STRATEGIC RESPONSES TO CHALLENGES OF GLOBALIZATION BY KENYA AIRWAYS

BY

GLADYS WANJIKU KAMAU

D61/8247/2006

SUPERVISOR

DR. JOHN YABS

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTERS OF BUSINESS ADMINISTRATION (MBA) SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

AUGUST 2008

DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

Signed........G.W.K........................ Date..09/11/2008..........

Gladys Wanjiku Kamau

D61/8247/2006

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

Signed.................................. Date.12/11/2008...........

Dr. John Yabs

Department of Business Administration

DEDICATION

To my dear mother, for having encouraged me to push on even when the going was too tough. Your prayers made me get this far, I love you mother and may you live long, and to my late father for all the sacrifices you made to see me through school and for being my guardian angel in the next life.

ACKNOWLEDGEMENT

I acknowledge my family for being beside me all the way. Your support and encouragement has seen me this far.

I also acknowledge my supervisor, Dr. Yabs, who guided me throughout the research period.

I also acknowledge the entire staff and management of Kenya Airways for allowing me to gather information from them concerning their bank. Your contribution to this research cannot be underestimated.

Finally, I thank the Almighty God for the life. Thank you for being with me all through.

TABLE OF CONTENTS

DECLARATION i

DEDICATION ii

ACKNOWLEDGEMENT iii

LIST OF TABLES vii

LIST OF FIGURES viii

ABSTRACT ix

CHAPTER ONE: INTRODUCTION 1

1.1 Background 1

1.1.1 Concept of Globalization 1

1.1.2 Kenya Airways Limited 4

1.2 Statement of the Problem 6

1.3 Objectives of the Study 7

1.4 Significance of the Study 7

CHAPTER TWO: LITERATURE REVIEW 8

2.1 Environmental Uncertainty and Strategic Responses 8

2.2 The Concept of Globalization 10

2.3 Challenges of Globalization 11

2.4 Organization Response to Challenges Globalization 14

2.4.1 Closures and liquidations 14

2.4.2 Strategic Alliances; Mergers and Acquisitions 15

2.4.3 Relocation of businesses 16

2.4.4 Business Process Re-engineering 16

2.4.5 Diversification of product portfolio 17

2.4.6 Research and development 18

2.4.7 Business Process Outsourcing (BPO) 18
2.5 The impacts of globalization on developing nations 19
2.5.1 Trade and industry 19
2.5.2 Labour and employment 21
2.5.3 Intellectual property right 23
2.5.4 Environment 27

CHAPTER THREE: RESEARCH METHODOLOGY 28
3.1. Research Design 28
3.2. Data Collection 28
3.3. Data Analysis 28

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS 29
4.1 Introduction 29
4.2 Sample Characteristics 29
4.2.1 Distribution of Respondents According to their Designations 29
4.2.2 Distribution of Respondents According to Level of Education 30
4.2.3 Distribution of Respondents According to Experience 30
4.3 The Extent to Which Globalization Affects KQ 31
4.3.1 Competition 31
4.3.2 Changing Customer Tastes and Preferences 32
4.3.3 Changing Technology 33
4.3.4 Terrorism 33
4.4 Responses to Challenges of Globalization 34

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS **36**

5.1 Summary of Findings 36

5.2 Conclusions 37

5.3 Recommendations 38

REFERENCES **39**

APPENDICES **42**

Appendix 1: Questionnaire 42

LIST OF TABLES

Table 1: Responses to Challenges of Globalization 34

LIST OF FIGURES

Figure 1: Distribution of Respondents According to their Designations 29
Figure 2: Distribution of Respondents According to Level of Education 30
Figure 3: Distribution of Respondents According to Experience 31
Figure 4: Competition 32
Figure 5: Changing Customer Tastes and Preferences 32
Figure 6: Changing Technology 33
Figure 7: Terrorism 34

ABSTRACT

Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). Kenya Airways has faced a number of challenges since its inception, most of which have been intensified by the impact of globalization. The objective of this study was to determine strategic responses that Kenya Airways employs in responding to the challenges of globalization.

The research design used was case study method. This method was suitable for the study because it aimed at giving in-depth account of the how the Kenya Airways Limited is responding to the challenges that it is facing in a globalized economy. Primary data was collected using semi-structured questionnaires. The questionnaires were administered using drop and pick later method. The respondents were picked from the network planning and strategy staffs where all the 15 were selected to respond to the questionnaire. This number included the head of the division. Considering the qualitative nature of the study and the envisaged response as per the questionnaire, a conceptual and qualitative content analysis was used. Where applicable, however, figures were presented in tabular form or graphically, and a percentage or mean obtained quantitatively.

The study found that the greatest globalization challenge presently facing Kenya Airways is terrorism. Competition and changing technology were also found to be significant factors affecting Kenya Airways. Kenya Airways has responded in a number of ways. One of the major things the company has done is to come up with an exhaustive strategic plan which encompasses the specific strategies it adopts in the market. Chief among them has been putting up safety management system in order to increase safety of flights. The other strategy that KQ has extensively used includes forming strategic alliances with other airlines in order to beat competition. This has seen it fly into other destinations that it was not able to fly earlier.

The study recommends that the issue of loyalty programs needs to be reconsidered by the organisation. This was found to be least used among the strategies. This can be used as a marketing strategy to enhance loyalty to the brand and to attract new clients from foreign countries or locally. The study recommends that a study be done to explore further whether these strategies have significantly influenced performance of the organisation. A study of this nature should also be replicated to other industries to establish their strategic responses.

CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Concept of Globalization

The environment in which organizations operate is constantly changing with different factors influencing the organizations. Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive. Coping with the increasingly competitive environment has called on firms to rethink their marketing strategies (Pearce and Robinson, 2005). The days when firms could simply wait for clients to beat a path to their door are long gone. Organizations now realize that their services and products, regardless of how good they are, simply do not sell themselves.

Globalisation is often equated with growing integration of national economies. In the sphere of economics, globalisation is reflected in increasing acceptance of free markets and private enterprise as the principal mechanism of promoting economic activities. Therefore, globalisation is generally seen as the process of broadening and deepening inter-relationships in international trade, foreign investment and portfolio flows (Wignaraja, 2001). Its growing importance is captured in such indices as trade in goods and services, private capital flows in different forms, foreign investment, technology transfer, operations of transnational enterprises, business travel and communications, migration and remittances. The social sphere of globalisation comprises social relations and customs, consumption patterns and lifestyles while the cultural dimension includes the important domain values, religion and identity. At the political level, globalisation is reflected in the spread of pluralist systems, multi-party democracies, free elections, independent judiciaries and enhanced human rights (Manda, 2004). This study focuses mainly on the economic aspects of globalisation on the aviation market in Kenya.

Anti-globalization protestors have turned up at almost every major meeting of a global institution to protest that globalization is resulting in job losses as local industries are under attack from foreign competition, downward pressure on wage rate of unskilled workers due to migration of low wage manufacturing jobs offshore. However, supporters of globalization accuse critics of missing the point about free trade – the benefits outweigh the costs. Free trade results in countries specializing in production of those goods and services that they can produce most efficiently, while importing all others. Although job losses may occur to a few individuals within the nation, but free trade benefits the whole national economy (Hill, 2005).

Air transport has a very important role to play in the economic and physical integration of Africa. It is one of the driving forces behind regional integration and development of Africa as it contributes significantly to: mitigating the peculiar transport problems faced by landlocked countries, enhancing free movement of people, labor and cross-border investments, connecting Africa to global markets, boosting tourism, and alleviating the cost of doing business (Janneh, 2006). Over the past fifty years, despite the several constraints, air transport has steadily brought African countries closer together, linking most African capital cities to the rest of the continent by air. It has also contributed to the expansion and deepening of intra-African commerce and trade (ibid.).

Globally, the air transport industry is steering in a direction that seeks to create an enabling environment, which is conducive for a viable, efficient and sustainable air transport system. The ongoing transformation seen in the industry began with the enactment of the Chicago Convention of 1944, which brought about changes to the traditional operation and regulation of international air transport. Deregulation of the industry began in the United States in 1978 and was quickly followed by European liberalization. Since then, the Asia - Pacific, North, South and Central America, as well as the Caribbean regions have all embarked on liberalization programmes.

Africa has not been left out of this process sweeping over the industry. In July 2000, the Conference of Heads of State and Government of the Organization of African Unity (OAU) adopted the Decision on Market Access for Air Transport in Africa. The full implementation of this Decision, which was initially approved in November 1999 by the African Ministers responsible for civil aviation and known in the aviation circles as the Yamoussoukro Decision, is expected to progressively eliminate all non-physical barriers in the industry including those linked to: the granting of traffic rights, tariffs, and the number frequencies and capacity of air services.

The Yamoussoukro Decision took into account the differences in the level of air transport development in various African countries. It therefore made provision for progressive liberalization, over a two-year period beginning from July 2000. This implies that all States that were signatories should have fully implemented the Decision by now. Unfortunately, some African countries are reluctant to fully implement the Yamoussoukro Decision because of their local aviation industry's fear of competition from foreign airlines.

Despite the tremendous progress made so far in advancing the industry, a number of challenges still remain. The airline industry continues to face financial constraints, particularly in acquiring additional aircrafts to strengthen their fleet. The issue of connectivity, in parts of Africa, still poses a major challenge to many travelers within Africa. Additionally, compared to Europe, Airline ticket fares for traveling within Africa remain high, discouraging the promotion of tourism in Africa. Some of the air services are also not reliable, as flight are either delayed or cancelled without prior notice to travelers. Furthermore, the safety of African skies needs significant improvement and the technical and human capacities of the industry strengthened (Janneh, 2006).

1.1.2 Kenya Airways Limited

Kenya Airways Limited is the Kenyan National carrier operating scheduled flights throughout Africa, Europe and Asia. Its hub is Jomo Kenyatta International Airport in Nairobi. It was established in 1977 after the break up of the East African Community and subsequent disbanding of the jointly owned East African Airways. Its IATA designator code is KQ – a designator the airline has had to change from KA in line with informal recognition of the airline as KQ globally. The Kenya Airways Group consists of Kenya Airfreight Handling Limited (KAHL), Africa Cargo Handling Limited (ACHL), and Ken cargo Airlines International Limited (Gichira, 2007).

The airline has faced a number of challenges since its inception, most of which have been intensified by the impact of globalization. Some of the internal challenges included bureaucracy, inculcated 'parastatal' culture among staff, overstaffing, process inefficiency and poor schedule integrity. External challenges included intense regional and international competition, inability to cope with rapid technological changes, old fleet, and soaring fuel costs. In the midst of all these challenges, customer expectations were shifting upwards, further complicating the already competitive scenario (Gichira, 2007).

For Kenya Airways Limited to survive in the globalization era there was need for a complete turnaround of the organization's management and operations. Some of the immediate responses adopted by Kenya Airways Limited to counter these challenges included restructuring and privatization, fleet modernization, network expansion through strategic alliances and embracing of e-commerce (Kenya Airways Limited Financial Report 2005/06) and service benchmarking through the vision, 'to be a world class network Airline'.

Globalization is a permanent process in international business environment. As such, Kenya Airways Limited will have to keep re-engineering its processes, and formulate sound strategies that will enable it to take advantage of the opportunities while countering the threats within the global business environment. Kenya Airways Limited can only remain competitive through maximizing on its competitive advantage (Gichira, 2007).

Evans (1987) is of the view that as the operating environment changes; a more pronounced transformation of the business landscape lies ahead. Therefore, it is imperative that organizations witfully address the challenges of globalization and minimize their impact on the business. Given the important role that Kenya Airways plays in the economy in terms of employment creation as well as in the growth of the tourism sector, it is important that it employs better responses to the challenges it faces if it is to survive.

1.2 Statement of the Problem

Globalization has affected al facets of Kenyan economy. The phenomenon has swept across all industries and the aviation industry in Kenya has not been spared. The effects have been multidimensional. In as much as globalization has opened up economies worldwide and eased trade beyond borders, companies in developing national such as Kenya have felt both the positive and negative brunt of globalization.

Before the Kenyan economy was liberalized in the early 1990s, Kenya Airways as a state corporation then enjoyed its position as a monopoly. During this period, the management had very few reasons to think about surviving in the industry. With the opening up of economy, new entrants in the market have threatened to destabilize the position of Kenya Airways as an industry leader. Globalization has stiffened not only local competition but also opened up an avenue for the company to worry about global competition. Thus, the management of Kenya Airways is bound to formulate superior strategies that can keep the company in business for a long time to come.

There are a number of studies that have been done in Kenya on how firms have responded to the challenges of globalization (Njau, 2000; Abdullahi ,2000; Kandie, 2001; Thiga, 2002; Goro, 2003; Kiptugen, 2003; Mugunde, 2003; Mugambi, 2003). There are also a few studies that have been done on Kenya Airways but have tackled different issues in the company other than globalization (Masinde, 1986; Koech, 2002; Mwanthi, 2004; Chemayiek, 2005; Mulandi, 2005). The only study on Kenya Airways that has tackled globalization did so but just identified the challenges and the impact of globalization on the organization (Gichira, 2007). Against this background, this study seeks to fill in the gap by answering the following research question: how is Kenya Airways responding to the challenges of globalization?

1.3 Objectives of the Study

The objective of this study is to determine strategic responses that Kenya Airways employs in responding to the challenges of globalization.

1.4 Significance of the Study

This study will add on to the growing body knowledge of strategic management. Additionally, the study will be important to various stakeholders.

First, the management of Kenya Airways will find this study an important insight into the strategies the company has been using in responding to the challenges of globalization. This will act as an evaluation of the strategies to the organization.

Second, the study will be invaluable to the entire aviation industry in Kenya on matters relating to strategic management. Specifically, the managers of other airlines interested in competing effectively in the industry will find this study useful source of benchmark as to what strategies to employ in order to survive in the industry.

Lastly, the scholars and academics will find this a useful guide for future studies in strategic management or on Kenya Airways.

CHAPTER TWO: LITERATURE REVIEW

2.1 Environmental Uncertainty and Strategic Responses

Strategic responses are closely linked to environmental uncertainty. As the external environment becomes more volatile companies need to develop greater flexibility in order to respond to the emerging conditions. According to Evans (1991) flexibility is composed of a number of "senses" including "adaptability, agility, corrigibility, elasticity, hedging, liquidity, malleability, plasticity, resilience, robustness, and versatility". He argued that each of these organizational flexibilities would be in response to some form of external environmental uncertainties or pressures. The type of reaction could be "offensive" or "defensive" and he categorized these senses into those categories.

While flexibility is normally considered solely as an adaptive response to environmental uncertainty (Gupta and Goyal, 1989), it is important to realize that a firm may use its strategic responses to proactively re-define market uncertainties and make it the cornerstone of its ability to compete. This is exemplified by Toyota and its actions in global automobile industry in the 1980s and the 1990s. Unfortunately, such proactive behavior in using flexibility is often neglected by researchers (Gupta and Goyal, 1989; Nilson and Nordahl, 1995).

Strategic responses implies that the entity as the ability to change according to its needs (Nilson and Nordahl, 1995). Flexibility is the ability to adapt, in a reversible manner, to an existing situation, as opposed to evolution, which is irreversible. This notion reflects the ability to stay operational in changing conditions, whether those conditions are predictable or not, or completely different from conditions known in advance. This adaptability is required from firms that, for economic reasons, are currently turning to efficient techniques of organization and management of the zero stock, just-in-time and tight-flow type which can make them fragile. Strategic responses is crucial in hypercompetitive environments because, the established paradigms of sustainability of competitive advantage and stability of organizational form have limited applicability (Gupta and Goyal, 1989).

Strategy researchers have emphasized stability in a firm's pattern of resource commitments (Ghemawat, 1991). Through resource commitments, firms erect entry barriers, mobility barriers (Caves & Porter, 1977), and isolating mechanisms (Lippmann & Rumelt, 1982) that protect their competitive advantages. Although such patterns of resource commitments provide a firm with competitive advantage (Dierickx & Cool, 1989), they can also become impediments to strategic reorientations (Grimm & Smith, 1997).

In order to develop strong strategic responses capabilities a firm needs to have the three types of flexibilities: (a) market flexibility, (b) production flexibility, and (c) competitive flexibility (Yip, 1989). This we term as the "Flexibility Triad Model".

Market flexibility deals with transnational companies (TNCs), ability to have a high global market share, ability to sell its major products in a large number of international and geographic markets, and have a strong presence in those markets that are the home bases of global competitors. For most TNCs, production flexibility arises from spreading its value creation activities in those markets where it has a major market share. A TNC can shift production from one base to another, in order to take advantage of the foreign exchange rate fluctuations and access the best factors of production (Porter, 1990). Similarly, the competitive flexibility of a TNC arises from its ability to coordinate its global competitive moves. This helps the TNC to have a large number of competitive points and a bigger strategic space to build appropriate offensive and defensive moves that may often include counter-parry, cross-subsidization and sequential competitive entries.

2.2 The Concept of Globalization

Globalization is one of the key concepts of our time. In the twenty-first century it is no longer just about translation and localization. Effective globalization requires an awareness of technologies and how they are adapted around the world. It also calls for the ability to differentiate products from competition that can originate anywhere in the world, from Austria to Zimbabwe. Even as new technologies provide emerging opportunities for companies looking to go global, they also disrupt our ability to conduct business in accustomed channels (Ray 2005). Various economists have endeavored to explain what the whole concept of globalization entails. Globalization refers to the shift toward a more integrated and interdependent world economy (Hill, 2005). It also refers to the strategy of approaching worldwide markets with standardized products (Johnson and Scholes, 2002).

In both political and academic discussions, the assumption is commonly made that the process of economic globalization is well under way and that this represents a qualitatively new stage in the development of international capitalism. Globalization of business is bringing in seasoned competitors from the developed countries into the growing markets of the Third World. Consequently, the survival of local enterprises and entrepreneurs is being threatened. Third World managers need to develop a global mindset in order to take advantage of the changed new world order in business.

Globalization has been rolled back before but only under extraordinary circumstances. The costs today for the world economy, were a sizeable number of countries to turn their back on global markets, could exceed even those incurred in the 1930s given the decline in the cost of international transportation and communication, the spread of global production networks, and the progress made in drawing countries and regions once only marginally integrated into the world economy, more deeply into the global system. Countries, their governments, and their citizens have substantial investments in globalization. Significant costs have been sunk, making it less likely that the clock will be turned back. Contingency planning is always prudent, but extensive planning for the disintegration of international markets makes little sense if this is in fact an extremely remote possibility.

2.3 Challenges of Globalization

Globalization has remained a hotly debated topic among social activists, intellectuals, business leaders, policy makers and politicians. Anti-globalization protestors have turned up at almost every major meeting of a global institution to protest that globalization is resulting in job losses as local industries are under attack from foreign competition, downward pressure on wage rate of unskilled workers due to migration of low wage manufacturing jobs offshore. However, supporters of globalization accuse critics of missing the point about free trade – the benefits outweigh the costs. Free trade results in countries specializing in production of those goods and services that they can produce most efficiently, while importing all others. Although job losses may occur to a few individuals within the nation, but free trade benefits the whole national economy (Hill, 2005).

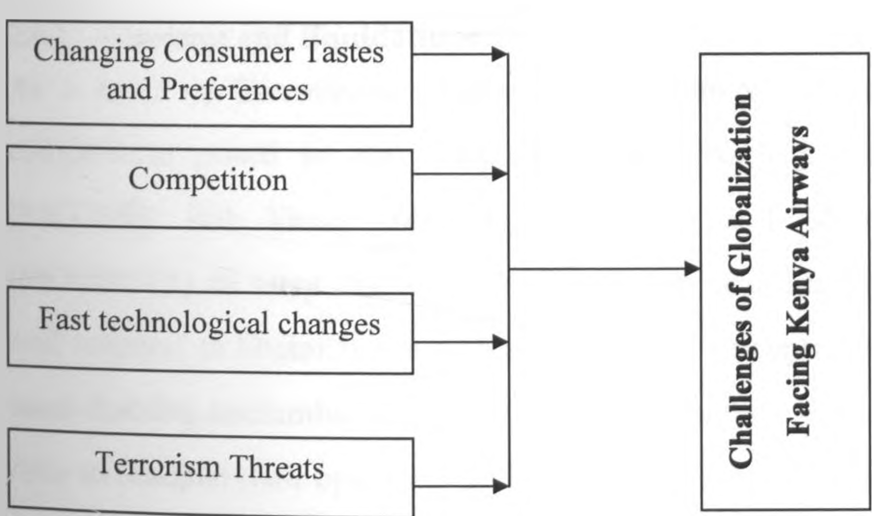
The challenge to national economies remains how to capitalize on the opportunities for growth and development afforded by globalization while at the same time minimizing the risks. In an obvious sense this means following appropriate policies: stable macroeconomic policies, prudent financial policies, and sound regulatory policies. But the appropriate policies are easier to describe than to implement. Their specifics are likely to vary over time. The more fundamental problem is thus how to develop institutions with the capacity to determine appropriate policies, implement them, and stick to them until circumstances change.

In Kenya today and the world over, businesses have found themselves in a more competitive environment. Organizations are dealing with a more informed consumer whose source of information is only a fingertip away - internet; consumer tastes and preferences are becoming more advanced, movement of capital and other factors of production is freer and at reduced costs. The result is a pressurized organization that has to change its operations, products and service offerings to suit the changing demands. The airline industry continues to face a number of challenges since the terrorism attack of September 2001 in the USA. Most African airlines that depended on traffic from this region held back in their development plans like fleet expansion (African Aviation Journal, Dec, 2001). Recent trends however indicate that the industry is on the road to recovery.

In a conference held by African airlines under African Airlines Association (AFRAA), it was noted that entry of richer and more technologically advance foreign airlines into the African aviation market due to globalization and trade liberalization is threatening the national carriers and if left unchecked, this invasion might send African airlines into their graves. (Daily Nation, 6th Dec, 2005). The fight for global dominance is real and benefits larger airlines that have what it takes to venture into new markets.

The main Challenges facing the airline industry can be summarized as intense competition and high operating costs as organizations try to have representation in various major cities of the world. The main challenge, however, is one of survival in an increasingly unattractive industry.

The success story of Kenya Airways Limited is not without its own challenges, both internal and external, as evidenced in the ensuing framework. The key success factor lies in company's response to the challenges so as to survive and remain competitive in the global arena.



Source: Author (2008)

As part of re-adjustment to the new environmental conditions, Kenya Airways' management undertook rationalization of human resource, fleet modernization, process improvement initiatives and also entered into a Strategic Alliance with KLM Royal Dutch Airline in order to take advantage of KLM's efficient management processes, shared route coverage and technology transfer, as well as accessing external markets, thereby enhancing her competitive advantage.

From the aforementioned, it is clear that there is a chance in globalization, albeit it needs to be handled in a practical and clever manner. In her keynote, The Globalization Landscape, Susan Mills described how globalization should be viewed as "just another business process" to be integrated into the larger enterprise business transformation effort. What is required is a holistic view of all of our customers' business processes, end-to-end.

2.4 Organization Response to Challenges Globalization

The following are some of the responses that local and international firms operating in Kenya have had to adopt in the face of global competition;

2.4.1 Closures and liquidations

As a result of liberalization many firms in Kenya collapsed due to the stiff competition posed by the entry of foreign firm e.g. Kisumu Cotton Mills (KICOMI), Rift Valley Textiles, (RIVATEX) and Mount Kenya Textiles (MOUNTEX) all went under as a result of their inability to anticipate, plan for and respond to liberalization and globalization. The entry of the global trade in used clothing (mitumba) sent these companies to their graves. The firms had no time to readjust their operation and structure to face competition in a liberalized and global environment (Gichira, 2007).

2.4.2 Strategic Alliances; Mergers and Acquisitions

Consensus on what strategic alliances are and what forms they take is far from being achievable. However, common themes emerging from these definitions are that strategic alliances are a variety of purposive inter-organizational relationships between two or more organizations (Howarth et al., 1995; Faulkner, 1995) that share compatible goals, strive for mutual benefits, and acknowledge a high level of mutual dependence (Kale et al., 2000; Mohr and Spekman, 1994). According to Tyler and Steensma (1998), alliances are any arrangements where two or more partners contribute differential resources and technological know-how to agreed complementary objectives. Tyler and Steensma (1998) further argue that alliances are not just limited to one-way transfers of know-how, such as licensing and marketing agreements, but are arrangements where partners share their expertise and output. They represent a spectrum of inter-organizational cooperative arrangements with a variety of governance mechanisms where organizations may or may not have legal contracts, and may or may not have provided equity funding for a separate entity (e.g. joint venture and non-equity ventures). What is common to all of these relationships is the commitment of these organizations to develop technology, market products cooperatively, share costs, access assets, resources and competencies, thus strengthening their ability to keep pace with emerging requirements in the market place and global competition.

Doz & Hamel (1998) note that strategic partnerships have become central to competitive success in fast changing global markets. They are logical and timely response to intense and rapid economic activity, technology and globalization. To ensure profitability, survival and growth, some local firms opted to enter into alliances with foreign firms in order to face the challenges of competition and changing market demands. Examples include the former milling giant and perennial loss maker; Unga Group Limited and Seaboard Corporation of Kansas U.S.A. Kenya Airways entered into a strategic alliance with KLM, Royal Dutch Airlines so as to pool competencies and function as a larger and more forceful entity thereby enjoying a larger network and management expertise. These are necessary for survival in the global airline industry. Kenya Airways in their website www.kenya-airways.com have clearly affirmed that international airline traffic has expanded in recent years, and a new development has swept the industry – extensive cooperation among international carriers in the provision of service. Alliances ease passenger connections between the carriers. Airlines seem to be taking a collaborative approach rather than competitive strategy in dealing with effects of globalization in their industry.

2.4.3 Relocation of businesses

Liberalization has brought about stiff competition and price wars. Firms that have been unable to cope have opted to relocate some operations to countries where factors of production can give them a competitive advantage. Proctor and Gamble, Johnson & Johnson shifted their manufacturing operations from Kenya to Egypt where costs are said to be over 50% lower. With globalization, a firms manufacturing plant can be in one continent, while the marketing division is in another continent and Research and Development is in yet another country or continent thereby tapping optima global resource necessary to lower operational costs (Gichira, 2007).

2.4.4 Business Process Re-engineering

Hammer and Champy (1993) defined BPR as the fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed. This definition seems to suggest that organisations should eliminate old and archaic processes, policies, procedures, principles and structures that affect organisational performance. Therefore, BPR is fundamentally about redesigning processes (Balle, 1995). The scope for process redesign can range from restructuring the entire organisation, to the most local rethink of how you do your work. BPR as defined by Tapscott and Caston (1993) is a fundamental re-valuation/redesign of a company's business processes and organisational structures in order to achieve dramatic improvements in its critical success factors – quality, productivity, customer satisfaction and time to market, etc. This definition is similar to that of Hammer with the exception that it makes particular reference to "process" (Poh and Chew, 1994).

Business Process Re-engineering is done to eliminate wastage and improve on efficiency in production by paying attention to the internal structures and systems. A number of firms have undertaken this process in order to be in a better position to face the global competition. Leading firms are investing the latest affordable information technology in manufacturing; KBL has implemented computerized bottling system while BAT has introduced its intelligent packaging system. Kenya Airways has also undertaken automation of business processes to enhance efficiency (Gichira, 2007).

2.4.5 Diversification of product portfolio

As a result of globalization, local firms have been forced to diversify their product portfolio to cope with competition, maintain market share, enter into new markets and seal off any unexplored market segments that foreign competitors may come to exploit. E.g. Brookside Dairy started with milk production in tetra packs eventually adding Yoghurt and flavored milk to their range. In the oil industry, services stations have moved beyond having the filling station fore courts and now have restaurants, ATM services and convenience stores.

2.4.6 Research and development

Globalization has caused firms to invest heavily in R&D so as to come up with world-class competitive products and services. A good example is the pharmaceutical industry where there's pressure to come up with better drugs before competitors come in to fulfill the need. A local; Cosmos Pharmaceuticals has started the manufacture of generic ARVs for AIDS patients. This is in anticipation of the entry of Indian bases generic drug manufacturers (Gichira, 2007).

2.4.7 Business Process Outsourcing (BPO)

Outsourcing is a business strategy whereby a company hires an independent outside company to do some of its non-core company work (Kotler, 2003). More companies prefer to own brand rather than physical assets they are de-capitalizing. A few companies are moving toward hiring outside parties to provide almost all services (Kotler, 2003) companies outsource a wide rage of services, all aimed at creating competitive advantages, these are Accounting and financial services, human resource services, customer care services, security services, and cleaning services. This is because these services are non-core and repetitive in nature thus similar in almost all organizations. Furthermore they can be done by an outside company at cheaper cost or at the same cost but in better ways (Quinn and Hilmer, 1994).

Kenyan companies have however not made any serious entry into the BPO market. This particular market presents the industry of the future for third world countries. Siemens, for example, announced that it is moving 2,000 jobs to Hungary. The Internet had made it very easy to export jobs. Cases of American hospitals that send X-rays to India for analysis by Indian doctors are now common. A study of American companies concluded that they had created 2.8 million jobs abroad against 5.5 million jobs in the US in the last 10 years. Going by these figures, there is urgent need to consider what this segment offers and then take advantage. It is an opportunity that globalization presents for Kenyan companies (Gichira, 2007).

2.5 The impacts of globalization on developing nations

2.5.1 Trade and industry

The liberals view trade globalisation as the positive-sum game. In this global game, the positive-sum game will bring mutual benefit or win-win effect to both players without the consequence of any losers. In my view, trade globalisation should be seen as zero-sum game and since there is only a winner if there is a loser. In any game, any interaction among players brings the consequence in which one player gain directly correlates to the loss of others. In other words, the winners will win at the expense of the losers. Many developing countries have weak economic, legal, and political institutions, making them vulnerable to high levels of corruption, insecurity, and conflict. This situation is worsened due to lack of competitiveness in term of labour, technology and skills. In the opposite, the developed countries have already had better infrastructure, highly skilled labours, advanced technology and good managerial skills. That in turns makes developing countries unattractive for foreign direct investment. Therefore, free trade as a game is an unfair competition and will only benefit the highly industrialised countries (Hartungi, 2006).

Advocates of trade liberalisation argue that it can induce technological innovation, undermine elite privilege, and thus contribute to general economic growth. This can happen, but so can the opposite. The imported technology can crowd out local technology and investment, while corruption can be induced by new links with MNC's operating in developing countries. In short, whether trade liberalisation benefits the general population often depends on factors other than trade liberalisation itself, such as governance, income distribution and policies of equity promoted by the government (Hartungi, 2006).

Stiglizt the former chief economist of the World Bank and the noble laurite in economics has shared the similar opinion. He argues that the impact of trade liberalisation caused inefficient industries, which are mostly found in infant industry in developing countries, to close down as a result of pressure from international competition (Stiglitz, 2000), The infant industry in developing countries is hard to compete with more mature industries in highly industrialised countries without protection. Protection will enable the infant industries in developing countries to become sufficient strong and competitive when protection is eventually lifted. Many highly industrialised countries such as Japan, USA, and Germany are widely known as protectionist regime before reaching maturity.

Technology leap-frog argument from liberal point of view assumes that globalisation trough trade will benefit developing countries in catching up the newest technology without the need to invest or to research. Foreign direct investors (FDI's) of global companies, bring huge capital, expertise and new technology to developing nations. To some extents this argument might be true; however the FDI's presence in the developing countries might also bring the consequences that foreign capital brought by FDI's is being used in speculative attacks against weak currencies of developing countries constitutes a real threat to economic stability and to the level of employment in these countries. Furthermore, the developing nations will be confronted from any front to attract FDI's. In Indonesia, for instance, there are already quite reasonable number of Taiwanese and Korean investors in Indonesia has moved their capital to other neighbouring countries where the cost of labour is less expensive (Kompas, 2004). Dani Rodrik has anticipated and warned that globalisation creates conflict within and among nations over domestic norms and the social institutions that embody them. He pointed out that:

... as the technology for manufactured goods becomes standardised and diffused internationally, nations with very different sets of values, norms, institution, and collective preferences begin to compete head on in markets for similar good. And the spread of globalisation creates opportunities for trade among countries at different level of development. (Rodrik cited in Timmons and Amy, 2000, p. 301).

2.5.2 Labour and employment

Fear of losing foreign investors, the government of developing countries start to compete each other to deregulate their policy to attract FDI's, MNC's, a competition described by some as a "race to bottom" as government dismantle regulatory structures ensuring that wages and taxes and remain low (Woods, 2000, p. 7). If the government of developing nation tries to regulate foreign MNC's by increasing minimum wage, labour safety standards, etc. it might risk that MNC's relocate their business to other developing countries. The developing-country labours, who were probably already on low wages by any standards, lack of union representative and legal protections are forced to take the jobs that exploit them (The Economist, 2001; Woods, 2000). Child labour and other gross labour abuses by global companies operating in developing countries are also other issues (Woods, 2000, p. 7).

In certain industry sector, there are some evidences that could prove these claims. In garments industry, for instance, some of MNC's in this industry like Gap and Levi-Strauss has produced their garments in many developing countries. However, as a result of fierce global competition, these firms looked for the countries that could produce both the raw materials (like textiles), and provide full-package services from cutting, sewing to packaging. Traditionally, China and India had the competitive advantage to provide raw materials and full-package of service in garment industries (Foo and Bas, 2003, p. 5). This is a threat of some smaller developing countries, which rely their foreign exchange and employment mostly on garments export. Fears that global retailers and brand-name MNC's in this industry relocated their production in these giant countries and would result a potential million of jobs losses, some smaller developing countries had to allow their labour wages remain low and be exploited (Foo and Bas, 2003, p. 5). Bangladesh, Indonesia, Sri Lanka, Kenya and the Dominican Republic are amount the countries that could be named to fall into this category (International Textile, Garment and Leather Workers' Federation, 2003, p. 5).

Owing to global competition pressure, in the early 1980s the global company such as Nike start searching for alternative, lower-cost producer. The company worked with its lead suppliers to open up manufacturing plants in Indonesia, China and Vietnam benefiting low wages and abundant number of labours. These factors permitted Nike to grow at an impressive rate over the last several decades (HBS Case, 1991). Since then Nike had been criticized for outsourcing its products in factories/countries where low wages, poor working conditions, and human rights problems were rampant. Reports by a variety of NGOs and labour activists claimed that there were rife with exploitation, poor working conditions, and a range of human rights and labour abuses. There were underpaid workers in Indonesia, child labour in Cambodia and Pakistan, and poor working conditions in China and Vietnam (Locke, 1995).

Since, globalisation make the barrier among nations is increasingly becoming irrelevant, highly skilled workers, professionals and capital owners in developing countries are now free to move with their resources where they are most demanded. As the consequences, there are highly skilled workers migration and capital flow and brain drain from south to north attracted by better salary and/or investment opportunities in the north, which could have harmful consequences for long-term growth of the countries in the south.

2.5.3 Intellectual property right

When developing countries join the global organisation, they are bound with intellectual property right agreement. They are coerced into an agreement, which transfer million of dollars worth of monopoly profits from poor countries to wealth countries under the property right law.

The agreement related to intellectual properties such as trade-related intellectual property rights (TRIPS), TRIMs using global organisation GATT, have been set up. However, all these agreements is far from favourable for developing words as it only represented the most strongest and competitive MNC's and industrialised countries. In TRIPS, for instance, property right agreement in computer software, pharmaceuticals only to protect industrialised countries based firms, which have comparative advantage in these products (Stubbs and Geoffrey, 2000, pp. 174-5). In this agreement, the owner of intellectual property right has 20 years monopoly right, and of those who break the agreement will face severe trade sanction (Stubbs and Geoffrey, 2000, p. 176).

The costs to developing countries of implementing the TRIPS Agreement are unreasonably high. Mexico for instance, spent over US$30 million upgrading intellectual property laws and enforcement (Finger and Schuler, 1999). In bilateral trade negotiations, US pressure led countries like Nigeria, Uganda, Morocco and Cambodia to enforce patent protection regimes for pharmaceuticals which are more restrictive than those required under TRIPS and are thus known as TRIPS Plus. In the USA negotiated Free Trade Agreement of Americas (FTAA) TRIPS Plus proposals include: limits on the circumstances in which compulsory licences can be issued; extension of patent terms beyond the 20 years required by TRIPS; and prohibition on the export of drugs produced under compulsory licence. European Commission has already enforced a TRIPS Plus Agreement with Tunisia (Action Aid International, 2004).

Intellectual property right under TRIPS is also applied very broadly to allow patent rights over individual plant genes, seed and their characteristics and WTO members must protect plant varieties either through patents (WIPO). Up to now agricultural biotechnology MNC's have filed thousands of patents on plant varieties, seeds. This would imply the removal of farmers' rights in developing countries over plants, seeds and increasingly easy for MNC's which own patent to enforce their intellectual property rights in developing countries.

Farmers in India, for instance, have witnessed the impact of increased costs in relation to Monsanto's Bt cotton seeds. Farmers in Nalgonda district of Andhra Pradesh in India paid up to 1,600 rupees for a 450-gram packet of Bt cotton seeds own by MNC's, (of which the royalty component was 1,200 rupees), as against 450-500 rupees for normal varieties. Despite the costs, Bt cotton yields have sometimes been lower than those of local varieties (The Hindu, India's National news paper Sunday, 26 January 2003).

The implication of patenting seeds, plants would make small farmers in developing countries dependent on the MNC's that own the patents. In turn, this could lead to fundamental changes in the way agriculture is practiced in developing countries by facilitating the growth of global agribusiness operated by MNC's and the decline of small farms own by farmer in developing countries. In addition, if the use of patented seeds became the norm and implied strictly, MNC's would dominate the world's food supply.

In 2001, due to constant pressure from MNC's and US government the Indonesian judiciary system began consideration of certain intellectual property right cases in the commercial courts. In a landmark case in 2001, a US software company won a civil suit against five retailers for selling computers bundled with pirated software. In their first two years after the landmark case, the commercial courts have concluded over 150 cases (Hartungi, 2006). The GNI per capita in Indonesia is still very low of about US$ 710/annum. Even the middle class have problems making ends meet. Young graduates entering a profession have starting salaries of around $80-$100 per month (Richter and Pamela, 2004). It is, therefore, unrealistic to expect the country like this to be able to apply strong ethics such as TRIPS where the livelihood of the general population is still poor. If copyright law is very strictly applied and the students are required to buy a book that will cost more then their living expense for a month, (like some foreign textbooks are) there will not many of them could effort to have it. Meanwhile, unlike their counterpart in industrialised countries many libraries in developing countries could only provide very limited exemplar of required textbooks. This will lead to the situation where there will be quite reasonable number of students be jailed due to the inevitability to pay fine for breaking the copyright law. This situation will also make the future generation of developing countries be denied from the newest technology and knowledge (Hartungi, 2006).

Under the incentives created by the global system of patenting, copyright and intellectual property right protection, the global player in pharmaceutical industries will be more interesting in producing medicine for the rich rather then the poor. Although the three prevalent infectious diseases such as malaria, diarrhoea, TB which kills millions each year in the developing world and should, therefore, become the priority and subject to further research and development, in another sense they are neglected. For MNC's in pharmaceutical industries, producing medicine for skin, facial, hair treatment, Viagra, Ecstasy or the like will be certainly much more beneficial then producing tablets for neglected diseases like malaria, diarrhoea or TB vaccines. The MNC's in pharmaceutical industries is unlikely to invest in research and development for diseases that primarily affect poor countries if it has little reason to think it will recoup the costs (Hartungi, 2006).

2.5.4 Environment

The environmentalists or greens concern that globalisation is encouraging more economic growth, mass consumption and large-scale economic activities and thus excessive exploitation of renewable and non-renewable resources (Helleiner, 1996, p. 62). A similar problem arises with the exploitation of other scarce resources such as minerals, raw materials, and waters (Hoogvelt, 1982, p. 130-31). As a result, there will be faster environment degradation around the world. Since, developing nations is great supplier of raw materials, the greatest degradation will be seen in these regions (Hoogvelt, 1982, p. 131).

Greens also warn that people's sense of environmental awareness may be eroding as economic process spread out over greater distance creating transnational pollution. When dumping of waste or toxic materials takes in location far away from where they live, individuals will be less aware. Here again, the developing nations will be seen as lucrative and comfortable place to dump those materials. Uncontrolled growth in population due to industrialisation and economic growth will worsen this problem (Hoogvelt, 1982, p. 130).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

The research problem was studied using case study method. This method was suitable for the study because it aimed at giving in-depth account of the how the Kenya Airways Limited is responding to the challenges that it is facing in a globalized economy. Kothari (1990) states that a case study involves complete observation of a social unit; a person, institution.

3.2. Data Collection

The study used primary data to carry out the study. Primary data was collected using semi-structured questionnaires. The questionnaires were administered using drop and pick later method. A letter of introduction was issued to the respondent prior to the questionnaire administration, and as prerequisite to data collection. The respondents were picked from the commercial department. The department has 4 divisions namely the network planning and strategy, sales, revenue management, and cargo management. The network planning and strategy staffs were best suited to respond to the questionnaires. Thus, given that there are 15 employees in the division, all the 15 were selected to respond to the questionnaire. This number included the head of the division.

3.3. Data Analysis

Considering the qualitative nature of the study and the envisaged response as per the questionnaire, a conceptual and qualitative content analysis was used. Where applicable, however, figures were presented in tabular form or graphically, and a percentage or mean obtained quantitatively.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This section presents the findings of the study. The first section presents the summary of sample characteristics and general information on the globalization challenges facing Kenya Airways. This is followed by the results on the strategic responses Kenya Airways adopts to respond to the challenges of globalization.

4.2 Sample Characteristics

4.2.1 Distribution of Respondents According to their Designations

The respondents were drawn from the network planning and strategy division. The study was able to collect views of 10 of the targeted respondents. Of these, 30% were in the managerial levels while the rest (70%) were the general staff in the division. This is summarized in Figure 1.

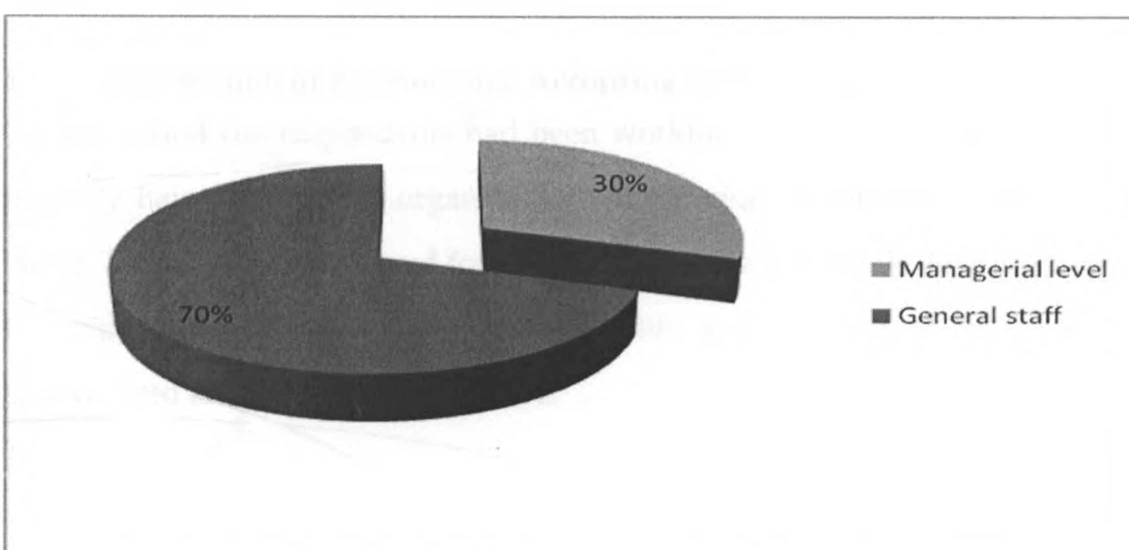


Figure 1: Distribution of Respondents According to their Designations

4.2.2 Distribution of Respondents According to Level of Education

On their levels of education, the study found that 20% were diploma/certificate holders, 10% had postgraduate degrees while the remaining 70% had undergraduate degrees. These results are also presented in Figure 2.

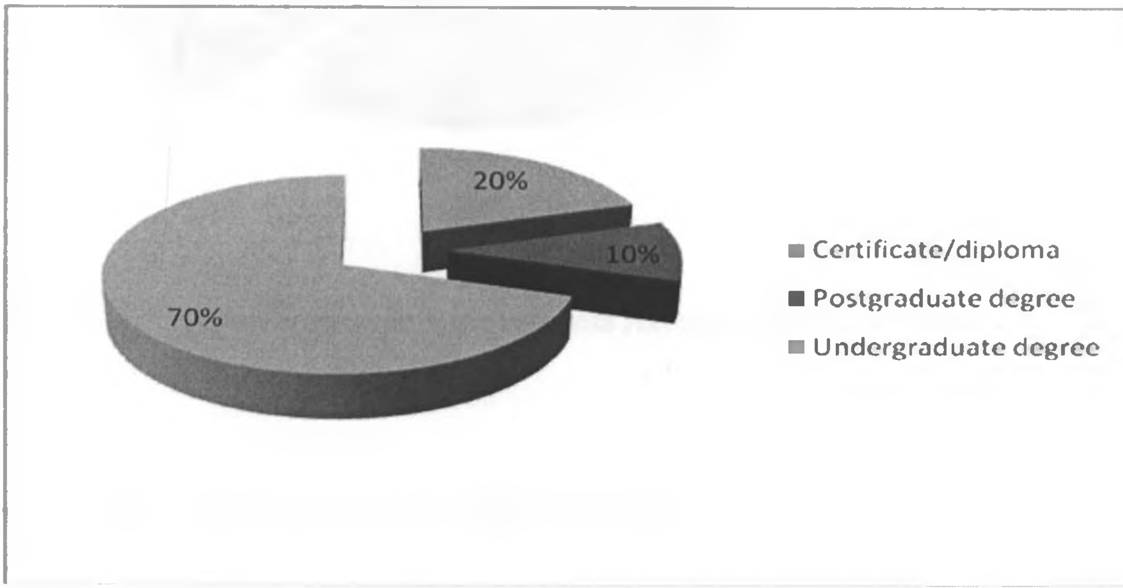


Figure 2: Distribution of Respondents According to Level of Education

4.2.3 Distribution of Respondents According to Experience

On the period the respondents had been working in KQ, the study found that majority have been in the organization for a period of between 3 and 5 years (40%). Those who have stayed for over 7 years were 30% while 20% had been in the organisation for less than 3 years. This and the rest of the results is summarized and presented in Figure 3.

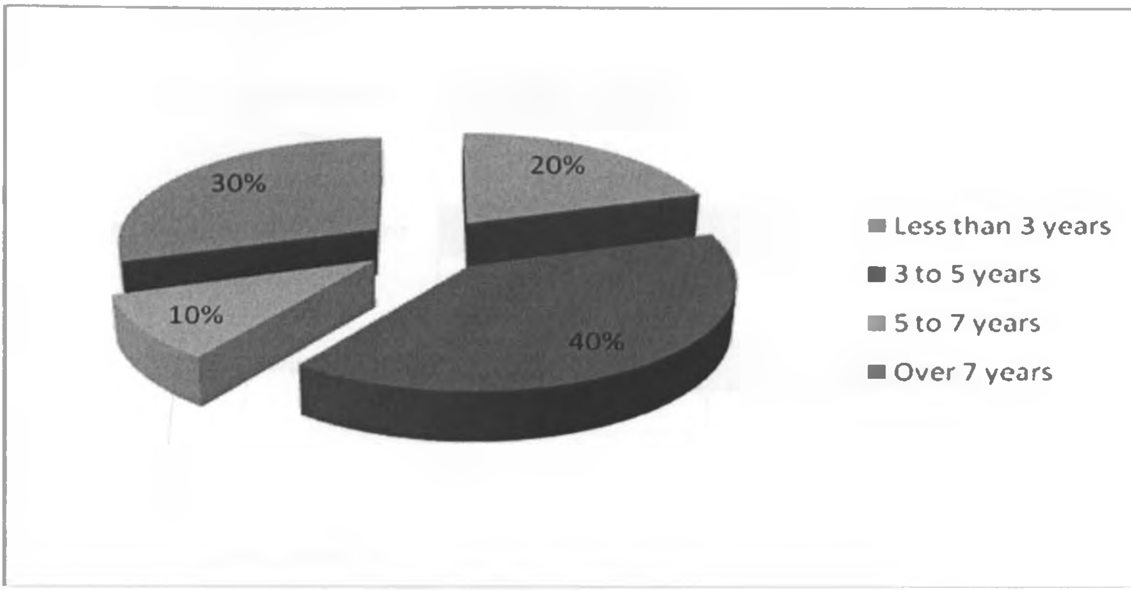


Figure 3: Distribution of Respondents According to Experience

4.3 The Extent to Which Globalization Affects KQ

4.3.1 Competition

The respondents were asked to cite the extent to which competition has been the greatest challenge facing Kenya Airways. The results summarized in Figure 4 show that competition has been to a large extent a challenge facing Kenya Airways. The study found that 40% of the respondents agree that it affects Kenya Airways to a very large extent while 30% said it does to a moderately large extent.

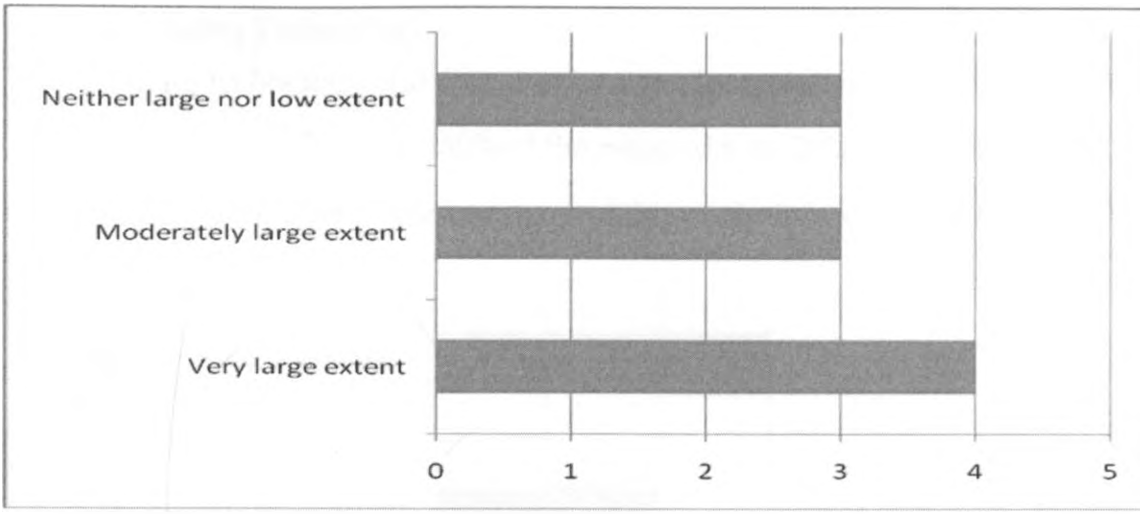


Figure 4: Competition

4.3.2 Changing Customer Tastes and Preferences

The study found that the changing customer tastes and preferences is a challenge to Kenya Airways. This is because most of the respondents believed so as shown in Figure 5. As shown, 50% said that it was absolutely a challenge. 40% were neutral while 10% said it was somehow a challenge.

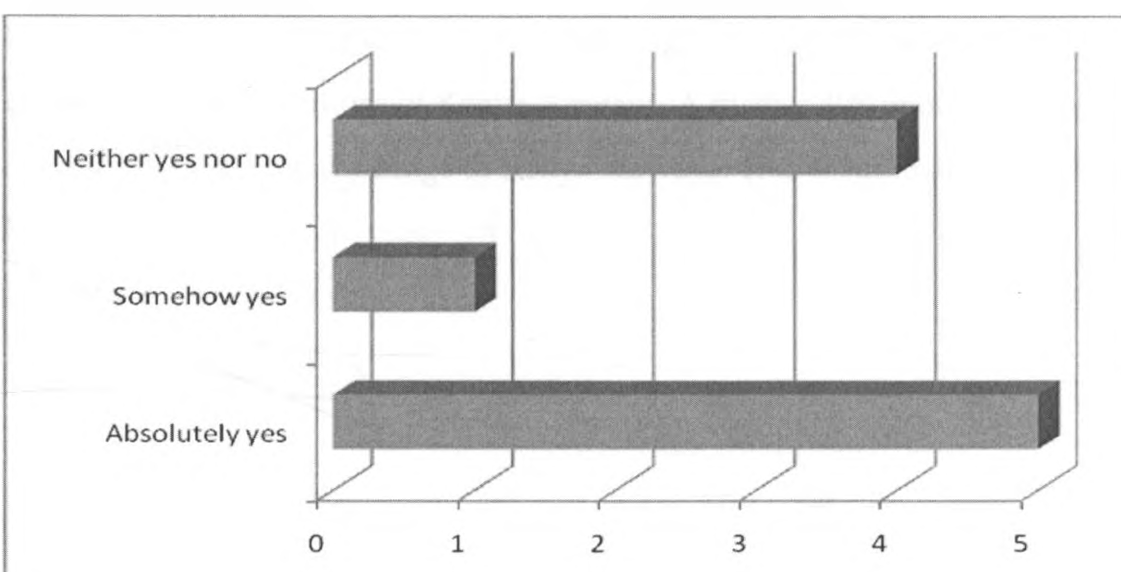


Figure 5: Changing Customer Tastes and Preferences

4.3.3 Changing Technology

The changing technology was found to be a challenge facing Kenya Airways to a very large extent as shown by 50% of the respondents. 20% said it affected KQ to a moderately large extent. The summary of this analysis is shown in Figure 6.

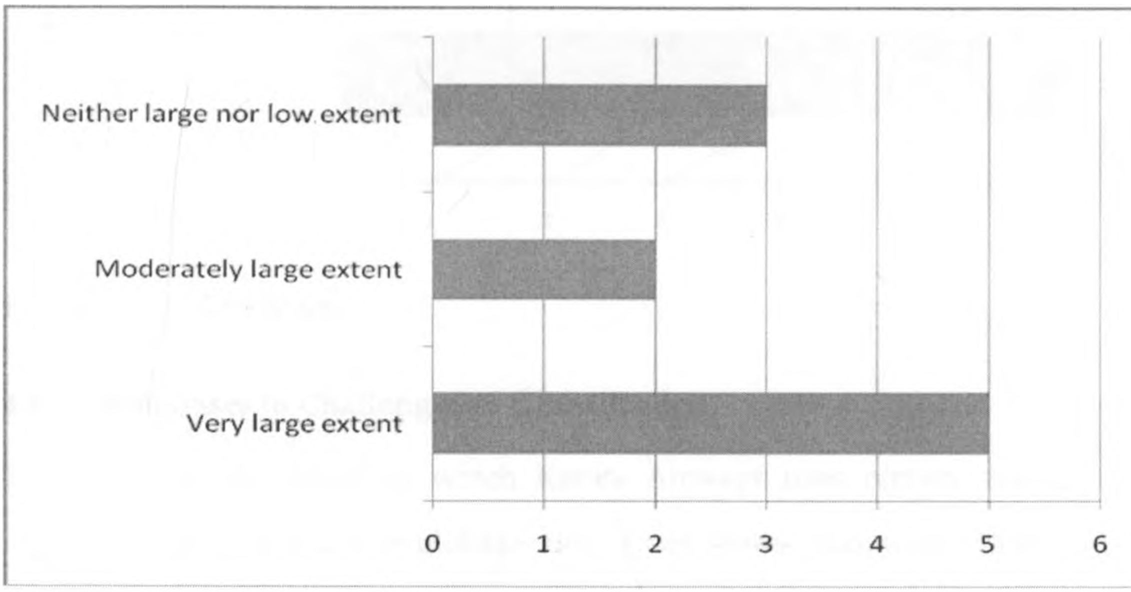


Figure 6: Changing Technology

4.3.4 Terrorism

Most of the respondents (60%) strongly agreed that terrorism is a major challenge to the operations of Kenya Airways. A further 40% moderately agreed that terrorism is a big challenge to Kenya Airways. This is summarized in Figure 7.

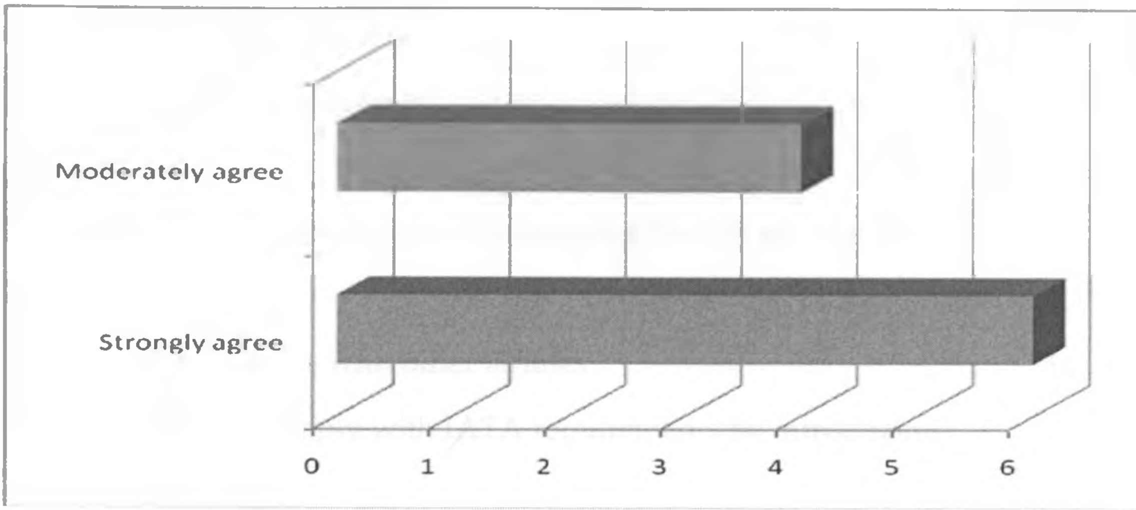


Figure 7: Terrorism

4.4 Responses to Challenges of Globalization

To determine the extent to which Kenya Airways uses certain strategies to respond to the challenges of globalization, mean scores were used. As presented in Table 1, Kenya Airways responds to the challenges of globalization by developing a comprehensive strategic plan to carry out its intended plans (mean of 5.00). Further, the company has invested in state-of-the-art fleets to respond to the changing customer tastes and preferences as a strategy (mean of 4.9). Loyalty programs were found to be used to a moderately low extent to respond to the challenges of globalization (mean score of 2.1). The rest of the results are shown in the table.

Table 1: Responses to Challenges of Globalization

Statement	Mean scores
Development of a comprehensive strategic plan to carry out its intended plans	5
Investment in state-of-the-art fleets	4.9

Training of staff on customer care	4.8
Putting up safety management system in order to increase safety of flights	4.8
Putting up appropriate measures to mitigate the risk of increasing jet fuel	4.7
Entering into alliances with other airlines	4.6
Making efforts to comply with IATA requirements by introducing electronic ticketing	4.6
Automation of internal processes	4.5
Embracing the idea of business process outsourcing in various functions	4.4
Enhancing operational audits in order to offer quality services	4.4
Expansion of routes by flying new destinations	4.3
Focusing on differentiation as a marketing strategy	4.1
Starting loyalty programs for customers	2.1

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The objective of this study was to determine strategic responses that Kenya Airways employs in responding to the challenges of globalization. To perform this, the challenges were identified and then strategic responses sought.

The respondents were drawn from the network planning and strategy division with 30% of the respondents being in the managerial levels while the rest (70%) being the general staff in the division.

The study found that 20% had diploma/certificates, 10% had postgraduate degrees while the remaining 70% had undergraduate degrees.

The study found that 40% of the respondents had been working in KQ for a period of between 3 and 5 years (40%). Those who had stayed for over 7 years were 30% while 20% had been in the organisation for less than 3 years.

On the extent to which globalization affects Kenya Airways, the study found that 40% of the respondents agree that competition affects Kenya Airways to a very large extent while 30% said it does to a moderately large extent.

The study found that the changing customer tastes and preferences is a challenge to Kenya Airways as strongly agreed by 50% of the respondents.

The changing technology was also found to be a challenge facing Kenya Airways to a very large extent as shown by 50% of the respondents.

Most of the respondents (60%) strongly agreed that terrorism is a major challenge to the operations of Kenya Airways. A further 40% moderately agreed that terrorism is a big challenge to Kenya Airways.

The study found that Kenya Airways responds to the challenges of globalization by developing a comprehensive strategic plan to carry out its intended plans (as shown by the highest mean of 5.00).

Further, the company has invested in state-of-the-art fleets to respond to the changing customer tastes and preferences as a strategy (mean of 4.9).

Loyalty programs were found to be used to a moderately low extent to respond to the challenges of globalization (mean score of 2.1).

5.2 Conclusions

The study concludes that the greatest globalization challenge presently facing Kenya Airways is terrorism. This had the highest percentage in terms of its ranking as a threat to Kenya Airways. Competition and changing technology were also found to be significant factors affecting Kenya Airways.

Kenya Airways has responded in a number of ways. One of the major things the company has done is to come up with an exhaustive strategic plan which encompasses the specific strategies it adopts in the market. Chief among them has been putting up safety management system in order to increase safety of flights. This is understandable given the prior experiences the company has had where its flights have been involved in crashes, a recent one being in Duala Cameroon.

The other strategy that KQ has extensively used includes forming strategic alliances with other airlines in order to beat competition. This has seen it fly into other destinations that it was not able to fly earlier.

5.3 Recommendations

The study recommends that the management of Kenya Airways puts up measures that will ensure that the selected strategies are successfully implemented. This way, the strategic initiatives met may have a significant influence on its performance.

The issue of loyalty programs needs to be reconsidered by the organisation. This was found to be least used among the strategies. This can be used as a marketing strategy to enhance loyalty to the brand and to attract new clients from foreign countries or locally.

The study recommends that a study be done to explore further whether these strategies have significantly influenced performance of the organisation. A study of this nature should also be replicated to other industries to establish their strategic responses.

REFERENCES

Abdullahi O.S. (2000), A Study of The Strategic Responses by Kenyan Insurance Companies following liberalization, **Unpublished MBA Thesis**, University of Nairobi

Caves R. and Porter M. (1978) Market Structure, Oligopoly, and Stability of Market Shares, **Journal of Industrial Economics**, 26(4) 289-311.

Chemayiek, T.T. (2005) Consumers' Perception of Corporate Re-branding Strategy by Kenya Airways, **Unpublished MBA Thesis**, University of Nairobi

Dierckx I. and Cool K. (1989) Asset Stock Accumulation and Sustainability of Competitive, **Management Science**, 35(12) 307-333

Doz, Yves L., and Hamel, Gary (1998) **Alliance Advantage**,. Harvard Business School Press

Evans J.S. (1991) Strategic Flexibility for High Technology Maneuvers: A Conceptual Framework, **Journal of Management Studies**, 28 (1), 69-89.

Ghemawat P. (1991) **Commitment: The Dynamic of Strategy**, Free Press, New York, NY

Gichira, C.N. (2007) Challenges of Globalization & Their Impact on Kenya Airways, **Unpublished MBA Thesis**, University of Nairobi

Goro, R.W. (2003) Strategic Responses of Commercial Banks to the Threat of Substitute Products, **Unpublished MBA Project**, University of Nairobi

Grimm C.M. and Smith K.G. (1997) Strategic Groups and Rivalrous Firm Behavior: Towards Reconciliation, **Strategic Management Journal**.

Gupta Y.P. and Goyal S. (1989) Flexibility of Manufacturing Systems: Concepts and Measurements, **European Journal of Operational Research**, 43, 119-35

Hammer, H. and Champy, J., (1993) **Reengineering: A Manifesto for Business Revolution,** London: Nicholas Breadly Publishing

Hill C.W. L. (2005): **International Business, competing in the global market place**

Janneh, A. (2006) **Strategies for the Development of the Airline Transport Industry in Africa, Speech delivered to the High Level Meeting of African Airlines Companies**, 29-30, Tunis, Tunisia.

Johnson G., Scholes K.,(2002): **Exploring Corporate Strategy; Texts and Cases**, Prentice Hall, New Delhi, 6th edition

Kandie, P. (2001) A Study of the Strategic Responses by Telkom Kenya Ltd, in a Competitive Environment**, Unpublished MBA project** of the University of Nairobi

Kiptugen, E.J (2003) Strategic Responses To A Changing Competitive Environment. The Case Study of KCB, **Unpublished MBA p**roject, University of Nairobi

Koech, I.K. (2002) The Influence of Job Design On Employee Perception on Job Satisfaction in Kenya Airways. A Comparison between Pre and Post Privatization Periods, **Unpublished MBA Thesis**, University of Nairobi

Kothari,C R., (1990) **Research Methodology: Methods and Techniques** Washira Prakshan, 2nd Ed.

Lipmann S. and Ruinent R. (1982) Uncertain Limitability: An Analysis of Interfirm Differences in Efficiency Under Competition, **Bell Journal of Economics** 13(2) 218-239.

Manda, D.K. (2004) **Globalisation and the Labour Market in Kenya**, Kenya Institute for Public Policy Research and Analysis (KIPPRA) Discussion Paper No. 31

Masinde, C.K.M. (1986) Perceived Quality of Service: The Case of Kenya Airways**, Unpublished MBA Thesis**, University of Nairobi

Migunde, F.A (2003) Strategic Responses By The Kenya Broadcasting Corporation To Increased Competition, **Unpublished MBA Project**, University of Nairobi

Mugambi, M.G. (2003) The Strategic Responses Of Tourist Hotels To The Changes In The Environment A Case Of Tourist Hotels In Nairobi, **Unpublished MBA Project**, University Of Nairobi

Mulandi, F. (2005) Adoption of Market Development Strategy by Kenya Airways, **Unpublished MBA Thesis**, University of Nairobi

Mwanthi, P.M. (2004) The Financial Impact Of Privatization On Kenya Airways, **Unpublished MBA Thesis**, University of Nairobi

Nilson C and Nordahl H. (1995) Making Manufacturing Flexibility Operational-Part 1: A Framework, **Integrated Manufacturing Systems**, 6 (5), 5-16.

Njau, M.G (2000) Strategic Responses By Firms Facing Changed Competitive Conditions – E.A.B. LTD, **Unpublished MBA Project**, University of Nairobi

Pearce, J.A. and Robinson , R.B. (2005) **Strategic Management: Formulation, Implementation, and Control,** 6 th Ed.; New Delhi: Tata McGraw-Hill

Poh Lee H, Chew, W.W (1994), **BPR: definitions and models revisited**, Cranfield University, UK

Tapscott, D, Caston, A (1993), **A Paradigm Shift: The Promise of Information Technology**, McGraw-Hill, New York, NY

Thiga, S.W. (2002) Strategic Responses Of Airlines Operating In Kenya In The Face Of Changing Environmental Conditions, **Unpublished MBA Project**, University of Nairobi

Wignaraja, G. (2001). **"Competitiveness in a Globalizing Economy: Lessons of Experience, Action Programme on Productivity Improvement, Competitiveness and Quality of Jobs in Developing Countries"**. Working Paper PMD 2, International Labour Organization, Geneva.

Yip G. (1989) Global Strategy ... In a World of Nations, **Sloan Management Review**, 31 (1), 29-41

APPENDICES

Appendix 1: Questionnaire

SECTION A: GENERAL INFORMATION

1. What is your designation?

   ....

2. What is your highest level of education?

   Diploma/Certificate ( )

   Undergraduate degree ( )

   Postgraduate degree ( )

   Others (specify) ( )

3. How long have you been working in your present capacity?

   Less than 3 years ( )

   3 to 5 years ( )

   5 to 7 years ( )

   Over 7 years ( )

4. To what extent can you say that competition has been the greatest challenge facing Kenya Airways?

   Very large extent ( )

   Moderately large extent ( )

   Neither large nor low extent ( )

   Moderately low extent ( )

   Very low extent ( )

5. Is the changing customer tastes and preferences a challenge to Kenya Airways?

Absolutely yes ( )

Somehow yes ( )

Neither yes nor no ( )

Somehow no ( )

Absolutely no ( )

6. To what extent has changing technology been a challenge to Kenya Airways?

Very large extent ( )

Moderately large extent ( )

Neither large nor low extent ( )

Moderately low extent ( )

Very low extent ( )

7. Do you agree that terrorism has been a major challenge to the operations of Kenya Airways? Kindly rate the extent to which you agree or disagree.

Strongly agree ( )

Moderately agree ( )

Neither agree nor disagree ( )

Moderately disagree ( )

Strongly disagree ( )

SECTION B: RESPONSES TO CHALLENGES OF GLOBALIZATION

8. Mark against the statements in the table below the extent to which the following statements represent how Kenya Airways has responded to the challenges of globalization.

Key

5 **Very large extent**

4 **Moderately large extent**

3 **Neither large nor low extent**

2 **Moderately low extent**

1 **Very low extent**

Statement	**1**	**2**	**3**	**4**	**5**
Entering into alliances with other airlines					
Starting loyalty programs for customers					
Expansion of routes by flying new destinations					
Training of staff on customer care					
Automation of internal processes					
Making efforts to comply with IATA requirements by introducing electronic ticketing					
Investment in state-of-the-art fleets					
Putting up appropriate measures to mitigate the risk of increasing jet fuel					
Embracing the idea of business process outsourcing in various functions					
Enhancing operational audits in order to offer quality services					

Putting up safety management system in order to increase safety of flights					
Focusing on differentiation as a marketing strategy					
Development of a comprehensive strategic plan to carry out its intended plans					