CHALLENGES OF THE IMPLEMENTATION OF STRATEGIC ALLIANCE BETWEEN KENYA AIRWAYS AND THE ROYAL DUTCH AIRLINES IN KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for any academic credit in this or any other university.

Signed…………………………… Date…………………….

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D61/71113/2014

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

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DEDICATION

Dedicated to my parents, I am greatly inspired by your support throughout my education journey.

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I am deeply grateful to the almighty God for making it possible for me to study for this master's program. I also appreciate the support and encouragement I received from my family throughout this course. I also extend my sincere appreciation to all the lecturers and colleagues at the University of Nairobi for their academic resources at different levels that contributed to the completion of this program.

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ABBREVIATION AND ACRONYMS

CAEP - Committee on Aviation Environmental Protection

IATA - International Air Transport Association

ICAO - International Civil Aviation Organization

KLM - Royal Dutch Airline

KQ - Kenya Airways

RDT - Resource Dependency Theory

SEM - Structural Equation Model

ABSTRACT

This study was informed by the differential theory which premises on the varying efficiency levels among firms as the main indicator of successful strategic alliances. Towards this end, the differential theory argues that corporate managerial efficiency is the key driver for strategic alliances. Adopting a case study research design, this study's aim was to investigate the main challenges facing the implementation of strategic alliance between Kenya airways and the KLM Royal Dutch Airline. The study adopted a case study research design and was guided by the following main objective; to establish the key challenges facing the implementation of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline. Ten strategic managers were interviewed five from KLM and a similar number from Kenya Airways. The procedure involved personal interviews to help to determine the approaches to strategic alliance management practices and challenges encountered during implementation. Qualitative data was obtained from the interview guide and was analyzed using Content analysis. The study found out that: lack of partner congruence; poor partner evaluation; blending of corporate culture; lack of clear performance measures; absence of coordinated commitment; and lack of strategic fit are the main categories of challenges facing successful implementation of strategic alliance between Kenya Airways and the Royal Dutch Airline. The study concludes that; the implementation of the strategic alliance between Kenya Airways and the Royal Dutch Airline has not been successful due to a number of implementation challenges ranging from blending of corporate culture; lack of clear performance measures; absence of coordinated commitment to lack of strategic fit. The study recommends that other firms not only in the aviation sector but across other sectors embrace best practice and dynamic capability approaches in the management of strategic alliances to enjoy the benefits of such ventures, while mitigating the failure of strategic alliance. The study further recommends that airline firms in Kenya put in place critical success factors to create an enabling environment for successful implementation of strategic alliances. And to ensure that the necessary practices and mutual goals and objectives are identified and evaluated before implementation while mitigating the impact of any obstacle that would impede strategic partners from achieving the respective overall strategic alliance goals and objectives. The study was limited in methodology given that a case study research design was adopted making the study less generalizable. According to the study, further research efforts should focus on establishing the enabling conditions for successful implementation of strategic alliances beyond the airline sector. In addition, there is need for future studies to test and confirm the model so established.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

With globalization and increasing competition, the core competencies of a firm lie outside its business boundary. Such core competencies include; skill sets, capacities and resources (Su et al., 2009). As Inkpen (2001) asserts, differential resource capability among firms in a given industry, constitutes the key driver for strategic alliance. Inkpen (2001) acknowledges that this practice is common in the high-tech sectors where large firms enter into strategic alliances with small firms for mutual gains. Inkpen (2001) outlines the main types of strategic alliances as; equity based joint ventures, technology licensing, supply chain collaborations, technical collaborations, Research and development collaborations, and distribution partnerships.

Two theories constituted the theoretical foundation of this study; the differential theory and the resource dependency theory. According to the differential theory, there exists a positive association between variations in management efficiency and the establishment of strategic alliances among firms. Advanced by Pfeffer and Salanick (1978), the resource dependency theory (RDT) predisposes that strategic power emanates from the ability to control specific resources in an organization. From the open systems perspective, the RDT postulates that a deficiency in one or more strategic resources in the external environment of an enterprise pushes the firm to collaborative initiatives, hence the formation strategic alliances (Gulati, 2000).

RDT emanates from open system theory where different organizations have different levels of dependence on the external environment, specifically for the resources they need to function. A deficiency in one or more strategic resources is considered as the push behind the need for collaboration and a way of lessening uncertainty and managing this deficiency. Looking at the formation of alliances from a resource-based view has often meant that an emphasis on existing competencies (or lack thereof) that may push firms to consider getting into new alliances rather than the conditions that determine the opportunity set firms may perceive (Gulati, 2000).

The high rate of failure of strategic alliances in Kenya and the knowledge gap on successful implementation of strategic alliances in Kenya and the wider Sub- Saharan Africa are the main factors that motivate the current study. More and more companies get into strategic alliances to improve their business performance, but a number of them fail as a result of several challenges (Somers, 2005). Despite the adoption of these strategies, the alliance between Kenya Airways Limited and KLM Royal Dutch Airline still performed poorly and this could probably be related to the disconnect in strategy implementation hence the need to establish the strategy implementation challenges facing the strategic alliance between Kenya Airways Limited and KLM Royal Dutch Airline. The risks and difficulties facing the strategic alliance should be identified so that the companies can work to improve performance. The turbulent and competitive environment in the airline industry has caused stiff competition in the international aviation business environment, hence the need for studies to unravel the various strategies that airline companies have adopted to remain competitive and to survive in the ever changing dynamic market.

1.1.1 The Concept of Strategy

The saddle point between internal core competencies and elements in the external business environment constitute a strategy (Mintzberg et al., 2009). Betman and Zeithman (1993) elaborate further by arguing that strategy is a plan of actions and resource allocations to achieve given organizational goals. They further maintain that strategic actions should focus on customer needs and other key stakeholders. Moreover, strategic directions of a firm should be aligned to the company's mission and objectives.

As Bateman and Zeithman (1993) argues, strategy entails an all-inclusive modern plan that states how the organization will achieve its mission and objectives, how it will maximize competitive advantage and minimize shortcomings. Complementing the above Mintzberg (1994) views strategy as an emerging phenomenon that must ride on agility and responsiveness to changes in the environment of any given firm. Based on this perspective of continuous adjustment to the dynamics in the external environment, the pattern of strategic actions varies over time in conformity with the changing reality in the macro-environment, hence realized or emergent strategy

The view of strategic contingency model as argued by Ansoff (1988) is different from other scholars' in the following ways; Ansoff defends that the environment is composed of four distinct, yet related factors: familiarity, complexity, visibility of change and rapidity of change. Towards this end, complexity and familiarity relate more to recent concepts of environmental dynamism. Rapidity and visibility of change on the other hand relate more to recent concepts of environmental volatility.

1.1.2 Strategic Alliance

Inkpen (2001) views an alliance as an arrangement where two or more organizations collaborate resource-wise and on governance for mutual competitiveness. Inkpen continues to argue that in an alliance, the partners share capabilities, resources, and expertise in which case they may lose part of their full control. Supporting the above notion, Wheelan and Hungar (2001) affirm that collaborations that go beyond regular business relations between two or more companies constitute a strategic alliance. As Somers (2005) contends, such an alliance thus creates an opportunity for the respective firms to collaborate and make them more competitive.

The domain of strategic alliances spans both contractual and equity arrangements. Smith and Smith (2003) continues to outline the nature of strategic alliance by singling out joint ventures, franchises, joint research, joint marketing, and outsourcing as some of the common strategic relationships. In tandem with Smith and Smith, Molwa (2012) suggests that such a relationship requires top management support particularly at the macro level.

In addition to being strategic and economic arrangements, strategic alliances are very much also a social, psychological, and emotional phenomenon (Ayaka, 2013). Alliance managers not only exercise strategic and operational responsibilities, they also act as relationship managers requiring skills rarely covered in traditional business school curriculum (Harbson & Pekar, 2010). According to Inkpen (2011), human resource research can to a large extent contribute towards a greater understanding of the dynamics of a strategic alliance.

1.1.3 Challenges of the Implementation of Strategic Alliances

Lack of trust is a major impediment to successful implementation of strategic alliances with risk sharing, hence the significance of risk sharing among the members (Biggs, 2006). Lewis (1992) testifies to the above by contending that establishing trust between partners in an alliance is the most critical tool yet difficult target to achieve in any given alliance formation. He further proposes three streams of trust; responsibility, equality, and security.

Lack of clear goals and objectives is another major hindrance to the implementation of strategic alliances, especially in cases where many strategic alliances are formed for the wrong reasons. For many companies' alliances is a way to battle industry competitors. This according to Kilburn (1999) arises from the fact that most corporate managers feel that strategic alliances tend to shift competitive forces from concentrating on an individual firm. However, in some cases, this action will raise flags that there exist problems within the joining companies. The move to form the alliance may put the spotlight on the companies and lead to more competition (Kilburn, 1999).Biggs (2006) attributes the quest to counter competitors in the market has been the main driver for strategic alliances over the recent past with little focus on their successful implementation.

Another closely related obstacle to the implementation of strategic alliances is the challenge of blending the corporate culture among the partners in an alliance (Biggs, 2006). Setting the precedence to corporate culture blending, Orodho (2003) complements the above argument by asserting that to blend or integrate the culture in an alliance should be pegged on the vision of the company. Orodho supports his argument by postulating that strategic alliances are people oriented and thus likely to face issues to do with corporate culture incompatibility.

Besides blending the corporate culture, and setting and harmonizing the performance measures is instrumental in any alliance (Biggs, 2006) in addition to proper coordination. Along the same horizon, Doz and Hamel (1999) views the lack of coordination as a significant hindrance of successful implementation of strategic alliances in which case non-congruence can be disruptive enough to forestall an alliance.

George (2002) outlines challenges to strategic implementation as; amount of strategic communication from top to bottom, competing activities that shift attention from implementation decisions, changes of responsibility of employees key to the implementation not clearly outlined, formulators of key strategic decisions not actively involved in implementation, issues needing management intervention not communicated in advance, crucial implementation tasks and activities not adequately defined, resource allocation, matching structures with strategies and linking performance and pay to strategies. By properly addressing the above challenges, it is expected that strategic plans would be successfully implemented.

1.1.4 The Global Aviation Industry

According to ICAO (2015), the global airline industry is keen on supporting economic growth in host countries while mitigating environmental degradation. Most airlines are working towards the use of low-carbon technology, environmentally friendly construction material, better and efficient aircrafts, and cleaner energy options. As a matter of fact, aircraft manufacturers have technologically advanced aircraft mechanics leading to 70% more efficient fuel wise and 75% quieter engine aircrafts compared to four decades ago. As a global body, ICAO is emphasizing on three grand milestones; economic, social and sustainable development.

It achieves this by ensuring that world over, its actions are founded on the social, economic and environmental pillars of sustainable development. This is well demonstrated by the dynamic and growing network of about 1,000 airlines, both legacy and low-cost carriers offering scheduled and unscheduled services that connect around 3,850 commercial airports worldwide. This leads to the linking of major and minor airport and city pairs, enabling the movement of people, goods and services across the world. Aviation supports almost every aspect of modern life today, carrying about 35% of goods transported worldwide and supporting close to 3.5% of global GDP (ICAO, 2015).

The global aviation industry directly employs about 8.4 million people and supports millions more through direct and indirect employment. It is the core part of the world's largest industry; tourism and travel, also offering specialized education and significant training opportunities for young people. Women empowerment has also taken its roots in the industry, with the number of female pilots having risen to about 4,000 worldwide, and growing. In addition, up scaling existing transportation technologies is on the way to open the door to high-level jobs and drive long-term, sustained economic growth (ICAO, 2015).

New technology has seen the entry into service of double-decker and composite aircraft that have raised the bar high in terms of design and performance. Operational improvements have also led to a significant increase in savings in fuel consumption. ICAO's Committee on Aviation Environmental Protection (CAEP) is in the frontline to oversee and assess the environmental benefits of operational improvements across the air transport system. Innovation and close cooperation amongst industry stakeholders has made easier to overcome aviation's biggest challenges (ICAO, 2015).

1.1.5 Aviation Industry in Kenya

The airline industry in Kenya includes several airline companies with operations both on local and international routes. The industry is characteristically very competitive. Kenya Airways has a good presence within the African region however, there has been increased competition from both African and international carriers. Flying from the main hub in Kenya, the Jomo Kenya International Airport, competitors have expanded their presence in Kenya, most recently with Ethiopian Airways and Qatar Airways acquiring rights also to fly to the Kenyan coastal city of Mombasa.

There are four International airports in Kenya namely; Jomo Kenyatta International airport in Nairobi, Moi International airport in the coastal city of Mombasa, Kisumu International airport in the Western region of the country in the city of Kisumu and Eldoret International airport in the Rift valley area of the country. In addition, the country also has domestic airports and airstrips that include Wilson Airport, Kakamega airstrip, Wajir airstrip, just to mention a few.

In addition to the growth within Africa, airlines are also targeting to transport passengers and cargo to Europe, Middle East, Asia, Far East and the Americas. Some of the airlines operating to and from Kenya include the Middle East carriers, led by the big three of the Gulf; Emirates, Qatar and Etihad. European carriers including KLM, British Airways, Lufthansa etc Regional carriers led by Ethiopian Airways, Rwanda Air and Precision Air, and local carriers including Safari link and Fly540. The full list is available on the appendix of this study.

The industry is an enabling force for economic growth, world trade, international investment and tourism, thus being at the centre of the globalization taking place in many other industries (http://adg.stanford). Air travel has grown by about 7% per year in the past decade alone. The manufacture of large aircraft such as the Boeing 747, Boeing 777 and Airbus A380have eased the movement of people to and from far and wide destinations. Governments in developing countries have realized the benefits of tourism and hospitality industry to their national economies and encouraged the development of holiday destinations and suitable infrastructure to stimulate tourism (ICAO, 2015).

In the global airline industry, airlines operate in a service oriented sector which is complex and in an environment that is highly turbulent. Under such circumstances, strategic choices require that an organization identifies the options available and evaluate them against preferred criteria (ICAO, 2015).Competition from global players in the aviation industry is increasingly making domestic players more conscious of their weak state and incentivizing them to proactively engage in an effort to ensure their sustainability in challenging times (Kavale, 2015).

1.1.6 Kenya Airways Ltd

Established in 1977, Kenya Airways is the national airline of Kenya, operating scheduled services to over 50 destinations across Africa, Europe and Asia. It operates from its hub in Jomo Kenyatta International Airport in Nairobi, carrying over three million passengers annually. As at March 2017, KQ’s employee count stood at 3582. The largest shareholder is the Government of Kenya (48.9 %), followed by KQ Lenders Company, a consortium of Banks which has a 38.1% stake in the company, and KLM which owns 7.8 %(http://en.wikipedia.org/wiki/Kenya_Airways).

In a bid to restructure the company, the airline has in the recent past experienced numerous changes in its management team starting with the appointment of a new chairman, Mr. Michael Joseph in October 2016 and most recently the appointment of Mr. Sebastian Mikosz as the Group's Managing Director and CEO from June 2017.Recently the airline launched a new low-cost airline called Jambo Jet to diversify its offering and target the price sensitive travellers while growing its market share (Gudmandsson, 2017).

As Kavale (2015) postulates, the introduction of the low-cost airline by KQ is part of the airline's effort to build on her dynamic capability with regards to turbulent forces in the increasingly competitive market. The Jambo Jet model for instance has since revolutionized air travel by opening up the skies for less while providing affordable air fares. This is further enhanced by the fact that it's a wholly –owned subsidiary of Kenya Airways, making customers more assured of high quality services and while observing the highest international safety standards.

1.1.7 KLM Royal Dutch Airline

Founded in 1919, KLM Royal Dutch Airlines is the world's oldest airline still operating under its original name. In its home country, KLM is the core of the KLM Group, which further includes KLM City hopper, Transavia and Martin Air. KLM serves 165 destinations, 2 domestic and 163 International and employs over 33,000 people around the world. KLM is an industry leader in its own right, known for its reliable operations and customer-centric products on the back of its policy of enthusiasm and sustainable innovation (http://tuko.co.ke).

In 2017, KLM transported about 41.6 million passengers and well over 636 thousand tons of cargo and mail. Preceding the merger with Air France, KLM filled its many long-haul flights using 6^{th} freedom 7 flights through Schiphol airport. KLM had created a network of many code-share alliances connecting through its hub in Amsterdam (Gudmandsson, 2017).KLM merged with Air France in 2004 and sort to become a member of the sky team Alliance, an alliance bringing together a number of European, Asian and American airlines with an aim of making their passengers' travel experience seamless and convenient across partner carriers.

AF-KLM represents the first cross-border merger of major European airlines. The combination formed the largest airline group in terms of passenger traffic. Forming an alliance was a key element in KLM's strategy, as reported in its 2003/2004 annual report which explains that the strategy was supposed to bring KLM closer to a position of lasting strength in the global aviation industry (Viaene, 2017).

1.1.8 Strategic Alliance between KQ and KLM Royal Dutch Airlines

The strategic alliance between Kenya Airways and the KLM began with the acceptance of the KLM's bid to purchase 26% of the national carrier shares in December 1995. In line with this, a shareholder's agreement was born between KLM and the Kenya government to cushion the government's interest in the national carrier, Kenya Airways. (http://kenyairways.org.ke). KLM expanded its cooperation with Kenya Airways for routes within East Africa, with Kenya Airways expanding its reach in Europe, after signing a far reaching joint venture agreement. The total KLM – Kenya Airways joint venture sums to a total of six routes, three for each airline, and serving 9 nine countries.

This cooperation, specifically for passenger and cargo business allows the two airlines to jointly implement further commercial synergies, perform joint sales and marketing activities, align on pricing for the specific routes, optimize networks and schedules to better jointly serve these markets and further enhance customer experience and travel options (http://tuko.co.ke). As part of the agreement, the airlines agreed to share profits and losses on a 50/50 basis for the routes to which the joint venture serves. The performance of the joint venture has performed quite well since its inception, being profitable for over 10years, only meeting challenges in the past 3 years.

In return, KLM was granted the power to nominate the managing director and finance director with the board's approval. The focus of the strategic alignment between the two airlines was to increase global networks through seamless service delivery while ensuring that both airlines remain competitive in the market. Entering an alliance was to ensure that Kenya airways increase its portfolio of services and particularly with regards to Europe and North America. A key avenue for cooperation was the combination of route networks to enhance customer satisfaction, hence market positioning ((http://kenyairways.org.ke).

The alliance with Kenya Airways is not the first one for the Royal Dutch airline. Multilateral alliances have been at the top of the Royal Dutch airline's agenda. Before the merger with Air France, KLM was part of a strategic partnership over the Atlantic with Delta airlines (formally Northwest Airlines before the merger) in 1991; which first started as a code-share but steadily grew over time, to become one of the most complex joint ventures in the aviation industry, serving Europe and North America.

1.2 Research Problem

Strategic alliances are premised on creating mechanisms for partnerships between two or more firms (Wheelan & Hungar, 2001). Coopers and Lybrand (1997) corroborates with the above perspective by arguing that the quest for marketing and promotion constitutes the main basis of strategic alliance in over 54% of firms that venture into strategic alliance. Unfortunately, as Elmuti and Kathawaia (2001) contend most of them fail to successfully implement the respective alliances with the failure rate at 70%.

Globalization, dynamic customer requirements and building of its core competency are the key drivers for strategic alliance being discussed. Forming a strategic alliance with KLM was therefore seen as one of the best options to enhance the airline's competency in the global market. Kenya Airways entered into a strategic alliance with KLM, with the objective to dominate Africa and become a regional leader. The turbulent and competitive environment in the Airline industry have caused stiff competition in the international airline business environment too, hence the need for strategic alliances in order to remain competitive and to survive in the dynamic market. Despite the adoption of these strategies, the alliance between Kenya Airways and KLM has performed dismally in the last 3 years; hence the need to establish the strategy implementation challenges facing strategic alliance between Kenya Airways Limited and KLM Royal Dutch Airline.

Numerous studies have been carried out on strategic alliances. While investigating bio-tech firm in Xinjiang region Hong Bin (2009) singled out trust between partners as the central doctrine in any strategic alliance arrangement. Hong Bin further expounds on the above notion by arguing that its trust that forms the foundation for extended cooperation in an alliance. Prajogo and Sohal (2010) and Tuan (2011) studied challenges to strategic alliance practices in multinational corporations using a survey of 50 American companies comprising of different industry players; airlines being one of them; the findings indicate that cultural challenges as well as mistrust were the biggest challenges. Contrasting the above proposition, Harrigan (1985) and Spranger (1991) attributed the collapse of most joint ventures to lack of strategic fit, governance issues, inadequate commitment, and cultural incompatibility.

Locally, Koigi, (2002) did a study on Post bank and Citibank; Musyoki (2003) did a case study of an NGO; Wachira(2003) studied pharmaceutical firms; Owuor (2004) studied oil companies; Kipchirchir (2009) studied the banking industry; Kibera (2009) studied Access Group Kenya; and Masila (2009) studied the alliance between Kenya Power and Safaricom. In view of the above, it is clear that most of the past empirical studies have merely highlighted the principal causes of joint ventures in general with most identifying poor strategic fit, lack of trust, ambiguous deals, governance weaknesses and poor planning as the main bottlenecks to successful joint ventures.

However, one limitation of these studies was that there were individual case studies for different industries that were performing well at the time of the study and the findings from these studies might not be applicable in this case. The studies are also limited to the extent that they fall short of establishing the consideration for the critical success factors and how they influence the success of the various strategies adopted which was the domain of this study.

While significant research has been done on strategic alliances, the existing literature on this subject suggests that similar research has not been done exhaustively in Kenya. Besides, the few studies that have been conducted in Kenya have yielded mixed outcomes with regards to the implementation of strategic alliances, particularly in Kenya and the rest of Sub-Saharan Africa. Against this backdrop, this study focused on investigating the challenges facing the successful implementation of the strategic alliance between Kenya Airways and the Royal Dutch Airlines. The study aimed at addressing the question; what are some of the challenges facing the implementation of the Kenya Airways strategic alliance with the KLM Royal Dutch airline?

1.3 Research Objective

The main objective of the study was to establish the key challenges facing the implementation of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline.

1.4 Value of the Study

The findings of the study will be useful at the firm, industry, and policy levels. At the firm-level, the findings of the study will provide important and timely information to the managements of both Kenya Airways and KLM on how to optimize the existing strategic alliance between the two firms, in addition to management planning particularly with regards to risk management. By analyzing the main impediments to implementing strategic alliances, this study will enable airline managers by providing insights on how the two companies can enhance their core competencies and dynamic capability in the global market.

At policy level, the study will be influential to Government and Regulators by providing insights on how to manage the challenges that are facing the airline sector in the country especially now that Kenya Airways is still not completely out of the woods financially, the outcome of this study will provide backstopping to national policy makers on enhance firm and national competitiveness in the global arena. The study makes fundamental recommendations on approaches to mitigating the hailing airline sector in Kenya. This study therefore provides crucial data that can enable the airlines in Kenya become more agile and responsive to changes in the macro-environment.

This study contributes to theory and knowledge by suggesting areas for further studies. The study equally gives a critique of past theoretical models while agreeing and disagreeing with past assumptions on the subject. Towards this end, the study contextualizes the concept of strategic alliance in sub-Saharan Africa unlike most of the past empirical studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Theoretical and empirical literature on strategic alliance implementation is reviewed in this chapter. This chapter is composed of the following key areas; the theoretical framework of the study, theoretical literature, the conceptual and operational framework. Towards this end, the chapter reviews the empirical literature and identifies the research gaps that the study aimed at filling. The theoretical basis of the study aims at providing an understanding of the relevant theoretical models.

This chapter can be decomposed into two main parts. The first part of the chapter focuses and connects the various theories to the study while the second part concentrates on conceptualizing each of the variables in the study. A critical literature review on the resource dependency theory is extensively outlined with particular emphasis on linking each of the elements of strategic alliance implementation to successful implementation of strategic alliances in the airline sector. Literature on the centrality of the differential efficiency theory in the current study is reviewed as a compliment to the resource dependency model.

The resource-based view of the firm is applied to further expound on the role of strategic agility, the resource dependency theory of the firm and the resource based view of the firm are reviewed with a view of connecting each theory with firm competitiveness and strategic agility. The three theories corroborate Inkpen (2011) who postulates that organizational forms fall into continuum ranging from static forms to flexible organizational forms with the latter form being more adequate in turbulent environments.

2.2 Theoretical Foundation

This section focuses extensively on highlighting the theoretical foundation of strategic alliances in businesses. The section would provide a review of literature on the implementation of strategic alliances and what scholars have identified on the challenges to strategic alliance implementation.

2.2.1 Differential Efficiency Theory

Advanced by Henry Manne (1965), Differential Efficiency theory is pegged on managerial efficiency as the main indicator of strategic alliance. In this theoretical model, low efficiency firms end up merging with more efficient firms in the same industry. According to Manne it is the variation in managerial efficiency which then drives firms into strategic alliances. According to this model, the number of strategic alliances proportionately increases with managerial efficiency levels among firms in the same industry.

In this perspective, a poorly managed firm becomes "an attractive takeover" (p.147) to more efficiently managed companies given the fact that the market price of its shares falls relative to other firms in the same industry. Improving on the differential efficiency theory, Gulati (2000) advances the managerial synergy hypothesis which postulates that firms with superior competency beyond its capacity may seek surplus resources through acquisition. In this case, forming an alliance is comparable to expanding the capital base of the mother company. It is these synergetic structures that make the merger between a less competent firm and a more robust firm form a more competent strategic alliance.

Firms operating in similar businesses are more likely to be acquirers since they would possess the ability to spot under-performance and would be in a position to turnaround the company. The managerial synergy hypothesis takes the differential efficiency theory a step further. By stating that a firm with a management team that has more capability than is needed in the firm, may try to find a way to deploy the surplus resources by obtaining and improving the efficiency of another firm, which lacks adequate managerial resources and is less efficient. Such a merger would create a synergy, since the surplus managerial resources of the acquirer would combine with the non-managerial organizational capital of the other firm (Gulati, 2000).

2.2.2 Resource Dependency Theory

Proposed by Pfepper and Salancik (1978) the resource dependency theory (RDT) argues from the open systems framework that dependency in the macro-environment by various firms is determined by their resource needs. In this scenario, a resource limitation by one or more firms in an industry compels the firm to enter into a strategic alliance. The RDT model therefore heavily borrows from the resource-based view of the firm which rides on the premise that competitive advantages arise from a firm’s possession of unique resources.

Towards this end, strategic alliances are viewed as the best avenue for tapping into existing competencies in the industry. The RDT model however diverges from the resource-based view of the firm by taking a more holistic approach to optimization of the competencies of players in the external environment rather take an atomistic view of the same (Gulati, 2000). The RDT is more contextual than the resource-based view of the firm since the theory considers market and supply chain forces in the macro-environment.

RDT identifies how external factors influence the organizational behavior of a firm and, although constrained by their context, and as such managers are in a position to act in a way that will reduce environmental dependency and uncertainty. At the focal point of these actions is the concept of power, related to the control over important resources (Ayaka, 2013). An organization's effort to reduce others' power over it often tends to increase their own power over other organizations. In Pfepper (1978) perspective, the network of interdependencies together with uncertainties about what actions an organization needs to take for survival calls for agility in strategic planning.

2.3 Drivers of Strategic Alliances

According to Weidinger and Platts (2012), globalization, market positioning, the desire to tap into the benefits of emerging technological innovations, and building of resource capacity based on future forecasts constitute the main competitive choices for any organization in the 21st century. In their study Venkaram and Ramanujam (2001) identified; technological collaboration, the need to improve supply chain efficiency, the quest for increased market presence, and the need to tap into the economies of marketing and production as the main drivers of strategic alliances.

Collaboration on technology, development of new products being able to overcome the deficits in manufacturing and technical expertise, improving supply chain efficiencies and acquisition of new capabilities are the common reasons why companies enter into strategic alliances. Today, the world of telecommunications is changing technologically, accelerating rapidly, and becoming intertwined with other industries (Weidinger & Platts, 2012; Venkatraman & Ramanujam, 2001), thus helping firms to position themselves competitively in their respective markets

The strategic decisions of a firm are determined by not only the assessments of its present situation (Masila, 2009), but also by expectations about its future customers (Kavale, 2015). Towards this end, strategic decisions encompass both the company's resource investments and policies necessary for the execution of the decisions, treating the supposed future benefits as projected returns on those investments. Hence, strategic alliances are driven by direct impact on costs, profits and other concrete benefits, and indirect positive results from their accumulated intangible assets and resources

2.4 Constraints to the Implementation of Strategic Alliances

The establishment of strategic alliances and their implementation therein faces immense challenges. According to Sammar (2012), knowledge transfer issues, assimilation of governance structures and managing across culture possess significant challenges in strategic implementation. In their study, Harbison and Peker (2010) revealed that of 60% of participants who had experience with strategic alliances, 31% of them had experienced some form of failure. According to their study, alignment of alliance objectives values and stakeholder interest, and effective governance are the main causes of success or failure in the implementation of strategic alliances.

Some of the reasons for success or failure comprised the following; effective governance, the need to match the values and objectives of the relevant stakeholders, and the need for a strategic partnership to be mutually beneficial to both parties (Harbison & pekar, 2010).Even though corporate partnerships represent an important path for innovation, some often end up failing, running into untimely disbandment or going into major modifications, for example via mergers and acquisitions (Das & Teng, 2000; De Man & Duysters, 2005).

As Kalmbach and Roussel (1999) posits, the high failure rate (60-70%) of strategic alliances has attracted numerous researchers in the past. Narula (2004) reported that a 50 percent failure rate in alliance making was judged to be “very good indeed” by company representatives, while conducting a study comparing small and large ventures in the electronic hardware sector. Most of the studies tend to focus on figuring out the success factors rather that the ones that lead to a failure. Literature on this subject matter is in abundance; however, most of the past empirical studies have focused on the critical success factors for successful strategic alliances with few of them taking a risk perspective. The next section discusses the main challenges facing the implementation of strategic alliances.

The complexity of managing strategic alliances largely emanate from the variations in the purposes of establishing the alliance among the partners (Sammar, 2012) leading to a myriad of legal agreements. Sammar further asserts that partners must therefore go through the fine details. Deman (2012) corroborates with Sammar by postulating that while companies may want to safeguard confidential information, there is need for full disclosure of the respective agreements in any strategic alliance. Deman(2012) particularly singles out information about products as vital in evaluating the strategic fit of a partner before entering into any alliance. The evaluation of agreements would allow potential partners to scrutinize each other’s information or products. In such cases letters of intent are often used to define the scope of discussions between the interested companies Deman(2012)

Legal documents must be meticulously scripted to guard all parties. None of these agreements, however, is adequate to develop the trust necessary for any type of alliance. Potential alliance partners should also understand each other's firewall policies, agree on such things as ownership of joint inventions, and on who will retain ownership of specific items when the alliance comes to an end. Companies seeking to enter into a strategic alliance need to ensure that adequate legal instruments are put in place. There are many options for structuring these alliances, such as traditional contracts, equity investments, joint ventures, and mergers and acquisitions. Regardless of the structure chosen, the major legal considerations, governance, control, and fiduciary duties, remain the same. Each of these concerns is discussed below. If the scope of a partnership is considered rather small or restrictive one partner may lock themselves into" an unsatisfactory arrangement (Deman, 2012).

Significant bottlenecks arise in the process of assessing value (Derman & Duysers, 2005) more so in underdeveloped markets. They further contend that the legal and ethical complexes are even more exacerbated in cases where some members of the workforce of either party are retained past the alliance. From the resource control dimension, Hartley and Bennington (2009) views shared control as a major ground for controversy in strategic alliance management. Towards this end, lack of shared control leads to a definite deadlock. Hartley and Bennington suggest that the establishment of robust conflict resolution mechanisms to mitigate the impact of legal and ethical challenges becomes absolutely necessary.

Though mergers and acquisitions may provide the best option in strategic alliance, they tend to be more integrated and thus face radical challenges during implementation. Extreme dexterity, however, is required by the drafting attorneys, when the original structure is short-term, with an option to expand into a long-term arrangement, possibly even an acquisition. In such instances, the question of valuation of the acquired company becomes a sensitive one if increased valuation is due to the joint activities (Rashman, 2007).

It can be very complex to determine the control of a strategic alliance between partners. This may be designed in several different ways, including affirmative and negative covenants, supermajority voting requirements, and compulsory board votes on certain issues. Strategic alliances work well when control is shared. Shared control, however, has its own challenges, in particular, avoiding a stalemate. Therefore, just as in closely-held corporations, measures to avert an impasse are necessary. Such measures may include appropriate alternative dispute resolution options (Hartley & Bennington, 2009).

The duty of loyalty can become quite complex when dealing with alliances. For example, if Corporation A and Corporation B form Corporation C, they will most likely place directors from the two original corporations onto the board of the new corporation. These directors owe duties of loyalty to both their original corporation and to the new corporation. They must disclose conflicts of interest if and when they arise, while also presenting corporate opportunities to their respective managements when they arise. In general, a transaction involving either a conflict-of-interest or a corporate opportunity must be fair, or be approved by a majority of non-executive directors or shareholders (Wiklund & Shehred, 2009).

In their study, Daniels and Radebaugh (2001) outlined cross cultural issues as a key challenge in strategic alliance implementation in particular linguistic challenges. They further point out that people from different cultural backgrounds tend to take different operations approaches. The challenge of cross-cultural management requires substantial mutual understanding. Daniels and Radebaugh illustrate the above perspective by making a comparison between American and Japanese firms. Minshall (2016) conducted a survey of multinational alliances in Europe and found out that multinational alliances face numerous cultural differences occurring in multiple and overlapping layers. The issue of cultural diversity becomes even more complicated in multinational alliances relative to local alliances due to geographical differences. Supporting Minshall, (Brockelman & Cucci, 2013) asserts that cultural issues must take Centre stage during the planning stages to ensure smooth cultural transition such that distinguishing features national/ethnic, industry and professional cultures are initially examined.

In a rejoinder, Daniels and Radebaugh (2001) propose the selection of champions from the partners senior management in an alliance who must fully trained on the process of strategic change management. Daniels and Radebaugh suggest that such champions should apply research tools in such of workable grounds. In addition to the above, the said cultural champions will be tasked to mid-wife the coordination and assessing the preparedness of their respective organizations for radical strategic changes. In tandem with the above perspectives, Minshall (2016) view the establishment of cultural champions as a major critical success factor more so with regards to finding a cultural fit between the respective partners. Minshall continues to describe the role of the cultural champions by arguing that building of trust and integrity falls under their docket.

Based on the above context, Minshall (2016) defines cultural conflict as one between individuals or social groups beyond their cultural boundaries. Minshall further refines such cultural aspects to include; kinship systems, language, religious inclinations, nationality, socio-economic features, educational settings, trade union characteristics and political party affiliations. The complexity of managing across cultures poses a significant constraint in an alliance because of sets of sub-cultures to avoid simultaneous cultural conflicts.

In reducing the number of “load-bearing interfaces”, that is, the systems on which the alliance is constructed, managers can be in a position to ensure that they reduce impediments to communication between the most vital mechanisms of the alliance. For example, the R&D teams or departments of alliance partners, most likely share decision-making processes and procedures, irrespective of the cultural differences. It is important that every partner has an alliance champion or a number of them amongst the senior management team whose duty, primarily, is to drive the success of the alliance. With both internal and external experienced facilitators offering guidance to them, these “alliance champions” should be able to find a viable solution of how the partners will work together (Daniels & Radebaugh, 2001).

To be able to address the differences in culture that may exist in any alliance, the so-called alliance champions need to coordinate and supervise the stakeholders, assessing the alliance readiness for its own independent organization, and for its potential partners, charting the cultural variances and similarities between partners and potential partners. While doing so, the alliance champion must promote trust through ensuring a “transparent” culture exists around the alliance, so that employees understand the new organization, can get the necessary buy in and can evaluate both the alliance’ strength and their own prospects within it. For example, ensuring compensation and incentive policies are clear can reduce apprehension and mistrust (Minshall, 2016).

Cross cultural conflicts are those that occur between individuals or social groups that are differentiated by cultural boundaries. In the same society, people are possibly members of many different groups and backgrounds, organized in diverse ways by diverse principles: for example, by language, kinship into families or clans; ethnicity, nationality, religion, by geographical region into political interest groups and by socioeconomic features into social classes (Minshall, 2016).

To add to this, underscoring the overlapping and traversing behaviour of multicultural social relationships, these examples of cross-cultural conflict are similar in that they bring out the effects of cultural variations on communicational capability, on mutual understanding or common metrics and perceptions. Not unless in the case of encouraging "a failure to communicate" across cultural boundaries, the sheer presence of cultural difference is not essentially the principal cause of conflict between groups (Minshall, 2016).

Scholars such as Samuel Huntington, argue against this. He conceptualizes a post-Cold War world divided into six or seven "civilizations", meant in some way to disagree with one another by their respective differences. Although it is key not to see cultural difference as an independent cause of conflict, culture is almost always a mirror through which the perceptions according to which conflict is pursued are created. The unique aspects of a firm's culture determine not just how it tackles business objectives, but also how those objectives are defined (Hartley & Bennington, 2009).

Internal rivalry is also a constraint to the formation of strategic alliances, it arises from the gaps in designing strategic alliances (Anand & Khanna, 2000). Das and Teng (2000) concur with the above argument by attributing internal rivalry to non-binding mechanism, and lack of trust. He further portends that such opportunistic behavior pushes the alliance partners to seek self-enrichment rather than mutual gains.

The risk of internal rivalry tends to be more complex for alliances between start-ups (Baum et al., 2000) who in most cases find themselves vulnerable due to limited resources, technology know how and control rights. According to Narula (2004) faced with the above pressure, managers of start-ups end up adopting protective approaches in the alliance creating implementation frictions. In their survey of the biotechnology industry in Canada, Baum et al. (2000) established that horizontal alliances are normally reluctant to progressively partake in the alliance due to self-interest. Their study revealed that this has raised the likelihood for failure for biotechnology start-ups. Complementing the above perspective, Colombo et al. (2006) contend that start-ups face immense challenges in any strategic alliance because they lack capacity for strategic change management including issues to with negotiation, contractual and administrative costs

A key challenge in strategic implementation is the integration of knowledge transfer (Anand & Khanna, 2000; Lubatkin, 1998) across the alliance partners. Lubatkin postulates that knowledge transfer may be barred by variations in knowledge bases, corporate cultures, and organizational structures in addition to harmonizing knowledge bases. Contrasting Lubatkin, Rashman (2007) bases knowledge transfers on four pillars: source organization, features of the recipient firm, and the macro-environment. Szulanski (1996), reports that studies of innovation consistently indicate that knowledge preservation in organizations cannot be taken for granted.

Deviating from earlier perspectives, Hartley and Bennington (2009) base their argument on absorptive capacity paradigm by asserting that repeated involvement in strategic alliances builds a firm’s experience on collaborative engagements. Unlike past scholars, Hartley and Bennington believe in shared knowledge rather than the mere movement of explicit knowledge. This according to them is a result of the fact that unlike explicit knowledge, shared knowledge is reviewed and refined and re-appreciated for new use, especially when employed alongside existing knowledge.

In their study Hoang and Rothaermel (2003) take a cost perspective by arguing that managerial learning effect may lower costs in the long run. They are supported by Sampson (2005) who empirically affirms that sticking to organizational routines leads to complacency making them reluctant to innovation or to trying alternative management models. Expounding on the above stance, Minshall (2016) regards managerial learning effect as a form of capital which may lead to more alliance benefits in the short run. Spekman et al. (1996) concur with Minshall by asserting that; it is the most recent experience that becomes vital from a learning horizon.

Experience effect is a critical success factor in the implementation of strategic alliances particularly in the airline industry (Gudmandsson, 2017). For instance, in order to build a solid foundation, airlines have understood that trust is critical in their relationships with customers. Building trust between former competitors does not come easily. Consequently, the permanence of a strategic alliance is contingent on an airline's abilities to build impartial and flexible partnerships arrangements. Normally, these arrangements strongly ride on the principle of metal neutrality whereby; revenue and/or profits are shared irrespective of which airline actually flies the passenger.

2.5 Empirical Studies and Research Gaps

Going by Schermerhorn (1975), strategic alliances should be based on mutual understanding of partner organizations which then leads them to growth and operational efficiency. Bar Nir and Smith (2002) outlines the enabling conditions for successful strategic alliance including; cost reduction, access to fast and reliable data, market exploration and technology innovations. Moreover, the need to focus on the management of organization-wide alliance core capabilities cannot be underpinned (Heimeriks & Reuer, 2014). In his study De Man (2012) outlines the centrality of formal approaches to capacity development in alliance management.

In a similar empirical survey, Draulus et al. (2014) reveals a diminishing performance rate due to limits in learning by action among six alliances. Deeds and Hill (2014) carried out a study on biotech start-ups and established a positive correlation between product innovation and diminishing returns to scale. Harbison and Peker (2010) corroborate Deeds and Hills by attributing superior alliance performance to capability building through replicable success scenarios.

Contrasting earlier studies (Hamel, 1991) attaches tangible benefits to organizational learning in an alliance. The bias towards alliance restructuring is complemented by Wiklund and Sheperd (2009) in their study who found out that most strategic alliances, despite having measures to control resources still fail. According to them, most strategic planners take a resource acquisition perspective in their strategic positioning in alliances further worsening the situation. Nonetheless, the trend of failures of alliances is also continuing in strategic partnerships. In most cases, strategic alliances are viewed in the context of acquisitions (Larsson et al., 1998, Kale et al., 2002).

In their study, Draulans et al. (2003) companies that focused on alliance overall performance beat their competitors by 10% in successful strategic alliance implementation. They attribute this superior competitiveness to the utilization of internal and outsourced expertise in operations and strategic governance efficiency. Closely following their approach, Minshall (2016) conducted a recent study on high-tech start-ups and reiterates that extensive learning thorough a spectrum of platforms like workshops and online sources has greatly enhanced their strategic alliance performance.

Sammer (2012) proposes the application of modern performance measurement models like the Balanced Scorecard in determining strategic value addition. According to the study, it is crucial to factor elements of operational efficiency and financial performance aspects of a strategic alliance to get a bigger picture of where the alliance is heading. Sammer explains that besides having such performance metrics, the right team leader must be strategically positioned in the top management and that such a specialist should work with cross functional teams to meet the alliance goals and objectives.

Chernesky (2006) examined the six most problematic areas in managing strategic alliances. He is supported by Gamble (2007) who outlines the factors that contribute to challenges in managing alliances in many organizations. Lack of clarity in alliance strategy, goals and objectives is a challenge in strategic alliances, and often leads to failure. Often, firms enter alliances to counter industry competition or to correct internal weakness. This opportunistic approach to formation of alliances can lead to lack of grasp of the basic partnership strategy. Mutual agreement on the purpose of the alliance is important in providing institutionalized direction, whether for single or multiple alliances.

Thomson, Strickland and Gamble, (2007) in their study found out that multiple strategic alliances involve multiple teams of persons from different partners and thus further complicating the management of team expectations, performance, direction and motivation. Alliances performance depends on the human resource allocated to them and thus the importance of ensuring that an alliance has the right, and adequate team to deliver the set objectives. Performance risks are part of the uncertainties in today's business environment. An alliance may fail, even with partner's full commitment.

A number of studies have been done on strategy implementation challenges on a wide variety of industries both locally and internationally. However, studies on strategic alliances in Kenya and other countries have resulted in mixed results due to unique nature of the industry and the organization being studied. Currently, empirical evidence is mainly based on developed countries with a few empirical investigations have been undertaken in African countries like Kenya. From the above discussion of the theoretical and empirical literature, limited research has been conducted on the challenges to strategic alliance implementation in the airline industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This study adopted a case study design with an interview guide as the main research instrument. The study used data that was collected by an interview guide and analysed existing background provided by key informants.A case study was adopted for this research since it ensured that a deep understanding of the issues being studied would be required thus leading to finding a lasting solution.

Research philosophy defines the approach that should be used by the researcher and why while looking into the development of knowledge in a particular field and the nature of that knowledge. Scandura and Williams (2013) refers research methodology as a systematic way to solve a problem. In this chapter, the following subcategories are covered; research design, target population, data collection instruments, data collection procedures and finally data analysis methods that were used in the study.

This viewpoint based on the assumptions of how people perceive the world (nature of reality), which is very subjective (Karuri, 2012). Subjectivism argues that realities are created from the attitudes and consequent actions of those concerned with their existence (Kothari, 2011). This is in line with the viewpoint that discovering the subjective meanings of what motivates certain actions by people will ensure that the researcher is able to understand these actions (Kataa, 2013).

3.2 Research Design

Kothari (2011) views research design as a framework on which a research process is undertaken which principally incorporates the plan for data collection and analysis to meet given research objectives. This adopted a case study research design which is ideal for strategic management research. The rationale for choosing a case study is pegged on Scandula and Williams (2013) who points out that; a case study is the best source of ideas on behavior, rare phenomenon, and a better basis for giving a critique of theoretical models

The benefits of applying a case study research design include the fact that; a case study provides a good source of ideas about behavior, a prospect for innovation; a good technique to study rare phenomena, and a way to test certain theoretical assumptions. Case studies give the researcher the possibility to describe certain relationships, while at the same time testing theory for a special setting (Scandula & Williams, 2013).

As Minshall (2016) postulates, a case study allows for triangulation and particularly where the study does not aim at generalizing a given phenomenon. Towards this end, a case study gives some degree of flexibility since an individual can seek elaboration, enhancement, illustration and clarification about a given study phenomenon. Moreover, a case study may allow a researcher to expand the breadth and range of inquiry by using different methods for different inquiry components (Deman, 2012). Another salient feature of adopting a case study research design emanates from the fact that it allows for a deductive approach based on theory (Scandula & Williams, 2013).

3.3 Data Collection

Primary data was used in the study. According to Kothari (2011) primary data that which is collected fresh from the source and for the first time therefore original in nature. Once research questions and hypothesis are formulated, the researcher will need to make decisions about what kind of data he or she can collect that will best address the research topic.

The respondents in the study were strategic managers from whom primary data will be collected through a face to face interview. An interview guide containing a set of questions was prepared. Ten managers from the key functional units of the two airliners constituted the key respondents in the study. Nine of the managers participated in the interviews, constituting 90% response rate. The procedure involved personal interviews to help to determine the approaches to strategic alliance management practices and challenges encountered during implementation.

Being a qualitative in nature, this research was set within a constructivist perspective whereby knowledge was built between the interviewer and the interviewee (Sammer, 2012). In this view, the interviewee together with the interviewer tends to actively engage in constructing meaning related to the subject matter being questioned. Thus, the key informants not only provide the investigator with insights into the subject matter, but also suggested sources of further evidence and even initiate access to such resources. Data organization included open coding and creating categories. Open coding involved the writing of notes and headings in the text while reading it to describe all the aspects of the content.

3.4 Data Analysis

Qualitative data obtained from the interview guide was analyzed using content analysis. In content analysis, the researcher makes general statements based on themes. This method of data analysis is preferred to quantitative techniques due to the fact that it enables the researcher to describe, interpret and even give a critique of the subject under study.

By observation and description of content analysis provides a systematic description of the research components. Content analysis approach has been used previously in similar research papers. Content analysis is a research tool used to determine if there exist certain words or concepts within texts or sets of texts. With this, a researcher will quantify and investigate the occurrence, meanings and relationships of such words and concepts, then interpret the messages within the texts, the writer(s), the audience, and even the culture and time of which these are a part (Kothari, 2011).

Content analysis has historically been used for many studies as a key approach in analyzing qualitative data. Today, content analysis is applied in communication, psychology, business studies and sociology (Sammer, 2012). Content analysis is a systematic and impartial means of decrying and quantifying phenomenon. Content analysis makes valid interpretations from data and their context, with the aim of providing new insights, knowledge, and a representation of facts and a hands-on guide to action.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The main objective of the study was to establish the key challenges facing the implementation of strategic alliances between Kenya Airways and KLM Royal Dutch Airline. This chapter presents the findings of the study in establishing the key challenges facing the implementation of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

The study targeted 10strategic managers, five from KLM Royal Dutch Airline and five from Kenya Airways, 9 of whom participated in the interviews representing a response rate of 90%, which was a sufficient representation and in line with Mugenda and Mugenda (2003) provision that a response rate of 50% is adequate for analysis and reporting. The study sought to investigate the status of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline before focusing on the specific challenges facing the alliance in the recent past.

In the first part, the study was confined to investigate the drivers of strategic alliance among the two airlines. Questions on the general experience of the respective airlines with regards to the implementation of various elements of the strategic alliance were fronted in the study. The second part of the study focused on the challenges that have faced the successful implementation of the strategic alliance between the airlines ranging from cultural differences to coordination issues.

4.2 Organizational Profiling

The interviewees' position and their departmental spread, and working experience were sought in this study. According to the study most of the interviewees came from strategic planning and operations departments of the respective airlines. This enhanced the reliability of the data collected given the fact that the information was obtained from those who are tasked with strategic planning and strategy implementation at the two airlines. In addition, the interviewees were better placed and aware of changes which had taken place in these institutions and strategic management practices adopted.

An inquiry was made into the number of years the respondents had worked with the airlines. Going by the findings of the study, most of the respondents had over ten years of working experience. This clearly indicated that information collected was from employees who had a lot of experience and familiarity with strategic alliance practices implemented by the airlines. Hence, the data was collected from individuals with substantial knowledge on the successes and or failures in the implementation of the strategic alliance between the two airliners.

On the key drivers of strategic alliance between the two airliners, the respondents unanimously agreed that the cooperation agreement encouraged the two companies to gather strategic data and jointly carry out tasks through a collaborative approach. In particular, the study also singled out innovation with regards to product development as another key driver of strategic alliance between the airlines. The study also eluded that the strategic managers met periodically to discuss the strategic priorities of the alliance and discussed the different approaches to be used to implement agreed strategies.

4.3 Strategic Alliance between Kenya Airways and the Royal Dutch Airline

Before delving into the challenges facing the implementation of strategic alliance between Kenya Airways and the Royal Dutch Airline, the study sought to identify the nature of strategic alliance between the two airlines. Most of the respondents cited: Cooperation agreement to gather information; Cooperation agreement to jointly carry out tasks through a collective approach; Long term agreement relating to marketing; Technology alliances relating to product research & development as the main forms strategic alliances the airlines have entered into in the recent past. The respondents were however indifferent on outside contracting as a form of strategic alliance between the two airlines (KNBS, 2016).

An inquiry was made into the key drivers of strategic alliance among the airlines. According to the study findings most of the interviewees cited: collaboration on technology and development of new products; approaches to minimize technical and manufacturing inadequacies; the quest for new competencies, supply chain efficiency; and the quest to benefit from economies of production and marketing as the main drivers of strategic alliance.

On the contrary, few respondents cited transaction cost reduction as a major driver of strategic alliance between the two airlines. The findings above corroborate Weidinger and Platts (2012) who identifies the need to collaborate on technology new products, the quest to overcome technical and manufacturing knowledge deficit, enhance supply chain efficiency, and benefit from the economies of production and marketing scales.

4.4 Challenges of the Implementation of Strategic Alliance between Kenya Airways and the Royal Dutch Airline

The central objective of this study was to examine the constraints facing the implementation of strategic alliance in the case of Kenya airway and KLM the Royal Dutch airlines. The study therefore sought to inquire on the perceived challenges facing the implementation of strategic alliance between Kenya Airways and the Royal Dutch. For easy analyzability, the various challenges of strategic alliance between Kenya airways and the Royal Dutch into five streams: lack of partner congruence; blending of corporate culture; lack of clear performance measures; absence of coordinated commitment; and lack of strategic fit.

The study sought to investigate the perceived effect of lack of partner congruence on the implementation of strategic alliance between the two airlines. According to the findings, most of the respondents concurred on the fact that lack of partner congruence made it impossible for the airlines to align their individual corporate strategies to the overall alliance strategy. Towards this end, the respondents unanimously agreed that; due to lack of partner congruence strategy development among the airlines in the alliance has performed below the expectation of the partners. The findings above imply that both airlines have had challenges in creating an enabling environment for successful implementation of the strategic alliance.

The findings above compliment Ayaka (2013) who postulates that companies and/or managers in charge of key governance committees in some cases struggle to set a clear and well-defined alliance strategy at the beginning, thus leaving partners unsure about one another's roles and responsibilities. The findings also support Rakesh (2016) who outlines the major constraints to strategic management including the fact that the teams working on an alliance may lack certain insight into the objectives of their partner and thus fail to account for the course of their work; Not openly discussing changes in strategic priorities or proactively managing this changes by the partners; rather, in case of staff turnover, decisions become less transparent, leading break down in trust; and thus no one in particular is held accountable for managing and watching out for change, considering how it impacts the alliance, and guiding the alliance to adapt before the partners relationship becomes sour.

The findings above however contradict Holmberg and Cummings (2009) who argues that collaborating on core competencies, corporate partnerships, and value creation may not be necessarily achieved at individual firm level. Holmberg and Cummings further contend that, in addition to having compatible objectives; the need to avoid restricting of the alliance gains to a single member of the alliance cannot be underestimated. Apparently, Holmberg and Cummings argue on the presumption of incompatible cooperative attitude among the partners and an unbalanced relationship. Their perspective is premised on the assumption that if partners do not share a cooperative attitude; the alliance would result in an unbalanced relationship where one partner willingly contributes to strengthen a potential competitor.

An inquiry was made into the impact of blending of corporate culture on the implementation of strategic alliance between the two airlines. According to the study, the airlines have not been able to establish a shared corporate culture yielding governance complications. On the negative influence of inadequate cultural blending, most of the interviewees indicated clarity of vision as the main bottleneck. The implications of the above outcome are that; managing across culture presents a major drawback in the implementation of strategic alliance among the two airlines

An inquiry was made into the impact of the absence of clear performance metrics on the successful implementation of the strategic alliance between Kenya airways and the KLM the Royal Dutch. Most of the interviewees postulated that the differences in performance measures also makes it difficult to identify when the alliance is not meeting partner expectations thus helping the members decide whether to dissolve or re- evaluate the whole alliance. According to the interviewees, instances of lack of shared performance measures has made it difficult for the airlines to identify weakness in the alliance and therefore fail to put an extra effort to turn them around so as to achieve the set objectives. The respondents unanimously agreed on the fact that the alliance performance measure has been outlined from the onset, but sometimes not agreed on clearly by both airlines, making the alliance work prove difficult.

An inquiry was made into the extent to which lack of coordinated commitment has hampered the successful implementation of strategic alliance between the two airlines. Most of the respondents indicated that lack of coordinated commitment has derailed the process of implementing the strategic alliance between Kenya airways and the Royal Dutch Airline. The respondents concurred that; lack of a coordinated commitment has made it difficult for the partners to conduct positive cost-benefit analysis. The findings above clearly point to inadequate knowledge management in the alliance between the two airlines. Towards this end, the management function has failed to factor the self-interest of the partners while maintaining a seamless collaboration. The findings above are in tandem with Brouthers et al. (2015) proposes the establishment of an information gate keeper to safeguard proprietary knowledge in an alliance. They further acknowledge that face-to face interactions are necessary if partners must share critical technical knowledge.

The study sought to examine the extent to which lack of Strategic fit has hampered the implementation of strategic alliance between Kenya airways and the Royal Dutch Airline. According to the study outcome, most of the respondents cited lack of clarity in: alliance strategy; goals and objectives; mistrust and inadequate launch planning and execution as the main obstacles associated with lack of strategic fit that have negatively affected successful implementation of strategic alliance between Kenya airways and the Royal Dutch.

The findings above imply that Kenya airways lacks sound partnering protocols which could have aided strategic decision making in the alliance management. The findings above are thus indicative of a strategic mismatch between Kenya Airways and KLM Royal Dutch airline. Another key implication of the findings above is the absence of a harmonized risk management structure in the alliance. The findings above are a pointer that alliance value assessment structures have not been established to ascertain partner value. The findings us complement Narula (2013) who in his study established that collaborative agreements are vital ingredients in enhancing quality decision making in a strategic alliance.

4.5 Discussion

The study established that the implementation of strategic alliance between Kenya airways and the Royal Dutch Airline has faced challenges over the recent past. The study revealed that lack of partner congruence has negatively impacted the implementation of strategic alliance between the two airlines. Consequently, the lack of partner congruence has made it difficult for the airlines to align their individual corporate strategies to the overall alliance strategy. The findings thus corroborate Kavale (2007) who lays emphasis on clarity of strategy including goals and approaches to making them feasible in a strategic alliance for long-term competitiveness. On blending of corporate culture, the study indicated that poor corporate culture blending has presented challenges in strategic implementation process between the two airlines. The findings are in line with Orodho (2003) who posits that; the development of an amalgamated corporate culture centered on a shared vision between partners in an alliance needs to be developed.

Lack of clear performance measures has affected the successful implementation of strategic alliances between the airlines over the recent past. The study therefore compliments Strickland and Gamble (2007) who postulates that; performance risks are part of the uncertainties in today's business environment to the extent that an alliance may fail, even with partner's full commitment due to lack of clear performance measures. According to the study, lack of coordinated commitment has hampered the successful implementation of strategic alliance between the Kenya Airways and the Royal Dutch Airline. The findings are in tandem with Bengtsson & Kock (2000) who posits that; the absence of coordinated commitment can drastically derail the process of implementing a strategic alliance.

On how strategic fit has hampered the implementation of the alliance, the study revealed that lack of clarity in: alliance strategy; goals and objectives; mistrust and inadequate launch planning and execution as the main obstacles. The findings thus concur with Wiklund and Shepherd (2009) who argues that often, firms enter into alliances to counter industry competition or to correct internal weakness. According to them, this opportunistic approach to formation of alliances can lead to lack of grasp of the basic partnership strategy. Mutual agreement on the purpose of the alliance is important in providing institutionalized direction, whether for single or multiple alliances.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study aimed at establishing the key challenges facing the implementation of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline. The summary of the findings, conclusions and recommendations of the study conducted are covered in this chapter. The analysis of data on firm profiling reveals that most of the interviewees came from Strategic Planning and Operations departments of the respective airlines. Hence, the data was collected from individuals with substantial knowledge on the successes and or failures in the implementation of the strategic alliance between the two airliners.

Another key focus of the study on firm profiling was on the working experience of the key respondents with the preliminary findings indicating that most of the respondents had substantial experience having worked for over ten years. The second part of the study outlines the key drivers of strategic alliance between the two airliners with cooperation agreement to gather strategic data, jointly carry out tasks through a collaborative approach cited as the key alliance drivers. The study also singled out innovation with regards to product development as another key driver of strategic alliance between the airlines.

The final part of the study aimed at examining the various obstacles to the successful implementation of strategic alliance between Kenya Airways and KLM Royal Dutch. The study identifies lack of partner congruence, lack of clear performance measures, absence of coordinated commitment, and lack of strategic fit as the main challenges facing the successful implementation of the strategic alliance between the two airliners. Besides, lack of strategic alliance management knowledge is equally challenging.

5.2 Summary

The outcome of the study revealed that implementation of the strategic alliance between Kenya Airways and the Royal Dutch Airline has faced immense challenges over the years. According to the study, the need to: collaborate with the aim of gathering information; Cooperation agreement to jointly carry out tasks; Long term agreement relating to marketing; Technology alliances relating to product research & development are the main forms of strategic alliance practices adopted by the two airlines.

The result of this study demonstrates that the quest for technical and development collaboration; the need to enhance supply chain efficiency; acquire new competitive advantages, and the need to tap into the economies of production and marketing scalesaccess through joint marketing agreements as the key drivers of strategic alliance between Kenya airways and the Royal Dutch Airline. In the implementation of the strategic alliance between Kenya Airways and KLM Royal Dutch Airline, outcome of the analysis indicated that: lack of partner congruence; blending of corporate culture; lack of clear performance measures; absence of coordinated commitment; and lack of strategic fit are the main categories of challenges facing the successful implementation of the strategic alliance between Kenya airways and the Royal Dutch Airline.

5.3 Conclusion

The study concludes that though Kenya Airways entered into a strategic alliance with the Royal Dutch Airline in order to: collaborate on technology and for the development of new products; to acquire new competences; to enhance supply chain efficiency; and to gain economies of scale in production or as the key drivers of strategic alliance between Kenya Airways and the Royal Dutch Airline. The study further concludes that the strategic alliance between the two airlines has not been able to meet its initial goals and objectives due to a number of implementation challenges ranging from poor blending of corporate culture; lack of clear performance measures; absence of coordinated commitment to lack of strategic fit

Based on the data analyzed, the study concluded that poor corporate culture blending has been a major hindrance in the smooth implementation of the strategic alliance between Kenya Airways and the KLM Royal Dutch airline. Moreover, the study concludes that the performance measurement systems in place are lacking clear measures, posing a major problem in the management of the strategic alliance between the airliners. This according to the study has subjected the two airliners to systematic operational risks.

On commitment and strategic fit, the study concludes that the lack of coordinated commitment across all the functional teams has drastically hampered the implementation of the strategic alliance between the airlines. The study further reached a conclusion that the two firms lack a strategic fit leading to a situation where the alliance has failed to meet its goals and objectives. The problem is exacerbated by the fact that the lack of a strategic fit fosters mistrust and inadequate planning among the key teams managing the alliance.

5.4 Recommendations

Owing to the recent continuous poor performance of Kenya Airways, the study recommends that the airline creates an enabling environment for successful implementation of the strategic alliance. Kenya Airways needs to improve its governance mechanisms of the strategic alliance, the risks that come about from the joint relationship, and the complexity involved in knowledge transfer within the strategic partnership. This will enable the alliance partners to be able to adjust governance structures over the course of the partnership, in response to the changing characteristics of the partnership.

While defining the governance structure, Kenya Airways and her alliance partner should focus on strategic congruency and the establishment of milestones. Strategic congruency will allow for firm specific strategic planning among the partners to avoid divergent views and conflict. The fact that strategic implementation process has faced numerous obstacles among the two airlines underscores the need for other firms not only in the aviation sector but across other sectors to embrace best practice and dynamic capability approaches in the management of strategic alliances to enjoy the economies of scale of such ventures while mitigating the massive failure of strategic alliances.

Private and public policy makers should focus on the scope and functionality of a strategic alliance management framework specifically tailored to the aviation sector in Kenya with capabilities which can vary from basic general integration management practices to collaborative efforts. Towards this end, the government, donors and key agencies should formulate policies geared towards making local airlines competitive by providing training facilities and programs aimed at enhancing capacity development in strategic management.

5.5 Limitations of the Study

The study adopted a case study research design, thus methodologically limited to the extent the findings of the study may not be generalizable to the rest of the airlines in Kenya. Moreover, given that the researcher could not dictate the respondent's attitude to various items in the interview guide, implies it was impossible to pre-determine the quality of responses given in the field. It is however worth noting that irrespective of the shortcomings highlighted above, the validity of the findings of this remains intact.

A study that is this important should include a survey of sizeable number of airlines. Possibly the study could have adopted a census approach to cover all the airlines operating in Kenya. However, time and material resources did not make this possible and for this reason the study was confined to Kenya Airways and the Royal Dutch Airline. On the other hand, the researcher encountered respondents who were unwilling to be interviewed. This was because the information required in the study was sensitive making respondents fear victimization based on their responses. To counter these challenges, the study assured the key informants of confidentiality of their identity and the data collected from them.

5.6 Suggestions for further Research

Future research efforts should focus on the key success factors in the implementation of strategic alliances not only in the airline industry but across other sectors. The need for further research into this aspect of strategic management is further reiterated by the fact that dynamic strategic alliance management approach is a relatively new phenomenon in Kenya.

Confirmatory analysis studies will need to be carried out to further test the results of this study so as to establish and to confirm these findings. Further studies can be conducted to test and confirm these in different service firms so as to establish the validity and strength of the findings. The study can be replicated to cover all the airlines operating in Kenya to test the findings obtained.

Future studies on strategic implementation challenges should consider introducing other factors not covered in this study. Such factors may include fiscal and macroeconomic issues like interest rate and inflation. Further studies may also investigate the role of managing surplus resources in strategic alliances without affecting the corporate goals of the respective airlines.

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APPENDICES

Appendix I: Introduction Letter

Lorna M. Kasiti
School of Business,
University of Nairobi
P. O. Box 30197
NAIROBI
June 2016

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a postgraduate student of the University of Nairobi, School of Business, Nairobi campus. I am undertaking a research project in completion of my MBA program. You have been selected to give information on challenges of the implementation of Strategic alliance between Kenya Airways and the Royal Dutch airlines in Kenya. This is to kindly request you to assist me collect the data by filing out the accompanying questionnaire, which I will collect from you personally. The information provided will be used exclusively for academic purposes and will be treated with strict confidence. A copy of the final paper will be availed to you upon request.

Your co-operation will be highly appreciated.

Thank you in advance.
Yours faithfully,

Lorna M Kasiti
MBA STUDENT
SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI

Prof.Bolo Z.
SCHOOL OF BUSINESS
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI

Appendix II: Interview Guide

INSTRUCTIONS

Please provide the answers as correctly and honestly as possible.

SECTION 1: DEMOGRAPHIC INFORMATION

1) In which department/division do you work?

2) What is your position in the department/division?

3) How long have you worked with Kenya Airways / Royal Dutch Airline?

SECTION 2: STRATEGIC ALLIANCE BETWEEN KENYA AIRWAYS AND THE ROYAL DUTCH AIRLINES IN KENYA

4) Has your company entered into any strategic alliance with Royal Dutch Airline /Kenya Airways?

5) If your answer in 4 above is yes, what form of strategic alliance has your company entered into? Please explain

6) What was the driving force (s) behind the establishment of the strategic alliance (s) with Kenya Airways / Royal Dutch Airline? Please explain

7) In what is your company's general experience with the strategic alliance (s)? Please explain

SECTION 3: CHALLENGES OF THE IMPLEMENTATION OF STRATEGIC ALLIANCE BETWEEN KENYA AIRWAYS AND THE ROYAL DUTCH AIRLINES IN KENYA

8) In your opinion what are some of the challenges facing the implementation of strategic alliances in your company? Please explain

9) Does the lack of partner congruence hinder the implementation of strategic alliance (s) in your organization?

10) If your answer in question 9 above is Yes, explain how the lack of partner congruence has been an obstacle to the implementation of strategic alliance (s) in your organization

11) Another challenge facing the implementation of strategic alliances is poor partner evaluation. In your own opinion has the choice of a partner had any significant impact on the implementation and performance of the strategic alliance (s)? Please explain

12) Blending of the corporate culture is a major hindrance to the implementation of strategic alliances. Has the absence of a shared corporate culture had any impact on the implementation of strategic alliance (s) in your organization? Please explain

13) Wrong strategies, mistrust, incompatible partners, inequitable or unrealistic deals, weak management, inadequate launch planning and execution are some key challenges encountered at the start of strategic alliances implementation. Has your company experienced any of these challenges in the implementation of strategic alliance (s)? Please explain

14) Has the absence of coordinated commitment drastically derailed the process of implementing a strategic alliance (s) in your company? If so, explain how lack of coordinated commitment has hindered the implementation of strategic alliance (s) in your company

15) Lack of clarity in alliance strategy, goals and objectives is a great challenge in strategic alliances, and often leads to failure. Have any of these issues faced the implementation of strategic alliance (s) in your company? If your answer is Yes, Please explain

16) In your own opinion, has your company faced challenges arising from lack of collaborative experience and understanding in the implementation of strategic alliance (s) in your company? Please explain

17) Clear performance measures help the partners in an alliance identify weakness in the alliance and therefore put an extra effort to turn them around so as to achieve the set objectives. In your own opinion, do you think that lack of clear performance measures presents a major drawback in the implementation of strategic alliance (s) in your organization? If Yes, please explain

Appendix III: List of Airlines operating in Kenya

1. Air Arabia
2. Air Kenya Express
3. Air Morocco
4. British Airways
5. China Southern Airlines
6. Egypt Air
7. Emirates Airline
8. Etihad Airways
9. Ethiopian Airways
10. Fly 540
11. Jambojet
12. Kenya Airways Ltd
13. KLM Royal Dutch Airline
14. Lufthansa Airline
15. Precision Air
16. Rwanda Air
17. South African Airways
18. Safari link
19. Saudi Arabia Airlines
20. Qatar Airways

Source: ICAO (2018).

Appendix IV: Plagiarism Report

CHALLENGES OF THE IMPLEMENTATION OF STRATEGIC ALLIANCE BETWEEN KENYA AIRWAYS AND THE ROYAL DUTCH AIRLINES IN KENYA

ORIGINALITY REPORT

Approved

12%	6%	3%	7%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

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