INFLUENCE OF SURVIVAL STRATEGIES ON THE ORGANIZATIONAL PERFORMANCE OF KENYA AIRWAYS

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ABSTRACT

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, and diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments.

Key words: Training, Top Management Support, Staff training

Introduction

During the 1970s, business success increasingly became associated with market growth (Luthans, 1995). To capitalize on the growth potential existing within many divers markets, strategy in many companies was linked to corporate structure – especially the conglomerate form. These conglomerates largely became, both in form and substance, portfolios of business or products that often had few connections to each other except as a means of financial growth (Malighetti, Paleari, & Redondi, 2009).

Today's organizational environment is proving to be markedly different from that of the past. As pointed out in all studies, global competition, information technology, the quality service revolution, and diversity and ethics are forcing management of all types of organization to totally rethink their approach to both operation and human resources. Because of this paradigm shift, new organizations are emerging that are more responsive to both their internal and external environments (Luthans, 1995).

Statement of the Problem

According to RoK (2012) Kenya Airways which was wholly owned by the Government of Kenya until April 1995, and it was privatized in 1996, becoming the first African flag carrier in successfully doing so (RoK, 2012). Kenya Airways is currently a public-private partnership. The largest shareholder is the Government of Kenya (29.8%), followed by KLM, which has a 26.73% stake in the company (RoK, 2012). The rest of the shares are held by private owners; shares are traded in the Nairobi Stock Exchange, the Dar-es Salaam Stock Exchange, and the Uganda Securities Exchange (RoK, 2012). Kenya Airways has suffered a net loss of Sh4.8 billion for the half-year period starting March and culminating on September 30, 2012 (Wahome, 2012). Financial statistics for the remainder of the financial year, ending March 30, 2013, show that the airline will post an even lower profit, below 25% of the pre-tax profit it made in the forgoing year. Turnover is down from Sh54B to Sh49B, Net profit for the full year (March 30 2011-March 30 2012) Sh1.7B which represents a drop from the March 30 2010-March 30 2011 net profit by 46.7% (Wahome, 2012). Kenya Airways has sent a prior statement foreclosing that its profit for the entire year will be lukewarm, dropping by 46.7% in comparison with the minimal profit made last year of Sh1.7 billion, which was consecutively a poor outcome in comparison with the preceding year's postings (Wahome, 2012)

An important consistent trend about commercial aviation is that it is a fiercely competitive and highly volatile industry, in which fortunes shift continuously (Helfat & Lieberman, 2002). As the drive towards a free, converging and global market gathers momentum, competition within the airline industry is expected to intensify (Jenner, 2009). Increasingly open skies are likely to impact on yields, and extraordinary profits will increasingly be an exception (Data Monitor, 2009). To this end the Kenya Airways continues to focus on profitable expansion of its network through a combination of direct access and alliances with other carriers.

According to RoK (2012), in the next 10 to 20 years, Kenya Airways aims to grow into a decidedly dominant carrier in Africa with notable presence in Asia, Europe and the Americas, while operating a modern fleet of 30 to 40 aircraft. Kenya Airways intends to forge strong partnerships and be a respected member of the global airline community (RoK, 2012). The study seeks to fill the existing gap by establishing the influence of survival strategies employed by Kenya Airways. Given the importance of these processes, this study also seeks to fill the gap in knowledge by seeking solution to the Influence of survival strategies on the performance of Kenya Airways.

General objective

The general objective of the study was to investigate the influence of survival strategies on organizational performance of Kenya Airways.

Specific objectives

i. To establish how innovativeness influences organizational performance of Kenya Airways?
ii. To investigate how managerial skills influences organizational performance of Kenya Airways?
iii. To assess the extent to which human resource practices influence organizational performance of Kenya Airways.
iv. To find out how working capital management practices utilized by Kenya Airways influence organizational performance.

Significance

This study is of importance to the manager of the industry since survival strategies employed in an organization goes a long way in developing a larger and stable market base, this study endeavors to deliver that. It is of specific significance to the transport industry as this of help them to formulate the most effective survival strategies in order for the firm to cope up and meet the ever-changing and fast-paced trends and demands of the business environment. The study also facilitates policy formulation and implementation for all organizations working towards world-class services.

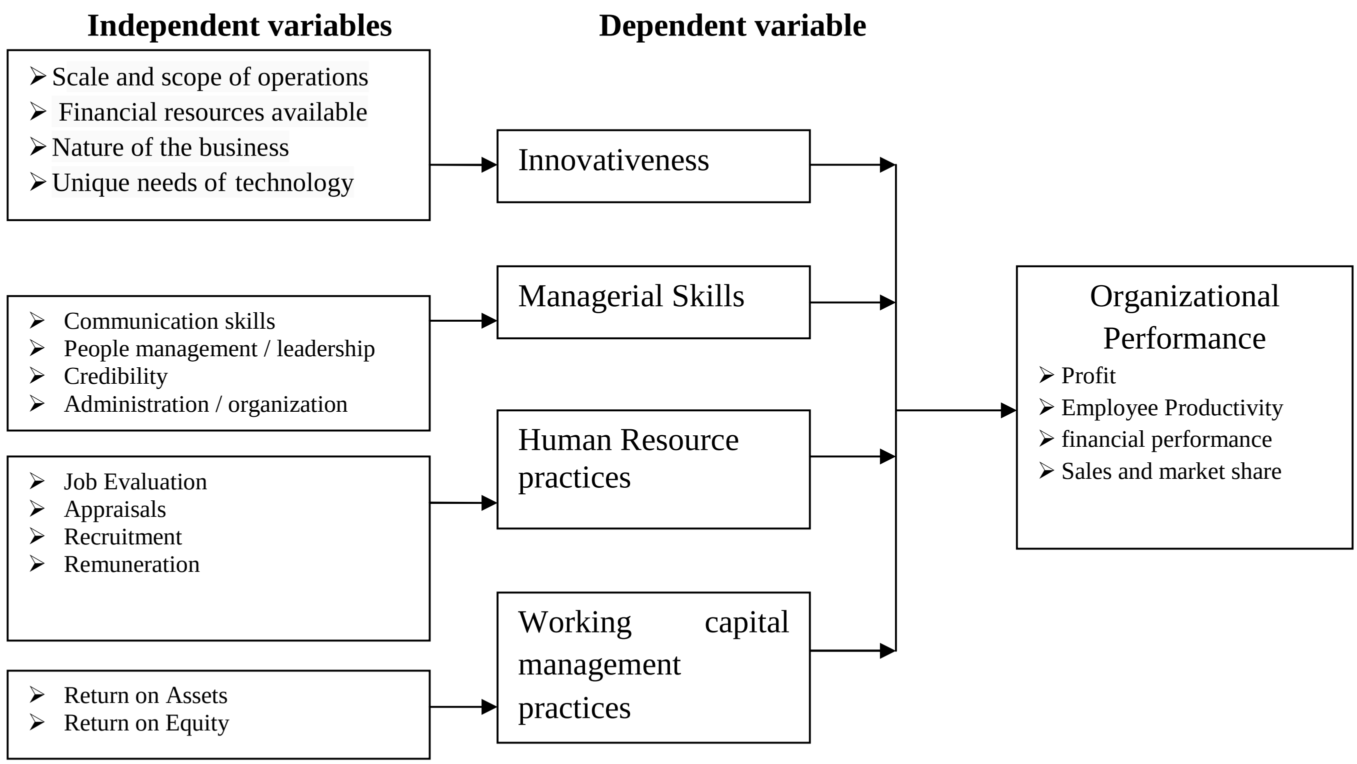
The study would be significant not only to Kenya Airways but also other organizations as it would enlighten them which survival strategies to use and the effects they may experience as a result of the strategies. The results of this study would also be valuable to researchers and scholars, as it would form a basis for further research. The students and academics would use this study as a basis for discussions on survival strategies and firm performance. The study would be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies.

Theoretical Review

Schumpeterian Theory on Innovations

Schumpeter's (1934) theory of innovative profits emphasized the role of survival strategy and the seeking out of opportunities for novel value and generating activities which would expand (and transform) the circular flow of income through risk taking, pro activity by the organizational leadership and innovation which aims at fostering identification of opportunities. Schumpeterian growth theory goes beyond economist theory by distinguishing explicitly between organizational performance and innovation. It supposes that technological progress comes from innovations carried out by firms motivated by the pursuit of profit, and that it involves what Schumpeter called "creative destruction". That is, each innovation is aimed at creating some new process or product that gives its creator a competitive advantage over its business rivals; it does so by rendering obsolete some previous innovation; and it is in turn destined to be rendered obsolete by future innovations (Schumpeter, 1934).

Conceptual framework



Empirical Review

In the study of Wu et al. (2008), they attempted to explore the mediating effect of firm performance on innovation. The research was carried in Taiwanese manufacturing and non-manufacturing industries. Seven hundred survey questionnaires were mailed to firms. The response rate of the study is 22.71%. They found that effects of firm performance including human capital on innovation exist at significant levels, suggesting a perfect mediating effect of firm performance on innovation.

Critique of Existing Literature

Sambhaji (2010) studied the high performance organizational HR practices in selected private sector milk processing organizations in western Maharashtra India. He found that so as for the organization to perform at an excellent level (above 80%) top management had developed scientific HR policies and that the organizations were well versed with the HRD concept. However, this study, no matter how relevant to the current one, was carried in the private sector milk processing organizations while the current one seeks to review the situation in Kenya's national carrier – Kenya Airways.

Research Gap

Business success is increasingly associated with market growth and to capitalize on the growth potential existing within many divers markets, strategy in many companies is linked to corporate structure. The organizational environment is markedly different from that of the past. Most successful companies will remain focused on their local markets, strengthening their main sources of competitive advantage while others will build on a successful defense of their home base and for opportunities abroad, but they may never make the final step up to global competition. As observed by the researcher, there is limited literature on the current phenomenon and this study seeks to fill the existing gap by establishing the influence of survival strategies on organizational performance of Kenya Airways.

Research Methodology

This study employed a descriptive research design carried out as a case study of Kenya Airways. The study method gave in-depth information on the role of survival strategies adopted by Kenya

Airways. The population of the study consisted of employees of Kenya Airways at the headquarters in Nairobi. The sample consisted of 130 employees from the top, middle and low level management employment categories.

A stratified random sampling technique was employed to select the respondents who were stratified based on the various employment levels in the organization. The sample size was obtained from the Kenya Airways headquarters in Embakasi, Nairobi. This sample size was justifiable it represents 10% of the total population.

Both primary and secondary data was employed in the study. Primary data was collected through a questionnaire which contained both open-ended and closed-end questions and with staff currently working at Kenya Airways. It was administered on a 'drop and pick later' technique. For the secondary data, sources was employed whereby use of previous document or materials to support the data received from question and information that includes e-resources, books and magazines available in the libraries were visited as well as information from the websites.

Data collected was both quantitative and qualitative in nature. Quantitative data was analyzed by the use of descriptive statistics with the help of software programme SPSS version 21 which is the most current version in the market and Microsoft Excel to generate quantitative reports and presented through percentages, means, standard deviations and frequencies.

Content analysis was used to analyze the qualitative responses obtained from the open ended questions.

Research Findings

Innovativeness

The study found out that majority of the respondents indicated that innovativeness influenced performance. The study also found out that the respondents strongly agreed that effects of firm performance on innovation existed and that there was a perfect mediating effect of firm performance on innovation as indicated by a mean of 2.2 respectively.

These findings are in line with the literature review where Chen, Preston, and Xia (2010) found that innovative activities have three sub categories which are; Research & Development, managerial innovation and knowledge innovation. Corporate development which is brought about by organizational performance has also three sub-categories as corporate value, corporate growth and corporate sustainability. They also found that, there is a mutually positive correlation between innovative activities and firm performance.

Managerial Skills

The study further found out that majority of the respondents indicated that managerial skills influenced performance.The study also found out that enlarging the skills base and increasing levels of knowledge and competence were improvements in performance and that human capital enhanced productivity which results in higher profits as indicated by a mean of 3.4 respectively, the respondents indicated strongly agreed that human productivity led to a positive rate of return and hence of growth of organizations as indicated by a mean of 3.3

These findings collate with the literature review where Ngah & Ibrahim (2009) used questionnaires to survey Malaysian small and medium enterprises in order to determine the relationship of innovation and organizational performance. In the preliminary study, they found that human capital, contributes more to innovation and organizational performance than structural and relational capital.

Human Resource Practices

Moreover, the study found out that majority of the respondents indicated human resource practices influenced performances. The study also found out that the respondents strongly agreed that SHRM linked the relationship between HRM and strategic management in the organisation and that SHRM involved designing and implementing set of internally consistent policies and practices as indicated by a mean of 2.2 respectively.

These findings collate with the literature review where Sambhaji (2010) found out that for the organization to perform at excellent level i.e. above 80%, top management had developed scientific HR policies and that the organization is well versed with HRD concept. HR-practices such as role analysis are carried out before the recruitment and selection program to get asset people for the organization. The selected people are rightly placed on their jobs after successfully completion of induction program. To increase usefulness of workforce, their skills and abilities are continuously improved by training, developing and appraising.

Working Capital Management Practices

Finally, the study found out that majority of the respondents indicated that working capital management practices influenced performance. The study also found out that the respondents strongly agreed that working capital management impacted on firms' performance and that inventory turnover in days had negative relationship with firm performance as indicated by a mean of 2.2 respectively

These findings are in line with the literature review where Muhammad (2011) found that inventory turnover in days has negative relationship with both indicators of firm performance i.e. Return on Assets and Return on Equity which means that companies performance can be increased by reducing inventory in days.

Regression analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 921[a]	.721	.893	.557

Source: Research, 2013

a. Predictors: (Constant), Innovativeness, managerial skills, Human Resource Practices, working capital management practices.

b. Dependent Variable: Organizational performance

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Organizational performance) that is explained by all the 4 independent variables (innovativeness, managerial skills, Human Resource Practices, working capital management practices).

The four independent variables that were studied, explain 72.1% of variance in organizational performance as represented by the R^2. This therefore means that other factors not studied in this research contribute 27.9% of variance in the dependent variable. Therefore, further research should be conducted to investigate into the influence of survival strategies on the organizational performance of Kenya Airways**.**

ANOVA (Analysis of Variance)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.453	5	.176	72.9	.000[a]
	Residual	15.653	45	.212		
	Total	60.106	50			

Source: Research, 2013

a. Predictors: (Constant), Innovativeness, managerial skills, Human Resource Practices, working capital management practices).

b. Dependent Variable: Organizational performance

The F critical at 5% level of significance was 3.44. Since F calculated is greater than the F critical (value = 72.9), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables, (Innovativeness, managerial skills, Human Resource Practices, working capital management practices) explain the variation in the dependent variable which is organizational performance. Subsequently, we reject the hypothesis that all the population values for the regression coefficients are 0. Conversely, if the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable.

Table 4. 1: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.234	.47		6.654	0.003
	Innovativeness	2.761	0.174	0.212	0.234	0.002
	managerial skills	1.983	0.287	0.476	0.344	0.001
	Human Resource Practices	1.236	0.532	0.376	0.178	0.005
	working capital management practices	0.973	0.275	0.299	0.245	0.012

Source: Research, (2013)

From the regression findings, the substitution of the equation (**Y = β0+ β1X1 + β2X2 + β3X3 + β4X4**) becomes:

$Y= 3.234+ 2.761X_1+ 1.983X_2+ 1.236X_3+0.973X_4.$

Where Y is the dependent variable (Employee performance), X_1 is the innovativeness variable, X_2 is the managerial skills variable, X_3 is Human Resource Practices variable and X_4 is the working capital management practices variable.

Taking all factors (innovativeness, managerial skills, Human Resource Practices, working capital management practices) constant at zero, performance will be 3.234. The data findings also show that a unit increase in innovativeness will lead to a 2.761 increase in organizational performance in an organization; a unit increase in managerial skills will lead to a 1.983 increase in organizational performance in an organization; a unit increase in Human Resource Practices will lead to a 1.236 increase in organizational performance in an organization; and a unit increase in working capital management practices will lead to a 0.973 in organizational performance in an organization.

At 5% level of significance and 95% level of confidence, innovativeness had a 0.002 level of significance; managerial skills had a 0.001, Human Resource Practices had a 0.005 level of significance while working capital management practices had 0.012 level of significance implying that the most significant factor is managerial skills followed by innovativeness.

Conclusions

The study concludes that innovativeness influenced performance and that effects of firm performance on innovation existed and that there was a perfect mediating effect of firm performance on innovation

The study also concludes that managerial skills influenced performance and that enlarging the skills base and increasing levels of knowledge and competence were improvements in performance and that human capital enhanced productivity which results in higher profits.

Moreover, the study concludes that human resource practices influenced performances and that SHRM linked the relationship between HRM and strategic management in the organisation and that SHRM involved designing and implementing set of internally consistent policies and practices.

Finally, the study concludes that working capital management practices influenced performance and that working capital management impacted on firms' performance and that inventory turnover in days had negative relationship with firm performance.

Recommendations

The study also recommends that organizations should engage in seeking out of opportunities for novel value and generating activities which would expand (and transform) the circular flow of income through risk taking, pro activity by the organizational leadership and innovation which aims at fostering identification of opportunities.

The study also recommends that organizations should invest in employees through education and training.

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