to realize significantly greater successes in their strategy implementation. Specifically, these findings imply that marketing managers should seek to improve the relationship with their HR colleagues by emphasizing two of the process-based dimensions: joint reward systems and written communication.

Through collective bargaining, employees can achieve higher wages and employment security, leaving firms with higher costs and less operating flexibility. As in other industries, a union wage premium has been well documented in airlines (Hirsch & Macpherson, 2000). Furthermore, employees can impose additional costs in the process of setting those wages and employment conditions, through strikes or other service disruptions. Thus, employee gains in bargaining power and wages could be seen as necessarily detrimental to both service quality and financial performance.

Employees can also contribute positively to airline performance. For one thing, unions and the wage premiums that they achieve put pressure on management to

increase productivity through more efficient or effective use of labor or capital resources (Slichter, Healy, & Livernash, 1960; Freeman & Medoff, 1984). Employees with enhanced job security and bargaining power may make employees more willing to exert discretionary effort. As in other service industries (Heskett, Sasser, & Schlesinger 1997; Loveman, 1998), employees in airlines interact directly with customers, and therefore employees' motivation and satisfaction with their workplace are likely to have important effects on an airline's quality of service and resulting customer satisfaction (Gittell, 2003).

The study by Burden and Proctor (2000) on training and competitive advantage found out that meeting customer needs on time, every time, is a significant route to achieving and sustaining competitive advantage, and training is a tool that organizations should use to succeed at this aspect

Studies have been done on evaluating the employee's impact on company's performance and the results often showed a positive relationship between the employee's attitude and the company's performance. Companies that are perceived as best companies motivate their employee's attitude by attracting them towards different advantages (Simon & DeVaro, 2006).

Theories and models that are developed for tangible products do not apply in the service industry. Anderson and Fornell (2000) argued that the role of intangible assets like knowledge, systems, customer Relationships, etc. is very vital to compete in rapidly changing economic world. Best companies achieve higher customer satisfaction by keeping their employees motivated and happier with their work, as motivated employees offer better services to the customers. We can conclude from the results of the study that strategic human resource can play an important role in improving a firm's performance (Simon & DeVaro, 2006). Motivated employees can bring better results as compared to unsatisfied employees. Employees perform their duty efficiently when they feel satisfied from their company (Zerbe *et al.*, 1998). Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm which will benefit the organization in the long run as it improves employee efficiency and quality of the service. Gittell,

Nordenflycht, and Kochan (2004) warned that it must be kept in mind that minimizing the employee cost may lead to lower employee productivity and service quality.

In airlines employee wages have a strong relationship to employee productivity which leads to customer satisfaction (Gittell, Nordenflycht, & Kochan, 2004). Employees can get suitable employment contracts through collective bargaining resulting in an overall higher cost base structure for the airline. In the airline industry employees can create service disruptions and strikes which can increase airline costs and will impact productivity as well. Higher wage structure agreed through bargaining can impact productivity as well as financial performance of the airline (Gittell *et al.*, 2004).

There is considerable positive evidence linking educational attainment to organizational performance. For example the most productive manufacturing organizations tend to have a more highly educated workforce than the least productive — equivalent on average, to an extra qualification level (Haskel & Hawkes, 2003). This kind of relationship has also been found in the US where it has been estimated that the equivalent of an extra year of schooling raised productivity by between 4.9 and 8.5 per cent in the manufacturing sector and between 5.9 and 12.7 per cent in services (Lynch & Black, 1995). These results have been supported by Mason and Wilson in 2003 for the UK. An OECD study looked at innovation in UK SMEs and found that higher qualification levels of both managers and staff boosted innovation (Albaladejo & Romijn, 2001) and was associated with higher technological complexity and originality. Others have shown a link to company survival (Reid, 2000).

There is evidence that training is associated with productivity improvements and softer benefits to organisations. Dearden, Reed and Van Reenen (2000) found connections between more training and higher labour productivity across a number of UK sectors. Others, *eg* Collier, Green, Peirson, and Wilkinson (2005), have found that increasing investment in training reduces the chance of firm closure.

There are other benefits too. There is some evidence of benefits from training in terms of motivation and attitude; Booth and Zoega (2000) suggested that training fosters a common firm culture and helps attract good quality workers; (Green, Felstead & Burchell, 2000) found training had a downward impact on employee turnover, and recent work by IES has found that training and development opportunity is a significant driver of employee engagement (Robinson, Perryman & Hayday, 2004). Wright and Geroy (2001) note that employee competencies change through effective training programs. It therefore not only improves the overall performance of the employees to effectively perform their current jobs but also enhances the knowledge, skills an attitude of the workers necessary for the future job, thus contributing to superior organizational performance.

2.4.3 Innovation

Tavassoli and Karlsson (2015) also analyzed innovation strategies of firms in Sweden for the period between 2002 and 2012 utilizing sixteen advancement techniques, which were made out of Schumpeterian sorts of developments (process, item, advertising, and authoritative) in addition to different blends of the four sorts and found that organizations are not homogenous in picking advancement systems; rather, they have an extensive variety of inclinations with regards to advancement procedure.

Wason and Bichanga (2014) assessed the advancement methodologies embraced by little and medium venture of Nairobi Region because of worldwide rivalry and established that SMEs in Nairobi County use technological innovation as a strategy in global entrepreneurship to a moderate extent. The study also established that the SMEs in Nairobi use technology management as a strategy in global entrepreneurship.

Mugalisi (2015) also undertook a study with the objective to establish the effect of Research and Development on the performance of manufacturing companies listed at the Nairobi Securities Exchange. Descriptive research design was used and secondary data from published financial statements from year 2010 to 2014 was used. The target population was 17 manufacturing companies listed at the Nairobi

Securities Exchange. The researcher used regression analysis and descriptive statistics to analyze the data collected from the study. The study found out those firms relies on technology to identify opportunities that help exploit innovative products and services. This means that firms are forced to invest in research and development (R&D). The study findings show that R&D significantly put strain on the financial performances in the short run whereas in the long run, the firm realizes the investment returns through strategies recommended from the R&D thus improved financial performance of the firm.

Corsino (2008) also undertook a research study to investigate the effect of product innovation on firm growth in London. The study used a descriptive research design and secondary data obtained from the said organizations covering a period of 7 years. The population consisted of 524 firms out of which a sample of 45 firms were obtained. Data was analysed using regression analysis. The conclusion of the research study was that incremental innovation increases performance of producers and affects the firm's ability to sustain its market position.

Youtie and Roper (2008) undertook a study on impact of product and process innovation on profitability of manufacturing firms in Georgia, United States of Africa using a survey research design. The study used questionnaires to collect the primary data used. The total population studied consisted 653 firms out of which a sample of 110 firms was selected. The conclusion of the study was that product innovation matters most for the most profitable manufacturing establishments while process innovation is more widespread among firms with more modest levels of profitability.

Njogu (2014) undertook a similar research study aimed at investigating the effect of innovation on financial performance of small and medium enterprises in Nairobi County, Kenya. The study used a descriptive research design and obtained primary data using questionnaires. The population comprised 1050 firms and a sample of 200 firms was obtained using stratified random sampling. Data obtained was analyzed using descriptive statistics and regression analysis. The study also finds that there is a

positive significant relationship between process innovation and financial performance of SMEs in Nairobi County.

Oirere (2015) conducted a study on the effect of innovation on financial performance of small and medium sized manufacturing enterprises in Nairobi County. Primary data was collected using questionnaires and descriptive research design was used to analyze the data and make conclusions. The target population was 3,582 companies and a sample of 83 firms was selected using simple random sampling. Data was analyzed using regression analysis. The study concluded that innovation has positive effects on financial performance; innovation increases profits for a company; innovation increases the company's market share, it also increases savings for the company and reduces operating cost of the small and medium manufacturing enterprises.

Management innovation at the operational level that is, in terms of the generation and implementation of new practices, processes, structures, or techniques—because this is the level at which observable changes take place in the way work is done and the management innovation process can be witnessed (Birkinshaw, Hamel & Mol, 2008). Innovators to focus their efforts on organizations (or specific units within organizations) with prior experience in management innovation, on the basis that these organizations/units understand the challenge faced by the management innovators and are therefore likely to be more tolerant of the uncertainty and ambiguity it brings (Kosseck, 1989).

According to Hall (1993), he argues that the reputation of a company and its product or service is the highest potential intangible asset to sustain the firms competitive advantage whereas (Langford & Male, 2001), identified organizational architecture innovation and reputation as three distinctive capabilities in attaining competitive advantage in construction industry.

Diederer *et al.* (2002) conclude that innovative farmers show significantly higher profits and growth figures than firms that are not innovative. Also Favre *et al.* (2002) conclude there is a positive impact of innovations on profits. They take R&D intensity, market share, and concentration as the relevant causal factors. Also

national R&D spillovers and, moreover, international R&D spillovers are positive for profits. Avantis and Hollerstein (2002) conclude that the use of external knowledge, technological opportunity and the degree of innovativeness significantly increase the productivity of knowledge capital. The deliberate pursuit of certain objectives (e.g. creating a new market) and higher appropriability conditions raise the return to patents.

The study by Lööf (2000) showed a positive relationship of innovative sales per employee (elasticity) on five different performance measurements (employment growth, value added per employee, sales per employee, operating profit per employee, and return on assets). Meinen (2001) is positive on the question whether innovation is worth doing. He noted that Firms executing R&D on a permanent basis, that co-operate with others and use various sources of information realise extra turnover of one percent point over 1996-1998.

From the company's point of view, a strong brand serves many purposes, including making advertising and promotion more effective, helping secure distribution, insulating a product from competition, and facilitating growth and expansion into other product categories (Hoeffler & Keller, 2003). Brand portfolios can increase loyalty to multiproduct firms (Anand & Shachar, 2004). Kumar (2003) argues that companies can rationalize their brand portfolios to both serve customers better and maximize profits (Broniarczyk *et al.*, 1998). Tran Quan Ha Minh, (2006), the main advantage of the brand equity is its positive effect on demand. It is expected that the brand awareness, brand quality and the brand loyalty causes the increase of brand market performance. This aspect of brand equity helps the organizations attract the customers and keep them (Baldauf, Cravens & Gudrun, 2003).

Rotich and Odero, (2016) examined the factors influencing strategy implementation on performance of commercial banks in Kenya found that innovation is a key success factor in strategy implementation through promotion of a friendly and helpful staff hence customer satisfaction, and product development.

Another study (Kibicho, Iravo, & Karanja, 2015) on determinants of strategy implementation success in the insurance industry in Kenya found that innovation

determines strategy implementation through among others: efficient distribution channels; clear understanding of customer needs; increased customer retention; and frequent development of new products and services in line with customer needs.

The study (Bett, 2018) on factors affecting strategy implementation in service-oriented organizations the case of G4S Kenya found that direct involvement of employees in strategy implementation creates an opportunity for employees to share new ideas which support innovation to improve the level of effectiveness in strategy implementation.

2.4.4 Strategic Alliances

Oum *et al.* (2004) studied effect of horizontal alliance on productivity and profitability. They analyzed airline firms as an example of horizontal alliances to illustrate the benefits of bilateral agreements between airlines. They carried out a panel data analysis from 22 international airlines that were in alliance from 1986-1995 period. The study found that horizontal alliance was significant to productivity while at the same time it showed no evident of significance on profitability. The study adopted a quantitative method to analyse the panel data research. The deficiency of this study is that it focused only on one form of alliance which is horizontal and bilateral in nature hence the current modern forms of alliances were not studied because they did not exist at those time, as a result the study cannot be us generalized on alliance on all airline industry. The study focused on productivity and profitability but missed out on airline efficiency a mark of airline indicator in operations. The study used old forms of data hence the study cannot be currently used for credibility and generalizability

The study on determinants of airline alliances by Gaggero and Bartolini (2011) applying a discrete choice model approach to a sample of 60 airlines observed from late 1980s until 2008. We have implemented different model specifications and different estimation techniques, including instrumental variables. The results of the empirical analysis support the idea that one of the main factors influencing the formation of airline alliances is the possibility to exploit returns to density. The study established the effects of the number of passengers, of the load factor, and of the

alliances' market share are all positive and significant. The study used the model as multinomial logit whose focus of the discussion was on the three active alliances: Oneworld, Sky Team and Star Alliance, which represent the main set of alliance alternatives for non-member airlines in the future. These three variables - Passengers, Load factor and Alliances' market share - show that the returns to density play a crucial role as one of the main determinants for airline alliances. As regards the role of competition, Alliance pressure has a positive impact on the probability of forming an alliance, while National carriers' has a negative impact. This finding suggests that the incentive to form an alliance to face the competition of airlines that already formed (Alliance pressure), is hindered by the market power in the domestic market.

The impacts of alliances on efficiency and productivity of airlines are well discussed in Barros and Peypoch (2009); Sjogren and Soderberg (2011). The findings from both studies did not meet with a consensus where the result in the former support the notion that alliance affect efficiency in airlines but the latter did not. The two studies contrast in the techniques used to estimate efficiency. The former adopt a DEA, non-parametric approach, whilst the latter utilizes a parametric-stochastic frontier approach where both approaches no less than one another as both have advantages and disadvantages. Both approaches follow extended techniques where Barros and Peypoch decomposed airlines according to activities or functions whilst Sjogren and Soderberg use DEA bootstrap to raise the number of observations.

A recent trend in the study on alliance in aviation market do not look at direct relationship between alliance and efficiency, rather the relationship is viewed from different perspectives namely: (1) the partial antitrust immunity characteristic of efficiency (Bilotkach & Hüscherlath, 2012); and (2) an appropriate governance structure in alliances (de Man *et al.*, 2010). The former asserts that claims of increased efficiency resulted from alliances should not be the ultimate basis of assessment for granting of antitrust immunity to applicants wishing to form alliances because the claim in itself is questionable unless followed by proof of incremental benefits (for example the proof of an absence of anticompetitive practice). The latter discovers the possibility of having a robust alliance model which gives equal profit sharing arrangement among the players. An appropriate alliance model will provide a

higher degree of flexibility to airlines when dealing with turbulent periods in their business cycle, therefore reduce the possibilities of making changes which may incur high costs to the members.

Bleeke and Ernst (1991) suggest that alliances succeed when both partners achieve their strategic objectives and both recoup their financial investments. Bucklin and Sengupta (1993) claim that alliance success is measured by each of the partners' perceived effectiveness of the alliance. Olk and Young (1997) measured perceived "satisfaction with performance" as a condition for companies to continue their membership in research and development (R&D) consortia.

The study by Ito and Lee (2007) on domestic code sharing, alliances and airfares in the U.S airline industry provide a good summary of the US domestic airline alliances. They find that characteristics of domestic code-share are different from those of international code share. Moreover, they find that the average code-share fare is lower than the average fare that is not code-shared. Bamberger *et al.* (2004) also find that the price tends to decrease after alliances.

Their findings are similar to those of Park and Zhang (2000), Brueckner and Whalen (2000), and Brueckner (2003), who examined international alliances and their relationships on profit.

The study by Devinaga (2010), on theoretical framework of profitability as applied to commercial banks in Malaysia included market share in his studies and he observed that market share could be included in the profitability model as an external determinant because if commercial banks could be able to expand their market share then they may be able to increase their income as well hence profit. This is because the ability to increase market share requires selling more so in the case of banking if commercial banks are able to for example offer more loans to more customers then they stand a greater chance of increasing interest income as well as profits.

Karkrah and Ameyaw (2010) on their study determinants of banks profitability in Ghana, indicated that market share or size of banks is normally used to capture potential economies or diseconomies of scale in the banking sector. Secondly, the

size of banks as a variable control for cost differences and product and risk diversification. They argue that the first factor (economies or diseconomies of scale) is expected to lead to a positive relationship between bank size and profitability if there are significant economies of scale and their argument was based on the empirical evidence of (Bourke, 1989; Bikker & Hu, 20029; Goddard, Molyneux & Wilson, 2004).

2.4.5 Organizational Resources

The study Smith (2011) on the perspectives regarding strategy implementation tasks in selected industries, a South Africa perspective noted that the success of strategy implementation thus depends on competitive organization capabilities, motivation and rewarding employees in a strategy supporting manner. Strategy implementation begins with an honest appraisal of the current organizational alignment and organization capabilities. The study Al-Kandi, Asutay, and Dixon (2013) on factors influencing strategy implementation process and its outcome in Saudi Arabian Banks found that the competitive advantage of an organization is showed by the distinctiveness of its capabilities and how it uses such organization capabilities to achieve extraordinary profits through strategy implementation.

A study (Nour, 2013) on challenges of strategy implementation by international non-government organizations in Somaliland found that the identification of major strategy impeters in non- governmental perspective helps in better alignment of organization resources and capabilities with organization environment to ensure success in strategy implementation.

The study (Bundotich, Nzulwa, & Mburu, 2016) on determinants of strategy implementation in Agricultural Development found that strategic communication, strategic capability, and strategic flexibility supported strategy implementation. The study further realized that human resource is considered a key factor in strategy implementation.

Resources have also been exemplified by the Southwest low cost carrier which provides efficiencies on quality services and lower prices to the customer than their

competitors. Their marketing strategy is to offer itself as of value and also as the only major short-hop, low fare, point –to-point carrier in the U.S airline industry. Besides it has managed to operate profitably since the year 2000 by keeping low costs (Garrison, 2008).

According to Jiang, (2003) electronic Customer relationship management (e-CRM) involves far more than automating processes in sales, marketing, and service and then increasing the efficiency of these processes. Airlines rely heavily on e-commerce for many purposes. One primary benefit is it reduces the number of employees needed, save money through lower costs of reservations, sales offices, advertising and agent fees and commissions (Hoq *et al.*, 2005). E-commerce integration covers a wide range of application such as electronic Marketing (Mazandarani, 2010) customer support services (Molla & Licker, 2001), electronic ordering and delivery (Senn, 2000) and electronic payment systems (Hua and Guan, 2000). (Kimingi, 2010), A study on the relationship between IT conceptualization and bank performance depicted that organizations conceptualize IT as a means to create impact on its performance. Kariuki (2011) determined the relationship between the level of technological innovation and financial performance of the commercial banks in Kenya. The descriptive study found that commercial banks have continuously employed various technological innovations which have led to increased financial performance of commercial banks in Kenya through increased sales, return on equity and profits increment.

Jaafar and Abdul-Aziz (2005) on their study of resource based approach confirmed that Ball (2006) argument that large construction firms achieve such reputations through efforts such as branding sustaining managerial capability is determinant of the constructions firms' success.

The study by Andreas and Gabrielle (2011) on determinants of bank profitability before and during the financial crisis in Switzerland revealed a positive relationship between larger and smaller banks and profitability. According to them there was an indication that Larger and smaller banks were more profitable than medium-size

banks before the crises. And the reason was that larger banks were benefiting from the offering of large number of products, loan diversification and economies of scale.

Sufian *et al.* (2008) on Philippines banks also shows a negative relationship between bank size and profitability. To these researchers the negative correlation was an indication of smaller banks earning higher profits than larger banks and in support to the earlier studies which observed economies of scale and scope for smaller banks or diseconomies of scale for larger banks.

Eichengreen and Gibson (2001) suggest that the impact of a growing bank's size on its profitability may be positive up to a certain limit. Beyond this limit, the effect of its size could be negative due to bureaucratic and other factors; (Karkrah & Ameyaw, 2010).

2.4.6 Liberalization policy

Norman *et al.* (2007) studied companies in the US airline industry and compared the applied strategies during the regulated and unregulated era respectively. The result showed that companies were more likely to differentiate themselves in response to increased customer focus when the market was deregulated. Prior research has shown that liberalization affects existing companies, since a previously closed market is opened for new entrants. Changes in the environment will impact how firms function and compete (Hooks & Palakshappa, 2009). The elimination of restrictions may offer incumbent firms new opportunities and strategic options

Kingu (2014) has used time series of 1970 to 2010 to explore the impact of trade liberalization on export performance of Tanzania. This paper focuses in both econometric and non-parametric techniques to estimate the study. Cointegration technique, error correction modeling approach and trend analysis is applied in cointegration technique. The models which have been used are: Unit root test, Augmented Dickey Fuller Test (ADF) test, Engle–Granger test and Johansen test. As a result, it shows that, trade liberalization has improved the export of Tanzania by 22%.

Umoru and Eborieme (2013) has analyzed the relationship between trade liberalization and industrial growth of Nigeria through an expressive annual budget from 1962-2013. This empirical study investigated industrial output growth of Nigeria by utilizing cointegration and Error Correction Model (ECM) approaches. To determine the short run dynamic relationship, ECM model is estimated. The methods that were used: CUSUM and CUSMSQ test, unit root test, Dickey Fuller test (DF) test ADF test, PP test and Johansen test. The findings showed that a positive relationship between trade liberalization and industrial growth and government should start and implement a policy to sustain the industrial growth

Kim *et al.* (2009) has showed the relationship of trade liberalization, economic growth and industrial growth of Korea during the period 1980-2003. The empirical results suggested the existence of Granger causality, a vector error correction model (VECM) and Johansen's cointegration test. This analysis was carried out by the ADF test, Phillips-Peron (PP) test, and Kwiatkowski, Phillips, Schmidt and Shin (KPSS, 1992) unit root tests. This study differed from earlier studies, we knew that exports enhance productivity growth because firms exposed to international competition. However, this study resulted in higher import would be more beneficial for Korea than export.

Worku (2008) has explored the relationship between the trade openness and industrial growth using the data of the poor performing economy, Africa. This empirical study covered investigation of the aggregate industrial growth of Ethiopia in the period of 1971 to 2005. Before the cointegration and ECM test analysis, the test for stationary using DF, ADF and also PP test were used in this paper to test the variables. The cointegration and ECM was applied to measure the long run and short run industrial value. The results confirmed that in the long run, the relationship between the industries and human capital, real export and import, and short run has been estimated by dynamic rules. The study revealed that Ethiopia to continue the trade liberalization process because, it would accelerate the industrial growth and sustain economic growth.

Paus *et al.* (2003) has tried to find out the connection between openness in trade, industrial growth and productivity growth by using the data from 1970 to 1998 of seven Latin American countries. To estimate the effect Arellano–Bond GMM estimator have been used. The results show that import growth and export growth have been positively and significantly correlated with productivity growth which shows by the panel data. Granger casualty test also suggested two ways of casualties between productivity growth and export growth. Because of the trade liberalization, Latin America tend to rise in international investment and rapid global technological progress which has resulted in greater industrial growth, productivity growth and more employment opportunities

The empirical study by Orhan and Gerede (2013) on Strategic Responses of Turkish Airline Companies to the Deregulation in Turkey, using qualitative research methods and techniques, analysed data using a descriptive method and established that deregulation in the Turkish Domestic Market in 2003, lead to remarkable increase in the number of scheduled airlines in the market and thus increased competition. Eventually, this competitive environment caused airline companies to develop new competitive strategies in order to ensure competitiveness in the long run. Turkish Airlines as well as other airlines that entered the market after deregulation, tries to stay competitive in the domestic airline market by using a network structure, service quality and price.

The Findings show that network structures are at the center of competitiveness. The airline that forms a network structure accurately in the market (the hub selected, network model and city pair markets for operations) will obviously gain an important competitive advantage from the beginning. There is still a barrier to market entry at Atatürk Airport; the reason being insufficient capacity of the airport that was unable to handle the rapid growth after deregulation. This problem is reflected onto the operations of current airline companies in the form of slot difficulties, but it also makes it impossible to issue market entry permits to new entrant airlines.

There is also the general view that slot allocation among private airlines is not performed efficiently. When we see that the task of slot coordination is under the

authority of the General Directorate of State Airports, a public organization, there is the suspicion that it may favor national air carrier. The most fundamental strategic change encountered by private domestic airlines following deregulation has been their migration from non-scheduled airline operations to scheduled airline operations. This migration means a change of activity areas and the formation of a new mission.

The study by Kiboi, Perks, and Smith (2018) on factors influencing strategy implementation in state corporations in Kenya found that key drivers of strategy implementation include environments:- political, economic, social, technological, environmental, and legal and trends impact and ultimately drive strategy implementation.

The study by Kilic and Aktuna (2015) on the perception of the obstacles of strategy execution in Turkish public organization realized that environmental factors influence strategy execution (implementation) while the factors include markets, government, competitors, industry trends, and prices

In a study conducted by Kandie and Koech (2015) on factors affecting strategy implementation at national treasury in Kenya noted that for organizations to maintain competitiveness in the dynamic, complex, and unpredictable environment success in strategy implementation is critical.

The other study Alfaxard (2013) on factors influencing strategy implementation among flower firms in Naivasha Kenya realized that unforeseen and uncontrollable factors both in the internal and external environment influence strategy implementation to a large extent.

Munge and Kitiabi (2017) on the study on challenges of strategy implementation by insurance companies in Kenya found that among the macroeconomic factors considered affecting strategy implementation were striking procedures required to conform with legal, capital requirements, high technology advancement, and high inflation rates, low purchasing power of customer, and environmental challenges that affect strategy implementation include: price wars, competition, rivalry and bargaining power of customers

2.4.7 Strategy Implementation

Gachua and Mbugua (2017) examined the factors affecting strategy implementation in private universities in Kiambu County in Kenya established that management commitment was a positive signal to enhance strategy implementation, whereas use of technology, and insufficient funding also affects strategy implementation. The other study (Ngarama, 2015) on factors influencing strategy implementation at progressive credit in Kenya found the factors that affect strategy implementation to include: lack of adequate finance, lack of commitment, resistance to change arising from failing, to involve employees in decision making, and the last one is the lack of adequate strategic plans that give direction of the organization.

In the study (Mango, 2014) on the determinants of successful strategy implementation in selected public schools in South Africa deduced that compensation, managerial behaviour, institutional policies and resource allocation all have statistically significant effects on strategy implementation.

The study Imbali, Muturi, and Abuga (2016) on factors influencing strategy implementation in the tourism industry the study of Maasai Mara National Park in Kenya deduced that leadership approaches, change management, organization culture approach, and their constructs elements influences strategy implementation in the tourism sector. Another study (Nguyen & Nguyen, 2017) on factors affecting business strategy implementation of Vietnam Garment companies found that human resource, communication, corporate culture, and organization culture affect strategy implementation.

The study Rotich, Senaji, and Were (2017) on factors influencing strategy implementation among savings and credit societies in Nairobi county found that organization's strategy, the organization resources, and adoption of technology affected strategy implementation.

Muli (2008) on the challenges of strategy implementation in public corporations: a case study of Telkom Kenya Limited, found out that there were challenges facing Telkom Kenya particularly from the external competitive operating environment. The study also found out those challenges from the industry forces such as powerful buyers, powerful suppliers and stiff rivalry from competitors impacted strategy implementation. Other challenges were industry vulnerability to substitute products, changes in the magnitude of the barriers to entry, concentration of suppliers, the industry's average percentage utilization of production capacity.

Ochanda (2010), in a study on challenges of strategy implementation at the Kenya Industrial estates limited found out that the challenges experienced by the organization were enhanced by both restrictive regulations and policies under which state corporations operate. State corporations operate in a complex environment which is very unpredictable and less stable. The state corporation operate in an environment that is guided by government policies, regulations and standards and do not operate strictly and as freely as the private sector. This makes it difficult for KIE not to operate competitively and focus on profitability.

Bedford and Harrison (2015) in their study of leveraging environmental scanning to identify knowledge management activities in the transportation industry demonstrated that there is value using business and competitive intelligence methodologies to promote and better position the field. They suggest that environmental scans should focus-at least initially- the economic factors.

Aldehayyat (2014) carried out a study on the environmental scanning in the business organization, among the Jordian firms, a Middle Eastern context. The purpose of the study was to analyse environmental scanning and information sources as well the relationship between the environmental scanning and the performance of business organizations. The study found out that there is positive relationship between small firms and large and organization performance and points to the value of environmental scanning to organization performance (Karami, 2012; Adeoye & Elegunde, 2012).

Babatunde and Adebisi (2012) on the strategic environmental scanning and organizational performance in a competitive business environment in Nestle Nigeria revealed that there is a significant relationship between strategic environmental scanning and organizational performance. The study used structured questionnaires and data analysed using regress and coefficient analysis methods. His study recommends that organizations should continuously use strategic environmental scanning and pay close attention to threats by avoiding them and taking advantage of the opportunities.

Kihara (2016) study was to establish the influence of strategy implementation on the performance of small and medium manufacturing firms in Kenya moderated by the firm level characteristics of age and size. In particular, the study was designed to determine how the attention to leadership styles, structural adaptations, attention to human resources, level of technology and emphasis on the strategic direction is related to the performance of the manufacturing SMEs firms in Kenya. The results from this study indicated that leadership style significantly and positively influences the performance of the manufacturing SME firms in Kenya. The structural adaptation of the manufacturing SME firm was found to positively and significantly influence the performance. Using bivariate correlation results among all variables in this study showed that technology had the highest correlation coefficient meaning that it scored better compared to other predictors of performance thus technology was found to be a major driver that relates positively with the performance of the manufacturing SME firm.

2.4.8 Organizational Performance

Ogwoka, Namada, and Sikalieh (2017) investigated the influence of ethical consumer relations on the financial performance of listed firms in Kenya using a causal research design with a target population of 64 companies listed in the Nairobi Securities Exchange. The study established that there exists a strong relationship between ethical consumer relations and financial performance. The study also found that financial performance is high when firms provide quality and timely services to the customers.

Shin, Sung, Choi and Kim (2014) studied top management ethical leadership and firm performance using data obtained from 4,468 employees of 147 Korean companies from various industries and showed that top management ethical leadership significantly predicts ethical climate, firm level organizational citizenship behavior and firm financial performance.

Ebitu and Beredugo (2015) investigated the relevance of code of ethics on guiding the performance of service industry and examined their compliance on the established code 58 of ethics using a descriptive research design from 176 respondents cutting across selected Banks and GSM firms in Calabar, Cross River State. The study concluded that effective performance of service industry was dependent on code of ethics and the compliance level on established code of ethics was high.

Muraleetharan (2013) sought to establish the relationship between control activities and organizational performance in Jaffna District, Sri Lanka using a sample size of 126 employees in the organizations. The study established that control activities and organizations performance were statistically significant in determining performance. The study also found positive relationship between control activities and performance.

2.5 Critique of the Literature Review

One of the most fundamental issue arising from the literature is why organizations fails or seriously struggles in strategy implementation despite having robust and strong strategies. Carter and Pucko (2010) point out that between 60 - 80% of firms globally fails or seriously struggle in their strategy implementation processes. The implications here is that the same number of firms do not have a good strategies or leadership. Many good CEOs have been fired because of strategic failures but not necessarily that they do not practice strong leadership styles (Ekelund, 2015; Forbes, 2013).

There is a mixed perception from contemporary scholars that deviates from the original thinking advanced by Chandler (1962) that “structure always follows

organization's strategy". There are counter arguments in the literature that tend to point out that the opposite also holds some truth. Some scholars have argued that organization "strategy follows the structures that are already laid down in organizations" (Hall & Sias, 1980; Bielawska, 2016). Other scholars suggested an alternative view by stating that the strategy, structure, and environment are closely intertwined. "Whereas a man builds the structure of an organization, in practice, it is this very structure that later constrains the strategic choices they make" (Hall & Sias, 1980).

There have been different views on the contributions of human resources to performance in organizations. Through the years, scholars have argued whether human resources contribute directly or indirectly to the performance in an organization (Fey, Yakoushev, Park, & Bjorkman, 2007; Katou, 2008; Beh & Loo, 2013). Some of the studies have tended to confirm the findings that a direct link exists between human resources and organizations performance while the divergent views tends to follow Orlando and Johnson's (2001) arguments that human resource need to be mediated by other variables for it to have a positive effect on organizations performance.

The first perspective is aligned to environmental dynamism as the main cause of variations in performance (Teece, 2007; 2014) while the second perspective is based on resources and capabilities (Grant, 2001; Barney, 1991; Wernerfelt, 1984; Eisenhardt & Martin, 2000; Teece; 2014). These mixed perspectives put scholars in a difficult situation when deciding which one to follow. This could also explain for variations in findings of the past studies as documented in strategic management literature.

Muli (2008) on the challenges of strategy implementation in public corporations: a case study of Telkom Kenya Limited, established external challenges such as powerful buyers, powerful suppliers and stiff rivalry from competitors impacted strategy implementation. This study is different from the above in terms of the variables of the study besides the study sought to establish how strategy is affected in the airline industry. Ochanda (2010), in a study on challenges of strategy

implementation at the Kenya Industrial estates limited found out that the challenges experienced by the organization were enhanced by both restrictive regulations and policies under which state corporations operate. In as much as the study looked at policies and regulations that affect state corporations, this study was limited such that it did not include also private owned industrial estates hence this study is a break away such that it would study both state owned and private owned firms to understand the effect of strategy implementation.

2.6 Research Gap

Koske (2003) observes that there are many organizational characteristics, which act to constrain strategy implementation. He identified most challenges as concerning connecting strategy formulation to implementation; resource allocation; match between structure with strategy; linking performance and pay to strategies; and creating a strategy supportive culture.

According to Atkinson (2006), the available literature seems to approach the matter of implementation from a wide range of different disciplines and domains. Strategy implementation has also attracted much less attention in strategic and organisational research than strategy formulation or strategic planning (Aaltonen & Ikävalko, 2002; Hrebiniak, 2006). Many of the recent research publications about strategy implementation have tended to focus on specific perspectives such as leadership, culture, employee buy-in and performance measurement (Pryor *et al.*, 2007). Although most of the research has been done on Kenya airways as a single organization that is Mulei (2011) focused on corporate governance, Mwikya (2013) studied on time service delivery at Kenya airways, kweyu (2010) looked at corporate culture, Irungu (2012) focused on information technology as a result none of this studies took an in-depth analysis on the determinants of strategy implementation on the organization performance of airlines industry in Kenya in both private and public airline organization hence the purpose of this study to fill the gap by studying all airlines in Kenya.

According to Li *et al.* (2008), the subjects of strategy implementation studies are not only state-owned corporations, but mostly private corporations, not only local firms

but also multinational firms. However, there have been no studies showing similarities and differences of strategy implementation among private corporations and state-owned corporations, or among local firms and multinational firms. This study thus provide information on which specific differences exist regarding strategy implementation in these various forms organizations in airline industry.

Most of the existing literature reviewed focused on various industries. The study by Kamande and Orwa (2015) focused on determinants of strategy implementation in the Ministry of land in Thika, while the study by Kibicho, Iravo, and Karanja (2015) concentrated on the determinants of on the determinants of strategy implementation success in insurance industry in Kenya. The study conducted by Bundotich, Nzulwa, and Mburu (2016) was inclined to the determinants of strategy implementation in Agriculture Development Corporation. Finally, the study by Wanjohi and Waiganjo (2015) on the factors influencing strategy implementation in family owned businesses, the case of Nairobi Place Ltd considered the following variables: decision making, succession planning, organization culture and finance allocation. These studies were carried out in different industries operating under diverse regulatory environments in Kenya, hence this study fills the gap by studying strategy implementation in aviation industry in Kenya.

Norman *et al.* (2007) also note that there are few studies assessing the effects the level of regulation has on a firm's actions and performance. Högselius and Kaiser (2010) point out that there are studies on deregulation within economics and political science. However, longitudinal studies from the past decade regarding the theme "strategy development and market liberalization are rare. This study therefore sought to feel this gap by studying the moderating effect on liberalization on aviation industry in strategy implementation in Kenya.

2.7 Summary of Literature Review

The study reviewed the theories which advanced this research and amongst them are: agency theory, human resource-based theory, innovation and knowledge based theory, resource dependency theory, profit-maximizing and competition-based theory and lastly the Haggins Model 8S.

The empirical review of literature indicated that there are numerous contradictory statements as well as untested hypothesis within the existing knowledge of strategic contingency factors which raise questions about the generalizability of certain theories. The review also presented conceptual, contextual and methodological research gaps. The conceptual research gaps were present because some of the reviewed studies did not necessarily use similar variables used by the current study in the same study. Furthermore, contextual research gaps were presented since some of the reviewed studies were conducted in different contexts from the context of the current study. The literature reviewed indicated the need to add more knowledge in the discipline of strategic contingency

Table 2.1: Operationalization of Variables

VARIABLES	DEFINITION	CONSTRUCTS	UNIT OF ANALYSIS AND SCALE OF MEASUREMENT
Organization structure	Chandler 1962: refers to the formal distribution of roles and the administrative mechanisms which facilitate the control and integration of the different activities performed	Ownership, Centralization, Formalization, Departmentalization	Ordinal, Nominal, Interval Measures of central tendency, mean, mode and median Probit Regression Analysis
Human capital Development	Are the factors that affect an individual's productivity in knowledge and skills attained over his/her career (Krebs 2007).	Reward Training, Capacity Experience Skills, Team Building,	Ordinal, Nominal, Interval Measures of central tendency, mean, mode and median Probit Regression Analysis
Innovation	Innovation in management has been viewed as new structure to manage the technological innovation process; intended to improve technological and product innovations (Hargadon, 2003).	Research & Devpt, Brands, Knowledge Transfer, new product, knowledge, product improvement	Ordinal, Nominal, Interval Measures of central tendency, mean, mode and median Probit Regression Analysis
Strategic Alliances	They are cooperative strategies in which firms combine some of their resources to create competitive advantages (Uddin & Akhter, 2011).	Agreements, Routes Expansion, Market information, Ticket Distribution channels	Ordinal, Nominal, Interval Measures of central tendency, mean, mode and median Probit Regression Analysis
Organizational Resources	Resources are inputs into the production process; they include items of capital equipment, skills of individual employees, patents, brand names, and finance, (Grant, 1991).	Finances, Physical, Human, Technology,	Ordinal, Nominal, Interval Measures of central tendency, mean, mode and median Probit Regression Analysis
Liberalization Policy	Partial or complete reduction of administrative-economic pressure on the subjects of a certain economic activity Heath & Mobarak, 2014).	Tariffs, Regulatory bodies IATA.AFRAA Laws	Measures of central tendency, mean, mode and median
Organization Performance	Is the measure of the extent to which a business generates profits from the factors of production. It is therefore the excess revenue over the firm total costs obtained by matching revenues with the expenses incurred.	Government protection Return of Investments Return on Assets Gross Profit Net Profit Customer Satisfaction	Ordinal, Nominal, Interval

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on the research methodology by anchoring the study on the research philosophy and paradigm, with focus on research design, target population, sampling process sample size, data collection and analysis. It is through the research methodology that we can understand the relationship that exists between the variables and also it provides the basis through which a justification of the research outcome is determined.

3.2 Research Philosophy

This study is approached from a positivism philosophy point of view. According to Johnson and Christensen (2005), research paradigm is a perspective that is based on the set of shared assumptions, values, concepts and practices. In other word, paradigm can be defined as a function of how researcher thinks about the development of knowledge.

Positivism philosophy is based upon the highly structured methodology to enable generalization and quantifiable observations and evaluate the result with the help of statistical methods. Positivism philosophy is commonly used in natural science and it is a critical and objective base method (Sundars, 2003). Hanson (2008) adds that according to the school of thought, the researcher and the subjects were independent. Thus, the researcher upheld objectivity by remaining neutral to prevent values and biasness from influencing outcome. This study achieved this by applying scientific research approaches from sampling to analysis and interpretation.

The researcher collected all the facts and figures that are associated with the research issue through general sources. According to Sundars (2003), in this research philosophy the role of researcher is very important for the study. He stated that in positivism philosophy the researcher plays role of an objective analyst to evaluate the

collected data and produces an appropriate result in order to achieve research aims and objectives. The positivist approach in the study of (Aliyu, Bello, Kasim, & Martin, 2014) emphasizes that genuine, real and factual happening are studied and observed scientifically explaining through rational investigation and analysis.

3.3 Research Design

Different scholars have defined research design differently and according to Orodho, (2003), he defined it as the scheme, outline or plan through which answers to research problems are generated. Kothari (2003) regarded a research design as an arrangement of conditions for collection of data and analysis of data in a manner that aims to combine relevance with the purpose of the research. Thus it contains a blueprint for the collection, measurement and analysis of data. Chandran (2004) viewed research design as how data is collected and analyzed in a structured manner in order to meet the objectives of the research through empirical evidence.

This research integrated and used descriptive research design. The purpose of descriptive research is to describe the state of affairs as it exists where the researcher seek to report the finding (Kombo & Tromp, 2006). Descriptive studies are not only restricted to fact findings, but may be used in the formulation of important principles of knowledge and solution to significant problems. Descriptive survey is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals (Orodho, 2003). It can be used when collecting information about people's attitudes, opinions, habits or social issues (Orodho & Kombo, 2002), and it is concerned with specific predictions, with narrations of facts and characteristics concerning individuals, groups or situations (Kothari, 2006).

The research descriptive design is important because it provides avenue for the researcher to focus on; specifying objectives with sufficient precision to ensure that relevant data is collected, designing methods for data collection and using the right techniques for collecting the information such as the use of observation, interviews, examination of records, and use of questionnaires, use of the correct sample, collecting of data and processing to ensure that errors are omitted and lastly to communicate the data and facts finding in an efficient manner in order to ensure

minimization of bias and maximization of reliability of the evidence collected (Kothari, 2006).

This study used both the census and descriptive mode of study as evident in the research conducted by Nderu (2013), on Influence of Survival Strategies on the Organizational Performance of Kenya Airways and Irene, (2012), on the Influence of Information and Communication Technology on Performance of Aviation Industry - A Case Of Kenya Airways Ltd.

3.4 Population

A population is a group of individuals, objects or items from which the samples are taken for measurement, they have one common thing and they provide more information about the study population for instance the demographics such as the age, gender, and class (Kombo & Tromp, 2006). According to Sekaran (2006), described population as a well-defined collection of individuals or objects known to have similar characteristics in display, while Castilo, (2009) defined population as a large collection of individuals or objects that form the main focus and basis for scientific query through which a research is done. A population is termed either as finite if it consists of a fixed number of elements such that it is possible to enumerate it in its totality and it is represented by the symbol N, or a population is termed as infinite if theoretically it is impossible to observe all the elements (Kothari, 2004). The population of the study was all the registered 13 local airline companies in the aviation industry in Kenya (Maina, 2014; Oxford Economics, 2011).

The target population refers to the group of individual or objects to which the research is interested in generalizing conclusion; it is the specific pool of cases for the purpose of study (Neuman, 2006). In this regard the unit of observation for the current study was the managers (top, middle and lower) from whom data was collected. The appropriate unit of analysis (major entity that is being analyzed) was the entire 13 local airline companies in the aviation industry.

3.5 Sampling Frame

This refers to a list containing all such sampling elementary units or group or clusters that form the basis for the sampling process (Kothari, 2004). The published list provides a set of direction for identifying a population according to (Gall, Gall & Borg, 2007). The study's sampling framework was derived from the departments of the organization that is; Finance, information systems, commercial, Technical, Human resource and administration, flight operations and ground services. The study was carried out from the top, middle and lower cadre of management from each department from all the airlines.

3.6 Sample and Sampling Techniques

A sample is finite part of a statistical population whose properties are studied to gain information about the whole (Webster, 1985). Where people are involved; it can be defined as a set of respondents (people) selected from a larger population for the purpose of the survey (Kombo & Tromp, 2006). A sample should always be truly representative of population characteristics without any bias so that the results may be valid and reliable (Kothari, 2004).

Sampling is a process of selecting a number of individuals or objects from a population such that the selected group contains elements representative of the characteristics found in the entire group (Orodho & Kombo, 2002). It may also be viewed as the selection of some part of an aggregate or totality on the basis of which judgment or inference about the aggregate or totality is made, that is, it is the process of obtaining information about an entire population by examining only a part of it (Kothari, 2004).

One principle of determining the sample size is that the smaller the population, the bigger the sampling ration has to be to ensure accurate sample in order to yield good results, for moderately larger samples of population for instance (10,000), a smaller sampling ration is needed about 10 percent is needed to be equally accurate, or a sample size of 1000 for populations that are over 150,000. Larger samples are usually needed because they help to give highly accurate information as a true

representation of data whereas smaller sample are sufficient when less accuracy is acceptable, and is used when the population is homogenous and only few variables are being examined at a time (Neuman, 2006). The sample size of this study was calculated from the Slovin's formula given as:

$$n = N / [1 + N(e)^2]$$

Where:

n = The sample size

N = Total population

e = Error tolerance

Since the study population (N) is 850. Error of tolerance will be 0.05. Thus the sample size was determined as shown below:

$$n = 850 / [1 + 850(0.05)^2] = 273.$$

The study used random sampling technique where the elements of the population each had a probability of being selected from the sample constrained to include elements from each of the segment (Cooper & Schindler, 2006).

Table 3.1: The sample size and distribution for Airlines

Dept Stratum	Population	(sample a% of nf)
CEO	13	273(13/850) 4
HR	80	26
Finance	130	42
Technical	110	35
Flight operations	140	45
Information system	70	22
Ground Handling	170	55
Commercial	137	44
Total	850	273

Adapted from airline websites, institutional strategic plans

3.7 Data Collection and Research Instruments

This refers to the gathering of specific information for the purpose of either accepting or refuting some facts under study. It is an important step in a research because through it new ideas are stimulated related to the research, new awareness is created of topic under study, and it provides ways to evaluate the responsiveness and effectiveness of the study. The research used both the primary source of data by carrying out interviews and questionnaires to respondents to solicit for information, also secondary source of data was used that is from electronically stored information from Kenya airlines websites, financial statements, information from the International Air Travel Association (IATA), Kenya Civil Aviation authority, Kenya's Parliamentary Senatorial Enquiry Report and information from journals. The use of secondary source of data is that it is available more cheaply, the existing data is readily available in a convenient way and form, hence saves on time because of the availability of pre-processed data (Kombo & Tromp, 2006). The study used both the dichotomous and Likert scales to collect data this is because it is easy to construct, it is more reliable and it provides a greater volume of data than many other scales (Cooper & Schindler, 2006).

The Primary Data Primary data as stated by Kothari (2004) is the data collected a fresh for the first time while secondary data is that data that has already been collected and passed through statistical process. Andre (2014) explains that primary data is data that is used for a scientific purpose for which it was collected. The study collected both primary and secondary data. Primary data was collected using questionnaires.

Semi-structured questionnaires were used to collect primary data from the managers. In order to ensure uniformity in responses and to encourage participation, the questionnaires were kept short and structured to cover multiple-choice selections in a likert scale. The questionnaires were preferred in this study because respondents included in the study are literate and able to answer questions asked adequately. As stated by Mugenda and Mugenda (2003), questionnaires are used commonly to obtain detailed information about a population under study.

Secondary Data Secondary data was collected from aviation reports and financial statements that has been collected and tabulated through graphs, charts and reports. This type of data was collected from reference materials, which had key information and are helpful to this research study Collection of secondary data was obtained through desk research, which was either from internal or external sources. The external sources include publication press, annual financial reports, libraries, and various research related organizations.

The research instruments used in a study include the: questionnaires and observations. The study employed the use of questionnaires; this is because they provide confidentiality, and an avenue through which information can be collected from a large sample and from diverse regions (Kombo & Tromp, 2006). The research used both the structured and unstructured questionnaire. The advantage of using structured questionnaire is that it is simple to administer and relatively inexpensive to analyze, also it helps to provide an understanding of meaning as related to the question of the research clearly, while the advantage of unstructured questionnaire is that it helps to probe when a problem is first being explored and working hypothesis being sort (Kothari, 2004; Neuman, 2006).

More so the research employed the use interviews in order to seek clarity of answers from the respondents. There are different forms of interviews and they include; a) unstructured interviews, this is where a researcher may use some topical lists as reminder, but there is no control over the order of topics and over respondent answers. This mode of interview is relevant because it helps the respondent to open up to provide answers to the questions. b) Semi-structured interview is based on the interview guide and includes list of topics and questions to be covered, and it can either be focused interviews, or it can be case studies interviews that intensively investigates a particular topic and collects comprehensive systematic and in depth information about a particular case at hand. c) Structured interviews is where the respondents are subjected to a similar question and this use of interview is important because it helps to provide systematic, reliable in depth information about a particular case of study and more it helps to quantify the data collected (Kombo & Tromp, 2006).

3.8 Pilot Testing

Pilot test was done to the instruments to measure their test of goodness. Item analysis was done to ensure that the items belong to their rightful place in the instruments. In order to achieve these, the researcher used the test of validity and reliability.

3.8.1 Validity

Validity is the measure of how well a test measures what it is supposed to measure (Kombo & Tromp, 2006). It is a test of how well a developed instrument measures the particular concept that it is intended to measure (Sekaran & Bougie, 2009). In other words validity suggests truthfulness and it suggests how well an idea an idea relates with the actual reality, that is it addresses the question of how well the social reality being measured through the research matches with the constructs researchers use to understand it (Neuman, 2006).

The study used the content validity to ensure that there is adequate representation of the items that tap the concept being measured. One way to achieve this criterion according to Kidder and Judd (1986) is to have a panel of judges to attest the content validity hence for the purpose of this research, this was achieved by having professional lecturers in the strategic management field validate the items to ensure they are of validity to the instruments hence the face validity was used by experts. As a result this criterion helped the research to be relevant (because it contained the proper measure), free from bias (because each subject was given an opportunity to score well), and lastly it was reliable and available (Kothari, 2004).

Mugenda and Mugenda (2009) states that the number of cases (or sample size) for a pilot study may range between 1% and 10% of the sample size. Similarly, Kothari (2009) and Sekaran (2006) recommend a 1% sample size for a pilot study. In view of these suggestions, the current study used 27 respondents for the pilot test. This sample size of the pilot test is 10% and according to the recommendations of Mugenda and Mugenda (2009) is within the recommended range and thus sufficient.

3.8.2 Reliability

Reliability test was used to ensure that the instruments were correct. Reliability is the extent to which an instrument measures the concept without bias by ensuring consistency across time and across various items in the instrument hence it helps to assess the “goodness” of measure (Sekaran & Bougie, 2009). A measuring instrument is reliable if it provides consistent results. The stability aspect of the instrument will be realized by repeatedly measuring the same person with the same instruments in order to secure consistent results and by comparing the results altogether (Kothari, 2004). The study also used the representative reliability in order to ensure reliability across the subpopulation or groups of people. An indicator is said to have a higher representative reliability if it provides the same results for a construct when applied to different subpopulations (races, sexes, age social class) according to (Neuman, 2006).

This study used the collaborative pretest where by colleagues and peers provided response to the questionnaires in order to enhance the value of the items in the instruments of research as a result the use of the pretest helped this study to achieve and create interest to the participants by eliminating redundancy, and to ensure continuity and flow of items in a logical sequence, more so it provided an avenue through which language framework was modified and adopted to ensure relevance of meaning to evoke the responses relevant to the frame of reference (Cooper & Schindler, 2008) for the concept under study. More so the study used the Cronbach’s alpha (α) formula to test the reliability of the items, that is $\alpha = k/k-1 * (1 - \Sigma(s^2) / \Sigma s^2 \text{sum})$, whereby α = Cronbach’s alpha, k = Number of responses, $\Sigma s^2 \text{sum}$ = variance of summed up scores and $\Sigma(s^2)$ = Variance of individual items summed up. Below, for conceptual purposes, the formula for the standardized Cronbach's alpha:

$$\alpha = \frac{N \cdot \bar{c}}{\bar{v} + (N - 1) \cdot \bar{c}}$$

Thus N is equal to the number of items, c -bar is the average inter-item covariance among the items and v -bar equals the average variance. The test of internal

consistency that is 0.70 was reliable (Katou, 2008; Cronbanch's, 1951; Ritter, 2010) for purpose of this study.

3.9 Data Analysis and Presentation

Content analysis is a process for systematically analyzing messages in any type of communication and it lies at the crossroads of qualitative and quantitative research analysis (Kondrack *et al.*, 2002). The study analyzed words, phrases, theories, topics, concepts and code raw messages, this process provided for easier of identification, indexing or retrieval of content relevant to research question. Both the deductive, inductive method of analysis was used to understand latent meaning of constructs and word.

The process of data analysis involved data clean up and explanation: Editing of questionnaires to ensure that they are accurate, relevant and uniformly answered by the respondents. Coding was used to assign symbols in order to generate classes for answers received in order to facilitate tabulation. Classification of helped to ensure that data is arranged under common characteristics through which items and their attributes were analyzed. Frequency tables, percentages and charts were used to present the findings. Responses in the questionnaires were tabulated, coded and processed by use of a computer Statistical Package for Social Science (SPSS) version 20.0 programme to analyze the data. The responses from the open-ended questions were listed to obtain proportions appropriately; the response were then be reported by descriptive narrative. Qualitative information in all the interviews guides and observations were transcribed and reported in narrative reports. Tabulation of data was done by ensuring that the raw data is displayed in a compact form with descriptive analysis (mode Median, Mean and Standard deviation). This data was derived from questionnaires to test the qualitative answers provided (Kothari, 2004).

3.10 Tools of Analysis

3.10.1 Regression Model

The regression was used in order to measure the direction and size of the effect of independent variable on a dependent variable (Neuman, 2006). These is represented as $Y_i = \beta_i + \beta_1 X_{1i} + \beta_2 X_{2i} + \beta_3 X_{3i} + \beta_4 X_{4i} + \beta_5 X_{5i} + \mu_i$. The Y value represents the output that is profitability in aviation Industry, the $\beta_1 X_{1i}$, $\beta_2 X_{2i}$, $\beta_3 X_{3i}$, $\beta_4 X_{4i}$, $\beta_5 X_{5i}$ represents the coefficients values of the independent variables of management structure, human capital development, innovation and knowledge, strategic alliances and organizational resources in the aviation industry. Besides Probit regression was used to test hypothesis to indicate whether the individual hypothesis is statistically significant or not. The rule of the thumb is, if P-Value < 0.05 then the β was considered to have a significant influence on Y. Therefore H_0 will be rejected (Cooper & Schindler, 2008).

Moderator

Hence, the measurement of independent variable X on dependent variable Y and variable L shows the effect of moderation. When the moderator variable L enters the model, the moderation of L is modeled in the regression equation as follows:

$$Y_i = \beta_0 + \beta_4 X_{4i} + \beta_5 L_i + \beta_5 L_i * X_{4i}$$

The regression coefficient β_5 measures the interaction effect between independent variable X and moderating variable L. Note that the regression coefficient β_4 measures the simple effects of X when the value of L = 0 (no interaction effects involved). Then, the test of moderation was operationalized by the product term $\beta_5 L_i * X_{4i}$ (the multiplication between independent variable X and moderator variable L).

Multivariate regression is a technique that estimates a single regression model with more than one outcome variable and was used to analyze the moderating effect of liberalization policy in the relationship between strategy implementation and performance of firms in aviation industry in Kenya as shown below:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 L_t + \beta_7 X_{1t} * L_t + \beta_8 X_{2t} * L_t + \beta_9 X_{3t} * L_t + \beta_{10} X_{4t} * L_t + \beta_{11} X_{5t} * L_t + \epsilon_t$$

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_6 L_t + \beta_7 X_{1t} * L_t + \epsilon_t; \dots\dots\dots(ii)$$

$$Y_t = \beta_0 + \beta_2 X_{2t} + \beta_6 L_t + \beta_8 X_{2t} * L_t + \epsilon_t ; \dots\dots\dots(iii)$$

$$Y_t = \beta_0 + \beta_3 X_{3t} + \beta_6 L_t + \beta_9 X_{3t} * L_t + \epsilon_t \dots\dots\dots (iv)$$

$$Y_t = \beta_0 + \beta_4 X_{4t} + \beta_6 L_t + \beta_{10} X_{4t} * L_t + \epsilon_t \dots\dots\dots (v)$$

$$Y_t = \beta_0 + \beta_5 X_{5t} + \beta_6 L_t + \beta_{11} X_{5t} * L_t + \epsilon_t \dots\dots\dots (iv)$$

Where;

Y_t = Dependent Variable (Performance of Aviation industry) for period t

β_0 , is regression constant (Y intercept)

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 are coefficients of independent variables

X_{1t} is organizational structure for period t

X_{2t} is human capital development for period t

X_{3t} is organizational innovation for period t

X_{4t} is Strategic Alliances for period t

X_{5t} is organizational resources for period t

L_t is liberalization policy (moderating variable)

$\beta_7 X_{1t} * L_t$ is interaction of liberalization policy and organizational structure for period t

$\beta_8 X_{2t} * L_t$ is interaction of liberalization policy and human capital development for period t

$\beta_{5L_t \times X_3t}$ is interaction of liberalization policy and innovation for period t

$\beta_{5L_t \times X_4t}$ is interaction of liberalization policy and Strategic Alliances for period t

$\beta_{6L_t \times X_5t}$ is interaction of liberalization policy and organizational Resources for period t

L_t is Liberalization (moderating variable) for period t

ϵ_t is the error term for period t

3.10.2 Bartlett's Sphericity Test

The Bartlett's test compares the observed correlation matrix to the identity matrix. It is a statistic test used to examine the hypothesis that the variables are uncorrelated in the population (Greenberg, 1980). In other words, the population correlation matrix is an identity matrix; each variable correlates perfectly with itself ($r = 1$) but has no correlation with the other variables ($r = 0$). In other words, it checks if there is a certain redundancy between the variables that we can summarize with a few number of factors. If the variables are perfectly correlated, only one factor is sufficient. If they are orthogonal, we need as many factors as variables. In study, the correlation matrix is the same as the identity matrix. A simple strategy was to visualize the correlation matrix. If the values outside the main diagonal are often high (in absolute value), some variables are correlated; In order to measure the overall relation between the variables, we computed the determinant of the correlation matrix $|R|$. Under H_0 , $|R| = 1$; if the variables are highly correlated, we have $|R|$. The Bartlett's test statistic indicates to what extent we deviate from the reference situation $|R| = 1$. (Finney & Stevens, 1948).

3.10.3 KMO Measure of Sampling Adequacy (MSA)

The study used the Kaiser-Meyer-Olkin measure of sampling adequacy to test whether the partial correlations among items are small. The correlation matrix was used as the starting point; this is because we had the variables are more or less correlated, and that the correlation between two variables can be influenced by the

others. The study used the partial correlation in order to measure the relation between two variables by removing the effect of the remaining variables. The KMO index compares the values of correlations between variables; a commonly used rule is that there should be at least three variables per factor according to (Agresti, 1990).

3.10.4 Probit Analysis

Is a specialized regression model of binomial response variables. It assumed that the relationship between number responding (not percent response) and concentration is normally distributed (Cox, 1970). Probit analysis was used for this study due to the need to analyze qualitative (dichotomous or polytomous) dependent variables within the regression framework. Many responses in the questionnaire were variables that were binary by nature (yes/no), while others were measured ordinally rather than continuously (degree of severity) (Collett, 1991; Agresti, 1990).

3.10.5 Correlation Analysis

This measures the strength of the effect on the variables; that is, how well changes in one variable can be predicted by changes in another variable. In a correlation analysis framework, a moderator effect is a third variable of the zero-order correlation and the other two variables. Pearson's coefficient of correlation denoted by (r), was used to analyze the data by showing the degree and direction of correlation denoted by ($-1 \leq r \leq +1$). Where, the degree of change was indicated by the negative (-ve) and positive (+ve). Values close to ± 1 indicates a high degree of positive and negative correlations respectively.

3.10.6 Analysis of Variance (ANOVA)

According to Wichura (2006) variations in data were decomposed by use of Analysis of variance (ANOVA). ANOVA is a collection of statistical models used to analyze the differences between group means and their associated procedures (such as "variation" among and between groups). In ANOVA setting, the observed variance in a particular variable is partitioned into components attributable to different sources of variation. In its simplest form, ANOVA provides a statistical test of whether or

not the means of several groups are equal, and therefore generalizes the t -test to more than two groups. ANOVAs are useful in comparing (testing) three or more means (groups or variables) for statistical significance which is found in multivariate data (Gelman, 2008).

3.10.7 Data Analysis and Presentation

Data was presented in various forms. A frequency distribution table was used to summarize categorical or numerical data. A frequency table is a table showing how often each value of the variable occurs in a data set (Orodho, 2004). Frequencies and percentages were also used to present the data. Frequency distribution tables are the devices that are used to present the data in a simple form. The tables were numbered and a title given to every table. Other methods used to present the data are bar charts and pie charts that were used in the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data collected, the findings, analysis and interpretation of the output. The general objective of the study was to establish the determinants of strategy implementation on the organization performance of airlines industry in Kenya.

The study was guided by the following research objectives: to establish the extent of which organization structure, human capital development, Innovation, strategic alliances, organizational resources and liberalization/ deregulation policy determines the relationship between strategy implementation and organization performance of aviation industry in Kenya.

4.2 Response Rate

The number of questionnaires, administered to all the respondents, was 273 from the sample size, 200 returned their questionnaire representing 73.26% response rate which was statistically acceptable for generalization. The results are indicated in the following Table 4.1.

Table 4.1: Response Rate

Category	Target Respondents	Response	Response Rate (%)
Respondents	273	200	73.26
Total	273	200	73.26

Visser, Krosnick, Marquette and Curtin (1996) showed that surveys with lower response rates (near 20%) yielded more accurate measurements than did surveys with higher response rates (near 60 or 70%). Keeter *et al.* (2006) compared results of a 5-day survey employing the Pew Research Center's usual methodology (with a 25% response rate) with results from a more rigorous survey conducted over a much

longer field period and achieving a higher response rate of 50%. Nevertheless, in spite of these recent research studies, a higher response rate is preferable because the missing data is not random. There is no satisfactory statistical solution to deal with missing data that may not be random. Assuming an extreme bias in the responders is one suggested method of dealing with low survey response rates. A high response rate (>80%) from a small, random sample is preferable to a low response rate from a large sample. Mugenda and Mugenda (2003) termed 50% response rate as adequate, 60% as good and 70% and above as very good. Therefore the response rate of 73.26% makes the data collected from the field more representative enough to answer the research objectives. This implies that the study was well represented and can be used for generalization of the study.

4.3 Reliability Tests

Using Cronbach's Coefficient Alpha test on profitable opportunities, a coefficient of 0.720 was found as shown in the Table 4.2 below. Saunders, Lewis and Thornhill (2009) and Christensen, Johnson and Turner (2011) stated that scales of 0.7 and above, indicate satisfactory reliability. Based on these recommendations, the statements under the profitable opportunities variable of this study were concluded to have adequate internal consistency, therefore, reliable for the analysis and generalization on the population.

Table 4.2: Reliability Test for Organization performance

Variables	No. of Items	Cronbach Alphas	Comment
Organization Structure	5	0.714	Accepted
Human Capital Development	4	0.701	Accepted
Innovation-Knowledge	4	0.769	Accepted
Strategic Alliances	5	0.761	Accepted
Organizational Resources	4	0.703	Accepted
Liberalization	3	0.733	Accepted
Performance	5	0.771	Accepted

The Cronbach alpha result for each variable was found to be above the lower limit of acceptability, that is, above 0.70. More specifically from the above table, organization Structure $\alpha=0.714$, Human Capital Development $\alpha=0.70$, Innovation and knowledge $\alpha=0.769$, Strategic Alliances $\alpha=0.761$, Organizational Resources $\alpha=0.703$, Liberalization $\alpha=0.733$ and Performance $\alpha=0.77$. These Cronbach alpha results greater than $\alpha = 0.70$ indicate good internal consistency among the items. The above Cronbach results agrees with Kline (1999) who noted that Cronbach alpha of 0.8 is ideal for reliability of cognitive surveys but when dealing with psychological and behavioral constraints, a value below 0.7 is realistically expected because of the diversity of constructs being measured. This implies that the measuring tools and tests were reliable and verifiable.

4.3.1 KMO Sampling and Bartlett's Test

To examine whether the data collected was adequate and appropriate for inferential statistical tests such as the factor analysis, regression analysis and other statistical tests were performed namely; Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Barlett's Test of Sphericity. For a data set to be regarded as adequate and appropriate for statistical analysis, the value of KMO should be greater than 0.5 (Field, 2000).

Findings in Table 4.3 showed that the KMO statistic was 0.710 which was significantly high; that is greater than the critical level of significance of the test which was set at 0.5 (Field, 2000). In addition to the KMO test, the Bartlett's Test of Sphericity was also highly significant (Chi-square = 480.595 with 17 degree of freedom, at $p < 0.05$). The results of the KMO and Bartlett's Test are summarized in Table 4.3. These results provide an excellent justification for further statistical analysis to be conducted.

Table 4.3: KMO Sampling Adequacy and Bartlett's Sphericity Tests

Kaiser-Meyer-Olkin Measure	0.710
Bartlett's Chi- Square	480.595
Bartlett's df	17
Bartlett's Sig.	0

4.4 Demographic Information

4.4.1 Age of Respondents

The table 4.4 shows the distribution of age on the study. The age was distributed into four clusters. The findings show that 59% of the respondents were aged between 46 to 55 years, 13.5% have their ages between 56 to 65 years, and 27.5% were aged between 36 to 45 years. This shows that many employees in the airlines industry are between 46 to 55 years, which implies great experience and competence in the airlines industry and also they would provide relevant feedback on questionnaire.

Table 4.4: Age Variety of Respondents

Age	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 46-55	118	59.0	59.0	72.5
56-65	27	13.5	59.0	13.5
36-45	55	27.5	27.5	100.0
Total	200	100.0	100.0	

The findings on Table 4.4 show that the airline industry has employees that cater across all the generations in terms of the age groups. Due to the complexity of leading in today's dynamic and fast paced global economy, leadership is unlikely to be the exclusive domain of a single individual. The study agrees with that of Ernst,

(2000) that mixing of cross-generations is also due to the increase of flattened organizational structures where the boundaries that once separated staff are now more fluid. The findings by Kabacoff and Stoffey (2012) reveal that younger unit managers higher on overall effectiveness were rated higher than older unit managers on performances. However, the study contradicts that of Muijanack, Vroonhof and Zoetmer (2003) who suggested that the optimum age for entrepreneurs was 25-35 years because of their flexibility in movement. Age group differences in overall effectiveness ratings for senior executives were more pronounced than for unit managers. This is suggestive that in today's organizations, both older and younger leaders are likely to work together in team oriented structure hence there is need to understand the strengths and weaknesses each group brings to future success.

4.4.2 Gender of the Respondents

Further, the study sought to establish the composition of the respondents in terms of gender. From the table 4.5 it is evident that there are more male employees who make 57.5% of the respondents than their female counterparts who make up to 42.5% of the respondents.

Table 4.5: Gender distribution of Respondents

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	115	57.5	57.5	57.5
	Female	85	42.5	42.5	100.0
Total		200	100.0	100.0	

Adams and Ferreira (2009) looked at the impact of greater gender diversity on 1,939 US stocks between 1996 and 2003. Their data showed positive gender diversity effects. However, when they used two different techniques to handle reverse causation, they found statistically significant negative effects on profits and stock

value following the appointment of women to the board. According to Felton, Gibson and Sanbonmats (2003), they demonstrated that particularly optimistic men added to investment volatility: their portfolio performance was more likely to be extreme, whether great or extremely poor. Meanwhile, the same result did not hold true for women: there was no difference in investment style between more or less optimistic women. This could be suggestive that employees who are male are risk takers and sometimes these risks when not carefully planned lead to losses of the organization leading to reduced profits.

4.4.3 Level of Education

This study focused on the education levels of the employees in the airlines industry in Kenya. The figure 4.1 shows that 25% have college Diplomas, 26% are degree qualified, while the rest, who make up to 39% have got masters. This is a clear indication that most of the staff in the airlines industry are learned and able to respond appropriately to research questionnaire.

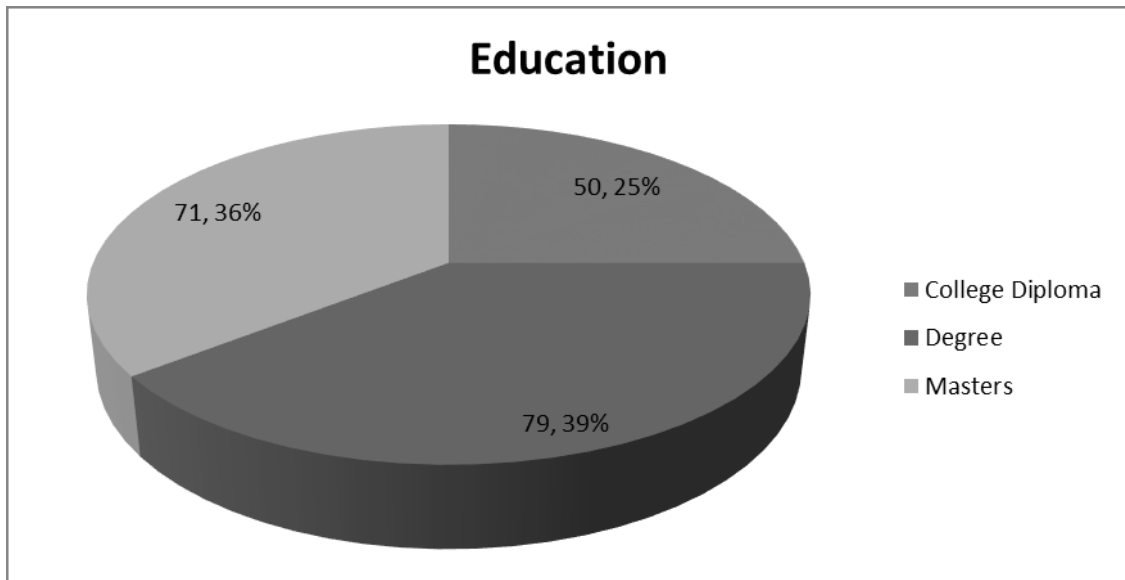


Figure 4.1: Education level of Respondents

The level of education and qualification plays an important role in the management of the airlines. The finding is suggestive of the importance of education to managers because as a service industry the managers need a thorough understanding of the

environment and the volatility of the market this will facilitate their sound decisions making process in the airline operations. Jenatabadi (2015) noted that academic education background of top manager in Iran airlines is able to help them to control and increase some performance like revenue passenger kilometer and operational profit. However, this effective is indirect. It means that top manager with lower academic education is better than the higher educational top managers to help them for making good decision for optimize the financial performance. Academic education, management experience and non-management experience were significantly effective on revenue passenger kilometer. Revenue passenger kilometer is one of the financial performances, as result experience should be the best factor for top manager of Iran airline industry position.

4.5 Descriptive Analysis on Independent and Dependent Variables

4.5.1. Airline Ownership Structure

The study found out that most airlines in Kenya are owned by private individuals, this making 51.5% of the respondents, 38% were owned by the public while the rest 10.5% came from airlines that are owned by private partners.

Table 4.6: Composition of Organization Ownership Structure

Organization ownership		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public	76	38.0	38.0	38.0
	Private (individual)	103	51.5	51.5	89.5
	Private (partnership)	21	10.5	10.5	100.0
	Total	200	100.0	100.0	

The results of table 4.6 can be corroborated on the performance of other studies that have been contacted by other researchers. Most studies have found that state-owned firms do not better serve the public interest (Grossman & Krueger, 1993) and, in fact,

that state-owned firms are typically extremely inefficient (Boycko, Schleifer, & Vishny, 1995); (Dewenter & Malatesta, 2001). The conclusion from these studies is generally that state-owned companies' disregard of social objectives combined with their extreme inefficiency is inconsistent with the idea that state ownership can lead to performance efficiency that profit maximizing privately-owned firms cannot achieve. The benefit of being a private organization is that since the government has very limited control on their management in terms of planning for the routes of the flights. Hence they can plan in such a way that they can maximize load factors according to (Jenatabadi & Ismail, 2007), whereas the study by Scheraga (2004); Carney and Dostaler (2006); Barros and Peypoch (2009); Sjogren and Soderberg (2011). The authors argued that what matters in ownership types is not who owned the airlines but rather the operational objective holds by the managers (treat the airline as a company) and the identity as well as the interest of the owner which are more important in determining sustained performance of an airline company. These implies that most airlines are privately and no-state owned.

4.5.2 Organization structure and airline Performance

The Figure 4.2 shows the organization effect on the performance of the airlines. 99(50%) respondents suggested that management affects the airlines performance to ranges of between 0-5 percent, 61(30%) suggested that it relatively affects performance by between 10-20%, while 40(20%) suggested that it greatly affects performance by more than 20%.

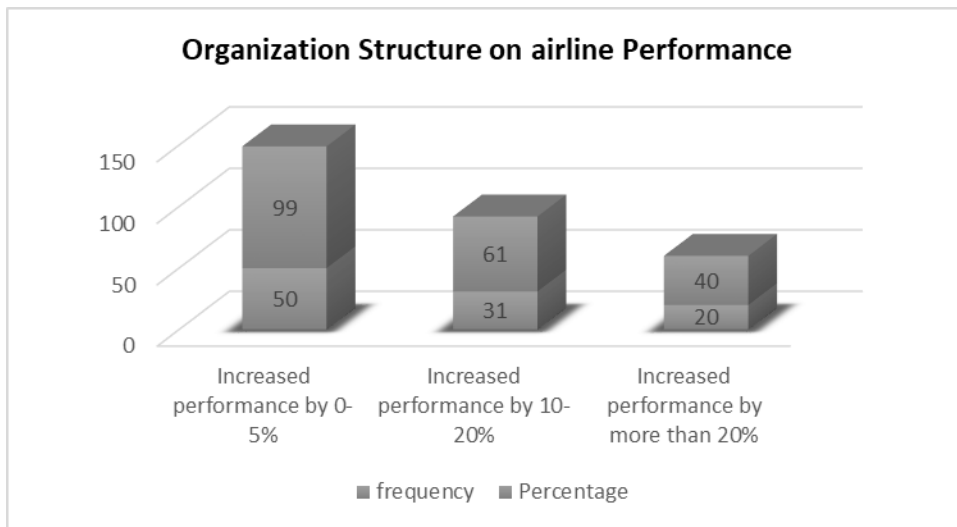


Figure 4.2: Organization Structure on Performance

Organizational structure does not directly influence firm performance but how contingent it is ultimately influences the performance of firms because contingencies directly influence costs and revenues (Eriksen, 2006). Naziri (2012) in his research concluded that there is a weak inverse significant relationship between organizational structure and organizational entrepreneurship. Khalifasoltani (2008) suggests that there is meaningful relationship between structure, complexity, formalization, concentration and entrepreneurship. These implies that all airlines have organization structure but the degree and functionality differ from airline to airline and their contribution though significant is indirect to performance.

4.5.3 Airlines have a Specialized Organization Structure

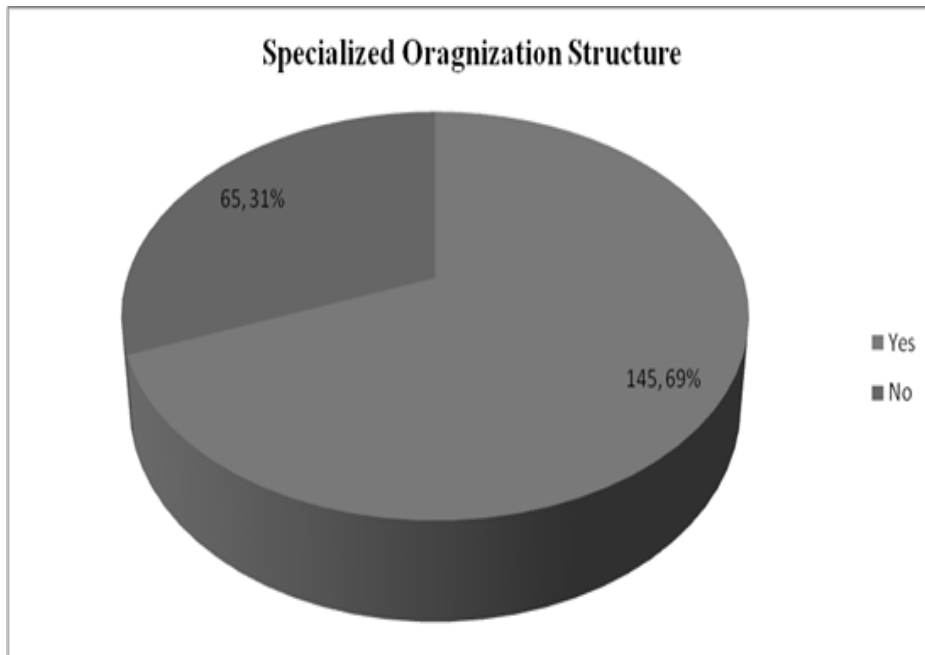


Figure 4.3: Specialized Organization structure

The figure 4.3 shows the respondents response in regard to the specialized organizational structures within the airlines. Majority, 145(69%) stated that their airlines have a specialized organization structure, while the rest who make 65(31%) mentioned that their airlines did not have a specialized organization structures in place. The results show that there exist positive and significant relationships between specialization structure and the measures of strategy implementation. The findings may be explained by the fact that specialization leads to faster decision making (Atieno & Juma, 2015; Ibrahim *et al.*, 2012). These findings were in harmony with Basol and Dogerlioglu (2014); grant (1996) who submits that specialization enhances the ability of a specific employee or group of employees to acquire expertise on a particular job, hence, enhancing their productivity and total output.

4.5.4 Specialized Organization Structure influence on Performance

The study sought to establish the nature and kind of organization structures within the airlines, and how they affect performance. The figure 4.4 shows the respondents outcome and their measurement and how it affects the studies.

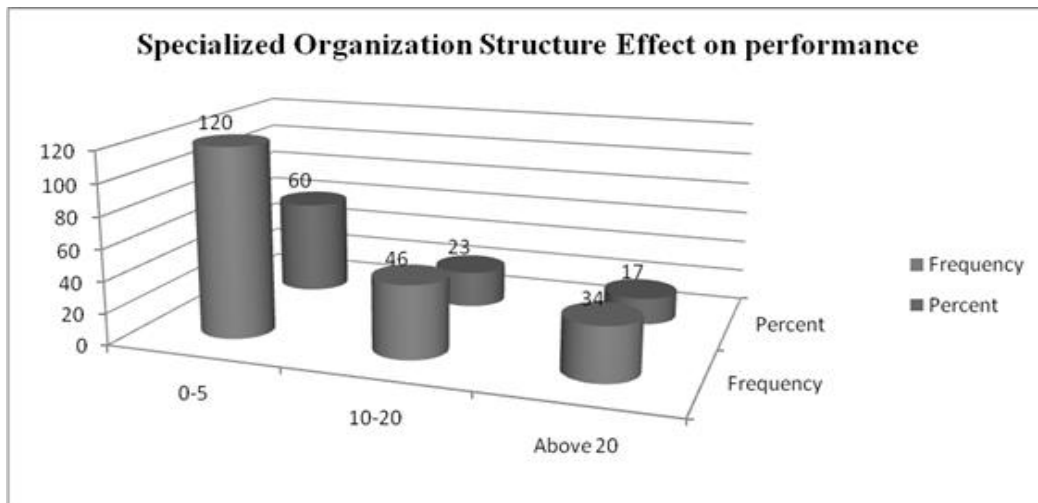


Figure 4.4: Specialized Organization structure effect on Performance

The figure 4.4 shows the study results on the effect of a specialized organizational structure on the performance of the airlines. The study results indicate that many, 49% of the respondents stated that a specialized organization structure improves the airlines performance by between 0-5%, 64 respondents who make 32% of total respondents stated that the specialized organizational structure helps improve the performance of the airlines by between 10-20%, while the remaining 36, who compose 19% of respondents, stated that a specialized organizational structure improves performance by more than 20%. The results show that there exist positive and significant relationships between specialization structure and the measures of strategy implementation. The findings may be explained by the fact that specialization leads to faster decision making (Atieno & Juma, 2015; Ibrahim *et al.*, 2012). These findings were in harmony with Basol and Dogerlioglu (2014) and grant (1996) who submits that specialization enhances the ability of a specific employee or group of employees to acquire expertise on a particular job, hence, enhancing their productivity and total output.

4.5.5 Control span effect on airline performance

The figure 4.5 shows the effect of the airlines control span to its performance. This study established that there is a high rate of control within the airlines. The results in the figure below show that majority 60%, stated that the control spans in the

respective airlines has improved performance by between 0-5%, 23% stated that control span has improved performance by between 10-20% while the remaining 17% stated that control in the airlines had improved performance by more than 20%.

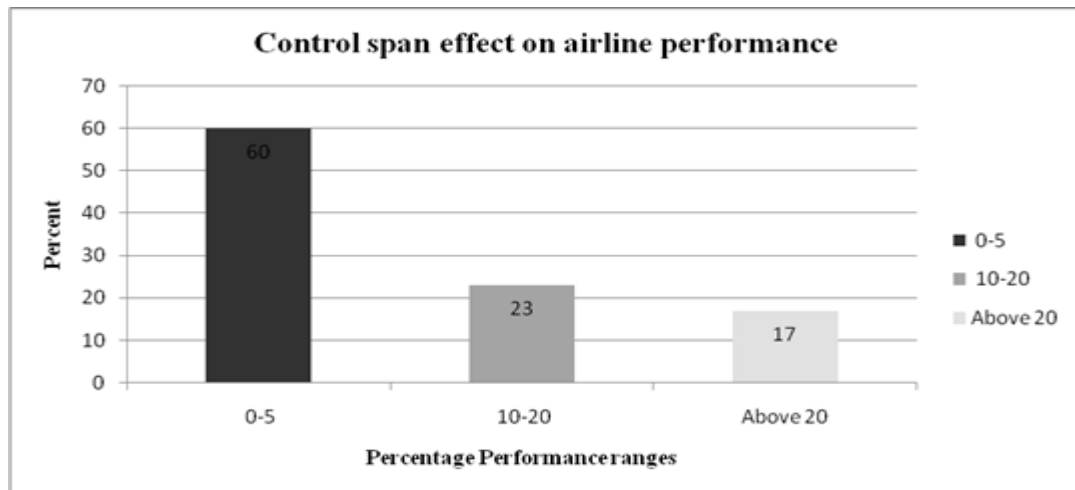


Figure 4.5: Control span effect on the airlines performance

The implication is that majority of the respondents agreed that having a high rate of control within the organization structure improves performance by over 60%. This conforms to that of Waribugo and Etim (2016) whose study revealed that centralization has a positive relationship with the dimensions of strategy implementation and performance. Khalifasoltani (2008) suggests that there is meaningful relationship between structure, complexity, formalization, concentration and entrepreneurship while Naziri (2012) in his research concluded that there is a weak inverse significant relationship between organizational structure and organizational entrepreneurship. This implies that most airlines have a high degree of control on their operations but the degree differs in contribution to performance.

4.5.6 Organization structure type

The study sought to establish the nature and kind of organization structures within the airlines. The findings on figure 4.6 show that many airlines 122(61%) have a decentralized organization structure while the rest who are 78(39%) of the respondents stated that their airlines do have a centralized organization structure.

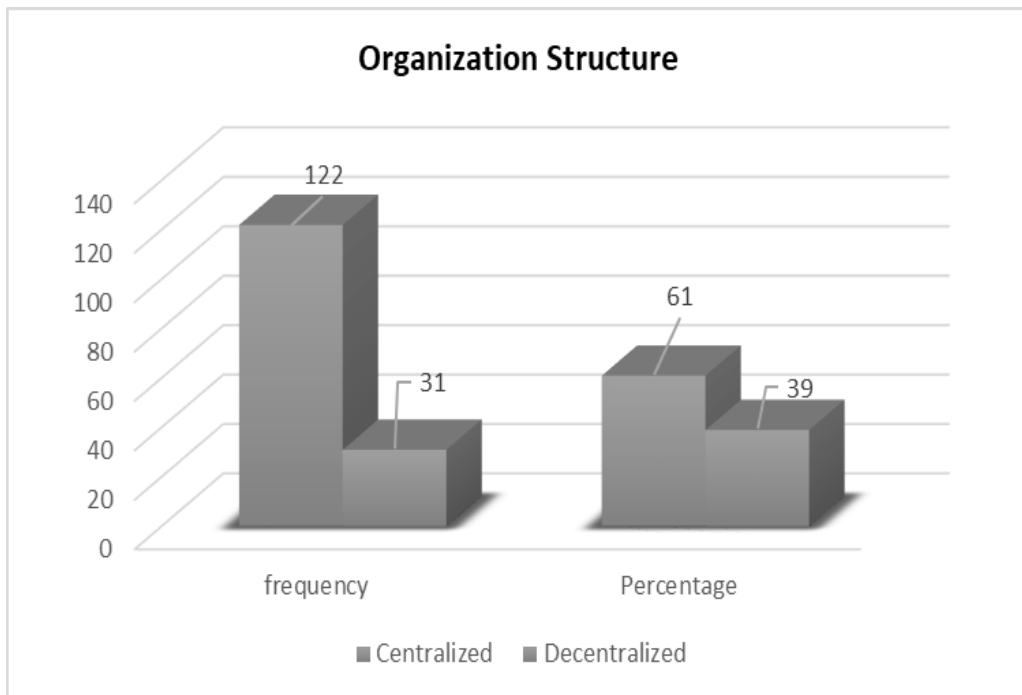


Figure 4.6: Organization Structure

4.5.7 Decentralized Structure on Airline Performance

The study sought to establish the effect of the decentralized structures on the airlines performances. The results as shown in the figure 4.7 show that majority 144 (72%) stated that the decentralized Structure causes an increase in the airlines performance by between 0-5%, 29(14.5%) stated that decentralized Structure leads to increased airlines performance by between 10-20%, while the rest, 27(13.5%) indicated that the decentralized structure leads to increase in airlines performance by more than 20%.

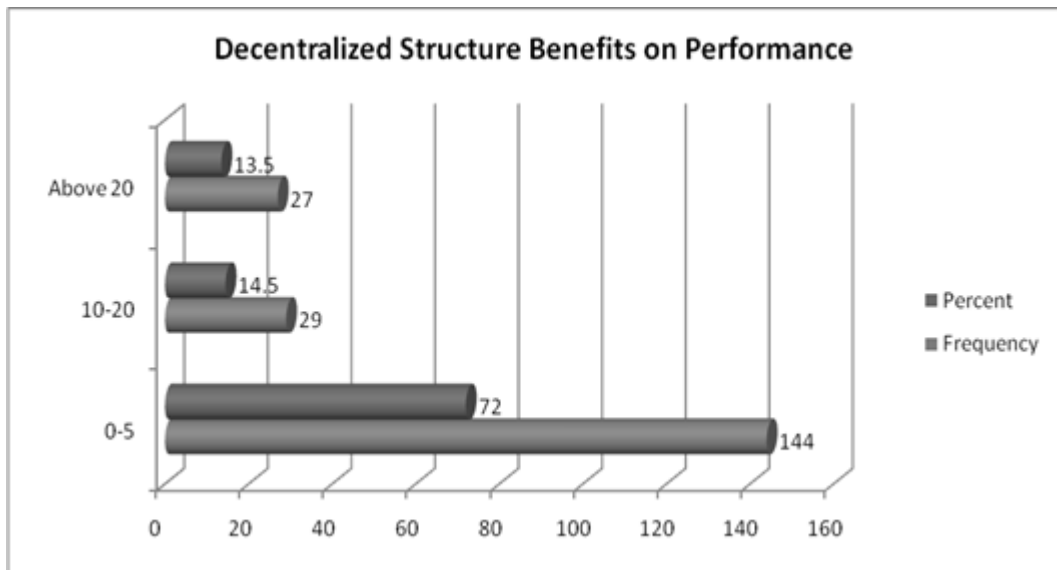


Figure 4.7: Decentralized Structure benefits on Performance

The results show that there exist positive and significant relationships between specialization structure and the measures of strategy implementation. The findings may be explained by the fact that specialization leads to faster decision making (Atieno & Juma, 2015; Ibrahim *et al.*, 2012). These findings were in harmony with Basol and Dogerlioglu (2014); grant (1996) who submits that specialization enhances the ability of a specific employee or group of employees to acquire expertise on a particular job, hence, enhancing their productivity and total output. This implies that decentralization is effective in unit performance.

4.5.8 Departmentalization

This study wanted to find out whether the airlines do embrace departmentalization. The figure 4.8 show that 133 of the 200 respondents stated that their airlines have been departmentalized, while 83 of the respondents mentioned that their airlines have not been departmentalized.

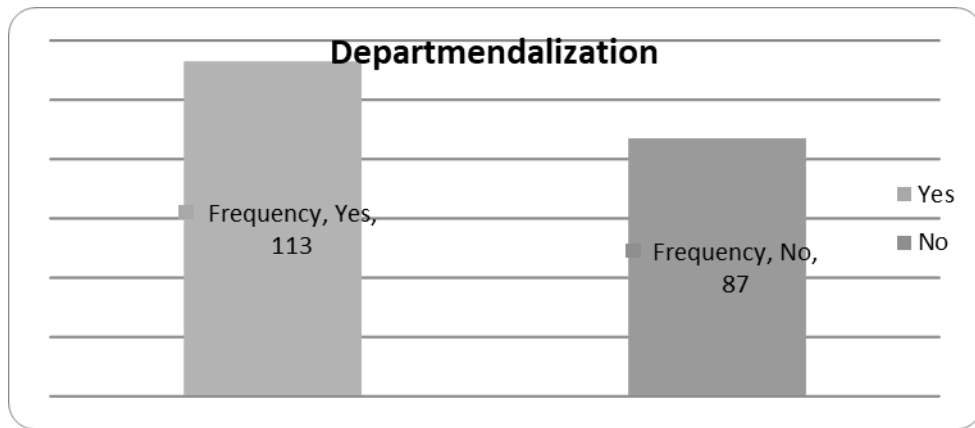


Figure 4.8: Departmentalization structure on Performance

4.5.9 Types of Departmentalization

The study sought to establish the types of departments that the airlines have put in place. The table 4.7 shows that 56(28%) of the respondents stated that their airlines embrace functional departmentalization, 44(22%) use product departmentalization, 33(16.5%) use geographic departmentalization, 32(16%) embrace customer departmentalization, 21(10.5%) do Chain of command departmentalization, and only 14(7%) use combined departmentalization in their respective airlines.

Table 4.7: Types of Airline Departmentalization

Department Type	Frequency	.. Percent
Functional Departmentalization	56	28
Product Departmentalization	44	22
Customer Departmentalization	32	16
Geographic Departmentalization	33	16.5
Chain of command Departmentalization	21	10.5
Combined Departmentalization	14	7
Total	200	. 100

The study further sought to establish whether departmentalization has an effect on the airlines performance. The Figure 4.9 shows the study results that majority 113(56%) agreed that departmentalization has influence on the airlines performance, while the rest of the respondents, 87(44%) suggested that departmentalization has no effect on the airlines performance in Kenya.

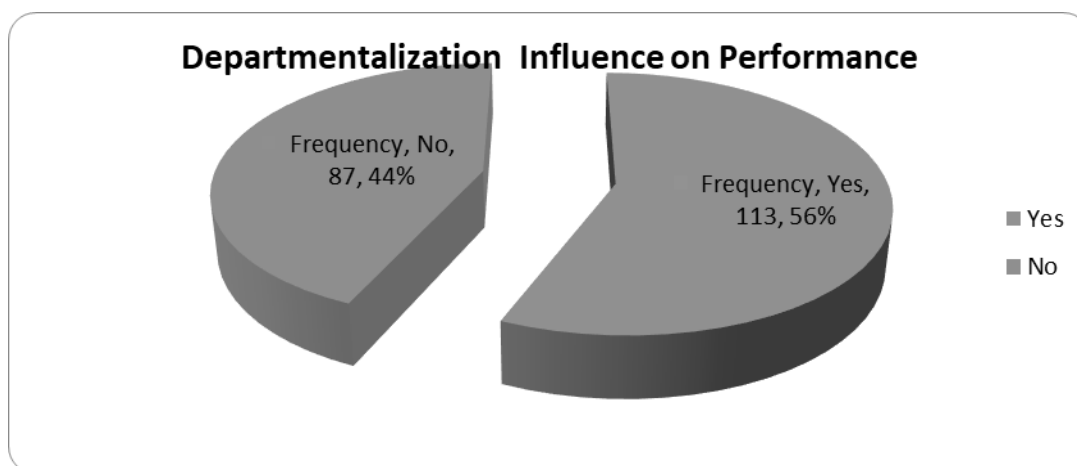


Figure 4.9: Departmentalization influence on performance

The study agrees with that of Shattock (2003) who studied successfully managing Universities and the study revealed that functional structures was observed to be effective in coordination of separate functional units, ease decision making as a result of increase in size and diversity of the university. The failure by the respondents to indicate a common magnitude of organization structure on performance indicates confirms the argument by Edelman, Brush and Manolova (2005) that the influence exerted by organizational structure on performance is going to be indirect through the competitive strategy. It is not easy to directly establish the effect of organization structure on performance. Naziri (2012) in his research concluded that there is a weak inverse significant relationship between organizational structure and organizational entrepreneurship.

4.5.10 Airline Ownership

Most airlines are owned by private individuals. The study found out that majority, 51% of the airlines are owned by private partnership, 33% of the respondents stated that the airlines are publicly owned, while 16% had private ownership.

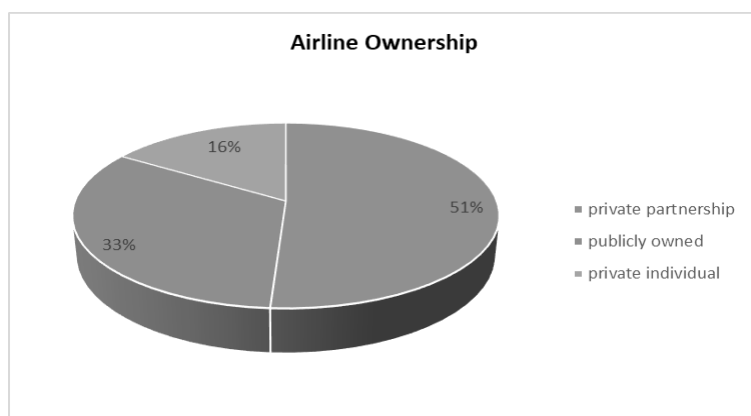


Figure 4.10: Airline ownership

The finds of figure 4.10 can be corroborated on the performance of other studies that have been contacted by other researchers. Most studies have found that state-owned firms do not better serve the public interest (Grossman & Krueger, 1993) and, in fact, that state-owned firms are typically extremely inefficient (Boycko, Schleifer, & Vishny, 1995); (Dewenter & Malatesta, 2001). The conclusion from these studies is generally that state-owned companies' disregard of social objectives combined with their extreme inefficiency is inconsistent with the idea that state ownership can lead to performance efficiency that profit maximizing privately-owned firms cannot achieve. According to the study's by Scheraga (2004); Carney and Dostaler (2006); Barros and Peypoch (2009); Sjogren and Soderberg (2011).

The authors argued that what matters in ownership types is not who owned the airlines but rather the operational objective holds by the managers (treat the airline as a company) and the identity as well as the interest of the owner which are more important in determining sustained performance of an airline company. This implies that majority of the airlines operating in Kenya are non-state owned but privately owned entities.

Table 4.8: Means and Standard Deviations of Structure on Performance

Statements	1	2	3	4	5	Mean	STD
The airline organization revises and creates appropriate structures to match the changes in performance	44.5%	22.5%	12.0%	1.0%	11.0%	2.205	1.387
The airline organization structure allows quick decisions and feedback	40.5%	29.5%	1.0%	1.0%	1.0%	2.414	1.005
The airline organization structure is too bureaucratic to facilitate strategy implementation	39.7%	30.2%	8.1%	12.0%	1.0%	2.683	1.216
Our airline organization has a well-designed reporting authority	37.6%	31.0%	7.4%	1.0%	5.0%	2.002	1.501
Structures in our airline organization are flexible enough to allow changes to be effected quickly and timely	31.0%	18.0%	3.0%	11.0%	1.0%	2.138	1.623
There is adequate level of supervision in every section, department of our airline organization	37.0%	30.0%	4.0%	13.5.0%	14.5%	2.892	0.839
Jobs in our airline organization are well structured with no overlaps, conflicts or ambiguity.	31.0%	33.0%	8.5.0%	16.5%	11.5%	2.109	0.920

The table 4.8 shows that 12% of the respondents agreed to a great extent that the airline organization revises and creates appropriate structures to match the changes in performance, 2% of the respondents agreed that the airline organization structure allows quick decisions and feedback to a great extent, while 13% agreed to a great extent that the airline organization structure is too bureaucratic to facilitate strategy implementation. 6% of respondents agreed to a great extent that the airline organization has a well-designed reporting authority, 12% agreed to a great extent that structures in their airline organization are flexible enough to allow changes to be effected quickly and timely, 28% of the respondents agreed to a great extent that there is adequate level of supervision in every section and department of their airline organization and 28% of the respondents agreed that jobs in their airline organizations are well structured with no overlaps, conflicts or ambiguity.

The mean for the seven (7) elements ranged from 2.002 to 2.892 with an average mean of 2.349. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent. This implies that the airline organization revises and creates appropriate structures to match the changes in performance (2.205), The airline organization structure allows quick decisions and feedback (2.414), airline organization has a well-designed reporting authority (2.002), Structures in our airline organization are flexible enough to allow changes to be effected quickly and timely (2.138), and Jobs in our airline organization are well structured with no overlaps, conflicts or ambiguity (2.109) affect performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 0.839 to 1.501 with an average of 1.213. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

This implies that; the airline organization revises and creates appropriate structures to match the changes in performance (STD=1.387),The airline organization structure allows quick decisions and feedback (STD=1.005), The airline organization structure is too bureaucratic to facilitate strategy implementation (STD=1.216),Our airline organization has a well-designed reporting authority(STD=1.501) and Structures in our airline organization are flexible enough to allow changes to be effected quickly and timely (STD=1.623), have a standard deviation of more than one (1) indicating that they are moderately distributed. On the other hand, there being adequate level of supervision in every section, department of our airline organization (STD=0.839) and jobs in the airline’s organization being well structured with no overlaps, conflicts or ambiguity with (STD=0.920), were below the threshold of one (1). However, an average of 1.213for all statements on individual factors indicates that the responses are moderately distributed, thus these values can be relied as representatives of the performance of the airline industry in Kenya.

4.6 Human Capital Development and Performance of the Airline

4.6.1 Team Building Capacity

The figure 4.12 below shows the respondents views on team building capacity. The results indicate that 55% of the respondents agreed that there were less team building capacity in the various airlines.

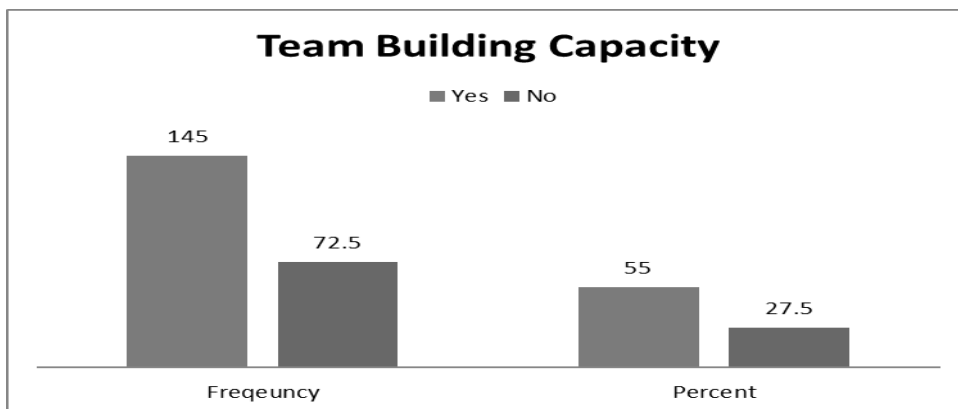


Figure 4.11: Team Building Capacity

Table 4.9: Team building Capacity on airline performance

Range	Frequency	Percent
0-5%	45	23
10-20%	84	42
Above 20%	71	36
Total	200	100

The table 4.9 shows the outcome of the team building capacity on the performance of the airlines. 23% stated that lack of team building capacity decreased the airlines performance by between 0-5 percent, 42% of the total respondents stated that lack of team building capacity reduced the airlines performance by between 10-20%, while 36% of the respondents indicated that lack of team building capacity reduces the airlines performance by more than 20%. According to Ma (2004) noted that creativity and innovation, competitiveness, co-operation, and co-option are a determinant of competitive advantage is a human resource-based view, because creativity, innovation and co-operation are championed by organizational people. Also it affirms Haggins (2005) model that Shared values on the whole relates to organizational culture. Therefore, shared values are the values shared by the members of the organization making it different and diverse from the other organizations. Booth and Zoega (2000) suggested that training fosters a common firm culture and helps attract good quality workers; (Green, Felstead & Burchell, 2000) found training had a downward impact on employee turnover. This is suggestive that team collaboration is important for increased performance in an organization.

Table 4.10: Employee Skills

Employees got Right skills	Frequency	Percent
Yes	113	57
No	87	44
Total	200	100

The table 4.10 shows that the airlines employ people with the right skills. The tables shows that majority who make 57% of the total respondents stated that they airlines employs employees with the right skills, white the rest 44% the airlines do not employ the right skilled employees.

Table 4.11: People skills on Performance

Effect of people skills on Performance	Frequency	Percent
Increase performance by 0-5	27	13.5
Increase performance by 10-20	29	14.5
Increase performance by more than 20	144	72
Total	200	100

The table 4.11 indicates that 144(72%) of the respondents stated that people employed with the right skills leads to increase in performance by more than 20%, 29(14.5%) stated that individuals with the right skills will increase the airlines performance by between 10-20%, while the rest 27(13.5%) stated that skilled employees causes a between 0-5% performance in the airlines.

Human resource practices (HR practices) are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and thus achieve organizational goals (Collins & Clark, 2003). The human Resource theory emphasizes the importance of the human element in the strategy development of organizations. The theory highlights the motivation, the politics and cultures of organizations and the individuals' desires. These underscores Haggins (2005) model that the employees required backgrounds and skills essential to achieve the strategic purpose. An OECD study looked at innovation in UK SMEs and found that higher qualification levels of both managers and staff boosted innovation (Albaladejo & Romijn, 2001). This is suggestive that organization performance increases with employes skills at work place.

4.6.2 Competencies

This study aimed to find out if competencies had effect on the aviation performance. The table 4.12 below shows that majority of the respondents 87(43.5%) stated that there is a 31-60% cost effect caused by the competencies and experience on the aviation performance, which indicates that competencies affect the airlines performance.

Table 4.12: Airline competencies

Airline Competencies		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-30	43	21.5	21.5	21.5
	31-60	87	43.5	43.5	65.0
	61-90	54	27.0	27.0	92.0
	91-100	16	8.0	8.0	100.0
Total		200	100.0	100.0	

Human resource practices (HR practices) are the primary means by which firms can influence and shape the skills, attitudes, and behavior of individuals to do their work and thus achieve organizational goals (Collins & Clark, 2003). The human Resource theory emphasizes the importance of the human element in the strategy development of organizations. The theory highlights the motivation, the politics and cultures of organizations and the individuals' desires. These underscores Haggins (2005) model that the employees required backgrounds and skills essential to achieve the strategic purpose. An OECD study looked at innovation in UK SMEs and found that higher qualification levels of both managers and staff boosted innovation (Albaladejo & Romijn, 2001). This is suggestive that organization performance increases with employee's skills, experience and competences at work place.

4.6.3 Orientation/Induction on performance

The study established that there are inductions in most airlines in Kenya. On occurrence of orientations, the airlines face 20% of the profits, as stated by 22% of the respondents, 30% effects of profits as stated by the majority 82(41%) of the total respondents, 60% as stated by 33.5% of respondents, and 80% as stated by 7(3.5%) of the respondents. This is as shown in the table 4.13.

Table 4.13: Induction on performance

Induction on Performance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20	44	22.0	22.0	22.0
	21-30	82	41.0	41.0	63.0
	31-60	67	33.5	33.5	96.5
	61-80	7	3.5	3.5	100.0
	Total	200	100.0	100.0	

The findings correspond with Ma (2004) who noted that creativity and innovation, competitiveness, co-operation, and co-option are a determinant of competitive advantage is a human resource-based view, because creativity, innovation and co-operation are championed by organizational people. It is also noted that better trained and better qualified personnel can better meet the demands of customers and can offer better quality service (Heracleous & Wirtz, 2009). Burden and Proctor (2000) on training and competitive advantage found out that meeting customer needs on time, every time, is a significant route to achieving and sustaining competitive advantage, and training is a tool that organizations should use to succeed at this aspect. This implies that induction is an important factor in airline performance.

4.6.4 Airlines Training and Budget

However, irrespective of the employee skills, the airlines do employ training, which has a cost effect on the general profits. The training budget was found to be having

an effect on the airlines profits. The table 4.14 below shows the percentage training budgets of the airlines budget. Majority who form 59% of the respondents stated that between 21-30% of the airlines budgets is allocated for training staff, 32.5% stated that between 0-20% of the budget is slotted for training, 6.5% stated that 31-60% of the budget is used for training while only 2% stated that 61-80% of the budget is set aside for employee training. This is an indication that the airlines engage in employee training, hence expected employee performance that would lead to increased productivity.

There is considerable positive evidence linking educational attainment to organizational performance. For example the most productive manufacturing organizations tend to have a more highly educated workforce than the least productive — equivalent on average, to an extra qualification level (Haskel & Hawkes, 2003). This kind of relationship has also been found in the US where it has been estimated that the equivalent of an extra year of schooling raised productivity by between 4.9 and 8.5 per cent in the manufacturing sector and between 5.9 and 12.7 per cent in services (Lynch & Black, 1995). These results have been supported by Mason and Wilson in 2003 for the UK. An OECD study looked at innovation in UK SMEs and found that higher qualification levels of both managers and staff boosted innovation (Albaladejo & Romijn, 2001) and was associated with higher technological complexity and originality. Others have shown a link to company survival (Reid, 2000).

Table 4.14: Airlines Training and Budget

Training budget		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20%	65	32.5	32.5	32.5
	21-30%	118	59.0	59.0	91.5
	31-60%	13	6.5	6.5	98.0
	61-80%	4	2.0	2.0	100.0
	Total	200	100.0	100.0	

Booth and Zoega (2000) suggested that training fosters a common firm culture and helps attract good quality workers; Green, Felstead and Burchell (2000) found training had a downward impact on employee turnover, and recent work by IES has found that training and development opportunity is a significant driver of employee engagement (Robinson, Perryman & Hayday, 2004). Wright and Geroy (2001) note that employee competencies change through effective training programs. It therefore implies training not only improves the overall performance of the employees to effectively perform their current jobs but also enhances the knowledge, skills and attitude of the workers necessary for the future job, thus contributing to superior organizational performance. The study by Burden and Proctor (2000) on training and competitive advantage found out that meeting customer needs on time, every time, is a significant route to achieving and sustaining competitive advantage, and training is a tool that organizations should use to succeed at this. This is suggestive that training is a key performance feature of organization.

4.6.5 Airline Benefits and Performance

As a result of the trainings, the study sort to establish the effectiveness of the employee benefits on the performance of aviation. The table 4.15 below shows that the percentage benefits the airlines receive when the trainings are effective. As shown below, when the trainings are effective, 34% of the respondents stated that the airlines receive between 0-20% of profit benefits, 64%, who are majority stated that the airlines earn between 21-30% of profit benefits, while only 1.5% and 0.5% stated that the airlines earn profit benefits of between 31-60% and 61-80% respectively.

Table 4.15: Airline Benefits and Rewards

Airline benefits		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20	68	34.0	34.0	34.0
	21-30	128	64.0	64.0	98.0
	31-60	3	1.5	1.5	99.5
	61-80	1	.5	.5	100.0
Total		200	100.0	100.0	

As from the table 4.15, it's evident that the employee plays an important role in the profitability of the various airlines. Effective employee relations should be adopted, from selecting the right employees, that is those with the right skills and experience, to employee wellbeing that would reduce the industrial strikes will improve the airlines profitability. The findings agree with the human resource approach that lay much emphasizes on the need to manage organizational people by understanding their psychological needs and contrasts at work environment thereby enforcing and delivering improved strategies to motivate, reward, compensate, manage, engage, train and retain organizational people to drive strategic and competitive advantage (Armstrong, 2006; Atkinson 1984; Pfeffer, 1994; Sett, 2004). Gittel, Nordenflycht, and Kochan (2004) warned that it must be kept in mind that minimizing the employee cost may lead to lower employee productivity and service quality. This is suggestive that airlines performance is tied on the satisfaction that resonates from employee reward and benefits.

Table 4.16: Means and Standard Deviations of Human Capital development and Performance

Statement	1	2	3	4	5	Mean	STD
Our employees are regularly trained to improve performance	8.0%	41.4%	16.5%	14.5%	19.5%	2.060	1.2910
We have well-designed systems of rewards, remuneration and promotions of staff towards performance	10.0%	48.5%	19.0%	10.0%	12.5.0%	2.187	1.528
Our organization has performance evaluations and appraisals done on timely basis	9.5%	42.5%	17.0%	14.0%	17.0%	2.028	1.607
We have unbiased systems of recruitment and placement of staff to work positions	6.5%	43%	23.5%	17.0%	10.0%	2.786	1.720
Employee promotions are always done on merit basis	8.5%	51.0%	18.5%	13.0%	9.0%	2.004	1.711

The table 4.16 shows that 34% of respondents agreed that employees are regularly trained to improve performance, 22.5% agreed to a great extent that there is well-designed systems of rewards, remuneration and promotions of staff towards performance, 31% agreed to a great extent that their organization has performance evaluations and appraisals done on timely basis, 27% agreed that to a great extent, there is unbiased systems of recruitment and placement of staff to work positions while 21% agreed to a great extent that employee promotions are always done on merit basis in their respective airlines.

The mean for the seven (5) elements ranged from 2.004 to 2.786 with an average mean of 2.213. Means more than 1.5 and less than 2.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent.

From the table 4.16, this implies that, employees being regularly trained to improve performance (2.060), there being well-designed systems of rewards, remuneration and promotions of staff towards performance (2.187), the organization having performance evaluations and appraisals done on timely basis (2.028), there being unbiased systems of recruitment and placement of staff to work positions (2.786) and Employee promotions always being done on merit basis (2.004) affect performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 1.2910 to 1.720 with an average of 1.5714. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

This implies that employees being regularly trained to improve performance, there being well-designed systems of rewards, remuneration and promotions of staff towards performance, the organization having performance evaluations and

appraisals done on timely basis, there being unbiased systems of recruitment and placement of staff to work positions and Employee promotions always being done on merit basis all have a standard deviation of more than one (1) indicating that they are moderately distributed. However, an average of 1.5714 for all statements on individual factors indicates that the responses are moderately distributed, thus these values can be relied as representatives of the performance of the airline industry in Kenya.

4.7 Innovation and Performance of the Airlines

4.7.1 Research, brand and Product Development Airline on Performance

The table 4.17 shows the results for research and development, effective brand name and product development. Majority of the respondents, 118(59%) stated that the airlines doesn't engage in Research and development, while the rest 82 (41%) stated that their respective airlines do research and development. The study further sort to establish the effectiveness of the various airlines brand names to the airlines profit abilities. Majority 177 (88%) of the respondents stated that the airlines brand name did not have any effect to their respective performance, while the rest, 23(12%) were of the opinion that the airlines brand names had a significant effect to the airlines performance. Lastly from the below table, the study sought to establish whether the airlines engage in product development. Majority 123(58.5%) of the respondents agreed that the various airlines engage in product development, while the remaining 77(36.5%) stated that airlines do not engage in product development.

Table 4.17: Airline engage in research and development Investment

Research development	Frequ ency	Perc ent	Effective brand name	Frequ ency	Perc ent	Product development	Frequ ency	Perc ent
Yes	82	41	Yes	23	12	Yes	123	58.5
No	118	59	No	177	88	No	77	36.5
Total	200	100	Total	200	100	Total	200	100

The findings of the study reveals a contrast against other studies that have been done by other researchers. The airlines in Kenya have not adapted to effective brand communication as a result this has reduced their share in brand market performance. Brand portfolios can increase loyalty to multiproduct firms (Anand & Shachar, 2004). Kumar (2003) argues that companies can rationalize their brand portfolios to both serve customers better and maximize profits (Broniarczyk *et al.*, 1998). According to Minh (2006), the main advantage of the brand equity is its positive effect on demand. It is expected that the brand awareness, brand quality and the brand loyalty causes the increase of brand market performance. This aspect of brand equity helps the organizations attract the customers and keep them (Baldauf, Cravens & Gudrun, 2003). Jaafar and Abdul-Aziz (2005) on their study of resource based approach confirmed that Ball (2006) argument that large construction firms achieve such reputations through efforts such as branding sustaining managerial capability is determinant of the constructions firms' success. This implies that research and development compounded with innovation is important for the survival of airlines and reduce redundancies.

4.7.2 Contribution of Research and Development

From the study findings in the figure 4.12 shows that 122(61%) of the respondents indicate that Research and Development has led to increased performance by more than 20%, 67(34%) indicate that Research and Development has led to 10-20% increase in performance, while the rest who are 11(5.5%) of the respondents stated that Research and Development leads to 0-5% increase in performance in the airlines performance.

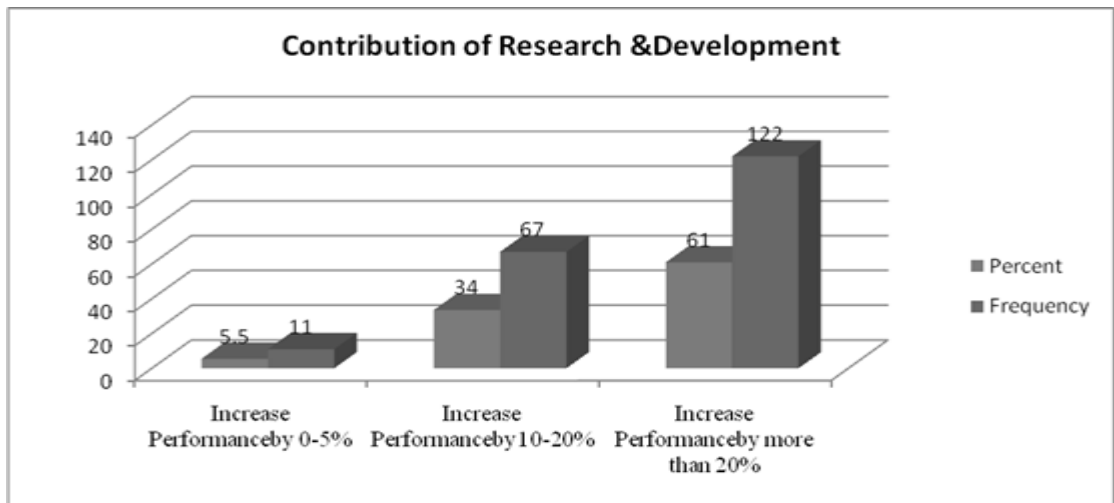


Figure 4.12: Contribution of research and development

On the other hand, the figure 4.13 shows the effects of lack of Research and Development on the airlines performance. The results show that many, 112(56%) of the respondents stated that lack of Research and Development decreases the airlines performance by more than 20%, 46(23%) stated that lack of Research and Development will lead to decrease in performance by between 10-20%, while the remaining 42(21%) mentioned that the lack of Research and Development in the airlines causes a decrease in performance by between 0-5%.

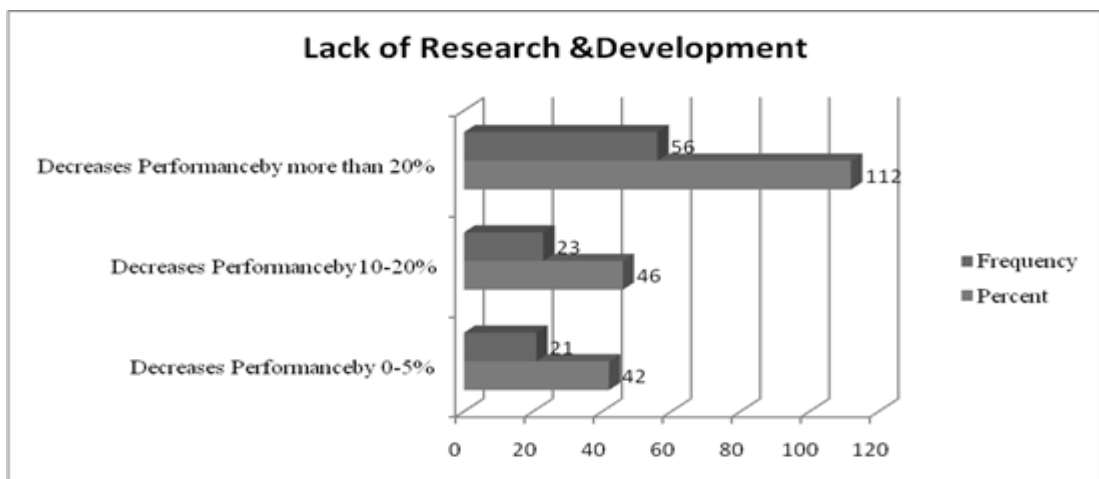


Figure 4.13: Effects of Lack of Research and Development on airlines performance

Acquisition of this knowledge improves the innovative capabilities of an organization hence improve overall customer satisfaction and organization performance. The depth of the knowledge shared among members plays a key role in determining organizational performance (Henderson & Cockburn, 2011). In particular, knowledge breadth in different specialization or departments within an organization accumulated by employees over time can help filter the scope of learning and application for operational efficiency (Zhou & Li, 2011). According to Corsino (2008), his study noted that incremental innovation increases performance of producers and affects the firm's ability to sustain its market position. This implies that research and development compounded with innovation is important for the survival of airlines and reduce redundancies.

4.7.3 Impact of Brand on performance the airlines

While the study established that 88% of the respondents stated that the airlines have an effective brand name, it further sought to establish the effect of the brand name on the aviation performance. The table 4.18 shows that majority of the respondents 122(61%) stated that the airlines brand name increases performance by more than 20%, 67(34%) stated that an airlines brand name increase performance by 10-20%, while the remaining 11(5.5%) indicated that the brand name increases performance by between 0-5%.

Table 4.18: Brand on performance of the airlines

Brand performance	Percent	Frequency
Increase Performance by 0-5%	55	11
Increase Performance by 10-20%	34	67
Increase Performance by more than 20%	61	122
Total	100	200

Protective capabilities, such as privately held knowledge (Conner & Prahalad, 1996), give a firm competitive advantage, which subsequently influences the firm's

performance. A strong employer brand aligned with employee values and concerns is becoming recognized as one of the best ways of retaining talent with employees proud to work for a business that is highly regarded. Further, staff attrition is disruptive, putting pressure on the remaining employees and absorbing management time. Staff turnover can result in increased operating costs, loss of business to competitors and reduced customer service standards (Thornton, 2008). The resources such as brand which is intangible was noted to be appealing ,persuasive to customers hence increasing organization performance (Lynch, 2006).This implies that brand visibility is important to create visual attraction to customers leading to traffic and consumption of airlines usage.

Table 4.19: Means and standard deviations on Innovation-Knowledge and Performance

Statements	1	2	3	4	5	Mean	STD
Our airline organization engages in production of Products that are excellent quality and service	33.5%	30.5%	15.5%	11.0%	10.0%	2.335	1.312
The Packaging of our products are attractive, elegant and designed very comforting	37.0%	31.0%	14.0%	13.0%	5.0%	2.131	1.296
Our airline has ability to fast track Knowledge on the consumer needs	29.5%	36.5%	18.5%	11.0%	4.5%	2.042	1.303
Our airline organization has efficient Knowledge on the market operations	34.0%	30.5%	13.0%	11.0%	11.5%	2.401	1.293
Our airline organization reputation of is well-known and established	26.5%	32.0%	19.0%	10.0%	12.5%	2.017	1.207
There is frequent product improvement in our airline organization	31.0%	26.0%	15.0%	11.0%	17.0%	2.118	1.882
The airline organization enhances inter Knowledge Transfer amongst departments	26.0%	28.0%	19.5%	9.5%	17.0%	2.016	1.560

The table 4.19 indicates that 21% of the respondents agreed that airline organization engages in production of Products that are excellent quality and service, 18% agreed that the Packaging of our products are attractive, elegant and designed very comforting, 15.5% agreed that their airlines have the ability to fast track Knowledge on the consumer needs, 22.5% agreed that their airline organizations have efficient Knowledge on the market operations, same 25.5% agreed that their airline organization's reputation is well-known and established, 28% agreed that there is frequent product improvement in our airline organization, and 26.5% of all the respondents agreed that the airline organization enhances inter Knowledge Transfer amongst departments.

The mean for the seven (7) elements ranged from 2.016- 2.401 with an average mean of 2.151. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent.

This implies that the airline organization engages in production of Products that are excellent quality and service (2.335), Packaging of products are attractive, elegant and designed very comforting (2.131), the airline having ability to fast track Knowledge on the consumer needs (2.042), the airline organization having efficient Knowledge on the market operations (2.401), the airline organization reputation being well-known and established (2.017), there being frequent product improvement in our airline organization (2.118) and the airline organization enhancing inter Knowledge transfer amongst departments (2.016) affect organizational performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 1.207 to 1.882 with an average of 1.408. A standard deviation of more than one (1) indicates that the responses are

moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

This implies that all the factors in the table above have a standard deviation of more than one (1) indicating that they are moderately distributed, and with an average of 1.408 for all statements, this indicates that the responses are moderately distributed, thus these values can be relied as representatives of the performance of the airline industry in Kenya.

4.8 Strategic Alliances and Performance of the Airlines

4.8.1 Airline Agreement, Markets and Routes

The table 4.200 shows a summary of the aviation strategic alliances. Majority of the respondents 66% stated that the airlines do not have strategic agreements with other airline operators, while the rest, 34% stated that the respective airlines had strategic agreements. The table further shows that 72% of the airlines did not have specific markets operations, as opposed to the remaining 28% that have specific market operations. However, many of the airlines 75%, do not have definite dominant operational route, while 25% do have definite dominant operational route. This as well is shown in the table below.

Table 4.20: Airline have strategic agreements with other airlines

Agreements with other airlines		
	Frequency	Percent
Yes	67	34
No	133	66
Total	200	100

The study by Karkrah and Ameyaw (2010), observed that market share or size of banks is normally used to capture potential economies or diseconomies of scale in the banking sector. Secondly, the size of banks as a variable control for cost differences and product and risk diversification. They argue that the first factor

(economies or diseconomies of scale) is expected to lead to a positive relationship between bank size and profitability if there are significant economies of scale and their argument was based on the empirical evidence of (Bourke, 1989; Bikker & Hu, 2002; Goddard, Molyneux & Wilson, 2004). This implies that airlines should enhance agreements to increase their economies of scale and partnerships.

4.8.2 Airline Markets and Seat Capacity

The table 4.21 shows the results for airlines performance on both the airlines markets and seat capacity. From the table below, 45.5% of the respondents stated that most airlines generate between 30% of their profits through airline markets, 29% generate up to 31-60% of their profits through airlines markets, 11% obtain 61-80% of their profits and only 14.5% get up to 81-100% of their profits through airline markets. Seat capacity also was found to affect the profits. The study found out that most airlines had enough seat capacity, from which, the seat capacity earns the various airlines up to 0-20% of their profits according to 43% of the respondents, 21-30% of their profits are earned through enough seat capacity according to 40.5% of the respondents. According to 16% of the total respondents, the airlines get 31-60% of their profits from seat capacity and only 1, who makes 0.05% of the respondents stated that the airlines get up to between 81-100% of their profits from seat capacity.

Table 4.21: Airline Markets and Seat Capacity

Profitable aviation markets		Profitable seat capacity		
	Frequency	Percent	Frequency	Percent
0-20	29	14.5	86	43
21-30	91	45.5	81	40.5
31-60	58	29	32	16
61-80	22	11	1	0.5
81-100	200	100	200	100

The study by Karkrah and Ameyaw (2010), observed that market share or size of banks is normally used to capture potential economies or diseconomies of scale in the banking sector. Secondly, the size of banks as a variable control for cost differences and product and risk diversification. They argue that the first factor (economies or diseconomies of scale) is expected to lead to a positive relationship between bank size and profitability if there are significant economies of scale and their argument was based on the empirical evidence of Bourke (1989); Hu (2002); (Goddard, Molyneux & Wilson, 2004). This implies that airlines should enhance agreements to increase their economies of scale and partnerships.

Benny and Jen-Hung (2012) in the examination of the determinants of profitability in the U.S. domestic airline industry, the study considered with regard to productivity measures, the study found that Loading Factor has a positive and a significant coefficient in predicting profitability the more seats are sold, presumably, the greater is the revenue, and hence the profitability.

4.8.3 Airline Routes and Market sufficiency

The table 4.22 shows the result for the airlines performance in terms of its route and market sufficiency. Majority of the respondents, 44% stated that the airlines routes contribute up to 30% of its profits, 22% stated that the airlines routes contribute to up to between 0-20% of the respective airlines profits, 16% of the respondents stated that the airlines routes generate up to between 31-60% and 61- 80% of the airlines profits while only 12% stated that the airlines routes have a 100% effect on the airlines profits.

Table 4.22: Airline Routes and Market sufficiency

	Routes profitable		Sufficient markets	
	Frequency	Percent	Frequency	Percent
0-20	44	22	53	26.5
21-30	88	44	96	48
31-60	32	16	35	17.5
61-80	33	16	13	6.5
81-100	3	12	3	1.5
Total	200	100	200	100

The study affirms Devinaga (2010), who noted that organizations should be able to expand their market share in order to increase their income as well hence profit. This is because the ability to increase market share requires selling more. Karkrah and Ameyaw (2010) noted that economies or diseconomies of scale is expected to lead to a positive relationship between market share and profitability if there are significant economies of scale. This implies that markets and routes served have a key direct correspondence to airline performance.

Table 4.23: Means and standard deviations on strategic alliance and Performance

Statement	1	2	3	4	5	Mean	STD
Our airline has air service agreement with other organizations	17.5%	19.5%	22.0%	20.0%	21.0%	3.075	1.393
We have quick access to market information with partner airlines	21.0%	23.5%	19.5%	21.0%	15.0%	3.021	1.232
Our airline has traffic alliance on pool of passengers with other international airlines	15.5%	18.0%	20.5%	21.0%	25.0%	3.161	1.370
Our airline has market access to other international markets and regions	17.0%	18.0%	22.0%	23.0%	20.0%	3.221	1.182
Our airline have code sharing agreements with other airlines in ticket and computer reservations	38.0%	32.0%	14.0%	10.5%	5.5%	2.301	1.081

It is evident from the table 4.23, that 41% of the respondents agreed that their airline has air service agreement with other organizations, 36% of respondents agreed that they have quick access to market information with partner airlines, 46% agreed to a great extent that their airline has traffic alliance on pool of passengers with other international airlines, 43% agreed that their airline has market access to other international markets and regions, and 16% agreed that to a great extent, their airline has code sharing agreements with other airlines in ticket and computer reservations.

The mean for the seven (5) elements ranged from 2.301 to 3.221 with an average mean of 2.956. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent.

This implies that the airline having air service agreement with other organizations (3.075), their being quick access to market information with partner airlines (3.021), the airline having traffic alliance on pool of passengers with other international airlines (3.161), the airline having market access to other international markets and regions (3.221), the airlines having code sharing agreements with other airlines in ticket and computer reservations affect organizational performance to a very great extent (2.301) affect organizations performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 1.081 to 1.393 with an average of 1.252. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

Since all the factors in the table above have a standard deviation of more than one (1), this indicates that they are moderately distributed, and with an average of 1.408 for all statements, this indicates that the responses are moderately distributed, thus these values can be relied as representatives of the performance of the airline industry in Kenya.

4.9 Organizational Resources on Performance the Airline

4.9.1 Financial Capacity

The table 4.24 shows the Financial Capacity in most airlines in Kenya. Majority of the respondents, 58% stated that the airlines do not have enough Financial Capacity in Kenya, while the rest, 42% agreed that they have sufficient Financial Capacity in

the airlines in our country Kenya. This shows that majority of the Kenyan airlines do not have enough Financial Capacity for their operations.

Table 4.24: Financial Capacity

Financial Capacity		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	84	42.0	42.0	42.0
	No	116	58.0	58.0	100.0
Total		200	100.0	100.0	

The study by Andreas and Gabrielle (2011) on determinants of bank profitability before and during the financial crisis in Switzerland. Their investigation revealed a positive relationship between larger and smaller banks and profitability. According to them there was an indication that Larger and smaller banks were more profitable than medium-size banks before the crises. And the reason was that larger banks were benefiting from the offering of large number of products, loan diversification and economies of scale. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin *et al.*, 2007). Rose *et al.* (2007) examined resources and categorized them as tangible resources namely human, physical, organizational and financial, This implies that financial resources is key in organization performance determination.

Sufian *et al.* (2008) on Philippines banks also shows a negative relationship between bank size and profitability. To these researchers the negative correlation was an indication of smaller banks earning higher profits than larger banks and in support to the earlier studies which observed economies of scale and scope for smaller banks or diseconomies of scale for larger banks. Eichengreen and Gibson (2001) suggest that the impact of a growing bank's size on its profitability may be positive up to a certain limit. Beyond this limit, the effect of its size could be negative due to bureaucratic

and other factors; (Karkrah & Ameyaw, 2010). The findings of this study is suggestive that due to lack of enough airplane, then the market coverage is limited as a result it results to low profits because most areas with high potential of passengers remain underserved or simply they rely on other competitors airlines whose presence is available on the market.

4.9.2 Airline Financial Capacity Effect on airlines Performance

Financial capacity of the airlines is considered key in this study. The table 4.25 results indicate 78% of the respondents of the opinion that the airlines financial capacity increases its performance to between 0 and 10%. 17% leads to between 11-20% performances, while 5.5% stated that an airlines financial capacity leads to the airlines performance increasing by more than 20%. This is as shown in the Table 4.26. In addition, the table further shows how financial credits affect the airlines performance.

Table 4.25: Airline Financial Capacity effect on airlines performance

	Financial Capacity profits		Financial Credit profits	
	Frequency	Percent	Frequency	Percent
0-10	156	78	166	82
11-20	33	17	31	16
Above 20	11	5.5	6	2
Total	200	100	200	100

The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin *et al.*, 2007). Rose *et al.* (2007) examined resources and categorized them as tangible resources namely human, physical, organizational and financial, This implies that financial resources is key in organization performance determination.

4.9.3 Airlines Source of Credit

The figure 4.14 shows the airlines major sources of credit.66, who are 33% and majority of the respondents stated that airlines access credit from loans, 44, 22% of the respondents access credit from government, 34, 17% of the respondents stated that they access credit from share equity, 12% access credit from insurance, 10% get credit from leasing and the rest who are 6% of the respondents stated that airlines access credit through bonds.

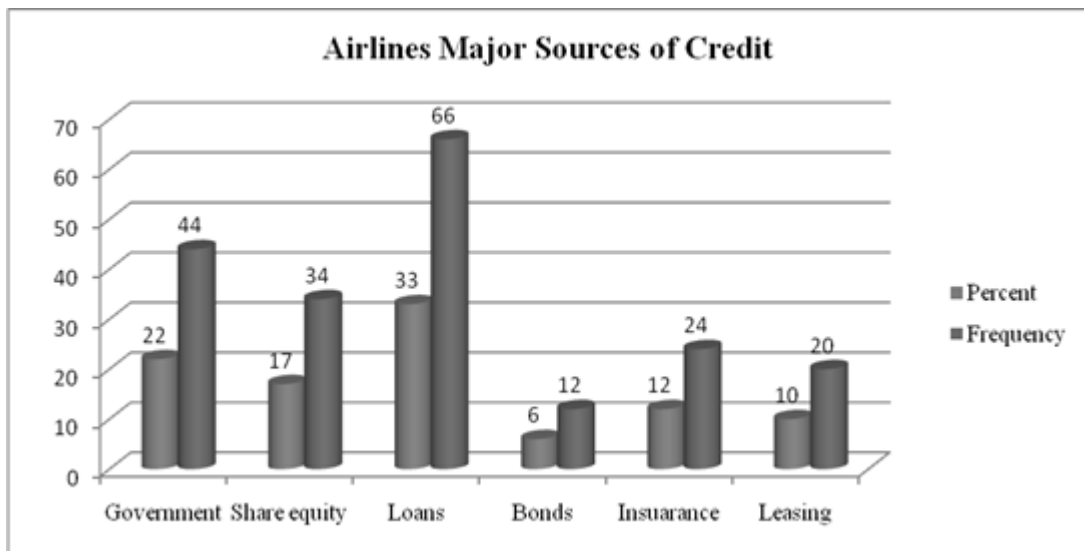


Figure 4.14: Airlines Major Source of Credit

This underscores Higgins (2005) model that affirms that management must ensure that an organization has access to sufficient resources toward successfully strategy execution. Resources include people, money and technology and other management systems, which corroborates also with Grant (1991) who identified resources as inputs into the production process; they include items of capital equipment, skills of individual employees, patents, brand names, and finances. This implies that finances are key component to the advancement of airline operation and expansion.

4.9.4 Airline Communication and Technology Infrastructure

The figure 4.15 shows that majority of the respondents 61% stated that the airlines have ICT infrastructure in place while 38% stated that the respective airlines do not have an ICT infrastructure in place.

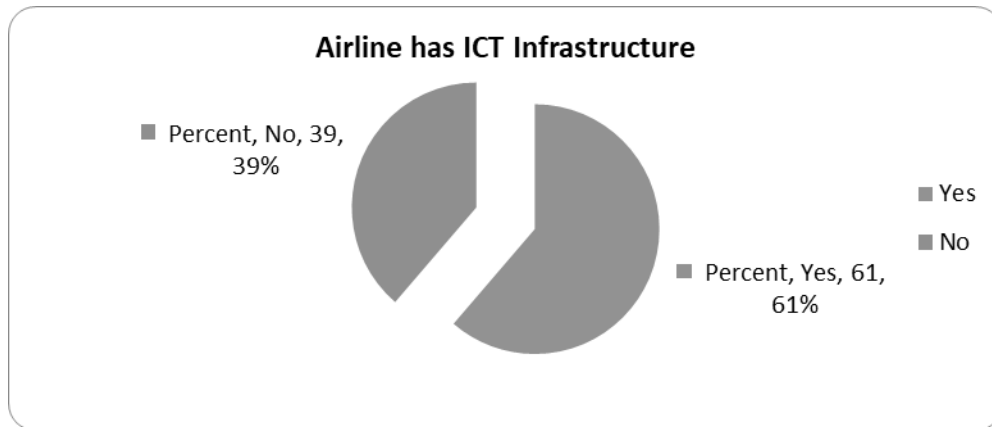


Figure 4.15: Airline ICT Infrastructure

The study findings from figure 4.15 agrees that capabilities are the capacity of a pool of coordinated resources to perform specified activities, with research finding that firms that more effectively develop and exploit capabilities perform more effectively than those that do not (Conant *et al.*, 1990; Hambrick & Cannella, 1993; McDaniel & Kolari, 1987). This implies that airlines should enhance and integrate ICT infrastructure to enhance performance.

4.9.5 Effect of ICT on Airlines Performance

The study sought to find out the effect of the adoption of ICT infrastructure on the performance of the airlines. The results in the table 4.26 show that majority of the respondents, 98, who make 49% stated that ICT caused airlines performance to increase to between 10-20%, 76, 38% stated that ICT led to increase in airlines performance by between 0-10% and the remaining 26, 13% stated that ICT had to the airlines increased performance by more than 20%.

Table 4.26: Effect of ICT on Airlines Performance

Effect of ICT on Airlines Performance	Frequency	Percent
Increase Performance by 0-5%	76	38
Increase Performance by 10-20%	98	49
Increase Performance by more than 20%	26	13
Total	200	100

The findings agree with the RBV suggestion that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (Hoffer & Schendel, 1978; Wenerfelt, 1984). The success of most firms majorly depends on efficient operational processes which result from more investments in technologies that enhance firm internal efficiencies (Munyoroku, 2014). The study by Kimingi (2010), on the relationship between IT conceptualization and bank performance depicted that organizations conceptualize IT as a means to create impact on its performance. This implies that ICT is important in the organization performance of airlines.

Table 4.27: ICT Investment Tools

ICT Investment Tools	Frequency	Percent
Mobile booking	66	33
Robotics & Biometrics	12	6
E-Ticketing	79	40
CRM tools	30	15
Self-service check-ins	10	5
Data Integration management	3	1.5
Total	200	100

Technological innovation strategies involve the adoption of systems such as ERP systems that provide capabilities that support and enhance processes associated with producing. The systems should also help improve firm activities by automating routine tasks such as order management (Valacich & Schneider, 2012). There is a need to adopt on products innovation strategies that are majorly driven by advance in technologies, ever changing customer taste and preferences, shortening item cycles and expanding rivalry (Tavassoli & Karlsson, 2015) to meet organizations demands. The study by Kiningi (2010) on the relationship between IT conceptualization and bank performance depicted that organizations conceptualize IT as a means to create impact on its performance. This implies that ICT is important in the organization performance of airlines.

Table 4.28: Means and standard deviations on Organizational Resources on Performance

Statement	1	2	3	4	5	Mean	STD
Our organization receives quick access to financial credit when needed.	39.0%	30.0%	16.5%	10.0%	4.5%	2.110	1.164
Our organization have modern efficient and reliable fleet	43.0%	26.0%	14.0%	12.5%	4.5%	2.084	1.113
Our organization uses current technology in the market to produce product/services	38.0%	32.0%	14.0%	10.5%	5.5%	2.301	1.081
Our organization has adequate tools, machines and equipment's for employees to better manage their tasks	45.0%	23.0%	11.0%	9.5%	11.5%	2.072	1.087
Our organization is quick to respond to the changes in technology	40.5%	28.0%	19.5%	6.0%	6.0%	2.839	1.520

The table 4.28 shows that 14.5% of respondents agreed that their organization receives quick access to financial credit when needed, 17% agreed that their organization have modern efficient and reliable fleet, another 17% of the respondents agreed to a greater extent that their organization uses current technology in the market to produce product/services, 21% of respondents agreed that to a great extent, their organizations have as adequate tools, machines and equipment's for employees to better manage their tasks, while 12% agreed that their organization is quick to respond to the changes in technology.

The mean for the seven (5) elements ranged from 2.072 to 2.839 with an average mean of 2.281. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent. This implies that; the organization receiving quick access to financial credit when needed (2.110), the organization having modern efficient and reliable fleet (2.084), the organization using current technology in the market to produce product/services (2.301), the organization having adequate tools, machines and equipment's for employees to better manage their tasks (2.072) and the organization being quick to respond to the changes in technology (2.839) affect organizations performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 1.081 to 1.393 with an average of 1.252. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

In the table 4.28, it's indicated that the standard deviations are all more than one (1), meaning that they are moderately distributed, and with an average of 1.408 for all statements, this indicates that the responses are moderately distributed, thus these

values can be relied as representatives of the performance of the airline industry in Kenya.

4.10 Liberalization and Performance of the Airlines

4.10.1 Effective by-laws

The study sought to establish whether the airlines have effective by laws. Majority of the respondents, 57% stated that they do have effective by-laws, while the remaining 43% stated that their airlines do not have effective by laws.

Table 4.29: Effective by laws

Effective by-laws	Frequency	Percent
Yes	114	57
No	86	43
Total	200	100

Corporate governance refers to the set of processes, customs, policies, laws and institutions affecting the way company is directed, administered or controlled in accordance with principles of responsibility and transparency (OECD, 2010). The study concurs with that of Orhan and Gerede (2013) who noted that deregulation affects market competitiveness of airlines. This implies that laws that are effective should be crafted that will aid in achieving the element of liberalization in the market for better performance of airlines.

4.10.2 Effects of effective by laws

According to 46% of the respondents, the by-laws increase performance to between 11-20%, 26% stated that the by-laws increase the airlines performance by more than 20%, while the remaining 18% stated that the by-laws increased the airlines performance by between 0-5 percent. This is as shown in the table below. According to the results, many airlines are members of the ICAO and IATA professional bodies.

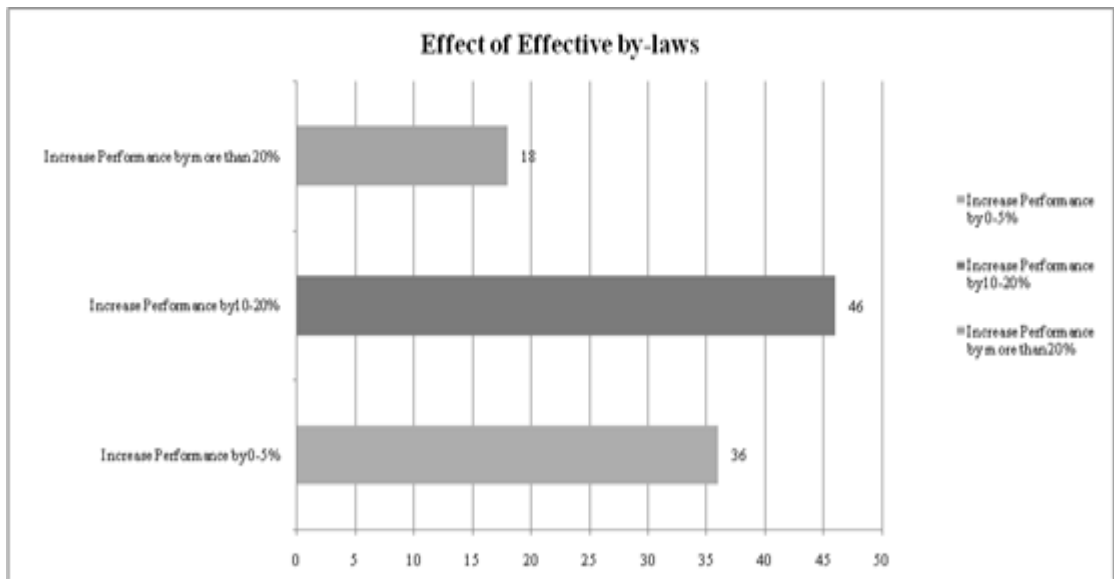


Figure 4.16: Effects of effective by laws

The study agrees with those of Graham & Shaw, 2008; Graham & Vowles, 2006; Jiang, 2007) in Turkey in 2005 after having deregulated its domestic market in 2003 it was an indicator of the fact that deregulation is an effective factor in shaping organizational performance strategies. This implies that by laws are used by airlines should open up space to enhance market access and increased performance.

4.10.3 Government and stakeholder policies

The study results indicated that many of the airlines do abide by the Government and stakeholder policies. This had effects on the airlines performance as shown in the figure below. The figure below shows that majority of the respondents, 50%, stated that abiding by government and stake holders policies led to increased performance by between 0-5%, 33% stated that this increases performance by between 10-20%, while the remaining 18% stated that the policies increase performance by more than 20%.

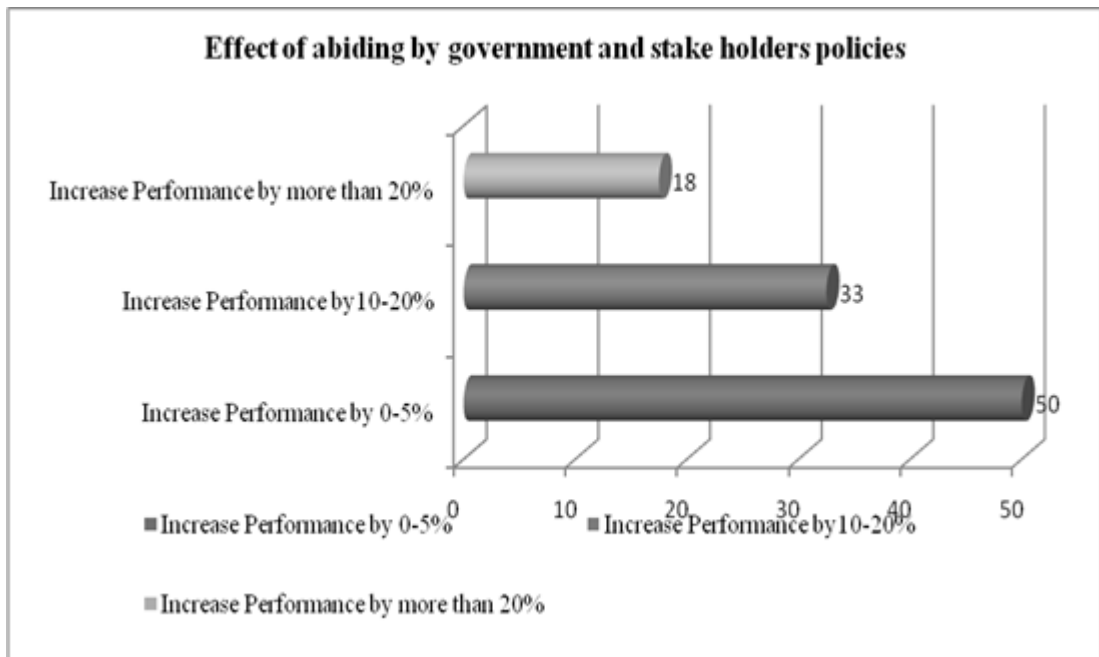


Figure 4.17: Effects of abiding by government and stake holders policies

The study by Graham and Shaw (2008), Graham and Vowles (2006), Jiang (2007) noted Turkey in 2005 after having deregulated its domestic market in 2003 it was an indicator of the fact that deregulation is an effective factor in shaping organizational performance strategies. This implies that by laws are used by airlines should open up space to enhance market access and increased performance.

Table 4.30: Means and Standard Deviations on Liberalization on Performance

Statement	1	2	3	4	5	Mean	STD
Cost of doing business in Kenya always forces us to adjust our costs	28.5%	22.05	27.5%	10.0%	12.0%	2.550	1.321
Competent policy frameworks and procedures	25.0%	20.0%	29.5.0%	9.5%	8.0%	2.201	1.232
Government policy is never stable because it changes almost every year and it really affects our plans	30.5%	20.5%	27.0%	16.5%	5.5%	2.0113	1.1920
There is a lot of political interference which always makes the management adjust strategic initiatives.	33.0%	18.5%	24.5%	13.0%	11.05	1.983	1.364
The society/industry forces change very fast and influence some of our plans.	36.0%	23.0%	28.0%	7.5%	5.5%	2.532	1.982
New regulations by the international bodies have also influenced our organizational performance.	32.0%	30.0%	25.0%	10.5%	2.5%	2.183	1.549

The table 4.30 shows that 12% of the respondents agreed to a great extent that the Cost of doing business in Kenya always forces us to adjust our costs, 17.5% agreed that Competent policy frameworks and procedures, 22% agreed to a great extent that the Government policy is never stable because it changes almost every year and it really affects our plans, 24.5% agreed that there is a lot of political interference which always makes the management adjust strategic initiatives, 13% of the respondents agree that the society/industry forces change very fast and influence

some of their plans while 13% of the respondents agreed that to a great extent, new regulations by the international bodies have also influenced our organizational performance.

The mean for the seven (6) elements ranged from 1.983 to 2.550 with an average mean of 2.243. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent.

This implies that; Cost of doing business in Kenya always forces us to adjust our costs (2.550), Competent policy frameworks and procedures (2.201), Government policy is never stable because it changes almost every year and it really affects our plans (2.0113), There is a lot of political interference which always makes the management adjust strategic initiatives (1.983), The society/industry forces change very fast and influence some of our plans (2.532) and New regulations by the international bodies have also influenced our organizational performance (2.183) affect organizations performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 1.1920 to 1.982 with an average of 1.44. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

In the table 4.30, it's shown that the standard deviations are all more than one (1), hence they are all moderately distributed, and with an average of 1.408 for all statements, this indicates that the responses are moderately distributed.

4.11 Airline Performance

4.11.1 Airlines markets

The table 4.31 shows that according to 75% of the respondents, the airlines have specific markets, and only 25% stated that airlines do not have specific operational markets.

Table 4.31: Airlines Markets

Airlines have Specific Markets	Frequency	Percent
Yes	150	75
No	50	25
Total	200	100

This study agrees with that of Devinaga (2010), who noted that organizations should be able to expand their market share in order to increase their income as well hence profit. This is because the ability to increase market share requires selling more. Karkrah and Ameyaw (2010) noted that economies or diseconomies of scale is expected to lead to a positive relationship between market share and profitability if there are significant economies of scale. This implies that markets are key resources in increasing airline performance in profitability aspects.

4.11.2 Market coverage at International and Domestic

According to the study results, on figure 4.18 many of the respondents 90 stated that majority of the airlines markets covers domestic markets, 68 respondents stated that their airlines covers international markets, and 42 stated that their airline covers regional markets.

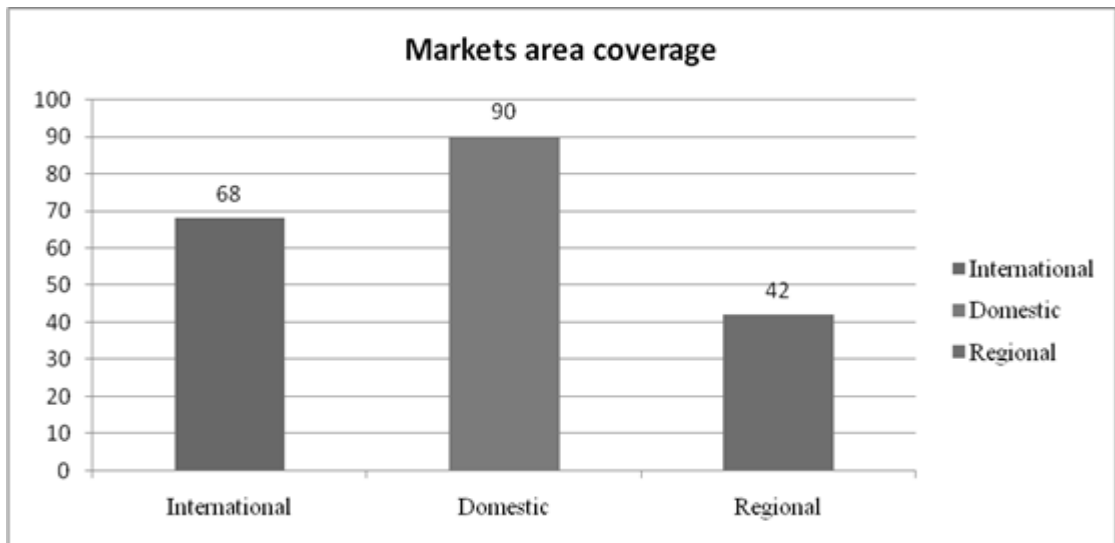


Figure 4.18: Market coverage at International and Domestic

This study agrees with that of Devinaga (2010), who noted that organizations should be able to expand their market share in order to increase their income as well hence profit. This is because the ability to increase market share requires selling more. Karkrah and Ameyaw (2010) noted that economies or diseconomies of scale is expected to lead to a positive relationship between market share and profitability if there are significant economies of scale. Burghouwt *et al.* (2002) pointed out that regional airline co-operates as such with a major airline that follows a differentiation strategy it will gain a remarkable competitive advantage over its rivals. This implies that markets are key resources in increasing airline performance in profitability aspects.

Table 4.32: Means and standard deviations of performance

Statement	1	2	3	4	5	Mean	STD
Easily available information on ticket prices, flight schedule etc.	11.0%	22.0%	17.0%	33.0%	17.0%	3.230	1.2748
Ease, accuracy and speed of reservation and ticketing.	10.0%	27.0%	15.5%	25.5%	22.0%	3.160	0.9342
Airport staff and Flight crew is courteous, prompt, expertise and helpful.	9.0%	33.0%	16.0%	28.0%	14.0%	2.731	1.0021
Availability of pre-flight services (early baggage check-in, email reminder etc.).	12.0%	17.0%	23.0%	35.0%	13.05	3.014	1.5242
The flight departs and arrives on schedule.	12.0%	22.0%	24.0%	20.0%	22.0%	4.082	0.9823
The websites are friendly user and availability of call center.	18.0%	21.0%	19.0%	26.0%	16.0%	3.629	1.6782

The table 4.32 shows that 40% of the total respondents agreed that easily available information on ticket prices, flight schedule etc. increases customer satisfaction, 47.5% agreed to a greater extent that easy, accuracy and speed of reservation and ticketing increases customer satisfaction, 42% agreed that airport staff and Flight crew is courteous, prompt, expertise and helpful, hence affecting customers satisfaction, 38.5% agreed that availability of pre-flight services (early baggage check-in, email reminder etc. positively affects customer satisfaction , 44% agreed that the flight departs and arrives on schedule and 42% of the respondents agreed to a greater extent that the websites are user friendly and availability of call center, hence increasing customer satisfaction.

The mean for the seven (6) elements ranged from 2.731 to 4.082 with an average mean of 3.308. Means less than 2.5 and more than 1.5 implies that individual factors affected performance to a less extent. Means greater than 2.5 and less than 3.5 implies that individual factors affected performance to a moderate extent. Means greater than 3.5 and less than 4.5 implies that individual factors affected performance to a very great extent.

This implies that; easily available information on ticket prices, flight schedule etc (3.230) Ease, accuracy and speed of reservation and ticketing (3.160), Airport staff and Flight crew is courteous, prompt, expertise and helpful (2.731), Availability of pre-flight services (early baggage check-in, email reminder etc.) (3.014), the flight departs and arrives on schedule (4.082) and the websites are friendly user and availability of call center (3.629) affect organizations performance to a very great extent.

The standard deviation describes the distribution of the responses in relation to the mean. It is an indication of how far the individual responses to each factor vary from the mean. The standard deviation ranged from 0.9342 to 1.6782 with an average of 1.2326. A standard deviation of more than one (1) indicates that the responses are moderately distributed, while less than one (1) indicates there is no consensus on the responses obtained.

This implies that; easy available information on ticket prices, flight schedule etc with $STD=1.2748$, airport staff and Flight crew is courteous, prompt, expertise and helpful with $STD=1.002$, availability of pre-flight services (early baggage check-in, email reminder etc.) with $STD=1.5242$ and the websites are friendly user and availability of call center with $STD=1.6782$ have a standard deviation of more than one (1) indicating that they are moderately distributed. However, easy, accuracy and speed of reservation and ticketing $STD=0.9823$ and flight departs and arrives on schedule $STD=0.9342$ were below the threshold of one (1). However, an average of 1.2326 for all statements on individual factors indicates that the responses are moderately distributed, thus, these values can be relied as representatives of the performance of the airline industry in Kenya.

4.12 Regression Analysis

4.12.1 Organization Structure and Performance

The table 4.33 shows statistical Probit analysis outputs for the above variables. The P-Values all show that there is no significant relationship between organization and the airlines performance. Organization ownership has a P-Value of 0.864, .048 for high control span, 0.165 for departmentalization effects to airlines performance, and .0950 for managements drive for airlines performance. All this being significant at 5% level of significance and 0.05 alpha. Since the significance values are above alpha, then there are no significant relationships between the organization factors and the various airlines performance levels.

Table 4.33: Probit Regression Analysis on Organization Structure

Parameter Estimates							
	Parameter	Estimate	Std. Error	Z	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
PROBIT ^a	Organization ownership	.034	.197	.171	.864	-.352	.420
	High Control Span	.373	.189	1.979	.048	.004	.743
	Departmentalization	-.403	.291	-1.388	.165	-.973	.166
	Management drive_profit	-.010	.157	-.063	.950	-.317	.297
	Intercept ^b						
	10	.025	.234	.108	.914	-.208	.259
	30	-.099	.217	-.456	.648	-.316	.118
	50	.435	.232	1.874	.061	.203	.667
	70	.211	.266	.793	.428	-.055	.477

a. PROBIT model: $PROBIT(p) = Intercept + BX$ (Covariates X are transformed using the base 2.718 logarithm.)

b. Corresponds to the grouping variable If yes.

The results of the study from table 4.33 agrees with Shattock (2003) that revealed that functional structures was observed to be effective in coordination of separate functional units, ease decision making as a result of increase in size and diversity of the university. Sugar companies in Kenya today have experienced growth in size and increased diversity of functions which means that power dynamics, communication, processes and relationships require a structure that is aligned to strategy.

The study established on the matter of formalization of organization structure similarly with that of Kraus (2006) that formalizing strategic planning and alignment of structure to strategy significantly impacts on the growth of firms which was measured in terms of employee count.

The eventually study concur with the findings by Daft (2004) that organizational structure defines how job tasks are formally divided, grouped and coordinated. According to these findings, there are six elements that managers of agencies need to address when they design their organizations structure namely; work specialization, departmentalization, and the chain of command, span of control centralization, decentralization and formalization. An organization's structure is a means to help management of achieve its objectives.

4.12.2 Human Capital Development and performance

Probit analysis is a type of regression used to analyze binomial response variables. It transforms the sigmoid dose-response curve to a straight line that can then be analyzed by regression either through least squares or maximum likelihood. A Probit regression analysis is carried out to determine the likelihood that the various factors affect the performance of the various airlines in Kenya. The table 4.34 shows that there is a significant relationship between salary range and the airlines performance. The P-Value is 0.00, at 5% level of significance, when the alpha is 0.05. This implies that the salary ranges affect the airlines performance. This could take two positions, either the airlines employees are underpaid hence not motivated to work effectively, or the salaries are too high that profits are limited. This study however did not seek to find out any of the two. In addition, there is a significant relationship between the salary budget and the salary cost effect on the performance of the various airlines.

With P-Values of 0.000 and 0.002, at 5% level of significance, and 0.05% alpha, this is an indication that there is a statistical significance relationship between the airlines profits and the salaries. Team building do not have any significant relationship on the airlines performance in Kenya. The P-Values are found to be 0.35 and 0.84 for the two relationships. Being higher than alpha, which is 0.05, at 5% level of significance, shows there is no relationship between the two variables. Lastly from the table are the employee skills. With a P-Value of 0.17, which is higher than alpha (0.05), it's clear that there is no significant relationship between the employee skills and the various airlines profitability.

Table 4.34: Probit Regression Analysis on Human Capital Development

Parameter Estimates						
Parameter	Estimate	Std. Error	Z	Sig.	95% Interval	Confidence
					Lower Bound	Upper Bound
Salary range	-.449	.112	-4.007	.000	-.668	-.229
Salary budget	-.075	.144	-.524	.000	-.357	.206
Salary Cost effect	.130	.165	.786	.002	-.194	.454
Team building	.445	.211	2.112	.035	.032	.858
Induction	-.324	.244	-1.327	.084	-.803	.155
Skilled employees	.042	.115	.362	.017	-.184	.268
Intercept	20	.279	1.279	.001	.061	.498
	30	.332	1.513	.030	.113	.552
	60	.368	1.259	.008	.076	.660
	80	-.452	-1.056	.091	-.880	-.024

a. PROBIT model: $PROBIT(p) = \text{Intercept} + BX$ (Covariates X are transformed using the base 2.718 logarithm.)

b. Corresponds to the grouping variable Training budget.

These results from table 4.34 agree with the research by (Selamawit & egziabher, 2012) on Why Ethiopian Airlines Becomes Successful and on What are the Lessons for other Public Companies, which was conducted in Ethiopia the study found that there was positive and significant relationship between profitability of airlines and

the various factors such as; formation history, safety trend, continuous fleet modernization, market strategy, emphasis on human resource and capacity development, current and recurrent training of all staff members.

Strategic human resource can play an important role in improving a firm's performance (Simon & DeVaro, 2006). Motivated employees can bring better results as compared to unsatisfied employees. Employees perform their duty efficiently when they feel satisfied from their company (Zerbe *et al.*, 1998). Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm which will benefit the organization in the long run as it improves employee efficiency and quality of the service. Gittel, Nordenflycht and Kochan (2004) warned that it must be kept in mind that minimizing the employee cost may lead to lower employee productivity and service quality.

4.12.3 Innovation and Performance

A Probit analysis was carried out to find out the relationship between the airlines profits and the various parameters including, research and development, brand name and product development. The results as in the table 4.38 below show that none of the factors research and development, brand name and product development, has a relationship with the airlines performance. All the respective P-Values of 0.024, 0.831 and 0.172 for research and development, brand name and product development respectively, are above alpha (0.05), at 5% level of significance. This shows that the airlines performance levels are affected by any of them, either research and development, brand name and product development.

Table 4.35: Probit Regression Analysis on Innovation

Parameter Estimates							
Parameter		Estimate	Std. Error	Z	Sig.	95% Interval Lower Bound	Confidence Upper Bound
PROBIT ^a	Research development	-.419	.186	-2.256	.024	-.784	-.055
	RD profits	.175	.242	.723	.469	-.299	.648
	Effective brand name	.082	.385	.213	.831	-.673	.838
	Brand name profits	-.525	.767	-.684	.494	-2.028	.979
	Product development	1.024	.750	1.365	.172	-.446	2.494
	Creativity	-.156	.186	-.841	.400	-.520	.208
	Effective brand profits	-.060	.182	-.330	.742	-.418	.297
	Intercept ^b						
	20	.617	.360	1.711	.087	.256	.977
	30	.875	.335	2.611	.009	.540	1.210
	60	.956	.403	2.371	.018	.553	1.359
	80	.544	.458	1.186	.236	.085	1.002

a. PROBIT model: $PROBIT(p) = \text{Intercept} + BX$ (Covariates X are transformed using the base 2.718 logarithm.)

b. Corresponds to the grouping variable Profits_other_airlines.

The results of the study from table 4.35 reveal that most airlines companies do not undertake research and development function to boost their product and services unlike this is suggestive that innovation has not resulted to increased airline profits unlike from other studies such as Diederer *et al.* (2002) conclude that innovative farmers show significantly higher profits and growth figures than firms that are not innovative. Also Favre *et al.* (2002) conclude there is a positive impact of innovations on profits. They take R&D intensity, market share, and concentration as the relevant causal factors. Also national R&D spillovers and, moreover, international R&D spillovers are positive for profits. Avantis and Hollerstein (2002) conclude that the use of external knowledge, technological opportunity and the degree of innovativeness significantly increase the productivity of knowledge capital. The deliberate pursuit of certain objectives (e.g. creating a new market) and higher appropriate conditions raise the return to patents.

The study by Loof (2000) showed a positive relationship of innovative sales per employee (elasticity) on five different performance measurements (employment growth, value added per-employee, sales per employee, operating profit per employee, and return on assets). Meinen (2001) is positive on the question whether innovation is worth doing. He noted that Firms executing R&D on a permanent basis, that co-operate with others and use various sources of information realise extra-turnover of one percent point over 1996-1998. These implies that research and development should be practiced and enhanced by organizations.

4.12.4 Strategic Alliance and Performance

A Probit analysis is run to find out the relationships between the various factors that affect the airlines profits to the respective airlines performance levels. From the table 4.38, it is evident that there is no significant relationships between the variables, Effective brand profits, Agreement with other airlines, Profits other airlines, Specific markets operations, Profitable airline markets, Definite route, Profitable routes, Profits airline routes and the airlines profitability. With the P-Sigs of .294, .910, .412, .032, .890, .654, .722, .091, .977, .489 for Effective brand profits, Agreement other airlines, Profits other airlines, Specific markets operations, Profits airline markets, Definite route, Profitable routes, Profits airline routes respectively, with a 5% level of significance at Alpha= 0.05, it's clear that there is no significant association between the variables and the airlines profitability. Some of the variables like, Agreement with other airlines, definite routes, profits from other airlines have a negative impact on the airlines profits with a parameter estimate of -.026, -.122, and -.341.

Table 4.36: Probit Regression Analysis on Strategic Alliance

Parameter Estimates		Estimate	Std. Error	Z	Sig.	95% Confidence Interval	
Parameter						Lower Bound	Upper Bound
PROBIT ^a	Effective brand name	.261	.245	1.038	.294	-.230	.760
	Agreement other airlines	-.026	.220	-.013	.810	-.488	.526
	Profits other airlines	.191	.233	.820	.412	-.266	.647
	Specific markets operations	.546	.254	2.151	.032	.048	1.044
	Effective brand name	.033	.141	.033	.810	-.438	.505
	Definite route	-.32	.272	-.549	.654	-.656	.412
	Profitable routes	.085	.237	.456	.722	-.380	.549
	Profits airline routes	-.341	.202	-	.091	-.737	.055
				1.690			
	Intercept ^b Yes	-.012	.417	-.028	.977	-.429	.405
	No	.258	.373	.691	.489	-.115	.630

a. PROBIT model: $PROBIT(p) = Intercept + BX$ (Covariates X are transformed using the base 2.718 logarithm.)

b. Corresponds to the grouping variable Size profit.

The results of the study from table 4.36 agrees with the research by Ming Fan and Zhou (2007) carried out an empirically study to examine the revenue management (RM) practices in the airline industry. The empirically research on airline pricing in terms of revenue generated accounted for important operational factors such as hub, code-share, and capacity, whose results showed that these factors indeed have significant effects on price dispersion, load factor, and revenue.

Most Kenyan airlines apart from Kenya Airways -which has agreement of partnership with KLM- operate individually without an outlaid economic partnerships with other airlines. This partnership to Kenya airways has been blamed for low profitability of the industry and this is corroborated with studies from (Guerra, 2006) who has provided evidence that international code-share agreements can reduce competition by deterring new entry. Interestingly, he suggests that deterrence is most likely on routes where only one of the code-share partners operates, since the effect of introducing the code-share in these circumstances is

generally to depress profitability and therefore reduce the attractiveness of entry. Bucklin and Sengupta (1993) claim that alliance success is measured by each of the partners' *perceived* effectiveness of the alliance. Olk and Young (1997) measured perceived "satisfaction with performance" as a condition for companies to continue their membership in research and development (R&D) consortia.

4.12.5 Organizational Resources and Performance

A Probit analysis was carried out to establish the effects of the various airlines resources to the airlines performance as shown in the table 4.37, enough airlines have a parameter estimate of .023, which implies that if an airline has enough airplanes, it would have made increased the airlines performance. Financial credits and Effective use of ICT Facilities, also led to increased performance at an estimate of 0.0209 and 0.041 respectively. However, the airlines Financial capacity, access to credit and airlines markets affect the profits negatively at estimates of -.129,-.080, -.222 respectively. In terms of significance, enough airplanes, financial credits, and access to credit, have significant relationships to the airlines performance, at P-Values of 0.022, 0.018, 0.004 at 0.05 Alpha and 5% level of significance. The rest, Effective e-sales and Financial Capacity, have insignificant relationships to the airlines profitability at P-Values of 0.072, 0.037 respectively at 0.05 Alpha and 5% level of significance.

Table 4.37: Probit Regression Analysis on Organizational Resources

Parameter	Estimate	Std. Error	Z	Sig.	95% Confidence Interval		
					Lower Bound	Upper Bound	
					Enough airplanes	.023	.233
Financial Capacity	-.129	.149	-.865	.037	-.421	.163	
Access to credit	.209	.209	.999	.018	-.201	.620	
Airlines markets	-.080	.120	-.669	.004	-.315	.155	
Effective use of ICT Facilities	.041	.141	.289	.072	-.236	.318	
Enough Human Resource capacity	-.222	.165	-1.346	.178	-.545	.101	
Resource needed	-.059	.149	-.394	.094	-.350	.233	
Intercept	Good	1.118	.634	1.764	.078	.484	1.751
	Neutral	2.329	.806	2.890	.004	1.523	3.135

a. PROBIT model: $PROBIT(p) = \text{Intercept} + BX$

b. Corresponds to the grouping variable Rate KAA.

The results of the study from table 4.37 relates to those of (Kimingi, 2010). A study on the relationship between IT conceptualization and bank performance depicted that organizations conceptualize IT as a means to create impact on its performance. Kariuki (2011) determined the relationship between the level of technological innovation and financial performance of the commercial banks in Kenya. The descriptive study found that commercial banks have continuously employed various technological innovations which have led to increased financial performance of commercial banks in Kenya through increased sales, return on equity and profits increment. This underscores Higgins, (2005) model that affirms that management must ensure that an organization has access to sufficient resources toward successfully strategy execution. Resources include people, money and technology

and other management systems, which corroborates also with Grant, (1991) who identified resources as inputs into the production process; they include items of capital equipment, skills of individual employees, patents, brand names, and finances. This implies that finances are key component to the advancement of airline operation and expansion.

4.13 Coefficient of Determination

The table 4.39 shows that R^2 (R squared) which is the Coefficient of determination to the dependent variable (Performance of airlines) is influenced by the corresponding independent variables that include Organizational Resources, Strategic alliances, Human capital development, Innovation knowledge and organization Structure. An $R=0.954$ shows a strong relationship between the variables in question, and an adjusted $R^2 = 0.911$ (91.1%) further indicates the strong influence from the independent variables to the dependent variable.

Table 4.38: Coefficient of Determination

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.954 ^a	.911	.908		.38619
a. Predictors: (Constant), Organizational Resources, Strategic alliances, Human_Capital_Development, Innovation knowledge, organization Structure					

The table 4.39 shows the value of $F=394.912$, while the F critical is calculated at ($df=5, 194$). With a Sig (P-value)=0.00, the conclusion is that the overall regression is significant and hence the model acceptable.

Table 4.39: Analysis of Variance (ANOVA)

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	294.487	5	58.897	394.912	.000 ^b
	Residual	28.933	194	.149		
	Total	323.420	199			

a. Dependent Variable: Performance

b. Predictors: (Constant), Organizational Resources, Strategic alliances, Human_Capital_Development, Innovation knowledge, Organization Structure

4.13.1 Regression Coefficients

Regression analysis is a set of statistical processes for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable (the performance of the Airlines) and one or more independent or predictor variables (Organizational Resources, Strategic alliances, Human Capital Development, Innovation knowledge and organization Structure). Specifically, regression analysis helps us understand how the typical value of the performance of the Airlines changes when any one of the independent variables is varied, while the other independent variables are held fixed. The table 4.40 contains the regression coefficient results for the study;

Table 4.40: Regression Coefficients for variables

Model	Coefficients ^a			t	Sig.
	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta		
1 (Constant)	.278	.087		3.202	.002
Organization Structure	-.461	.100	-.502	-4.630	.000
Human_Capital_Development	.442	.078	.447	5.695	.000
Innovation knowledge	.158	.097	.162	1.633	.104
Strategic alliances	.590	.060	.644	9.892	.000
Organizational Resources	.227	.086	.207	2.643	.009

a. Dependent Variable: Performance

Therefore,

In the regression model

$$If Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 \dots \epsilon$$

Where:

Y= Airlines Performance

β_0 = Co-efficient of the model

β_1 =Organization Structure

β_2 =Human Capital Development

β_3 =Innovation knowledge

β_4 = Strategic alliances

β_5 = Organizational Resources

ϵ = Stochastic Error Term

Hence:

$$Y=0.278-0.461x_1+0.442x_2+0.158x_3+.590x_4+0.227x_5$$

Where Y is the dependent variable (Strategy implementation), X1 is Organization Structure, X2 is Human Capital, X3 is Innovation knowledge, X4 is strategic alliance and X5 is Organizational resources. According to the equation, taking all factors to be constant at zero, then impact of Strategy implementation will be 0.278. The data findings also show that a unit increase in Organization Structure variable will lead to a -0.461 increase in Strategy implementation; a unit increase in Human Capital will lead to a 0.442 increase in Strategy implementation; a unit increase in Innovation knowledge will lead to a 0.158 increase in Strategy implementation, a unit increase in strategic alliance will lead to a 0.590 increase in Strategy implementation while a unit increase in Organizational resources will lead to a 0.227 increase Strategy implementation.

4.13.2 Correlation Analysis

The table 4.41 shows the correlations between variables. Each correlation appears twice: above and below the main diagonal. The correlations on the main diagonal are the correlations between each variable and itself and that is why they are all 1 as the value indicating a perfect relationship and not interesting at all. As a rule of thumb, a correlation is statistically significant if it's P-value, (Sig.) < 0.05. The P-values of the inter-relationships indicate the relationships between the two correlated variables.

4.13.3 Organization structure and human capital development before moderation

From the table 4.41, the correlation between organization structure and human capital development is $r=0.945$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between organization structure and innovation knowledge is $r=0.965$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to strategic

alliances, organization resources and performance is $r=0.890$, $r=0.954$ and $r=0.849$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

4.13.4 Human capital development and organization structure before moderation

From the table 4.41, the correlation between human capital development and Organization structure is $r=0.945$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between human capital and innovation knowledge is $r=0.931$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to strategic alliances, organization resources and performance is $r=0.921$, $r=0.909$ and $r=0.906$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

4.13.5 Innovation- knowledge and organization structure before moderation

From the table 4.41, the correlation between innovation knowledge and organization structure is $r=0.965$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between human capital and innovation knowledge is $r=0.931$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to strategic alliances, organization resources and performance is $r=0.921$, $r=0.950$ and $r=0.885$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

4.13.6 Strategic alliances and organization structure before moderation

From the table 4.41, the correlation between strategic alliances and organization structure is $r=0.890$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between human capital and strategic alliances is $r=0.921$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to innovation, organization resources and performance is $r=0.931$, $r=0.891$ and $r=0.944$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

4.13.7 Organizational resources and organization structure before moderation

From the table 4.41, the correlation between organizational resources and organization structure is $r=0.954$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

The relationship between human capital and organizational resources is $r=0.909$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables, while the relation to innovation, strategic alliances and performance is $r=0.950$, $r=0.891$ and $r=0.863$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables.

Table 4.41: Correlation Matrix with Independent Variables and Performance before moderation

		Correlations						
		<i>Organization_</i> <i>Structure</i>	<i>Human_</i> <i>Capital_</i> <i>Development</i>	<i>Innovation_</i> <i>knowledge</i>	<i>Strategic_</i> <i>alliances</i>	<i>Organizational_</i> <i>Resources</i>	<i>Performance</i>	
Organization_Structure	Pearson Correlation	1	.945**	.965**	.890**	.954**	.849**	
	Sig. (2-tailed)		.000	.000	.000	.000	.000	
	N	200	200	200	200	200	200	
Human Management	Capital_	Pearson Correlation	.945**	1	.931**	.921**	.909**	.906**
		Sig. (2-tailed)	.000		.000	.000	.000	.000
		N	200	200	200	200	200	200
Innovation_ knowledge	Pearson Correlation	.965**	.931**	1	.921**	.950**	.885**	
	Sig. (2-tailed)	.000	.000		.000	.000	.000	
	N	200	200	200	200	200	200	
Strategic_ alliances	Pearson Correlation	.890**	.921**	.931**	1	.891**	.944**	
	Sig. (2-tailed)	.000	.000	.000		.000	.000	
	N	200	200	200	200	200	200	
Organizational_Resources	Pearson Correlation	.954**	.909**	.950**	.891**	1	.863**	
	Sig. (2-tailed)	.000	.000	.000	.000		.000	
	N	200	200	200	200	200	200	
Performance	Pearson Correlation	.849**	.906**	.885**	.944**	.863**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
	N	200	200	200	200	200	200	

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

4.14 Hypothesis Testing

4.14.1 There is no significant relationship between organization structure and performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing organization structure. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.002* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is rejected although the effect is negatively significant at -0.461. The survey findings were supported by a related study on strategic effect on firm's performance Okumus (2003); Amrule (2013); Atieno and Juma (2015). In general, it can be concluded that the relationship between organization structure and strategy implementation and is negatively effective in the aviation industry

4.14.2 There is no significant relationship between human capital development and performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing human capital development. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.00* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is rejected although the effect is significant at 0.44 at correlation value. The study results were in line with previous related research on human capital development and performance (Thompson *et al.*, 2008); Barreto (2010); Chimhanzi and Morgans (2005); overall, we can conclude that the relationship between human capital development and strategy implementation on the organization performance is relevant of aviation industry in Kenya.

4.14.3 There is no significant relationship between innovation and the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing innovation knowledge. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.104 and 0.792* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is accepted although the effect is insignificant at 0.158 at correlation value. The study results are in line with previous related research on management innovation-knowledge and strategy implementation; Alpkhan and Ergun (2005); Fugate *et al.* (2009); Kaser *et al.* (2002). Overall, we can conclude that the relationship between management innovation-knowledge and strategy implementation is relevant on the organization performance of airlines industry in the Kenya context.

4.14.4 There is no significant relationship between strategic alliance and the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing strategic alliances. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.00* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is rejected although the effect is strongly related to performance at 0.590 of the correlation value. The study results are in line with previous related research on strategic alliances formation and strategy implementation on the organization performance; Ito and Lee (2007), Porter and Fuller (1986); Bleeke and Ernst (1991). From this, we can conclude that the relationship between strategic alliances formation and strategy implementation is relevant on the organization performance of airlines industry in the Kenya context.

4.14.5 There is no significant between organizational resources and the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing organizational resources. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.09 and 0.852* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is accepted although the effect significant at 0.227 to the extent in which it affects performance. The study results are in line with previous related research on Organizational resources and strategy implementation; (Felin & Hesterly, 2007). Morgan *et al.* (2004); Kimingi, (2010); Kariuki (2011); Sufian *et al.* (2008). In conclusion, we can state that the relationship between Organizational resources and strategy implementation is not relevant on the organization performance of airlines industry in the Kenya context.

4.14.6 Bivariate Correlations

The below table 4.42 shows the effect of the control variable (Liberalization) on the already established relationships between the variables in the above table 4.41

4.14.7 Moderation of liberalization between organization structure and performance of aviation industry in Kenya.

The previous table 4.41, the correlation between organization structure and human capital development is $r = 0.945$ at $P\text{-value} = 0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r = 0.570$, with $P\text{-value} = 0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r = 0.570$ from $r = 0.945$. On the innovation knowledge is $r = 0.674$, strategic alliances $r = 0.108$, organizational resources $r = 0.648$, and on performance $r = -0.220$ after moderation.

4.14.8 Moderation of liberalization between organization human capital development and performance of aviation industry in Kenya.

The previous table 4.41, the correlation between organization structure and human capital development is $r=0.945$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.570$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.570$ from $r=0.945$. On the innovation knowledge is $r=0.411$, strategic alliances $r=0.408$, organizational resources $r=0.344$, and on performance $r=0.298$ after moderation. This therefore implies that liberalization has an effect on the existing relationship between organization structure and human capital development. The effect of liberalization is such that it decreases the strength of the correlation, while at the same time the relationship remains significantly strong.

4.14.9 Moderation of liberalization between Innovation knowledge and performance of aviation industry in Kenya.

The previous table 4.41, the correlation between organization structure and innovation knowledge is $r=0.965$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.674$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.674$ from $r=0.945$. On the human capital development is $r=0.411$, strategic alliances $r=0.304$, organizational resources $r=0.586$, and on performance $r=-0.019$ after moderation. This therefore implies that liberalization has an effect on the existing relationship between organization structure and innovation knowledge. The effect of liberalization is such that it decreases the strength of the correlation while at the same time the relationship remains significantly strong.

4.14.10 Moderation of liberalization between strategic alliances and performance of aviation industry in Kenya.

The previous table 4.41, the correlation between organization structure and strategic alliances is $r=0.890$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.108$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.108$ from $r=0.890$. On the human capital development is $r=0.411$, innovation knowledge $r=0.304$, organizational resources $r=0.586$, and on performance $r=0.569$ after moderation.

4.14.11 Moderation of liberalization between organizational resources and performance of aviation industry in Kenya.

The previous table 4.41, the correlation between organization structure and organization resources is $r=0.954$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.648$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.648$ from $r=0.954$. On the human capital development is $r=0.344$, strategic alliances $r=0.188$, innovation-knowledge $r=0.586$, and on performance $r=-0.013$ after moderation.

Table 4.42: Bivariate Correlations Matrix with Moderating Value, independent Variables and Performance Correlations

Control Variables			Organization_ structure	Human_capital_ development	Innovation_ knowledge	Strategic_ alliances	Organizational_ Resources	Perform ance
Liberaliz ation	Organization_ Structure	Correlation	1.000	.570	.674	.108	.648	-.220
		Significance (2-tailed)	.	.000	.000	.127	.000	.002
		df	0	197	197	197	197	197
	Human_capital_ development	Correlation	.570	1.000	.411	.408	.344	.298
		Significance (2-tailed)	.000	.	.000	.000	.000	.000
		df	197	0	197	197	197	197
	Innovation_ knowledge	Correlation	.674	.411	1.000	.304	.586	-.019
		Significance (2-tailed)	.000	.000	.	.000	.000	.792
		df	197	197	0	197	197	197
	Strategic_ alliances	Correlation	.108	.408	.304	1.000	.188	.569
		Significance (2-tailed)	.127	.000	.000	.	.008	.000
		df	197	197	197	0	197	197
	Organizational_ Resources	Correlation	.648	.344	.586	.188	1.000	-.013
		Significance (2-tailed)	.000	.000	.000	.008	.	.852
		df	197	197	197	197	0	197
	Performance	Correlation	-.220	.298	-.019	.569	-.013	1.000
		Significance (2-tailed)	.002	.000	.792	.000	.852	.
		df	197	197	197	197	197	0

Model Optimization

Based on the results of hypothesis testing, a model optimization was conducted. The model optimization is presented in Table 4.43.

Table 4.43: Model Optimization

Objective No	Objective	Null Hypothesis	Rule	P value	Comment
1	To establish the extent to which organization structure determines the performance of airline industry in Kenya	There is no significant relationship between organization structure and the performance of airline industry in Kenya	Reject the null hypothesis is if P value is less than 0.05	0.002	Reject Null hypothesis
2	To establish the extent to which human capital development determines the performance of airline industry in Kenya	There is no significant relationship between human capital development and performance of airline industry in Kenya	Reject the null hypothesis is if P value is less than 0.05	0.000	Reject Null hypothesis
3	To establish the extent to which Innovation determines the performance of airline industry in Kenya.	There is no significant relationship between innovation and the performance of airline industry in Kenya.	Reject the null hypothesis is if P value is less than 0.05	0.792	Fail reject Null hypothesis
4	To establish the extent to which strategic alliance determines the performance of airlines industry in Kenya.	There is no significant relationship between strategic alliance and the performance of airline industry in Kenya.	Reject the null hypothesis is if P value is less than 0.05	0.000	Reject Null hypothesis
5	To establish the extent to which organizational resources determines the performance of airline industry in Kenya.	There is no significant relationship between organizational resources and the performance of airline industry in Kenya.	Reject the null hypothesis is if P value is less than 0.05	0.852	Fail to reject Null hypothesis
6	To establish the extent to which liberalization policy determines by moderating the organization performance of airline industry in Kenya.	There is no significant relationship between liberalization policy as a moderator and the organization performance of airline industry in Kenya.	Reject the null hypothesis is if P value is less than 0.05	0.000	Reject Null hypothesis

The aim of a model optimization was to guide in derivation of the final model (revised conceptual framework) where only the significant variables were included in the model. In the new conceptual framework, only the significant variables, that is, organization structure, human capital development, and strategic alliances were retained. From the conceptual framework and the regression model earlier, which was before moderation its model was

$$Y=0.278-0.461x_1+0.442x_2+0.158x_3+.590x_4+0.227x_5$$

Therefore, it follows that after the moderation was performed, the new conceptual framework and model is as indicated:

WX1 = Organization Structure

X2 = Human Capital Development

X4 = Strategic alliances

ε = Error Term here

Y = Dependent variable (Performance)

New model as per findings:

$$Y=0.278-0.461x_1+0.442x_2+0.590x_4+ \varepsilon$$

The regression model was written as: performance of the aviation =0.278-0.461 organizational structure+0.442 human capital development+0.590 strategic alliances.

Y_t=Performance of the company

- t= Period 2007 to 2013

X_{1t} =-0.461. refers to a unit change in organizational structure resulted to -0.461 change in performance of the company.

$X2_t=0.442$; refers to a unit change in human capital development resulted to 0.442 change in performance of the company.

$X3_t=0.590$; refers to a unit change in strategic alliances resulted to 0.590 change in performance of the company.

The notable difference is that the determinants that are fit into the model were removed that is innovation and resources because of their low score hence they affect performance negatively that is they are not contributing significantly to the model.

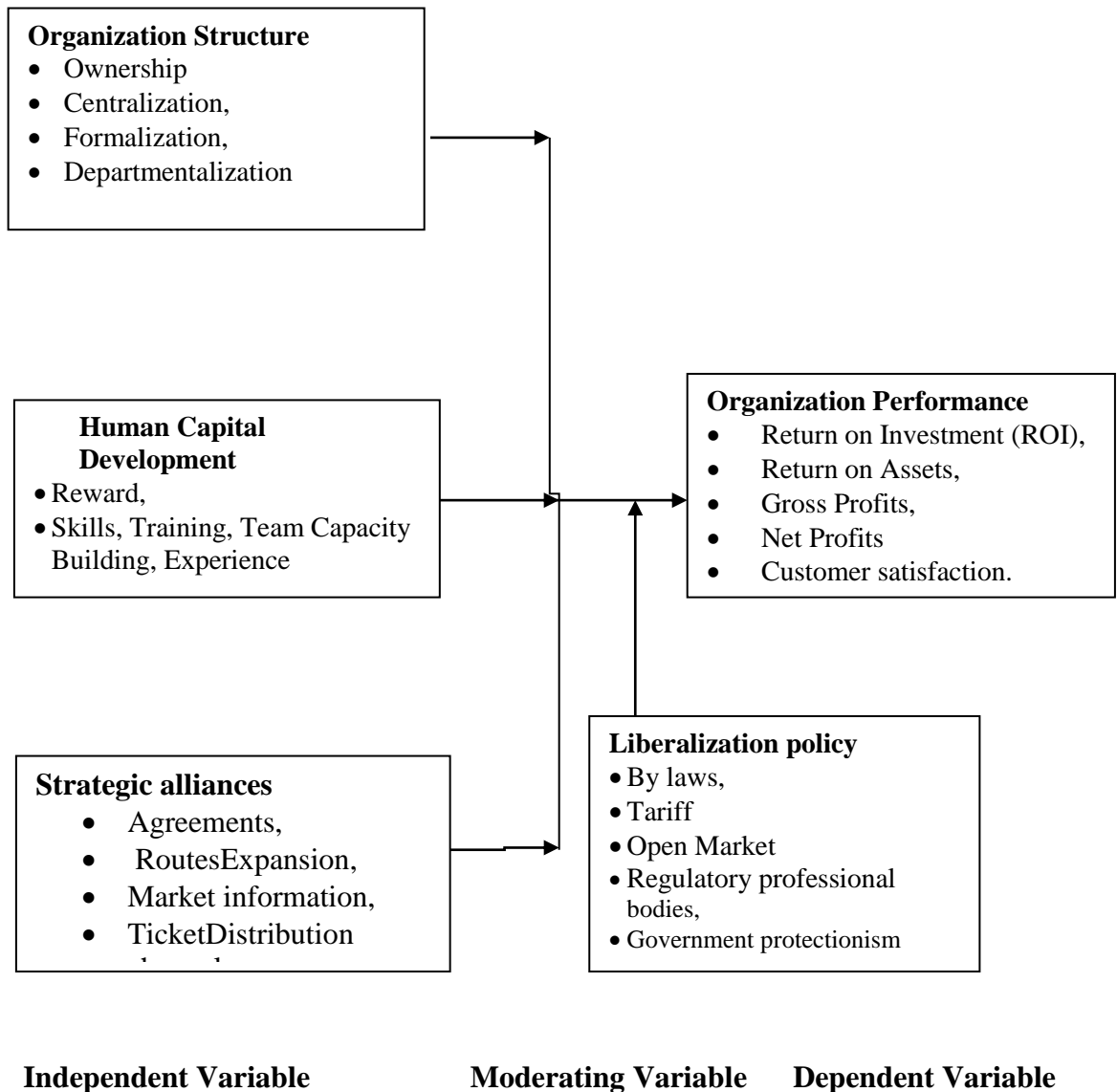


Figure 4.19: Model Optimization

4.15 Discussions on the Study Variable Findings

The following section presents the discussion of the findings of this study as guided by the specific objectives.

4.15.1 To establish the extent to which organization structure determines the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing organization structure. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.002* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is rejected although the effect is negatively significant at -0.461.

The survey findings were supported by a related study on strategic effect on firm's performance Okumus (2003); Amrule (2013); Atieno and Juma (2015). In general, it can be concluded that the relationship between organization structure and strategy implementation and is negatively effective in the aviation industry.

The correlation between organization structure and human capital management is $r = 0.945$ at $P\text{-value} = 0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.43 indicate that Liberalization has an effect on the relationship, at $r = 0.570$, with $P\text{-value} = 0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r = 0.570$ from $r = 0.945$. The study agrees with Rajasekar (2014) who asserted that there is a positive correlation between organizational culture and organizational reward structure and the culture's influence varies between the most effective which is clan culture and the least effective which is hierarchy culture. Mbaka and Mugambi (2014,) postulated that the relationship among different units affects the outcome of strategy implementation.

Organizational ownership has a P-Value of 0.864, .048 for high control span, 0.165 for departmentalization effects to airlines performance, and .0950 for managements drive for airlines performance. All this is at 95% Confidence interval, and 0.05 alpha. Since the significance values are above alpha, then there is significant relationship between the organizational factors and the various airlines performance levels. Kraus

(2006) looked at 290 Austrian firms to analyze the implication of strategic planning on performance of small and medium enterprises. The study established that formalizing strategic planning and alignment of structure to strategy significantly impacts on the growth of firms which was measured in terms of employee count.

The model derived expression is $Y=0.278-0.461X_1 + \varepsilon$. Where: Y = Organizational performance; β_0 = Intercept; β_1 = the regression coefficient; X_1 = organization structure, and ε = error term. This implies that $X_1t = -0.461$. refers to a unit change in organizational structure resulted to -0.461 change in performance of the company. As stated by Olsen, Slater, and Hult (2005) in their study where they found out that firm performance is strongly influenced by how well a firm's strategy is matched to its organizational structure and the behavior of its people.

4.15.2 To establish the extent to which human capital development determines the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing human capital development. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.00* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is rejected although the effect is significant at 0.44 at correlation value.

The study results were in line with previous related research on human capital development and performance (Thompson *et al.*, 2008); Barreto (2010); Chimhanzi and Morgans (2005); overall, we can conclude that the relationship between human capital development and strategy implementation on the organization performance is relevant of aviation industry in Kenya.

The correlation between organization structure and human capital development is $r=0.945$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship,

at $r=0.570$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r=0.570$ from $r=0.945$. On the innovation knowledge is $r=0.411$, strategic alliances $r=0.408$, organizational resources $r=0.344$, and on performance $r=0.298$ after moderation. Chimhanzi and Morgans (2005) findings indicate that firms devoting attention to the alignment of marketing and human resources are able to realize significantly greater successes in their strategy implementation

The $P\text{-Value}$ is 0.00 , at 95% confidence interval, when the α is 0.05 . This implies that the salary ranges affect the airlines performance. This could take two positions, either the airlines employees are underpaid hence not motivated to work effectively, or the salaries are too high that profits are limited. Lastly the employee with skills had a $P\text{-Value}$ of 0.17 , which is higher than α (0.05), it's clear that there is significant relationship between the employee skills and the various airlines profitability. The findings imply that Human capital were significant in explaining the performance of airlines in aviation industry. Studies have been done on evaluating the employee's impact on company's performance and the results often showed a positive relationship between the employee's attitude and the company's performance. Companies that are perceived as best companies motivate their employee's attitude by attracting them towards different advantages (Simon & DeVaro, 2006).

The model derived expression is $Y=0.278+0.442X_2 + \varepsilon$. Where: Y = Organizational performance; β_0 = Intercept; β_2 = the regression coefficient; X_2 = human capital development and ε = error term. This implies that $X_2t =0.442$. refers to a unit increase change in human capital development resulted to 0.442 change in performance of the company. The conclusion made therefore is that the model is significant. Therefore, we propose that developing human capital is positively related to organizational performance.

4.15.3 To establish the extent to which Innovation determines the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing innovation knowledge. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.104 and 0.792* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is accepted although the effect is insignificant at 0.158 at correlation value.

The study results are in line with previous related research on management innovation-knowledge and strategy implementation; Alpkhan and Ergun (2005); Fugate *et al.* (2009); Kaser *et al.* (2002). Overall, we can conclude that the relationship between management innovation-knowledge and strategy implementation is relevant on the organization performance of airlines industry in the Kenya context.

All the respective P-Values of 0.024, 0.831 and 0.172 for research and development, brand name and product development respectively, are above alpha (0.05), at 95% Confidence interval. This shows that the airlines performance levels are affected by any of them, either research and development, brand name and product development. The findings imply that innovation and knowledge were statistically significant in explaining the performance of airlines in aviation industry. Mugalisi (2015) also undertook a study with the objective to establish the effect of Research and Development on the performance of manufacturing companies listed at the Nairobi Securities Exchange. The study findings show that R&D significantly put strain on the financial performances in the short run whereas in the long run, the firm realizes the investment returns through strategies recommended from the R&D thus improved financial performance of the firm.

The correlation between organization structure and innovation knowledge is $r=0.965$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations

in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.674$, with $P\text{-value}=0.00$. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.674$ from $r=0.945$

The model derived expression is $Y=0.278+0.158x_3 + \varepsilon$. Where: Y = Organizational performance; β_0 = Intercept; β_3 = the regression coefficient; X_3 = innovation, and ε = error term. This implies that $X_3t =0.158$ refers to a unit change in organizational structure resulted to 0.158 change in performance of the company. The conclusion made therefore is that the model is significant. Therefore, we propose that innovation is positively related to organizational performance.

Kariuki (2011) determined the relationship between the level of technological innovation and financial performance of the commercial banks in Kenya. The descriptive study found that commercial banks have continuously employed various technological innovations which have led to increased financial performance of commercial banks in Kenya through increased sales, return on equity and profits increment.

4.15.4 To establish the extent to which Innovation determines the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing strategic alliances. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.00 and 0.00* against the constant P value of which is $p<0.05$. As a result, the null hypothesis is rejected although the effect is strongly related to performance at 0.590 of the correlation value.

The study results are in line with previous related research on strategic alliances formation and strategy implementation on the organization performance; Ito and Lee (2007), Porter and Fuller (1986); Bleeke and Ernst (1991). From this, we can conclude that the relationship between strategic alliances formation and strategy

implementation is relevant on the organization performance of airlines industry in the Kenya context.

The probit analytical results on effective brand profits, agreement with other airlines, Profits other airlines, Specific markets of operations, Profitable airline markets, definite route, Profitable routes, Profits airline routes and the airlines performance. With the P-Sigs of .294, .910, .412, .032, .890, .654, .722, .091, .977, .489 for Effective brand profits, Agreement other airlines, Profits other airlines, Specific markets operations, Profits airline markets, Definite route, Profitable routes, Profits airline routes respectively, with a C.I=95% at Alpha= 0.05, it's clear that there is no significant association between the variables and the airlines performance. Some of the variables like, Agreement with other airlines, definite routes, profits from other airlines have a negative impact on the airlines profits with a parameter estimate of -.026, -.122, and -.341. The findings imply that strategic alliances were statistically significant in explaining the performance of airlines in aviation industry.

The model derived expression is $Y=0.278+0.590X_4 + \varepsilon$. Where: Y = Organizational performance; β_0 = Intercept; β_4 = the regression coefficient; X_4 = strategic alliances, and ε = error term. This implies that $X_4t =0.590$ refers to a unit change in organizational structure resulted to 0.590 change in performance of the company. The correlation between organization structure and strategic alliances is $r=0.890$ at P-value=0.00, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.108$, with P-value=0.00. While the relationship is still positive, Liberalization causes a significant effect on the relationship, with causing the r value to come $r= 0.108$ from $r=0.890$.

Gaggero and Bartolini (2011) applying a discrete choice model approach to a sample of 60 airlines observed from late 1980s until 2008. We have implemented different model specifications and different estimation techniques, including instrumental variables. The results of the empirical analysis support the idea that one of the main factors influencing the formation of airline alliances is the possibility to exploit

returns to density. The study established the effects of the number of passengers, of the load factor, and of the alliances' market share are all positive and significant.

4.15.5 To establish the extent to which organizational resources determines the performance of aviation industry in Kenya.

A two-way independent bivariate test was conducted to determine whether organization performance varied as a function of developing organizational resources. The result of the analysis of variance for the regression coefficient as shown in Table 4.40 and Table 4.42 revealed *the sig value of 0.09 and 0.852* against the constant P value of which is $p < 0.05$. As a result the null hypothesis is accepted although the effect significant at 0.227 to the extent in which it affects performance.

The study results are in line with previous related research on Organizational resources and strategy implementation; (Felin & Hesterly, 2007). Morgan *et al.* (2004); Kimingi, (2010); Kariuki (2011); Sufian *et al.* (2008). In conclusion, we can state that the relationship between Organizational resources and strategy implementation is not relevant on the organization performance of airlines industry in the Kenya context.

The overall probit regression analysis on components such as on availability of enough airlines have a parameter estimate of .023, which implies that if an airline has enough airplanes, it would have made increased the airlines performance. Financial credits and effective use of ICT facilities, also led to increased performance at an estimate of 0.0209 and 0.041 respectively. However, the airlines financial capacity, access to credit and airlines markets affect the profits negatively at estimates of -.129, -.080, -.222 respectively. In terms of significance, enough airplanes, financial credits, and access to credit, have significant relationships to the airlines performance, at P-Values of 0.022, 0.018, 0.004 at 0.05 Alpha and 95% confidence interval. The rest, Effective e-sales and Financial Capacity, have insignificant relationships to the airlines performance at P-Values of 0.072, 0.037 respectively at 0.05 Alpha and 95% confidence interval, hence the study fail to reject the null hypothesis

The model derived expression is $Y=0.278+0.227X_5 + \varepsilon$. Where: Y = Organizational performance; β_0 = Intercept; β_5 = the regression coefficient; X5 = organization resources, and ε = error term. This implies that $X_5t =0.227$ refers to a unit change in organizational resources resulted to 0.227 change in performance of the company.

table 4.41, the correlation between organization structure and organization resources is $r=0.954$ at $P\text{-value}=0.00$, which indicates that there is a very strong significant and positive correlation between the two variables. However, an inspection of partial correlations in table 4.42 indicate that Liberalization has an effect on the relationship, at $r=0.648$, with $P\text{-value}=0.00$. While the relationship is still positive, liberalization causes a significant effect on the relationship, with causing the r value to come $r=0.648$ from $r=0.954$.

A study (Nour, 2013) on challenges of strategy implementation by international non-government organizations in Somaliland found that the identification of major strategy impeters in non- governmental perspective helps in better alignment of organization resources and capabilities with organization environment to ensure success in strategy implementation.

The study (Bundotich, Nzulwa, & Mburu, 2016) on determinants of strategy implementation in Agricultural Development found that strategic communication, strategic capability, and strategic flexibility supported strategy implementation. The study further realized that human resource is considered a key factor in strategy implementation.

Jaafar and Abdul-Aziz (2005) on their study of resource based approach confirmed that Ball (2006) argument that large construction firms achieve such reputations through efforts such as branding sustaining managerial capability is determinant of the constructions firms' success.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of major findings of the study, relevant discussions, conclusions and the necessary recommendations. The study sought to establish the determinants of strategy implementation on the organization performance of aviation industry in Kenya. The summary of key findings, conclusions and recommendations is done in line with the objectives of the study based on the output of the descriptive and inferential statistical analyses guided to test the research hypothesis of the study.

5.2 Summary of the Findings

5.2.1 The extent to which organization structure determines the performance of aviation industry in Kenya.

The first objective was to determine whether organization structure had an effect on the Performance of Kenyan airlines in the aviation industry. The study findings indicate that the nature of the span of control in majority of firms is high. High span of control improves performance while low span of control decreases performance. The findings further revealed that majority of firms have adopted centralized structure which was found to improve performance. The study findings further indicated that majority of the firms had a departmentalized structure which leads to improved performance.

The study found out that most airlines in Kenya are owned by private individuals, and in partnership and few owned by the public. The benefit of being a private organization is that since the government has very limited control on their management in terms of planning for the routes of the flights. Hence they can plan in such a way that they can maximize load factors according to (Jenatabadi & Ismail, 2007).

Organizational ownership has a P-Value of 0.864, .048 for high control span, 0.165 for departmentalization effects to airlines performance, and .0950 for managements drive for airlines performance. All this is at 95% Confidence interval, and 0.05 alpha. Since the significance values are above alpha, then there is significant relationship between the organizational factors and the various airlines performance levels.

It is important for airlines to institute organizational structures that support strategy implementation and that ensures improved overall coordination in inter-departmental linkages, improved span of control and communication flow. Since organizational structure on its own in the model explained 46% of the variation or change in the dependent variable (strategy implementation) airlines in Kenya should intensify on ensuring that organization structure follows strategy to ensure effective strategy implementation.

5.2.2 The extent to which human capital development determines the performance of aviation industry in Kenya

The second objective was to examine whether human capital development had an effect on performance of Kenyan airlines in the aviation industry. Human capital in view of processes that relate to training, education and other professional initiatives to increase the levels of knowledge, skills, abilities, values, and social assets of an employee lead to the employee's satisfaction and performance, and eventually on a firm performance (Marimuthu, Arokiasamy & Ismail., 2009).

The study also established that most of the successful organizations had succeeded not solely because of their financial resources but because they were able to strategically use effectively and efficiently the human capital resources at their disposal in the organization. Following the literature findings and the results of this study, organizational strategic leaders need to use effectively and efficiently develop the human capital in their organizations' as the most critical asset for the success of these organizations in our society.

There is a significant relationship between salary range and the airlines performance. The P-Value is 0.00, at 95% confidence interval, when the alpha is 0.05. This implies that the salary ranges affect the airlines performance. This could take two positions, either the airlines employees are underpaid hence not motivated to work effectively, or the salaries are too high that profits are limited. Lastly the employee with skills had a P-Value of 0.17, which is higher than alpha (0.05), it's clear that there is significant relationship between the employee skills and the various airlines profitability. The findings imply that Human capital were significant in explaining the performance of airlines in aviation industry.

5.2.3 The extent to which Innovation determines the performance of aviation industry in Kenya

The third objective was to identify whether Innovation had an effect on performance of Kenyan airlines in the aviation industry. The descriptive statistics were on research and development, effective brand name and product development. This study has confirmed that knowledge is positively related to innovation success in the process of value creation, but there is a lack of sufficient information about the elements that mostly can contribute to this success Miguel *et al.* (2011). These results conform to (Ngugi *et al.*, 2012; Kanter, 1983, 1985; Nahapiet & Ghoshal, 1998) in that product innovation requires the firm to have competences relating to technology and relating to customers. The study established that use of technologies determine innovation performance through technological skills, technological facilities and information management systems.

All the respective P-Values of 0.024, 0.831 and 0.172 for research and development, brand name and product development respectively, are above alpha (0.05), at 95% Confidence interval. This shows that the airlines performance levels are affected by any of them, either research and development, brand name and product development. The findings imply that innovation and knowledge were statistically significant in explaining the performance of airlines in aviation industry.

5.2.4 The extent to which strategic alliance determines the performance of aviation industry in Kenya

The fourth objective was to establish whether strategic alliances had an effect on performance of Kenyan airlines in the aviation industry. Majority of the respondents 66% stated that the airlines do not have strategic agreements with other airline operators, while the rest, 34% stated that the respective airlines had strategic agreements. The implication of this study is to demonstrate the positive impact of alliances on productivity and performance since past studies have found that profitability is not an issue. This study also shows that to obtain better performance, airlines need to enter into more strategic alliances. Alliances enable firms to achieve an increase in economies of scale through joint operations so that firms can increase profitability. Also, other research has found that alliances enable firms to be more efficient and gain larger market power, resulting in higher profitability gains.

The probit analytical results on effective brand profits, agreement with other airlines, Profits other airlines, Specific markets of operations, Profitable airline markets, definite route, Profitable routes, Profits airline routes and the airlines performance. With the P-Sigs of .294, .910, .412, .032, .890, .654, .722, .091, .977, .489 for Effective brand profits, Agreement other airlines, Profits other airlines, Specific markets operations, Profits airline markets, Definite route, Profitable routes, Profits airline routes respectively, with a C.I=95% at Alpha= 0.05, it's clear that there is no significant association between the variables and the airlines performance. Some of the variables like, Agreement with other airlines, definite routes, profits from other airlines have a negative impact on the airlines profits with a parameter estimate of -.026, -.122, and -.341. The findings imply that strategic alliances were statistically significant in explaining the performance of airlines in aviation industry.

5.2.5 The extent to which organizational resources determines the performance of aviation industry in Kenya

The fifth objective was to examine whether organizational resources had an effect on performance of Kenyan airlines in the aviation industry. Majority of the respondents,

58% stated that the airlines do not have enough Financial Capacity in Kenya, while the rest, 42% agreed that they have sufficient Financial Capacity in the airlines in our country Kenya. This shows that majority of the Kenyan airlines do not have enough financial capacity for their operations.

The airlines major sources of credit according to 66 respondents, who are 33% and majority stated that airlines access credit from loans, while 44 respondents, who are 22% stated that airlines access credit from government, while 34 respondents, who represent 17% stated that they access credit from share equity, 12% access credit from insurance, 10% get credit from leasing and the rest who are 6% of the respondents stated that airlines access credit through bonds. majority who are 51% of the respondents stated that the airlines access to credit increases performance of between 0-10%, 31% of the total respondents stated that airlines access to credit would increase performance to between 11-20% while the remaining 19% stated that the performance of the airlines increased by more than 20% by the respective airlines access to credit.

Majority of the respondents at 98, who make 49% stated that ICT caused airlines performance to increase to between 10-20%, 76, 38% stated that ICT led to increase in airlines performance by between 0-10% and the remaining 26, 13% stated that ICT had to the airlines increased performance by more than 20%.

The overall probit regression analysis on components such as on availability of enough airlines have a parameter estimate of .023, which implies that if an airline has enough airplanes, it would have made increased the airlines performance. Financial credits and effective use of ICT facilities, also led to increased performance at an estimate of 0.0209 and 0.041 respectively. However, the airlines financial capacity, access to credit and airlines markets affect the profits negatively at estimates of -.129, -.080, -.222 respectively. In terms of significance, enough airplanes, financial credits, and access to credit, have significant relationships to the airlines performance, at P-Values of 0.022, 0.018, 0.004 at 0.05 Alpha and 95% confidence interval. The rest, Effective e-sales and Financial Capacity, have insignificant relationships to the airlines performance at P-Values of 0.072, 0.037 respectively

at 0.05 Alpha and 95% confidence interval, hence the study fails to reject the null hypothesis.

5.2.6 The extent to which the moderating effect of liberalization policy determines the performance of aviation industry in Kenya

The findings of the study revealed that majority of the airlines abide by the government regulations and have effective by-laws, are members to a professional body and abide by the government rules. The findings also revealed that having effective by-laws, being a member to a professional body and abiding by the government rules improves performance. Furthermore, the findings of the study revealed that effective by-laws are positively and significantly related to airline performance. The study noted that there is no open market access and that the expansion of the airlines into other markets has been restricted due to tariff and government protectionism.

5.3 Conclusions

Based on the objectives and the findings of the study the following conclusion can be made. The study concludes that management structure of airlines had a significant impact on the performance of airlines in aviation industry. Results further led to the conclusion that not all cadres of management leadership participate in the decision making process and majority rely on the already set objectives. More so the study concludes that most airlines have higher prices hence their pricing tools mechanisms deter most passengers from using the airline. Regression results for Probit analysis indicated that management structure is statistically significant in explaining the performance of airlines in aviation industry. It can be concluded from this study that there exists a positive significant relationship between management structure and performance of airlines in aviation industry in Kenya. The results reveal that Management structure was statistically significant in explaining performance of airlines in Kenya.

Human capital was found to be a key determinant of airline performance in aviation industry in Kenya. It is concluded that strikes have a negative effect because they result to offering of poor services that eventual orchestrates to losses being incurred during the strike period. The employees skills and experiences will result to offering of professional and good services to employees and more so in the management of various parameters within the organization. This study therefore concludes that there exists a positive and relationship between human capital and performance of airlines in aviation industry in Kenya. This implies that human capital is statistically significant in explaining performance of airlines in aviation industry in Kenya

Innovation and Knowledge was found to be a key determinant of performance in aviation industry in Kenya. The study found that most airlines do not engage in official form of research as a result they have poor implementation mechanisms in creativity, product development, and branding issues that have a negative toll on its performance. This study therefore concludes that there exists a positive and relationship between innovational knowledge and performance of airlines in aviation industry in Kenya. This implies that innovational knowledge is statistically significant in performance of airlines in aviation industry in Kenya.

Strategic alliances were found to be statistically significant in explaining performance of airlines in aviation industry in Kenya. The absence of proper alliances resulted to lower seat capacity and reduced airline routes of operation in more excelling profitable markets, the lack of partnership in distributional sales channels and lack of information in the market managed to contribute on the airline performance. This study therefore concludes that there exists a positive and relationship between strategic alliances and performance of airlines in aviation industry in Kenya. This implies that strategic alliances are statistically significant in performance of airlines in aviation industry in Kenya.

Lastly, organizational resources were found to be a determinant of airline performance margins in aviation industry in Kenya. The airline size resulted to the amount of airplanes that were owned by the airlines which the study found that these were not enough for different airlines in the industry. More so accessibility to credit

from financial institutions was considered to be a challenge to most airlines. This study therefore concludes that there exists a positive and relationship between organizational resources and performance of airlines in aviation industry in Kenya. This implies that organizational resources are statistically significant in performance of airlines in aviation industry in Kenya.

5.4 Recommendations

Based on the results, findings and conclusions the following recommendations have been declared.

The study recommends that the management should ensure that there are well structures governing all departments in the way they carry out their duties. This was to make the employees have their independence and freedom to carry out their duties without obligations and favours from the management.

The study also recommends that the management should enhance elaborate organizational structure that is working smoothly. The study also recommends that the company should continue to involve the stakeholders' participation in its operation to ensure quality service delivery to their customers.

The study further recommends that the management should allocate adequate resources to all departments in the firm. In this, critical resources such as innovation and knowledge creation necessary for addressing product development and customer's problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage such resources across the spectrum of the organization to enable people deal with innovations that would spur the airlines to greater performance.

The study recommends that airlines should increase its training to its human resource through enhanced research and development to conform to the aviation industry standards, rules and regulation of the IATA, ICAO, and KCAA, on matters of safety, fleet management, customer service, in building relationships with their customers and retain them to increase performance over the longer term. In order to do so,

airlines must find ways to deliver their services more satisfactorily than those of their competitors. It is therefore important for organizations to understand how customers respond to service failures and how service recovery influences their relationship with the airlines in Kenya.

The study further recommends that airlines should increase and expand their strategic alliances and creation of partnerships with other major world airline carriers. This could be through mergers and acquisition, open sky alliances that would enhance code sharing and global network agreements that would eventually lead to greater market access providing interdependency and linkage creations at the local, national, regional and international front that would translate to increased performance of airlines in the aviation industry in Kenya.

There is need for airlines to constantly market their airline and make their brand name visible using the available tools of technology such as face-book and online presence besides the use of media. This will help for purpose of cognizant and also they should increase their sales distribution market channels in sales of tickets through sales agents and travel agents. There is need for prudent customer-centric investments in marketing, sales and distribution are critical, as is understanding passengers' needs and preferences along the entire value chain of travelling from pre-book planning to services upon arrival.

The study further recommends the need to have and broaden up the access to finances that would help the various airlines to expand on their fleet to increase their customer base market for increased performance. Cost control access to capital is essential in order to mitigate on the industry losses and inconsistent profitability in performance and to provide an avenue for modernization of fleet.

5.5 Areas for further Research

This study focused on effects of determinants of strategy implementation in aviation industry only. Therefore, future studies should focus on other sectors of the economy in Kenya such as chartered airlines in aviation industry, Telecommunications, Transport and Governmental parastatals and undertake the same study.

Future research could investigate the relative importance of low-cost airlines carriers in aviation and differentiation advantage from traditional carriers and mediation to performance relationship. While there has been an increasing examination of competitive advantages (both low-cost advantage and differentiation advantage) in the international strategic area, little effort has been made to compare the importance of the two advantages in Kenya aviation. This leaves insightful managerial implications unknown to future researchers.

This study review is limited to the significant types of innovation only. Though, there are several innovations; process innovation, product innovation, organization innovation, and marketing innovation etc. that may influence organizations strategy implementation and performance. To explore the unique influence of each innovation, there is much to be done to more fully conceptualize, and subsequently empirically examine this area.

5.6 Contribution to the existing body of knowledge

The study added knowledge on strategy implementation from the context of aviation industry in Kenya. This relationship between strategy implementation and performance of aviation in Kenya provides a significant contribution to the strategic management literature. The findings have also contributed on the role of determinants of strategy implementation namely structure, human capital development, management innovation, strategic alliances and human resources. The study established specifically the extent to which these variables influenced the performance of aviation industry in Kenya. Therefore, the findings have bridged the knowledge gap on the lack of this kind of undertaking in aviation industry in Kenya.

Another major contribution is the introduction of liberalization policy as a moderating variable in the relationship between strategy implementation and organization performance and found out that liberalization policy are significant in influencing determinants of strategy implementation and performance. The findings of this study have bridged the knowledge gap

There is a lack of longitudinal studies focusing on organization's strategy development in the aviation industry moderated by liberalization policy, and there is little knowledge about how liberalization is perceived by organizations operating within the market. The contribution of this thesis is to fill in this gap and extend the knowledge basis within the area.

The study add to our knowledge on how individual human capital relates to collective human capital, and subsequently, to performance. Most studies in strategic human resource management use simple aggregation to move from individual to collective human capital, and do not theorize this relationship. The strategic human capital field however points towards the complex relationship between individual human capital and collective human capital because of complementarities hence it looks beyond the human capital of a single organization and takes into account possible networks and collaborations.

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APPENDICES

Appendix 1: Questionnaire

Topic: DETERMINANTS OF STRATEGY IMPLEMENTATION ON THE ORGANIZATION PERFORMANCE OF AVIATION INDUSTRY IN KENYA

This questionnaire is prepared to be filled by Kenya Airlines employees in order to gather the necessary information while conducting this research. Please answer all questions by reading carefully and spending your valuable time on it. Note that your response will not be used other than pure academic purposes. Please give your response as per the direction/s presented in each question. Thank you in advance.

I. Personal information

1. Name of the respondent (optional). _____

1.1 Age: 25-35 36-45 46-55 56-65 66 and above

1.2 Sex: (A). Male (B). Female

1.3 Nationality: _____

1.4 Educational Background: Others College Diploma

Degree Masters PhD

1.5 Profession: _____

1.6 Work Position/Occupation: _____

1.7 Work experience in your organization _____

1.8 Department-----

PART A. ORGANIZATION STRUCTURE

a) Does your airline organization have a specialized organization structure?

Yes { } No { }

b) If Yes to question 1 (a), what is the degree of specialization in your airline organization?.

High { } Low { }

c) If Yes to question 1(a), in which of the following ways has embracing specialization in the organization structure influenced the performance of your airline organization?.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

If No to question 1 (a), how has failure to embrace specialization in the airline structure influenced the performance of your company?

i)Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20%

2 a) How can you describe the nature of the span of control in your airline organization?.

High { } Low { }

b) If your answer to question 2(a) is high, in which of the following ways has having a high span of control in your company influenced the performance of your airline organization?.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

d) If your answer to question 10 (a) is low, how has having a high span of control in your airline organization influenced the performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

3. a) What is the type of structure is adopted by your airline organization?.

Centralized { } Decentralized

b) If your answer to question 3(a) is centralized, what is the degree of centralization in your airline organization?. High { } Low { }

c) If your answer to question 3 (a) is centralized, in which of the following ways has having a centralized structure in your airline organization influenced the performance?.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

e). If your answer to question 3 (a) is decentralized, how has having a decentralized structure in your airline organization influenced the performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

4. a) Is the organization structure in your airline organization departmentalized?

Yes { } No { }

b) If your answer to question 4(a) is yes, what type(s) of departmentalization has been adopted by your airline organization?.(Tick all that apply)

Functional Departmentalization { } Geographic Departmentalization { }

Product Departmentalization { } Chain of command Departmentalization { }

Customer Departmentalization { } Combined Departmentalization

c) If your answer to question 4 (a) is Yes, in which of the following ways has having a departmentalization in your airline organization influenced the performance.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

5 a) What is the composition of the organization ownership in your airline organization?

Public, Private (Individual), Private (Partnership) Others-Specify-----

b) What range in performance has the organization ownership been able to bring to your airline organization?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

6) To what extend does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
The airline organization revises and creates appropriate structures to match the changes in performance					
The airline organization structure allows quick decisions and feedback					
The airline organization structure is too bureaucratic to facilitate strategy implementation					
Our airline organization has a well-designed reporting authority					
Structures in our airline organization are flexible enough to allow changes to be effected quickly and timely					
There is adequate level of supervision in every section, department of our airline organization					
Jobs in our airline organization are well structured with no overlaps, conflicts or ambiguity.					

PART B HUMAN CAPITAL DEVELOPMENT

1 i). What range of salaries rewards does your airline offer to employees (in thousands Ksh)?

ksh 10-20 ksh 21-35 ksh 36-50 51-100 101 and above

ii) What Percentage of budget do salaries as a reward take in your airline organization?

10% 30% 50% 70% 100%

iv) In your opinion what estimates in percentage does the salary cost affect performance in your airline organization?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv) Decreases performance

2a) Does your airline organization engage team building capacity? Yes No

If (**yes**) to what extent does the presence of **team building capacity** affect organizational performance.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

ii) To what extent in percentage estimates would lack of team building capacity affect your airline organization performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

a) Do you consider your employees have enough skills to match their job performance? Yes No

b) In what ways do people skills affect the performance of your airline organization?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

e) With the set budget what are the estimated in performance that have been achieved through trained employees?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

4i) Does the airline offer staff benefits and rewards to employees?. Yes No

ii) IF Yes in 4(i) by how much do benefits and rewards affect the airlines Profits in your organization? 20% 30% 60% 80% 100%

iii) If No in 4(i), in your opinion what effect would benefits and rewards have on airlines profits-----

5 What effect does induction and orientation of personnel have on your in your airline organization performance.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

6.To what extend does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
Our employees are regularly trained to improve performance					
There are well-designed systems of rewards, remuneration and promotions of staff towards performance					
The performance evaluations and appraisals done on routinely and timely manner					
There is unbiased systems of recruitment and placement of staff to work positions					
Employee promotions are always done on merit basis					

PART C INNOVATION AND KNOWLEDGE

i) In your opinion does your airline engage in research and development?

Yes No

ii) If **Yes** in 1(i) how does research and development affect your airline profits-----

iii) If **yes** In your opinion how would you estimate in percentage the contribution of research and development to your airline organization ?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv) If **No** in 1(i) in your opinion how has lack of research & development affect your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 10-20% { }

iii). Decreased performance by more than 20% { }

i) In your opinion does your airline have an effective strong brand name? Yes
No

ii) If **yes** in 2(i) in your opinion how does the brand name affect your airline performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iii) If **No** in 2(i) in your opinion what effect does lack of strong brand name have on airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

i) In your opinion does your airline engage in product development? Yes No

ii) If yes in 3(i) in your opinion how does product development affect your airline performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iii) If **No** in 3(i) in your opinion what effect does lack of product development have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

v) To what extent does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
Our airline organization engages in production of Products that are excellent quality and service					
The Packaging of our products are attractive, elegant and designed very comforting					
Our airline has ability to fast track Knowledge on the consumer needs					
Our airline organization has efficient Knowledge on the market operations					
Our airline organization reputation of is well-known and established					
There is frequent product improvement in our airline organization					
The airline organization enhances inter Knowledge Transfer amongst departments					

PART D STRATEGIC ALLIANCES

1 i) In your opinion does your airline have strategic agreements with other airline operators.?

Yes No

iii) If **NO**, in your opinion what effect does lack of strategic agreements with other airlines have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

iv) In your opinion if **Yes** how does strategic airline agreements affect your airline performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

2i) In your opinion does your airline have alliance on route expansion? Yes No

iii) In your opinion how does agreement in airline route expansion affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv) If **NO**, in your opinion what effect does lack of route expansion alliance with other airlines have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

3 i) In your opinion does your airlines have alliances on market information? Yes
No

ii) If **yes**) in your opinion how does alliances on market information affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv) IF No, in your opinion what effect does lack of alliances on market information with other airlines have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

4(i) In your opinion does your company have partnership in ticket sales distribution channels-----

ii) If Yes in 4(i) In your opinion how does partnership in ticket sales distribution channels affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv)If no in 4(i) what effect does lack of partnership in ticket sales distribution channels with other airlines have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

To what extent does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
Our airline has air service agreement with other organizations					
We have quick access to market information with partner airlines					
Our airline has traffic alliance on pool of passengers with other international airlines					
Our airline has market access to other international markets and regions					
Our airline have code sharing agreements with other airlines in ticket and computer reservations					

PART E. ORGANIZATIONAL RESOURCES

ii) In your opinion how does financial capacity affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

v)In your opinion what is the major source of your financial credit facility for your airline organization. a) Govt b) Share Equity c) Loans d) Bonds. e) Insurance f) Leasing Others-----

2i) In your opinion does your airline have information communication and technology infrastructure? Yes No

iii) Which of these technologies has your airline company invested in?

Mobile booking web platform. Use of Robotics and biometrics CRM tools

E.ticketing Self-service check-in Ticket pricing Data Integration
Management

iv) What benefits have you gained from ICT technologies towards your airline performance?

-- Better-integrated business processes

-- Revenue forecasting enhances operational efficiency

-- Increased customer loyalty, and profitability

-- Increased in customer retention

v) If yes in 2(i) in your opinion how does information communication and technology infrastructure affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

vi) If no in 2(i) what effect does lack of information communication and technology infrastructure have on your airlines performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

3i) In your opinion does your company have enough airplanes? Yes No

ii) If yes what range of planes do you have? 1-10 11-30 31 and above

iii) What range of estimates in your opinion how does the number of airline affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

iv) If no in 5(i) what range of estimates in your opinion how does lack of enough number of airline affect your airline organizational performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

4i) In your opinion does your airline have enough human resource personnel at every level of operational departmental unit of your organization? Yes No

iii) What range of estimates in your opinion does the number of human resource personnel affect your airline organizational performance?

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

vi) If no in 4(i) what range of estimates in your opinion how does lack of enough number of human resource personnel affect your airline organizational performance?

i). Decreased performance by 0-10% { }

ii). Decreased performance by 11-20% { }

iii). Decreased performance by more than 20% { }

To what extend does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
Our organization receives quick access to financial credit when needed.					
Our organization have modern efficient and reliable fleet					
Our organization uses current technology in the market to produce product/services					
Our organization has adequate tools, machines and equipments for employees to better manage their tasks					
Our organization is quick to respond to the changes in technology					

PART F: LIBERALIZATION

1a) Are there effective bylaws in your airline organization?

Yes { } No { }

b) If **Yes** to question 22 (a), in which of the following ways has having effective by-laws affect the performance of your airline organization.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

c) If **No** to question 1 (a), in which of the following ways has lack of effective by-laws affect the performance of your airline organization.

i). Decreased performance by 0% - 10% { }

ii). Decreased performance by 11- 200% { }

iii). Decreased performance by Over 20% { }

2. a) Is your airline organization a member of the professional body in its sector of operations?

Yes { } No { }

b) Which professional bodies does your airline organization belong?

i) ICAO ii) IATA iii) AFRAA iii) KCAA iv) v) ATAG

Others -----

c) If Yes to question 2 (a), in which of the following ways has being a member of the professional body affect the performance of your airline organization.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

d) If No to question 2 (a), in which of the following ways has failure to belong to any professional body affect the performance of your airline organization.

i). Decreased performance by 0% - 10% { }

ii). Decreased performance by 11- 20% { }

iii). Decreased performance by Over 20% { }

3. a) Does your airline organization abide to the set government and stake holder policies?

Yes { } No { }

b) If Yes to question 24 (a), in which of the following ways has abiding to government policies affected the performance of your airline organization.

i). Improved performance by 0-10% { }

ii). Improved performance by 11-20% { }

iii). Improved performance by more than 20% { }

c) If No to question 24 (a), in which of the following ways has failure to abide to the set government policies affected the performance of your airline organization

i). Decreased performance by 0% - 10% { }

ii). Decreased performance by 11- 20% { }

iii). Decreased performance by Over 20%

b) To what extend does the following statement affect your organization towards performance, where five is the greatest.

Statement	1	2	3	4	5
Cost of doing business in Kenya always forces us to adjust our costs					
Competent policy frameworks and procedures					
Government policy is never stable because it changes almost every year and it really affects our plans					
There is a lot of political interference which always makes the management adjust strategic initiatives.					
The society/industry forces change very fast and influence some of our plans.					
New regulations by the international bodies have also influenced our organizational performance.					

Part G PERFORMANCE

1 i) In your opinion does your airline have specific markets of operation?

yes No

ii) If Yes what areas of markets do you cover? a) Intercontinental b) Domestic Market c) Regional d) International

2) To what extent does the following statement affect your organization towards performance on customer satisfaction, where five is the greatest.

Statement	1	2	3	4	5
Easily available information on ticket prices, flight schedule etc					
Ease, accuracy and speed of reservation and ticketing					
Airport staff and Flight crew is courteous, prompt, expertise and helpful					
Availability of pre-flight services (early baggage check-in, email reminder etc.).					
The flight departs and arrives on schedule.					
The websites are friendly user and availability of call centre					

3) For each of the past 7 years, please indicate the return on assets (ROA) of the firm.

Year	Less than 2%	Between 2.1% - 5%	Between 5.1% - 7%	More than 7%
2007				
2008				
2009				
2010				
2011				
2012				
2013				

4) For each of the past 7 years, please indicate the return on assets (ROI) of the firm.

Year	Less than 2%	Between 2.1% - 5%	Between 5.1% - 7%	More than 7%
2007				
2008				
2009				
2010				
2011				
2012				
2013				

THANK YOU

CONTACT:enosnn@yahoo.com

Appendix II: List of Kenyan Airlines

Safari Link Aviation Ltd

Phoenix Aviation

Astral Aviation

Air works

Five Forty Aviation

Dac Aviation

African Express Airways

Jet link express

Seven Four Eight Air

Blue-Bird Aviation

Kenya Airways

Freedom Airlines

Air Kenya Express

Capital Airlines

Appendix III: Access Information to proceeding of Kenya airways Inquiry report.

Enos Bernabas Anene,
P.O Box 2047-00202,
Nairobi,
17/03/2016.
enosnn@yahoo.com
Tel 0720737035



The Clerk Senate,
Parliament Building,
P.O Box 41842-00100
Nairobi.
Kenya

Dear Sir,

REF: **Access to Information on the Proceedings of the Kenya Airways Enquiry Report**

I am a student of Jomo Kenyatta University of Agriculture and Technology currently pursuing a research on Thesis entitled "Determinants of Profitability of Airlines in the Aviation Industry in Kenya" as a partial fulfilment of the requirement of the Program in DBA (Doctorate Degree).

I would like to have your permission to access the Enquiry Report that was done on the Kenya Airways and any other related information pertaining to Airlines operating in Kenya for purpose of accomplishing the a fore mentioned program.

Thank you for your cooperation.

Yours Faithfully,

[Signature]
Enos Bernabas Anene.
Reg No.HD433C00435032012.



Mr. Enos Bernabas
Kindly log in to the Parliament website
www.parliament.go.ke/senate.
Click Committee Tab, then Committee
reports.
Juguna S.N.
Director, Commit
ES
18/03/16

1 D/Gm
Please assist.
This is on our website?
[Signature]
17/03/16

2 I called Mr. Enos and
re-directed him to the
website. where he KIP
report is in PDF.
[Signature]
18/03/16.

Appendix IV: Aviation industry performance

Performance Highlights

Three Year Summary of Financial Highlights

Financial Highlights

The Group	2014		2013		2012	
	KShs. Million	US\$ Million	KShs. Million	US\$ Million	KShs. Million	US\$ Million
Turnover						
Passenger	90,179	1,049.6	85,099	1,000.9	95,152	1,074.2
Freight & Mail	9,942	115.7	9,714	114.3	8,881	99.5
Handling	1,948	22.7	1,705	20.1	1,869	21.1
Other	3,948	45.9	2,342	27.5	2,065	23.3
Total	106,009	1,233.8	98,860	1,162.8	107,897	1,218.1
Direct costs	(75,268)	(876.0)	(77,225)	(908.3)	(77,217)	(871.7)
Fleet ownership costs	(12,490)	(145.4)	(11,178)	(131.5)	(9,970)	(112.6)
Overheads	(20,972)	(244.3)	(8,643)	(219.3)	(9,404)	(219.3)
Restructuring costs	-	-	(826)	(9.7)	-	-
Operating (loss) / profit	(2,721)	(31.7)	(9,012)	(106.0)	1,306	14.7
Operating Margin%	-2.6%		-9.1%		1.2%	
Net finance costs	(1,601)	(8.6)	(486)	(5.7)	(1,097)	(12.4)
Fuel Hedge Derivative	972	11.3	602	7.3	2,467	27.9
Share of results of associate	-	-	(230)	(2.7)	238	2.7
Other costs	(158)	(1.9)	(1,700)	(20.0)	(768)	(8.7)
(Loss)/profit before tax	(4,861)	(56.6)	(10,826)	(107.3)	2,346	24.2
Income tax credit / (expense)	1,479	17.2	2,962	34.8	(486)	(5.5)
(Loss)/profit for the year	(3,382)	(39.4)	(7,864)	(72.5)	1,660	18.7
(Loss)/profit after tax margin%	(3.2%)		(8.0%)		1.5	
Dividends	-	-	-	-	374	4.2
Operating Statistics						
	2014		2013		2012	
Passengers	3,719,590		3,664,844		3,644,492	
Revenue Passenger Kilometres (RPK's-Millions)	9,309		9,579		9,943	
Available Seat Kilometres (ASK's - Millions)	14,188		13,937		13,875	
Passenger Load Factor (%)	65.6		68.7		71.7	
Cargo Tonnes	71,340		69,871		62,504	
Pax yield/ RPK Inc Fuel Surcharge (Usc)	10.47		9.81		9.90	
Employees						
Airline	3,449		3,470		3,563	
Group	3,989		4,006		4,834	
Aircraft in Service at Year End						
Boeing 787-800	1		-		-	
Boeing 777-300	1		-		-	
Boeing 777-200	4		4		4	
Boeing 767-300	6		6		5	
Boeing 737-800	5		5		5	
Boeing 737-700	4		4		4	
Boeing 737-300	4		5		6	
Embraer 190	15		12		4	
Embraer 175	5		5		5	
B747-400 Freighter	0		1		1	
B737-300 Freighter	2		1		-	
Total	47		43		34	

Performance Highlights

Group Results

Turnover (KShs m)



Operating Loss (KShs m)



Loss before Tax (KShs m)



Net Loss (KShs m)



Capital & Reserves (KShs m)

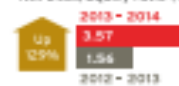


Loss per Share (KShs)

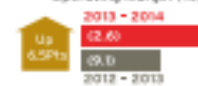


Key Financial Statistics

Net Debt/Equity ratio (%)



Operating Margin (%)



Interest Cover ratio (%)



EBITDAR Margin (%)



Operating Statistics

Passengers Carried



Available Seat Kilometres (m)



Revenue Passenger Kilometres (m)



Cabin Factor (%)

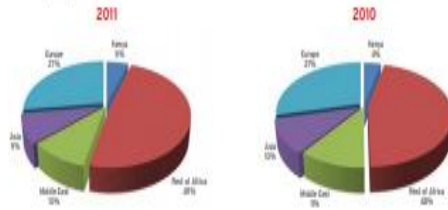


Cargo Uplifted (Tonnes)

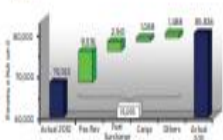


Business Highlights

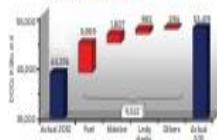
Turnover by region



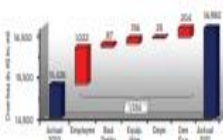
Turnover



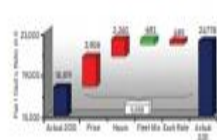
Direct Operating Costs



Overheads



Fuel Cost



Three year Summary of Business Performance

Financial Highlights

	2011		2010		2009	
	KSh. Million	US\$ Million	KSh. Million	US\$ Million	KSh. Million	US\$ Million
Turnover						
Passenger	75,355	245.6	62,818	219.6	62,947	203.7
Freight & Mail	6,522	21.8	5,434	19.9	6,081	20.4
Handling	1,492	4.9	1,302	4.7	1,216	4.0
Other	2,467	8.0	1,199	4.3	1,525	5.0
Total	85,836	270.3	70,743	248.5	71,669	233.1
Direct Expenditure	(63,040)	(200.1)	(51,470)	(176.5)	(55,786)	(182.2)
Overheads	(16,980)	(56.3)	(15,426)	(53.2)	(12,001)	(39.7)
Operating Profit	5,815	19.9	3,847	13.7	3,882	12.9
Operating Margin%	6.8%		5.4%		5.4%	
Net Financial Expenses	(93)	(0.3)	(1,846)	(6.6)	(864)	(2.8)
Fuel Hedge Derivative	328	1.1	2,369	8.5	(8,904)	(29.0)
Share of Associate	(98)	(0.3)	77	0.3	62	0.2
Profit before tax	5,002	16.4	2,471	8.9	(5,664)	(18.5)
Taxation	(464)	(1.5)	(636)	(2.3)	1,581	5.2
Profit for the year	4,538	14.9	1,835	6.6	(4,083)	(13.3)
Profit after tax margin%	5.3%		2.6%		(5.7%)	
Dividends	693	2.3	462	1.6	462	1.5

Operating Statistics

	2011	2010	2009
Passengers	3,136,789	2,899,207	2,824,709
RPK's (Millions)	8,896	8,071	8,061
ASK's (Millions)	12,854	12,143	11,386
Passenger Load Factor (%)	69.2	66.5	70.8
Cargo Tonnes	56,403	55,201	55,004
Pax yield per RPK (USc)	8.28	7.94	8.20
Employees			
Airline	3,207	2,807	2,863
Group	4,355	4,133	4,079
Aircraft in Service at Year End			
Boeing 777-300	4	4	4
Boeing 767-300	6	7	6
Boeing 737-800	5	5	5
Boeing 737-700	4	4	4
Boeing 737-300	6	4	4
Embraer 175	1	-	-
Embraer 170	5	3	3
SAAB 340	-	-	2
Total	31	27	28

Three year Summary of Financial Highlights

Financial Highlights

	2009		2008 (Restated)		2007	
	Kshs. Million	US\$ Million	Kshs. Million	US\$ Million	Kshs. Million	US\$ Million
Turnover						
Passenger	62,947	883.7	52,882	783.0	50,447	701.0
Freight & Mail	6,081	85.4	5,395	79.9	5,756	80.0
Handling	1,276	17.9	1,052	15.6	1,139	15.8
Other	1,525	21.4	1,142	16.9	1,450	20.2
Total	71,829	1,008.4	60,471	895.3	58,792	817.0
Direct Expenditure						
Overheads	(55,786)	(783.2)	(46,202)	(684.1)	(41,335)	(574.4)
Operating Profit	4,042	56.8	4,301	63.7	7,639	106.2
Operating Margin %	5.8%		7.2%		13.1%	
Net Financial Expenses						
Fuel Hedge Derivative	(8,904)	(125.0)	3,291	48.7		
Share of Associate	62	0.8	65	0.9	185	2.5
Profit before tax & minority	(5,664)	(79.6)	6,526	96.5	5,975	83.0
Taxation	1,581	22.2	(1,948)	(28.8)	(1,877)	(26.1)
Profit for the year	(4,083)	(57.4)	4,578	67.7	4,098	56.9
Profit after Tax margin %	(5.7%)		7.6%		10%	
Dividends	462	6.5	808	12.0	808	11.2
Operating Statistics						
	2009		2008		2007	
Passengers	2,824,709		2,762,049		2,601,350	
RPK's (Millions)	8,001		7,724		7,479	
ASK's (Millions)	11,386		10,973		10,169	
Passenger Load Factor (%)	70.8		70.4		73.6	
Cargo Tonnes	55,606		62,596		60,932	
Pax yield per RPK (Ugc)	8.20		8.23		7.96	
Employees						
Airline	2,863		2,975		2,862	
Group	4,179		4,267		4,754	
Aircraft in Service at Year End						
Boeing 777-200	4		4		4	
Boeing 767-300	6		6		6	
Boeing 737-800	5		2		3	
Boeing 737-700	4		4		4	
Boeing 737-300	4		4		4	
Embraer 170	3		2		0	
SAAB 340	2		2		2	
Total	28		24		23	



Appendix V: Airlines population

Phoenix Aviation	55
Astral Aviation	270
Air works	35
Five Forty Aviation	250
Dac Aviation	70
African Express Airways	80
Jet link express	350
Seven Four Eight Air	50
Blue-Bird Aviation	80
Kenya Airways	4000
Freedom Airlines	40
Air Kenya Express	165
Capital Airlines	35
Safari Link Aviation Ltd	100

Adopted from Airlines institutional websites and plans

Appendix VI: Kenya Civil Aviation Regulation

These regulations have specific guidance on how certain policies are implemented and they include: Supplement No. 75 - Personnel Licensing, 2013, Supplement No.72 - Aerodromes Regulations, 2013, Supplement No. 71 - Airworthiness Regulations, 2013, Supplement No. 68 (Aircraft Accident & Incidents Investigation) Regulations, 2013, Supplement No. 66 (Aircraft Nationality & Registration Marks) Regulations, 2013, Supplement No. 65 (Air Navigation Services) Regulations, 2013, Supplement No. 64 (Approved Training Organization) Regulations, 2013, Supplement No. 62 (Operation of Aircraft) Regulations, 2013, Supplement No. 61 (Instruments & Equipment) Regulations, 2013, and Supplement No. 60 (Aviation Security) Regulations 2013