COMPETITIVE STRATEGIES ADOPTED BY SMALL AIRLINES IN EAST AFRICA

BY

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MARCH, 2009

DECLARATION

DECLARATION BY THE CANDIDATE

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DECLARATION BY SUPERVISOR

This research project proposal has been submitted for examination with my approval as the UNIVERSITY OF NAIROBI Supervisor.

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UNIVERSITY OF NAIROBI

DEDICATION

This work is dedicated to the very special people in my life; my wife Carol and our girls Cindy and Celine. Your commitment to success has encouraged me to move on even in otherwise impossible situations.

ABSTRACT

An analysis of the airline industry today clearly shows that business growth and survival is mainly determined by size. Relatively big airlines dominate the international flights market with the few small airlines that have attempted to venture into the market performing decimally or closing business after just a few months in operation. In East Africa for instance, the market is dominated by Kenya Airways and quite a number of new entrants have been forced to either sell work under Kenya Airways or close shop. The only Airlines that have survived the East African competition and who seem to be succeeding include Precision Air and Rwanda Air Express.

This study sought to investigate the competitive strategies adopted by the small airlines in East Africa. A Cross sectional survey was undertaken due to the fact that we intended to describe the area of research and explain the collected data in order to investigate the differences and similarities with our frame of reference within a given period of time. The population of study was the small airlines in operation within the East African Region, whose number stood at 12 as at March 31st, 2008

Desk study was undertaken, in which a review of the relevant literature was carried out. Primary data was collected from the various airlines with the aid of a semi-structured undisguised questionnaire with both open ended and closed questions. Personal interviews were also conducted with 5 of the respondents selected at random, aided by an interview schedule. For purposes of the study, the data was analyzed by employing descriptive statistics such as percentages, frequencies and tables. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Competitive Strategy

The business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yester-years strategies irrelevant. Top management and decision makers of firms must constantly think strategically about the future of their organizations. The environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weakness to be overcome (Pearce and Robinson, 2002).

In general, we can say the changing global context has been characterized by three key trends: globalization, increasing inequality and insecurity; complex political emergencies; and continuous call for international co-operation to address these changes, especially by reforming global institutions (Edwards et al 2000). Jocye (2000) asserts that organization's micro environment consists of nonspecific aspects in the organization's surroundings that have the potential to affect the organization's strategies. When compared to a firm's task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment. Macro environmental variables include political-legal, economic, socio-cultural, and technological. A firm considers these variables as part of its environmental scanning to better understand the threats and opportunities created by the variables and how strategic plans need to be adjusted so the firm can obtain and retain competitive advantage.

Porter (1985) argues that strategy is about seeking competitive edge over rivals while slowing the erosions of present advantages. Very few advantages can be sustained indefinitely as time eventually renders them obsolete. Business strategies underlie decisions about business policies, operations, practices and technology investments among others. The essence of formulating competitive strategy is relating a company to its environment. The industry structure of the industry within which the company operates has a strong influence in determining the competitive rules of the game as well as strategies potentially available to the firm.

Among the positive outcomes of an effective competitive strategy are increase in market share and profitability. Other measures of effectiveness such as customer satisfaction and loyalty are increasingly used since they directly reflect customer responses to positional advantages and thus can be leading indicators of changes in market share and profitability.

Kotler (1998) defines competitive strategy as the bases on which a business unit might achieve competitive advantage in its market. Organizations achieve competitive advantage by providing their customers with what they want, better or more effectively than competitors, and in ways which their competitors find difficult to imitate. Porter, (1980) defines competitive strategy as being different. This means deliberately choosing to perform different activities better than competitors to deliver a unique value mix. He further observes that an effective competitive strategy takes offensive or defensive action in order to create a defendable position against the five competitive forces. According to him this broadly involves a number of possible approaches, i.e.: positioning the firm so that its capabilities provide the best defence against the existing array of competitor forces, influencing the balance of forces through strategic moves thereby improving the firms relative position; or anticipating shift in the factors underlying the forces and responding to them thereby exploiting change by choosing a strategy appropriate to the new competitive balance before rivals recognize it.

A company's competitive strategy therefore, consists of the business approaches and initiatives it undertakes to attract customers and meet their expectations, to withstand the competitive pressure and strengthen its market position. The competitive strategies provide a framework for the firm to respond to various changes within its operating environment. Firms also develop competitive strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1980). The competitive aim is to do a significantly better job of providing what customers are looking for thereby enabling the company to earn a competitive edge over rivals in the market. The core of a company's competitive strategy consists of its internal initiatives to deliver superior value to customers. But it also include offensive and defensive moves to counter the manoeuvring of rivals; actions to shift resources around to improve the firm's long-term competitive capabilities and market position, and tactical efforts to whatever conditions prevailing at the moment.

1.1.2 Overview of the East African Small Airline Industry

An industry is defined as a group of firms that offer products that are close substitutes of each other to a market (Porter, 1980; Kotler, 1998). The small airlines industry in East Africa is generally composed of airlines that operate within the East African region, have a schedule of less than 10 frequencies a day and a capacity of between 30 and 100 seat carriers. Majority of these airlines are also privately owned either by individuals or small holding companies, (Pit and Brown, 2001).

Unsustainable growth has occurred in the East African airline industry marked by a cycle of the entry of new players, the collapse of some players and the emergence of others. High capital costs have contributed to high entry costs and have increased the market power of the incumbent airlines, impeding competition. This raises the issue of whether East Africa's airline market is really big enough to sustain competitive supply and whether a lightly regulated oligopoly is still appropriate. The commercialization and privatization of airlines in combination with the deregulation of the aviation market has introduced new possibilities for competition among airlines. The formation of the East African Community and pursuit of Open Skies policy within the region provides both an opportunity and a challenge to players in this region. This in turn has meant that there are increased opportunities for airlines to develop new strategies to gain competitive advantage and to remain competitive, (Pit and Brown, 2001).

The competing forces are found to be very different but cannot be considered entirely separately because of the interdependence of airline and passenger demand. The non-aeronautical product for the passengers is found to be the easiest to influence but even apparently fixed features of the airline product, such as location, can be affected by efforts to extend the catchments area. This project provides a broad overview of the strategies which airlines have adopted to gain competitive advantage, (Vienna Airline 2004). It does this by firstly undertaking a competitive analysis of the industry and assessing the extent of influence which an airline operator has over the factors which affect an airline's competitiveness. The relevance of these factors are then examined within the context of the different strategies which airlines haven chosen to adopt, and the directions and methods which the airlines have chosen to pursue these strategies. The project concludes by considering the case of small airlines and the choices of strategic direction which are available to address the needs of these types of airlines.

1.2 Statement of the Problem

Porter (1980, 1985) argues that superior performance can be achieved in a competitive industry through the pursuit of competitive strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 1980). Day and Wyckoff (1992) argue that competitive methods consist of skills and resources that are available for use by firms in a competitive industry. They define superior skills in terms of staff capability, systems, or marketing savvy not possessed by a competitor. Bharadwaj *et al.* (1993) suggest that a competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit, and normally requires the transformation of multiple competitive methods.

An analysis of the airline industry today clearly shows that business growth and survival is mainly determined by size. Relatively big airlines dominate the international flights market with the few small airlines that have attempted to venture into the market performing decimally or closing business after just a few months in operation, (Starkie, 2002). In East Africa for instance, the market is dominated by Kenya Airways and quite a number of new entrants have been forced to either sell work under Kenya Airways or close shop. The only Airlines that have survived the East African competition and who seem to be succeeding include Precision Air and Rwanda Air Express. They both owe their very existence to Kenya Air ways currently controlling 49% of Precision Air and operating Rwanda Air Express on a complete code-share basis. One observing this market then would be left to wonder whatever strategies a new entrant would require to penetrate this market other than selling out to the main players, (Pit and Brown, 2001).

The following airlines have closed down business in the past decade: - Uganda Airlines; East African; VIA; Africa One; and Air Tanzania. If the situation is left unchecked, the future of the airline industry remains precarious, (Vienna Airline 2004). The trend is worrying as fewer airlines are being left to cater for the aviation services needs of the populace. There is also insufficient statistics and empirical data on the competitive strategies adopted by small airlines in the turbulent business environment in Kenya and this could have resulted to many of them folding up or merging with others.

There has been no specific study to address the competitive strategies adopted by small airlines since past studies have concentrated on the generic strategies and the performance of the general airline industry. For instance, research on generic strategies has identified a tenuous link between an organization's attention to one of the Porter's (1980) generic strategy types and performance. Some studies have found support for a single-strategy performance benefit (Hewlett, 1999; Dess and Davis, 1984; Calingo, 1989). Other research has shown that it is possible to pursue a strategy that includes both cost and product differentiation (Miller and Dess, 1993; Kim and Lim, 1988) although a performance benefit is not always evident. In a service industry, Kumar *et al.* (1997) found that hospitals follow five generic strategy groups and concluded that a focused cost leadership strategy is the best route to superior performance.

By studying the strategies used by a few small airlines that seem to succeed in this rather hostile market, this research sought to unearth the winning strategies that an airline would use to succeed in East Africa. The findings of this study will therefore attempt to fill the existing information gap. This study will be of value to new airlines that intend to venture into the East

African air transportation market. It will also be of value to governments intending to support their national carriers and to the big airlines intending to protect their markets from competition. The study was thus aimed at filling the existing gap by answering the following questions:

i. What are the strategies that have been adopted by small airlines to gain competitive advantage in the airline industry in East Africa?

ii. What are the challenges faced by the airlines in gaining competitive advantage in the airline industry in East Africa?

iii. What are the challenges of applying competitive strategies?

1.3 Objectives of the Study

The following were the objectives of the study:-

i. To determine the strategies adopted by small airlines to gain competitive advantage in the airline industry in East Africa

ii. To establish the challenges faced by the airlines in gaining competitive advantage in the airline industry in East Africa

1.4 Importance of the Study

The study sort to shed light on the decisions the different managements of the airlines in East Africa take to shape the objectives and strategies of their organizations based on an understanding of the implications of the changes in the environment. Ideas and issues were raised in the hope that the institutional stakeholders and persons directly responding to the environmental changes would continue the discussion. It did not presume to offer a prescription for the ideal responses that ought to be adopted by the small airlines in East Africa.

Specifically, the findings of this study, it is hoped, will be beneficial to the following: -

1. The Researcher - the researcher will gain useful skill and experience that will aid in carrying out future researches.

2. The stakeholders who include the small airlines will gain an understanding of the challenges emanating from changes in the environment and possible strategic responses to remain competitive. It is further hoped that they will find the findings useful to their planning processes and adoption to the emerging customer preferences in the wake of the changes. The study also seeks to highlight critical areas that would require urgent attention and make appropriate recommendations.

3. Scholars - the research will assist any scholars who might have an interest in developing the findings further or as a source of reference.

4. The Governments of East Africa - the three Governments will find the research useful, as it will shed some light on the possible interventions that the Civil Aviations can employ to ensure that corrective measures are put in place in time. The three Governments may, on basis of these findings, make an informed decision when allocating resources with a view to leveling the ground in the airline industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Competitive Strategies

Porter (1996) argues that competitive strategy is "about being different." He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value." In short, Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. In his earlier book, Porter defines competitive strategy as "a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there." Thus, Porter seems to embrace strategy as both plan and position.

Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition. Aaker (1992) asserts that given the current focus in business, there is need to understand competitor strengths in the market and then position one's own offerings to take advantage of weaknesses and avoid head on clashes against strengths. Mintzberg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time.

This pattern in decisions and actions defines what Mintzberg called "realized" or emergent strategy. Mintzberg's typology has support in the earlier writings of others concerned with strategy in the business world, most notably, Kenneth Andrews. Adler (1995) defines corporate strategy as the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers, and communities (pp.18-19).

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus. These strategies are further discussed in chapter two.

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980). Porter (1985) asserts that there are three basic businesses strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Cross, 1999; Dess and Miller, 1993; Johnson and Scholes, 1993; Fuerer and Chaharbaghi, 1997; Hlavacka et al., 2001). Whatever strategy a business chooses, it must fit with the company and its goals and objectives to gain a competitive advantage (Kippenberger, 1996; Surowiecki, 1999; Ross, 1999).

Porter purports companies must be competitive to become an industry leader (Murdoch, 1999; Suutari, 1999), to be successful both nationally and abroad (Niemira, 2000; Davidson, 2001; Anon, 1998), and these strategies for gaining competitive advantage apply to all industries in most nations (Brooks, 1993; Median and Chin, 1995; Green et al., 1993; Liff et al., 1993; Campbell-Hunt, 2000).

2.2 Porters Generic Competitive Strategies

2.2.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors.

When a firm designs, produces and markets a product more efficiently than competitors such firm has implemented a cost leadership strategy (Allen et al. 2006). Cost reduction strategies across the activity cost chain will represent low cost leadership (Tehrani 2003, Beheshti 2004). Attempts to reduce costs will spread through the whole business process from manufacturing to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base (Akan et al. 2006). Low costs will permit a firm to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share (Porter 1980; Porter 1979; 1987; 1986, Bauer and Colgan 2001; Hyatt 2001; Anon 1988; Davidson 2001; Cross 1999). These writings explain that cost efficiency gained in the whole process will enable a firm to mark up a price lower than competition which ultimately results in high sales since competition could not match such a low cost base. If the low cost base could be maintained for longer periods of time it will ensure consistent increase in market share and stable profits hence consequent in superior performance. However all writings direct us to the understanding that sustainability of the competitive advantage reached through low cost strategy will depend on the ability of a competitor to match or develop a lower cost base than the existing cost leader in the market.

A firm attempts to maintain a low cost base by controlling production costs, increasing their capacity utilization, controlling material supply or product distribution and minimizing other costs including R&D and advertising (Prajogo 2007). Mass production, mass distribution, economies of scale, technology, product design, learning curve benefit, work force dedicated for low cost production, reduced sales force, less spending on marketing will further help a firm to maintain a low cost base (Tuminello, (2002). Decision makers in a cost leadership firm will be compelled to closely scrutinize the cost efficiency of the processes of the firm. Maintaining the low cost base will become the primary determinant of the cost leadership strategy. For low cost leadership to be effective a firm should have a large market share (Richardson & Dennis, 2003, Hyatt 2001 cited by Allen and Helms 2006). New entrants or firms with a smaller market share may not benefit from such strategy since mass production, mass distribution and economies of scale will not make an impact on such firms. Low cost leadership becomes a viable strategy only for larger firms. Market leaders may strengthen their positioning by advantages attained through scale and experience in a low cost leadership strategy. But is their any superiority in low cost strategy than other strategic typologies? Can a firm that adopts a low cost strategy out perform another firm with a different competitive strategy? If firms costs are low enough it may be profitable even in a highly competitive scenario hence it becomes a defensive mechanism against competitors (Kim et al. 2004). Further they mention that such low cost may act as entry barriers since new entrants require huge capital to produce goods or services at the same or lesser price than a cost leader. As discussed in the academic frame work of competitive advantage raising barriers for competition will consequent in sustainable competitive advantage and in consolidation with the above writings we may establish the fact that low cost competitive strategy may generate a sustainable competitive advantage.

Further in consideration of factors mentioned above that facilitate a firm in maintaining a low cost base; some factors such as technology which may be developed through innovation (mentioned as creative accumulation in Schumpeterian innovation) and some may even be resources developed by a firm such as long term healthy relationships build with distributors to maintain cost effective distribution channels or supply chains (inimitable, unique, valuable non transferable resource mentioned in RBV). Similarly economies of scale may be an ultimate result of a commitment made by a firm such as capital investments for expansions (as discussed in the commitment approach). Also raising barriers for competition by virtue of the low cost base that enables the low prices will result in strong strategic positioning in the market (discussed in the IO structural approach). These significant strengths align with the four perspectives of sustainable competitive advantage mentioned in the early parts of this literature review. Low cost leadership could be considered as a competitive strategy that will create a sustainable competitive advantage.

However, low cost leadership is attached to a disadvantage which is less customer loyalty (Yakhlef, 2001, Cross 1999). Relatively low prices will result in creating a negative attitude towards the quality of the product in the mindset of the customers (Pennathur, 2001). Customer's impression regarding such products will enhance the tendency to shift towards a product which might be higher in price but projects an image of quality.

2.2.2 Differentiation Strategy

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. The firm pursuing differentiation seeks to be unique in its industry along some dimension that is valued by customers, which means investing in product R&D and marketing (Porter, 1980).

It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation (Porter, 1980).

Differentiation is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. This specialty can be associated with design, brand image, technology, features, dealers, network, or customers' service. Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers' loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully. Examples of the successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Apple Computer, and Mercedes-Benz automobiles. Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in market share. This may or may not be true.

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm (Pennathur, 2001)

Successful differentiation is based on a study of buyers' needs and behavior in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products.

Competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to charge a premium price for its product, benefit from more sales as more buyers choosing the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes. Kotler (2001) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

2.2.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

2.3 Ansoff Competitive Strategies

The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy. These are described below:

2.3.1 Market Penetration

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets.

Market penetration seeks to achieve four main objectives: Maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling; Secure dominance of growth markets and Restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors. It also increase usage by existing customers, for example by introducing loyalty schemes A market penetration marketing strategy is very much about “business as usual”. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

2.3.2 Market Development

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets.

There are many possible ways of approaching this strategy, including: New geographical markets; for example exporting the product to a new country, new product dimensions or packaging, new distribution channels and different pricing policies to attract different customers or create new market segments

2.3.3 Product Development

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets.

2.3.4 Diversification

Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks.

2.4 Challenges Affecting Application of Competitive Strategies

2.4.1 Supportive Application Instruments

To facilitate the application in general application instruments should be applied to support the processes adequately. Two application instruments are the balanced scorecard and supportive software solutions (Quittner, 2005). The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategy application instrument, there is an excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the application process. It is a comprehensive management system, which can support the steering of the application process.

A competitive strategizing system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the competitive strategizing and meets the requirements that the competitive strategizing system itself can display (Quittner, 2005).

In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most importantly provide an early warning of any need to adjust or reformulate the strategy (Quittner, 2005).

Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company’s day-to-day business. The strategy application perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the application process should be in the center of interest (Quittner, 2005).

In the past, these activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes. The supportive application of adequate software solutions can be more than helpful to improve the quality of strategy application. In addition to that, a software solution is a starting point to define as mentioned above clear assignments of responsibilities throughout the organization’s application processes (Quittner, 2005).

2.4.2 Management and Leadership

Strategic decisions create a wave of sub-decisions that must be successfully implemented (Mintzberg et al., 1979). Typically, the manager-leader (middle managers and supervisors) is held accountable for the application of these sub-decisions. Sub-decision application is defined as a sequence of tasks carefully executed so that a favourable business outcome can be achieved in the medium to short term. It is clear that the particulars of such application vary widely from decision to decision, but virtually all decisions require efficient application to be successful (Nayyar, 1993). Or in other words, a brilliant decision can prove worthless without its efficient application. Even the best decisions fail to be implemented due to the inadequate supervision of subordinates, among other reasons. Kenny *et al* (2001) emphasize that those who implement decisions to the best of their ability are usually those who have made them. The leadership expounded here has a bearing on the leadership.

The process defines the steps to take to formulate what will hopefully be the optimal strategy or solution results in the plan or solution that is to be implemented. To prevent these problems from occurring and maintain overall financial health in these economically difficult times, organisations must establish a sound, tightly controlled leadership process. Clearly, no single system is suitable for all banks. Each organisation must tailor its own in light of its objectives and the economic environment it faces.

Basically, leadership should consist of a recurring three-phase approach: planning, measurement and control, and interpretation, with total process no stronger than its weakest element. All levels of management should participate in each phase, and be totally committed to achieving the planned results. A Firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats. To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost or differentiation.

It is critical that leadership follow these steps because the information gathered and decisions made in these phases are the foundation for strategy creation and selection. The statement of the organization's ultimate goal provides the direction to which the strategies should ultimately lead. The critical issues list serves as the specific focus and framework for the activities of the organization and the pattern of these activities (developing and selecting the strategies). External market data and program evaluation results provide critical data to support strategy development. The way in which the strategy is implemented can have a significant impact on whether it will be successful. In most cases the people who implement the strategy are different from those who formulated it. For this reason, care must be taken to communicate the strategy and the reasoning behind it. Otherwise, the application might not succeed if the strategy is misunderstood or if lower-level managers resist its application because they do not understand why the particular strategy was selected.

2.4.3 Political Factors

The government, as an important institution, provides public goods and services and designs the rules and regulations of the society that allow markets to flourish. It also puts in place the necessary policies that will facilitate the efficient distribution and allocation of resources to enhance the welfare of the people. The government also provides important institutional infrastructure, such as laws that protect property rights, as well as maintaining public order, without which long term investment and sustainable socio-economic development are impossible.

The government promotes economic development through a number of channels. The government can undertake large-scale investment such as investment in industry and infrastructure projects that are beyond the scope of the private sector. The government also provides social goods such as education, public health, etc., and thus raises the stock of human capital and its productivity in the long run. Because of this, developing countries, including many African countries, have until recently opted for a strategy of expanded public sector as the main development strategy. This state-dominated policy has increased the role of the public sector in the economic life of developing countries and thereby increased the share of their government expenditure in GDP from about 15 percent in 1960 to about 28 percent in 1990 (World Bank, 1997).

The government, through its expenditure policies, plays a crucial role, not only in mobilizing and allocating resources, but also redistributing the costs and revenues raised both at home and abroad among different economic sectors and households of a society. Generally, the government has different options for spending the revenue raised at home and abroad. It can use those public resources for any of the following expenditures: productive capital investment which generates future income; socio-economic services such as public health, education; or Non-productive forms of government consumption such as the military, police, etc.

The issue of whether resources are channeled into productive or non-productive forms of government consumption has important policy implications because the economic development of a country partly depends on how the scarce resources are allocated and utilized among different economic sectors. Therefore, much controversy surrounds the basic nature of the relationship between public expenditure and economic development. Some scholars argue that non-productive government expenditures drain the meager resources of African countries and thereby hamper economic development (Landau, 1986). For instance, available data show that in the 1960s income per capita in Africa and in most East Asian countries was at the same level. However, by the mid-1990s, the income levels in East Asian countries increased to more than five times that of African countries (World Bank, 1997). A number of scholars and policymakers attribute this divergence partially to the growing non-productive public consumption and the weak institutional capability of African countries to design and implement effective and pragmatic development policies. A successful development policy, *inter alia*, requires a committed government with strong visionary leadership. It also requires effective legislation and its enforcement. The lack of effective institutions in Africa and the state's inability to enforce existing laws and rules often leads to corruption and mismanagement, thereby increasing the cost of conducting business in Africa.

Therefore, it is crucial to improve the planning and application capacity of the government by enhancing the capability of public institutions to design effective policies and rules that check arbitrary state actions and combat rampant corruption (World Bank, 1997). This is crucial because to the "degree that individuals believe in the rules, contracts, property rights, etc., of a society, they will be willing to forgo opportunities to cheat, steal or engage in opportunistic behaviour" (Zineldin & Bredenlöw 2001). This, of course, is possible where there is what Werlin (2000) refers to as primary corruption where people fear official punishment and popular condemnation. However, where there is what Werlin (2000) calls secondary (chronic, rampant and uncontrollable) corruption, as in the case of Nigeria and Kenya, individuals will not fear punishment or reprisal because they are rarely punished for corruption. In this case, punitive measures may not be effective, and therefore a radical and fundamental political reform becomes necessary. Otherwise, secondary corruption will weaken government institutions, including the judicial system, and undermine the legitimacy of the whole political system (Werlin, 2000).

2.4.4 Organization Structure for Process Coordination

Undeniably coordination is critical to the performance of any firm. The specialist application skills possessed by a mid-level marketing manager as an individual do not fully contribute to the organizational skills base, unless these individuals can coordinate their efforts. The challenge for any manager is how to coordinate the efforts of talented employees within a limited time frame and to ensure that the aims and mission of the intended marketing strategy is clearly understood. Firms can aid this process through rules, directives and routines (Jarach, 2002). Coordination deals with only the technical problem of integrating the actions of mid-level marketing managers within firms. Cooperation, however, concerns the building mechanisms that link individuals in ways that permit them to perform given tasks, such as implement the marketing strategy effectively.

Daft and Mackintosh (1984) explore the role of formal control systems in gaining cooperation in marketing strategy application. Jaworski *et al.* (1993) showed a strong correlation between the type of control and coordination system in use and firm performance, implying that the nature of the control system in an application effort is a critical decision. Despite the negative connotations associated with hierarchical and top-down approaches to marketing management, it is argued that such structures are essential for creating a conducive marketing strategy application environment (Dennis, 2004) that facilitates coordination and cooperation.

In this way, we argue that for competitive strategies to be implemented efficiently by mid-level marketing managers the firm must display a degree of hierarchical style and bureaucratic structure. Power should be located at the apex of the hierarchy and delegated downward, while the achievement of coordination and cooperation remain paramount (Wooldridge and Floyd, 1990). Senior marketing executives should seek to direct, communicate with, and involve, mid-level marketing managers to win their support, a feeling of ownership for the marketing strategy and their compliance with the roles set for them, (Whitney and Smith, 1983). Indeed, some authors have emphasised the importance of mid-level marketing managers' perceptions that senior management is doing all it can to facilitate the marketing strategy application process (Balogun, 2003; Huy, 2001; Floyd and Wooldridge, 1997). Furthermore, the strategic consensus literature provides a broad range of views of the value of a collective mind set during application efforts (Ambrosini and Bowman, 2003; Dooley *et al.*, 2000) contends that firms must achieve consensus and cooperation within the firm in order to gain compliance from managers to successfully implement competitive strategies. The benefit of a shared understanding and the perception that the marketing strategy is being coordinated by senior marketing executives effectively is a development of a commitment among managers and a reduction of uncertainty in the firm as a whole (Noble, 1999). Shared understanding of the strategy and a degree of direction from senior management should, in turn, improve strategic performance and the overall efficiency of the application effort.

Moreover, for high levels of coordination and cooperation, how similar senior marketing executives ideas are with that of the ideas of mid-level marketing managers in terms of the marketing strategy in question has been recognized as key in the creation of an atmosphere conducive to effective marketing strategy application (Noble and Mokwa, 1999). The importance of “championing” has been discussed in a wide range of literature (Marginson, 2002; Noble and Mokwa, 1999) explain that champions serve many purposes, including mobilizing firm resources, generating momentum for the marketing strategy and making sure that the goals of the marketing strategy are clear to all those charged with application duties. Also, a charismatic and powerful champion, or senior marketing executive, is likely to instil a higher level of commitment among lower level employees towards the marketing strategy (Noble, 1999). Furthermore, securing the support of the senior marketing executive team is often essential in marketing strategy application (Floyd and Wooldridge, 2000; Jiang *et al.*, 1996; Whitney and Smith, 1983) and some authors have emphasized the importance of mid-level marketing managers' perceptions that senior management is doing all it can to facilitate the application process (Balogun and Johnson, 2004; Thomas and Dunkerley, 1999).

2.4.5 Involvement of Valuable Knowledge

Competitive strategy application is not a top-down-approach. Consequently, the success of any application effort depends on the level of involvement of middle managers. To generate the required acceptance for the application as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).

Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth targeted and accepted strategy application process increases substantially. Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategy application.

To involve employees is an important milestone to make strategy everyone's everyday job. That is why the involvement of middle managers is essential to increase the general awareness of the strategy. Moreover, involvement of middle managers helps build consensus for implantation of competitive strategies. A lack in strategic consensus can limit a company's ability to concentrate its efforts on achieving a unified set of goals.

2.5 Summary of Literature Review

This chapter discussed the past studies on competitive strategy where it was defined as deliberately choosing a different set of activities to deliver a unique mix of value. Effective strategy may enable a business to influence the environment in its favour and even defend itself against competition where a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. Porter (1980) purports companies must be competitive to become an industry leader through the use of the generic competitive strategies which are the cost leadership strategy, differentiation strategy as well as the focus strategy.

Cost leadership strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. Attempts to reduce costs will spread through the whole business process from manufacturing to the final stage of selling the product. Any processes that do not contribute towards minimization of cost base should be outsourced to other organizations with the view of maintaining a low cost base. However, low cost leadership is attached to a disadvantage which is less customer loyalty.

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. It is the ability to sell its differentiated product at a price that exceeds what was spent to create it that allows the firm to outperform its rivals and earn above-average returns. Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

The use of Ansoff matrix is also critical to gain competitive strategies. The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy which include the market penetration; market development; product development as well as the diversification. On the challenges affecting the application of competitive strategies, supportive instruments are a major confront in this. Other challenges include the management and leadership, political factors, organization structure as well as knowledge and expertise. Moreover, adequacy of resources is vital for application of competitive strategies

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains a description of the study design, target population, data collection method and analysis.

3.2 Research Design

A cross sectional survey was undertaken due to the fact that we intended to describe the area of research and explain the collected data in order to investigate the differences and similarities with our frame of reference within a given period of time. This method was preferred as it permits gathering of data from the respondents in natural settings resulting in a description of the data, whether in words, pictures, charts, or tables.

3.3 Population of the Study

The population of study was the small airlines in operation within the East African Region, whose number stood at 12 as at March 31st, 2008, see appendix I (Kenya Civil Aviation, 2008). Owing to the small number of airlines, a census was undertaken.

3.4 Data Collection

The researcher used the primary sources as the major source of the data. A structured questionnaire was used to collect the primary data.

The data was collected from the various airlines with the aid of a semi-structured undisguised questionnaire with both open ended and closed questions. The closed questions had a five point Likert scale, along which the respondents were required to rank given factors. The respondents were expected to fill in the questionnaires without guidance from the researcher. A research assistant was hired by the researcher to administer the questionnaires to the respondents. Hand delivery method was used to administer the questionnaires to the sampled respondents. A letter of introduction and questionnaire were enclosed in an envelope and delivered to the respondents. In addition, the researcher made telephone calls to the respective respondents to further explain the purpose of the study and set a time-frame for the completion of the questionnaires. The questionnaires were pre-tested on ten randomly selected respondents to enhance effectiveness and hence data validity.

Personal interviews were conducted with five of the respondents selected at random, aided by an interview schedule. In this case, the researcher was able to obtain additional information to corroborate findings from the questionnaire. The target respondents were the chief executive officers in the small airlines.

3.5 Data Analysis and Presentation

The data was analyzed by employing descriptive statistics which included percentages, frequencies and tables. Statistical Package for Social Sciences (SPSS) was used as an aid in the analysis. The researcher preferred SPSS because of its ability to cover a wide range of the most common statistical and graphical data analysis and because it is very systematic. Computation of frequencies in tables, charts and bar graphs was used in data presentation. In addition, the researcher used standard deviations and mean scores to present information pertaining to the study objectives. The information was presented and discussed as per the objectives and research questions of the study.

The statistics used in the analysis include:

Mean: This was used in the Likert Scale analysis to interpret the extent to which a certain variable/factor is significant. The higher the mean, the more the significant a variable is and vice versa.

Standard Deviation: This gives the dispersal of agreement of the respondents towards a certain factor

Frequencies: This gives the rate of recurrence of the opinion given by the respondents in an unstandardized form

Percentage: This gives the rate of recurrence of the opinion given by the respondents in a standardized form

CHAPTER FOUR: DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses the data findings, analysis, interpretation and presentation. The research sought to investigate the competitive strategies adopted by small airlines in East Africa. All the 12 airlines operating in East Africa were considered for data collection where both a semi structured questionnaire and interview guide were used.

The chapter is divided into two sections, the first section discusses the findings from the questionnaire while the other section discusses findings from the interview guide. In addition, the questionnaire is divided into demographic information section and the general information section.

4.2 Findings from the Questionnaire

4.2.1 Demographic Information

Table 4.1: Gender

	Frequency	Percent
Male	8	66.7
Female	4	33.3
Total	**12**	**100.0**

Table 4.1 shows the gender of the respondent. According to the table, 66.7% of all the respondents were male while 33.3% were female. This implies that, majority of managers in airlines in East Africa are male. This is as illustrated by the bar chart below.

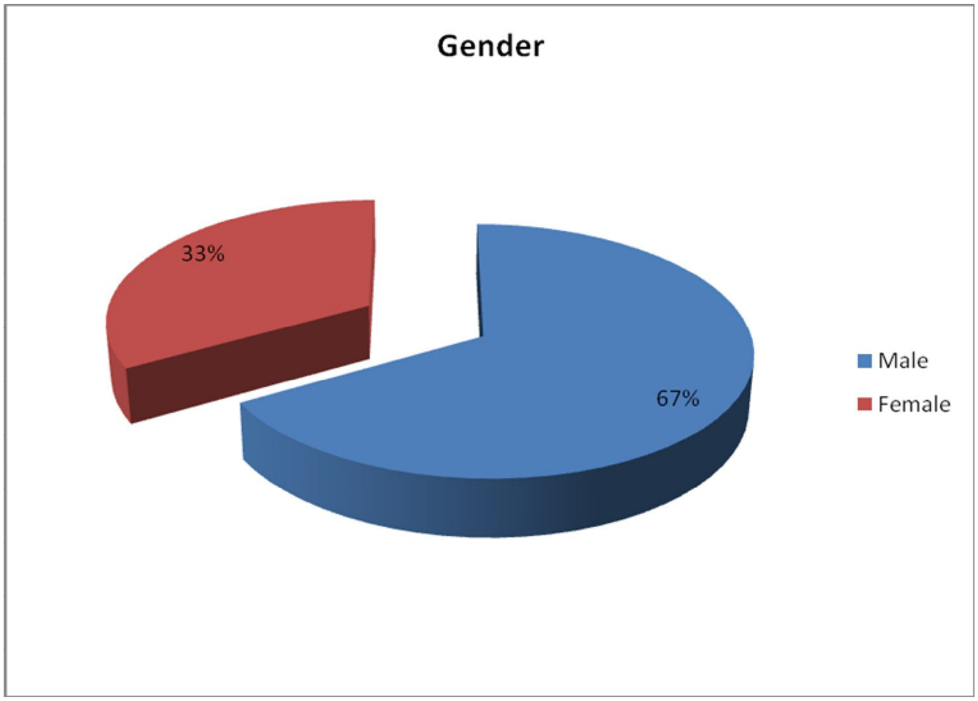
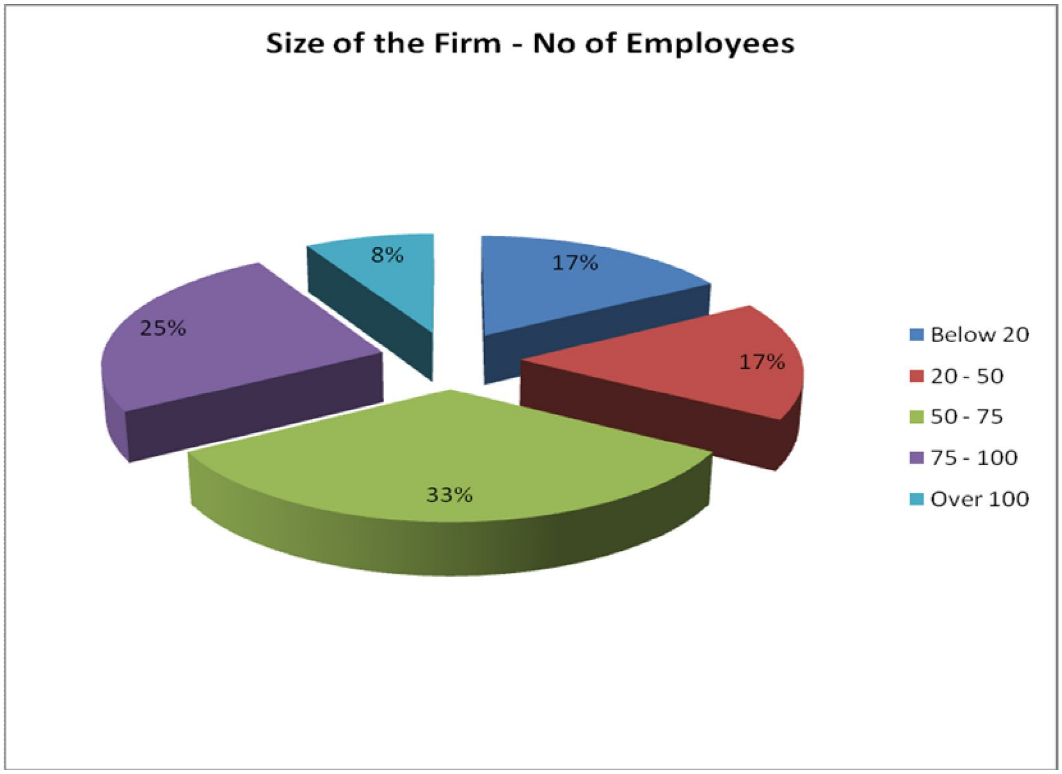


Table 4.2: Size of the Firm (No. of Employees)

	Frequency	Percent
Below 20	2	16.7
20 - 50	2	16.7
50 - 75	4	33.3
75 - 100	3	25.0
Over 100	1	8.3
Total	**12**	**100.0**

Table 4.2 illustrates the size of the firm with respect to the number of employees. According to the table, 33.3% of all the respondents said that their firms had between 50 and 75 employees while 25% said they had between 75 and 100 employees. Only 8.3% of the respondents' firms had over 100 employees. Others had below 50 employees. This is an indication that majority of the airline firms are middle sized companies. The pie chart below shows the same information.


Size of the Firm - No of Employees
8%
17%
25%
17%
33%
Below 20
20 - 50
50 - 75
75 - 100
Over 100

4.2.2 Findings from General Information

Table 4.3: Extent of Involvement in Making Competitive Strategies

	Not Involved	Less Involved	Fairly Involved	Highly Involved	Very Highly Involved	Mean	Std. Dev.
Board of directors	0	0	1	4	7	4.5	0.6
Chief executive officer	0	0	0	2	10	4.8	0.4
Senior management	0	0	2	4	6	4.3	0.7
All staff	2	4	4	2	0	2.5	1.0

From the table above, chief executive officer had a mean of 4.8 with a standard deviation of 0.4 while the board of directors had a mean of 4.5 with a standard deviation of 0.6. ‘All staff’ had a mean of only 2.5 with a standard deviation of 1.0. This implies that the board of directors and the chief executive officer are involved largely in the formulation of explanation plan strategies. A huge number of respondents also thought that senior management was also involved to a very great extent on the formulation of competitive strategies. Majority of the respondents also thought that other staffs were not involved in the formulation of competitive strategies. A few respondents were optimistic that in their daily routines the subordinate staffs were involved in the formulation of competitive strategies through advice to management even though that was to a very small extent. This is also illustrated by the bar graph below.

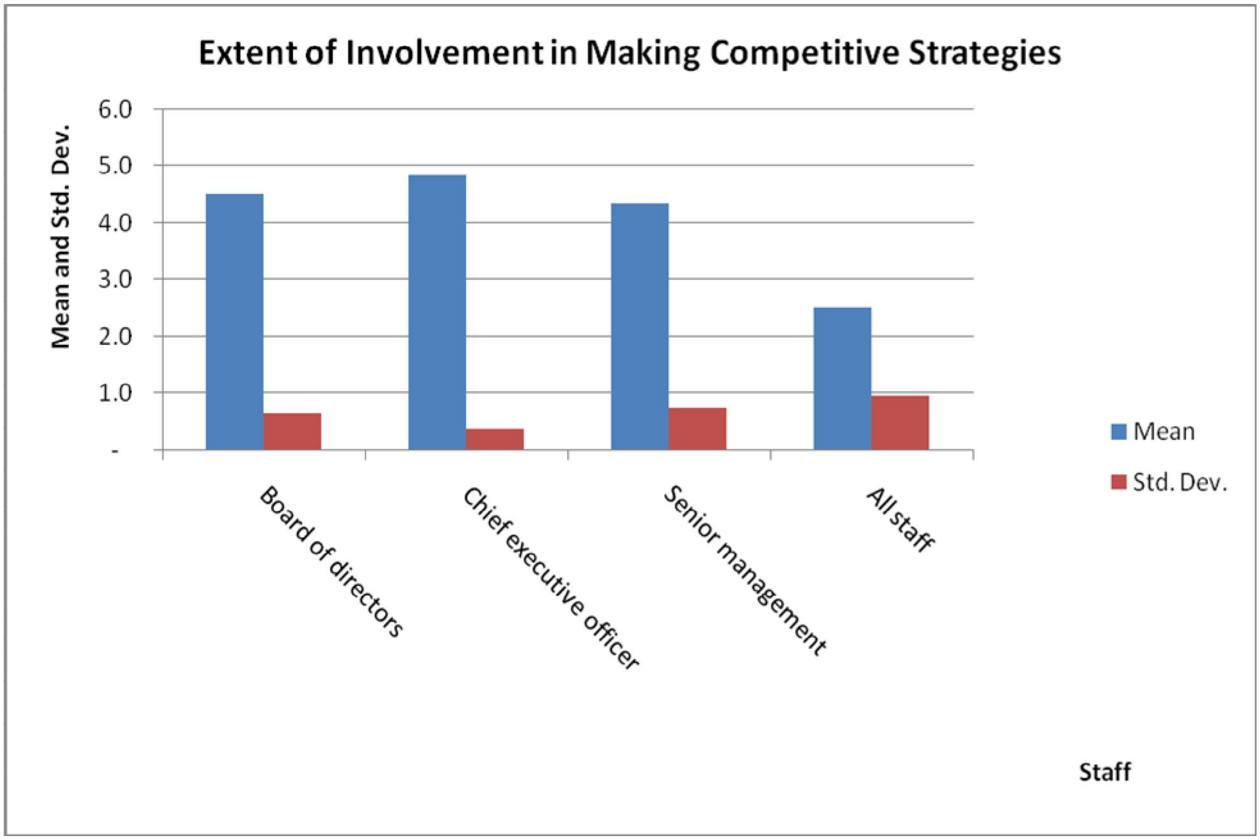

Extent of Involvement in Making Competitive Strategies
Mean and Std. Dev.
6.0
5.0
4.0
3.0
2.0
1.0
-
Board of directors
Chief executive officer
Senior management
All staff
Mean
Std. Dev.
Staff

Table 4.4: Objectives of Competitive Strategies

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Attract new customers	0	1	2	2	7	4.3	1.0
Retain existing customers	0	0	2	3	7	4.4	0.8
Increase market share	1	0	0	6	5	4.2	1.1
Protect market share	0	0	1	1	10	4.8	0.6
Improve profitability	0	1	4	1	6	4.0	1.1
Reduce costs	1	2	1	6	2	3.5	1.2
Differentiate your products	0	2	1	3	6	4.1	1.1
Achieve market leadership	1	1	0	5	5	4.0	1.2
Improve customer relations	0	1	3	3	5	4.0	1.0
Improve other relations	1	0	2	6	3	3.8	1.1

The table 4.4 above shows the extent to which various objectives were important to the respondents' airlines in coming up with the competitive strategies. According to the findings, protection of the existing market share had a mean of 4.8 with a standard deviation of 0.6 while retaining the existing customers had a mean of 4.4 with a standard deviation 0.8. On the other hand, reducing costs was an objective with a mean of 3.5 and a standard deviation of 1.2 while improving other relations had a mean of 3.8 with a standard deviation of 1.1. This implies that majority of the airlines develop competitive strategies to protect the existing market share. This is also shown by the bar graph below.

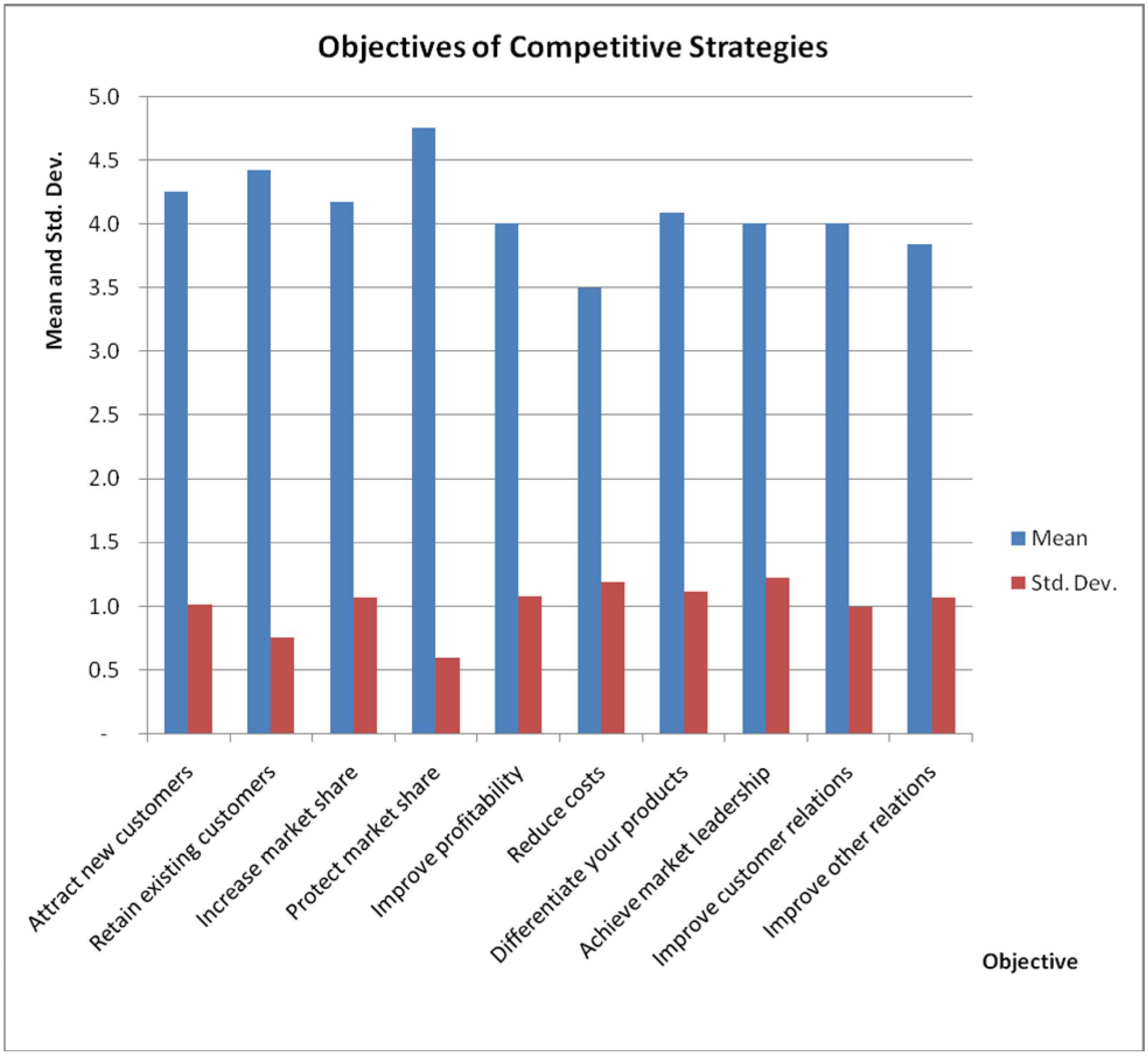

Objectives of Competitive Strategies
Mean and Std. Dev.
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-
Attract new customers
Retain existing customers
Increase market share
Protect market share
Improve profitability
Reduce costs
Differentiate your products
Achieve market leadership
Improve customer relations
Improve other relations
Objective
Mean
Std. Dev.

Table 4.5: Extent of the Following Factors Affecting Competitive Strategy

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Political/legal environment	0	1	2	3	6	4.2	1.0
Competitive environment	0	0	0	1	11	4.9	0.3
Economical environment	0	0	2	3	7	4.4	0.8
Socio cultural environment	2	3	5	2	0	2.6	1.0

From table 4.5 above, the researcher found that competitive environment had a mean of 4.9 with a standard deviation of 0.3 while economical environment had a mean of 4.4 with a standard deviation of 0.8. Socio-cultural environment had a mean of only 2.6 with a standard deviation of 1.0. Therefore, majority of the respondents said competitive environment was a very crucial factor in the determination of a competitive strategy. The economic environment was also rated second highest in the determination of a competitive strategy followed by the political/legal environment. A majority of the respondents also rated Socio cultural environment lowest. This is also illustrated below.

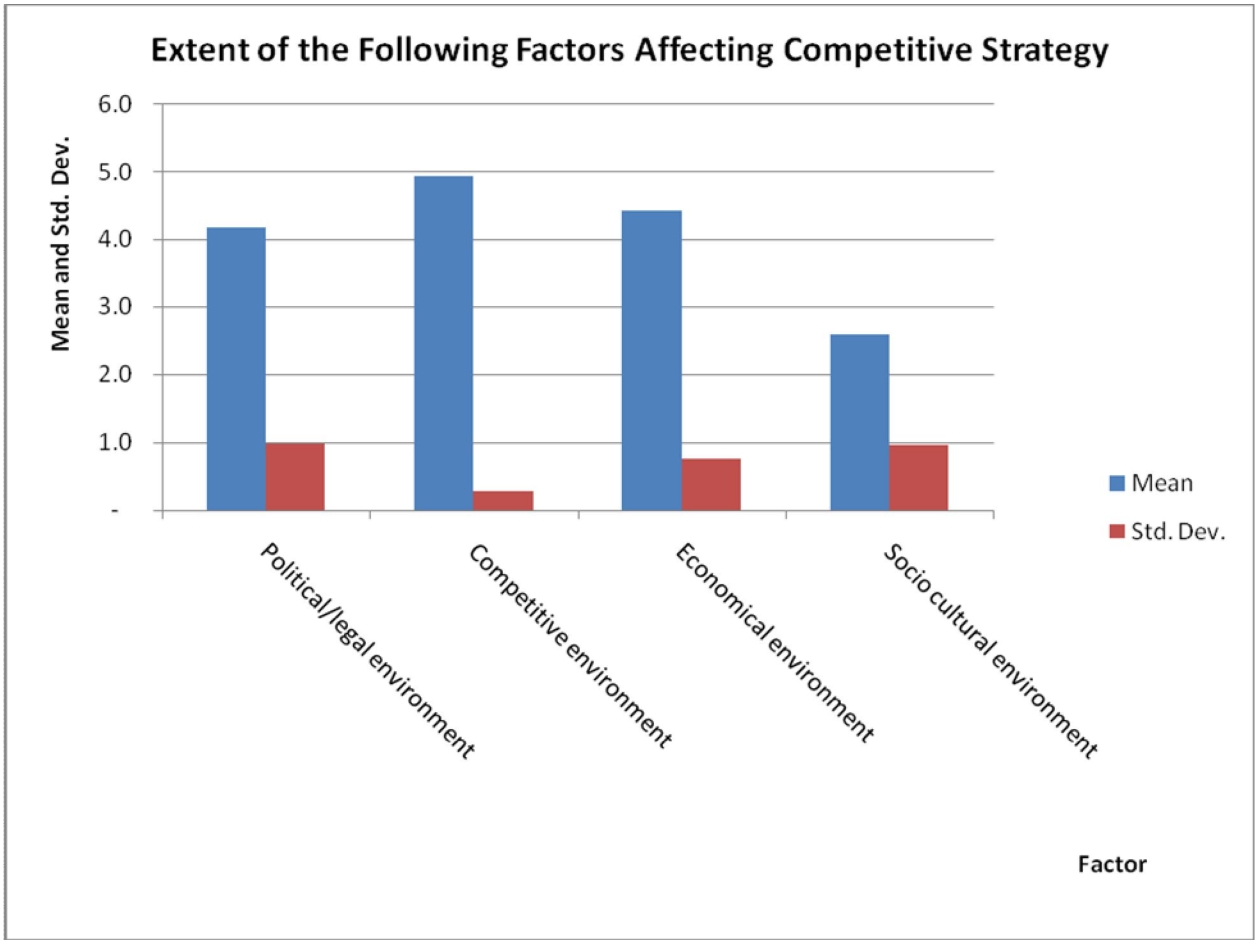
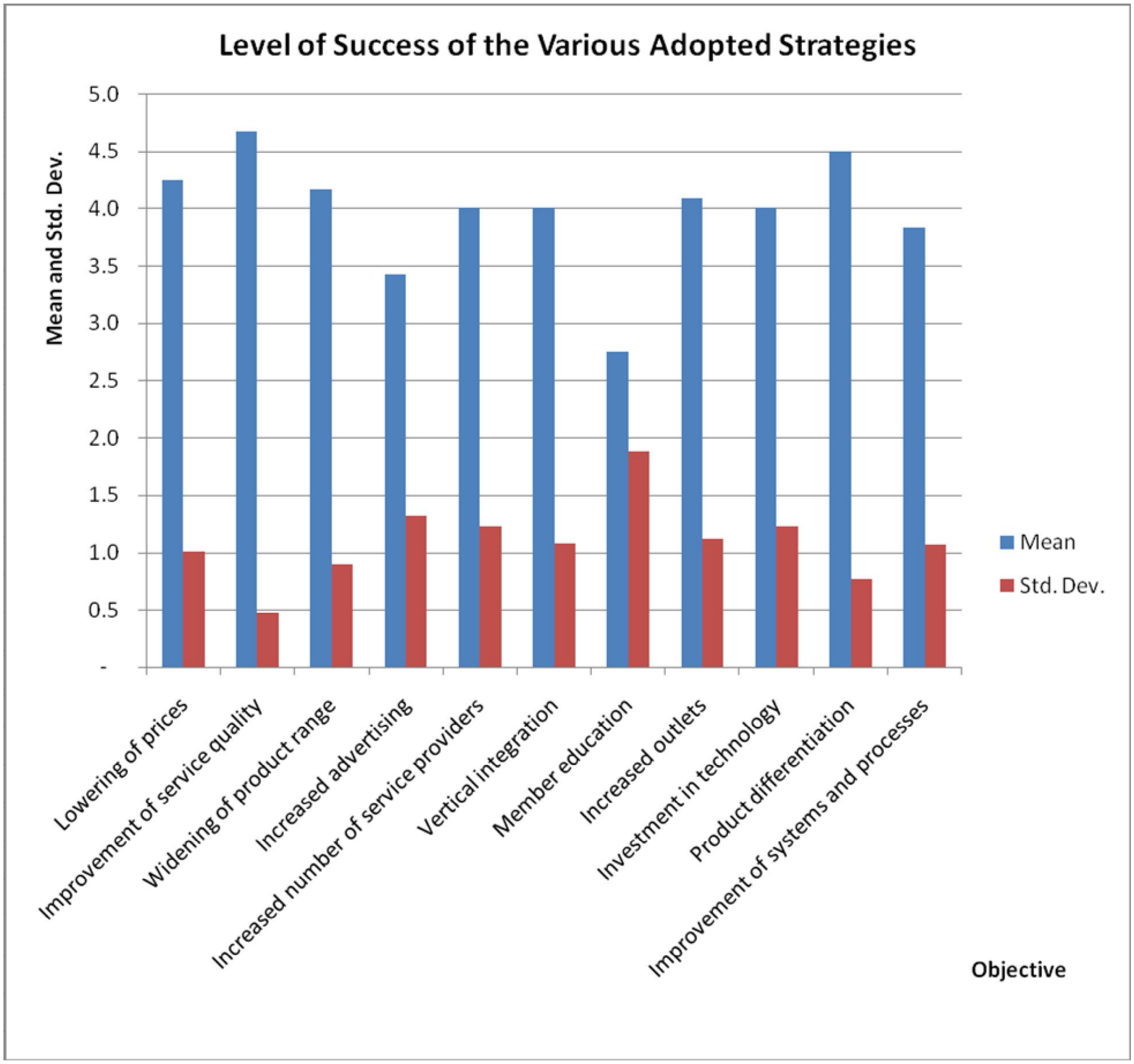

Extent of the Following Factors Affecting Competitive Strategy
Mean and Std. Dev.
6.0
5.0
4.0
3.0
2.0
1.0
-
Political/legal environment
Competitive environment
Economical environment
Socio cultural environment
Mean
Std. Dev.
Factor

Table 4.6: Level of Success of the Various Adopted Strategies

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent	Mean	Std. Dev.
Lowering of prices	0	1	2	2	7	4.3	1.0
Improvement of service quality	0	0	0	4	8	4.7	0.5
Widening of product range	0	1	1	5	5	4.2	0.9
Increased advertising	2	1	1	6	2	3.4	1.3
Increased number of service providers	1	1	0	5	5	4.0	1.2
Vertical integration	0	1	4	1	6	4.0	1.1
Member education	2	2	0	3	3	2.8	1.9
Increased outlets	0	2	1	3	6	4.1	1.1
Investment in technology	1	1	0	5	5	4.0	1.2
Product differentiation	0	0	2	2	8	4.5	0.8
Improvement of systems and processes	1	0	2	6	3	3.8	1.1

Table 4.6 above shows the level of success of the varous strategies adopted by airline companies. From the findings, improvement of service quality had a mean of 4.7 with a standard deviation of 0.5 while product differentiation had a mean of 4.5 and a standard deviation of 0.8. on the other hand, members education had a mean of 2.8 with a standard deviation of 1.9. Increasing advertising had a mean of 3.4 with a standard deviation of 1.3. This implies that majority of the respondents believed that, improvements of service quality was the most successful strategy

adopted by their respective airlines. The bar graph below prepresents the same information.



4.3 Findings from the Interview Guide

4.3.1 External Environment

The interviewees were asked what changes in the external environment affect their operations. From the responses, the interviewees were unanimous on the changes that affect the operations of their business. One of the changes cited was technological change. The level of technological sophistication increases on a daily basis. As more and more customers continue to take up airline services, there has been an increasing need to maintain high quality services. This has meant that airlines invest in highly technological equipment to remain competitive in the market.

The interviewees also reiterated that the new entrants into the airline industry have led to high labor turn over to firms that are paying well. Competition has also led to the customers demanding more innovative products. The interviewees were also unanimous that the increasing inflation rate has affected the cost of rollout and equipment. Most equipment are imported thus the susceptibility to the varying inflation rates.

The interviewees were asked whether competition is the most significant factor that poses a threat to the survival. From the interview, it was clear that competition is a major threat to the survival of the company. The interviewees said that survival has been based on adding value to the existing services and rolling out products that are innovative. Competition has also been observed in terms of attracting and retaining quality staff. Firms in the transport industry are competition to maintain their qualified staff. Other firms that pay better and offer better terms to their employees pouch the ones that have been trained.

4.3.2 Success of Response Strategies

The interviewees were asked to elaborate on whether the response strategies that the respondents' organizations had chosen to react to competition have been successful. All the interviewees unanimously agreed that to a very great extent, the strategies have been very successful. For instance, the interviewees related the success of the travel services their firms have been offering in the market to the aggressive advertising and the choice of brand names for their products. The marketing strategies that the company has adopted to respond to challenges of competition have therefore been realized in increased sales and sound profitability of the company.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study was investigating the competitive strategies adopted by small airlines in East Africa. There were 12 such firms and the researcher took a census. The respondents were the general managers of the various firms. According to the study, 66.7% of all the respondents were male while 33.3% were female. On the size of the company, 33.3% of all the respondents said that their firms had between 50 and 75 employees while 25% said they had between 75 and 100 employees. Only 8.3% of the respondents' firms had over 100 employees. Others had below 50 employees. This is an indication that majority of the airline firms are middle sized companies.

Regarding the extent of involvement of the various staffs in making competitive strategies, chief executive officer had a mean of 4.8 with a standard deviation of 0.4 while the bond of directors had a mean of 4.5 with a standard deviation of 0.6. 'All staff' had a mean of only 2.5 with a standard deviation of 1.0. This implies that the board of directors and the chief executive officer are involved largely in the formulation of explanation plan strategies. A huge number of respondents also thought that senior management was also involved to a very great extent on the formulation of competitive strategies. Majority of the respondents also thought that other staffs were not involved in the formulation of competitive strategies. On the objective of the competitive strategy, protection of the existing market share had a mean of 4.8 with a standard deviation of 0.6 while retaining the existing customers had a mean of 4.4 with a standard deviation 0.8. On the other hand, reducing costs was an objective with a mean of 3.5 and a standard deviation of 1.2 while improving other relations had a mean of 3.8 with a standard deviation of 1.1. This implies that majority of the airlines develop competitive strategies to protect the existing market share.

5.2 Conclusions

Competitive strategies have become a widespread philosophy in many businesses across the world as a means of advancing competitive position. Placing an emphasis on planning and striving for successful implementation accomplish this advancement. An organization aspiring to become a leader must identify key success areas and adopt a strategic plan to successfully implement a given strategy. However, implementation of philosophical views and related tools throughout an organization is not an easy process and many businesses have failed to experience the benefits, strategic planning proclaims. Understanding the reasons behind failure is essential and examination of the environment of operations provides the answer.

5.3 Recommendations

Successfully implementing competitive strategies is not easy for any organization and effective steps have to be put in place to ensure successful implementation. Management of the company needs to have the required knowledge, expertise and skills before they can agree and embark upon an implementation program. In addition, the management needs to learn from others as to what has worked in other firms and what has not. In essence a number of actions need to be taken in order to increase the likelihood of success. These include; setting up a steering committee, identifying the norms, values and behaviors for the organization's people, agreeing a plan of action, implementing that plan and reviewing progress. Furthermore, the plan of action needs to be sensitive and in line with the organization's history and future. Therefore each organization will need to identify its own unique approach, as "off the shelf" packages are not readily associated with success.

However, by far the most important element of that plan is that leaders “walk the talk”, get involved in the process and never let their enthusiasm wane. Achieving successful strategic plan takes time, energy and resources from everyone within the organization, an endeavor that is totally worthwhile given the positive impact of strategic planning.

The study also recommends that managers be on the look for any possible factor that has an implication on the operations of the business and respond appropriately. So far, the response strategies have been successful but more needs to be done so as to maintain the status of the companies in the industry.

5.4 Area for Further Research

This study concentrated on the competitive strategies that airlines operating in East Africa had adopted to counter the competition in the industry. One major strategy that the company has employed and found useful is the advertising and marketing strategy. A lot of resources in terms of monetary value and physical resources have been employed to promote the products of these firms. The cost of marketing has been increasing over the years. More research needs to be done to determine what effect the increased promotional campaigns have had on the performance of the company. The contribution of marketing strategy to the overall performance of airlines should be explored.

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Appendix I: Questionnaire on Airlines Competitive Strategies

1) Gender

Male [ ] Female [ ]

2) What is the extent of involvement in making competitive strategies in your organization? (Kindly tick where appropriate)

	Not Involved	Less Involved	Fairly Involved	Highly Involved	Very Highly Involved
Board of directors					
Chief executive officer					
Senior management					
All staff					

3) Kindly indicate the objectives of competitive strategies in your organization

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent
Attract new customers					
Retain existing customers					
Increase market share					
Protect market share					
Improve profitability					
Reduce costs					
Differentiate your products					
Achieve market leadership					
Improve customer relations					
Improve other relations					

4) What is the extent of the following factors in determination of the effectiveness of the competitive strategies adopted by your organization?

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent
Political/legal environment					
Competitive environment					
Economical environment					
Socio cultural environment					

5) What is the level of success of the various adopted strategies in your organization? (Kindly tick where appropriate)

	No Extent	Less Extent	Fairly Extent	Great Extent	Very Great Extent
Lowering of prices					
Improvement of service quality					
Widening of product range					
Increased advertising					
Increased number of service providers					
Vertical integration					

Member education					
Increased outlets					
Investment in technology					
Product differentiation					
Improvement of systems and processes					

6) To what extent are the following factors a challenge in application of competitive strategies in your organization?

	No Extent	**Less Extent**	**Fairly Extent**	**Great Extent**	**Very Great Extent**
Inadequate supportive facilities and instruments					
Inadequate resources					
Poor management and leadership					
Political factors					
Organization structure for supportive coordination					
Involvement of valuable knowledge					
Lack of support from the staff					

7) Any other comments

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Thank you

Appendix II: Airlines Operating In the East African Region

1. AIR UGANDA U7
2. FLY 540
3. EAST AFRICAN EXPRESS
4. EAST AFRICAN SAFARI AIR
5. EAGLE AVIATION
6. JET LINK
7. AFRICAN EXPRESS
8. MARSLAND
9. Precision Air
10. Rwanda Air Express
11. 748 Air Services
12. Air Kenya

Source: Kenya Civil Aviation Authority