

**INFLUENCE OF CORPORATE CULTURE ON THE PERFORMANCE OF
KENYA AIRWAYS**

BY

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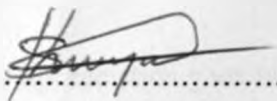
UNIVERSITY OF NAIROBI

October, 2010

DECLARATION

This Management research Project is my original work and has not been submitted for award of a degree in any university.

Signed



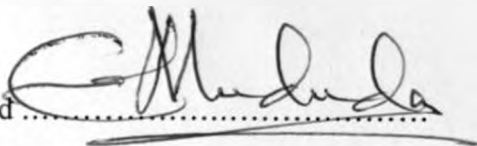
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DEDICATION

I dedicate this work to my loving wife Mercy and my children Nelson and Flora for their support and understanding throughout my studies.

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ABSTRACT

The study was conducted with two main objectives, that is determining the influence of corporate culture in the performance of Kenya Airways and critically examine the efforts and strategies Kenya Airways has put in place to develop a corporate culture that enhances performance.

To achieve these objectives, interview guides were used targeting the 7 directors and 14 heads of sections as respondents. Interview guides were open ended questions whose responses were summarized using content analysis technique.

It emerged that corporate culture played a crucial role in the success of Kenya Airways although there seems to be a clear consensus that there is an identity problem in the organisation. The respondents understand what corporate culture entails but can hardly describe it within Kenya Airways context. It emerged that strong aviation guidelines tend to stream line the business more than the corporate culture within the organization. The organization has put in place deliberate measures to improve the situation through training and information technology.

The study recommended that high turnover for senior managers should be addressed to provide an ample environment to inculcate an effective culture. Resistance to change was identified as an impediment and need to be given the attention it deserves through proper change management strategies and programmes.

CHAPTER ONE: INTRODUCTION

1.1. Background of the Study

For centuries many Organizations have tried to identify themselves with a specific pattern of behavior, beliefs, values and ways of doing things. In this regard, I'm keen on explaining Kenya airways' business success by clearly looking at its corporate culture as a major ingredient. Organizations must have a clear vision and develop an enabling environment and the people in order to achieve this mission. Economists will simply put it that organizations in a market- driven economy strive to make as much profits as possible, within the legal constraints.

The airline business is very challenging with new entrants in the market jostling for the market share that is becoming increasingly elusive. The stakes are very high and therefore requires that the competing airlines up their game to survive. A successful business can be described as an enterprise that is profitable, according to Denison (1990), although financial ratios are not the only, or even the best, indicators of organizational performance, effectiveness does imply that an organization can successfully meet the demands of a broad set of stakeholders: Investors, shareholders, employees, customers, suppliers, and the community at large. A research comparing 34 large American firms, whose results were presented in terms of return on investment and other financial indicators, indicated that companies with a participative culture reap a return on investment (ROI) that averages nearly twice as high as those in firms with less efficient cultures.

Organizations must clearly bring out their sense of purpose by continuously asking why they exist in the first place in order to formulate a mission statement that combines its internal and external goals as they relate to the people and the business. To achieve this, a sound organizational culture must be developed, inculcated and passed on from generation to generation. Culture therefore affects those associated with the organization like suppliers, customers, employees and also determines the sort of relationships the airline develops with its environment. Culture has a powerful impact on the member's productivity and communicates the image to the general public. Organizational culture is influenced by leadership practices, norms and standards, rules and regulations, attitudes and principles, policies and practices, structure and technologies, artifacts and services, roles and relationships. Culture therefore develops to facilitate all these attributes which ultimately manifests in outputs like superior products, services, personnel and public information.

1.1.2. Corporate Culture

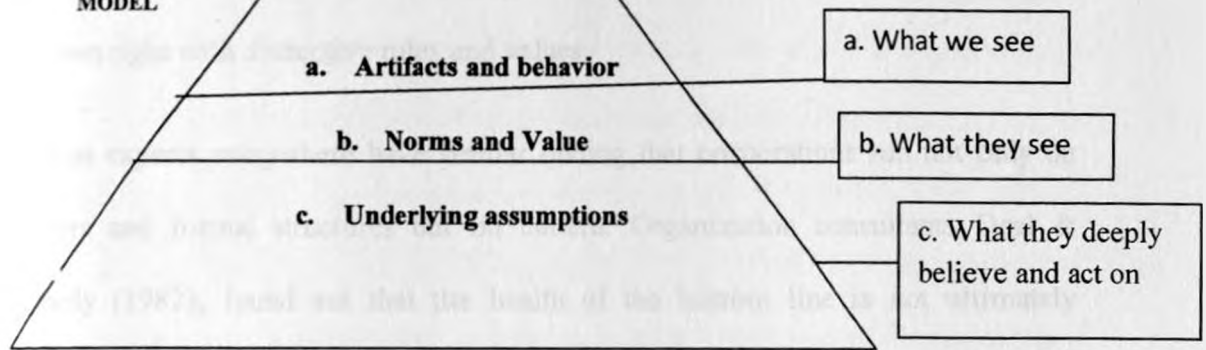
Organizational culture refers to the pattern of beliefs, values and learned ways of coping with experiences that have developed during the course of an organization's history, and which tend to be manifested in its material arrangements and in the behaviour of its members (Brown, 1998: 9).

Culture has been defined in many ways but basically remains as a phenomenon in our heads. One useful definition of culture as perceived by Liker (2004) in his book *The Toyota Way* is: The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration and that have worked well enough to be considered valid, and

therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.

An iceberg model by Schein (1984) shows three levels of a pyramid showing: First and foremost are artifacts and behaviour, mostly noticeable to an observer for example dress code, organizational charts, physical office layout, and degree of formality, logos, mission statement and branding. Then norms and values, which are simply accepted rules of behavior that are not necessarily written down, but “everyone knows”. These are company philosophy, norms and justifications. Values are the principles we live by, what a company stands for like safety in lieu of profits. Finally underlying assumptions that include unconscious, taken for granted beliefs about the organization and its purpose, about people, rewards and punishment.

FIG 1: THE ICEBERG MODEL



Source: Brown, D. (1998). *Ice berg model by Schein (1984)*

Organizational culture is therefore the environment in which people work, made up of the atmosphere, behaviours, beliefs and relationships. An organizational culture shows people how they will be treated and how they are expected to treat others. The culture identifies what is acceptable behavior and what is not. If a company has a positive culture, then employees will enjoy working, feel motivated and by extension do a superb job (Dlabay, R. et al, 2009).

Corporate culture is more less a micro culture within a macro/national culture. Therefore organizations tend to develop a distinctive psychological and physical niche within the broader environment. Corporate culture is shaped by leadership (Board and Chief Executives) which in turn determines dress code, working hours (within the legal frameworks), work space and facilities, tools and equipment, communication channels, procedures and language use, reward systems and recognitions and other personnel's provisions. Corporate culture is viewed as blend of ideas, customs, traditional practice, organizational values, philosophies and shared meanings that help define moral behavior for everyone who works in the organization. However, organizations exist within societies and people enter them from the surrounding community, bringing in their own cultures. Culturally speaking, organizations posses

the paradoxical quality of being both “part of” and “apart from” society. As much as they are embedded in the wider social context, they are stand alone communities in their own right with distinctive rules and values.

Business experts everywhere have similar finding that corporations run not only on numbers and formal structures but on culture. Organization consultants Deal & Kennedy (1982), found out that the health of the bottom line is not ultimately guaranteed by attention to the rational aspects of managing-financial planning, personnel policies, cost controls, and lean processes but what is more important to long-term prosperity of an organization is its culture-the inner values, rites, rituals, and heroes-that strongly influence its success, from top management to the secretarial pool. For junior and senior managers alike, Deal & Kennedy (1982) offer explicit guidelines for diagnosing the state of one's own corporate culture and for using the power of culture to wield significant influence on how business gets done. Social beliefs have been proved to constrain behavior, reflect meanings and understandings that members attribute to situations, the solutions applied to common problems.

As late as the 1980s, culture was explicitly identified as the “something extra“, on top of planning and administration. Mere changes in design and structure have proved ineffective in the conventional management ideas of planned change, based on techniques like organizational design and employee selection. The real change therefore lies in changing the corporate ethos, the images and values that inform action. Successful organizations like Hewlett-Packard, Johnson and Johnson and IBM are some of the famous organizations that have strong corporate values.

Corporate culture therefore encompasses three key elements namely: The evaluative element, which involves social expectations and standards, the values and beliefs people hold central and that bind organizational groups. The second element is more material or artifacts comprising of signs and symbols that the organization is recognized by, but also the events, behaviours and people that embody the culture. The medium of culture is the social interaction, the web of communications that constitute a society. A shared language is particularly important in expressing and signifying a distinctive organizational culture. Proper definitions of corporate culture must capture these three key elements as they are vital.

Deal & Kennedy (1982) have argued that culture was the single most important factor accounting for success or total failure. In their survey, they concluded that firms perceived to believe in something were both strong cultured and high performers. Four key dimensions here were identified as: Values that must be held and openly supported by management to avoid unions or colleagues that tend to introduce fragmented cultures; Heroes in the organization that carry culture; Rites and rituals which are routines of interaction that have strong symbolic qualities as they demonstrate the company expectations of the individuals and Culture networks that are usually hidden and informal communication systems which are usually manipulated by the adept people in the organization.

Without a well developed corporate culture a business is little more than a managed group of mercenaries. Without culture, a business is likely to blend into the background and fail to stand out to potential customers, collaborative business partners, and to potential leaders/employees. It is clear that having a legendary (or at least reputable) corporate culture is extremely beneficial to Kenya Airways.

1.1.3. Kenya Airways

Kenya Airways limited is the national carrier established in February 1977 following the breakup of the East African Community and subsequent disbanding of the jointly-owned East African Airways. By 1991 Kenya Airways had been fully commercialised with a functional board. By 1993/4 financial year Kenya Airways reported profits from the commercialisation process. In the effort to strengthen Kenya Airways' global position in the aviation industry, KLM was selected out of 134 airlines as a strategic partner in May 1995. A year later, Kenya Airways' shares were floated to the public enhancing profitability.

An important consistent trend about commercial aviation is that it is a fiercely competitive and highly volatile industry, in which fortunes shift continuously. As the drive towards a free, converging and global market gathers momentum, competition within the airline industry is expected to intensify. Increasingly open skies are likely to impact on yields, and extraordinary profits will increasingly be an exception. Given this potentially turbulent environment, the key to survival in the industry lies in whether an airline is able to clearly anticipate the patterns of change coming, the underlying forces driving these changes, and above all the ability to align its strategies to respond to a changing business and aero-political environment. With this in mind, Kenya Airways is committed to investing in the development of world-class information gathering capacity, analysis and interpretation so as to facilitate faster and correct business decision-making. This way, Kenya Airways hopes to enhance ability for rapid response to opportunities, threats and challenges in the market place.

In concrete terms, in the next 10 to 20 years, Kenya Airways aims to grow into a decidedly dominant carrier in Africa with notable presence in Asia, Europe and the

America, while operating a modern fleet of 30 to 40 aircraft. Kenya Airways intends to forge strong partnerships and be a respected member of the global airline community. For this dream to happen, a positive corporate culture must be pursued to focus all the effort in order to avoid disruption. This is integral in the formulation of the general strategy for Kenya Airways.

Kenya Airways vision is, "To consistently be a Safe & Profitable Airline that Guarantees World Class Service." The IATA Operations Safety Audit (IOSA) standards require that an audit on the operations meet the IATA specifications of which Kenya Airways qualifies. The safety standards must be met, maintained and cherished by all departments and individuals. For instance, before deciding on the new destinations and continuous operation to the already existing ones, strict safety audits must be undertaken by both internal and external IOSA teams. As part of the Kenya Airways culture, each staff member is taken through rigorous training on the importance of safety to the level of work station. For example unlike other carriers who took the risk and continued to fly to Kisumu while the runway was under construction, as a matter of principle Kenya Airways stopped operations on safety grounds until the runway was declared safe by the Operation Safety Audit Team.

Profitability in the aviation business remains a major challenge, however Kenya Airways management sends a clear message to the employees, suppliers and share holders on the importance of remaining profitable to guarantee jobs and sustain growth. The culture of cost cutting has been inculcated and embraced by all.

For example recycling of envelopes, tonners and cartridges, switching off lights at all times, use of extension numbers to communicate across the networks, in house training facilities and limited overseas travel among other ways of cost cutting.

World class services are part of the corporate culture where service is bench marked with other superior airlines like Qatar Airways. The standards are then cascaded to all the staff to ensure that the airline stands out from the crowd. The industry is faced with very stiff competition and therefore every effort must be made to ensure superior quality. It is this way of life that has enabled Kenya Airways to remain profitable in spite of many challenges ranging from air accidents, economic turbulence, ever skyrocketing fuel prices, terrorism and other natural catastrophes like the recent Volcanic activities in Iceland.

Kenya Airways' mission therefore is to maximize stakeholder value by consistently: Providing the highest level of customer satisfaction- many training courses have been put in place for every member of staff to appreciate the importance of customer care; upholding the highest level of safety and security-from the CEO to the lowest level, a culture of safety is taught to every member and practiced and maximizing employee satisfaction- streamlining recruitment process, compensation packages, retention, employee motivation and training, whilst being committed to corporate & social responsibility. In summary actions, behaviour and attitude at work will be driven by safety, customer satisfaction and quality considerations.

1.2. Statement of the Problem

Many organizations in the aviation industry today tend to forget that corporate culture is the “DNA” of the organization. Once well formulated, articulated and passed on, will by and large determine the ultimate success of the business. Aviation business is very competitive and sensitive and therefore requires strategies that are sustainable and workable. As part of the strategy, a strong corporate culture is paramount. Weick (1985) equated organizational culture to strategy as organizational phenomenon. Culture and strategy guide expression and interpretation, they are both retrospective, summarising patterns in past decisions and actions, they are embodied in actions of judging, creating, justifying, affirming and sanctioning, they summarise past achievements and practices that work, and they provide continuity and identity and consistent way of ordering the world. Given these similarities, Weick suggest that, in many instances, culture and strategy may be substitutable for one another, that they serve a common function, that of imposing coherence, order and meaning. On the other hand may be a liability because their tenacity makes it hard for organizations to detect changes in their environment and adapt to them accordingly.

The strategic objective of an airline is to achieve a sustainable competitive advantage to outperform competitors consistently (Porter, 1990). To achieve these, firms over and above the acquisition of the right type, mix and number of tangible assets, should also have appropriate beliefs, values and assumptions which specify efficient and effective patterns of behavior. The significance of corporate culture dictates that a more in depth study is carried out to relate success and culture.

Previous researchers claim that the culture can be a major source of efficiency in organizations and improve corporate performance (Kotter & Heskett 1992, Cremer

1993, Besanko et al., 2000, Hermalin, 2001). They argue that performance benefits of corporate culture derive from three effects. The first effect is the goal setting effect: the culture specifies the goals of the firm and helps the employees make daily decisions easily. The second effect is the coordination effect: the culture reduces the communication costs and facilitates coordination among employees. The third effect is the motivation effect: the culture raises the employees' motivation when they believe in the company's culture. While the significance of corporate culture is widely accepted in academia and in real life management, empirical evidence seems to be insufficient. Most of the evidence has been anecdotal or case studies and thereby has been of little quantitative value. The exceptions are Denison (1984), Gordon and DiTomaso (1992), Kotter & Heskett (1992), and Sorensen (2002) who report that cultural strength is associated with superior performance.

Deal & Kennedy (1982) closely studied the cohesiveness and strength of Japanese organizational and national culture and concluded that strong cultures provided a system of informal rules that guided employees, motivate and make them feel appreciated. Once applied in the USA firms, the findings proved effective prescription to the many organizational ills in the USA firms in the 80's. Therefore strong organizational cultures exist when organizations that exhibit a close fit between themselves and the environment. Such organizations tend to thrive and are more often than not successful.

Risto (1990) identified three approaches to culture analysis as the structure of social organization, symbols and codes of meaning and finally, as the structure of social organization reflected in division of labour and structure of roles and social

organization. These early findings will be important in formulating a study approach to the significance of organizational culture in business success.

Handy (1989) identified factors that influence the type of culture found in an organization namely, organizational size, locus of power, types and level of technology and characteristics of the business environment. He therefore identified four types of cultures based on structural design features as power cultures found in small enterprises, role cultures with high levels of bureaucracies; Task culture where team culture exists along autonomy and person culture where the individual is paramount. This study implies that major structural changes will lead to cultural changes and therefore the need to manage culture just like any other organizational variable will yield positive results.

Peters & Waterman (1982) attributes IBM success to their ability to sustain innovation, to manage culture and to locate potential deviants in teams controlled by strong management. However, Delamarter (1988) suggested that IBM's success is attributable to a favourable market position of monopoly during the 1960s and 1970s. Silver (1987) argues that McDonald's, achieves its success by adopting scientific management principles of deskilling and designing narrow, monotonous jobs largely aimed at young, cheap labour.

The scarcity of quantitative evidence stems mainly from the fact that, corporate culture and its strength is difficult to measure directly, which often prevents scholars from conducting quantitative analyses. Secondly, it is very difficult to detect the positive correlation between culture and performance, because some firms may have defective cultures that harm productivity (Kotter & Heskett 1992, Hodgeson, 1996).

Finally, previous studies have mostly focused on the association between culture and performance, and have devoted less effort to explore the effects of the culture on the firm's policies and strategies. The link between organizational culture and economic performance appears inconclusive Brooks (1999) quoting the works of Denison (1990), Schein (1984) and Meyer & Zucker (1989), conclude that the causal relationships between culture and performance are as far from simple, linear and unidirectional.

From the previous studies above, it is felt that a gap exists in explaining how corporate culture impacts on airlines with respect to Kenya Airways, a case that this study seeks to investigate.

The research therefore sought to answer the following questions:

- i. Whether corporate culture influences the performance of Kenya Airways.
- ii. The challenges Kenya Airways faces in developing an effective corporate culture?

1.3. Objectives of the Study

The objectives of the study were:

- i. To determine the influence of corporate culture in the performance of Kenya Airways.
- ii. To critically examine the efforts and strategies Kenya Airways has put in place to develop a corporate culture that enhances performance.

1.4. Significance of the Study

This study will be of interest and useful to:

Organizations to recognize the importance of developing and nurturing strong corporate cultures to enhance modern business success, the top corporate management will be in a position to acknowledge the significance of corporate culture as an ingredient in modern business success and therefore not to be overlooked. The human resource fraternity will be beneficiaries of this study as they will be in a position to identify the right buttons to touch in the change management process.

Management consultants to appreciate the power of culture as a change lever to be incorporated in strategy formulation and implementation. Academicians and future researchers who would like expound further on this long term organizational asset called corporate culture. Organizational behaviour is well articulated in this research and therefore will be valuable to sociologists and other scholars. Government agencies, Non Government Organizations and small entrepreneurs will be interested in the findings of the research in guiding their management principles.

CHAPTER TWO: LITERATURE REVIEW

2.1. The Concept of Corporate Culture

According to Brown (1998), there is a strong relationship between culture, strategy and performance which organizations must appreciate for business success. The connection between culture and strategy is critical because of the wide range of competitive challenges that currently face corporate around the world. These pressures will accelerate in the immediate future, with technological advances, the increasingly global nature of markets, and trade legislations all playing significant roles. A vital concern for management is not to waste time evolving new and efficient strategies that require an understanding of the influence of organizational culture.

Organizational Culture is an asset that defines appropriate behaviour, bonds and motivates individuals and asserts solutions where there is ambiguity. Hampden-Turner (1990) as quoted by (Brown, 1998). Conflict reduction, co-ordination and control, uncertainty reduction, motivation and competitive advantage are significant functions of culture. On the contrary, organization's culture can be a liability as the shared beliefs, values and assumptions can interfere with the needs of the business and lead people to think and act in commercially and/or ethically inappropriate ways.

Smircich (1983) looks at organizations and culture by pondering whether organizations have culture or are cultures themselves. According to Smircich, culture takes two dimensions as a variable or as a root metaphor. First, culture looked at as an internal variable where in this view organizations are culture-producing phenomena (Louis, Deal & Kennedy, 1982). They produce by-products of rituals, legends, and ceremonies. Research in this area is based on systems theory framework. Early factors

impinging on organizational survival were structure, size, technology, and leadership. Pfeffer (1981) observes that, recently more subjectivist variables such as culture have been added, with the recognition that symbolic processes are occurring within organizations. The environment presents imperatives that the organization may enact through symbolic means. Some of the research has focused on how these symbolic interactions affect variables such as turnover, absenteeism, and commitment. Culture is seen as building commitment, enhancing social stability, and as a sense-making device. It suggests that culture may be another variable that can be used to affect organizations.

Culture as a variable focuses on causality, able to predict and thus cause certain outcomes. Culture could be viewed as Variable "X" (Values, norms, structure and leadership), that is influencing variable "Y" (productivity and job satisfaction). It is therefore imperative for management to understand the complexity of the culture variable, to avoid the trap of trying to strengthen culture without understanding what to be strengthened in the first place. Management should decide whether to strengthen values or rules, and how these variables impact on productivity.

Second approach of culture as a root metaphor focuses on understanding how organizational members create cultures and how the culture affects the members who are part of it. Here researchers discard the notion that culture is something an organization has, in favour of the view that culture is something an organization is. Culture is the root metaphor since it sees organizations as expressive forms, manifestations of human consciousness. Researchers in this perspective explore the phenomenon of organization as subjective experience and to investigate the patterns that make organized action possible (Driskill, 2005).

2.2. Significance of Corporate Culture

Prevailing research claims that strong corporate cultures improve firm performance by facilitating internal behavioral consistency. This research project addresses an unexamined implication of this argument by analyzing the effect of corporate culture on the variability of Kenya airways performance. This relationship depends on how strong cultures affect organizational learning in response to internal and external change. Strong-culture firms excel at incremental change but encounter difficulties in more volatile environments. Results of analyses of a sample of firms from a broad variety of industries show that in relatively stable environments, strong-culture firms have more reliable performance. In volatile environments, however, the reliability benefits of strong cultures tend to wane.

Going far beyond previous empirical work, John Kotter and James Heskett provide the first comprehensive critical analysis of how the "culture" of a corporation powerfully influences its economic performance, for better or for worse. Through painstaking research at such firms as Hewlett-Packard, Xerox, ICI, Nissan, and First Chicago, as well as a quantitative study of the relationship between culture and performance in more than 200 companies, the authors describe how shared values and unwritten rules can profoundly enhance economic success or, conversely, lead to failure to adapt to changing markets and environments. These findings are applied to the airline environment in my research.

With penetrating insight, Kotter and Heskett trace the roots of both healthy and unhealthy cultures, demonstrating how easily the latter emerge, especially in firms which have experienced much past success. Challenging the widely held belief that "strong" corporate cultures create excellent business performance, Kotter and Heskett

show that while many shared values and institutionalized practices can promote good performances in some instances, those cultures can also be characterized by arrogance, inward focus, and bureaucracy, features that undermine an organization's ability to adapt to change. They also show that even "contextually or strategically appropriate" cultures, those that fit a firm's strategy and business context will not promote excellent performance over long periods of time unless they facilitate the adoption of strategies and practices that continuously respond to changing markets and emerging competitive environments.

Denison (1990) has suggested that there are five distinct aspects of an organization's culture that have an impact on organizational effectiveness. They are: Involvement - implying levels of involvement and participation of members both voluntary, bottom-up and other structured forms. High levels of involvement and participation create a sense of ownership and responsibility leading to commitment and reduced formal systems of control and enhanced performance; Consistency - There is a shared system of beliefs, values and symbols effectively to enhance co-ordination and consensus. Kotter and Heskett found out that there was a positive correlation between corporate culture and long-term economic performance, but extremely weak. Some organizations with strong cultures performed poorly and on the contrary weak cultured organizations performed extremely well. Strong cultures could lead organizations into decline; Adaptability - High economic performance is correlated with strategically appropriate culture. Organisations with cultures that fit the environment and the business strategy will perform well relative to those whose fit is poor. Cultures that fit markets are competitive technologically and other environments are likely to perform best.

2.3. Culture and the Management of Change

For organizations to be continually successful, they must be able to adapt to their environment. Adaptability allows an organization to recognize and respond to its external environment, enhance the ability to respond to internal constituencies such that different functions, departments and divisions interact positively with each other and finally aid in capacity restructuring and re-institutionalize behaviours and processes to respond to both internal and external prompts and Mission - Denison argues that a culture which provides a shared definition of the function and purpose of an organization will be positively associated with effectiveness. A sense of mission provides employees with non-economic reasons for investing their efforts in the well being of the organization, usually above the expected. Finally, a sense of mission provides both a direction and end goals which make it easier to identify appropriate cases of action.

Cultures are resistant to many forms of change and therefore if real change is to occur in organizations, it has to occur at the cultural level. Following the past failures of management theory, corporate culture has remained powerful lever for change. Fincham (1999) argues that culture is explicitly created and therefore understanding and modifying it is crucial to both market success for the company and to individual's careers. A strong culture creates powerful behavioural expectations and constraints more than any formal structures of procedures and rules. One of the key consequences of a strong corporate culture is that it increases behavioral consistency across individuals in a firm. Organizational culture defines a normative order that serves as a source of consistent behavior within the organization.

Harrison (1999) observes that culture change is difficult to accomplish because well established, widely shared beliefs, values and norms are very resistant to managed change; culture change programmes often clash with members' interests and political alignments; managerial and consulting techniques for generating change in cultural orientations are not well understood; interventions aimed at changing culture often produce unintended and undesirable results and finally successful programmes of culture change requires major commitments of organizational resources and takes a very long time, as long as 5 to 15 years. During this long time periods, the requirements for change in culture may shift several times making it look like hitting a moving target.

In this sense, organizational culture is a social control mechanism (O'Reilly, 1989; O'Reilly and Chatman, 1996). At the same time, organizational cultures frame people's interpretations of organizational events and basic assumptions about organizational processes which in effect enhance organizational performance. Management of change is still a challenge in Kenya Airways after transformation from a parastatal to a fully commercialized airline 20 years later.

2.4. Corporate Culture and Innovation

Fincham & Rhodes (1999) have quoted Kanter (1990) in her book "When Giants Learn How to Dance" she refers to the growing intensity of global competition as the "corporate Olympics". In her earlier book *The Change Masters* (1984) she identifies culture as polar opposites where some organizations have a culture of inferiority. Here there is a tendency to doubt own capability, feel to recruit managerial talent from other firms, and to overly rely on outsiders (consultants) to create innovation. Contrary to these are companies with

a culture of success, manifested in pride in the company, can do attitude and confidence in developing their own managerial talent (Kanter, 1984.p.92).

Kanter also looks at culture as one of age versus youth. Companies in established industrial sectors seem to be prone to leaving their heads in the sand, seeing little need for change and believing that problems will resolve themselves without being squarely confronted. In contrast to culture of age, newer high tech industries tend to empower innovators and make it easier for people to question existing patterns. Kanter (1984) argued that there are two types of culture, that of segmentalist which is inward looking, narrow view and shuns experiments. The other one is integrative, relate problems, innovates and tests assumptions, outward looking and seeks for novel solutions. Organisations that possess integrative features will embrace organizational change and will thrive in a dynamic environment.

Segmentalist cultures are at best, slow to react and struggle when required to change. She therefore concludes that the two categories are polar opposites. The industry analyzed by Kanter is not that of service like the airline and therefore the need to fill in the gap by studying Kenya Airways' cultural influence to the business success.

2.6. Culture and Corporate Excellence

Peters and Waterman (1982) describes a model developed of what it takes to achieve corporate excellence. The famous eight prescriptions were distilled out of research namely: bias for action; closeness to the customer; autonomy and entrepreneurship; productivity through people; hands on, value driven, stick to the knitting; simple form; lean staff and simultaneous loose-tight properties. All these factors require a unique set of cultural attributes to prevent them from becoming mere platitudes.

Successful companies make these clichés a reality by creating an enabling climate. Culture provides ordinary people with a sense of the significance of their work therefore providing meaning which in effect reinforces motivation and morale. This research attempts to relate Kenya Airways' commercial success to the working environment created by an effective corporate culture.

2.7. Corporate Culture and Leadership

Schein (1984) observes that leaders play a pivotal role in shaping and reinforcing culture. He further explains that the five most important elements in managing culture by leaders are: What leaders pay attention to; how leaders react to crises; how leaders behave; how leaders allocate rewards and how leaders hire and fire individuals.

Enron Corporation fiasco has been used here to illustrate how leadership created deceptive partnerships and used questionable accounting practices to maintain its investment-grade rating. The leader Jeffrey Skilling paid attention to money and profits at all costs. Here employees could break rules as long as they were delivering results. At Enron employees were rewarded only if they produced results and poor performers were ridiculed in public. From this Enron illustration, leaders play a critical role in shaping and reinforcing organizational culture. As Simosi & Xenikou (2006, pg 566-579) concluded that "Transformational leaders create a more adaptive culture which in turn affects business unit performance". Clear visible actions by the management go a long way in communicating what is important in the organization. For example when the CEO of Xerox, David Kearns began his quest for improved quality, there was initial uncertainty about whether he meant it. Over time as the message was repeated again and again and as more resources were devoted to the

quality effort, norms developed setting expectations about the role and importance of quality throughout the company. A study on Kenya Airways leadership will go a long way to understand its vision and mission and how it impacts on its culture which in turn impacts on performance.

1.1 The Research Design

1.2 Data Collection

Data Analysis

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. The Research Design

A case study was conducted to establish the direct impact of Kenya Airways corporate culture on the airline's financial performance. Use of case study technique has both advantages and disadvantages. The key strength is that case studies allow for exploration of solutions for complex issues. This design was appropriate because it is cheap and effective.

3.2. Data Collection

Interview guide was used to collect data. The target respondents were seven (7) senior managers in the cadre of directors namely, human resources, operations, finance, technical, commercial, information systems and ground operations. Below the directors are (14) heads of sections like, corporate finance, supply chain, base maintenance in engineering, learning and development and occupational health under human resources, marketing and cargo in commercial, information system operations and development in information systems and general manager hub in ground services (Appendix 1). All these target senior and middle level managers are in a strategic position to understand the corporate culture and relate it to the business performance more objectively than staff at operational level. The open ended interview guide was personally administered and responses recorded to minimize cases of non-response.

3.3. Data Analysis

Data was analyzed by use of qualitative content analysis technique. Since the approach was a case study, this method was the most appropriate. According to

Kombo and Tromp (2006), content analysis examines the intensity with which certain words have been used. The information recorded in the interviews was summarized to determine the interrelationship among all the possible variables that link corporate culture and business success. This technique does not restrict respondents on answers and therefore has the potential of generating more detailed information.

The data generated from the interviews were analyzed using content analysis. This technique involves identifying and coding the content of text data into categories. The categories are then analyzed to determine the frequency and distribution of the content. This technique is particularly useful for identifying themes and patterns in large amounts of text data. The data generated from the interviews were analyzed using content analysis. This technique involves identifying and coding the content of text data into categories. The categories are then analyzed to determine the frequency and distribution of the content. This technique is particularly useful for identifying themes and patterns in large amounts of text data.

4.2.3 Significance of Corporate Culture in Eswazi Airways

Category	Percentage
Corporate Culture	45%
Business Success	35%
Employee Satisfaction	20%
Customer Loyalty	15%
Other	5%

The results of the content analysis indicate that corporate culture is a significant factor in business success. The data shows that 45% of the respondents mentioned corporate culture as a key factor in business success. This is followed by business success at 35%, employee satisfaction at 20%, customer loyalty at 15%, and other factors at 5%.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1. What Corporate Culture Entails

The study sort to investigate how corporate culture influences success of Kenya Airways. For the management to utilize this powerful ingredient in its strategic positioning there must be a clear understanding of what corporate culture entails in the first instance. Fortunately, all the respondents agree that corporate culture encompass values, norms, beliefs, relationships and the way of doing things. This common response above shows high level of awareness of what corporate culture is.

On the basis of the understanding of the subject matter, the second concern was how significant corporate culture was to Kenya airways, of which results would be summarized in the table below:

Table 4.1 Significance of Corporate Culture to Kenya Airways

Response	Percentage
Very Important/significant	40%
Important	50%
Not important/ none existent	10%
Total	100%

From the table above, 10% of respondents felt that there is no corporate culture in Kenya airways owing to the fact that there is inconsistence in management and a high

management turnover. This is not healthy to develop and pass over a strong culture from generation to generation. That could only be true if culture was only perceived at high levels, there are however, junior staff who have bagged 30 years of service. For strategic positions, the reverse is equally true. The nature of business dictates that a certain standard code of behavior is exhibited at all times for Kenya Airways to stay competitive. This accounted for the 40% and 50% positive responses above.

4.2. The Various Ways Culture Influence Organization's Performance

Respondents reckon that culture directly influences performance in several ways as summarized below:

Table 4.2 The Ways Corporate Culture Influence Performance

Response	Percentage
Sense of having common goal/ vision	20%
Identify gaps in skills and training needs	10%
Enhance/reduce quality staff turnover	10%
Weak culture hinders productivity while positive culture enhances	60%
Total	100%

The respondents agree that corporate culture has the capacity to tilt the scale to either side, it is therefore a matter of choice which way. Most respondents simply put it that if an organization exhibits a responsive culture it performs better than one that is closed.

4.3. The Factors That Have Contributed To the Emergence of Corporate Culture in Kenya Airways

Findings as recorded from respondents were summarized in the below table:

Table 4.3 Factors Contributing to the Emergence of Corporate Culture in Kenya Airways

Response	percentage
Internal Leadership and external politics	30%
Industry dynamics	30%
Technological changes	20%
Public expectations	15%
Privatization	5%
Total	100%

Privatization seems to be the least factor to influence the emergency of Kenya airways corporate culture with leadership and the industry dynamics taking the centre stage.

When asked what would be the most significant factor, there were varied responses but leadership and industry standards/ dynamics came out as the most instrumental factors.

Most respondents concur that corporate culture influences their staff in terms of service delivery, quality of work and enhance morale. Productivity and teamwork is largely shaped by the culture at the department level. It also emerged that some staff embrace the culture for the sake of it like safety and World class operations, this is largely due to lack of proper training.

4.4. Size of Kenya Airways as an Organization Has an Influence on its corporate culture

It emerged that 90% agreed that the bigger the organization the more delicate it is to develop a culture that is acceptable across the board. On the other hand the smaller the organization the more coherent it is. The network coverage of Kenya Airways within Africa and in Europe is a challenge in developing a working corporate culture due to immense diversity. The other 10% respondents feel that the size of the organization is non issue implying that strong cultures can thrive even in huge corporate.

4.5. The Challenges Kenya Airways Faces in Developing an Effective Corporate Culture

Table 4.4 Challenges Facing Effective Culture Development

Response	Percentage
Weak/poor leadership	10%
Strategic alliances	5%
Diversity and global presence	45%
Resistance to change	40%
Total	100%

From the above findings it emerged that diversity and the global presence of the organization posed as a big obstacle in the development of a cohesive culture that will enhance success. Being a member of the sky team, it is also a challenge as it is difficult to develop a unique culture without consultations and influence from other bigger members like Air France and KLM. Strategic alliances influence the cultural orientation of the organization and is closely related to its diversity and global presence. Respondents acknowledge the important role leadership plays in developing a good culture, but did not find it the biggest challenge for Kenya Airways. Most respondents however, noted that the leadership is weak and needs to be addressed for prosperity.

Faced with many challenges in developing an identity, Kenya airways has come up with deliberate strategies to develop a culture that will enhance business success. Training programmes have been put in place and a training campus established under the banner of "Pride Centre". A curriculum is offered for everyone to ensure that the Vision/Mission is shared from top down. Re-known trainings like bullet proof have been undertaken; exchange work programmes with partners like KLM and lately embraced the World Class Operations programme (WCO) that is compulsory to all. Other ways include enhancing an annual service heroes recognition programme. Recognition plays a pivotal role in culture entrancement; every employee would look forward to getting the pecuniary awards and in the process improving service delivery through competition. Through team building activities and participation in community social responsibilities (CRS) the organization is able to relate better with its external environment at the same time spreading best practices.

4.6. Adaptability as Key to Survival in Modern Businesses

Most of the respondents agreed that Kenya Airways was swift in responding to changes for survival but those in the planning and strategy docket differ sharply and find the organization very reactive to competition, mostly due to lack of capacity to anticipate and having inter-departmental disharmony when it comes to change management.

It was evident that various directors interviewed looked at this aspect from their silos, for example the Information systems team felt that there is a huge improvement on how Kenya airways embraced change whereas the commercial team thought otherwise. The case of slow action was notable in the domestic market where small

carriers have mushroomed and are doing well. Change management was a challenge mostly attributed to high management turnover.

In understanding whether Kenya airways was a successful corporate or otherwise, respondents were given a chance to state their feeling and the results indicated that the company was a success. The common answer (95%) among respondents was “**yes**” but with qualifying statements like only within Kenya, May be in Africa, in comparison with similar organizations and in the short run. The study established that the organization is financially successful and the future looks even brighter.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Summary of the Findings

The study set out to establish the influence of corporate culture in the performance of Kenya Airways and also examine the deliberate attempts by Kenya Airways in developing a culture that enhances performance. The research problem show cases the significant role corporate culture plays in service delivery, customer satisfaction, shareholders confidence, staff motivation and Morale and by extension profitability.

The research established that there is an identity problem in Kenya Airways attributed to high top management turnover, weak leadership and diversity due to the ownership arrangement. It was established that even the top managers could not confidently recite the organization`s culture. However, the study established that the value of culture was acknowledged among the top managers across the board. The airline industry is confined to strict rules and regulations which touch on safety, cash flow requirements, freedom to land and take off within countries among others. In effect these restrictions curve out the culture of Kenya Airways that must be followed to ensure success. There is therefore a strong aviation culture, that the organization has adopted, which in effect has strongly influenced its performance.

The research findings also established that Kenya Airways has put in a spirited and deliberate effort to inculcate a culture that reinforces business success. This is mostly through training and information technology investments, so much such that a complete campus has been established for research and training.

5.2. Conclusions

From the research findings it was established that Kenya Airways need to develop and strengthen a unique corporate culture to enjoy a competitive advantage in the wake of stiff competition. Most of the staff lack guidance in this aspect and therefore tend to wander in radar less manner which affects team work and lack of a common shared purpose.

Technology has been incorporated to enhance adaptability, annual Service Hero Awards programme for staff motivation and training has been a strategic way of developing a very conducive working environment.

Leadership plays a big role in determining, shaping and reinforcing culture. Change management came out as an obstacle in the findings and affects adaptability. It was evident that best practices like safety and customer care are deliberately being taught in the organization but are yet to get a proper footing. Kenya Airways has been enjoying absolute strategic advantage for a while, a factor that is waning quite rapidly due to increased cut-throat competition and liberalization. It is therefore important that long term strong cultural attributes are inculcated, nurtured and passed on to generations.

5.3. Recommendations

High turnover was noted as an obstacle in developing a corporate culture that is outstanding. Senior managers should be engaged on longer term contracts to give them ample time to develop a workable culture.

It is also recommended that more effort be directed in including all the staff in shaping a clearer Kenya Airways way. Service heroes should be used as ambassadors to spread best practices within the organization.

Resistance to change is an impediment in developing a strong culture and therefore a change management strategy should be developed to encourage staff to embrace positive change.

5.4. Limitations of the Study

The result of the study may have been more insightful if all the respondents had the time to take the interview. The timing was tricky as internally there was industrial unrest that preoccupied the top management who were the target group, however 85% response rate was achieved.

Initially, there were difficulties in respondents understanding the subject matter mostly because they felt there was no corporate culture in Kenya Airways. But after explanations, they were brought into perspective and were able to respond. That may have limited the quality of answers.

5.5. Suggestions for Further Research

The research is broad and therefore leaves room for further study on specific aspects of corporate culture. Internally, change managers should undertake a more detailed study to try and understand the role the culture plays in the success of Kenya airways.

Due to the dynamism of the airline business, it is important to have periodic studies on culture to remain relevant. The strategies put in place to enhance culture like training, technology and best practices, should be revised periodically but based on research.

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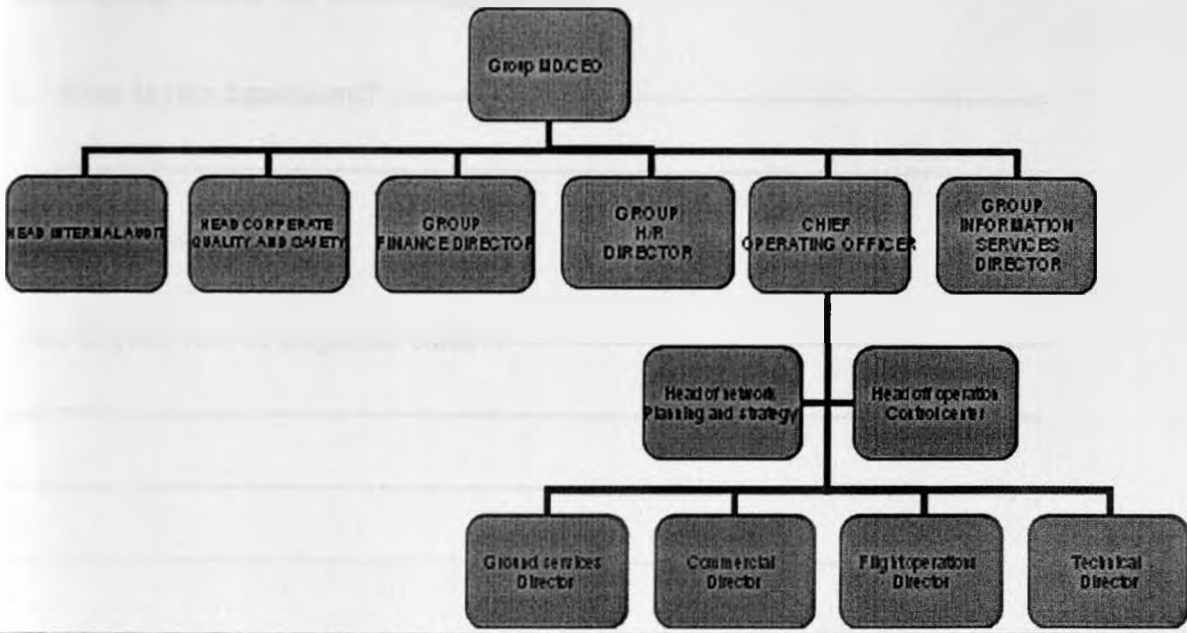
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APPENDICES

APPENDIX 1

Kenya Airways Organization Chart



APPENDIX 2

INTERVIEW GUIDE

(Please help answer the following questions)

1. What is your department? -----

2. What is your view of corporate culture?-----

3. On the basis of your view above, of what significance do you consider corporate culture in respect to Kenya Airways?-----

4. In your view, how does corporate culture influence the performance of the organization?-----

5. What factors have contributed to the emergence of corporate culture within Kenya Airways? -----

6. Of such factors above (5), are there any you consider to be most instrumental?-----

7. What impact does corporate culture have on your staff?-----

8. Do you think the size of the organization influences the type of culture found in Kenya Airways? -----

9. What challenges does Kenya Airways face in its quest to develop an effective corporate culture?-----

10. What are some of the strategies Kenya Airways has put in place to develop its culture? -----

11. Leadership plays a great role in developing an effective corporate culture, is it the case with Kenya Airways?

12. In the ever changing business environment we are currently in, how swift is Kenya Airways in embracing change for survival? (Adaptability). -----

13. Do you consider Kenya Airways a successful organization?-----

THANK YOU FOR YOUR TIME

Appendix 3



UNIVERSITY OF NAIROBI
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DATE: 22/09/2010

TO WHOM IT MAY CONCERN

The bearer of this letter SEBASTIAN CHITECHI KWEYU

Registration No. 061/11383/08

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

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