STRATEGY IMPLEMENTATION AND THE COMPETITIVE ADVANTAGE OF FIRMS IN THE AIRLINE INDUSTRY IN KENYA

BY

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DECLARATION

This Research project is my original work and has not been presented in any other University.

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DEDICATION

I dedicate this work to my family, my dear parents for their inspiration and friends who have given me great support to carry out this research project.

TABLE OF CONTENTS

DECLARATION i
ACKNOWLEDGEMENTS ii
DEDICATION iii
LIST OF TABLES vi
LIST OF FIGURES vii
ABSTRACT viii
CHAPTER ONE: INTRODUCTION 1
1.1 Background of the study 1
1.1.1 Business Strategy 2
1.1.2 Strategy Implementation 3
1.1.3 Concept of Competitive Advantage 3
1.1.4 Business Strategy and Competitive Advantage 4
1.1.5 Airline Industry in Kenya 4
1.2 Research Problem 5
1.3 Research Objectives 7
1.4 Value of the study 7
CHAPTER TWO: LITERATURE REVIEW 8
2.1 Introduction 8
2.2 Theoretical Foundation 8
2.2.1 Absolute Advantage 8
2.2.2 Comparative Advantage 8
2.2.3 Competitive Advantage 9
2.2.4 Porter's Industry Analysis-Competitive Forces Model 10
2.2.5 Resource Based View 10
2.2.6 Dynamic Capabilities Model 11
2.2.7 Ansoff's Strategies for Achieving Competitive Advantage 12
2.2.8 Value Disciplines Model 12
2.3 Strategy Implementation and Competitive Advantage in Organisations 12
2.4 Literature on the Airline Industry 14
CHAPTER THREE: RESEARCH METHODOLOGY 15
3.1 Introduction 15
3.2 Research Design 15

3.3 Target population 16
3.4 Data collection 16
3.5 Data Analysis 16
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS 18
4.1 Introduction 18
4.2 Findings of the Study 18
4.2.1 Response Rate 18
4.2.2 Distribution of respondents by gender 19
4.2.3. Distribution of respondents by work experience 20
4.2.4 Distribution of respondents by business specialisation 21
4.3 Data Analysis 21
4.3.1 Strategy Implementation 21
4.3.2 External Environment Analysis 32
4.3.3 Internal Environment Analysis 42
4.4 Data Interpretation 56
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 59
5.1 Introduction 59
5.2 Summary 59
5.3 Conclusion 60
5.4 Limitations of the Study 61
5.5 Implications of the Study on Policy, Theory and Practice 61
REFERENCES 63
APPENDICES 66
APPENDIX 1: INTRODUCTION LETTER 66
APPENDIX II: QUESTIONNAIRE 67
APPENDIX III: LIST OF LOCALLY REGISTERED AIRLINES 72

LIST OF TABLES

Table 4.1: Strategy applications for competitive advantage……….……..……….. 22

Table 4.2: External environment analysis on competitive advantage…..…..……… 33

Table 4.3: External environment analysis on competitive advantage ………………34

Table 4.4: Internal environment analysis on competitive advantage …..…..………..42

Table 4.5: Ability to compete on price …..……………………………….…..……47

Table 4.6: Ability to compete on price ………..……………………………..……49

Table 4.7: Ability to offer new products and features …………..…………………. 51

Table 4.8: Internal factors and competitive advantage …..…………..…………….. 53

LIST OF FIGURES

Figure 2.1: Porter's Competitive advantage…………………………………………9
Figure 2.2: Competitive advantage process…………………………………………12
Figure 4.1: Distribution of respondents by gender…………………………………19
Figure 4.2: Distribution of respondents by work experience ………………………20
Figure 4.3: Distribution of respondents by business specialisation ………………21
Figure 4.4: Cost Leadership strategies and competitive advantage…………………22
Figure 4.5: Differentiation strategies and competitive advantage …………………24
Figure 4.6: Market penetration strategies and competitive advantage ……………25
Figure 4.7: Market development strategies and competitive advantage …………27
Figure 4.8: Product development strategies and competitive advantage …………29
Figure 4.9: Diversification strategies and competitive advantage …………………31
Figure 4.10: External environment factors ranked as per mean ……………………33
Figure 4.11: Rivalry within the industry vis-a-vis operations and strategy …………35
Figure 4.12: Threat of new entrants vis-a-vis operations and strategy..................... 36
Figure 4.13: Threat of substitutes vis-à-vis operations and strategy ……………… 38
Figure 4.14: Bargaining power of suppliers vis-à-vis operations and strategy ……..40
Figure 4.15: Bargaining power of customers vis-à-vis operations and strategy …....41
Figure 4.16: Internal environment factors ranked as per mean …………………… 43
Figure 4.17: Competitive pricing vis-à-vis competitive advantage …………………48
Figure 4.18: Lower prices than competitors' vis-à-vis competitive advantage….......48
Figure 4.19: We offer highly reliable services ……………………………………… 49
Figure 4.20: We compete based on quality ……………………………………………50
Figure 4.21: We offer high quality services …………………………………………50
Figure 4.22: We provide customised products ………………………………………51
Figure 4.23: We alter our products to meet client needs ……………………………52
Figure 4.24: We respond well to customer demands …………………………………53
Figure 4.25: We have flexible operations ……………………………………………54
Figure 4.26: Our long-term planning is effective ……………………………………54
Figure 4.27: Our short-term planning is effective ……………………………………55
Figure 4.28: Our organisation structure supports culture change …………………56

ABSTRACT

Strategy implementation is an integral part of the strategic management process as it entails converting the formulated strategy into action. Managers who successfully implement their strategies enjoy competitive advantage over organizations with managers who are less competent in implementing strategy. The purpose of this study was to establish strategy implementation and the competitive advantage of the firms in the airline industry in Kenya. The research adopted a cross-sectional survey and used structured questionnaires to collect information from top managers from the 15 locally registered airlines in Kenya. Data collected was presented using tables and figures and was analyzed in Microsoft Excel 2007 version. The results confirm that for an entity to achieve competitive advantage in the industry, Management needs to identify the effective strategies to be adopted for maximum returns to the organization. The study also confirms that the management needs to have a due diligence on both internal and external environmental factors and their impacts to the organization in its bid to gain competitive advantage in the industry. This is because the various factors have different levels of impact and return to the organization hence management need to establish how best to take advantage of each of the factors for maximum returns to the organization. The study recommends that policy makers and management in airlines pay close attention to cost leadership and market penetration as these are the strategies being effectively implemented in successful airlines in Kenya. Key to this is management of the external factors, rivalry within the industry and the bargaining power of suppliers as these were found to be the two highest factors influencing competitive advantage in the industry. The management then needs to design an implementation matrix that combines both internal and external factors that consistently ensures maximum returns to the organization. Researchers should delve further into the relationship between strategies implemented, competitive advantage and financial performance of airlines in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Competitive advantage of a firm is where it exhibits superior performance relative to other competitors in the same industry or superior performance relative to the industry average. Superior performance could be measured in terms of profits, product performance or brand reputation. Kotler (1997) defines competitive advantage as a company's ability to perform in one or more ways that competitors cannot and will not match.

Traditionally and according to Porter (1980) the state of competition in an industry depends on five basic forces, the collective strength of which determines the ultimate profit potential of an industry and areas of competitive advantage for the firms therein. These forces are mainly, the degree of rivalry, the threat of substitutes, power of buyers, power of suppliers and the threat of new entrants.

A second school of thought, the Resource-Based View model, Barney (1991) proposes that competitive advantage is based on internal characteristics, key being the firm's resources. It provides a rigorous model that provides a theoretical framework for assessing the competitive advantages as it assists in determining which resources and capabilities result in which strengths or weaknesses. It views resources as key to superior firm performance. In this model, resources must be both heterogeneous and immobile. In this model, strategies are to be implemented which exploit (or build) strengths and avoid (or eliminate) weaknesses. Resources and capabilities must be in short supply to create competitive advantage.

Another perspective of the analysis of competitive advantage is using the Dynamic Capabilities theory. It examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Teece, Pisano, & Shuen, 1997). The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Teece, 2007).

With the increasing globalization in this 21st Century world economy, the airline industry has been thrust to the forefront due to its role in enabling mobility of factors of production internationally through transportation of goods and people. Gichohi (2010) observed that the entire airline industry is essentially cyclical in nature and is therefore easily affected by any form of economic uncertainty which has caused a deep crisis of confidence in Airline stocks worldwide. With airlines having exhausted the usual downturn responses, like staff cutbacks and reduced flying the emergence from the economic downturn will inform the need for airline boards to put in place various structures to cushion them from further erosion of credibility and hedge against future upheavals by forging sustainable models. The future airline model must be hinged on adaptability and ability to morph into any future challenges that arise through efficiency and efficacy especially in a future environment that may never relive the long term growth trends of the past.

1.1.1 Business Strategy

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes & Whittington, 2005). Mintzberg (1987), depicts strategy to be of five components, i.e. strategy is a plan, ploy, pattern, position and perspective. Thus, plans when implemented become patterns which in turn develop positions and influence perspectives.

Strategy is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem. It is undertaken in three main levels, namely, corporate, business and operational (functional) levels.

Business strategy is thus the means by which a firm sets out to achieve desired goals and objectives. It is mainly concerned with competition with other businesses in the market.

1.1.2 Strategy Implementation

Once a firm has identified and developed its strategy, it must implement it for successful achievement of desired goals and objectives. To successfully execute an organization's strategy, it must be the focus of every person in that organization. It is up to the leaders to create, monitor, and reward that focus as it is expressed. Bossidy, Charan and Burck (2002), identify that the heart of implementation lies in aligning three core processes, mainly people processes, strategy processes and operational processes.

Strategy implementation is more difficult than its development because of issues such as resistance to change, difficulties in integrating efforts across groups and requires sufficient time allocated to the whole process. If strategy implementation fails, objectives which are more often than not aiming for superior performance will most definitely not be met.

1.1.3 Concept of Competitive Advantage

Porter (1991), states that firms create and sustain competitive advantage because of the capacity to continuously improve, innovate, and upgrade their competitive advantages over time. He identified various means of achieving competitive advantage, mainly through cost leadership, differentiation and focus. A company could achieve competitive advantage by producing similar quality products or services but at lower costs or by offering unique products and services and charging premium price for that.

Cost leadership can be obtained if a company achieves a lower cumulative cost of performing value activities than its competitors. Cost advantages can thus be achieved through activities such as improving operational efficiency and effectiveness and taking advantage of economies of scale. Differentiation is where the firm offers a unique product or service, different from what other competitors are offering. For differentiation to be effective, the uniqueness on offer has to be valuable to the customer and be distinct. Focus is where the firm puts all its energies and business on a specific market or segment. Within which, the firm can adopt either cost focus or differentiation focus.

1.1.4 Business Strategy and Competitive Advantage

Competitive advantage is what enables a business organization to thrive. It is the objective of strategy. It is the combination of elements in the business model which enables a business to better satisfy the needs in its environment. A firm has a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). A firm's strategy should be centrally concerned with the creation and exploration of its distinctive competencies i.e. the unique strengths a firm possesses.

Corporate strategy is concerned with deciding which industries the firm should be engaged in and how it should allocate its resources among them. Such decisions require assessment of the attractiveness of different industries in terms of their profit potential. Business strategy is concerned with establishing competitive advantage.

The survival and success of an organization occurs when the organization creates and maintains a match between its strategy and the environment and also between its internal capability and its strategy (Grant, 2009).

1.1.5 Airline Industry in Kenya

The history of Kenya’s airline industry dates back to the 1st world war, when commercial routes were pioneered by Imperial Airways in the 1920's. In this regard, Kenya’s airline industry has not been left behind and has seen tremendous growth over the years from 15 aircraft landings in 1929 to 269,923 aircraft landings in 2013 facilitating passenger numbers currently at 8,919,254 and 294,353 metric tonnes of cargo (Daynes & Platt, 2014)

For a long time, Kenya has had the privilege of being the gateway of Eastern and Southern Africa for air travelers. There are many airlines currently operating in Kenya with both local and international carriers, the key player being Kenya Airways that is the national carrier. All these airlines are looking to have their own niche in the industry despite differences in size and scope of operations. The highly fragmented nature of these airlines and the dominance by the large airlines has contributed to a competitive operating environment.

In recent years, there has been an industry-wide shakedown, which will have far-reaching effects on the industry's trend towards expanding domestic and international services. In the past, the airline industry was at least partly government owned as with Kenya Airways before its privatization in 1994. Currently all major airlines have come to be privately held. Kenya's airline industry has in the recent years seen the entry and exit of many airlines and those still within the industry show signs of struggling, evidenced by declarations of falling revenues and profits by airlines operating within.

The airline industry of Kenya has been growing fast during the last decade. The aspect of competition is now crucial for the operators who are within the airline industry. The industry has also tremendously changed its dynamics for the last one decade. Many airlines have taken the regional growth perspective in an attempt to tap a wide market and manage the competition. Notably, the low cost airlines have been mushrooming by an alarming speed. For this very reason the players in the airline industry need to consider their competitive positioning and reposition strategically to survive this encroachment.

1.2 Research Problem

Gaining competitive advantage for firms has become increasingly difficult, with competing firms copying each other's strategies even with various ones being available such as low cost leadership or differentiation. Each firm thus has to aim to attain sustainable competitive advantage, even with increasing dynamisms of the current world economy.

In any industry, including the airline industry, the nature of competition is always a function of the market structure. The trend today is a perfect competition and the Kenyan government has avoided and withdrawn active management of the market forces within the airline industry. As such, Kenyan airlines work on their own in regards to what are the relevant products and rates to be offered to the market. In this regard, assessment of the attractiveness of the industry became a necessity.

In looking at previous studies done, Brandt (2013), in his study on the competitive advantages in the United States airline industry, found that a significant part of the recent poor industry performance can be attributed to competitive strategies that do not relate to industry structure. In the case study of Ryan Air in integrating business models

and strategy for sustained competitive advantage, Korsa and Jensen (2010), argue that the sustainability of competitive advantage depends on a strategic fit, which is argued to be a function of competitive advantage and the degree of coupling between the business model components. Lubit (2001), in his study on the keys to competitive advantage, proposes that competitive advantage is found in knowing how to do things instead of having special access to resources and markets, thus knowledge and intellectual capital have both become primary sources of core competencies and the key to superior performance.

Locally, many studies have been done on strategy implementation and also competitive advantage and more specifically in the airline industry in Kenya. Gichohi (2010) revealed that various political, economic and social changes, both positive and negative have occurred in the last decade in Kenya and due to the econo-sensitive nature of the airline industry, these changes have manifested in unprecedented financial pressure for the airlines in. The result is the need for an inevitable re-appraisal of the way the industry works. Riwo-Abudho, Njanja and Ochieng (2013), in their study on the impact of organization characteristics on sustainable competitive advantage during strategic change in airlines, noted that the integration of a firm's processes, culture and structure is required for consistency to help build sustainable competitive advantage. Mokaya, Kanyagia and Nchebere (2012), in their case study of Kenya Airways on the effect of market positioning on organizational performance in the airlines industry in Kenya, revealed that pricing strategies had a significant effect on cost strategies, perceived service quality, differentiated benefits, innovation and organizational performance. Thus, emphasizing the belief that sound marketing practices provide an important source of competitive advantage in the service sector which is characterized by high levels of interaction between firms and their customers.

With the varied opinions and findings derived from the international and local studies previously done, this research therefore attempted to holistically uncover the key factors that contribute to strategy implementation and competitive advantage of firms in the airline industry in Kenya, and how the firms can understand, improve or overcome these factors.

After scoping the problem area and within the freedom of the project problem, the clearly formulated research question was, "What are the strategies implemented and the competitive advantages therein in firms in the airline industry in Kenya?"

1.3 Research Objectives

The research objective for this study was to find out the strategies implemented and the competitive advantages achieved of firms in the airline industry in Kenya

1.4 Value of the study

The findings of the study will enable airline operators better understand the industry structure, strategies and the competitive advantages available to them and thus make better investment and strategic decisions.

The government will use the findings of the study for policy making as it will be able to understand what role it plays in making the airline industry competitive and attractive.

The academic community will use the findings of this research as basis for further research. This is because findings of the research shall be available for the academic community with recommendation of areas of further research to them

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. Specifically it contains review of theoretical foundation of competitive advantage, competitive advantage in organizations, and airline industry reviews.

2.2 Theoretical Foundation

The theory of competition was mainly thrust into the limelight by economists in a view to better understand and improve international trade among nations. It later narrowed down to addressing competition issues pertaining to individual firms.

2.2.1 Absolute Advantage

The cornerstone or one of the earliest works in this field was Adam Smith's Law of Absolute Advantage. Smith (1776) argued all nations would gain simultaneously if they practiced free trade and specialized in accordance with their absolute advantage. Smith also stated that the wealth of nations depends upon the goods and services available to their citizens, rather than their gold reserves. Absolute advantage refers to the ability of a firm, or country to produce more of a good or service than competitors, using the same amount of resources.

2.2.2 Comparative Advantage

Ricardo (1821), in his Law of Comparative Advantage suggested that a country should concentrate solely on those industries in which it is most internationally competitive. Ricardo's principle was that every production entity has a production activity that incurs a lower opportunity cost than that of another production entity, which means that trade between the two can be beneficial to both if each specializes in the production of a good with lower relative opportunity cost. Mill (1844) better explains comparative advantage as where two countries can both produce two commodities, corn, for example, and cloth, but not both commodities, with the same comparative facility, the two countries will find their advantage in confining themselves, each to one of the commodities, bartering for the other. Comparative advantage explains why a country might produce and export something its citizens don't seem very skilled at producing when compared directly to the citizens of another country (Landsburg, 2007).

2.2.3 Competitive Advantage

With these two theories at play, Michael Porter, sought to build on and address the ideas and gaps as propagated by Ricardo and Smith, in his theory of Competitive advantage. Porter (1990) brought out that the nature of the competition and the sources of competitive advantage are very different among industries and even among the segments of the same industry, and a certain country can influence the obtaining of the competitive advantage within a certain sector of industry. Porter (1980) argues that trying to pursue both a cost leadership strategy and a differentiation strategy lead to getting "stuck in the middle" with poor long term prospects. He illustrates the relation as below:-

Fig 2.1: Competitive Advantage

	BROAD	NARROW
COST	cost leadership	Cost focus
DIFFERENTIATION	differentiation leadership	differentiation focus

Source: Porter (1980)

The ideas in "Competitive Advantage" persuaded corporate chiefs to undertake more internal reflection. Previously their firm's identity had been largely described in terms of its relationship to others: its market share, for instance, or its relative size. Porter made corporate navel-gazing respectable. In practice, many firms had difficulty in identifying all the discrete Porterian activities in their organization, even in cases where they were confident that they knew what they were looking for—and many were not (Hindle, 2008).

However, various scholars have critiqued this "pure" definition by Porter that competitive advantage is on the premise of differentiation and cost only. Thompson, Strickland and Gamble (2008) have expanded Porter's generic strategies from three to five: overall low-cost provider strategy, broad differentiation strategy, best-cost provider strategy, focused low-cost strategy, and focused differentiation strategy.

Mintzberg (1988) sees cost leadership as a differentiation strategy in which the basis of differentiation is not higher quality, but lower price. Based on the foregoing arguments, he takes the position that business strategy has only two dimensions: differentiation and scope.

2.2.4 Porter's Industry Analysis-Competitive Forces Model

Porter (1980) identified five competitive forces that shape every single industry and market. These are, bargaining power of customers, bargaining power of suppliers, threat of new entrants, threat of substitutes and degree of rivalry. These forces help us to analyze everything from the intensity of competition to the profitability and attractiveness of an industry.

The Porter framework provides a simple, yet powerful organizing framework for classifying the relevant features of an industry's structure and predicting their implications for competitive behavior. The framework is particularly useful for predicting industry profitability and for identifying how the firm can influence industry structure in order to improve industry profitability.

However, Downes (1997), states that these assumptions are no longer viable in the current world economy in the 21st Century. He identifies three new forces that require a new strategic framework and a set of very different analytic and business design tools: digitalization, globalization, and deregulation.

2.2.5 Resource Based View

Whereas Porter had an external view to competitive advantage, Wernerfelt (1984) suggested that optimal competitive strategies are based on a firm's internal strategic resources, and that current resources can be used to develop new ones. Barney (1991) further proposed that a company can analyze its competitive advantage based on addressing the kind of resources it commands. Thus for a firm to aim for competitive advantage, it must have resources that are valuable, rare, costly to imitate and organized to capture value. This view by Barney was on the premise of a gap observed in that the development of tools for analyzing environmental opportunities and threats has proceeded much more rapidly than the development of tools for analyzing a firm's internal strengths and weaknesses (Duncan, Ginter and Swayne, 1996). Point in case is the just previously discussed Porter's Competitive Forces Model that is widely used in business today.

This view explains a firm's ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier (Mahoney and Pandian, 1992).

2.2.6 Dynamic Capabilities Model

Building on Resource Based view that aimed at the survival of an organization in a competitive economy, this model aims at assisting management to not only survive through achievement of competitive advantage but also sustain this advantage.

The idea behind dynamic capabilities was heavily influenced by Gary Hamel's and C.K Prahalad research on core competencies; however David Teece originated the theory. Kleiner (2013) better explains that Teece sought to explain how companies fulfill two seemingly contradictory imperatives. They must be both stable enough to continue to deliver value in their own distinctive way and resilient and adaptive enough to shift on a dime when circumstances demand it.

Three dynamic capabilities were identified as necessary in order to meet new challenges, namely, learning, assets and ability to adopt or innovate as and when required. Organizations and their employees must have the ability to learn fast and to build strategic assets these could be new or already existing ones. New strategic assets such as capability, technology and customer feedback have to be integrated within the company. Existing strategic assets have to be transformed or reconfigured.

Building on prior research, Ambrosini, Bowman & Collier (2009) suggest that there are three levels of dynamic capabilities which are related to managers' perceptions of environmental dynamism. At the first level we find incremental dynamic capabilities: those capabilities concerned with the continuous improvement of the firm's resource base. At the second level are renewing dynamic capabilities, that is, those that refresh, adapt and augment the resource base. These two levels are usually conceived as one and represent what the literature refers to as dynamic capabilities. At the third level are regenerative dynamic capabilities, which impact, not on the firm's resource base, but on its current set of dynamic capabilities i.e. these change the way the firm changes its resource base.

2.2.7 Ansoff's Strategies for Achieving Competitive Advantage

Ansoff (1957) developed a growth strategy matrix whereby firms can decide to implement either of four strategies, namely market penetration where the firm wants to strengthen its existing products in an existing market, market development where the firm wants to venture into a new market with existing products, product development where new products are introduced into an existing market and finally, diversification where new products are introduced into new markets. Each of these strategies if implemented well can produce areas of competitive advantage to the firm.

2.2.8 Value Disciplines Model

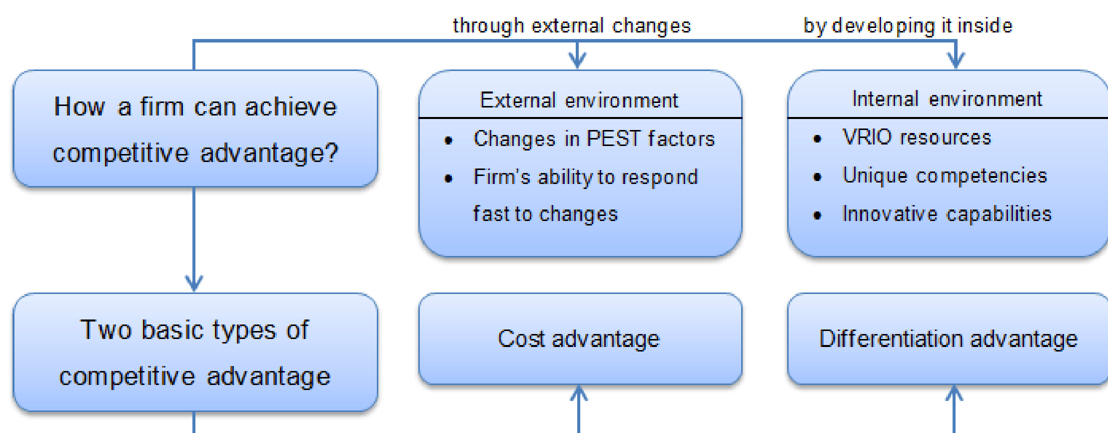
A company must choose to excel in one of three disciplines namely, operational excellence, product leadership and customer intimacy for them to have an edge over their competitors. Operational excellence is concerned with efficiency of operations and supply chain management. Product leadership requires strong innovation and brand marketing. Customer intimacy is achieved through excellent customer service (Tracy and Wiersema, 1997).

2.3 Strategy Implementation and Competitive Advantage in Organisations

Since Michael Porter's pioneering ideas in competitive advantage, various researchers have ventured into looking at the practical implementation of strategy and achievement of competitive advantage in organizations.

According to Jurevicius (2013), in his journal article, he summarizes the basic competitive advantage process, as in the figure below:-

Figure 2.2: *Competitive Advantage Process*



Source: Strategic Management Insight (2013)

Basically, what Jurevicious brings out in the above figure is that for a firm to have competitive advantage, it must first look at both its internal and external environments as they impact on whether competitive advantage can be achieved. Based on this, the firm can then proceed and decide which of the two strategies-cost advantage or differentiation, as proposed by Michael porter, a firm should pursue and implement. The decision on which competitive strategy to pursue is difficult as there are many factors influencing this decision. A firm must match current capabilities with market opportunities while managing a dynamic external environment.

In their research, Duncan, Ginter and Swayne (1996) discovered that organizations sustain a competitive advantage only so long as the services they deliver and the manner in which they deliver them have attributes that correspond to the key buying criteria of a substantial number of customers. Thus, a firm must first understand customer needs and requirements and thus aim to not only meet but also surpass these requirements.

According to Spong (2011), undertaking business has become increasingly complex and thus so has the task of management. With many factors at play such as globalization, ever-changing customer preferences, changing workforce and so on, there is a disconnect between strategic goals and short-term goals and activities. These complexities can be harnessed to achieve competitive advantage by reinventing the means of control, making direction setting bottom-up and outside-in and finally rethinking management as we know it today.

In small firms such as sole proprietorships, the risk of poor decision making with regards to strategic direction is enhanced greatly as the owners who are also managers tend to pursue personal objectives which may be different from that of the firm. The managers are thus bogged down in operational issues and not strategic ones. The shift to strategic thinking will ultimately determine the direction towards achievement of competitive advantage and ultimately, the success of the firm. (Jennings and Beaver, 1997).

2.4 Literature on the Airline Industry

A combination of economic crises, both globally, and locally, as well as the H1N1 and Ebola epidemics, the Icelandic volcanic ash fiasco, the constant threat of terrorism and slick competition from new and emergent carriers has caused numerous headaches to the established carriers in the industry.

According to International Air Transport Association (IATA), the airline industry posted a loss of nearly US$10 billion in 2009. But things improved significantly, with profits estimated to have reached $2.5 billion in 2010. It's a dramatic turnaround and represents pre-recessions levels. Between May and June 2010, there were 100 aircraft in storage and a further 93 new aircraft were added to the global fleet to meet a strong upsurge in passenger travel demand. Demand for air cargo services also expanded significantly, outstripping additional capacity.

The airline business can be characterized as a balancing act between fickle and volatile demand on one hand and a production process that carries high cost, much of it beyond direct control of management on the other. Owing to relatively thin margins, the industry is particularly susceptible to the fall-out from worsening economic or financial conditions. Yet, despite obvious advance warning signals of impending problems, the industry has consistently failed to prepare itself for the onslaught of a worsening economic environment. (Clark, 2010)

The airline industry is no longer a cost based industry, but is now a market driven industry. The market place sets the prices they charge and the simple rules of supply and demand dictate the performance of the industry.

Taneja (2003), was able to enumerate the airline industry characteristics which include government regulation, network driven structure, organized labour, high capital, labour and fuel intensity, high fixed and low marginal costs, high cyclicality and seasonality, revenue vulnerability, destructive competition, commodity products, vulnerability to weather and infrastructure and finally, uneven playing field. Taneja (2008) identifies four major trends in the current airline industry; these include accelerating globalization, changing consumer demographics, lifestyles, expectations and incomes, increasing levels and types of competition and emerging disruptive technology. These trends have not only the potential of re-shaping the global airline industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section was an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions were made about how research was to be executed and how respondents were to be approached, as well as when, where and how the research was to be completed. Therefore in this section the research identified the procedures and techniques used in the collection, processing and analysis of data. Specifically the following subsections were covered; research design, target population and sampling design, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

The research adopted a cross-sectional survey design. Cross-sectional surveys are used to gather information on a population at a single point in time or over a short period. It is used when the purpose of the study is descriptive, often in the form of a survey or the purpose of the study is to find the prevalence of the outcome of interest, for the population or subgroups within the population at a given point in time. Usually there is no hypothesis as such, but the aim is to describe a population or a subgroup within the population with respect to an outcome and a set of risk factors.

Mugenda and Mugenda (2003) note that a survey research seeks to get opinions from a section or the entire population. Surveys are most preferred for such studies because of their uniqueness, use of probability sampling, standardization of measurement and analysis needs. Surveys thus assist in gathering information not available from other sources, ensure an unbiased representation of population of interest, allow the same information to be collected from every respondent and are used to complement existing data from secondary sources. Thus, the cross-sectional survey design was deemed the most appropriate for this research.

3.3 Target population

The population of the study consisted of all the locally registered airlines currently operating in Kenya. There were 15 locally registered airlines in Kenya (Source: Kenya Civil Aviation Authority-2014), as listed in Appendix III. The study used a census of the whole population as it was relatively small in size. Kothari (2004) points out that a census study is a complete enumeration of all items in a population. He acknowledges that when all items are studied, no elements of chance are left and the highest accuracy is obtained. When the population is small, it is no use resorting to a sample survey.

3.4 Data collection

Mugenda and Mugenda (2003) observed that, the pre-requisite to questionnaire design is definition of the problem and the specific study objectives. Primary data was collected using structured questionnaires distributed to management and staff in airlines in Kenya. The study used questionnaires primarily due to their practicability and applicability to the research problem. The questionnaires were administered using drop-and-pick-later method or sent to respondents via email where deemed convenient.

The respondents were the top management in the airlines. This is because they were believed to have the information being sought by the researcher. To ensure full cooperation and support from the respondents and to offer credibility to the research, a letter of introduction was provided by the university, attached as Appendix I.

The questionnaires were used to test the competitive advantage variables outlined in Ansoff's Matrix, Porter's Generic strategies and Competitive Forces. According to Michael Porter, the presence or absence of these variables influences individual firm competitiveness. These variables were determined as relevant in terms of the research conducted in the review of the relevant literature. The questionnaire is attached as Appendix II.

3.5 Data Analysis

The questionnaire was developed to test the competitive advantage variables using comparative and non-comparative scaling techniques. In rank order scaling, respondents were presented with several items simultaneously and asked to order or rank them according to some criterion. Rank order scaling forces respondents to discriminate among the selected items (Malhotra, 2004). The Competitive Advantage

Variables were listed and respondents asked to rank these variables in terms of the importance to the success of their firm.

Likert scales were used to obtain non-comparative information. Non-comparative scaling techniques do not compare the object being rated either to another object or to some specified standard; they evaluate only one object at a time. Likert scales require respondents to indicate a degree of agreement or disagreement with each series of statements about specific attributes (Malhotra, 2004). A five point scale was used. Frequency distribution and use of the mode and mean was used in analysis of the statistics generated which was done in aggregate.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research objective and research methodology. The study findings are presented on the strategy implementation and the competitive advantage of the firms in the airline industry in Kenya. Primary data was exclusively gathered from the questionnaires that were administered to seven top managers in all the 15 airline companies registered by the Kenya Civil Aviation Authority (KCAA). The selected Managers were the Chief Executive Officers, Marketing & Brand, Business Development/Strategy & Change, Operations and Finance & Administration.

4.2 Findings of the Study

Upon data collection and analysis using Microsoft Excel 2007, the findings of the study based on mode, mean and frequency distribution were presented in tables, charts and graphs as per category and each response item in the questionnaire.

4.2.1 Response Rate

Out of the 75 questionnaires distributed to the selected companies, 65 were completed and returned thus giving an overall response rate of 87%. Apart from Jetlink, there was 100% response from all the registered airlines except 2 each from ALS, and 1 each from Safarilink, Bluebird and Kenya Airways.

4.2.2 Distribution of respondents by gender

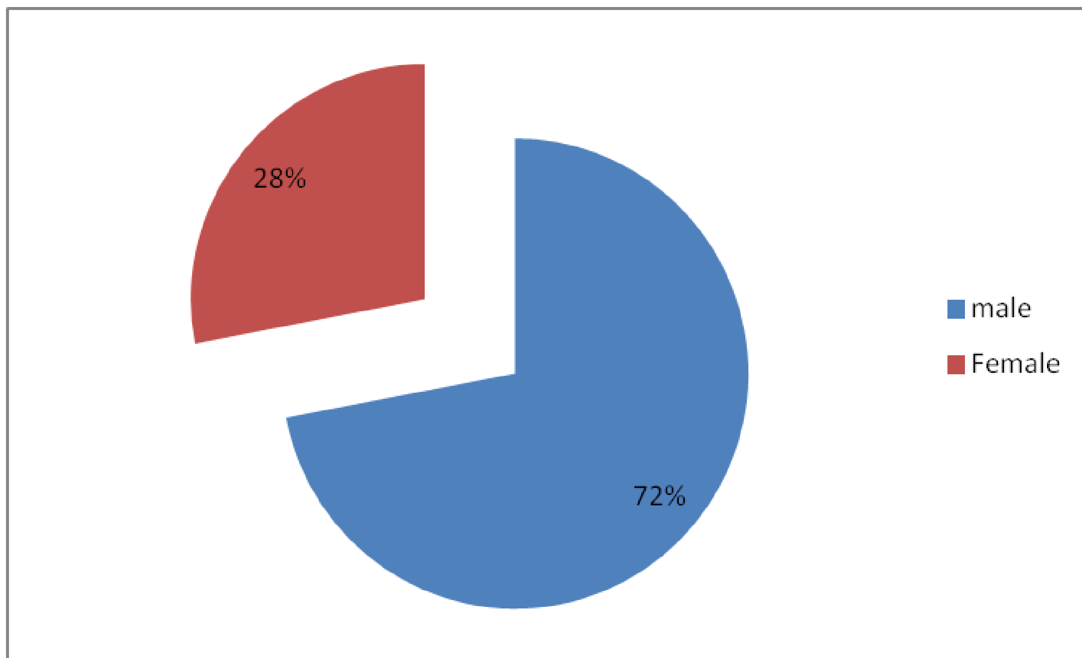


Fig 4.1: *Distribution of respondents by gender*
Source: Primary data, 2014

Most respondents were male and they formed 72% of the sample collected. However females formed a significant percentage of 28%. This information shows that the airlines employed both gender.

4.2.3. Distribution of respondents by work experience

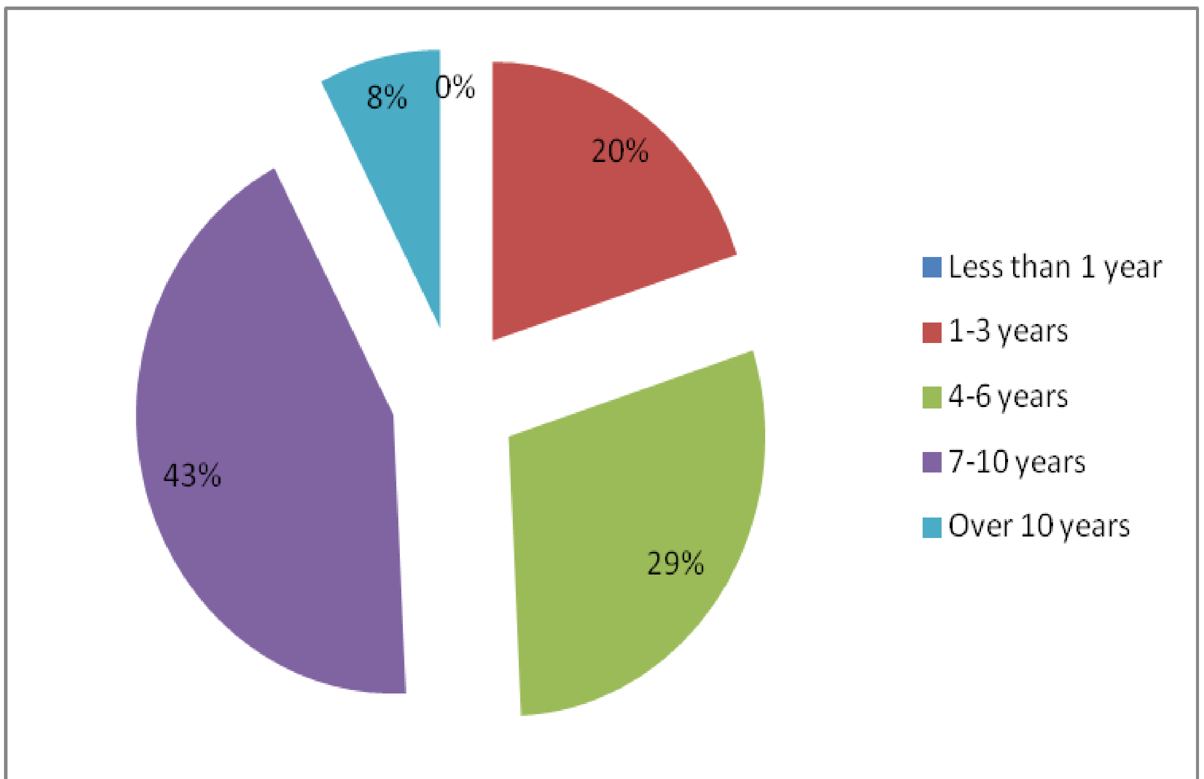


Fig 4.2: *Distribution of respondents by work experience*
Source: Primary data, 2014

Most respondents had worked for their respective companies for a period between 7 to 10 years forming 43%. 29% had worked between 4 and 6 years, 20% between 1 and 3 years while the remaining 8% had worked for their respective companies for over 10 years. This information depicts that majority of the respondents (43%) had worked with their respective airlines for 7 years and more, which give credibility to the information they provided to the study since they had stayed in their organization long enough to understand their organization and the subject under the study.

4.2.4 Distribution of respondents by business specialisation

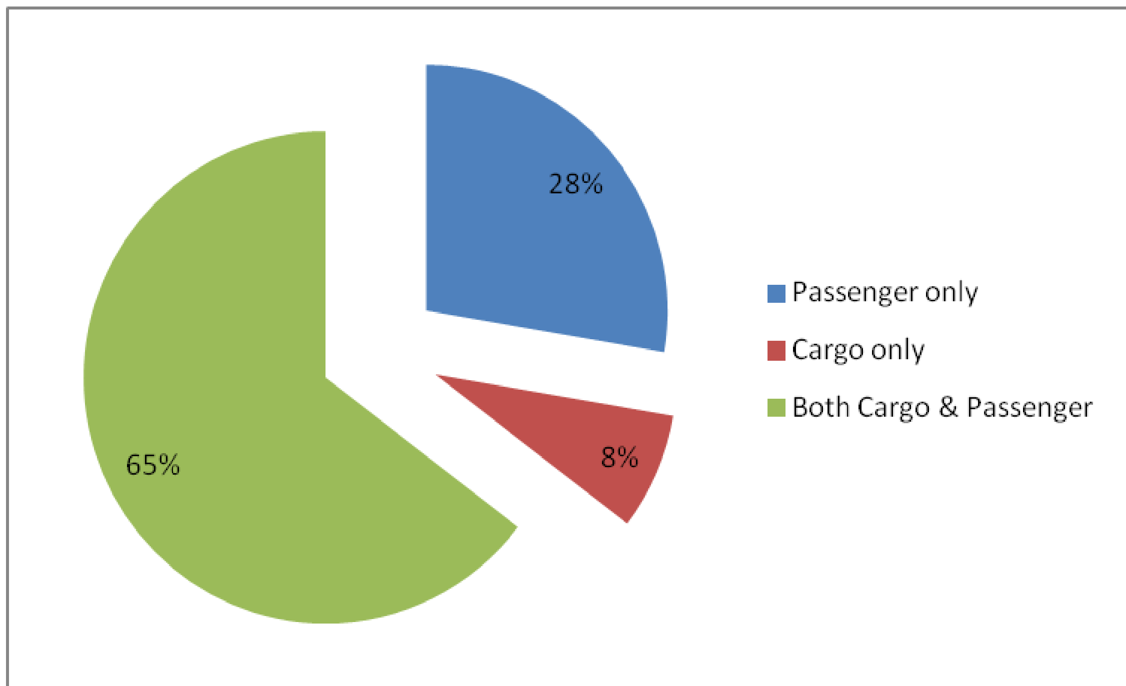


Fig 4.3: *Distribution of respondents by business specialisation*
Source: Primary data,2014

Regarding the business specialization, 65% of the respondents specialized in both cargo and passengers, 28% specialized in passengers only while the remaining 8% specialized in strictly Cargo business.

4.3 Data Analysis

The quantitative data was collected using a questionnaire delivered to respondents either in person or via email and collected later by researcher after being filled. This data was analyzed quantitatively and also in tandem with secondary data available on the subject matter and it revealed the following:

4.3.1 Strategy Implementation

On strategy implementation, the respondents were required to give the extent to which they agreed with their organization's applicability of cost leadership, differentiation, market penetration, market development, product development and diversification strategies to gain competitive advantage in the industry. Five options were given from which the respondents were required to select one level that reflected their opinion. The

options were; Very Great Extent (VGE), Great Extent (GE), Moderate Extent (ME), Low Extent (LE), and Not at All (NA). The responses obtained by the researcher were tabulated in table 4.1 below.

Table 4.1 *Strategy Applications for Competitive Advantage.*

Factors	VGE	GE	ME	LE	NA	Total
Cost Leadership	63	1	1	0	0	65
Differentiation	53	11	1	0	0	65
Market Pen	64	1	0	0	0	65
Market Dev	56	7	2	0	0	65
Product Dev	58	5	2	0	0	65
Diversification	50	12	3	0	0	65
Total	**344**	**37**	**9**	**0**	**0**	**390**

Source: Primary data, 2014

The researcher analyzed the responses given for each of the applicable strategies by various companies and graphically presented the findings as detailed below:

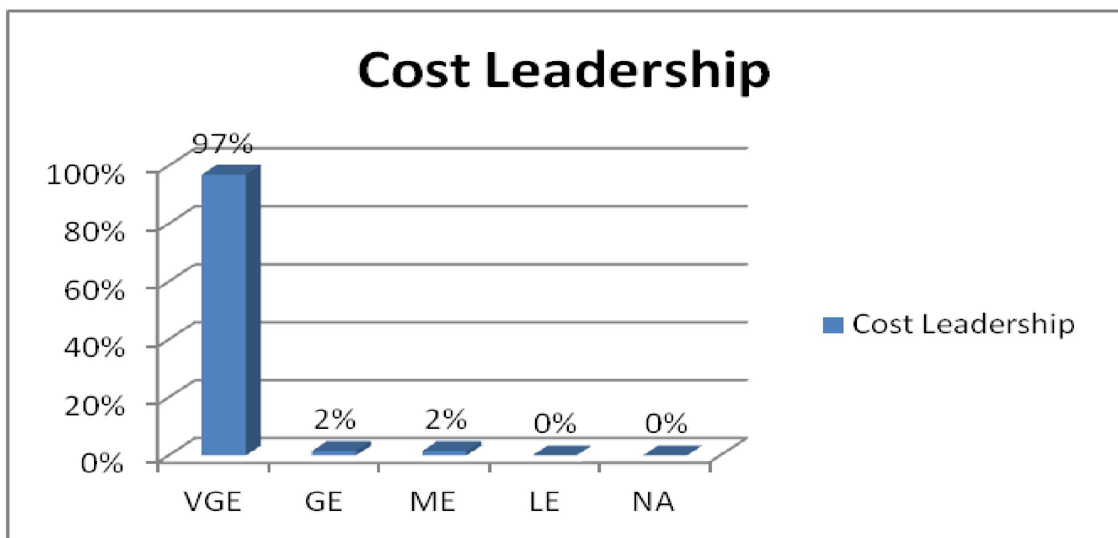


Figure 4.4: *Cost Leadership Strategies and Competitive Advantage*
Source: Primary data, 2014

The finding in figure 4.4 above indicates that 97% of the respondents agreed that application of the cost leadership strategy to a very great extent (VGE) influenced their organization's ability to gain competitive advantage in the industry. 1.5% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry while the remaining

1.5% of the respondents agreed that the strategy affected their entity's ability to gain competitive advantage to a moderate extent (ME).

Cost leadership is a strategy concept developed by Michael Porter to describe a way to establish the competitive advantage by having the lowest cost of operations in the industry (Kotler, 1997). Cost leadership is a type of approach that is used by many businesses to enhance their positions within the marketplace. The basic idea is to become a cost leader within that market by closely monitoring and controlling costs or expenses associated with the ongoing operation of the business enterprise. Doing so helps the business to be in a secure position in the event that a price war should erupt among competitors, while also increasing the chances of being able to maintain an equitable profit margin even when no type of pricing war is taking place. This strategy is often driven by company efficiency, size, scale, scope and cumulative experience. According to Korsa and Jensen (2010), cost leadership strategy aims to exploit scale of production, well defined scope and other economies (e.g. a good purchasing approach), offering high quality and standardized services, using high technology in the market.

With the process of cost leadership, the key is to evaluate the business model and make sure it is operating at the highest level of efficiency possible. This will involve assessing every aspect of the operation and eliminating waste and additional costs on an ongoing basis. From this perspective, reducing cost at every step in the business operation while still managing to maintain quality is of utmost importance

By using the basics of cost leadership to keep expenses as low as possible, the company is in a position to set its pricing at a level that is easily competitive with others in the marketplace, while still allowing the business to earn the greatest amount of profit possible. This approach further insulates the company from encountering severe difficulties during any type of price war that may occur. Since the company already has low operational costs, there is a good chance it can continue to operate as before, lower the prices for its goods slightly to hang onto its market share, and fare better than others who are not operating with the same approach to cost management.

The advantage of cost leadership is that during periods in which no price wars are taking place, the company is usually able to enjoy a significant return on each item produced for sale. Taking care to set prices that are likely to attract the attention of

consumers but still within range to the pricing that is considered standard in the industry, a business can capture and maintain market share with relative ease. At the same time, the company using a cost leadership model is capable of earning profits that can be used to create a contingency fund for the future, expand the business operation, or in some other manner provide long-term benefits that keep the company viable for a number of years

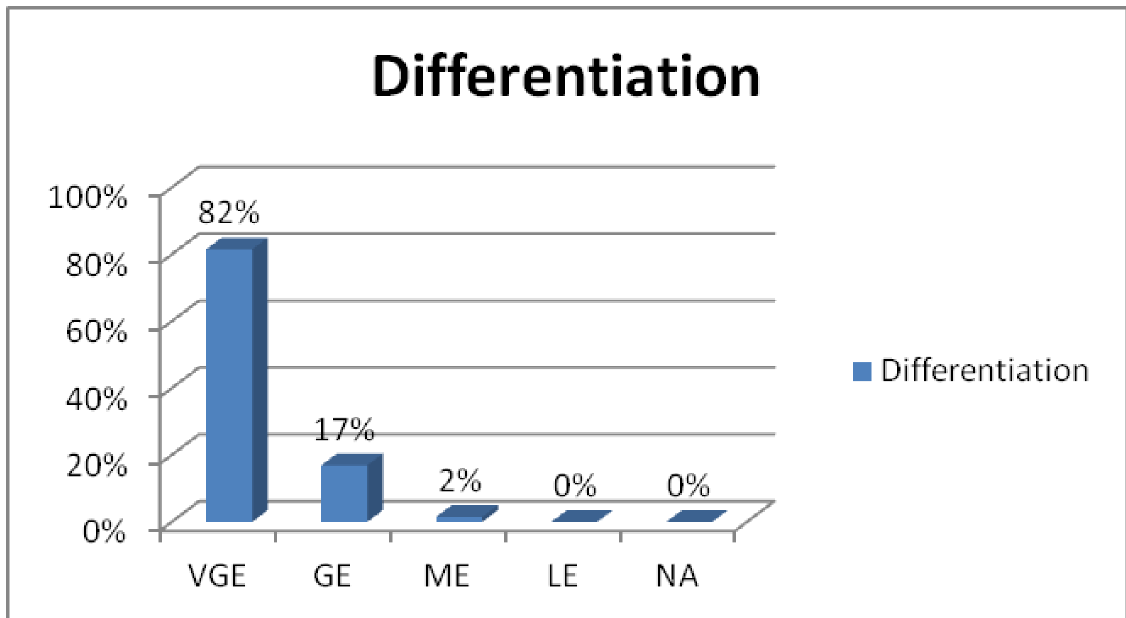


Figure 4.5: *Differentiation Strategies and Competitive Advantage*
Source: Primary data, 2014

As represented in fig 4.5 above, the researcher observed that 82% of the respondents agreed that application of the differentiation strategy to a very great extent (VGE) influenced their organization's ability to gain competitive advantage in the industry. 17% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry while the remaining 2% of the respondents agreed that the strategy on a moderate extent (ME) influenced the organization's ability to gain competitive advantage in the industry.

As a way of attaining competitive advantage, differentiation strategy is employed by businesses to increase the perceived value of their brand or products as a way to entice buyers to choose their products over similar products offered by their competitors. Differentiation can be achieved through strategy pricing, enhancements to function

design or features, distribution timing, expanded distribution channels, distributor location, brand reputation, product customization, and enhanced customer support.

According to Kotler (1997), differentiated marketing strategy is an approach to target marketing where a company markets to multiple market segments using distinct market mixes for each one. Differentiation is a common approach to target marketing strategy and is common when a company believes it has unique benefits that would appeal to different markets. The strategy means that the company targets each segment uniquely; an undifferentiated strategy means you target multiple market segments with a generally consistent approach of marketing and service provision to customers.

Korsa, and Jensen (2010) argues that differentiation is essentially the way you carry out your positioning by promotion distinct attributes or benefits that you offer to customers in the market. There are a number of symbols and tools to establish a company's brand differentiation; they include a distinct brand name, an effective brand logo, a distinct packaging among others

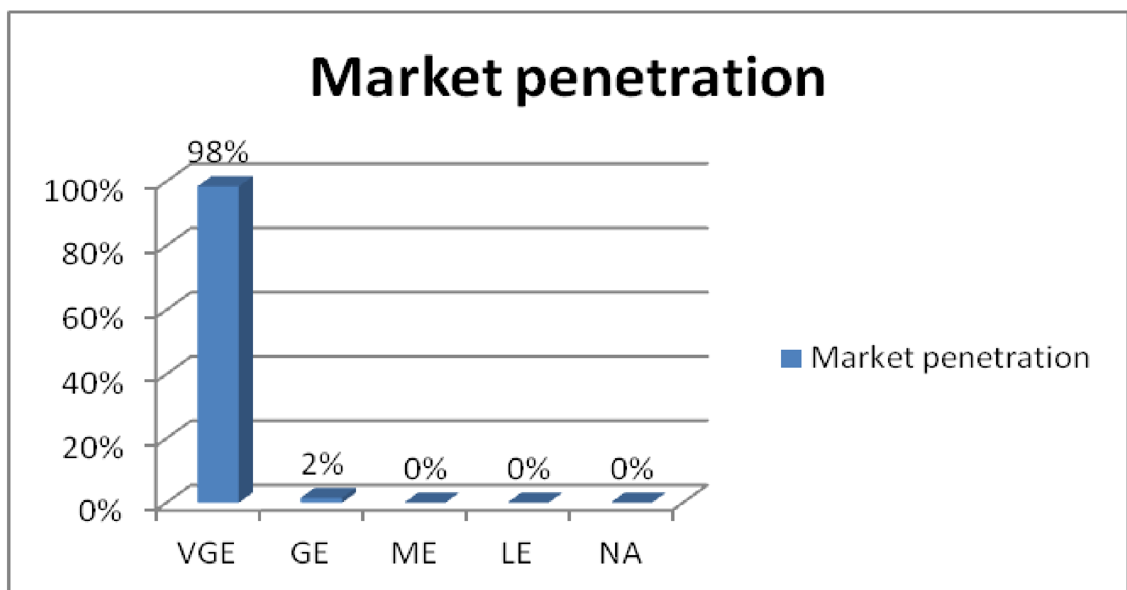


Figure 4.6: *Market Penetration Strategies and Competitive Advantage*

Source: Primary data, 2014

On the market penetration strategies represented in figure 4.6 above, 98% of the respondents agreed that on a very great extent (VGE), the strategy influenced their organization's ability to gain the competitive advantage in the industry. The remaining

2% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry.

Market penetration strategies and competitive advantage is a measure of brand or category popularity. It is defined as the number of people who buy a specific brand or a category of goods at least once in a given period, divided by the size of the relevant market population. According to Malhotra (2004), market penetration occurs when a company penetrates a market in which current or similar products already exist. The best way to achieve this is by gaining competitors. Other ways include attracting non-users of your product or convincing current clients to use more of your product/service through by advertising.

Mintzberg (1987) defines market penetration as the proportion of people in the target who bought a specific brand or a category of goods at least once in the period. Two key measures of a product's 'popularity' are penetration rate and penetration share. The penetration rate also called penetration, brand penetration or market penetration as appropriate is the percentage of the relevant population that has purchased a given brand or category at least once in the time period under study. A brand's penetration share, in contrast to penetration rate, is determined by comparing that brand's customer population to the number of customers for its category in the relevant market as a whole. Here again, to be considered a customer, one must have purchased the brand or category at least once during the period

According to Korsa, and Jensen (2010) managers must decide whether to seek sales growth by acquiring existing category users from their competitors or by expanding the total population of category users, attracting new customers to the market. Penetration metrics help indicate which of these strategies would be most appropriate and help managers to monitor their success. These equations might also be calculated for usage instead of purchase

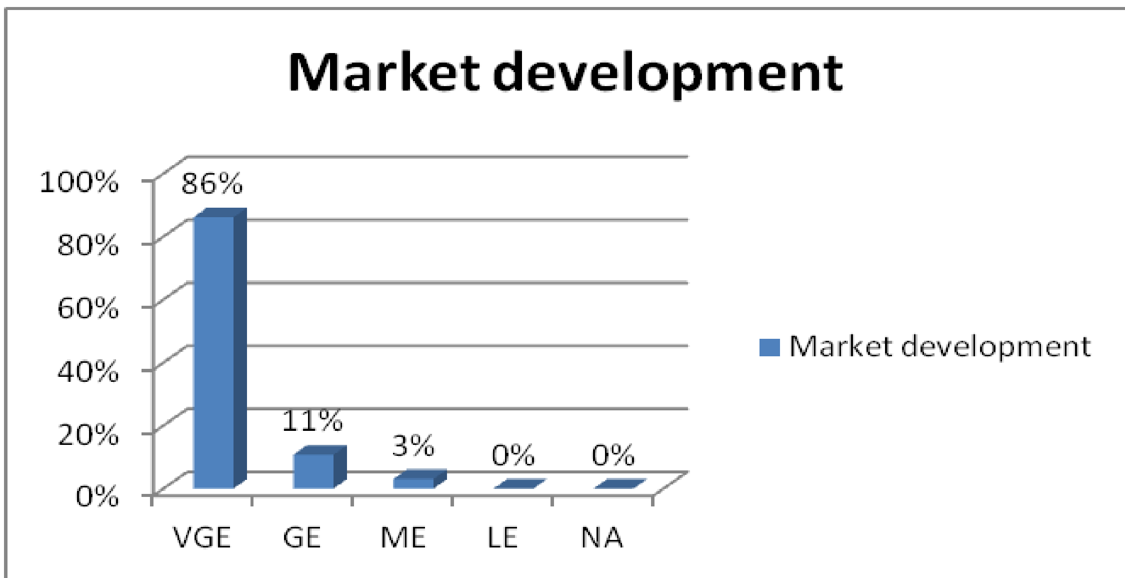


Figure 4.7: *Market Development Strategies and Competitive Advantage*

Source: Primary data, 2014

The findings in figure 4.7 above indicate that 86% of the respondents agreed that application of the market development strategy to a very great extent (VGE) influenced their organization's ability to gain competitive advantage in the industry. 11% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry while the remaining 3% of the respondents agreed that the strategy affected their entity's ability to gain competitive advantage to a moderate extent (ME).

Based on the Ansoff matrix, market development is one of the key alternative growth strategies in attainment of competitive advantage. A market development strategy involves selling your existing products into new markets. According to Korsa, and Jensen (2010), Market development strategy entails expanding the potential market through new users or new uses. New users can be defined as: new geographic segments, new demographic segments, new institutional segments or new psychographic segments. Another way is to expand sales through new uses for the product.

A new geographical market involves expanding outside of the company's region or selling to a new country or a new continent. The element of risk in adopting this strategy will depend on whether or not you can use your established sales channels in the new market. For new product dimensions or packaging, the business entity may

simply want to repackage its product so that it can open up a whole new market. If you are responsible for offering a product or service in the market, you will be required to look at the new costs involved with these changes and new markets requirements and alter the marketing messages so that they are appropriate to that customer's culture

In terms of new distribution channels, many airline companies have transformed themselves from dealing with physical customers into online transactions and bookings. As a result management is expected to outline the internal and financial implications of such a change. Senior management would be looking for you to provide the details of how to make this approach a success. This could include the training needs of employees so that they have the skills to fulfill Internet orders, whether they are taking incoming calls or processing online orders. Finally in terms of different pricing policies to create a new market segment, the important aspect of this approach is whether or not current users can easily alter their purchases to take advantage of the new market pricing

According to Porter (1990) one of the biggest dangers of this strategy is the risk of alienating your current customers. The marketing manager needs to use the following four groups to give more focus to the market segment decision: existing customers, competitor customers, non-buying in current segments, new segments. Market development strategies give the business a direction toward effective promotion. Marketing strategies differ from one business to the next and should be customized to suit the needs of the particular company. The development of a marketing strategy involves the isolation of a target market segment, a set of clear-cut goals, a fair amount of consumer research, and the implementation of initiatives aimed at getting the word out.

Target markets for market development strategy are those segments of the population that the business entity deems to be potential customers. A variety of criteria ranging from income level, to age, to geographic location can be used to determine these targets, depending on the product or services you sell. The marketing strategy should be designed to address these markets first and foremost. The remainder of the market can also be addressed with a separate undifferentiated marketing strategy in an attempt to leave no stone unturned if the management so desire. The target markets should be

specific to the type of business and should be discerned through market research and experience.

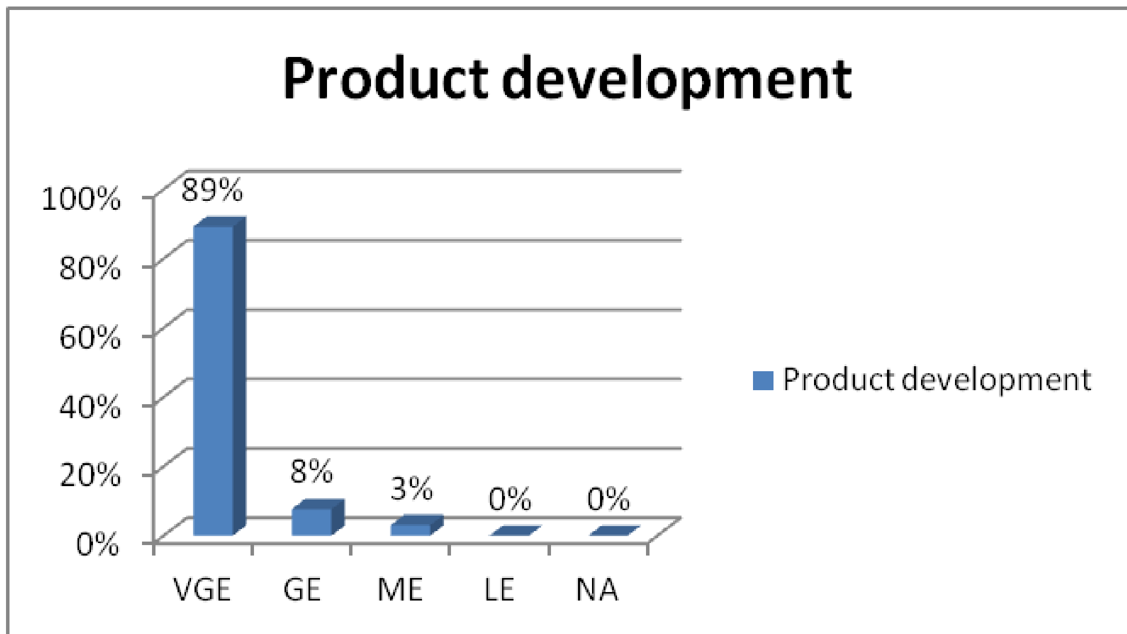


Figure 4.8: *Product Development Strategies and Competitive Advantage*
Source: Primary data, 2014

The researcher observed in figure 4.8 above that 89% of the respondents agreed that application of the product development strategy to a very great extent (VGE) influenced their organization's ability to gain competitive advantage in the industry. 8% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry while the remaining 3% of the respondents agreed that the strategy affected their entity's ability to gain competitive advantage to a moderate extent (ME).

Product development strategy as a way of gaining competitive advantage involves developing new products or modifying existing products so they appear new, and offering those products to current or new markets. According to Porter (1990), Product development may involve modification of an existing product or its presentation, or formulation of an entirely new product that satisfies a newly defined customer want or market niche. It requires keen attention to competitors and customer needs now and in the future as well as a creative marketing and communications plan. The most common subsets of product development strategy are the Product Development Diversification Strategy and Product Modification Strategies

Product development diversification Strategy is employed when a company's existing market is saturated, and revenues and profits are stagnant or falling. There is little or no opportunity for growth. A product development diversification strategy takes a company outside its existing business and a new product is developed for a new market. The new product is not revolutionary as there are other companies producing similar products, but it is new to the company producing it. Product Modification Strategy on the other hand are generally aimed at existing markets, although a side benefit may be the capturing of new users for the new product.

Delivering the right products or services at the right cost with strong marketing support will ensure you're competitive. To stay competitive, you'll need to keep your offer fresh, this means keeping up with trends in your market, emerging technology and refinements to existing products and services (Malhotra, 2004).

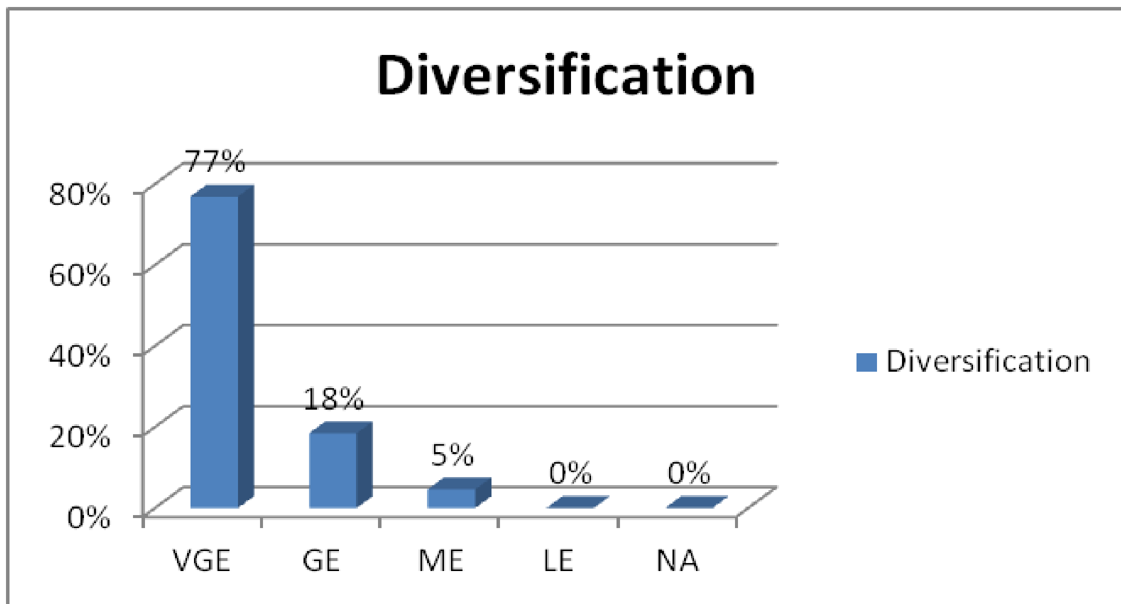


Figure 4.9: *Diversification Strategies and Competitive Advantage*
Source: Primary data, 2014

The findings as represented in figure 4.9 above indicate that 77% of the respondents agreed that application of the diversification strategy to a very great extent (VGE) influenced their organization's ability to gain competitive advantage in the industry. 18% of the respondents agreed that the strategy to a great extent (GE) influenced their organization's ability to gain competitive advantage in the industry and the remaining 5% of the respondents agreed that the strategy on a moderate extent (ME) influenced the organization's ability to gain competitive advantage in the industry.

Diversification is a corporate strategy to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. This is most risky section of the Ansoff Matrix, as the business has no experience in the new market and does not know if the product is going to be successful. According to Mintzberg (1988), diversification is involves moving new products into new markets at the same time. It is the most risky strategy. The more an organization moves away from what it has done in the past the more uncertainties are created. However, if existing activities are threatened, diversification helps to spread risk.

The notion of diversification depends on the subjective interpretation of "new" market and "new" product, which should reflect the perceptions of customers rather than managers. Indeed, products tend to create or stimulate new markets; new markets

promote product innovation. Product diversification involves addition of new products to existing products or services as offered by an entity in the market. Expansion of the existing product line with related products is one such method adopted by many businesses in the market.

The strategies of diversification includes internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a product line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company (Porter, 1987).

According to Porter (1987), there are two dimensions of rationale for diversification. The first one relates to the nature of the strategic objective: Diversification may be defensive or offensive. Defensive reasons include spreading the risk of market contraction, or being forced to diversify when current product or current market orientation seems to provide no further opportunities for growth. Offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs. The second dimension involves the expected outcomes of diversification: Management may expect great economic value in terms of growth and profitability, great coherence with their current activities through exploitation of know-how, more efficient use of available resources and capacities as well as getting a valuable comparison between this strategy and expansion.

4.3.2 External Environment Analysis

This section was aimed at analysing the external factors influencing competitive advantage in the airline industry in Kenya.

4.3.2.1 External Environmental Factors and Competitive Advantage.

In this section, the respondents were required to rank the importance of various external environment factors on their organization's ability to gain competitive advantage in the industry. The ranking was on a scale of 1 to 5 with 5 being the Most Important (MI), 4 Very Important (VI), 3 Important (I), 2 Somehow Important (SI) and 1 being the Least

Important (LI). The responses obtained by the researcher were tabulated in table 4.2 below.

Table 4.2: *External Environment Analysis on Competitive Advantage*

	FACTOR	1	2	3	4	5	RESPONSES	MEAN
1	Rivalry within the industry	**3**	**7**	**10**	**20**	**25**	**65**	**50.4**
2	Threat of new entrants	**8**	**14**	**25**	**10**	**8**	**65**	**38.2**
3	Threat of substitutes	**27**	**17**	**15**	**4**	**2**	**65**	**26.4**
4	Bargaining power of suppliers	**15**	**14**	**6**	**10**	**20**	**65**	**40.2**
5	Bargaining power of customers	**12**	**13**	**9**	**21**	**10**	**65**	**39.8**
	TOTAL	**65**	**65**	**65**	**65**	**65**	**325**	

Source: Primary data, 2014

The researcher computed the mean and ranked them to determine the external environment factors in the order of importance to the industry and their organization's ability to gain competitive advantage in the industry and presented the findings as detailed below:

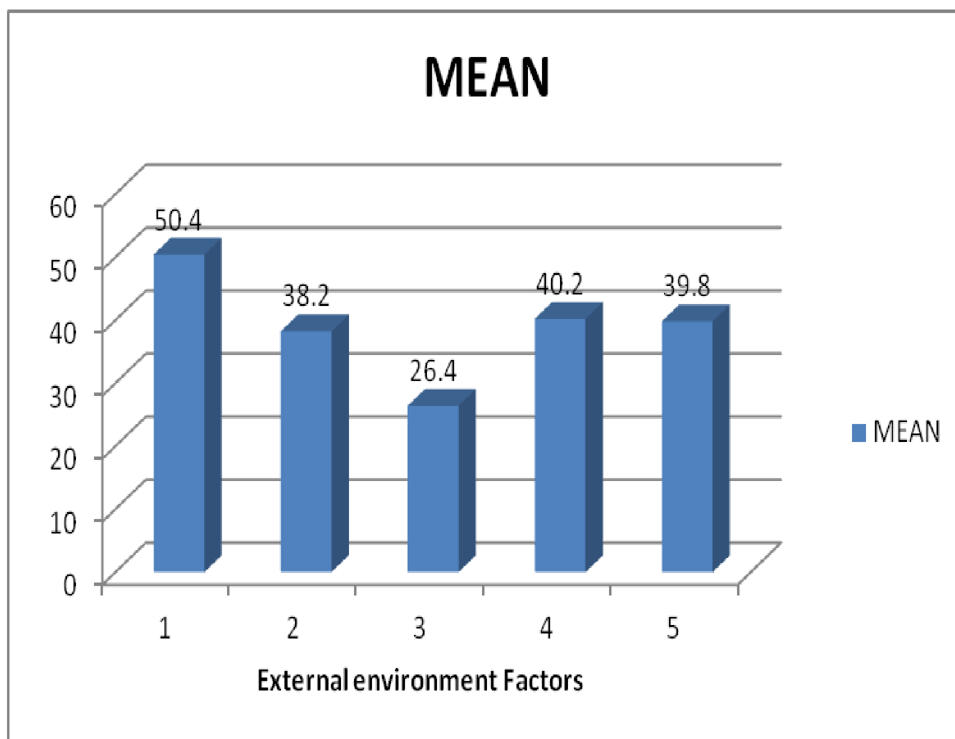


Figure 4.10: *External environment factors ranked as per mean*

Source: Primary data, 2014

As indicated in figure 4.10 the main external factor influencing competitive advantage in the industry was factor 1-Rivalry within the industry with a mean of 50.4, this was followed by factor 4-bargaining power of suppliers with a mean of 40.2, which was followed closely by factor 5-bargaining power of customers with a mean of 39.8, fourth was factor 2-threat of new entrants with a mean of 38.2 and last was factor 3-threat of substitutes with a mean of 26.4.

4.3.2.2 Influence of External Factors on Entity's Operations and Strategies

In this section, the respondents were required to give the extent to which external environmental factors influence their organization's operations and strategies. The selected environmental factors included rivalry within the industry, threats of new entrants, threat of substitute products, bargaining power of suppliers as well as the bargaining power of customers. Five options were given from which the respondents were required to select one level that reflected their opinion. The options were; Very Great Extent (VGE), Great Extent (GE), Moderate Extent (ME), Low Extent (LE), and Not at All (NA). The responses obtained by the researcher were tabulated in table 4.3 below.

Table 4.3: *External Environment Analysis on Competitive Advantage*

FACTOR	VGE	GE	ME	LE	NTL	TOTAL
Rivalry within the industry	**62**	**2**	**1**	**0**	**0**	**65**
Threat of new entrants	**55**	**8**	**2**	**0**	**0**	**65**
Threat of substitutes	**51**	**13**	**1**	**0**	**0**	**65**
Bargaining power of suppliers	**59**	**5**	**1**	**0**	**0**	**65**
Bargaining power of customers	**56**	**7**	**2**	**0**	**0**	**65**
TOTAL	**283**	**35**	**7**	**0**	**0**	**325**

Source: Primary data, 2014

The researcher analyzed the responses given on the extent to which each of the external environmental factors affects their entity's operations and strategies and presented the findings as detailed below:

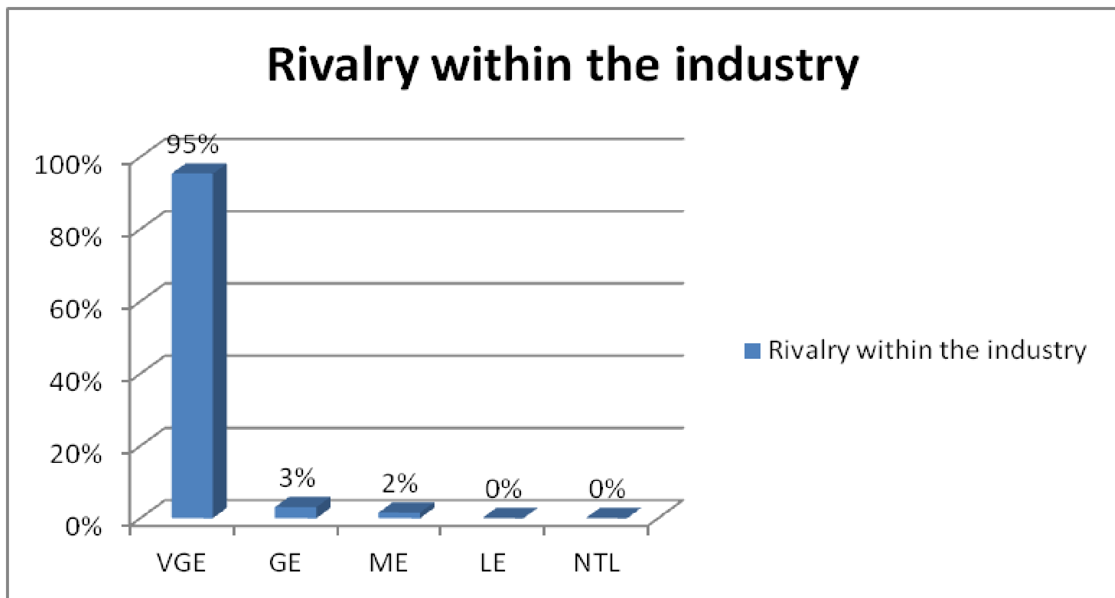


Figure 4.11: *Rivalry within the Industry vis-à-vis Operations and Strategy.*
Source: Primary data, 2014

From figure 4.11 above, the researcher observed that 95% of the respondents agreed that rivalry within the industry as a factor to a very great extent (VGE) influenced their organization's operations and strategies in the industry. 3% of the respondents agreed that the factor to a great extent (GE) influenced their organization's operations and strategies while the remaining 2% of the respondents agreed that the factor affected their entity's operations and strategy to a moderate extent (ME).
Rivalry within the industry describes the intensity of competition between existing players in an industry. If entry to an industry is easy then competitive rivalry will likely to be high. If it is easy for customers to move to substitute products then again rivalry will be high. Industry rivalry or rivalry among existing firms is one of the key forces used to determine the intensity of competition in an industry. According to Porter (1991), Industry rivalry usually takes the form of jockeying for position using various tactics that includes price competition, advertising battles, and product introductions. This rivalry tends to increase in intensity when companies either feel competitive pressure or see an opportunity to improve their position.

In the airline industry, one company's competitive moves will have a noticeable impact on the competitor, which will then retaliate to counter those efforts. Airlines are mutually dependent, so the pattern of action and reaction may harm all airlines and the industry at large. Some types of competition like price competition are very unstable

and negatively influence industry profitability. Other tactics like advertising battles may positively influence the industry, as they increase demand or enhance product differentiation.

The rivalry in the airline industry in Kenya is very intense for many reasons. The industry is currently very stagnant and seems to be in the mature stage of the business cycle. The number of competitors stays the same in the long run and it doesn't seem to be under or over capacitated. The fixed costs are extremely high in this industry. This makes it hard to leave the industry because they are probably in long term loan agreements in order to stay in business. The products involved or the planes are highly complex which also heightens the competition. The competition is lessened by the brand identities of different firms. The market share seemed to be equally distributed because each company has its own part of the market and because switching costs are low none of the firms can really hold a large percentage of the market

Korsa and Jensen (2010), argues that rivalry among industry players can affect industry profits through downward pressure on prices, increased innovation, increased advertising, increased service/product improvements, among others. An increase in competitive rivalry among existing firms brings an industry closer to the theoretical "perfect competition" state.

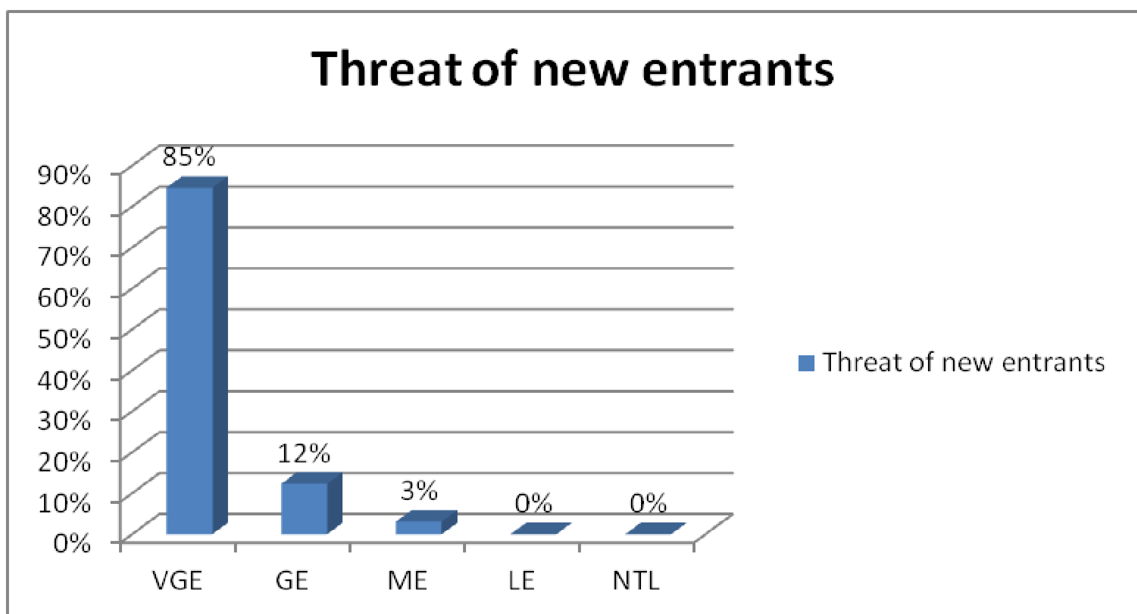


***Figure 4.12**: Threat of New Entry vis-à-vis Operations and Strategy*

Source: Primary data, 2014

From the results in fig 4.12 above, 85% of the respondents agreed that threat of new entrants into the market as a factor to a very great extent (VGE) influenced their organization's operations and strategies in the industry. 12% felt that the factor to a great extent (GE) influenced their operations and strategies while the remaining 3% of the respondents agreed that the factor to a great extent (GE) influenced their organization's operations and strategies.

Entry of new competitors in the industry pauses a threat to existing players in an industry. According to Mintzberg (1987), profitable industry will attract more competitors looking to achieve profits. If it is easy for these new entrants to enter the market, there is a threat to the firms already competing in that market. More competition or increased production capacity without concurrent increase in consumer demand means less profit to go around. According to Porter's 5 forces, threat of new entrants is one of the forces that shape the competitive structure of an industry.

The threat of new entrants affects the competitive environment for the existing competitors and influences the ability of existing firms to achieve profitability. A high threat of entry means new competitors are likely to be attracted to the profits of the industry and can enter the industry with ease. New competitors entering the marketplace can threaten or decrease the market share and profitability of existing competitors and may result in changes to existing product quality or price levels. According to Porter (1991), a high threat of new entrance can make an industry more competitive and decrease profit potential for existing competitors. On the other hand, a low threat of entry makes an industry less competitive and increases profit potential for the existing firms. New entrants are deterred by barriers to entry.

Threat of new entrants has a low threat for the airline industry in Kenya. There are two aspects that do however raise the threat level. First, there are extremely low switching costs and secondly, there are no proprietary products or services involved. Even with these two aspects the industry still has a very low threat overall. Existing firms have a large cost advantage as this industry requires a large amount of capital and without a strong customer base there will be little to no profit in the first few years. Existing firms

can and will use their high capital to retaliate against newer firms with whatever means necessary such as lowering prices and taking a loss (Taneja, 2008).

Even though there are low switching costs between brands, consumers tend to only chose well-known names. Airline tickets are expensive so people don't want to give that money to firms they don't trust. There is also a huge safety aspect involved and most consumers feel safer with firms that have been around for a long period of time. This industry requires plane and flying experience which also lowers the threat of entry. When firms decide to enter the market they first have to become licensed which can take about a year. After that they are constantly being regulated by several organizations such as the Kenya Civil Aviations Authority, International Air Transport Association (IATA) among others. Lastly the time and money spend to solely open an airline company is enough to prevent most people from entering the industry.

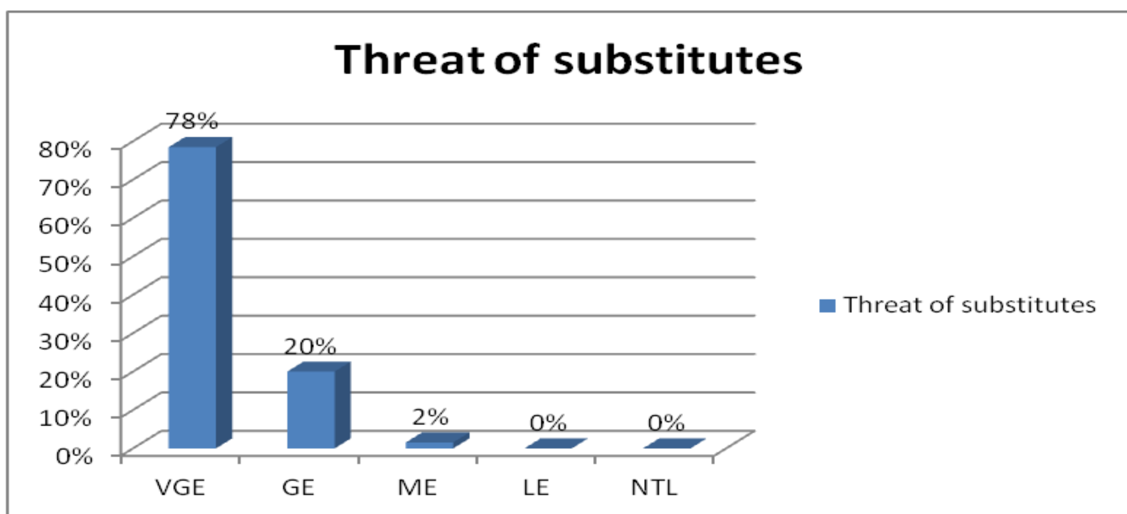


Figure 4.13: *Threat of Substitutes in the market vis-à-vis Operations and Strategy*
Source: Primary data, 2014

As shown from the results in fig 4.13, 78% of the respondents agreed that threat of new substitutes into the market as a factor to a very great extent (VGE) influenced their organization's operations and strategies in the industry. 20% felt that the factor to a great extent (GE) influenced their operations and strategies while the remaining 2% of the respondents agreed that the factor to a great extent (GE) influenced their organization's operations and strategies.

Substitutes can be defined as those products or services that meet a particular consumer need but are available in another market. A substitute product is a product from another industry that offers benefits to the consumer similar to those of the product produced by the firms within the industry. The threat of substitution affects the competitive environment for organizations in any industry and influences their ability to achieve profitability because consumers can choose to purchase the substitute instead of the industry's product. This can be a significant issue as it constrains the ability of suppliers to raise prices, even though this may be in all of their interests (Porter, 1991).

In Porter's model, substitute products refer to products in other industries. To the economist, a threat of substitutes exists when a product's demand is affected by the price change of a substitute product. A product's price elasticity is affected by substitute products, as more substitutes become available; the demand becomes more elastic since customers have more alternatives. A close substitute product constrains the ability of firms in an industry to raise prices

The airline industry in Kenya has a medium substitute risk level. There are substitutes in the airline industry. Consumers can choose other form of transportation such as a car, bus, train, or boat to get to their destination. There is however a cost to switch. Some means of transportation can be more costly than a plane ticket. The main cost is time. Planes are by far the fastest form of transportation available. Airlines surpass all other forms of transportation when it comes to cost, convenience, and sometimes service. Consumers do sometimes choose other methods for various reasons such as cost if they are not travelling very far which raises the risk.

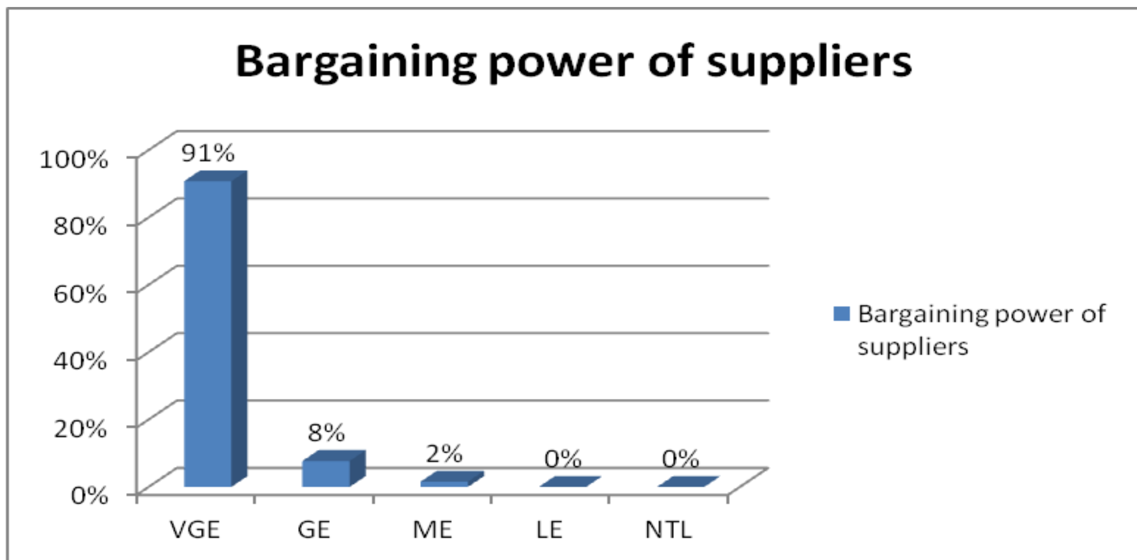


***Figure 4.14**: Bargaining Power of Suppliers' vis-à-vis Operations and Strategy*

Source: Primary data, 2014

From figure 4.14 above, the researcher observed that 91% of the respondents agreed that bargaining power of suppliers as a factor to a very great extent (VGE) influenced their organization's operations and strategies in the industry. 8% of the respondents agreed that the factor to a great extent (GE) influenced their organization's operations and strategies while the remaining 2% of the respondents agreed that the factor affected their entity's operations and strategy to a moderate extent (ME).

Bargaining power is the ability to influence the setting of prices. According to Downes (1997) the more concentrated and controlled the supply, the more power it wields against the market. Monopolistic or quasi-monopolistic suppliers will use their power to extract better terms including higher profit margins or at the expense of the market and in a truly competitive market, no one supplier can set the prices. According to Kotler (1997), bargaining power is the relative ability of parties in a situation to exert influence over each other. If both parties are on an equal footing in a debate, then they will have equal bargaining power, such as in a perfectly competitive market, or between evenly matched monopolies.

Airline companies cannot easily switch suppliers. Most firms have long term contracts with their suppliers. Planes are such high capital products that firms probably make long term loan agreements and have more favourable credit terms when they don't switch companies. It is difficult to enter into the plane manufacturing industry because of the capital needed to enter. The amount of money and expertise needed to make even

one plane is extremely high to be affordable by many. For this reason there are very few suppliers in the airline industry. Airline firms are the only source of income for these manufacturers so their business is extremely important. Based on these things the bargaining power of suppliers has a low threat to the airline companies in Kenya.

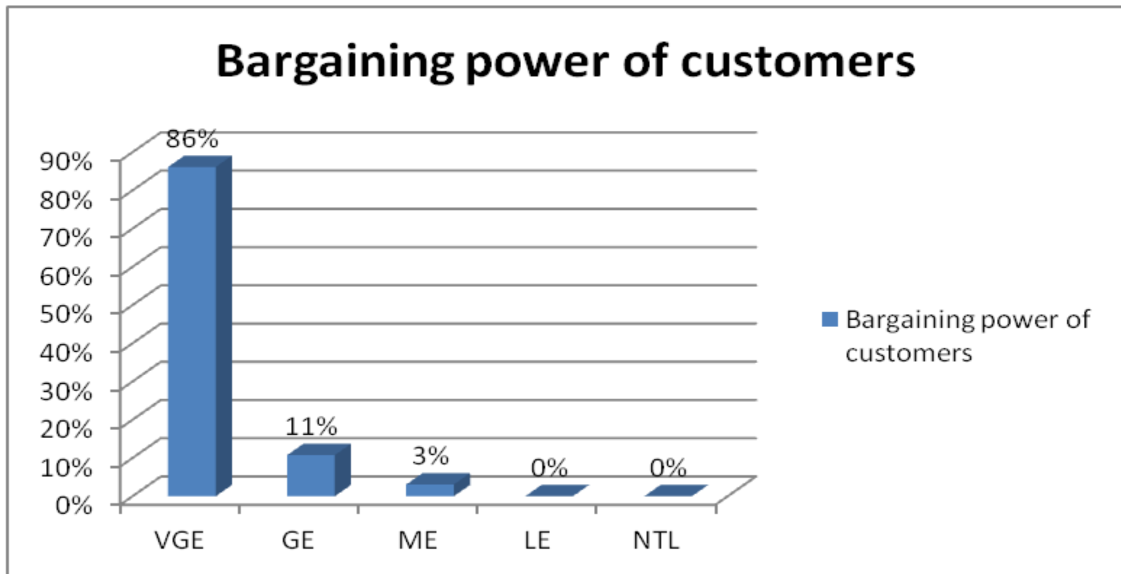


Figure 4.15: *Bargaining Power of Customers' vis-à-vis Operations and Strategy*
Source: Primary data, 2014

From the results in fig 4.15 above, 86% of the respondents agreed that bargaining power of customers as a factor to a very great extent (VGE) influenced their organization's operations and strategies in the industry. 11% respondents agreed that the factor to a great extent (GE) influenced their organization's operations and strategies while the remaining 3% felt that the factor influenced their organization's operations and strategies on a moderate extent.

According to Jurevicious (2013), bargaining power of customers refers to the advantage that results when buyers are concentrated or organized, their purchase represent a large part of the supplier's revenue, their purchases represent a large part of their own costs, or there are too many suppliers chasing too few buyers. Buyers in such position can and do put relentless pressure on the suppliers by demanding higher quality at lower prices.

The airline industry in Kenya is made up of two groups of buyers. First, there are individual flyers. They buy plane tickets for a number of reasons that can be personal or

business related. This group is extremely diverse; most people in the country have purchased a plane ticket either do this through the specific airline or through the second group of buyers; travel agencies and online portals. This buyer group works as a middle man between the airlines and the flyers. They work with multiple airline firms in order to give customers the best flight possible.

Between these two groups there is definitely a large amount of buyers compared to the number of firms. There are low switching costs between firms because many people choose the flight based on where they are going and the cost at the time. This is some loyalty to firms but not enough for high switching costs. Each customer needs a lot of important information. They need to know the details of what is provided during the flight. Buyers need to understand the timing of the flight and the safety aspects of flying in general. The service provided is unique. Each airline has a niche. Some airlines focus on cost, while others focus on having the best amenities. Overall the bargaining power of buyers has an extremely low threat in this industry in Kenya.

4.3.3 Internal Environment Analysis

In this section, the respondents were required to rank the importance of the various internal environment variables in order of their importance on their organization's competitive advantage. The variables provided were; cost leadership/pricing, location of the entity, marketing, customer service and innovation. The ranking was on a scale of 1 to 5 with 5 being the Most Important (MI), 4 Very Important (VI), 3 Important (I), 2 Somehow Important (SI) and 1 being the Least Important (LI). The responses obtained by the researcher were tabulated in table 4.4 below.

Table 4.4: *Internal Environment Analysis and Competitive Advantage*

	FACTOR	1	2	3	4	5	RESPONSES	MEAN
1	Cost leadership/ Pricing	13	2	10	20	20	65	45.4
2	Location	7	13	18	12	15	65	42
3	Marketing	17	20	11	12	5	65	32.6
4	Customer Service	2	11	12	15	25	65	49
5	Innovation	26	19	14	6	0	65	26

	TOTAL	65	65	65	65	65	325	

Source: Primary data, 2014

The researcher computed the mean and ranked them to determine the internal environment factors in the order of importance to the industry and their organization's ability to gain competitive advantage in the industry and presented the findings as detailed below:

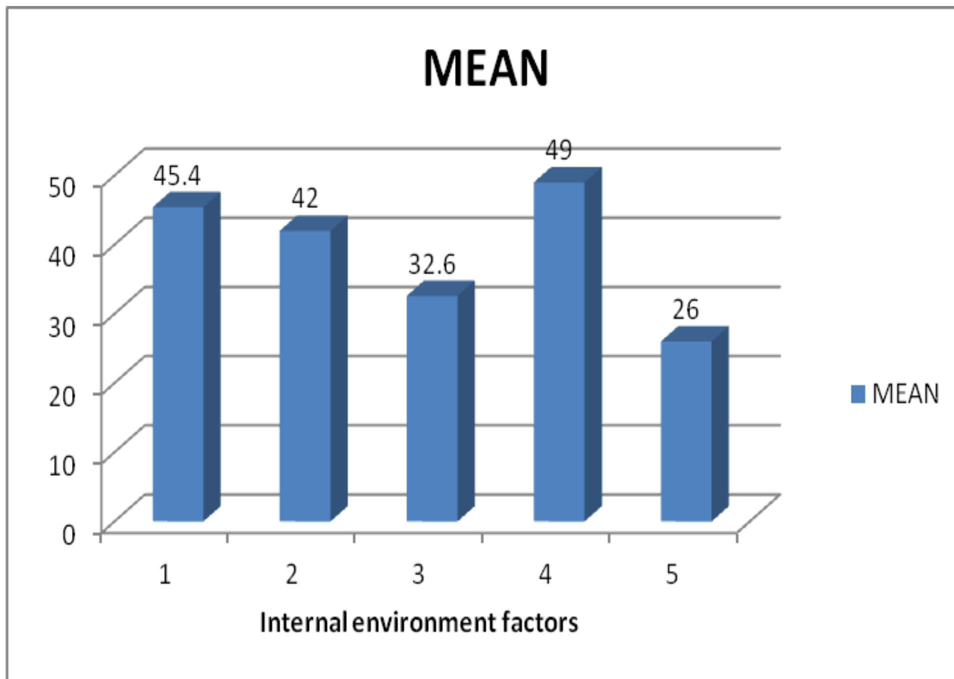


Figure 4.16: *Internal environment factors ranked as per mean*
Source: primary data, 2014

As indicated in figure 4.16 the main internal factor influencing competitive advantage in the industry was factor 4-customer service with a mean of 49, this was followed by factor 1-cost leadership/pricing with a mean of 45.4, then followed by factor 2-location with a mean of 42, fourth was factor 3-marketing with a mean of 32.6 and last was factor 5-innovation with a mean of 26.4.

In analyzing the internal factors individually, overall cost leadership requires firms to develop policies aimed at becoming and remaining the lowest-cost producer or provider of goods and/or services in the industry. Company strategies aimed at controlling costs include construction of efficient-scale facilities, tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor

costs, and lower distribution costs. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market (Korsa and Jensen 2010).

While the cost leadership strategy can be highly successful, it can be difficult to employ at the same time. It involves marketing your company as the cheapest source for a good or service. This means that you need to minimize your costs and pass the savings on to your customers. By looking at examples of firms that have employed this strategy successfully, management can see how it can benefit their own business.
The airline industry in Kenya has typically been an industry where profits are hard to come by without charging high ticket prices. Some Airline companies challenge this concept by marketing themselves as cost leaders. They attempt to offer the lowest prices possible by being more efficient than traditional airlines. They minimize the time that their planes spend on the tarmac in order to keep them flying and to keep profits up. They also offer little in the way of additional thrills to customers, but pass the cost savings on to them.

The location of a business is where it is situated or operates e.g. in Central London, Silicon Valley, etc. Where to locate a business is a crucial decision because this will have an important impact on profits. Typically businesses will seek locations that maximize revenues and minimize costs.

In choosing a business location therefore firms need to weigh up the following range of push and pull factors that include closeness to market, availability of infrastructure, availability of manpower, availability of land, and government incentives among others. For businesses in some sectors, location really is important. For others, it is a relatively minor decision. Location decisions are important to both large and small businesses. The location decision has a direct effect on an operation's costs as well as its ability to serve customers. Location decisions, once made, are difficult and costly to undo. The costs of moving an operation are often significant and run the risk of inconveniencing customers and staff hence it is always best to get the location decision right first time.

According to Mintzberg (1987), there is no such thing as the perfect business location. Every choice made involves having to balance the supply or cost and demand or revenue factors. However, a good location is one which delivers the following benefits:

Competitive unit costs through a combination of a productive and efficiency labour supply, acceptable location overheads and cost-effective access, optimal revenue opportunities where customer service is not inconvenienced through the choice of location, An acceptable rate of return on investment because all business projects compete for scare cash resources; a business location decision is no different, Sufficient production capacity to meet demand and future flexibility in capacity management decisions and finally Access to a labour force which enables the business to achieve the objectives of its workforce planning

Marketing is getting the right product or service in the right quantity, to the right place, at the right time and making a profit in the process. According to Kotler (1997) Marketing is about identifying and understanding your customer and giving them what they want. It's not just about advertising and promoting your business. Effective marketing is about examining every aspect of any business and how it affects the consumer's end experience; it covers everything the business needs to do in order to deliver quality products and services to the consumer including research, planning, pricing, packaging, promotion, selling and distribution. According to Mokaya *et al* (2012) the following six areas of the marketing mix provides a comprehensive framework for developing an effective marketing plan also known as the six P’s of marketing;
Product which is the combination of goods and services that your business offers. It could include the following characteristics of your good or service: quality, variety, design, features, services, warranty, sizes, packaging, brand name and returns. Place that describes how the consumer access your product or service. Things to think about in this area include: distribution channels, coverage, inventory, transportation, logistics and retail outlet location. Price, that relates to the cost of your product or service in the market. Questions to be answered includes, any discounts given and or the mode of payment. Promotion, that refers to how you communicate with your customers. It involves a mix of advertising, personal selling, referrals, sales promotion and public relations. People, Entity’s staff are ambassadors for your business. Relating to staff, key consideration is their knowledge, experience, skills, communication, teamwork and attitude. Process, that relates to activities in the day to day operation of the business that have a flow-on effect on the customer's experience. Management needs to think about

the following aspects of business operation: systems, quality control, planning, review, continuous improvement, documentation and feedback channels.

Customer service is the provision of service to customers before, during and after a purchase. According to Mokaya et al. (2012), Customer service is a series of activities designed to enhance the level of customer satisfaction that is, the feeling that a product or service has met the customer expectation. The importance of customer service may vary by product or service, industry and customer. The perception of success of such interactions will be dependent on employees who can adjust themselves to the personality of the guest. Customer service may also be used in reference to the culture of the organization the priority the organization assigns to customer service relative to other components, such as product innovation or low price. In this sense, an organization that values good customer service may spend more money in training employees than average organization, or proactively interview customers for feedback (Mintzberg, 1988).

From the point of view of an overall sales process, customer service plays an important role in an organization's ability to generate income and revenues From that perspective, customer service should be included as part of an overall approach to systematic improvement. A customer service experience can change the entire perception a customer has of the organization

Porter (1990) defines innovation as the process of translating an idea or invention into a good or service that creates value or for which customers will pay. To be called an innovation, an idea must be replicable at an economical cost and must satisfy a specific need. Innovation involves deliberate application of information, imagination and initiative in deriving greater or different values from resources, and includes all processes by which new ideas are generated and converted into useful products. In business, innovation often results when ideas are applied by the company in order to further satisfy the needs and expectations of the customers. In a social context, innovation helps create new methods for alliance creation, joint venturing, flexible work hours, and creation of buyers' purchasing power.

According to Kotler (1997) innovations are divided into two broad categories; Evolutionary innovations that are brought about by many incremental advances in technology or processes and Revolutionary innovations which are often disruptive and

new. Innovation is synonymous with risk-taking and organizations that create revolutionary products or technologies take on the greatest risk because they create new markets. Imitators take less risk because they will start with an innovator's product and take a more effective approach

4.3.3.1 Organization's Ability to Compete on Price.

In this section, the respondents were required to give their opinion on the extent to which they agreed on their organization's ability to compete on prices. Two statements were given and the respondents were required to give an extent to which they agreed with the statements on their organization's ability to compete on price on the market. The findings were tabulated in table 4.5 below

Table 4.5: ***Ability to Compete on Price***

FACTOR	VGE	GE	ME	LE	NTL	TOTAL
We offer Competitive prices	**62**	**2**	**1**	**0**	**0**	**65**
Our prices are lower than competitors	**58**	**7**	**0**	**0**	**0**	**65**
TOTAL	**120**	**9**	**1**	**0**	**0**	**130**

Source: primary data, 2014

The researcher analyzed the responses given on the extent to which they agreed on the two statements on their organization's ability to compete of price and presented the findings as detailed below:

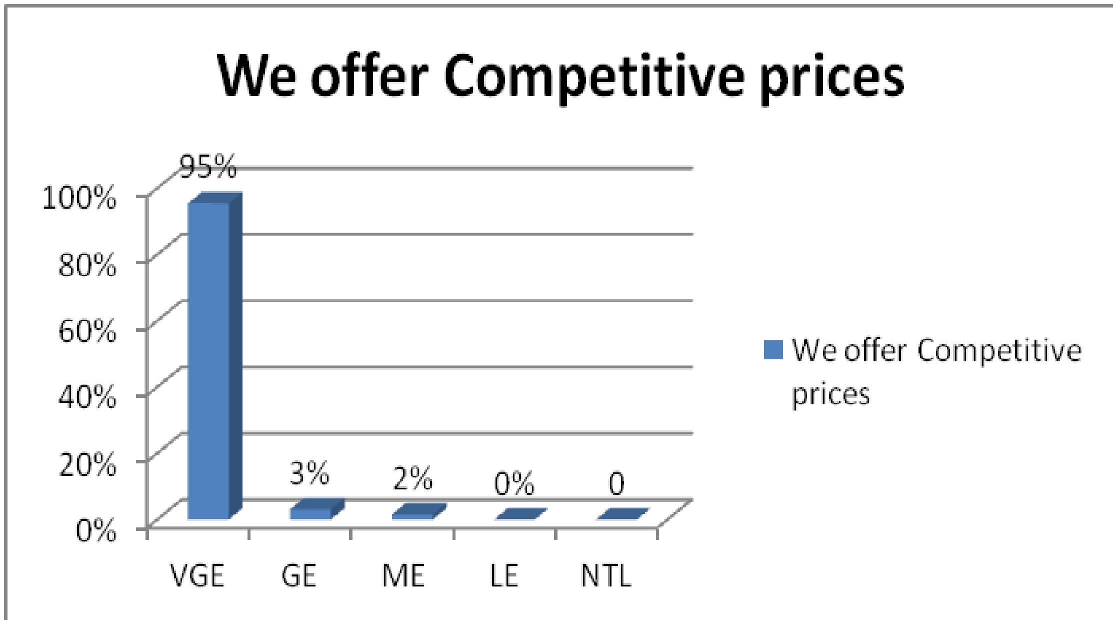


Figure 4.17: *Competitive pricing vis-à-vis Competitive Advantage*

Source: primary data, 2014

From figure 4.17 above, the researcher observed that 95% of the respondents agreed to a very great extent (VGE) that their organizations were offering competitive prices in the market. 3% of the respondents believed that to a great extent (GE) their organizations were offering competitive prices in the market while the remaining 2% of the respondents believed to a moderate extent (ME) that their organizations were offering competitive prices in the market.

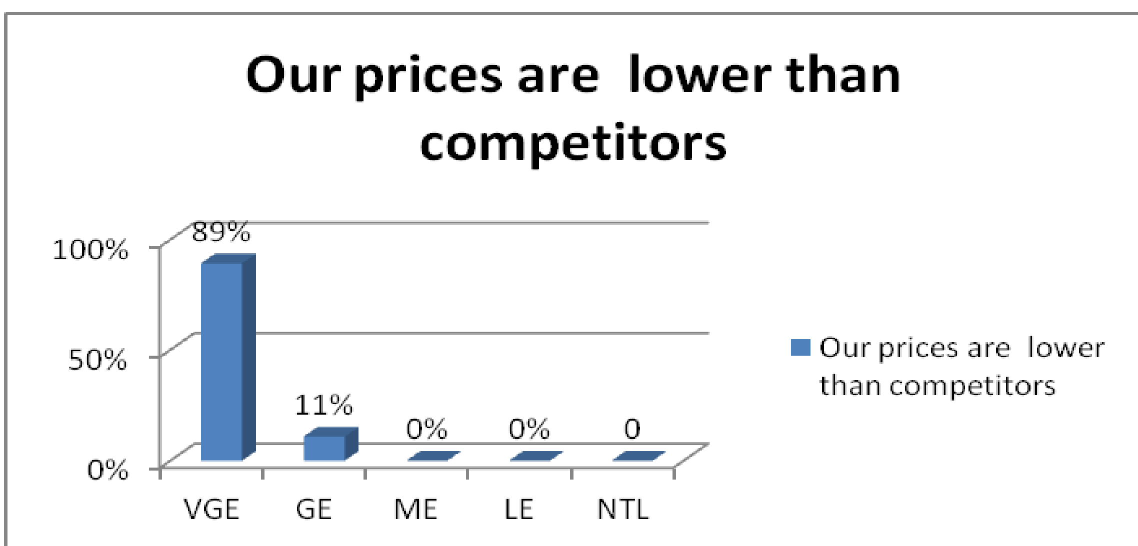


Figure 4.18: *Lowering prices than competitor's vis-à-vis Competitive Advantage*

As per fig 4.18 above, the researcher observed that 89% of the respondents agreed to a very great extent (VGE) that their prices were generally lower than their competitors in the market while the remaining 11% of the respondents felt that their prices were lower than their competitors to a great extent (GE).

4.3.3.2 Organization's Ability to offer High Value and Quality Service

The respondents were required to give their opinion on the extent to which they agreed on their organization's ability to offer service quality and performance that creates higher value for customers. Three statements were given and the respondents were required to give an extent to which they agreed with the statements. The findings were tabulated in table 4.6 below

Table 4.6: *Ability to Compete on Price*

FACTOR	VGE	GE	ME	LE	NTL	TOTAL
We offer highly reliable services	**57**	**8**	**0**	**0**	**0**	**65**
We compete based on quality	**59**	**6**	**0**	**0**	**0**	**65**
We offer high quality services	**64**	**1**	**0**	**0**	**0**	**65**
TOTAL	**180**	**15**	**0**	**0**	**0**	**195**

Source: primary data, 2014

The researcher analyzed the responses given on the extent to which they agreed on the three statements on their organization's ability to offer service quality and performance that creates higher value for customers and presented the findings as detailed below:

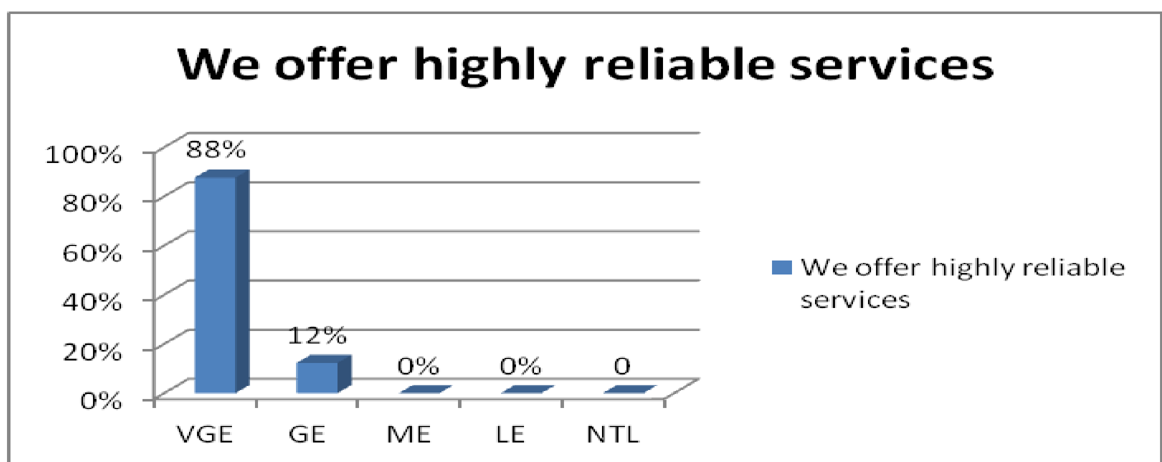


Figure 4.19: *We Offer Highly Reliable Services*

As per fig 4.19 above, the researcher observed that 88% of the respondents agreed to a very great extent (VGE) that their entities are able to offer highly reliable services. The remaining 12% of the respondents felt that to a great extent (GE), their organizations were able to offer highly reliable services in the industry.

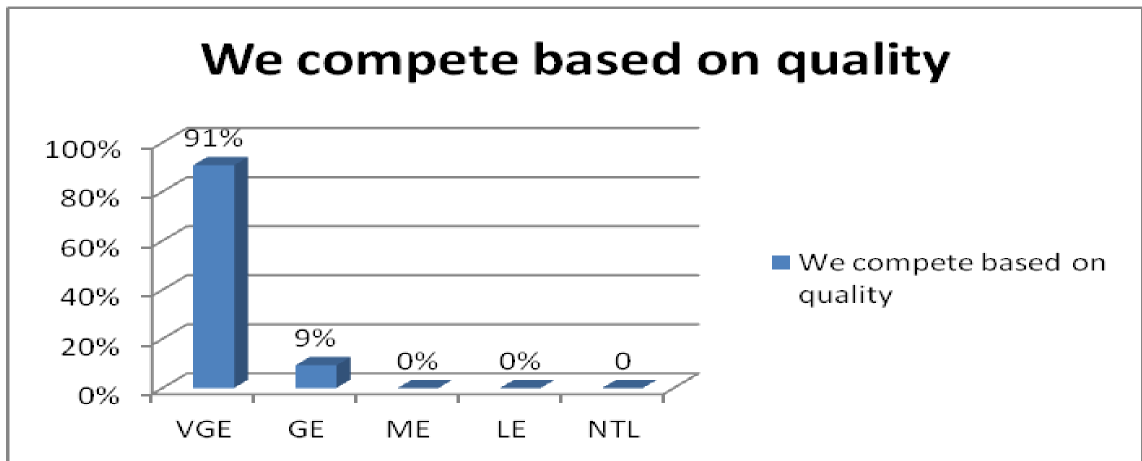


Figure 4.20: *we compete based on Quality.*
Source: Primary data, 2014

From the research findings in fig 4.20 above, it was observed that 91% of the respondents agreed to a very great extent (VGE) that their entities compete based on quality in the market. The remaining 9% of the respondents felt that to a great extent (GE), their organizations compete based on quality services in the market.

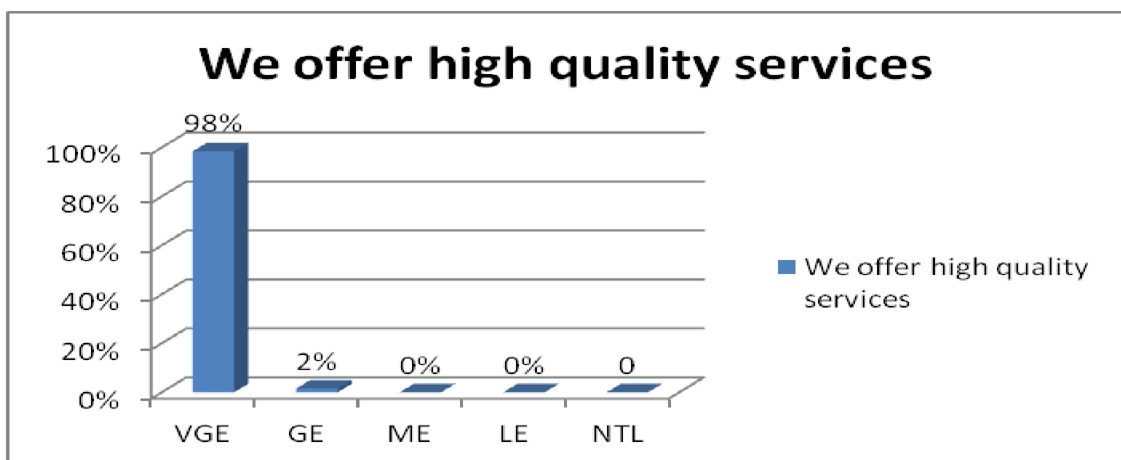


Figure 4.21: *We Offer High Quality Services.*

As per fig 4.21, the researcher observed that 98% of the respondents agreed to a very great extent (VGE) that their entities offered high quality services to customers in the market. The remaining 2% of the respondents felt that to a great extent (GE), their organizations were able to offer high quality services to customers in the market.

4.3.3.3 Organization's ability to offer new products and features in the market

In this section, the respondents were required to give their opinion on the extent to which they agreed on their organization's ability to offer new products and features in the market place. Three statements were given and the respondents were required to give an extent to which they agreed with the statements. The findings were tabulated in table 4.7 below

Table 4.7: *Ability to Offer New Products and Features*

FACTOR	VGE	GE	ME	LE	NTL	TOTAL
We provide customized goods	**58**	**5**	**2**	**0**	**0**	**65**
We alter our product to meet client needs	**61**	**3**	**1**	**0**	**0**	**65**
we respond well to customer demands	**65**	**0**	**0**	**0**	**0**	**65**
TOTAL	**184**	**8**	**3**	**0**	**0**	**195**

Source: Primary data, 2014

The researcher analyzed the responses given on the extent to which they agreed on the three statements on their organization's ability agreed on their organization's ability to offer new products and features in the market place and presented the findings as detailed below:

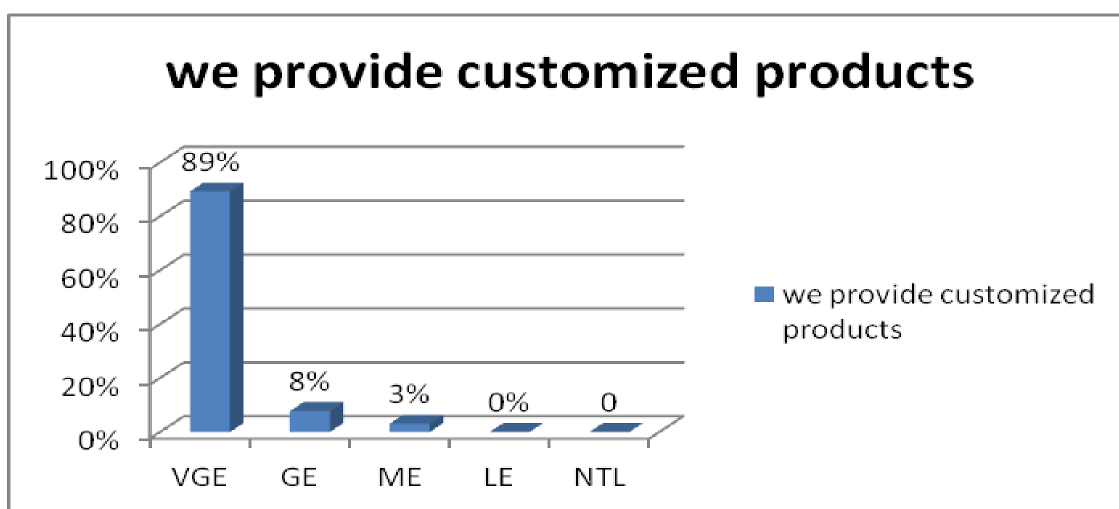


Figure 4.22: *We Provide Customized Products*

As per fig 4.22 above, the researcher observed that 89% of the respondents agreed to a very great extent (VGE) that their entities are able to provide customized services to customers in the market. 8 % of the respondents felt that their entities to a greater extent (GE) offered customized products to customers while the remaining 3% of the respondents felt that their entities provided customized services to customers on a moderate extend (ME).

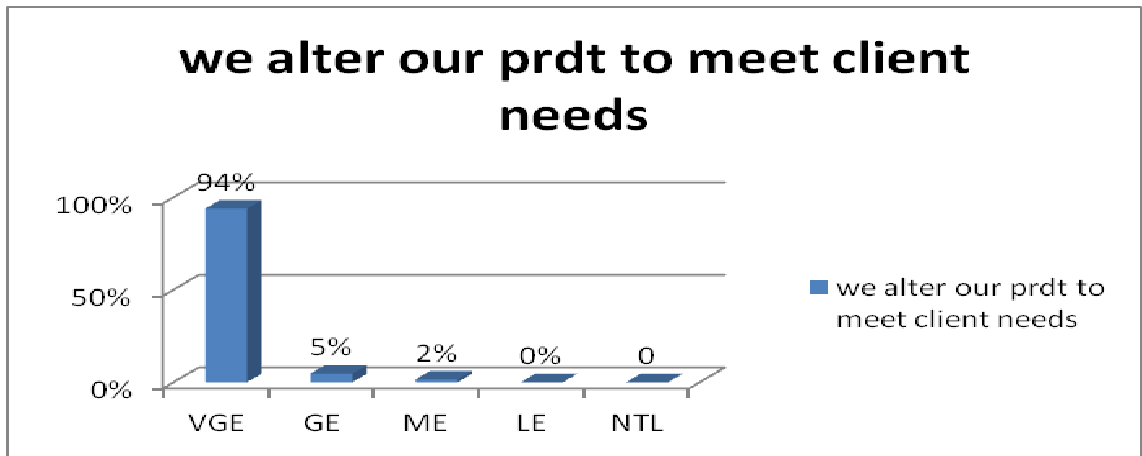


Figure 4.23: *We Alter Our Products to Meet Client Needs*
Source: primary data, 2014

As per fig 4.23 above, the researcher observed that 94% of the respondents agreed to a very great extent (VGE) that their entities are able to alter their products to meet their client's needs in the market. 4.5 % of the respondents felt that their entities to a greater extent (GE) altered their products to meet their client's needs in the market while the remaining 1.5% of the respondents felt that their entities altered their products to meet their client's needs in the market to customers on a moderate extend (ME).

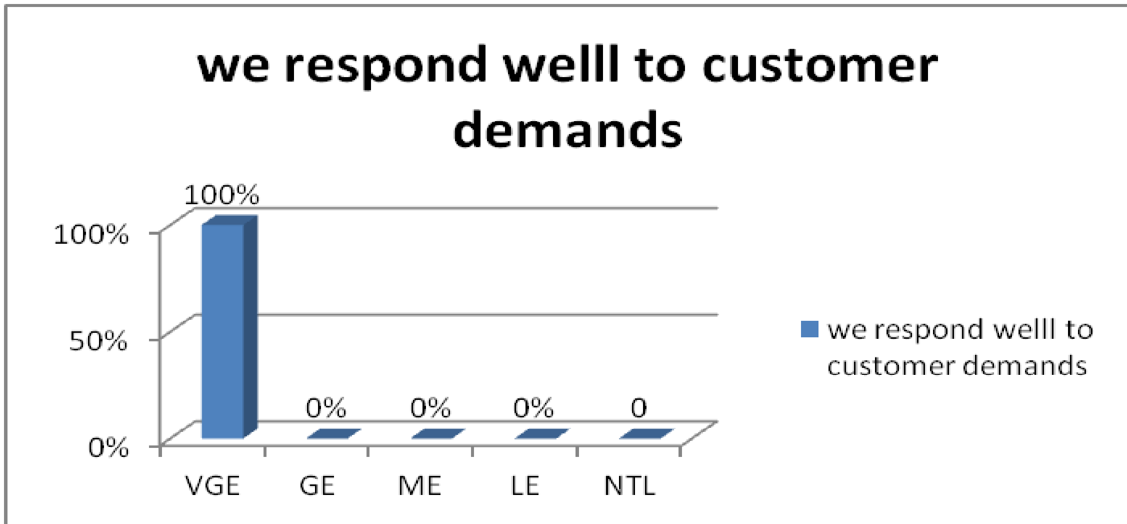


Figure 4.24: *We Respond Well to Customer Demands*

Source: Primary data, 2014

As shown from the results in fig 4.24, all the respondents (100%) agreed to greater extent (VGE) that their entities respond well to customer demands in the market.

4.3.3.4 Influence of Internal Factors on Competitive Advantage

In this section, the respondents were required to give their opinion on the extent to which identified internal environmental factors in their organizations influenced the achievement of competitive advantage in their respective organization. Four statements were given and the respondents were required to give an extent to which they agreed with the statements. The findings were tabulated in table 4.8 below

Table 4.8: *Internal Factors and Competitive Advantage*

FACTOR	**VGE**	GE	ME	LE	NTL	TOTAL
We've flexible operations	**58**	**5**	**2**	**0**	**0**	**65**
Our long-term planning is effective	**55**	**7**	**3**	**0**	**0**	**65**
Our short-term planning is effective	**61**	**3**	**1**	**0**	**0**	**65**
Organizational culture supports change	**57**	**6**	**2**	**0**	**0**	**65**
TOTAL	**231**	**21**	**8**	**0**	**0**	**260**

Source: Primary data, 2014

The researcher analyzed the responses given on the extent to which they agreed on each of the four statements about their internal environmental factors and their level of influence on the achievement of competitive advantage in their respective organization.

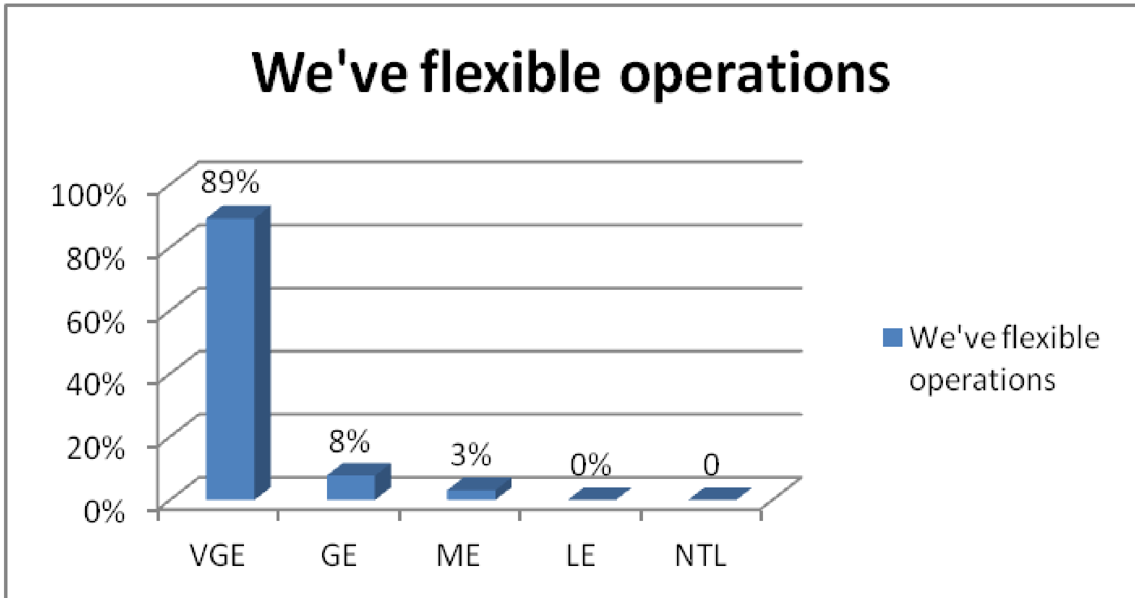


Figure 4.25: *we have Flexible Operations*

Source: Primary data, 2014

From the fig 4.25 above, the researcher observed that 89% of the respondents agreed to a very great extent (VGE) that their entities have flexibility in their day to day operations in the market. 8% of the respondents felt that their entities are flexible in their operations to a greater extent (GE) while the remaining 3% felt that their organizations were flexible in their operations on a moderate extent (ME).

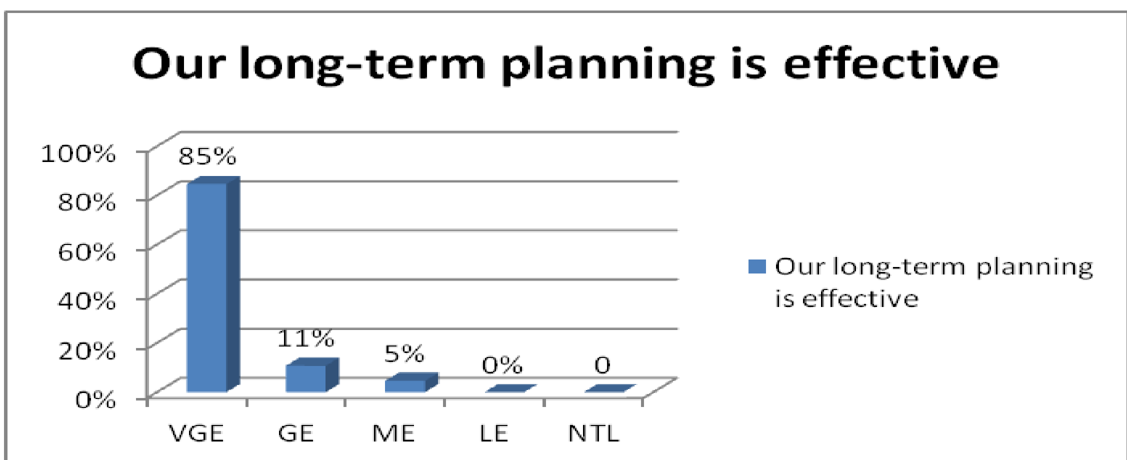


Figure 4.26: *Our Long-term Planning is Effective*

As per fig 4.26 above, the researcher observed that 85% of the respondents agreed to a very great extent (VGE) that their entity's long term planning is effective. 11% of the respondents felt that their entity's long term planning is effective to a greater extent (GE) while the remaining 5% felt that their organizations long term planning is effective on a moderate extent (ME).

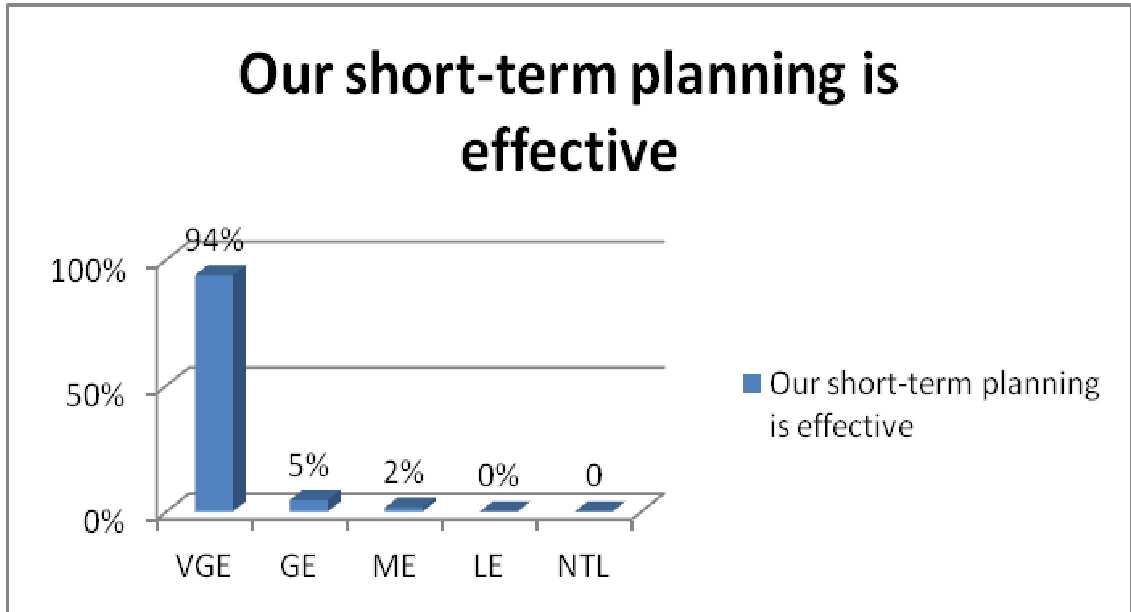


Figure 4.27: *Our Short-term Planning is Effective*
Source: Primary data, 2014

From the fig 4.27 above, the researcher observed that 94% of the respondents agreed to a very great extent (VGE) that their entities' short-term planning was. 5% of the respondents felt that their entities' short-term planning was effective to a greater extent (GE) while the remaining 2 % felt that their organizations' entities' short-term planning was effective on a moderate extent (ME).

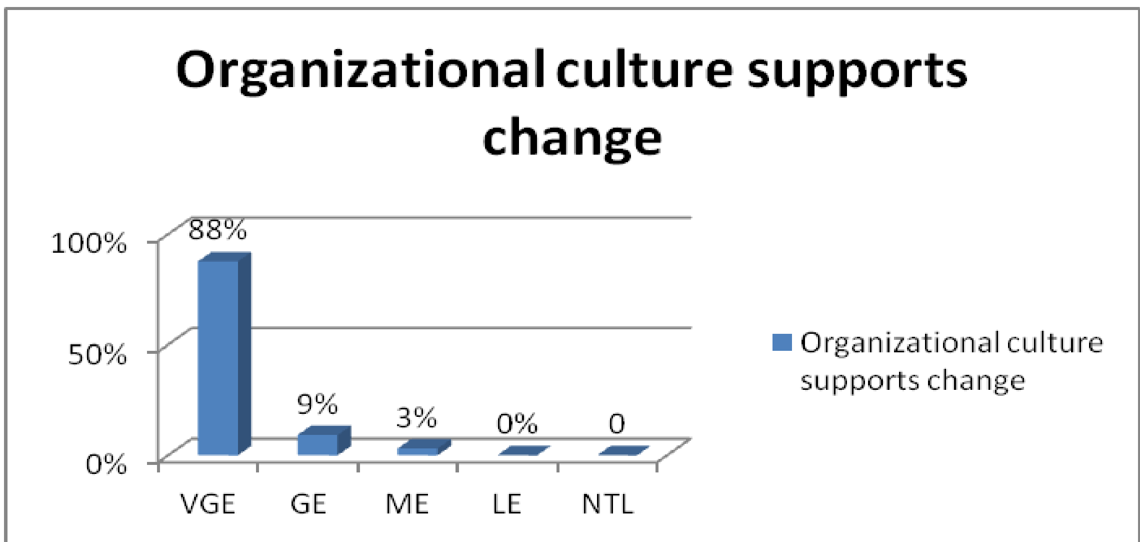


Figure 4.28: *Our Organizational Supports Culture Change*

Source: Primary data, 2014

As per fig 4.28 above, the researcher observed that 88% of the respondents agreed to a very great extent (VGE) that their entity's culture supported change. 9% of the respondents felt that their entity's culture supported change to a greater extent (GE) while the remaining 3% felt that their organizations culture supported change on a moderate extent (ME).

4.4 Data Interpretation

In strategy implementation, the researcher analyzed the overall responses given on the extent to which the respondents agreed on the applicability and success of the selected six strategies adopted by their respective companies to gain competitive. The researcher then ranked the identified strategies based on the overall weight allocated to each strategy as having a very great extent (VGE) on their entity's ability to gain competitive advantage in the industry. The findings indicated that market penetration was the first strategy at 98%. This was followed by cost leadership and product development strategies at 97% and 89% respectively. The fourth strategy was market development at 86% followed by Differentiation and finally diversification strategies at 82% and 77% respectively.

In the analysis of the external environment, the respondents ranked five external environmental factors that had been provided in order of their importance to their organization's competitive advantage. The researcher then ranked the factors based on

the mean score as being the most important factor towards their organization's attainment of competitive advantage in the industry. The results indicate that rivalry within the industry was the first factor at 50.4. This was followed by bargaining power of supplier and customers at 40.2 and 39.8 respectively. In the fourth place were threat of new entrants into the market at 38.2 and finally threat of new substitute was last at 26.4 in the fifth place.

Still on the external environment analysis, the respondents were required to give their opinion on the extent to which the five external factors given influenced their organization's strategies and operations. Based on the responses given, the researcher ranked the factors based on their overall weight as indicated by the respondents that they influence their organization's strategies and operations on a very great extent. The findings indicated that rivalry within the industry was the first factor at 95%. This was followed by bargaining power of suppliers and bargaining power of customers at 91% and 86% respectively. Threat of new entrants was the fourth factor at 85% while the threat of new substitutes was the last factor at 78%

For the internal environment analysis, the respondents were required to rank the five factors in order of their importance to their organization's competitive advantage. The researcher ranked the factors based on the mean score as being the most important on their organization's competitive advantage. The results indicate customer service was the first factor at 49. This was followed by cost leadership or pricing and location at 45.4 and 42 respectively. Marketing was the fourth factor at 32.6 while innovation was the last factor in fifth position at 26.

The respondents were also required to give the extent to which they agreed with the provided statements on their organization's ability to compete based on price on the market. The researcher then ranked the statements based on the overall weight assigned by respondents having agreed that to a very great extent reflects their organization's ability to compete on price. Most respondents at 95% agreed that they offer competitive prices in the market and 89% felt that their prices were lower than their competitors in the market. The result confirms that most entities were able to offer competitive prices for their services but not necessarily offering the lowest prices in the market.

On the organization's ability to offer service quality and performance that creates higher value for customers, the respondents ranked the extent to which they agreed on the effect of the three factors provided. The researcher then ranked the factors based on the overall weight assigned by respondents as having a very great extent to their organization's ability to offer service quality and performance that creates higher value for customers. Offering high quality services was ranked as the first factor at 98%. This was followed by the ability to compete based on quality at 91%. The third and last factor was offering highly reliable services at 88%.

On the organization's ability to offer new products and features in the market, the respondents were give the extent with which they agreed on the effects of the three statements provided. The researcher ranked the statements based on the overall weight as assigned by respondents as having a very great effect on the organization's ability to offer new products and features in the market. The results indicate that responding well to customer demands was the first factor at 100%. This was followed by altering products to meet client needs and providing customized products at 94% and 89% respectively.

On internal factors and their level of influence on the achievement of competitive advantage, the respondents gave the extent with which they agreed on the effects of the identified factors. The researcher then ranked the factors based on the overall weight assigned by respondents as having a very great extent to the achievement of competitive advantage. The results indicate short-term planning as the first factor at 94%. This was followed by flexible operations and organizational culture at 89% and 88% respectively. Long-term planning was the last factor at 85%.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter includes a summary of the study's objectives and their attainment, the findings, conclusion, limitations of the study and recommendation for further studies. The chapter was based on the results and discussion in chapter four.

5.2 Summary

The study aimed at establishing the strategy implementation and the competitive advantage of the firms in the airline industry in Kenya. The objective of the study was to find out the strategies implemented and the competitive advantages achieved of firms in the airline industry in Kenya. From the information discussed in chapter four above, the study established the following:

For an entity to achieve competitive advantage in the industry, management needs to identify the effective strategies to be adopted for maximum returns to the organization. In addition, these strategies need to be cautiously implemented based on their returns to the organization at a given point in time. This is because various strategies adopted by the organization towards attainment of competitive advantage produces different results at the same time. The study established that to enhance competitive advantage in the airline industry in Kenya, the respective company's management needs to assess and prioritize the relevant strategies in the following order: market penetration, cost leadership, product development, market development, differentiation and finally diversification.

The study also confirms that the management needs to have a due diligence on both internal and external environmental factors and their impacts to the organization in its bid to gain competitive advantage in the industry. This is because the various factors have different levels of impact and return to the organization hence management need to establish how best to take advantage of each of the factors for maximum returns to the organization. From the study, it was established that management should give priority to external environmental factors in the following priority; rivalry within the industry, bargaining power of suppliers, bargaining power of customers, threat of new entrants and finally threat of substitutes. In addition, the study established that

management should asses and give priority to internal factors in the following order; customer service, cost leadership, location, innovation and finally marketing.

On the organization's ability to compete on price, the study established that most respondents offer competitive prices for their products and services in the market as opposed to lowering or offering the lowest prices for their services in the market. On the organization's ability to offer service quality and performance that creates higher value for customers, the study established that most organizations prioritize on offering high quality services to their customers. In addition the study confirmed that most organizations prioritize investment in effective response to customer demands on their ability to offer quality and performance that creates higher value for customers. Further the study established that organization's short term planning is effective their ability to offer service quality and performance of high value to customers.

5.3 Conclusion

The study concludes based on the summary of the findings above that for an organization to achieve competitive advantage in the industry, first the management needs to identify effective strategies to be adopted for maximum returns to the organization and also perform due diligence on both internal and external environmental factors and their impacts to the organization at any given point in time. This is because competitive advantage only occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors in the market.

The study also concludes that creation of an effective strategy implementation roadmap is critical for sustainable company's competitive advantage in the industry. Just like Porter (1987) explained, successful creation of a strategy is critical to company's future, because they are designed to generate sustainable competitive advantages that achieve the desired result for the organization in the industry. Porter argues that careful analysis of the competitive arena if well done will help companies to select the competitive strategy that will allow them to achieve a competitive advantage in the potential market at any given point in time.

Based on the findings of the study, competitive advantage is thus not derived from one generic strategy but incorporates cost leadership, differentiation and innovation taking into account the industry structure and the firm's internal environment.

5.4 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or if otherwise the response given would have been totally different from what the researcher expected. The main limitations of this study were:

The first limitation of the study was the fact that the research strictly focused on the strategy implementation and the competitive advantage of firms in the airline industry in Kenya. As a result, the findings of the study may not be generalized to represent other firms other sectors of the economy both in the country and beyond. There is need for more studies to be done before general conclusions can be drawn.

The second limitation of the study was the limited sample representative consisting of only top managers charged with strategy formulation was selected for the study. This sample did not involve middle and lower level managers responsible for strategy implementation in their respective organizations.

Another limitation of the study was the potential for respondent bias depending on the willingness of respondents to disclose information in regards to actual and accurate business strategies. As a result it was difficult to establish how honest the respondents were in their responses to the various questions asked. To mitigate this, validity and reliability of the questionnaires was done to confirm that they met the required standard

5.5 Implications of the Study on Policy, Practice and Theory

From the findings presented in chapter four and summary above, this study recommends that in order to gain a sustainable competitive advantage in the market, management needs to identify effective strategies to be adopted for maximum returns to the organization. In addition, the implementation of the identified strategies should be based on a design that ensures maximum returns to the organization at any given point.

The study also recommends that for a sustainable competitive advantage in the industry, an entity's management needs to carry out a due diligence exercise on both internal and external environmental factors that affects operations of the organization. The management then needs to design an implementation matrix that combines both internal and external factors that consistently ensures maximum returns to the organization.

This scope of the study was restricted to the airline industry in Kenya, the researcher recommends for further research to be done on the strategy implementation and competitive advantage of the firms in the airline industry in East and Southern Africa to bring on board more companies in the airline industry to arrive at a more comprehensive conclusion on the area of study.The researcher also recommends for further research to be done on the strategy implementation and the competitive advantage of the firms in other sectors of the economy in Kenya and beyond in order to establish a general conclusions on the area of study

The study also recommends that further studies be done to establish the impact of the strategy implementation and the competitive advantage on the financial performance of firms in the airline industry. The studies should take into account the current market opportunities and threats against the backdrop of technological advancement and acts terrorism in the recent past. Further studies should also be carried out on the strategy implementation and the competitive advantage of the firms in the airline industry in Kenya but include more more variables both the quantitative and qualitative in the studies in order to come up with a more comprehensive conclusion on the area of study

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APPENDICES

APPENDIX 1

INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM

P.O. Box 30197
Nairobi, Kenya

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

25 August 2014

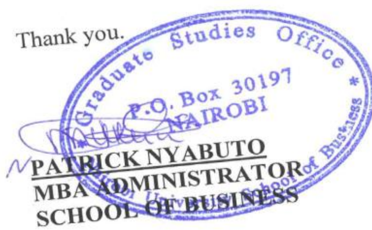
TO WHOM IT MAY CONCERN

The bearer of this letter....MWANIKI BEATRICE KIANJIKO....
Registration number....D61/61601/2010....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He is required to submit as part of his coursework assessment a research project report on a management related problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him collect data in your organization.

Thank you.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II

QUESTIONNAIRE

Questionnaire no: ……………

Section A : General Information

1. What is your gender?

   Male ( )

   Female ( )

2. Which Airline do you work for?...

3. What is your position in the airline? ……………………………………………

4. How long have you worked for this airline?

   Less than 1 year [ ]

   1 – 3 years [ ]

   4 -6 years [ ]

   7 -10 years [ ]

   Over 10 years [ ]

5. What business does your organization specialize in?

   Passengers only [ ]

   Cargo only [ ]

   Both cargo and passengers [ ]

6. Kindly state the routes within which your organization operates

___

___

____

____

____

Section B: Strategy Implementation

To what extent do you agree with the following on the applicability and success of strategies implemented to gain competitive advantage in your organization?

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
Cost Leadership					
Differentiation					
Market penetration					
Market development					
Product development					
Diversification					

Section C: External Environment Analysis

1. Please rank (5- being the most important, 1-being the least important) the below variables in order of importance on your organization's competitive advantage:-
    - Rivalry within the industry
    - Threat of new entrants
    - Threat of substitutes
    - Bargaining power of suppliers
    - Bargaining power of customers

2. To what extent do the following forces influence your operations and strategies? Kindly tick the extent to which you agree with the statements below.

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
Rivalry within the industry					
Threat of new entrants					
Threat of substitute products					
Bargaining power of suppliers					
Bargaining power of customers					

<u>Section D: Internal Environment Analysis</u>

1. Please rank (5- being the most important, 1-being the least important) the below variables in order of importance on your organization's competitive advantage:-
   - Cost leadership/Pricing
   - Locations in which you operate
   - Marketing
   - Customer service
   - Innovation

2. To what extent do you agree with the statements below on your organization's ability to compete on price

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
We offer competitive prices					
We are able to offer prices as low or lower than our competitors					

3. To what extent do you agree with the statements below on your organization's ability to offer service quality and performance that creates higher value for customers

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
we are able to compete based on quality					
We offer services that are highly reliable					
We offer high quality services to our customer					

4. To what extent do you agree with the statements below on your organization's ability to offer new products and features in the market place?

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
We provide customized products					

We alter our products offerings to meet client needs					
We respond well to customer demand for new features					

5. To what extent do you agree with the statements below on the below internal factors and their level of influence on achievement of competitive advantage in your organization?

Factors	Very Great Extent	Great Extent	Moderate Extent	Low Extent	Not at all
We have flexibility in operations					
Our long-term planning is effective					
Our short-term planning is effective					
Organizational culture supports change					

Thank you for your participation and co-operation.

APPENDIX III

LIST OF LOCALLY REGISTERED AIRLINES

1. Kenya Airways
2. Jambojet
3. Fly540
4. Jetlink
5. Air Kenya
6. Fly-Sax
7. Safarilink
8. Aircraft Leasing Services-ALS
9. Astral Aviation
10. 748 Air Services
11. African Express Airways
12. Blue Bird Aviation
13. CMC Aviation
14. Delta Connection
15. Mombasa Air Safari

Source: Kenya Civil Aviation Authority-2014