STRATEGIC RESPONSES BY KENYA AIRWAYS TO CHANGING COMPETITIVE ENVIRONMENT IN ITS INTERNATIONAL EXPANSION

BY

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DECLARATION

STUDENT

I, the undersigned, declare that this proposed project is my original work and that it has not been presented in any other university or institution for academic credit.

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SUPERVISOR

This research project has been submitted for examination with my approval as university supervisor.

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Dedication

I would like to dedicate this study to my dear parents Joshua Orawo and Monica Oketch.

ACKNOWLEDGEMENT

ABSTRACT

Organizations nowadays are under intense pressure to fundamentally change how they operate and do business if they are to ensure their survival and competitiveness. Strategic planning is both externally and internally oriented. It is externally oriented to be able to respond to markets and competition in the future, and internally oriented to manage its resources in order to achieve competitive advantage.

Motivated by this concern, this research sought to inquire about the changing competitive environment and the strategic responses to the changing competitive environment at Kenya Airways. Kenya Airways environment had the following environmental changes; changes in the regulatory requirements; change in aviation related technology, and increased congestion of critical Hubs demand for lower fares, competition and high staff turnover. A case study was thus conducted to determine the strategic responses of Kenya Airways to this changing competitive environment. The researcher carried out in-depth personal interviews with the top and middle management of Kenya Airways.

According to the study findings, Kenya Airways was able to successfully respond to its changing competitive environment by use of strategies such as customer focus, massive network covering geographical location, privatization and professionalism. The study also revealed three recommendations which organizations should take cognizance of when responding to the changing competitive environment. First, management needs to be trained in order to acquire skills in responding to the changing competitive environment. Secondly, employee participation in the change process is also important. This effectively addresses their concerns during the

change process and reduces resistance to change. Thirdly, it is essential that managers clearly recognize and identify various competitors' strategies as they arise in the market in order to develop mechanisms to deal with them. This research contributes to the existing literature and can serve as guidance for managers on how to strategically respond to the changing competitive environment.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy consists of competitive moves and business approaches to produce successful performance. It is the management's game plan for running the business, strengthening the firm's competitive position, satisfying customers and achieving performance targets. Strategy is all about combining activities into a reinforcing system that creates a dynamic fit with the environment (Thompson and Strickland, 1993). This reinforcing system creates the requisite fit between what the firm needs and what its activities are. Kotter (1996) has defined strategy as a creation of a unique and vulnerable position of tradeoffs in competing involving a set of activities that nearly fit together and is consistent. Strategy is useful in helping managers tackle the daily problems that face organizations and thus ensure survival. It is a tool that offers significant help for coping with turbulence confronting many firms.

Strategic issues have the following six dimensions. Firstly, strategic issues require top management decisions. Since strategic decisions are of several areas of a firm's operations, they require top management involvement usually only top management has the perspective needed to understand the broad implications of such decisions and the power to authorize the necessary resources allocations. Secondly, strategic issues require larger amounts of the firm's resources. Strategic decisions involve substantial allocations of people, physical assets or money that either must be redirected from internal sources or secured from outside the firm. They also commit the firm to action over an extended period. For these reasons, they require substantial resources. Third, strategic issues often affect the firm's long term prosperity. Strategic decisions ostensibly commit the firm for a long time, typically five years; however, the impact of such decisions often

lasts much longer. Once a firm has committed itself to a particular strategy, its image and competitive advantages usually are tied to that strategy (Pearce and Robinson, 2006).

Firms become known in certain markets, for certain products, with certain technologies. They would jeopardize their previous gains if they shift from these markets, products or technologies by adopting a radically different strategy. Thus strategic decisions have enduring effects on firms. Fourth, strategic issues are future oriented. Strategic decisions are based on what managers forecast, rather than on what they know. In such decisions, emphasis is placed on the development of projections that will enable the firm to select the most promising strategic options. In the turbulent and competitive free enterprise environment, a firm will succeed only if it takes a proactive (anticipatory) stance toward change. Fifth, the strategic issues usually have multifunctional or multi-business consequences. Strategic decisions have complex implications for most areas of the firm (Pearce and Robinson, 2006).

Decisions about such matters as customer mix, competitive emphasis, or organizational structure necessarily involve a number of the firm's strategic business on its areas will be affected by allocations or reallocations of responsibilities and resources that results from these decisions. Sixth, strategic issues require considering the firm's external environment. All business firms exist in an open system. They affect and, are affected by external conditions that are largely beyond their control. Therefore, to successfully position a firm in competitive situations, its strategic managers must look beyond its operations. They must consider what relevant others such as competitors, customers, suppliers, creditors government and labor are likely to do (Pearce and Robinson, 2006).

1.1.1 Strategic Responses to a Changing Competitive Environment

The essence of strategy formulation is coping with competition. In the fight for market share, competition is not manifested only in the other players. Rather, competition in an industry is rooted in its underlying economics, and competitive force that go well beyond the established combatants in a particular industry. Customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry (Pearce and Robinson, 2006).

The state of competition in an industry depends on five basic forces. These are; threat of new entrants, bargaining power of buyers, threat of substitutes, bargaining power of suppliers and industry competitors. The collective strength of these forces determines the ultimate profit potential of an industry. It ranges from intense in industries like tires, metal cans and steel, where no company earns spectacular returns on investment to mild in industries like oil-field services and equipment, soft drink and toiletries, where there is room for quite high returns. The competitive advantage of an organization may be eroded because the forces discussed above change or competitors manage to overcome adverse forces. This process of erosion may be speeded up by changes in the macro-environment such as new technologies, globalization or deregulation. Hyper competition occurs where the frequency, boldness and aggressiveness of dynamic movements by competitors accelerate to create a condition of constant equilibrium and change. The implications of how competition is understood and how organizations might respond are extremely important. Whereas competition in slower moving environments is primarily concerned with building and sustaining competitive advantages that are difficult to

imitate, hyper competitive environments require organizations to acknowledge that advantages will be temporary (Johnson, Scholes and Whittington, 2005).

Competition may also be brought about disrupting the status quo so that no one is able to sustain long-term advantage on any given basis. Longer-term competitive advantage is gained through a sequence of short-lived moves. When historical patterns of strategy development are examined, a pattern of what has become known as incremental strategy development is apparent. Strategies do not typically change in major shifts of direction. They change by building on and amending what has gone before. Perhaps, a product launch or a significant investment decision establishes a strategic direction which, itself, guides decisions on the next strategic move, for instance an acquisition. This in turn helps consolidate the strategic direction, and overtime the overall strategic approach of the organization becomes more established. As time goes on, each move is informed by this developing pattern of strategy and, in turn, reinforces it. It would be strange and arguably, dysfunctional for an organization to change its strategy fundamentally very often (Johnson, Scholes and Whittington, 2005).

An organization which becomes good at carrying out its operations in particular ways achieves real competitive advantages. However, well established routines can also be serious blockages to change managers can make the mistake of assuming that because they have identified a strategy that requires operational changes in work practices and explained what such changes are, the changes will necessarily take place. They may find that the reasons why such changes are delayed or do not occur have to do with persistent influence of longstanding organizational routines. It is unrealistic to suppose that because people have a strategy explained to them, even if they agree with it, that they will change the way they have been doing things, maybe over

many years. When a top-down approach to change is adopted, it is important to identify the critical success factors and competencies underpinning these factors (Johnson, Scholes and Whittington, 2005).

In so doing, the planning of the implementation of the intended strategy can be driven down to operational levels, and it is likely this will require changes in the routines of the organization. It is at this level that changes in strategy become really meaningful for most of the people in their everyday organizational lives. When change is not planned in detail, change agents may experiment with changing routines as a way of changing strategy. They may begin tentatively by extending existing ways of doing things such that there is hardly any discernible difference. When sufficient questioning of the status quo is achieved, change agents may actively subvert existing ways of doing things so as to make clear a fundamental change from the past. This could well be an approach adopted by middle managers in seeking to carry with them both more senior managers and people who work for them, both of whom may be resistant to change. It is an incremental, experimental process that is likely to suffer setbacks and require persistence and political acumen (Johnson, Scholes and Whittington, 2005).

1.1.2 The Airline Industry

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 environment. KLM Royal Dutch Airlines is a worldwide airline company based in the Netherlands. It comprises the core of the KLM Group, which further includes KLM City hopper, transavia.com and Martin air. KLM works very closely with Air France within the AIR FRANCE KLM Group, which exists since the two companies merged in 2004. The AIR FRANCE KLM Group is Europe's leading Group in the Airline business. AIR FRANCE KLM's strategy can be expressed as: one Group, two Airlines, and three Core Businesses. KLM's core businesses are passenger transport, cargo shipment, and aircraft maintenance. Both KLM and Air France are members of Sky Team, one of the global airline alliances. With ten member airlines as of 2009, Sky Team is the world's second-largest alliance in terms of market share. As Sky Team members, Air France and KLM play an important role in North America, Europe, and Asia. Together with Kenya Airways, they enjoy a strong position in Africa as well.

1.1.3 Kenya Airways

The vision of Kenya Airways is "To consistently be a Safe & Profitable Airline that Guarantees World Class Service." The core values of the airline are safety, integrity and customer first. 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 marketplace. 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 Americas, while operating a modern fleet of 30 to 40 aircraft. Kenya Airways intends to forge strong partnerships and be a respected member of the global airline community.

Kenya Airways organization structure comprises of seven departments each headed by an executive director reporting to the Group Managing Director. The departments are: finance, information systems, commercial, technical, Human Resources and Administration, flight operations and ground handling. Kenya Airways continues to focus on profitable expansion of the network through a combination of direct access and alliances with other carriers. Sustainable improvement in yield will be pursued through a combination of a new revenue management system and better discipline. Management will also place emphasis on greater productivity, costs restraints and reduction in wastage.

1.1.4 Internationalization Process

Internationalization can be described as "the process of increasing involvement in international operations'(Welch and Luostarinen,1988,P36).Another definition suggested by Calof and Beamish (1995,P.116) is the "process of a firm adapting it's operations(strategy,structure resources etc) to international environment."The degree of internationalization can in simplest form,be measured as foreign sales relative to total sales (Welsh and Luostarinen,1988).Kutschker and Baurle (1997) give a more holistic explanation and looks at the degree of internationalization with the help of three dimensions.These are the number and geographic distances of the foreign markets entered and the amount of activities that are carried out in the different markets e.g. sales,distribution,organization,production etc and the degree of integration of these activities.

Welch and Luostarian (1988) raise the question of what is driving the internationalization process,leading companies to sometimes widespread multinational investments.Firms are said to undertake internationalization due to various reasons.(Lam and White,1999).Some companies internationalize due to the fact that there competitors or customers have been globalized(Ohmae,1990),while other internationalize their business because multinational is a symbol of success and progress(Perlmutter,1995;according to Lam and White,1999).It has also been proven that increased internationalization results in improved profitability(Gerlingr,Beamish and daCosta,1989).

1.1.4.1 Internationalization market in respect to Kenya Airways.

Kenya Airways operates a hub and spoke model in its daily business operations.In this Jomo |Kenyatta International Airport acts as the business hub where wide bodied aircrafts those having two aisles;Boeing 777 and Boeing 767,transport passengers and cargo from Europe,Asia and Middle East and then the narrow bodied aircraft B737-800,B737-700 and B737-300 distributes them across Africa and vice versa.However due to increased competition there has been a need to increase the market share and hence the company's revenue,focus has been to pursue the expansion strategy and this has seen route expansion strategy hence routes in Africa for example Malabo,Libreville,Bangui,Luanda,Ndola,Gaborone,Kisangani,Maputo in Africa,Paris in Europe while Hongkong and Guangzhou in the far east.This expansion has the following ramifications;more human capital must be employed i.e. pilots,cabin crew and engineers,more capital equipment,aircrafts etc.

The need to increase market share in Africa and fight competitors e.g. Ethiopian Airline,|South African Airways and Egypt Air have fueled the expansion programme that saw the market share reduce to about 40% from the initial 48%.Interms of revenue,African routes has been the best and this has been due to the high fares charged to destinations in Africa which are war torn or are politically unstable.This internationalization process has further seen Kenya Airways lease the Brazilian model called Embraer.Currently Kenya Airways operates Embraer 170 and by end of the year will be acquiring two more E190 which ahs more cargo and passenger capacity.This is basically to open further the region especially Entebbe,Kisangani,Bunjumbura and Kigali.To further open up Africa Kenya Airways has partnered with other airlines for example Jet Airways of India,TAAW of Angola and KoreaAir of South Korea.

1.2 Research Problem

Today's organizations engaging in businesses have to contend with the dynamics of a changing competitive environment. However the modern trend has shifted from external environmental analysis only to more sophisticated internal organizational analysis. As the part of the organization which interacts most directly and immediately with the environment, there is need for a strategic planner to investigate, analyze and respond to any environmental changes that are taking place. If this is not done, or if it is done poorly, not only will opportunities be missed, but potential and emerging threats are more to become actual threats, both of which will be reflected in a deadline in performance. Due to this, a strategic planner needs to develop a clear vision of the future and of the ways in which the business environment is most likely to develop. In doing this, it is essential that the planner recognizes how patterns of strategic thinking are changing and how the organization might best come to terms with areas of growing importance. Competitive analysis should be a central element of strategic planning, with detailed attention being paid to each competitor's apparent objectives, resources and competitive stance as well as to their strategic plans (Jain, 2004).

Currently, Kenya Airways' competition on the market proves to be tough to some extent because the Competitors are financially stable and could get access to resources. Internal analyses indicate that Kenya Airways has customer service as their competitive advantage.

The above competitive advantage goes hand in hand with one of the Company objective which it to maximize customer satisfaction. Through assessing the above analysis and the situation of the Industry, two suggestions for Competitive strategies were proposed. The first one was the differential strategy where the Company has to provide more unique services by the use of its

creative and highly skilled employees. The other strategy was the Focus strategy or a combination of both. In this strategy, the Company has to put much focus on a particular segment here in the Africa route. This was suggested due to the poor financial background to compete on international routes.

Several studies have been done on strategic responses to different environmental conditions for example, Abdullahi (2000), Njau (2000) and Chepkwony (2001). The context in which these studies have been done is varied. The study by Abdullahi (2000) was on strategic responses by Kenyan insurance companies following liberalization. Njau (2000) studied on strategic responses by firms facing changed competitive conditions at East African Breweries Limited. The context in which these studies have been done is varied. It is therefore evident that since no study was found on strategic responses to a changing competitive environment at Kenya Airways, there exists a knowledge gap in this area. There is therefore need to address this knowledge gap and this is why the study seeks to investigate the changes in the competitive environment and strategies used to respond to the changing competitive environment at Kenya Airways. What are the changes in the competitive environment and strategies used to respond the changing competitive environment at Kenya Airways?

1.3 Research Objectives

    i.   To determine the changes in the competitive environment at Kenya Airways.

   ii.   To determine the strategies used to respond to the changing competitive environment at Kenya Airways.

1.4 Significance of the Study

The findings of the study will be important to the following groups of people. Management may benefit in assessing whether they use proven methods of responding to the changing competitive environment. This enables the management to create competitive advantage by using new ways to outperform their rivals. They are able to develop a clear vision for the future and of the ways in which the business environment is most likely to develop.

Other organizations going through a change process could be interested to learn from Kenya Airways of how it has responded to various changes in the environment. In a turbulent and competitive environment, a firm will succeed if only it takes a proactive stance towards change. This will enable such firms to make appropriate strategic decisions that have complex implications for most areas of the firm.

The employees of Kenya Airways will appreciate the changing environmental conditions. The employees will for instance embrace information technology which affects the entire process by which companies create their products. They will aim at reshaping the entire package of physical goods and services to create value for their buyers.

Academically, this study is expected to contribute to the field of strategic management in general. Scholars can use the findings of this study to develop further research in understanding the issue of responding to changing environmental conditions.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Changing Competitive Environment

All organizations are affected by the general components of the macro environment. The competitive environment includes the specific organizations with which the organization interacts. The competitive environment includes rivalry among current competitors threat of new entrants, threat of substitutes, power of suppliers and power of customers. Among the various components of the competitive environment competitors within the industry must first deal with one another. When organizations compete for the same customers and try to win market share at the others' expense, all must react to anticipate their competitors' actions. A first step in understanding their competitive environment organizations must identify their competitors. Competitors may include: small domestic firms, especially their entry into tiny, premium markets: Overseas firms, especially their efforts to solidify positions in small niches; big, new domestic companies exploring new markets; strong regional competitors; and unusual entries such as internet shopping (Bateman and Snell, 2004).

Once competitors have been identified, the next steps are to analyze how they compete. Competitors use tactics such as price reductions, new – product introductions, and advertising companies to gain advantage over their rivals. It is essential to understand what competitors are doing when a firm is designing its own strategy. Competition is most intense when there are many direct competitors, when industry growth is slow and when the product or services cannot be differentiated in some way. New, high – growth industries offer enormous opportunities for profits. When an industry mature and growth slows, profits drop. Their intense competition

causes an industry shakeout: weaker companies are eliminated, and the strong companies survive. New entrants into an industry compete with established companies. If many factors prevent new companies from entering the industry, the threat to established forms is less serious. Some major barriers to entry are government policy, capital requirements, brand identification, cost disadvantages and distribution channels (Bateman and Snell, 2004).

Some industries, such as trucking and liquor retaining, are regulated; more subtle government controls operate in fields such as mining patents are also entry barriers. Other barriers are less formal but can have same effect. Capital requirements may be so high that companies will not risk or try to raise such large mounts of money. Existing competitors may also have such tight distribution channels that new entrants have difficulty getting their products or services to customers. New entrants must displace existing products with promotions, price breaks, intensive selling. Technological advances and economic efficiencies are among the ways that firms can develop substitutes for existing products. In additional to current substitutes, companies need to think about potential substitutes that may be viable in the near future. For example as alternatives to fossil fuels, experts suggest that nuclear fusion, solar power and wind energy may prove useful one day (Bateman and Snell, 2004).

Organizations must acquire resources from their environment and convert those resources into products or services to sell. Suppliers provide the resources needed for production and may come in the form of people (schools and Universities) raw materials (supplied by producers, wholesalers and distributors), Information (supplied by researchers and consulting firms). Suppliers are important to an organization for reasons that go beyond the services they provide. Suppliers can raise their price or provide poor quality goods and services. Labor unions can go

on strike or demand higher wages. Workers may produce defective work. Powerful suppliers then can reduce an organization's profits, particularly if the organization cannot pass on price increases to its customers. Choosing the right supplier is an important strategic decision. Suppliers can affect manufacturing time, product quality and inventory levels. The relationship between suppliers and the organization is changing in some companies. Customers purchase the products or services on organization offer. Without customers, a company will not survive. Customers are important to organizations for reasons other than the money they provide for goods and services. Customers can demand lower prices, higher quality unique product, specifications or better service. The also can play competitors against one another, as occurs when a car customer collects different offers and negotiates for the best price (Bateman and Snell, 2004).

2.2 Strategic Responses to a Changing Competitive Environment

Options can be grouped into three categories. First is adapting to the environment, second is influencing the environment and third is selecting a new environment. Firstly, to cope with environment uncertainty, organizations frequently make adjustments in their structures and work processes. In the case of uncertainty arising from environmental complexity, organizations tend to adopt by decentralizing decision making for example if a company faces a growing number of competitors in various markets, if different customers want different things, if the characteristics of different products keep increasing and if facilities are being build in different regions of the world. It may be impossible for the chief executive to keep abreast of all activities and Organizations have a number of options for responding to the environment. In general, those understand all operational details of a business. In these cases the top management team is likely

to give authority to lower- lever managers to make decision that benefit the firm (Bateman and Snell, 2004).

According to Bateman and Snell (2004), in response to uncertainty caused by change in the environment, organizations tend to establish most flexible structures. In today's business world it is common place for the term bureaucracy to take on bad connotation. While bureaucratic organizations may be efficient and controlled if the environment is stable, they tend to be slow moving when products, technologies, customers, competitors and the like start changing over time. In these cases, more organic structures tend to have the flexibility needed to adjust to change. In open systems, organizations create buffers on both the input and output sides of their boundaries with the environment. Buffering is one such approach used for adapting to uncertainty. On the input side, organizations establish relationships with employment agencies to hire part time and temporary help during rush periods when labor demand is difficult to predict. On the output side of the system, most organizations use some type of ending inventories that allow them to keep merchandise on hand in case a rush of customers decide to buy their products. While buffering and smoothing work to manage uncertainties at the boundaries or the organization firms can also establish flexible processes that allow for adaptation in their technical core.

For example firms increasingly try to customize their products and services to meet the varied and changing demands of customers. Even in manufacturing where it is difficult to change the process, firms are adopting techniques of mass customization that help them create flexible factories. Secondly is influencing the environment. In addition to adapting or reacting to the

environment, organization can develop proactive responses aimed at changing the environment. A company uses independent strategies when it acts on its own to change some aspects of its current environment. In some situations, two or more organizations work together using cooperative strategies to influence the environment. An example of contracting occurs when suppliers and customers or managers and labor unions, sign formal agreements about the terms and conditions of their future relationships (Bateman and Snell, 2004).

Third is changing the environment in which the organization is in. Organizations can cope with environment uncertainty by changing themselves, influencing the environment, or changing the environment they are in. Strategic maneuvering is where a firm changes the environment they are in. Through making conscious effort to change the boundaries of its competitive environment, firms can maneuver around potential threats and capitalize or arising opportunities. Organizations engage in strategic maneuvering when they move into different environments. Some companies, called prospectors are more likely than others to engage in strategic maneuvering. Aggressive companies continuously change the boundaries of their competitive environments by seeking new product and markets, diversifying, and merging or acquiring new enterprises. In these and other ways, corporations put their competitors on the defensive and force them to react. Defenders, on the other hand, stay within a more limited, stable product domain (Bateman and Snell, 2004).

According to Bateman and Snell (2004), three general considerations help guide managements response to the environment. First, organizations should attempt to change appropriate elements

of the environment. Environmental responses are most useful when aimed at elements of the environment that firstly, cause the company problems.

Secondly, provide it with opportunities and third allow the company to change successfully. Second, organization should choose responses that focus on pertinent elements of the environment if a company wants to better manage its competitive environment competitive aggression is viable option. Political action influences the legal environment and contracting helps manage customers and suppliers. Third companies should choose responses that offer the most benefit at the lowest cost. Return on investment calculations should incorporate short term financial considerations as well as long term impact. Strategic managers who consider these factors carefully will guide their organizations to competitive advantage more effectively (Bateman and Snell, 2004).

2.3 Choosing Business Strategies that Seek Sustained Competitive Advantage

Business managers evaluate and choose strategies that they think will make their business successful. Businesses become successful because they posses some advantage relative to their competitors. The two most prominent source of competitive advantage can be found in the business's cost structure and its ability to differentiate the business from competitors. Businesses that create competitive advantage usually experience above-average profitability within the industry. Businesses that lack a cost or differentiation advantage usually experience average or below-average profitability. Two well-recognized studies found that businesses that do not have either form of competitive advantage perform the poorest among their peers, while businesses that posses both forms of competitive advantage enjoy the highest levels of profitability within their industry (Pearce and Robinson, 2007).

According to Pearce and Robinson (2007), initially, managers were advised to evaluate and choose strategies that emphasized one type of competitive advantage. Often referred to as generic strategies, firms were encouraged to become either a differentiation-oriented or low cost oriented company. In doing so, it was logical that organizational members would develop a clear understanding of company priorities and, as these studies suggest, likely experience profitability superior to competitors without either a differentiation or low-cost orientation. The highest profitability levels are found in businesses that posses both types of competitive advantage at the same time.

In other words, businesses that have one or more resources/capabilities that truly differentiate them from key competitors and also have resources/capabilities that let them operate at a lower cost will consistently out perform their rivals that do not. The challenge of today business managers is to evaluate and choose business strategies based on core competencies and value chain activities that sustain both types of competitive advantage simultaneously. Business success built on cost leadership requires the business to be able to provide its products or service at a cost below what competitors can achieve. It must be a sustainable cost advantage. Through the skills and resources identified, a business must be able to accomplish one or more activities in its value chain activities, procuring materials processing them into products, marketing the products and distributing the products or support activities in a more cost-effective manner than that of its competitors or it must be able to reconfigure its value chain so as to achieve a cost advantage (Pearce and Robinson, 2007).

Strategists examining their business's value chain for low-cost leadership advantages by bench marking their business against key competitors and by considering the effect of any cost advantage on the five forces in their business's competitive environment. Low-cost activities that are sustainable and that provide one or more of these advantages, relative to key industry forces should become a key basis for the business's competitive strategy. Differentiation requires that the business have sustainable advantages that allow it to provide buyers with something uniquely valuable to them. A successful differentiation strategy allows the business to provide a product or service of perceived higher value to buyers at a differentiation cost below the value premium to the buyers. In other words, the buyer feels the additional cost to buy the product or service is well below what the product or service is worth compared with other available alternatives. Differentiation usually arises from one or more activities in the value chain that create a unique value important to buyers. Speed-based strategies, or rapid responses to customers' requests or market and technological changes, have become a major source of competitive advantage for numerous firms in today's intensely competitive global economy (Pearce and Robinson, 2007). Speed is certainly a form of differentiation, but it is more than that speed involves the availability of a rapid response to a customer by providing current product quicker, accelerating new product development or improvement, quickly adjusting production processes, and making decisions quickly. While low cost and differentiation may provide important competitive advantages, managers in tomorrow's successful companies will base their strategies on creating speed-based competitive advantages. Speed-based competitive advantages are created around several activities. First is customer responsiveness in which all consumers have encountered hassles, delays, and frustration dealing with various businesses. The same holds true when dealing business to business. Quick response with answers, information and solution to mistakes can

become the basis for competitive advantage-one that builds customer loyalty quickly (Pearce and Robinson, 2007).

Second, is a product or service improvement? Like development time, companies that can rapid adapt their products or services and do so in a way that benefits their customers or creates new customers have a major competitive advantage over rivals that cannot d this. Third is speed in delivery or distribution. Firms that can get you what you need when you need it, even when that is tomorrow, realize that buyers have come to expect that level of responsiveness. Federal express's success reflects the important customers place on speed inbound and outbound logistics. Fourth, is information sharing and technology. Speed in sharing information becomes the basis for decisions, actions, or other important activities taken by a customer, supplier, or partner has become a major source of competitive advantage for many businesses (Pearce and Robinson, 2007).

Telecommunications, the internet, and networks are but a part of vast infrastructure that is being used by knowledgeable managers to rebuild or create value in their businesses through information sharing. These rapid response capabilities create competitive advantages in several ways. They create a way to lessen rivalry because they have availability of something that a rival may not have. It can allow the business to charge buyers more, engender loyalty, or otherwise enhance the business's position relative to its buyers (Pearce and Robinson, 2007).
Particularly where impressive customer response is involved, businesses can generate supplier cooperation and concessions because their business ultimately benefits from increased revenues. Finally, substitute products and new entrants find themselves trying to keep up with the rapid

changes rather than introducing them. Strategy in action provides examples of how "speed has become a source of competitive advantage. For several well known companies, while the notion of speed-based competitive advantage is exciting, it has risks managers must consider. First, speeding up activities that have not been conducted in a fashion that prioritizes rapid response should only be done after considerable attention to training, reorganization, and reengineering. Second, some industries-stable, mature ones that have very minimal levels of change-may not offer much advantage to the firms that introduce some forms of rapid response. Customers in such settings may prefer the slower pace or the lower costs currently available, or they may have longtime frames in purchasing such that speed is not that important to them (Pearce and Robinson, 2007).

Small companies at least the better ones; usually thrive because they serve narrow market niches. This is usually called market focus, the extent to which a business concentrates on a narrowly defined market. Market focus allows some businesses to compete on the basis of low cost, differentiation, and rapid response against much larger businesses with greater resources. Focus lets a business 'learn' its target customers-their needs, special considerations they want accommodate and establish personal relationships in ways that differentiate the smaller firm or make it more valuable to the target customer. Low costs can also be achieved, filling niche needs in buyers operations that larger rivals either do not want to bother with or cannot do as cost effectively. Cost advantage often centers on the high level of customized services the focused, smaller business can provide. The greatest competitive weapon that can arise is rapid response. With enhanced knowledge of its customers and intricacies of their operations, the small focused

company builds up organizational knowledge about timing-sensitive ways to work with a customer (Pearce and Robinson, 2007).

Often the needs of that narrow set of customers represent a large part of the small, focused company builds up organizational knowledge about timing-sensitive ways to work with a customer. Managers evaluating opportunities to build competitive advantage should link strategies to resources, capabilities and value chain activities that exploit low cost, differentiation and rapid response competitive advantages. When advantageous, they should consider ways to use focus to leverage these advantages. One way business managers can enhance their likelihood of identifying these opportunities is to consider several different generic industry environments from the perspective of the typical value chain activities, most of ten linked to sustained competitive advantages in those unique industry situations (Pearce and Robinson, 2007).

2.4 Competitive Strategy in Hypercompetitive Conditions

Many organizations in both public and private sectors face turbulent, fast-changing, uncertain business environments and increased levels of competition. This sort of environment is called hyper competitive. In slower-moving environments, competitive strategy may be primarily concerned with building and sustaining competitive advantages that are difficult to imitate. However, in hyper competitive environments, organizations need to acknowledge that advantage will be temporary. Competitive advantage will relate to organization's ability to change, speed, flexibility, innovation and disruption of markets. This section highlights the kind of moves that competitors are likely to make and the ways in which these can be overcome. One strategy to cope with these competitive pressures is that of repositioning on the strategy clock. For example,

an organization may attempt to starve off competitors through establishing some degree of differentiation without any increase in price (Johnson, Scholes and Whittington, 2005).

According to Johnson, Scholes and Whittington (2005), there are a number of market-based strategic moves that may work in slower changing environments but can be purposefully undermined the hypercompetitive situations: Blocking first-mover advantages. A competitor may try to achieve advantage as a first mover.

It is important that organizations realize the important of not allowing a competitor to establish a dominant product or design before they make a response. Many organizations have learnt how to achieve advantage over the first mover. Instead of launching a limitation product, they may launch a product with enhanced features, seeking to further differentiate and thus outflank the first mover. It could be that they attack a particular segment, evading the market power of the first mover. They may also pursue a strategy to capture a down-market segment with a cheaper product before moving into the main market of the first mover. Imitating competitors' products/market moves is another strategic move. Competitors may seek to achieve advantage by developing new products or entering new markets. Such moves may be relatively easily imitated. The competitor is then faced with exactly the same problems of sustaining advantage as it would in its original product or market arena (Johnson, Scholes and Whittington, 2005).

Competitors may try to sustain advantage by building barriers to prevent other organizations successfully entering their domains. Hyper competitive situations too may be easier to overcome. Organizations may try to build competitive advantage through the robustness of their resources

and competences. However, in a market where technological advance is rapid, such advantages may be short-lived as knowledge becomes rapidly outdated and product life cycles are shortened. Even though it may be difficult to overcome a competitor's advantage, it may not last for long. Competitors may also try to dominate particular areas such as geographic area or market segment. However, such strong holds can be undermined. For example, the benefits of economies of scale built up in one area can be undermined by another competitor using the economies of scale from its own home territory to enter a market. This is becoming more and more common as markets globalize (Johnson, Scholes and Whittington, 2005).

According to Johnson, Scholes and Whittington (2005), this applies to some areas of public sector provision too, such as education, which became vulnerable to IT internet-based training offer by international competitors who have written-off the costs of materials developed through sales in their home markets.

Entrants into strongholds may also be prepared to buy their way in, either by low price, or even by providing their services free from a period of time. Where competitors have built strongholds by trying up distribution channels entrants may be able to get round this too, for example, by using different distribution channels such as mail order or e-business rather than retailing. Acquisition may also be a route into stronghold. Some competitors may have substantial surplus resources which they can use to withstand an intensive competitive war. Global reach also may allow for the moving of resources to wherever they are necessary either to preserve the interests of the company itself or to tackle competition. Organizations therefore need to find ways around competitors' deep pocket advantages. For example, smaller firms may avoid direct competition

by concentrating on market niches. They might merge or build alliances so that they can compete with larger firms (Johnson, Scholes and Whittington, 2005).

The emphasis of the discussion of business-level strategy has been on competition and competitive advantage. However, the concept of the organizational field is a reminder that advantage may not always be achieved by competition alone. Collaboration between organizations may be a crucial ingredient in achieving advantage or avoiding competition. Also, organizations simultaneously may compete in some markets and collaborate in others. In general, collaboration between potential competitors or between buyers and sellers is likely to be advantageous when the combined costs of purchase and buying transactions are however through collaboration than the cost of operating alone. Such collaboration also helps build switching costs. Collaboration can be done to increase selling power. Component manufacturers might build close links with customers, for example, in the aerospace industry. This can help in research and development activities, in reducing stock and in joint planning to design new products (Johnson, Scholes and Whittington, 2005).

According to Johnson, Scholes and Whittington (2005), crucially, collaboration is used by the buyer to ensure high levels of product quality in an industry where product failure usually has catastrophic consequences. This means that achieving accredited supplier status is tough, which increases seller power once achieved.

Collaboration can also increase buying power. This is where many organizations are now able to tie suppliers into their enterprise resource planning system. Indeed, many manufacturers have actively sought out suppliers who are able to collaborate in these ways and in many cases, made it an essential requirement to become an accredited supplier. For many years, the power and profitability of pharmaceutical companies were aided by the fragmented nature of their buyers. Many governments have promoted or required collaboration between doctors and centralized government drug-specifying agencies, the results of which has been more coordinated buying power (Johnson, Scholes and Whittington, 2005).

2.5 Organizing for Time Based Competition

Companies world wide have devoted so much energy to improving product quality that high quality is now the standard attained by all top competitors. Competition has driven quality to such heights that quality products no longer are enough to distinguish one company from another. Time is emerging as the key competitive advantage that can separate market leaders from other players in the market. Companies today must learn what the customer needs and meet those needs as quickly as possible. Time – based competition (TBC) refers to strategies aimed at reducing the total time it takes to deliver the product or services. There are several key organizational elements to time based competition; logistics, just in time, and simultaneous engineering. Just in time production systems reduce the time it takes to manufacture products. Logistics speeds the delivery of products to customers. Both are essential steps toward bringing products to customers in the shortest time possible. In today's world, speed is essential (Bateman and Snell, 2004).

According to Bateman and Snell (2004) Logistics is the movement of resources into the organization (in board) and products from the organization to its customer (out bound). As an extension of the organization technology configuration, the organization of the logistics function is often critical to an organization's responsiveness and competitive advantage. Just in time operations calls for subassemblies and components to be manufactured in very small lots and delivered to the nest stage in the process precisely at the time needed.

A customer order triggers a factory order and the production process. The supplying work centers do not produce the next lot of product until the consuming work center requires it. Even external suppliers deliver to the company just in time. Just in time is a companywide philosophy oriented toward eliminating waste throughout all operations and improving materials throughout. In this way, excess inventory is eliminated and costs are reduced. The ultimate goal of just in time is to better serve the customer by providing higher levels of quality and services. Simultaneous engineering is a vital component of time based competition, but Just in time concentrates on rescuing time in only one function: manufacturing. Time based competition attempts to deliver speed in all functions – product development, manufacturing, logistics and customer services. Customer will not be impressed if you manufacture quickly but it takes weeks for them to receive their products or get a problem solved (Bateman and Snell, 2004).

Many companies are turning to simultaneous engineering as the cornerstone of their time based competition strategy. Simultaneous engineering also an important component of total quality management is a major departure from the old development process in which tasks were

assigned to various functions in sequence. When research and development completed its part or the project, the work was passed to engineering, which completed its task and passed it over the wall to manufacturing and so on. This process was highly inefficient, and errors took a long time to correct. In contract, simultaneous engineering incorporates the issues and perspectives of all the functions, customers and suppliers, from the beginning of the process. This team – based approach results in a higher quality product that is designed for efficient manufacturing and customer needs. An important perspective on strategy organization and competition lingers on the concept of core competence (Bateman and Snell, 2004).

According to Bateman and Snell (2004), Companies compete not just with their products but also on the basis of their core strengths and expertise. A core competence gives value to customers, makes the company's products different from those of competitors, and can be used in creating new products. Core competencies can be viewed as the roots of competitiveness and the products as the fruits.

Successfully developing a world – class core competence opens the door to a variety of future opportunities; failure means being foreclosed from many markets. Thus, a well understood, well-developed core competence can enhance a company's responsiveness and competitiveness. Strategically, this means that companies should commit to excellence and leadership in competencies before they commit to winning market share for specific products. Organizationally, this means that the corporation should be viewed as a portfolio of competences not just a portfolio of specific businesses. Companies should strive for core competence leadership, not just product leadership. Managers who want to strengthen their films''

competitiveness via core competencies need to focus on several related issues. First is identifying existing core competencies. Second is acquiring or building core competencies that will be important for the future. Third is investing in competencies so that the firm remains world class and better then competitors. Fourth is extending competencies to find new applications and opportunities for the market to grow (Bateman and Snell, 2004).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was carried out using a case study design and the data required was qualitative. A case study is a very powerful form of qualitative analysis that involves a careful and complete observation of social units (Young, 1960). Cooper and Schindler (2003) assert that case studies place more emphasis on a full contextual analysis of fewer events or conditions. An emphasis on detail provides valuable insight for problem solving, evaluation and strategy. This approach was used by other researchers such as by Abdullahi (2000), Njau (2000) and Chepkwony (2001).

The case study on Kenya Airways sought to gain insight on the strategic responses to a changing competitive environment. Kothari (1990) states that a case study is a very popular method of qualitative analysis and involves careful and complete observation of a social unit such as a person, a family, an institution, cultural group or community. It is a form of qualitative analysis where the study is done in an institution or situation, and from the study, data generation and inferences are made.

3.2 Data collection

Primary data was collected using an interview guide and used for the study in order to comprehensively study the strategic responses to a changing competitive environment applied by Kenya Airways and make valid conclusions. This is an important approach in a case study design as it requires that several sources of information be used for verification and comprehensiveness

(Cooper and Schindler, 2003). Personal interview was selected as the most appropriate primary data collection method taking into account the strategic approach of the study, as well as the complexity and the predominantly qualitative dimension of the phenomenon under investigation. This method is suitable for intensive investigations (Kothari, 1990).

We conducted personal interviews to three top level managers these being Head of Network Planning and Strategy, Head of Revenue management and Head of Corporate Communication and Marketing while the remaining four of them were in middle level management and they included Cargo Sales Manager, In-flight Performance Manager, Revenue Analyst and Hub Manager. The interviews were conducted to management because they are concerned with making strategic decisions of the organization. The interview guide was open-ended and was accompanied by probing questions when the need arose to allow for elaboration and in order to get in-depth information.

3.3 Data Analysis

The data which was collected was qualitative in nature and was analyzed using content analysis. The information obtained from the interview was grouped into themes and categories (concepts) that defined the strategies applied by the firm. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. The researcher made meanings from interviewees' responses through conceptualization and explanation building.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS.

4.1 Introduction

This chapter presents primary data findings of the study. The study was done using interview guides and probing the interviewees. The total number of respondents interviewed were seven managers. The study had two main objectives, firstly to determine the changing competitive environment at Kenya Airways limited and secondly to determine the strategic responses to the changing competitive environment.

The presentation of this chapter starts with the analysis of the changing competitive environment as provided by the respondents. Secondly, it discusses the strategic responses to the changing competitive environment at Kenya Airways limited. During the interview different changes were identified by the respondents. There were changes in the regulatory requirements, change in aviation related technology, and increased congestion of critical Hubs demand for lower fares, competition and high staff turnover.

4.2 The changing competitive environment.

The competitive environment according to the Head of Strategy and Network planning included the specific organizations with which the organisation interacts. This included corporate bodies, travel agencies and governments, other airlines, Kenya civic aviation authority and Kenya Airport Authority.

Suppliers such as oil companies also formed part of the competitive environment. The respondents indicated various effects of intense competition. These effects were lower profit

margins, lower average fares, efficiently towards cost reduction schemes and better innovations to improve products. Other effects included price reductions, improved services quality, increased costs and cheaper services for the consumer.

Head of Network Planning and Strategy and Head of Revenue Management cited existing barriers to entry which prevented new companies from entering the airline industry in Kenya. First, was the high capital requirement for players in the industry. Second was heightened competition which prevented new entrants from entering the airline industry. Third, the regulatory environment in the airline industry was very strict making it a barrier for new entrants into the airline industry.

Fourth are the limited qualified personnel. These have been fewer experts with the required qualifications for one to work in the airline industry. Fifth, there are existing strong bands with wide network.

According to the Manager Hub and Head of Corporate Communications, customers were important to Kenya Airways and various methods had been put in place to maintain the existing customers and attract more. Kenya Airways had introduced a loyalty program which aimed at customer continuous service improved, product improvement, and good in flight service, shorter connection time and improved schedule integrity. It was also observed that Kenya Airways had extensive network coverage and conducted consumer surveys, purchased modern state of art airplanes and conducted customer relationship management in order to know the customer.

The Cargo Manager indicated the importance of understanding what competitors were doing when designing the firm's own strategy. The company did this thorough competitor moves analysis and response, benchmarking with competitors and through market research. According to the respondents, it was through competitor analysis that the company designed its strategies.

4.3 Strategic responses to a changing competitive environment.

According to the Revenue Analyst there were instances where the organisation had to develop strategies to adapt to the environment. For instance, the Kenya Airways had opened new routes to grow the network. Secondly, the company had invested heavily in information Technology to improve efficiency. Third, there had been corporate restructuring to re- align the organization to market needs.

Fourth, Kenya airways had to lower prices in order to attract more customers. There was a closure of Turkey routes and use of joint ventures to penetrate to the market. The company also used outsourcing as a strategy in order to remain competitive. There were instances where the company had to schedule changes such as scheduling changes during the volcanic Ash crisis and scheduling changes occasioned by delay of delivery.

Strategy (2006 to 2008), led to technological updating of systems such as enterprise resources planning and office automation. Opening up Africa to the world and bringing the world to Africa strategies aimed as a response to globalization.

The Hub Manager argued that at times organizations may be required to influence the environment in which they are in. This for instance took place through the regulatory

environment through lobbying such as for bilateral Air services agreements. There was negotiation for fly over rights to reduce flight path hence reduce operating costs. Kenya Airways also had various activities organized for corporate social responsibility as a way of giving back to the society.

Other activities organized by Kenya Airways were environmental influences through tree planting, market stimulation through advertising and promotions and political negotiation to remove tax. There were instances where the company had to lobby for the government to reduce levies. There were instances where Kenya Airways decided to select a new business environment as a response to the changing competitive environment. This occurred during the opening of new routes in parts of Africa without established air transport in those parts of Africa. Kenya Airways for instance moved out parts of its destinations and spotted more destinations in Africa. Kenya Airways had also moved aircraft maintenance activities to Kilimanjaro, Tanzania due to cheaper costs.

According to Head of Corporate Communication and marketing, Kenya Airways used various methods to ensure that it met the varied changing demands of customers. Firstly, this was done through continuous audits and self assessments. Secondly, customer surveys and involvement such as open days and loyalty program were used. Third, the organization ensured frequent customer survey and action to customer feedback. Fourth, the organization ensured monitoring of prevailing market sentiments through customer surveys and keeping up with the latest air travel trends and product offering such as online check – in.

The Head of Strategy and Network Planning cited that Kenya Airways sometimes used cooperative strategies to influence the environment Kenya airways is a full member of the sky team alliance and works in close cooperation with the strategic partner precision Air .

There had also been joint venture with KLM on some of its routes. The managers also gave their own opinions on strategies that make the organisation competitive compared to competitors. These were customer focus, massive network covering geographical location, privatization and professionalism. Business strategies that were   indicated were, competent staff, superior customer care, opening more destinations and providing better connectivity. Flexibility and good in- flight services also were cited as very important. Other business strategies were enhanced use of technological innovation to improve business   such as use of alliances, fade shares and good interline agreements.

The Revenue Manager cited some unique activities that created value to customers. These activities   were sponsorship of rally and golf. The product brand also served as a unique feature that differentiated Kenya airways with other brands in the market. The airline company had also proved quality on board entertainment and online check in hence avoiding long queues at the airports. There has also been   the use of technology such as   ticketing and maintenance of safety standards. One of the distinctive products according to the respondents was flat business seats.

According to the Cargo Sales Manager, there are various methods in which the government educates the total time taken to deliver services. Increasing the staff base to accommodate growing service demands and training of staff. The company also used electronic automation of approval process and the management was issued with company phones to ensure effectiveness.

In order to reduce total time taken, the organization set targets and advocated for on time performance and integrity in all its operations. Head of Revenue and the Hub Manager also cited some challenges experienced as the organisation responded to the changing competitive environment. These challenges entailed increasing cost of operations to limit how low fares could go. There were also fewer equipments and capacity in some routes, inappropriate information technology system and airport infrastructure challenges. There has also been political turmoil and unpredictability of African states regulatory requirements and approval process of various governments. Among the challenges have also been stakeholder consultation, resource availability and manpower constraints such as pilots.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the results of the research work. First, it gives a summary, discussion and conclusion of each objective. Limitations of the study and suggestions for further research are also discussed. Finally, recommendations for policy and practice are provided.

5.2 Summary, Discussions and Conclusions

There were two objectives of the study. In order to arrive at the results, the researcher conducted in-depth interviews with the management. It was observed from the study findings that there were several environmental changes at Kenya Airways such as changes in regulatory requirements, change in aviation related technologies, competition and customer demand for lower fares. The competitive environment that was indicated by the respondents included the other airlines, corporate bodies, travel agencies, suppliers such as oil companies and governments.

The first objective of the study was to determine the changing competitive environment of Kenya Airways. There had been increased congestion of critical hubs, growth of low cost carriers, intense industry regulation and entry of Middle East carriers into the African market. There were also changes in high staff turnover, globalization, rapid technological changes and population growth in many countries. The effects of intense competition were a drop in the fares charged, more competition on better aircrafts and extra services, low profitability and a drop in fares charged.

The second objective was to determine the strategic responses of Kenya Airways to a changing competitive environment. There were instances where the organization had to develop strategies to adapt to the environment. The organization for instance had to change the way of doing business due to regulatory changes that brought new measures. There was also opening of new routes to grow the network, corporate restructuring and investing in information technology to improve efficiency.

Several useful observations can be deduced from the above summary and discussions regarding the manner in which Kenya Airways responds to the changing competitive environment. First, the top management team gave authority to lower level managers to make decisions that benefited the firm. The organization ensured that it met varied changing demands of customers through constant customer surveys, loyalty programs, continuous audits and self assessments, taking action on customer feedback and keeping up with latest air travel trends and product offerings.

Secondly, the company had identified business strategies that made the organization successful compared to the competitors. These were through customer focus, massive network coverage, political stability and privatization. The company also had good in-fight service and strategic partnership. Kenya Airways had also enhanced the use of technological innovation to improve business. The company had aimed at superior customer care, safety and competent staff.

Third, Kenya Airways had used differentiation as a strategy for making services unique hence creating value to buyers. This had been done by use of electronic ticketing, safety standards, customer care, flat business seats in the airplanes, sponsorships such as Maasai Mara Marathon

and classic safari rally. Fourth, Kenya Airways had developed ways of ensuring that competitors did not establish a dominant service before the organization made a response. This was done through competitor monthly reports, regulatory requirements; alerts on what competitors had done, strategizing meetings and market intelligence.

Some of the challenges experienced as the organization responded to the changing competitive environment were manpower constraints such as pilots, high training costs for the workers, political instability and unpredictability especially in Africa and internal inefficiencies by management. There were also challenges in capacity such as inappropriate information technology systems, airport infrastructure challenges, stakeholder consultation and resource availability.

5.3 Limitations of the Study

This was a case study and therefore may not be used for generalization purposes. The corporate culture of Kenya Airways may not be the same with other organizations. This is because organizations have different values and resource capabilities. They also have different leadership styles and therefore are likely to respond differently to a changing competitive environment.

The study may also have some weaknesses inherent in using interview guides for data collection purposes. First is the misinterpretation of words by respondents. This results in some answers which reflect an ideal situation rather than the actual occurrence. Some respondents may also withhold some information which is important for the study. There is also likelihood of bias as

some respondents may not be willing to disclose information which might give a negative impression of the organization to the public.

The respondents were not willing to disclose some of the information which they termed as confidential based on the privacy policy of the organization. The researcher had to be cautious not to appear to be getting information to give to a competitor firm by making the respondents understand that it was an academic research project.

Time constraint was also another limitation which resulted in having some managers very busy and not willing to give the researcher enough time to probe further in order to get in-depth information. Most of the respondents postponed the researcher till when they were available for the interview to be carried out. The researcher was also limited to the time allocated to complete the study.

5.4 Suggestions for Further Research

It is clear from the study that the issue of strategic responses to the changing competitive environment needs to be understood by management in order to identify the appropriate business strategies to be used. It is important for management to understand the competitive environment in order to relate appropriately with all the players in the business environment. Further research could be conducted in different organizations since organizations have different cultures, management and resource capabilities. The study was conducted on a multinational firm and it would be necessary to study resistance to change in a local firm to find out if there are any differences.

5.5 Recommendations for Policy and Practice

It is important for organizations going through change to consider the following three recommendations. First, management needs to be trained in order to acquire skills in responding to the changing competitive environment. Outsourcing could also be done when certain skills are not available within the organization. This has enabled Kenya Airways to acquire skills through training of which some of the competitors may be lacking.

Secondly, employee participation in the change process is also important. This is effectively addressing peoples' concerns during the change process. This prevents an organization from losing experienced, hardworking and knowledgeable employees who would have otherwise been costly to replace in the long run. Appropriate response to the changing competitive environment requires teamwork from everyone in the organization.

Thirdly, it is essential that managers clearly recognize and identify various competitors' strategies as they arise in the market in order to develop mechanisms to deal with them. This is important in order for a company to retain its market share and attract more customers. When this is not done, a company is likely to lose its customers to the competitors.

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APPENDICES

Appendix 1: Interview Guide

Instruction: To be answered by top and middle management of Kenya Airways Limited.

Section 1: Personal Details

1. Position in the company
2. Years of experience

Section 2: The Changing Competitive Environment

1. What environmental changes are you aware of in your organization?

2. The competitive environment includes the specific organizations with which the organization interacts. Which organizations does Kenya Airways interact with?

3. In your own opinion, what are the effects of intense competition?

4. What are the existing barriers to entry which prevent new companies from entering the airline industry in Kenya?

5. Customers are important to organizations. What strategies have Kenya Airways put in place to maintain the existing customers and attract more?

6. It is essential to understand what competitors are doing when a firm is designing its own strategy. Does this happen in your organization? If yes, how?

Section 3: Strategic Responses to a Changing Competitive Environment

7. Are there instances where your organization has had to develop strategies to adapt to the environment? Which strategies were used?

8. At times organizations may be required to influence the environment in which they are in. What are such instances in your organization?

9. An organization may sometimes decide to select a new business environment as a response to the changing competitive environment. What are the instances when such has occurred in your organization?

10. Does the top management team give authority to lower level managers to make decisions that benefit the firm?

11. How does your organization ensure that it meets the varied changing demands of customers?

12. In some situations, two or more organizations work together using cooperative strategies to influence the environment. Is this so in your organization?

13. In your own opinion, what business strategies make your organization successful compared to your competitors?

14. Differentiation usually arises from one or more activities in the value chain that create a unique value important to buyers. What unique activities create value to your customers?

15. What measures have been put in place for service improvement?

16. What are the various market segments in your organization and what role does market segmentation play in competing with other organizations?

17. How does your organization ensure that competitors do not establish a dominant service before the organization makes a response?

18. Does your organization use global reach as a strategy to tackle competition?

19. Are there instances where your organization competes with other organizations in some markets and collaborates in other markets?

20. How does your organization reduce the total time taken to deliver services?

21. Does management make an effort in ensuring that the proposed competitive responses are effectively implemented? If yes, kindly give some of the methods that have been used?

22. Are there necessary preparations for change in strategy?

23. What are the challenges experienced as your organization responds to the changing competitive environment?

Appendix 2: Introduction Letter

The Human Resource Manager,

Kenya Airways Limited,

P.O Box 19002-00501,

Nairobi.

MBA RESEARCH PROJECT

I am a student at Nairobi University pursuing a Masters of Business Administration program.

Pursuant to the pre-requisite course work, I would like to conduct a research project on the strategies used by Kenyan national carrier Kenya Airways to changing competitive environment in its international expansion. The focus of my research will involve interview with members of the senior management team.

I kindly seek your authority to conduct the research at Kenya Airways through research interviews and use of relevant documents. I have enclosed an introductory letter from the University. Your assistance is highly valued. Thank you in advance.

Yours faithfully,

Leonard Oketch.