ORGANIZATIONAL RESOURCES, STRATEGY, AND ENVIRONMENTAL TURBULENCE IN KENYA AIRWAYS LIMITED

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

JUNE 2018

DECLARATION

The project is my original work and has not been presented for a degree or any other award in any other institution.

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D61/70088/2008

Declaration by the Supervisor

This project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this project to my dear wife Leah Kavinya Muuo and our daughter Shani Mutheu Muuo; you have been a source of strength and comfort throughout this journey.

ACKNOWLEDGEMENT

The task of producing this report from inception to submission for examination would not have been successful without the support of several parties; I am greatly indebted to them for their role throughout this period. First is to thank the Almighty God for enabling me to undertake this project. Every being in me resonate His love and favor in the various stages of this project; all glory and honor go to Yahweh. Secondly is the intellectual support and guidance I got from the University supervisor, Professor Z.B Awino. Your involvement in every step I had to make towards this achievement was of great assistance.

The financial, emotional, and moral support I got from my wife Leah and our daughter Shani is another immeasurable contribution towards the completion of this report. Leah thanks for the push and the encouragement to carry on when I was on the verge of giving up; thank you for the patience you had and for letting me be away for so many days while working on this paper.

Mwongela, Mukami, Sila, and Mong'ina; you were wonderful hosts whenever I travelled to Kenyan. You denied yourselves to ensure my comfort and for this, I appreciate you. Mum, Ruth Nzembi Musyoki, and my mother-in-law Mary Mumbe Musili, your continuous encouragement, empathy, and support came in handy. Aggie, Nduku, and Mambo – you all have made significant contributions towards this achievement.

Finally, I extend my appreciation to Masters of Business Management class of 2008 for their intellectual support and guidance.

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ABBREVIATIONS AND ACRONYMS

ASM	Available Seat Miles
CA	Competitive Advantage
ET	Environmental Turbulence
IT	Information Technology
KQ	Kenya Airways Limited
KRCS	Kenya Red Cross Society
NPD	New Product Development
OR	Organizational Resources
RASM	Revenue per Available Seat Mile
RBV	Resource-Based View
RSM	Revenue Seat Miles
SARS	Severe Acute Respiratory Syndrome
SCA	Sustainable Competitive Advantage
US	United States
VRIN	Valuable Rare Imitable and Non-Substitutable
LLD	Low Level Diversification
MLD	Moderate Level Diversification

ABSTRACT

The content of this document includes a discussion on Organizational resources, Strategy and Environmental Turbulence in the aviation industry with Kenya Airways Limited being the case in focus. The document starts with a discussion on the airline industry then proceeds to discuss at length the concept of strategic management with a focus on the Resource-Based View of the firm. Theories that build on organizational resources form a key part of this paper. In particular, proponents of the resource based view and dynamic capabilities theory are significantly mentioned in this document. It further discusses environmental turbulence and the features that characterize it. With regard to the airline industry, the document details the organizational resources that are found to be at Kenya Airways Limited disposal. The value creation of the various resources and capabilities are discussed with a bias to their alignment with respect to the market environment and the corporate strategy. The document discusses the various corporate strategy alternatives that are at the disposal of the firm and those that have been applied. On environmental turbulence, the document discusses the environmental forces/threats that directly or indirectly affect the strategic position of Kenya Airways Limited. The study seeks to investigate the significance of organizational resources in creating a sustainable competitive advantage. The data is collected from the respondents through an interview guide and secondary materials that focus on the subject of discussion. The respondents occupy management positions and participate or are conversant with the corporate strategy in Kenya Airways Limited. The target number was at least one respondent from each of the six departments that comprise Kenya Airways Limited. Nine respondents are engaged in the process. The collected data is analyzed through content analysis approach. Kenya Airways Limited is found to have significant resources through which the organization derives its strategic process and corporate strategy thereof. The main conclusion is that organizational resources are key in acquiring a sustainable competitive advantage. The document recommends the application of dynamism in resources accumulation for sustainability in the acquired economic rent.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Organizations are composites of varying resources with which they create a means or strategy to exist in a turbulent environment. Developing organizational resources (OR) and capabilities creates a platform where unique strategies can be formulated, tested, and implemented. Barney (1991) argues that a sustainable competitive advantage (SCA) is a derivative of the resources and capabilities held by a firm. These resources and capabilities ought to be valuable, rare, imitable, and non-substitutable (VRIN). Barney (1991) views resources and capabilities as either tangible or intangible assets and may include skills, processes and routines, information and knowledge at the firms control.

Various theories have been built to explain the concept of OR, strategy, and environmental turbulence. According to Hitt et al. (2005), Resource-based View (RBV) assumes that "organizations are collection of unique resources and capabilities on which strategy is based". Barney (1996) stipulates that there is a heterogeneous distribution of resources across firms in the same industry.

As cited by Ambrosini et al. (2009, p.3), dynamic capabilities refer to "the capacity of an organization to purposely create, extend or modify its resources bases (Helfat et al., 2007, p.1).They further state that dynamic capabilities have three levels namely incremental, renewing and regenerative dynamic capabilities. These three levels are dependent on how managers perceive the environment with regard to its dynamics".

The last two decades define a unique turbulent environment the airline industry has been operating from. Hitt et al. (2004, p.18) discuss some of the challenges that have had a significant impact on the industry where he mentions the poor economic environment in the US and beyond, the terrorist attack on September 11, 2001, the Severe Acute Respiratory Syndrome (SARS) outbreak in Asia, and the war in the Middle East. Different airlines had varying responses and were impacted differently by the environmental turbulence.

During and after the world recession in 2008/9, some airlines emerged strong and profitable at a time when most airlines were declaring bankruptcy. The organizational resources at behest of such companies and the strategies thereof must have played a key role to the overall performance in this turbulent environment. This motivated the researcher to carry out a project that sought to discuss the significance of organizational resources and strategy to airline companies in navigating through a turbulent environment.

This project centered on organizational resources and strategy with relation to the environmental turbulence. Kenya Airways Limited is used as the organization in focus where its resources, capabilities and strategies are investigated and how they are applied to acquire and safeguard a competitive position in the turbulent environment. The impact of environmental turbulence on airline organizations (with a focus on KQ) forms an essential part of the investigation and discussion to answer the questions regarding the fluctuations on SCA.

1.1.1 Concept of Strategy

The managements' set of actions and activities in running a business and conducting operations comprise what defines the firms' strategy. These activities entail all the activities ranging from ensuring efficiency in business growth, creating a seal on the clientele loyalty, outdoing the performance of the competitors, creating operational processes that guarantee efficient delivery in production, to dominance in the market place. The objective is ensuring that all aspects of the business pull together to enhance competitiveness and performance of the firm. They reveal in the firm's activities in the market place and declarations made by the top executives on the approach to business (Thompson Jr, 2007; Thompson et al., 2008).

Hitt et al. (2013) define strategy as "an integrated and coordinated set of commitments and actions designed to exploit core competencies to acquire a competitive advantage. It includes a process of making choices between competing alternatives in the pursuit of acquiring a strategic competitiveness". Mintzberg, Lampel, and Quinn (2002) implicitly defined strategy as a plan, ploy, pattern, position, or perspective.

By defining strategy as a plan, it is some consciously intended course of action, a guideline to deal with a situation. As a pattern, strategy is a stream of actions intended to give an organization a competitive edge over its competitors. As a position, strategy is a means of locating an organization in an environment. As a perspective, strategy is an ingrained way of perceiving the world (Mintzberg et al., 2002).

Ireland et al. (2013) define strategic management as a process where an organization analyses and understands the environment within and outside, comes up with a strategic direction, creates strategies that align the organization with the desired direction, and implement those strategies. For organizations to compete and manage to remain successful, they have the responsibility of formulating strategies that enhance their position in the market.

A corporation's long-term performance is a result of a set managerial decisions and actions named as strategic management. Scanning the environment, formulating a strategy, implementing, then evaluating and controlling the strategy make the keys features of strategic management. Value adding strategies give organizations a competitive advantage. This is when the benefits from a given strategy are superior in the eyes of the customers and the competitors are unable to imitate (Ireland et al., 2013; Wheelen and Hunger, 2002).

1.1.2 Organizational Resources

A resource can be defined as "a feature that characterizes an organization giving it a sense of uniqueness. It is in the form of an asset, a competency, process, skill, or knowledge and is controlled by the organization. A resource is a strength if it provides a company with a competitive advantage. It is something the firm does or has the potential to do particularly well relative to the abilities of the existing or potential competitors" (Wheelen et al., 2002).

According to Ireland et al. (2013), resources can be classified as “physical, human, and organizational capital. They are either tangible or intangible in nature. When different resources are brought together to perform a given task in an integrative manner, they form a capability”. Thompson Jr. et al. (2007) defines a resource strength as “something a company is good at doing or an attribute that enhances its competitiveness in the market place”.

Pearce and Robinson (1997) use “SWOT, an acronym for the internal Strengths and Weaknesses of a firm and the environmental Opportunities and Threats facing that firm. SWOT analysis is based on the assumption that an effective strategy derives from sound “fit” between a firm’s internal capabilities (strengths and weaknesses) and its external situation (opportunities and threats)”. A good fit maximizes a firm’s strengths and opportunities and minimizes weaknesses and threats. A strategy must place realistic requirements on the firm’s internal capabilities (Pearce and Robinson, 1997).

1.1.3 Environmental Turbulence

Pressures from the external environment challenge organizations and therefore have implications on how they manage their employees and internal operations. By correctly identifying developments in the organization’s external environment and evaluating their possible effects, managers and employees acquire a position in which they are better placed to draw up and amend plans to ensure the long-term viability of the organization with which they are associated (Morris and Willey, 1997).

Jones (2011) defines the global environment as a set of forces and conditions in the world outside an organization's boundary that affect the way it operates and shape its behavior. These forces change over time and thus present managers with opportunities and threats. He further categories environment into two: task environment and general environment. Task environment is the set of forces and conditions that originate with the global suppliers, distributors, customers, and competitors; these forces affect an organization's ability to obtain inputs and dispose outputs. The general environment includes the wide-ranging global economic, technological, Socia-cultural, demographic, political and legal forces that affect the organization and its task environment.

In the period approaching the 2000, Pearce and Robinson (1997) predicted that rapid changes would befall many industries due to changes in their operating environment. They went on to state that the key responsibility of managers would be to ensure their firms capacity for survival and compete in the harsh environment. This would be achieved by anticipating and adapting to environmental changes in ways that provide new opportunities for growth, and profitability.

According to Thompson (2001), "the environmental influences can be categorized as political, economic, social, or technical forces – PEST Analysis. Sometimes, two additional factors can be added; Environmental and Legal hence PESTEL Analysis.

Economic conditions affect how easy or how difficult it is to be successful and profitable at any time as they affect both capital availability, cost, and demand. Economic conditions are influenced by politics and government policy".

Wit and Meyer (2004) postulate that "there must be a fit between an organization and its environment. This point is often expressed in terms of the classic SWOT analysis tool, which suggests that a sound strategy should match a firm's strengths (S) and weaknesses (W) to the opportunities (O) and threats (T) encountered in the firm's environment. Yet, fitting internal strengths and weaknesses to the external opportunities and threats is often frustrated by the fact that the two sides pull in opposite directions".

Environment can be dynamic and complex. Thompson (2001) posits, "Rapid technological changes involving either the product, processes or uses will mean that changes are likely to occur quickly. An environment is complex where the forces and the changes involved are difficult to understand. Managers will need to be open and responsive to the need for change and flexible in their approach if they are to handle complexity successfully".

Wheelen and Hunger (2002) argue, "Before beginning strategy formulation, an organization must scan the external environment to identify possible opportunities and threats and its internal environment for strengths and weaknesses. Environmental scanning is the monitoring, evaluating, and disseminating of information from the external and internal environments to key people within the corporate".

1.1.4 Aviation Industry in Kenya

The aviation industry in Kenya has grown tremendously over the last three decades. The growth in the industry has included the emergence of local airlines, introduction of international airlines into the Kenyan airspace, expansion of the airport facilities, construction of new airports and increased inflow of passenger numbers into or through the Kenyan airports. This can be attributed to the enabling environment that has been created by the government and the tourism sector that has been booming over the last three decades.

The aviation industry in Kenya comprises of several airlines, which are based either locally or internationally. The locally based players are Kenya Airways Limited, Jetlink, Fly540, and East African Airways. Other Kenyan based private airlines operate from Wilson airport. The internationally based airlines that make the Kenyan aviation industry are British Airways, KLM, Air India, South Africa Airways, Air Arabia, Virgin Atlantic, Qatar Airways, and FlyEmirates. Other than these, we have other players but mostly private operators (Operating Airlines, n.d).

Kenya has four major airports; Jomo Kenyatta International Airport in Nairobi, Wilson Airport in Nairobi, Moi International Airport in Mombasa, Eldoret International Airport in Eldoret and Kisumu International Airport in Kisumu. The government of Kenya has put significant resources to improve the capacity and service levels of these airports. Some of the improvements include upgrade of runways, construction of terminals and installation of security equipment (Our Airports, n.d).

The security department in the airports has seen significant improvements to enhance and ensure that the industry is protected against the threat of terrorism. There are over 50 airstrips, which are located across the country. The local airlines mostly operate to all the four airports in Kenya. As for the international airlines, their operation is mainly concentrated to Jomo Kenyatta International Airport in Nairobi and Moi International Airport in Mombasa (Our Airports, n.d).

1.1.5 Kenya Airways Limited

KQ was established in February 1977 following the breakup of the East African Community and the subsequent disbanding of the jointly owned East African Airways. The company was then, owned by the Government of Kenya. It was in 1986 when the government of Kenya made the first of many steps towards privatizing the company and by 1991 the majority of shareholders were private entities (Our History, n.d).

The company made its first commercialized profits in the1993-1994 financial year. In 1995, KQ shareholders came into an agreement with KLM, a Dutch Airline, making them their strategic partner. It made its first initial public offer in 1996. In the year 2003, Kenya Airways Limited acquired a 49% stake in Precision Air, one of the major airlines in the Republic of Tanzania (Our History, n.d).

The company has collaborated with several companies to increase value in its services including Chartis Kenya to Launch Travel Insurance, CFC Stanbic Bank to launch the KQ Msafiri Gold Credit Card which earns users free air miles on usage. The company is also a member of the Skyteam Alliance. Kenya Airways Limited has a fleet of 35 aircrafts, which include B777-200, B767-300/600, B787 Dreamliner, B737-300/800 E170, and E19 (KQ Fleet, n.d.).

KQ has employed a Functional Organizational Structure in its bid to ensure efficiency. The company has several departments based on their functions with each department headed by a director. The existing departments are Operations Department, Commercial department, Engineering Department, Finance Department, Information Technology Department and Human Resource Department. Reporting to the directors are divisional heads that have various managers leading teams that report to them (Business Leadership Team, n.d.).

1.2 Research Problem

Thompson et al., (2008) posit, “All organizations operate in a macro environment shaped by influences emanating from the economy at large; population demographics; societal values and styles; governmental legislation and regulation; technological factors; and competition”. Several authors have discussed the concept of OR as the framework on which organizations formulate their strategy. Clegg et al. (2011) reckon that “resources and capabilities provide the building blocks for constructing a firm’s strategy”. This project sought to investigate the role of OR in formulating strategies, and whether they give airline firms a SCA in a turbulent environment.

KQ prides itself as one of the airlines that stands out in the African continent even to refer itself as “the Pride of Africa”. The company, as stated in its website, has been recognized for its achievement in service delivery by receiving several awards including, Africa's Leading Airline-Business Class in the World Travel Awards 2015, Best Airline in Africa in the World Travel Awards 2016 among others (Awards and Achievements, n.d.).

The airline has to formulate strategies that enable it to have an edge over its competitors. KQ’s resources and capabilities are key in the formulation of strategies that actualize a superior strategic position in a dynamic and an unpredictable. An investigation on organizational resources vis-à-vis KQ and their usefulness in formulation of viable corporate strategies in a turbulent environment formed the body of the project.

The capacity to envisage the dynamic and unpredictable environment will determine an organization's ability to outwit its competition and maintain an edge in the respective industry. The concepts of organizational resources, strategy, and environmental turbulence are well-researched subjects. However, no study has attempted to bring the three concepts together. In many of the studies, each of the three concepts is done separately; concentrating on only one or on two of the concepts.

Mwaniki (2015) on "the strategic responses to the turbulent operating environment and performance of Kenya Red Cross Society (KRCS)" observes the strategy of internal resources and capabilities development, in particular revenue-generating resources, to supplement the diminishing donor contributions. The ET associated with non-profit making firms like KRCS are quite different when compared with profit making organizations. At some point, competing nonprofit organizations work together in response to calamities. This created a contextual gap hence the need for a further research.

Mutunga, Minja, and Gachanja (2014) discuss the importance of resource configurations as applied by the food and beverage firms in acquiring CA. In their research, they discuss the significance of organizational structures as a pattern of communication that leads to SCA. They fail to exhibit the impact of ET on strategy and organizational resources as brought forth in state of SCA. This study sought to fill the conceptual gap that exists by seeking the significance of organizational resources in navigating through a dynamic and turbulent environment.

The OR play an essential role among the mobile firms in Kenya (Njoroge, 2015). In her research, Njoroge (2015) brings forth the significance of OR in the performance of mobile companies in Kenya. The uniqueness of the firm specific resources and capabilities determine the level of performance. The research does not relate ET and OR and the responses by the mobile firms. There is a methodological gap in that the research was quantitative; used descriptive and inferential approach in making the conclusions.

Nyangi et al. (2012) state that organizational capabilities contribute 42.6% of performance among sugar firms in Western Kenyan and hence the need to emphasize in core competencies. The study was focusing on manufacturing firms in Kenya with Mumias Sugar factory as the case study. It does not bring forth the aspect of environmental turbulence and the role organizational capabilities play in ensuring relevance in such conditions.

Mutunga et al. (2014); Mwaniki (2015); Njoroge (2015); and Nyangi et al. (2012) have employed comparative approach and descriptive approach in their research. Their studies have focused on discussing organizational resources and capabilities and how the concerned organizations build strategies that give them a SCA. The key aspect of the environmental turbulence, its impact on organizational resources and strategy and the responses thereof are consciously missing in their research and others not mentioned in this study. Furthermore, none of these have focused on airline industry or used a case study approach to research hence a contextual gap.

Miller (2017) posits that there is an observed growth in the production volumes that emanates from building OR. The study only looks at the internal impact of OR without assessing the impact of ET on the end economic output of the production line. Mache et al. (2012) observe that a significant relationship between personal and organizational resources with work engagement.

Wilden et al. (2013) analyze how competitive intensity and organizational structure affect dynamic capabilities and hence the impact on firm performance. In the study, they state that the value of dynamic capabilities is context dependent. The study does not narrow down to airline industry. Rose, Abdullah, and Ismad (2011) discuss the relationship between organizational resources, competitive advantage, and performance. They do not delve into environmental turbulence and the relation. Their study lacks a contextual focus and rather takes a generalized approach.

Zaidi and Othman (215) in their study on the relationship between organizational capabilities, environmental turbulence, and NPD performance conclude that Malaysian firms base their strategies on environmental turbulence. This study, though seeking to know the relationship between the concept of organizational capabilities and environmental turbulence, fails to bring forth the significance of the former in ensuring SCA. The contextual set up is on manufacturing firms leaving a contextual gap in the airline industry.

Ismail et al. (2012) stipulate a positive relationship between OR, capabilities, and, organizational systems and competitive advantage. The study does not delve into the context of environmental turbulence. As much as this research builds on Barney (1991) RBV that resources and capabilities form a means to acquiring a SCA, there remains a conceptual gap in failing to incorporate the concept of environmental turbulence.

Either these studies and many others have discussed organizational resources, strategy, and environmental turbulence independently or in relation to other concepts, and/or they used other methodologies other than case study, and/or are done on other contexts other than airline industry. This created a conceptual, contextual and a methodological gap. With the failure by various researches to capture the three concepts in question, this research, therefore, sought to answer the question, "How does Kenya Airways Limited capitalize on its organizational resources to attain a Sustainable Competitive Advantage through its corporate strategies in a turbulent environment"?

1.3 Research Objective

The research objective was to:

i. Identify the organizational resources that are associated with Kenyan Airways Limited
ii. Discuss corporate strategy and the role of organizational resources in its formulation
iii. Discuss the significance of organizational resources in formulating strategies that ensure Sustainable Competitive Advantage in a turbulent environment.

1.4 Value of the Study

The findings of the research build on the various theories that discuss organizational resources and competitiveness of organizations. Resource Based View and Dynamic Capabilities Theory postulate that organizations acquire stronger competitive advantage through development of the resources and capabilities, (Kraaijenbrink, Spencer and Groen (2010); Teece et al., 1997; Bowman and Ambrosini, 2003).

Findings of this project will aid in policy formulation in the aviation industry. Government bodies that regulate air travel can use the findings of this study in formulation of policies that enhance the better business environment and formulation of regulations. Airlines can refer to the findings of this project in their bid to enhance efficiency, and acquire sustainable competitive advantage. Policies are founded on knowledge and understanding of the dynamics that relate to the market and the responses that would ensure results. Therefore, the findings of this study will play a significant role in policy formulation in the airline fraternity.

Implementation and practicing of the findings of this project by airline industry players, especially at a time like this when the industry has been characterized by dynamic and unpredictable turbulent environment would be a step towards acquiring a sustainable competitive advantage. KQ, in particular, would stand to gain significantly considering that it was the organization in focus as a case study. The company has been bombarded by a series of environmental shocks leading to significant operational inadequacies.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Forces coming from the economy, cultural values and styles, governmental policies and regulations, technology, population demographics, and competition shape the macro environment in which organizations operate. The purpose of organizations, large or small, profit making or non-profit making, private or public sector may not be articulated in the mission statement. Strategies are the measures that are put in place to pursue this purpose. Organizations have to appraise their resources and weaknesses and their external opportunities and threats (SWOT analysis), to provide an overview of their state (Thomson, 1997; Thompson et al., 2008).

The I/O Model explains the dominant influence of the external environment on firms' strategic actions. Hitt et al. (1997) states that the I/O Model "specifies that the industry chosen in which to compete has a stronger influence on a firms performance than do the choices managers make inside the organizations". On the other hand, Barney (1991) asserts that only valuable, rare, imitable and non-substitutable (VRIN) resources lead to sustainable competitive advantage (SCA).

Organizational Resources are key to the performance of an organization. Barney (1991) argues that resources that are valuable, rare, inimitable, and non-substitutable can be a source of superior performance. As cited by Ambrosini and Bowman (2009), "Dynamic Capabilities theory borrows rent from the RBV arguments by transforming the static view into one that encompasses competitive advantage in a dynamic context (Barney, 2001).

2.2 Theoretical Foundation

Weihrich (1993) defines management as “creating and sustaining an environment where people come together to form groups to effectively accomplish certain objectives. Strategy refers to the determination of the basic long-term objectives of an organization and the adoption of courses of action and allocation of resources necessary to achieve these goals”.

Corporate strategy “is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and the plan for achieving those goals. It defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and noneconomic contribution it intends to make to its shareholders, employees, customers and communities” (Mintzberg, 1996).

According to Pearse and Robinson (2007), Strategic management is, “the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company’s objectives. It includes formulating the company’s mission, analyzing the company’s internal conditions and capabilities, assessing the external environment, selecting long-term objectives, implementing strategic choices and evaluating the success of the strategic process. It is the foundation on which competitiveness of organizations is based”. Strategic Management has its main objective as setting the long-term direction of a firm.

Environmental turbulence in the business world presents organizations with challenges creating the need for formulation of strategies that enhance survival and profitability. Jones (2011) states that “the rise of global organizations, organizations that operate and compete in more than one country, has put severe pressure on many organizations to identify better ways to use their resources and improve their performance”.

Several theories have been developed to explain the concept of resources and capabilities in relation to sustainable competitive advantage. Barney (1991) who argues that organizations formulate their strategies on the bases of their resources championed Resource Based View. Teece (1987) is the pioneer of Dynamic Capabilities Theory. He argues that organizations cannot have static capabilities and still acquire a SCA. Freeman (1987) pioneered the Shareholder Theory where he uses the employment of the shareholders as a resource to acquire SCA.

2.2.1 Resource Based View

Resource-Based View is an approach that assumes that “an organization is a collection of unique resources and capabilities that provide the basis for its strategies. In the new competitive landscape, this model argues that firms are a collection of evolving capabilities that are managed dynamically” (Hitt et al., 1997). Ireland et al. (2013) posit that RBV assumes the notion that “in a drive to acquire competitive advantage over competition, each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis of an organization's strategy and its ability to acquire a competitive position in the environment”.

When we talk of organizational resources, the items in reference are physical, human, and organizational capital. Organizational resources are classified as either tangible or intangible in nature. When different organizational resources are brought together to effectively perform a given task in an integrative manner, they create a capability (Ireland et al., 2013).A resource strength is something a company is good at doing or an attribute that enhances its competitiveness in the market place. It is on the platform of resource strengths that organizations are able to differentiate themselves as they do better than their competitors (Thompson et al., 2008).

The resources at an organization's disposal determine the attractiveness of the open opportunities. Organizational resources include both tangible and intangible assets, capabilities and competencies (Hooley, 2008). Hooley goes on to argue that the resources that are of importance are those resources that can help to create a SCA. Resource-Based View thus seeks to align strategies based on the resources, skills, and capabilities an organization has to form a sustainable competitive advantage.

Miller (1996) in his conclusion states, “both property- and knowledge-based resources that are hard to buy or imitate contributed to performance: to returns on sales, operating profits, and market share”. Enders (2004) argues, “resource-based view provides a structured arrangement of firm components. A firm may achieve better rent not because it consists of resources but because the core competencies of a firm better leverage these resources”.

Resources only create value when they are used to implement strategies. The only way to measure the value of the resources is to measure the value that is created by the strategies and attach the acquired value to the resources and capabilities (Ketchen et al., 2005).For a firm to control its growth, change, and development, it must pursue controlling the forces that create the opportunities for growth and change, and those that come as threats and demand responses.

Thompson, (2001) states that "not only must managers be aware of the environmental forces and the environmental change; they must manage the organization's resources to take advantage of opportunities and counter threats. The strategic leader should ensure that this happens and that the values and culture of the organization are appropriate for satisfying the key success factors".

2.2.2 Dynamic Capabilities Theory

Teece, Pisano, and Shuen (1997) define dynamic capabilities as "the ability of an organization and its management to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments". They identify three classes of processes that relate to dynamic capabilities. The three classes are coordination, which they also call integration, guided learning and configuration, which they also term as transformation.

Some capabilities are not firm specific; they can be acquired by all firms. Teece (2014) defines ordinary capabilities to be those that facilitate production and sale of goods or services. They are in existence not because the given organizations have employed any special requirements to acquire them. He breaks ordinary capabilities into operational, administrative and government. Simply stated, they are not unique but just facilitate an existing product to be made, sold, and serviced. Ordinary Capabilities do not serve as a means to acquiring distinctive positions as they can easily be imitated (Teece, 2014).

Teece (2014) posits, “Multinational Enterprises (MNE), reliance on ordinary capabilities, which are imitable, will lead to a diminishing competitive advantage unless competition is suppressed by governments or privately imposed entry barriers. Strategy must go hand in hand with processes, resources, and capabilities. Successfully developed strategy involves deploying the firm’s scarce assets to support market needs and gain advantage over competitors while recognizing market and technological opportunities”.

2.2.3 Shareholder Theory

The shareholder theory was developed to address the concerns brought about by globalization. When challenges in the business environment were mostly domestic, the approach to strategy focused less on turbulence (Freeman et al., 2010). They state that the prevailing business practices were considered to be inappropriate for turbulent business environment hence the need to come with an approach that addressed the demands. The shareholder theory was created to address the challenges emanating from dynamic changes in business relationships based on nationals, industry, and societal needs.

The tremendous pressure under which managers operate led to the development of the shareholder view approach to strategy formulation (Freeman, 1984). He states that there was a concern from managers on the demands made by the environment, which prompted the need to derive an approach that incorporated the contribution of shareholders into formulation of strategies with the intention of broadening strategic management.

Sezek and Koufopoulos (2012) postulate that variance in value across different organizations with international presence leads to more complexities compared to domestic organizations. They discuss the role of shareholder engagement in facilitating the formulation of strategies that suit the needs and demands of the respective countries/regions. "A rigid approach adopted across various nations does not appear to work well; instead, the implementation of a dynamic and flexible framework is suggested to help n coping with changing business environment", they state.

2.3 Corporate Strategy

Corporate strategy concerns the overall purpose and scope of the organization to meet the expectations of owners or major shareholders and add value to the different parts of the enterprise. They are strategies concerned with what product markets and businesses the firm should compete and how to manage them. Corporate level strategy is selecting the optimal set of businesses and determining how they should be integrated. These strategies specify the actions a firm takes to gain a competitive advantage by selecting and managing a group of different businesses competing in different product markets (Hitt, Ireland and Hoskisson, 2007; Wit and Meyer, 2004; Thompson and Martin, 2004).

To determine a suitable strategy, Mintzberg and Quinn (1996) posit that a company has to identify the opportunities and risks in the environment. The second step is validating a tentative choice by determining whether the organization has the capacity to prosecute it successfully based on its strengths and weakness. Wit and Meyer (2004) argue that firms seek growth through a number of directions in which they can expand. It can be market penetration where a firm seeks to increase its revenue through selling more of its current product. Product development is another option that involves enlarging the product scope while market development involves move into the neighboring market segments.

Thompson and Martin (2005) cluster strategic alternatives into three, namely: limited growth, substantive growth, and retrenchment. In the limited growth cluster, they give market penetration, market and product development as the strategic alternatives. For substantive growth cluster, they give horizontal integration, related diversification, vertical integration, and unrelated diversification. Retrenchment has turnaround and divestment

Growth strategies – market penetration, market development, and product development are organic in nature and are depended on innovation. They can be linked to the product life cycle for they provide suitable means of extending the life cycle once it reaches a stage of maturity and potential decline. These strategies aid in retaining existing customers, expanding the relationship with customers and winning new customers (Thompson and Martin, 2005).

In market penetration, Thompson and Martin (2005) posit that a firm seeks to assertively increase its market share and to defensively hang on to the existing customers. In market and product development, a firm will market existing products with possible modifications and range increases to increase its attractiveness to different customers in different market segments or niches.

Substantive growth strategies are implemented through acquisition, merger, or joint venture. They can be horizontal or vertical integration (diversification). Horizontal integration involves merging or acquisition of competitors while vertical integration leads to acquisition of companies that supplies a firm with inputs or one that serves as a customer to the firm's products and services. Related diversification includes moving into new products related to the existing products. In unrelated diversification, there is no discernible relationship between existing and new products (Thompson and Martin, 2005).

Hitt et al., (2007) talk about product diversification as a form of corporate level strategy that is concerned with the scope of the markets and industries in which the firm competes. They discuss the levels of diversification by using the percentage of revenue that is generated by a product where they give Low level, High and Moderate levels of diversification. LLD has 95 percent of revenue generated by one product while MLD has 30 percent of the revenue generate by a product in a dominant business.

2.4 Environmental Turbulence

The environment consists of “the cultural, economic, legal-political and educational conditions in which an organization operates” Schermerhorn (1996). He defines economic conditions as the general state of the economy in terms of inflation, income levels, gross domestic product, unemployment, and related indicators of economic health. As for social-cultural, he defines it as the prevailing social values on such matters as human rights and natural environment, trends in education and relation social institutions.

Legal political refers to the prevailing philosophy and objectives of the political parties running the government, as well as laws and government regulations. As for technology, it is the state of development and availability of technology in the environment including scientific advancements. Organizations operate on platforms characterized by varying features, which dictate the strategies they employ in order to acquire competitive positions for profitability (Schermerhorn, 1996).

While Wheelen and Hunger (2002) emphasize on the significance of scanning the external environment to identify opportunities and threats before formulating its strategy, Johnson and Scholes (1999) attest there is difficulty in making sense of the diverse influences to the environment while making strategic decisions. They recommend a pursuit to understand the level of environmental uncertainty where they classify the levels as simple or static, dynamic or complex.

By using the PESTEL Analysis tool Thompson (200) categorizes the environmental influences as political, economic, social, technical, environmental, and legal. Wheelen and Hunger (2002) define these as the variables that managers need to be informed of in a corporation's societal and task environments. Johnson and Hunger (1999) emphasize that the significance of environmental forces will vary from one organization to another and that the significance may change over time.

Wit and Meyer (2004) state that, "there must be a fit between an organization and its environment. This point is often expressed in terms of the classic SWOT analysis tool, which suggests that a sound strategy should match a firm's strengths (S) and weaknesses (W) to the opportunities (O) and threats (T) encountered in the firm's environment. Yet, fitting internal strengths and weaknesses to the external opportunities and threats is often frustrated by the fact that the two sides pull in opposite directions".

Thompson et al., (2012) state each of the environmental components has the potential to affect a firm's operating environment. A value adding strategy demands a fit between the organization's internal strengths and weakness to the external opportunities and threats. This undertaking is made difficult by the nature of these attributes to pull towards different directions (Wit and Meyer, 2004). Thompson (2001) highlights the importance of controlling the forces that create growth opportunities, pose threat, and hence demand response.

2.5 Empirical Studies and Knowledge Gaps

Organizational Resources, Strategy and Environmental turbulence are areas, which have often been targeted for research in the academic world. However, the studies have mostly been independent of each other with either of the concepts studied separately or in relation to other factors. In the independent studies, the contextual framework has not been based on the airline industry except for very few cases and in which the three concepts were not studied concurrently.

OR form a dominant area of research especially on performance of organizations with Barney (1991) who discussed the RBV of strategy as the main contributor. He stipulates that those organizations that have better resources acquire a competitive advantage over their rivals. Teece et al. (1997) criticizes the Barney (1991) RBV model by questioning how and why some firms perform better than others do. They bring the aspect of dynamic capabilities where they state “firms have to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”.

There exits knowledge gaps on significance of organizational resources in formulation of strategy in a turbulent environment. Various studies have been carried out to unearth the best practice in ensuring a SCA. Kamau (2015) recommends prioritization of resource allocation in the airline industry. She discusses the factors affecting the strategic choices in the airline industry using KQ as the case study. In her discussion, she fails to delve into role of environmental turbulence in relation to organizational resources.

Kamau (2015, p.88) has “effect of organizational resources in strategic choices in Kenya Airways Limited” as one of her objectives. The engagement of environmental turbulence as a concept is ignored by the researcher and is only treated as a cause for choices on strategic. Her study fails to address the concept of organizational resources in a turbulent environment in acquiring a SCA.

Ofunya (2015) discusses the responses by the banking sector in Kenya to environmental turbulence. He notes product differentiation as a strategy employed as a response to environmental turbulence. The research does not indulge the role organizational resources play in acquiring a SCA. Riwo-Abudho et al. (2013) discusses the organizational characteristics and the impact on SCA during strategic change in airline industry. They fail to explain the relationship between the organizational resources, strategy, and environmental turbulence.

Knowledge and methodological gaps exit as informed by these studies. A cause to explain the significance of organizational resources in formulating strategies in relation to environmental turbulence is necessary. Schumpeter (1942) stipulates that those organizations endowed with resources are better placed to survive environmental turbulence. A research in which the contextual setup covers the airline industry would sufficiently explain the concept of OR in the field. A case study approach to research would create a sufficient avenue to investigate the relativity of OR, strategy and environmental turbulence with respect to each other.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology of the study. Kumar (2011) defines research design as "a procedural plan that is adopted by a researcher to answer questions validly, objectively, accurately and economically". The research design represents the structure that guided the execution of the research method and the analysis of the subsequent data. It describes the manner in which the study was designed and how data/information was collected, analyzed, and evaluated. A detailed explanation is given on the method of data analysis and its applicability in the study.

Mackey and Gass (2005) stipulate that a research is either quantitative or qualitative where quantitative research involves experimental designs and quantification of data. Qualitative research is non-experimental and data cannot be quantified; it is a research that is based on descriptive data and does not make use of statistical procedures. This research took a qualitative approach in its pursuit to answer the research questions.

There are number of techniques used to collect qualitative data. Each technique has its advantages and disadvantages, which ought to be considered when deciding on the approach to use to address the research question (Mackey and Gass, 2005). Some of the widely used techniques according to Mackey and Gass (2005) are Ethnographies, Interview, Diaries/Journals, Case Studies, and Observational techniques. All these techniques are applied based on the objectives of the researcher and the kind of information he wishes to acquire.

3.2 Research Design

According to Cooper (2003), "a research design comprises the blueprint for the collection, measurement, and analysis of data. It aids a researcher in the allocation of his limited resources by posing crucial choices. It is the plan and structure of investigation so conceived as to obtain answers to research questions". The research was qualitative and Bryman (2007) concept of such was applied. He states, "A qualitative research usually emphasizes words rather than numbers in the collection and analysis of data. It predominantly emphasizes an inductive approach to the relationship between theory and research in which emphasizes is placed on generation of theories; it also embodies a view of social reality as a constantly shifting emergent property of individual's creation".

The study was modeled on a case study design. According to Zikmund (1997), the purpose of the case study method is to "obtain information from one or a few situations that are similar to the researcher's problem situation. An entire organization or entity can be investigated in depth and with meticulous attention to detail. This highly focused attention enables the researcher to carefully study the order of events as they occur or to concentrate on identifying the relationships among functions, individuals, or entities".

The basic case study entails "a detailed and intensive analysis of a single case. Case study research is concerned with the complexity and particular nature of the case in question. A case is commonly used to associate the case study with a geographical location such as a workplace or an organization. It has a focus on a bounded situation or system, an entity with a purpose and functioning parts" (Bryman, et al., 2007).

This mode of research design allows an in-depth understanding of the behavior pattern of the concerned unit. It is usually applicable when the questions that need answers are “why” and “how”, when one cannot manipulate the behavior of those involved in the study, when objective is to cover contextual conditions which are relevant to the phenomenon under study and when the boundaries are not clear between the phenomenon and context (Bryman et al., 2007). The topic in question fulfilled the mentioned criteria.

Case Study was thus found to be useful in conducting the research. In this research, the unit/organization that was narrowed down to was KQ. The study sought to investigate the resources and capabilities at the disposal of KQ. It further sought to understand how the organization had capitalized on these resources and capabilities to gain SCA in the turbulent environment. There was a course to get an in-depth understanding of how value could be attached to the various resources and capabilities.

3.3 Data Collection

The study used primary data through face to face interview with the use of Interview Guide. Meetings were arranged in advance to ensure prior preparation by the respondents. In cases where the respondents were not available for the agreed interview slots, an arrangement was made where a third party facilitated the interview process. With the Interview Guide, a respondent’s feedback gave an insight on his/her judgment on the various resources and capabilities that were at the organizations disposal, the kind of environment that the organization operated in and the various challenges that the organization encountered.

Information was acquired on the various maneuvers the organization had made through the use of the available resources and capabilities to counter the attacks from the environment and the value that had been created to the organization through the various resources and capabilities. From this information, it was possible to discuss the relevance of Resource-Based View of Strategic Management in KQ in the turbulent environment it operated.

The targeted respondents were at least one management staff from each of the six departments. 8 respondents were identified I total. Out of the 8 identified respondents, only 7 were interviewed through the guideline questionnaire of which 4 were interviewed face to face with the other 3 interviewed through a third party. The respondents occupied management positions at the strategy formulation and implementation level. They are deeply involved in key areas and tasks related to and which dictate or determine the direction of the company with regard to the markets, corporate direction, utilization of resources and value creation.

The respondents are entrusted with maintaining the organization's direction by safeguarding its course for competitiveness and profitability. Those interviewed included manager(s) from Operations Control Centre the department that is involved in overseeing the overall operations of the organization with regard to movement of customers from one destination to another; Schedules Planning department which is responsible for optimal utilization of aircraft resources by planning routes, negotiating landing rights.

The other respondents were from Alliances and Partnership department, which oversees agreements the organization has with other players in the industry; Finance department, Human Resources and Information Technology department. Secondary data was also used in the building up of the theory. Considering that a significant percentage of the research was based on public information, secondary data played a significant role.

The research sought to get insight on the significance of OR, Strategy and Environmental turbulence. Through secondary data, it was possible to develop a case on the concept of OR and strategy vis-à-vis Environmental Turbulence. Conclusions were made with respect to Kenya Airways Limited. The materials in the public domain that gave detailed information on the subject of discussion included but not limited to company brochures, company magazines (Msafiri), annual reports, company website and newspaper articles.

3.4 Data Analysis

In case study, researchers argue that “their aim is to generate an intensive examination of a single case in relation to which they engage in a theoretical analysis. The central issue of concern is the quality of the theoretical reasoning in which the case study researcher engages. The researcher is required to generate a well-knit theory from the data that is collected” (Bryman, 2007). Content Analysis was the data analysis approach that was used to analyze the data. It best explained the phenomenon that unfolded from the data that was collected.

Elo and Kyngas (2007) define content analysis as “a research method for making replicable and valid inferences from data to their context, with the purpose of providing knowledge, new insights, a representation of facts and a practical guide to action”. They state that the objective is “to attain a condensed and broad description of the phenomenon and the outcome of the analysis is concepts or categories describing the phenomenon”. The concept seeks to distil words into fewer content related categories. Cavanagh (1997) stipulates that words that are grouped in similar categories give a similar conceptual meaning.

The objective of content analysis is to build a model to describe the phenomenon in a conceptual form (Elo and Kyngas, 2008). It can be either inductive or deductive. In inductive content analysis, the concepts are derived from the collected data while in deductive content analysis, the concepts build on existing knowledge. For inductive content analysis, there are no previous studies dealing with phenomenon. Deductive content analysis tests existing theories on a different situation or period.

The research used case study approach with Kenya Airways Limited as the organization in focus to get specifics on the significance of its organizational resources in a turbulent environment. The information acquired from the respondents was analyzed and evaluated to determine its usefulness, consistency, credibility, and adequacy. With content analysis, it was possible to make inferences, by systematically and objectively identifying the information that was collected in open analysis.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION, AND DISCUSSION

4.1 Introduction

This chapter analyzes, presents and discusses the data collected from primary sources and secondary sources. Primary sources refer to raw data without interpretation or pronouncements that represent an official opinion or position (Cooper and Schindler, 2011). Secondary data is usually gathered and recorded by someone other than the researcher prior to the current project. The purpose of the collection is different from that of the research (Zikmund et al., 2010).

The research was targeting KQ's managers at the Strategy Formulation and Implementation Level as the source to its content. This is essentially the corporate and business strategy level in the firm. As stipulated by Mintzberg and Quinn (1996) the pattern that emanates from strategic decisions define the central character and image of the company. The intent to get an understanding on the central character and image of Kenya Airways Ltd was the cause for targeting the corporate and business strategy level managers.

The number of respondents targeted was 8 in total. Out of the targeted respondents, only 7 respondents were interviewed through the interview guide of which 4 were interviewed face to face with the other 3 interviewed through a third party. Open analysis was used to analyze the data collected from the secondary sources. Questions like what was going on; what were the involved actors doing; how were the actors influencing the profitability of the case in study; what were the challenges that emanated from the actors?

4.2 Data Analysis

Data Analysis refers to the application of reasoning to understand the data that has been collected. Qualitative research employs the pursuit to address the objectives of the research through techniques that permit the researcher to give detailed interpretations of the phenomenon without depending on measurements. The data is non-numeric or not quantified. The researcher's focus is to unveil true inner meanings and new insights (Saunders et al., 2007; Zikmund et al., 2010).

Deductive Content Analysis was the approach used to analyze the data. It is used when the objective of a research builds on an existing body of knowledge. It tests an existing theory on a different context or period by analyzing the data without any systematic rules. Words of the text are grouped into smaller content categories (Elo and Kyngas (2007). They give three phases in the analysis process namely preparation, organizing and reporting.

Hoskins and Mariano (2004) posit that there is no right way of carrying our content analysis. Rather, each case is unique and the results depend on skills, intuition, analytical skills, and the approach of the researcher. This research uses categorization matrix as is stipulated by Elos and Kyngas (2008) to facilitate grouping of the data. There were two concepts with different categories that emerged from the research: Environmental Turbulence and Organizational Resources. The categorization Matrix technique was used to group data within the two concepts.

4.3 Data Presentation - Categorization of Data

This section of data analysis entailed the fragmentation of the information that was gathered from the respondents. It was done on the basis of open coding. In their definition, Elos and Kyngas (2008), “open coding means that notes and headings are written in the text while reading it. The written material is read through again and as many headings as necessary are written down in the margins to describe all the aspects of the content”.

Lynch (2000) states that “some prescriptive strategists take the view that in spite of the various uncertainties, the environment can usefully be predicted for many markets. Some (but not all) emergent strategists believe that the environment is so turbulent and chaotic that prediction is likely to be inaccurate and serve no useful purpose”. The PEST/PESTEL analysis technique by Thompson (2001) was used to analyze the features of the environment in which Kenya Airways Limited operated.

The PEST Analysis model of analyzing the environment according to Thompson (2001) categorizes the environment into **P**olitical, **E**conomic, **S**ocia-cultural, and **T**echnological. Two additional factors can be added; **E**nvironmental and **L**egal hence giving PESTEL Analysis. Lynch (2000) states that “there are no simple rules governing an analysis of the organization. Each analysis needs to be guided by what is relevant for that particular organization”. Four environmental turbulence characteristics were prominent in the research; Political, Technological, Economic, and Legal.

4.3.1 Environmental Turbulence

Thompson (1997) argues that government decisions affect organizations providing both opportunities and threats. Decisions by the Kenyan government on policies and governance determine the ease of doing business in Kenya. The effect on the Kenyan economic condition impacts the airline industry. This is manifested through the impact on passenger numbers flying into the country and KQ's RSM.

Table 4.1: Environmental Turbulence

Environmental Turbulence	
Characteristic	**Category**
Travel Advisory	Political – Legal
Political Instability	Political Legal
Local Currency Depreciation	Economical
Competition	Industry
Staff Turn over	Industry
Epidemic	Economical
Technological Changes	Technological

Source: (Interview Guide Respondents, 2016)

As a major shareholder, the government has greatly affected the organizations structure particularly on appointment of the Chief Executive Office and board members. Different government appointments have come with differing policies, procedures and processes over the last three decades. Emanating from the political environment also include the taxation policy, and travel advisories from developed countries. These significantly affected the operating environment for KQ and hence the strategies.

The economic conditions affect the ease or difficulty of an organization to be successful and profitable by affecting cost, demand, and availability of capital. High demand leads to low cost of capital hence high investment and growth with expectations of profitability (Thompson, 1997). Change of governments has led to varying economic conditions affecting the rate of the economic growth of the Kenyan economy. Kenya's economy determines availability of capital, its cost and hence the competitiveness of the company.

Varying inflation rate in the country affects the lending rates hence KQ's cost of short term and long term financial facilities. The changing fuel prices in the international markets greatly affect the cost of running business in KQ. A case to refer to was when crude oil prices world over fell by as low as 60%. Due to edging arrangements with the suppliers, KQ was still purchasing its jet fuel at the high prices while most of the airlines were using revised rates.

The Tourism Industry in Kenya makes another key factor that affects the profitability of KQ. Whenever the tourism industry is booming, it translates to higher passenger inflows into the country with KQ as the main carrier. In addition, a buoyant Tourism Industry improves the general Kenyan economy hence higher purchasing power. The use of air transport becomes an affordable option for movement within the country leading to increase in local passenger traffic hence increased RPM. This increases the profits from the local routes and KQ at large.

Rules and regulations as dictated by different governments and international agencies greatly affected the profitability of KQ. They range from gas emissions policies, to airspace restrictions and landing rights. Epidemics, in particular the Ebola outbreak in West Africa significantly affected the Revenue Passenger Miles in the affected destinations and hence the airline at large. It is the objective of every organization to ensure that it has an edge over its competitors in its industry. “The main reason for analyzing competitors is to enable the organization to develop competitive advantage against them, especially advantages that can be sustained over time” (Lynch, 2000).

4.3.2 Resources and Capabilities

Lynch (2000) states that “it is important to explore how resources deliver profits in private companies and provide services in publicly owned organizations”. He adds that it is essential to identify those resources that enable an organization to compete and survive against competition. Thompson (1997) states that “if a firm is to control its growth, change, and development it must seek to control the forces that provide the opportunities for growth and change, and those that pose threats and demand responses”.

Not only must managers be aware of environmental forces and environmental change, they must manage organization’s resources to take advantage of opportunities and counter threats. Quite simply the environment delivers shocks to an organization, and the way in which resources are deployed and managed determines the ability to handle shocks. This relates to E-V-R (Environment-Values-Resources) congruence.

Table 4.2: Resources and Capabilities

Resources	
Characteristic	**Category**
Staff	Tangible
Modern Aircrafts	Tangible
Systems	Intangible
Skills	Intangible
Experience	Intangible
Learning Facilities	Tangible
Clinics	Tangible
Offices	Tangible
Brand	Intangible
Goodwill	Intangible
Hangar	Tangible

Source: (Interview Guide Respondents, 2016)

KQ was found to command resources, which were categorized as either tangible or intangible. The table above gives the various resources and capabilities under the tangible and the intangible resources categories. The respondents seemed to be informed of these resources as essential to the strategic plan of the organization. They played a significant role in facilitating the formulation of the various strategies that Kenya Airways Ltd employed in its pursuit to achieve a competitive position in the turbulent environment.

4.4 Discussion

Mangers must be aware of the forces that characterize the business in which their firms operate. Rapid technological changes on products and processes define a dynamic environment. When the forces are hard to understand then the environment is complex. Resource-based View argues acquiring economic rent through capitalizing on a firm's resource capabilities. An organization's strategy should create a fit between its resource capabilities and its external situation, which is key to success (Thompson, 1997; Mit and Meyer, 2004; Thompson and Strickland, 2001; Barney, 2007).

Penrose (1959) posits, "A firm is a system of productive resources. Acquisition or development of unique firm-specific resources, both tangible and intangible, is the key step towards establishing a CA platform that is necessary for sustainable economic growth and hence profitability". Organizations must align their strategies towards building a unique set of resources unique to ensure its competitiveness.

Firms have the option to choose from 3 clusters of strategic alternatives namely limited growth, substantive growth and retrenchment (Thompson, 2001). Limited growth strategies are characterized by market penetration, product, and market development strategies as they mainly affect competitive strategies. Kenya Airways Ltd business approach aligns with a single business concept since its main line of business is air transport. However, there is a good degree of substantive growth witnessed in its strategy. Thompson (2001) states that substantive strategies involve strategic alliances or acquisitions - attributes that characterize Kenya Airways Ltd.

Over time, a firm's intangible resources such as its know-how become the foundation of core competencies. Intangible resources are difficult for competitors to understand and imitate (Hitt et al., 2007). In corporate-level strategy, firms transfer the core competencies by moving people who are knowledgeable into new management positions. Reorganization of staff within Kenya Airways Ltd plays well in to this strategy where the company moves its staff across various departments and locations to enhance distribution of the core skills and competences.

Hitt et al. (2007) posit that firms use related diversification corporate level strategy where they build upon or extend their resources and capabilities to create value. In substantive growth, vertical diversification entails acquisition of firms that act as suppliers (Thompson, 2001). In the airline business, purchase of simulator equipment to facilitate pilots' license renewal can be categorized as diversification. This strategic move would enhance the revenue generation while minimizing costs associated with retraining.

Diversification as a form of substantive growth involves a departure from existing products and markets (Thompson, 2001). He states that the new products/services may relate to existing products and services in which case it is concentric or related. The investment in a fully furnished training center, Pride Centre, demonstrates the strategy by Kenya Airways Ltd to diversify. The training facility plays a significant role in increasing the revenue bases as well as improving the skills and knowledge within its staff fraternity.

Thompson (2001) states that effect of vertical diversification can be created organically by developing skills from scratch. The investment in low cost operations, (also known as budget operations) in response to market impact from low cost airlines (also known as budget airlines) in the Kenyan airspace illustrates vertical diversification. Hitt et al. (2007) state that firms embark on diversification to increase their value. A firm may also apply diversification to neutralize a competitor's market power.

The process of diversification involves allocation of resources. Mit and Meyer (2004) state that corporate strategists must decide where to allocate resources build up activities and try to achieve market sales. Achieving a CA is then possible if the strategic resources are integrated within and transformed through strategies to enhance the firm's efficiency and or effectiveness. KQ has the responsibility of maximizing the value in its productive resources as highlighted in its list of tangible and intangible resources. RBV (Barney, 1996) highlights the need for a fit between the external market context in which a company operates and its internal capabilities.

This chapter has summarized the data gathered on KQ's internal resources – both tangible and intangible, the environmental turbulence, and the corporate strategies that are synonymous with the firm. With deductive content analysis being the technique used to analyze the data, categorization matrix was used to group the data for enhancing classification. Open analysis was also used to analyze the data where the researcher sought to get the meaning in the source context from the secondary sources.

CHAPTER FIVE: FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summaries the findings as was found from the study. The findings are categorized based on the two variables that comprised the study; organizational resources and environmental turbulence. The aspect of strategy and specifically corporate strategy and the shape the firm takes is brought forth. Conclusion is made based on the findings from the two variables that define the study and thereafter recommendations.

Building competitively valuable core competences and organizational capabilities that give a firm a competitive edge over rivals is key in strategy implementation and executing process (Thompson and Strickland, 2001). The resources and capabilities that were found to identify with Kenya Airways Ltd and their significance in acquiring a competitive position in the turbulent environment are highlighted in this chapter. The concept of resource allocation in pursuit of strategy through diversification as mentioned by Mit and Meyer (2004) is discussed.

The exiting environment in which a firm operates dictates the choices of strategy. Mintzberg and Quinn (1996) posit that it the analysis of the environment to get its characteristics – threats and opportunities, which form the first step of formulating a strategy. There are various threats that were found to characterize the airline industry in which Kenya Airways Limited operates. These features that characterize the subject's environment are discussed in this chapter as was found.

5.2 Summary

KQ operates in an environment that is characterized by both complex and dynamic features. As stated by Thomson ad Martin (205) it is not possible to understand forces emanating from a complex environment while in a dynamic environment, they are frequent and constant changes. This demands organizations' attention to the demands of the environment. Wheelen and Hunger (2002) attribute difference in managers' abilities to recognize and understand the external issues and factors as the reason for different responses in the same environment.

The key attribute to KQ's position in the aviation industry today is its resources and capabilities. Barney's (1991) argument on the significance of resources and capabilities in attaining a sustainable competitive advantage agree with KQ's industry position and performance. Acquisition of competencies that are characterized with customer value, competitor unique and extendibility as stipulated by Wheelen and Hunger (2002) gives an organization Barney's (1991) sustainable competitive advantage that is driven by VRIN resources.

Kenya Airways Limited's corporate strategies are derived from a fit between the environmental turbulence and the organizational resources. With a complex and dynamic environment, the organization capitalizes on the diverse organizational resources to formulate strategies that are responsive to the environmental forces. The directional strategies as given by Wheelen and Hunger (2002) are aided by the strength of the resources (Barney, 1991) in order to ensure a sustainable competitive advantage.

5.2.1 Resources

A resource is an attribute that gives an organization unique characteristic. It is under the control of the organization (Wheelen et al., 2002). Thompson and Strickland (2001) define "a strength" as a feature that enhances an organization's competitiveness. Managers must manage the organization's resources to take advantage of the opportunities and counter threats (Thompson, 1997). The airline industry demands intensive resources for sustainability.

The study established that KQ has managed to harness essential tangible resources that facilitate acquisition of a SCA over its competitors. Thompson and Martin (2005) posit that market development is achieved by building on existing strength, skills, competencies, and capabilities. KQ has an expansive route network that has been built around these attributes. This gives its clientele exceptional options especially in the Eastern and Central Africa region. The use of modern aircrafts facilitates coverage of the expansive network.

With a significant investment in modern aircrafts, the organization is able to embark on strategies that enhance its position in the complex and dynamic environment. Strategies should exploit an organization's capabilities and competencies relative to the external opportunities and threats (Wheelen and Hunger, 2006). The ability to offer value to its customers through flight connectivity is made possible with an expansive network. Growth strategies as given by Wheelen and Hunger (2002) are made a reality with the attribute of adequate resources in the form of aircrafts.

The elaborate training center, Pride Centre, plays a significant role in the firm's performance. Noe (2013) argues that training is not a luxury for companies that want to offer high quality products and services. The facility has given the airline a platform to encrypt a unique culture. It serves the purpose of establishing uniformity in understanding the strategic direction of the company. Going by the Noe's (2013) argument, as a platform for training, Pride Centre plays a significant role in the building KQ's social capital.

The training center is used in defining the aviation workforce in Kenya and East Africa. Training and development can help a company's competitiveness by directly increasing the company's value through contributing to intangible assets (Noe, 2013). By offering the training on airline-related courses, the company has the privilege of encrypting the culture its staff should embrace before they are employed.

The geographical location of the country, Kenya, gives KQ an edge over its competitors. "Companies, not nations are on the frontline of international competition; the characteristics of the home nation play a central role in a firm's international success. The home base shapes a company's capacity to innovate rapidly in technology and methods and to do so in the proper direction" (Wit et al., 2004). According to Spulber (2007), "the home country of an international business can exert a significant influence on the company's success".

Kenya and hence KQ has a geographical location convenient for a thriving hub. With the country endowed with natural resources, like coal, recently discovered oil deposits, gold, titanium, and its farming capacity, Kenya makes an attractive destination to investors and entrepreneurs. As investments and entrepreneurial activities increase, so does the business environment for KQ. The geographical location forms a convenient stopover for tourists and a central operation for businesses and other players who want to connect to African countries. This creates an opportunity for the airline to align its resources towards maximizing value.

Kenya boasts of having the highest number of universities in East and Central Africa. This provides population comprising of a young and educated demography; a key aspect of business sustainability - labor force. Werner and DeSimone (2009) argue that the fast-paced, highly dynamic, and increasingly global economy has created the need to employ competent workers. KQ optimizes the opportunity that is created by the geographical location and demographic factors develop a unique resource to counter the environmental threats.

Tourism stands out as one of the country's key economic activity. Various attractions within the country lead to a buoyant tourism industry throughout the year. Recently the annual migration of the wild beasts from Serengeti in Tanzania to Maasai Mara across the Mara River was voted the eighth wonder of the world putting Kenya on the spotlight. This created an opportunity for the company to tap into the people that wish to travel to Kenya purposely to witness this natural spectacle.

The brand “KQ” is a trusted brand through which a degree of goodwill has been established over the years. This places the company at an advantage over its competitors. The “rate at which a firm’s underlying resources and capabilities can be duplicated gives it a competitive advantage in the marketplace” (Wheelen et al., 2002). Establishing a brand that carries goodwill takes ages. Overtime, KQ has been able to establish itself in the market as a force to identify with. This gives the airline a unique capability while producing new products and services in the market.

Other than customers, KQ attracts the best of human resources due to its goodwill; it commands respect among the most respected companies hence is a desired employer. Knowledge and know how are difficult to emulate. The ability to attract the best human resources in the market gives organizations a competitive edge over its competitors. This intangible resource plays an essential role in the company even as it maneuvers through the turbulent environment.

5.2.2 Environmental Turbulence

Riwo-Abudho et al. (2013) talks of the environmental turbulence the airline industry operates from. He mentions rivalry, increased security requirements, high fuel and labor costs, high taxes, technological changes and dynamic changes in customer needs. All these create a complex environment to operate in. KQ finds itself subjected to these environmental turbulence elements and hence the need to position itself strategically in order to acquire SCA.

Competition plays a significant role in the success or failure of firms. The commonality of competitive process among various industries allows a common analytical framework to gauge their nature and intensity. However, the pressure emanating from competition differs from industry to industry. It is competition that determines such activities as innovation, cohesion strategy implementation that leads to SCA (Thompson et al., 2001; Wit et al., 2004).

KQ experiences competition from airlines that operate into Kenya and those that are based in Kenya. These were classified as International and Local Competitors respectively. The airline has had to adapt strategies that enhance its strategic position in the market in order to remain relevant. With the modernized aircraft, the company has used the fuel efficiency factor to lower its pricing hence chocking its competition particularly those airlines that have their services confined within Kenya.

Local competition only expands within Kenya and to the neighboring countries, mostly East and Central African countries. It was observed that a number of airlines have emerged within the country to serve as an alternative to KQ. For quite some time, the company enjoyed monopoly in the Kenyan airspace and the neighboring countries. The emergence of local players necessitated a rethink on its strategy particularly on pricing as the company observed its market share decrease.

Rwanda Air and Ethiopian Airways also formed part of the local competition. Their operations into the Kenya market boosted by the determination by their respective governments to improve their national carriers greatly affected the RASM. The Republic of Tanzania is currently working on having a national carrier boosted by the government. This will add to the list of local competitors and hence a more turbulent environment.

With its expansive network, the company has been able to have an edge over its competitors by having minimal stopovers for its customers at way affordable prices. This reduces the travel time hence making KQ a more attractive travel option for those whose destination is the neighboring countries. Frequent fliers value connectivity options and reduced lead times in connecting flights. The expansive network boosted by high flight frequencies especially on the regional destinations plays a significant role in enhancing customer satisfaction.

Several international airlines operate into Jomo Kenyatta International Airport, which is KQ’s hub. These airlines constitute a major threat to the profitability of Kenya Airways Limited as they greatly affect the pricing, frequency of flights and hence RSM. Middle East Airlines in particular have played a significant role in affecting profitability of Kenya Airways Limited. With way modernized fleets and greater capital bases, their impact in the market is strong and hence greatly felt by KQ.

To counter this threat, KQ has had to invest in a modernised fleet, which has played a significant role in increasing the image of the company. Training of staff with the intent of increasing the quality of customer service has also played a significant role in enhancing the KQ brand. The onboard services offered to the customers make the last opportunity to seal the satisfaction of the happiest customer and the last opportunity to win over the most unsatisfied customer.

Noe (2013) argues that training contributes to organizations' competitiveness; organizations' ability to maintain and gain market share. The training facility comes in handy in developing the human capital - customer capital, as is argued by Noe (2013). The training center serves as base for innovation where most formidable products and services are created, polished, and transferred to the extended KQ family. This acts as a means of creating a sustainable competitive advantage in the turbulent environment.

Organizations do face forces from unlikely quarters - internal forces. According to Wheelen (2002), a resource is "a weakness if it is something the corporation does poorly or does not have the capacity to do although its competitors have that". Employee unrest has been common with KQ. On a number of occasions, the airline has had to keep its passengers in hotels due to staff downing their tools. This comes as an unnecessary cost to the company depleting its profitability not mentioning the inconvenience that is caused to the customers. There has been prolonged court battles with employees over terminated contracts. This gives the company additional image branding requirements in order to fight the negative publicity.

Going by Thompson (1997) on the effect of economic conditions with respect to the ease of doing business, it determines the level of success and profitability. This is through the effect economy has on the ease of acquiring capital through its cost and demand. He posits that, “when the economy or certain sectors of the economy are growing, demand may exist for a product or service which would not be demand in more depressed circumstances”.

In the study, external forces referred to the occurrences around KQ operating environment that had a direct impact on the profitability of the airline. These factors affected the RSM and hence the airline’s profitability. They are beyond the company’s control and hence the company must adapt to strategies that safeguard the amount of losses incurred. Mostly, the strategies were geared towards damage control. Market penetration strategy was a key option as is discussed by Thompson and Martin (2005). The objective of retaining the current customer was highly emphasized in this strategy.

The threat of terrorism has been unprecedented over the last decade. Developed countries issued travel advisories to its citizens leading to reduced tourism activity within the country. This lead to low passenger loads for Kenya Airways Limited especially those from European destinations. Consequently, the company reduced frequencies to some of these destinations while cancelling others. One strategy that was effective in managing the low passenger loads was optimization of the diversity in the fleet resource. The use of aircrafts with less passenger capacity played a significant role in managing the low passenger volumes.

The Ebola outbreak in Central African Countries significantly affected the profitability of the airline. Again, this is a threat that is utterly beyond the company's control. To safeguard its image and to avoid spreading the disease into the country, Kenya Airways Limited temporarily canceled flights into the affected countries leading to significant losses. The tangible resource of cash reserves served a significant role in keeping the company afloat during this period. The goodwill of the company among the financial institutions gave a safety net, as the firm was able to secure financial facilities.

5.2.3 Corporate Strategy

Thompson and Strickland (2001) define strategy as the overall managerial game plan for a diversified company. Of key to strategic implementation is building valuable core competences and organizational capabilities. Kenya Airways Ltd and the airline fraternity has experienced turbulent times emanating from the environment. Hitt et al. (2004) mentions the turbulent environment that characterized the airline industry that was driven by various factors including terrorism, disease outbreak political instability.

Kenya Airways Ltd has embarked on various strategies to ensure that it maintains its position in the industry. Related diversification where a firm builds upon or extend their resources and capabilities to create value (Hitt et al., 2007) has characterized its strategy. The launch of Jambo Jet as a subsidiary to the company where they offer low cost travel services is the example of this strategy. For KQ to diversify by launching Jambo Jet, it offered competition to the budget airlines that were eroding its customer base.

Thompson and Martin (2005) discuss diversification in form of various levels which are determined by the percentage of revenue. Moderate and high level diversification is characterized with 30 percentage of revenue outside a dominant product. Low Level diversification has 95 percentage of its revenue from a single product. The introduction of cabin crew training at KQ's training center can be categorized as a low level diversification. There is a significant revenue through the facility though it doesn't make a big percentage.

Market penetration as a corporate strategy involves seeking growth by selling more of a firm's current product (Wit and Meyer, 2004). KQ builds its revenue by conducting marketing activities and revising its pricing policies to enhance the sale of its products. KQ demonstrates the aspect of assertively increasing its market and defensively hanging on to the existing customers (Thomson and Martin, 2005) by revising its pricing policies and increasing frequencies on destinations that are faced with increasing competition.

Product development entails enlarging the product growth (Wit and Meyer, 2004). The acquisition of new, larger, and more efficient aircrafts by Kenya Airways Ltd is synonymous with the aspect of product development. Market Development strategy entails moving into the neighboring market segments (Wit and Meyer, 2004). KQ has been enlarging its routes by opening new destinations. This has led to an enlargement of its market and hence market development strategy.

5.3 Conclusion

The capitalization of organizational resources in strategy formulation in KQ has been effective in defining the years of sustained growth and profitability. It is apparent that these years of sustained growth and profitability were rooted on building distinctive capabilities that distinguished the company from the competition. This included a unique culture that was expressed through the popularity of the brand; the acquisition of resources that were unique in the African Market; enhancement of staff growth and development through training; exploitation of the geographical location, and the vibrant demographics that comprised of an educated population.

In the last three financial years, KQ has declared unprecedented losses. With the position the company holds in the aviation industry, it is the strength of the economic rent that has been developed over time that will define the future of the company. According to Bob De Wit and Ron Meyer (2004), "if a business unit does not focus its energy on the conditions in its direct environment and does not organize its value-adding activities and management systems to fit with the business characteristics, it will soon be at a competitive disadvantage compared to more responsive rivals".

The effective application of the resources at KQ's disposal will dictate the direction the airline will take in the turbulent environment. It has the capacity to redefine its course while maintaining a significant position in aviation without compromising its strategic position. Development of dynamic capabilities that camouflage with the dynamic environment is essential in ensuring a SCA.

5.4 Recommendations

In the last three financial years, the performance of KQ has been characterized with levels of unprecedented unprofitability. Various factors that do not relate to the scope of this study may have contributed to the unprofitability of the company. If the company is to ensure that its competitive position is regained in the marketplace, emphasizes on the development of economic rent commensurate with the times and seasons will have to be employed.

Ordinary resources cannot be a means to acquiring a SCA as they are easy to imitate. Any position of CA eventually diminishes for as long as it is pegged on ordinary resources (Teece, 2014). An alignment of KQ's strategy to put further focus on building strong and dynamic capabilities will ensure that the competitive advantage previously held is recaptured and sustained. The company should not relent on building on dynamic capabilities that will distinguish it in the turbulent environment. More so, there is need for the company to reorganize itself to capture the value from the developed economic rent.

The capacity to exploit the valuable, rare, and imitable resources will ensure sustained competitive advantage. With the changing economic environment, it is paramount for KQ to build on the resources and capabilities it has acquired overtime to regain its position in the aviation industry. The acquisition of modern aircrafts is a sign that the airline has been building its resources and capabilities to keep up with the changing environmental demands.

5.5 Limitation of the Study

Various constraints emanating from the surrounding inhibited the thoroughness of study. Some limitations were beyond the researcher's capacity while some were created by the approach undertaken by the researcher. Zikmund et al. (2010) discuss the difference on purpose that characterizes the use of secondary data. Had a different approach been used, possibly there would have been more ease in conducting the study. Notwithstanding, steps were taken to ensure that the intended goals and objectives were achieved.

Conducting a case study requires the cooperation of the party whose history is being studied (Zikmund et al., 2010). The ease of getting data was restricted by confidentiality on the depth of information that could be released to the public. The interview guide had to be structured in a manner to ensure that the data given by the respondents would not compromise the position of the company in the competitive environment. There was some degree of caution from the respondents and the authorities within KQ on the depth of information they released regarding their organization.

At the time of carrying out the research, the researcher relocated from Kenya to an overseas destination. This created a challenge of high traveling cost and reduced ease of securing sessions with respondents. Consistent and frequent inputs from the supervisor due to the distance were a challenge. The research, hence took a longer period than was expected. With the prolonged period of the research, the circumstances surrounding the organization of focus, KQ, changed significantly.

5.6 Areas of Further Study

The biggest challenge in this case study was quantifying the value that the various resources and capabilities added to the organization. For the study to give a comprehensive position on Organizational Resources, Strategy and Environmental Turbulence in KQ, quantifying the economic value that is associated with each resource and capability is required. A study on the resources and capabilities, the fit with the environmental turbulence and the impact on company profitability would play a significant role in determining the deployment of these features in ensuring SCA in the turbulent environment.

KQ may have over relied on ordinary resources. Teece (2014) defines ordinary resources as those resources that any organization in an industry can have. In the airline industry, they would include government, aircrafts, and administration but with some degree of relativity. The aspect of maintaining while replenishing resources and capabilities over time to align an organization with the changing competitive environment would make a good further study of the research.

On corporate strategy, a research on the effectiveness of the various strategies that have been employed by Kenya Airways Ltd would make option for further study. This study centered on the strategy that has been applied without investing on the value creation or the effectiveness. Thompson and Martin (2005) state that diversification should create value to the products and services. As a strategy, what is the value creation in quantified form with respect to Kenya Airways Ltd.?

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APPENDICE

APPENDIX: Interview Guide

Introduction

This interview is designed to gather information on the effectiveness of Resource-Based View Strategy in Kenya Airways Limited for an academic research work. Your response will be accorded strict confidentiality. Please respond to the questions with uttermost honesty.

1. What is your position in Kenya Airways Limited?

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2. How long have you been working with Kenya Airways Limited in your current capacity?

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3. Who are Kenya Airways Limited main competitors?

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4. What are the environmental turbulences that Kenya Airways Limited has faced over the last two (2) decades?

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5. What are some of the tangible resources that identify with Kenya Airways Limited?

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6. What are the intangible resources that identify with Kenya Airways Limited?

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7. How have you applied the tangible resources in your organization to counter the environmental turbulences?

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8. How have you applied the intangible resources in your organization to counter the environmental turbulences?

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9. What would you say is Kenya Airways Limited position in the airline industry in Kenya and the region particularly Africa?

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10. What do you understand about Resource-Based View Strategy?

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11. How is resource-based view strategy applicable in the management of Kenya Airways Limited?

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12. How do you plan to maintain/improve Kenya Airways Limited position in Kenya and in Africa?

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