EFFECT OF TURNAROUND STRATEGIES ON THE PERFORMANCE OF KENYA AIRWAYS

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2017
DECLARATION

I confirm that this is my original work and has not been submitted for presentation at the University of Nairobi or any other institution of higher learning.

Signature ................................. Date .................................

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D61/78819/2012

Supervisor

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

Signature ................................. Date .................................

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ACKNOWLEDGEMENT

I would like to acknowledge the Almighty God for his grace before and through the research work. I would also like to specially acknowledge my supervisor, Dr. Jeremiah Kagwe who guided me tirelessly through the research project.
DEDICATION

I dedicate this project to my classmates and friends who supported me throughout this journey.
# TABLE OF CONTENTS

DECLARATION .................................................................................................................... ii
ACKNOWLEDGEMENT ......................................................................................................... iii
DEDICATION ........................................................................................................................ iv
LIST OF ABBREVIATIONS ................................................................................................... vii
ABSTRACT ........................................................................................................................... viii

CHAPTER ONE : INTRODUCTION ...................................................................................... 1
1.1 Background of the Study ............................................................................................... 1
   1.1.1 Turnaround Strategies ......................................................................................... 3
   1.1.2 Organizational Performance ............................................................................... 4
   1.1.3 Air Transport Industry in Kenya ......................................................................... 6
   1.1.4 Kenya Airways .................................................................................................... 7
1.2 Research Problem ......................................................................................................... 8
1.3 Research Objectives ..................................................................................................... 10
1.4 Value of the Study ......................................................................................................... 10

CHAPTER TWO : LITERATURE REVIEW ......................................................................... 13
2.1 Introduction .................................................................................................................. 13
2.2 Theoretical Framework ............................................................................................... 13
2.3 Turnaround Strategies and Performance ................................................................... 16
2.4 Conceptual Framework .............................................................................................. 19
2.5 Summary of Knowledge gaps .................................................................................... 20

CHAPTER THREE : RESEARCH METHODOLOGY ...................................................... 23
3.1 Introduction .................................................................................................................. 23
3.2 Research Design .......................................................................................................... 23
3.3 Data Collection ........................................................................................................... 23
3.4 Data Analysis .............................................................................................................. 24
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION........ 25
4.1 Introduction ........................................................................................................... 25
4.2 Response Rate ...................................................................................................... 25
4.3 General information .............................................................................................. 26
4.4 Turnaround Strategies and Performance ............................................................. 29
4.5 Turnaround Strategies and Performance at Kenya Airways .............................. 33
4.6 Discussion of Findings .......................................................................................... 35

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS39
5.1 Summary ................................................................................................................. 39
5.2 Conclusions ............................................................................................................ 41
5.3 Recommendations ................................................................................................. 42
5.4 Limitations of the Study ......................................................................................... 43
5.5 Suggestions for Further Research ........................................................................ 43

REFERENCES ............................................................................................................. 44
Appendix: Interview Guide.......................................................................................... 48
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>DSE</td>
<td>Dar-es-salaam Stock Exchange</td>
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<tr>
<td>KBC</td>
<td>Kenya Broadcasting Corporation</td>
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<td>KCAA</td>
<td>Kenya Civil Aviation Authority</td>
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<td>KQ</td>
<td>Kenya Airways</td>
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<td>Kenya Shillings</td>
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<td>NSE</td>
<td>Nairobi Stock Exchange</td>
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<tr>
<td>RBV</td>
<td>Resource Based View Theory</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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<td>USE</td>
<td>Uganda Stock Exchange</td>
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</table>
ABSTRACT

Kenya Airways has been posting losses as follows: 2013 (KSH 9 billion) and 2014 (KSH 2.7 billion), these losses can be attributed to a high wage bill, increased operational costs, stiff competition from other carriers, travel advisories and mismanagement. The decline in performance could be a result of situations specific to the organization or industry. In situations where organizations with great potential and likelihood of turning around their misfortunes to emerge profitable are identified, turn around strategies could be instituted to help stabilize its operations then turn around to positive performance parameter recordings. The study was directed by two objectives which included: identifying turnaround strategies at Kenya Airways and establishing the effect of turnaround strategies on the performance of Kenya Airways. The study was anchored on the Resource Based View Theory, institutional theory and the Open Systems theory. This study used descriptive research design to identify and describe the turnaround strategies that impact on organizational performance. It collected primary data using an interview guide. Data was analyzed using content analysis. The study concluded that the decline in performance at the Airline was as a result of poor ticket pricing and distribution channels which made customers prefer competitor airlines; poorly thought out investment decisions especially capital investment decisions which tied up much of the Company’s revenue and cash flow; poor routing arrangement and entering into some partnership which were not beneficial to the Airline; and existence of poor human resource management policy and practices which led to frequent industrial unrest to the detriment of Company reputation. On cost management strategies, the study established that the Airline reduced its fleet size so as to reduce unnecessary operating costs on fleet. The Airline also reduced the head count of its staff from over four thousand to below three thousand six hundred. The study further established that the Airline engaged in managerial changes where top key senior managers were replaced. This led to better strategy formulation and implementation to enhance turnaround strategy implementation. The study also concludes that the Airline engaged in culture change where employees were re-oriented to Airline vision, goals and the way that they needed to ensure this is achieved. The study recommends that revenue improvement strategies also be introduced in the operations so as to extend Airline revenue and improve overall profitability. The study recommends that this exercise be continued until the point of stabilization. This will enable the Airline in offloading unnecessary balance sheet items for improved profitability. This study further recommends that new culture developed on the basis of retraining and work place diversity be promoted to sustain operational efficiency. This will improve the future performance of the airline.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Uncertainty in the operating environment may negatively affect the performance of organization such that it finds itself in a situation where performance is continuously declining (Smith & Graves, 2005). This could be caused by factors both internal and external to the organization owing to the fact that organizations operate as open systems. In order to reverse this trend, it is important that senior management formulate and implement strategies that can reverse the negative performance trends and enable the firm recover positive performance (Pretorius, 2008). Management needs to formulate strategies that enable the organization to stabilize its performance so that it can then start on a positive performance trend (Panicker & Manimala, 2015). These strategies could range from funding and good leadership which can help turn around the underperforming company. Turnaround strategies mainly aim at restoring a distressed organization from consistent negative performance to acceptable levels of profitability (Evans, Chitnomrath & Christopher, 2013). These strategies are normally applied to organizations worthy rescuing when they are found to be experiencing a drastic performance decline.

This study will be based on three schools of thought, the Open Systems Theory, Resource Based View (RBV) Theory and the Institutional Theory. Open Systems Theory holds the belief that organizations as open systems are environmental dependent in that they rely on the environment for their existence (Bastedo, 2004). This is largely because they get their input resources from the environment and
discharge outputs in the same environment (Scott, 2002). Therefore, it is not possible for organizations to operate without taking into account the environment and how it affects their business. The RBV on the other hand holds that in order for organizations to implement strategies and emerge competitive or improve on their performance, they need resources (Helfat & Peteraf, 2003). Resource availability is important in strategy implementation. Situations of well drafted strategies but not implemented due to limited resources have been witnessed world over (Bowman & Ambrosini, 2003).

The Institutional Theory explains the role of institutions and principles in guiding the activities of different management teams in their duties. It helps explain the role that senior management play in turnaround strategy implementation.

Kenya Airways has been posting losses as follows: 2013 (KSH 9 billion) and 2014 (KSH 2.7 billion), these losses can be attributed to a high wage bill, increased operational costs, stiff competition from other carriers, travel advisories and mismanagement (Soita & Gichinga, 2016). To remedy this situation, ‘Operation Pride’ will focus on turning around the company’s operations in order to reduce the gap in profitability of 200 million USD, changing the company’s operational strategy and business model and optimizing the company’s finances to improve its long term and short term financial structure: this study will therefore examine the effect of these turnaround strategies on performance of Kenya Airways (Kenya Airways Press release, 2017). Bearing great potential of success, the company adopted several turnaround strategies to help reverse the declining performance trends. It is on this basis that this study seeks assessing the impact of turnaround strategies on the performance of Kenya Airways.
1.1.1 Turnaround Strategies

Strategies are methods or plans developed and followed by an organization to achieve a desired future position or target. The desired future position could take the form of achieving a goal or finding a solution to a problem faced by an organization. The turnaround strategy is defined as a corporate decision made by the executives of an organization to deal with loss making by converting it to profit making (Solnet, Paulsen & Cooper, 2010). It also makes strategies to transform the lowered returns on capital employed or decrease in value of shares and increasing report of losses made. According to Smarick (2010) the turnaround strategy concept works in order to address the root causes of failure and under performance in an organization, the strategy also works to change from loss making to profit making.

Turnaround strategies are strategies adopted by an organization to help reverse the declining organizational performance trends when an organization is realized to possess great future potential (Johnson & Scholes, 2008). The main objective of implementing turnaround strategies is restore the success and profitability of an underachieving or troubled company. They are made up of rapid changes in corporate strategy so as to arrest the continuous decline in profitability, loss of competitiveness, market share among other parameters of performance (Liou & Smith, 2006). Turning around is synonymous with change in the way that the organization has been doing things and adopting new ways so as to achieve set changes in performance parameters. According to Johnson and Scholes (2008), turnaround strategies refer to swift changes in a company’s corporate strategy with the aim of arresting sudden issues such as changes in the market, entry of new competitors, reduced returns on investment (ROI) or a reduction in the company’s market share. These issues may
arise due to internal problems such as poor management or overspending or external problems occasioned by a change in the needs of customers or new technologies (Ferrè, Cuccurullo & Lega, 2012).

Turnaround strategy is further defined by Fullan and Scott (2009) as the action plan implemented by a company’s management clearly outlining how the Company is set to run its operations so as to reverse the negative performance results. These strategies are used to curb the deterioration of company performance with the aim of restoring it back to prosperity trajectory (Liou & Smith, 2006). Turnaround strategies help companies regain their solvency and continue operating in a profitable manner into the unforeseen future. According to Oreschko, Kunze, Schultz, Fricke, Kumar and Sherry (2012) the process of turnaround strategy happens in two distinct phases: stopping the decline in performance and undertaking appropriate measures that will restore positive performance. Stopping the decline in performance phase involves stabilizing the existing state of decline. This may involve managerial restructuring, asset restructuring, seeking stakeholder support, financial restructuring, changing operational processes among other measures to arrest the decline in performance parameters. Recovery phase only starts once the stabilization phase has been achieved.

1.1.2 Organizational Performance

Organization performance refers to the measurement adopted by an organization to ascertain how well the management has utilized the resources in the organization to deliver on set organizational objectives within a given period – normally one year (Lebans & Euske, 2006). According to Wang and Lo (2003) performance refers to the
actual outcomes realized by an organization compared to the set targets. This therefore means that an organization could achieve the targets, surpass or fall below targets. Measurement of performance is important because it helps rate the management on how well they have utilized resources entrusted in them by the shareholders within a given time period.

Some of the commonly applied measures of performance include financial ratios like profitability, liquidity and market share among others. According to Kaplan and Norton (1996), four perspectives exist for measuring organizational performance: Financial, internal processes, customer perspective and learning and growth. These four perspectives include customer perspective, financial, internal processes, learning and growth. These four perspectives of performance effectively determine performance in non-financial terms. Financial measure of the balanced scorecard deal with profitability for example reduced number of bad debts in a banking institution, return on equity of a company or return on assets.

The customer dimension of the balanced scorecard indicates the extent of value required for satisfaction of the customers of a given company. An increase in number of customers due to satisfaction derived from the value of the product increases the sales volume which enhances organizational performance. Learning and growth dimension of the balanced scorecard indicates the need and learning gaps by a company so as to enhance customer satisfaction and therefore increased sales and profitability.
1.1.3 Air Transport Industry in Kenya

Air travel started in Kenya at the turn of the 19th century. Small crafts were used to transport British Government officials and wealthy individuals who came to Kenya on Safari expeditions. The first commercial aerodrome was the Wilson Airport that started in the 1920’s which collapsed in 1939. More recently, there have been more airlines that have set up their operations in Kenya (Kamau & Stanley, 2015). Kenya Airways is ranked as one of Africa’s biggest national airlines and serves as Kenya’s national carrier, there are also other airlines with a strong presence in Kenya such as Virgin Atlantic, Fly Emirates, Rwanda air, Air Arabia, Air Uganda, Jetlink, Fly 540 and Precision Airlines (Kamau & Stanley, 2015). These airlines have increased the competition in the industry, and thus improved the services being offered to travelers, this has also led to a reduction in fares, an increase in the number of destinations flown to and in the frequency of the flights taken to existing destinations (Kamau & Stanley, 2015).

The Kenyan Aviation Industry consists of the following bodies and organizations namely the Aeronautical Authority, Kenya Civil Aviation Authority, Kenya Airports Authority and all airline organizations. The Aeronautical Authority according to CAP 394 of laws of Kenya is the Minister for the time being responsible for aviation in Kenya, whereas KCAA is an agency of the government which is both a regulator and service provider. It is charged with economic and safety regulation, security and provision of air navigation services. The Airports Authority is responsible for ownership and development of all the aerodromes in Kenya (Kenya Airways Report, 2012).
1.1.4 Kenya Airways

Kenya Airways was founded in 1977 after the disbanding of East African Airways, it is Kenya’s national carrier and its offices are located in Embakasi while its hub is at Jomo Kenyatta International Airport: African Cargo Handling Limited is its subsidiary which it fully owns (Kamau & Stanley, 2015). Up until 1995, Kenya Airways was fully owned by the Government of Kenya, after that it was privatized and is currently in a private public partnership: the government of Kenya is the largest shareholder with 29.8%, KLM is next with 29.7% while the rest of the shares are held privately and are traded in the Nairobi Stock Exchange (NSE), Uganda Stock Exchange (USE) and the Dar-es-salaam Stock Exchange (DSE) (Oyieke, 2002).

The Kenyan airline is considered as one of the major national airlines in sub –Sahara Africa and in the entire continent, it is a member of Sky Team since June 2010 and has 4,834 employees; it plies domestic routes such as Mombasa, Nairobi, Eldoret and Kisumu, regional such as Kilimanjaro, Entebbe, Kigali, Dar-es-salaam and long haul routes in Europe and Asia (Kenya Airways Report, 2012). It contributes significantly to the Kenyan economy through creating employment, paying taxes, paying dividends to the government on the shares it owns and through corporate social responsibility activities such as sponsoring the Kenya 7’s rugby team and the Safari Rally.

Recently, the national carrier has undergone numerous challenges that has eaten into its profitability, these challenges can be attributed to cut throat competition from other airlines, increased operational costs, employee strikes and financial mismanagement; it is due to these challenges that the company launched a turnaround program dubbed
‘Operation Pride’ which it envisages will enable it to return to profitability soon (Kenya Airways Press Release).

1.2 Research Problem

Corporate failure is a common place as one third of corporations has been found to fail within the first five years of operations. However, some organizations could be victims of circumstances and despite the immense potential that they possess, they end up in a continuous performance decline (Lohrke, Bedeian & Palmer, 2004). The decline in performance could be a result of situations specific to the organization or industry. In situations where organizations with great potential and likelihood of turning around their misfortunes to emerge profitable are identified, turn around strategies could be instituted to help stabilize its operations then turn around to positive performance parameter recordings. The likelihood of a successful turnaround will depend on the strategies that are undertaken by the leadership of the firm.

Airlines throughout the world, including Kenya Airways, are facing numerous pressures such as globalization, increased competition, unstable financial markets, high wage bill as well as high operational costs: these challenges have led to reduced profit margins and thus driving airlines to streamline their operational processes if they are to maintain good performance on financial and non-financial parameters (Munyae, 2015). Due to cut throat competition, Kenya Airways must reduce their operating costs, provide stellar customer services and increase their customer base as these are the major problems that have led them to the state of distress; the company has implemented a turnaround strategy to remedy this situation of distress and improve its financial performance (Munyae, 2015).
Numerous studies have been conducted on the impact of turnaround strategies on organizational performance. Globally, Johanb, Yulihasri, Handika and Arifine (2017) examined how turnaround strategy from the perspective of leadership relates to organization performance. It was established that top leaders’ characteristics like functional and educational background, tenure, age, international experiences, and gender can help change the success degree in implementing turnaround strategy. In another study, Alex (2013) did a study on turnaround strategies and performance of selected commercial banks in Kenya. The finding shows that indeed the turnaround strategies adopted by the banks has had a positive effect on the performance of the commercial banks. The researcher further recommends that Kenya Commercial banks undertaking turnaround strategies should not only concentrate on attracting new customers but also emphasize on developing extensive distribution channels to gain a competitive edge in the market.

Tansey and Spillane (2016) examined turnaround strategies of large Irish Construction Contractors between the year 2007-2015 by looking at how they were able to be turned from crisis to opportunity. The findings show that the companies adopted internationalization strategy which helped in turning around. Alfred (2015) investigated the influence of turnaround strategies on the performance of Kenol Kobil Kenya limited. The result indicated that Kenol Kobil has put in place strategies to position itself ahead of the competition. Since the biggest threat to Kenol Kobil is regulation of fuel prices, the company has embarked on a regional expansion strategy to become a Pan-African oil marketer. In view of the findings, the study recommends Kenol Kobil together with other oil marketers to lobby the government to remove fuel price controls to allow free market dynamics and industry self-regulation.
Locally, Kamunde (2010) evaluated turnaround strategies at Development Bank of Kenya Limited where it was established that the Bank won back the confidence of stakeholders on turning around. In another study, Mutunga (2013) sought to examine how turn around strategies has been implemented at the Kenya Broadcasting Corporation. From the findings, the turnaround strategies by KBC were not effective to attain the objectives statements of an organization. Chingosho and Commander (2014) examined turnaround strategies for airline companies under the SADC. The study found out that cost leadership strategy is effective in enhancing optimal organizational performance. Both the global and local studies concentrated on companies in different contextual setting from the current study context. This therefore limited the application of their study findings to the current study case. This study sought to answer one research question: how has turnaround strategies impacted the performance of Kenya Airways?

1.3 Research Objectives

The specific objectives were:

i. To identify turnaround strategies at Kenya Airways

ii. To establish the effect of turnaround strategies on the performance of Kenya Airways

1.4 Value of the Study

This study would grow the existing literature on turnaround strategies; it will enable managers to identify the best strategies that are suited for their companies. It will also provide literature that is localized and can be used on other Kenyan companies since the business climate is the same.
The findings of the study would benefit other air line industry and all other related industries as they will understand the turnaround strategies being employed in Kenyan air transport and how the same air line can better their performance through employment of such strategies. This study would be of value to the management of Kenya airways as the study will be a source of information on the different strategies that have been employed by other Kenyan air line in changing their fortunes in a declining environment. From the study, the management of the Kenya Airways would be able to identify their appropriate strategy to be adopted and ways in which to customize the turnaround strategies to their individual air line situation.

The Government of Kenya would benefit from the findings of this research since they shall be quite interested on the turnaround strategies being adopted by Kenya Airways and hence put in place policies that would guide and encourage other firms within and outside the industry in coming up with strategies that threatens the survival of the firms.

The findings of this study would provide guidance on the formulation and development of appropriate strategic framework for smooth implementing of turnarounds in organizations. In addition, the findings will be more important in the development of new models for implementing change in organization that find themselves in similar situations.

This study would therefore be of value to academicians and researchers, commercial banks policy makers, investors and the government. To the researchers and academicians, the research would provide more insight into the implication of turnaround strategies on organizational performance and build their body of
knowledge for more expounded research which they would use as a reference for future studies.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviewed existing literature in relation to turn around strategies. It specifically gives an overview of theoretical literature on impact of turnaround strategies on the performance and the empirical literature on the turnaround strategies adopted by organizations. It also has a section on conceptual framework showing the relationship between the independent and the dependent study variables and lastly it had a section on summary.

2.2 Theoretical Framework

2.2.1 Institutional Theory

Organizations are governed by institutions which determine how responsibility is shared. It also determines how information flows and the authority by clearly defining the reporting structure (Peng, 2009). This theory was developed to help identify the role played by institutions in defining the activities and the way they are carried out in an organization (Scott, 2002). The theory is based on organization structure which defines how responsibility in an organization is shared. It also governs how information flows for optimal decision making (Scott, 2002).

This theory is relevant for this study because it helps in defining the way different individuals in an organization interact and share information for optimal decision making and organizational performance (Scott, 2002). It defines formal rules, sets of procedures and other regulations that influence the manner in which leaders influence
those below them in specific manner for the realization of organizational objectives (North, 1990). These provide a basis for differentiation between one organization and others in an industry as the leadership qualities may not be easily replicated in the short run. This theory will help explain the relationship between various turnaround strategies and organizational performance reported at Kenya Airways.

2.2.2 Open Systems Theory

This theory was formulated by Ludwig von Bertalanffy and Rapoport (1956) to bring into perspectives how an organization interacts with its immediate and extant environment. It is believed that all organizations operate in an environment where they are influenced by the environment in equal measure as they influence it. Organizations are largely influenced to a large extent by the environment in which they operate (Scott, 2002). It is therefore important that organizations take keen interest in what is happening in the environment. This is because it is important that organization align their operations to the changes in the operating environment if they are to remain competitive.

It is important that organizations operate as open systems by considering the environment in which they operate. They need to take care of the environment from which they get their resources and in which they release their outputs. This theory is important for this study because it elaborates the importance of taking account of the changes in the immediate and extant operating environment if an organization is to be competitive. Open systems theory has profoundly altered how we understand organizations and the demands placed upon organizational leaders. Therefore the
open system theory will help the management of companies to develop new strategies which will have a positive impact to its performance.

2.2.3 Resource Based View (RBV)

Resource Based View (RBV) is one of the concepts applied by modern competitive firms in the dynamic business environment when formulating and implementing turnaround strategies (Sheehan & Foss, 2007). In contrast, capabilities describe the capability of the firm in deployment of sufficient resources to enhance performance. Therefore, capabilities help firms to effectively utilize resources and this creates potential of output. It is important to note that resources form part of the capability of the firm, however, it is capabilities of the firm that significant contributes towards competitive advantage for a business firm (Thompson Strickland & Gamble, 2007).

The theory indicates that the primary determinants of performance of a firm are the resources in possession of the company. According to Zingier (2002), resources include capabilities, assets, organizational functions and different sources of information in control by the firm. RBV emphasizes that resources significantly contribute towards efficiencies through cost reduction while at the same time enhancing willingness to pay for the product of the firm. A firm can gain competitive advantage by transferring some of the efficiency achieved to the customer.

The theory indicates that the internal capabilities and resources are the major sources of competitive advantage over other firms. The theory helps in development of distinct resources and competencies while applying them to produce values that are superior in nature. If a business organization can keep this unique, competitive advantage can be gained through them (Pearce & Robinson, 2011). This theory is
relevant as it guides the management in asset restructuring and proper resource utilization to ensure transformation from losses to profiteering hence relevant in this study.

2.3 Turnaround Strategies and Performance

In circumstances where the performance of an organization is consistently negative or portraying negative trends, management is required to implement various strategies with the aim of reversing the negative trends (Akrani, 2012). They are mainly targeted at solving the root cause of failure registered in organizational performance (Smith & Graves, 2005). The strategies reviewed here include: cost management, change in top leadership, corporate culture and strategic leadership. Other strategies include:

2.3.1 Cost Management Strategies

Profitability in an organization is a function of turnover and costs. In circumstances where profitability is low, several ways could be used to restore the profitability levels to acceptable levels (Robert, Thanida & Theo, 2013). These may include seeking to increase revenue or minimization of costs while maintaining the turnover levels. Masinde (2016) established that managing costs in times of performance difficulties is important in ensuring that the organization uses the few resources at their disposal to improve on its performance. The performance measures used included: market share, profitability and customer loyalty (Sudarsanam & Lai, 2001). Organizations implement diverse strategies targeted at minimizing operational costs so as to improve on the profitability.
Cost management strategies have been referred to as quick wins as they involve a variety of ways adopted by an organization to reduce the costs associated with production of its units without having to compromise the quality (Scherrer, 2003). These involve identification of redundancy processes and removing them in the production process for minimization of production costs. These may include reduction of credit period so as to make cash for reinvestment available within the shortest period hence limiting the financing costs, prolonging the period taken to pay creditors so that the money can be used in the business for long, reduction of the amounts devoted to marketing activities, freezing any increment of salaries to employees within the turnaround period among others (Schoenberg, Collier & Browman, 2013).

2.3.2 Managerial Restructuring

Effecting changes in the composition of persons entrusted with management of an organization has been found to be a key turnaround strategy (Hassard, Morris, Sheehan & Yuxin, 2010). The existing management team could be having difficulty working together or they could have run out of ideas on how to improve the performance of the organization hence the need to set them aside and avail the opportunity to other individuals ready and willing to bring in new ideas so as to reverse the negative trends in performance (Panicker & Manimala, 2015). The dynamic operating environment requires that old ways of operations undergo change and since the old management are used to the status quo, they may not be the right persons to implement the new strategies to align the organization to the changing business environment (Kesner & Dalton, 1994).
A change in senior management team composition has been seen as tangible evidence to shareholders and other stakeholders in an organization that some positive actions have been undertaken following the reported consistent negative trends in performance (Slatter & Lovett, 1999). The type of leadership applied by the existing management could be having deficiencies in achieving the required performance levels (Munyae, 2015). These could involve change of the Chief Executive Officer (CEO) alone as they are believed to be the key decision makers (Pretorius, 2008). In other circumstances, the whole management is replaced so as to have new management team. The new management are believed to bring with them new trusted strategies that would reverse the negative trends realized (Simba, 2010).

**2.3.3 Asset Restructuring Strategy**

Organizations invest in various assets to boost the status of their balance sheets. In circumstances where the performance of the organization is consistently negative, it may be necessary that the asset structure be established a fresh (Mutunga, 2010). The process of asset restructuring involves identification of areas within the organization where performance is below average so as to invest in areas that will optimize firm returns (Kiarie, 2009). This may involve reorganizing the business units so as to achieve efficiency, divesture from business lines not consistent with the core business of the firm, investing resources in business ventures that are aimed at strengthening the core business, bringing to an end the production of products and services with a bleak future, entering into strategic alliances and joint ventures with other organizations that will enable the firm emerge competitive (Sudarsanam & Lai, 2001).
Under asset restructuring, firms facing constant negative performance trends may also merge with other better performing organization, or be bought out by management (Chowdhury, 2002). Firms may also focus on long term profitability by acquiring other businesses that fit their core competencies. This is especially applied by firms that have reached maturity stage or are experiencing a declining product and market share. According to Njeru (2010), this strategy has been applied by many firms in the financial sector to improve their financial service offerings to customers.

2.3.4 Culture change

Culture defines how individuals go about doing things in organizations. It comprises the unwritten rules that define how activities are conducted (Evans, Chitnomrath & Christopher, 2013). Change of culture challenges past beliefs and assumptions which may not be relevant to the changing operating environment normally taken for granted in the organization (Schoenberg, Collier and Bowman, 2013). It creates a break in the long practiced routines thereby encouraging employees to adopt new cultures desirable for achievement of the new organizational performance levels (Kamau & Stanley, 2015).

2.4 Conceptual Framework

Conceptual framework is a pictorial diagram identifying the dependent and independent variables clearly illustrating how they relate to one another. The independent variable in this study is the turnaround strategies: cost management, managerial restructuring, asset restructuring and culture change while the dependent variable is organizational performance measured using profits.
Figure 2.1: Conceptual Framework

Source: (Author, 2017)

2.5 Summary of Knowledge gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Topic</th>
<th>Methodology</th>
<th>Key Findings</th>
<th>Gap</th>
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<td>Tansey and Spillane (2016)</td>
<td>Turnaround strategies applied by large Irish firm in the Construction industry for the period: 2007-2015</td>
<td>Descriptive design</td>
<td>The findings show that the companies adopted internationalization strategy</td>
<td>The study was done in Ireland hence not applicable in the Kenyan setting</td>
</tr>
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<td>Masinde (2016)</td>
<td>Challenges of implementing turnaround strategies at Kenya Railways</td>
<td>Descriptive design</td>
<td>There are weak financial base, stiff competition, dilapidated and obsolete rail infrastructure and assets, lack of documents of title for a large portion</td>
<td>The study concentrated on challenges of implementing</td>
</tr>
<tr>
<td>Author</td>
<td>Title</td>
<td>Methodology</td>
<td>Findings/Description</td>
<td>Notes</td>
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<tr>
<td>Kamunde (2010)</td>
<td>Turnaround strategies at Development Bank of Kenya Limited</td>
<td>Causal Design</td>
<td>It was established that the Bank won back the confidence of stakeholders on turning around</td>
<td>The study covered the banking sector and findings may not be applicable to the transport sector</td>
</tr>
<tr>
<td>Chowdhury (2002)</td>
<td>Turnarounds: A review of theories</td>
<td>Descriptive design</td>
<td>Organizations need to create a link between requirements–incidents, events, and concepts in order to deal with the deteriorating performance in the long run</td>
<td>The study was done in Canada, a different contextual setting than the Kenyan</td>
</tr>
<tr>
<td>Mutunga (2010)</td>
<td>Factors affecting the operationalization of Corporation of the real estate portfolio, insecurity including vandalism and encroachment on the railway corridor, dismal performance by the concessionaire Rift Valley Railways (RVR) and the weak legal regulatory framework governing State Corporations in Kenya.</td>
<td>Descriptive design</td>
<td>The turnaround strategies applied by the Cooperation were highly ineffective in turning around</td>
<td>The study fails to link turnaround strategies on</td>
</tr>
<tr>
<td>turnaround strategies at Kenya Broadcasting Corporation</td>
<td>performance because of challenges in the implementation phase</td>
<td>performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

Chapter three provides details on how the study will be conducted. It specifically identifies the design that the research will follow to ensure exhaustive delivery on the study objectives, the data collection, and analysis. All these are discussed in detail below.

3.2 Research Design

Research design represents the main strategy the study utilizes in order to address the question. According to Kothari (2004) a research design is a structure that a given study is to follow to ensure that it answers all research questions. Descriptive design is appropriate as the study seeks to create a profile on the dependent variable. This study used descriptive research design to identify and describe the turnaround strategies that impact on organizational performance. The respondents were therefore required to give a description of the factors with regards to where, what, how and when of the turnaround strategies adopted at the company.

3.3 Data Collection

This study collected both primary and secondary data. Primary data was collected by means of interview guide targeting key senior management to facilitate collection of qualitative data. The senior management were chosen upon as interviewees following their role in overseeing the formulation and implementation of turnaround strategies in the organization structure. The respondents in the study included: Human resource
director, Chief Finance Officer, Chief Executive Officer, Procurement and logistics manager, Chief Operations Manager, Customer service managers, and Business development manager. These respondents are chosen to be included in the study due to the information they have on the adopted turnaround strategies and have ready access to information on the organizational performance. Primary data has been selected upon since majority of the strategies are applied concurrently and one may not ascertain with clarity which strategy is applied without prior knowledge. The strategies may also not be clearly documented hence making it difficult to collect secondary data.

The study also collected secondary data from published financial statements especially for organization performance. This is because the organization is listed at the Nairobi Security Exchange hence its financial statements are publicly available.

3.4 Data Analysis

The data collected from the field will be largely qualitative as interview guides will be used. This data was analyzed using content analysis which provides a researcher with an opportunity to examine more underlying perceptions, key study themes, attitudes and biases that define how things are done the within an organization (Mutunga, 2010). The data analysis sought to establish the impact of turnaround strategies on the performance of Kenya Airways.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

In this chapter, emphasis is put on the analysis of the data collected from the field, findings interpretation and discussion to facilitate exhaustive response to research objectives. The study used interview guide which was prepared in line with study objectives to collect data. The analysis has adopted content analysis to facilitate the identification of impact of restructuring strategies adopted on the performance of the Kenya Airways.

4.2 Response Rate

The study targeted senior and middle level managers in the organization because of their key role in formulation and implementation of strategic plans. Specifically, the study targeted Human resource director, Chief Finance Officer, Chief Executive Officer, Procurement and logistics manager, Chief Operations Manager, Customer service managers, and Business development manager. Of the seven targeted respondents, five managed to schedule for interviews or delegated the same to their deputies while two were too busy to attend an interview. Those who responded held various positions in the organization ranging from human resource director, procurement and logistics manager, assistant chief operations manager, business development manager and customer service managers. The views collected were deemed to be adequate in completing the analysis of this study.
4.3 General Information

This section delves into the background information of the interviewees to establish their appropriateness in responding to the study questions. The section covers respondents’ position and period served in the organization. These are discussed in detail below:

The interviewees were requested to indicate the period they had served in the current position in the organization, a review of the data collected indicated that the interviewees had served in their current positions for a varying period. Majority of the interviewees had served in their positions for less than one year. This shows that the interviewees had joined the Organization in less than one year ago and were working around the clock to ensure that they reverse the negative performance. This shows that the Company had changed its management to get on board new management that would drive the turnaround strategies. This is an indication that one of the strategies adopted was to change management so as to improve the chances of successful implementation of turnaround strategies. This is because the previous management could have fallen short in strategies and could not be trusted to bring the much needed turnaround as they managed the company as its performance continued to deteriorate.

The interviewees were asked to outline some of the causes of decline at Kenya Airways so as to ensure the same causes are not repeated in the turnaround period. A review of the responses identified a number of causes as having brought about performance decline at Kenya Airways. These included poor ticket pricing and distribution channels which made customers prefer competitor airlines. The interviewees noted that the organization was non responsive to the changing
environment in its pricing and distribution of tickets making it cumbersome for some customers to purchase their flight tickets. In some instances, the respondents noted that the pricing strategies were not well determined as the company adopted old fashioned models of ticket pricing which turned away customers to competitor airlines.

Another reason identified as one of the causes of company performance decline included: poorly thought out investment decisions especially capital investment decisions which tied up much of the Company’s revenue and cash flow. The interviewees noted that the outgoing management had overcommitted to purchase of new aircrafts some of which did not have customers hence ending up to be leased at desperate rates with the aim of maintaining operations a float. Other poor investment decisions at Kenya Airways included fuel price risk management through hedging. The interviewees noted that the company lost a lot of money through fuel hedging mechanism following the global decline in oil prices. This loss on fuel hedging ate into the gains made by the Company from using discounted fuel prices. From the financial records, fuel hedging loss accounted for about twenty percent of the total loss of the Company.

The interviewees also noted that the Company had gone into some under arrangement which did not profit the Organization but instead third parties. Some of the arrangements included signing partnership agreements with partners which were detrimental in the future revenue of the Company. The interviewees noted that this led to deeper loss in the performance of the company as some of its revenue sources had been seriously affected. It made the Company sick into more debts as it could not raise adequate cash flow to finance its operations.
Another reason cited as one of the causes of decline in performance of Kenya Airways included poor routing arrangement and entering into some partnership which were not beneficial to the Airline. The interviewees noted that the Airline had entered in some routing arrangements with other African airlines and countries to the detriment of the Airline. The routes could not raise adequate revenue to finance minimum operating costs of the flights on those routes hence the continued performance decline. Another reason cited included stagnated expansion in the Airline which restricted its ability to meet the changing needs of customers on different routes across Africa. This made it difficult for customers to book the airline and instead settles for the competitors.

The interviewees also noted existence of poor human resource management policy and practices which led to frequent industrial unrest to the detriment of Company reputation. Different employee categories in the Airline had continuous disagreements with the Airline management regarding their compensation and working condition leading to downing of tools from time to time. This caused unprecedented inconveniences to customers some of whom decided never again to fly the Airline. These send a wrong message to potential customers and reduced the effectiveness of marketing campaigns launched by the Company. In addition, the Airline faced challenges in reducing its staff force as this ended up long court cases which later led to carrying on excess staff as they could not be retrenched to improve the cost management of the Company.
4.4 Turnaround Strategies and Performance

4.4.1 Cost Management Strategies

This section concentrated on discovering a number of cost management strategies adopted by the Airline to improve its turnaround strategies. From the responses, the interviewees noted that the Airline had adopted a number of cost management strategies over the past few months of the year 2017 aimed at improving the operational profits. One of these strategies was the reduction of its fleet size. The Airline had resorted to disposing off some of its aircrafts or leasing out so that they can manage their running costs especially fuel costs.

The interviewees noted that some aircrafts had been loaned to other companies at a monthly fee while other had been earmarked for sale to manage the running costs of the airline. This was mainly informed by the excel capacity as some aircrafts were either idle or running on routes which could not allow them to break-even. This led to instant reduction in running costs as fuel consumption reduced. These findings are consistent with the argument of Schoenberg, Collier & Browman (2013) that one of cost management strategies should involve identification of redundancy processes and removing them in the production process for minimization of production costs. These may include reduction of credit period so as to make cash for reinvestment available within the shortest period hence limiting the financing costs, prolonging the period taken to pay creditors so that the money can be used in the business for long, reduction of the amounts devoted to marketing activities, freezing any increment of salaries to employees within the turnaround period among others.
The interviewees noted that the various cost reduction strategies led to a drop in the operating costs by Sh14.9 billion to Sh105.4 billion mainly due to offloading of some aircrafts. The Airline also managed to lay off more than one hundred of its staff while more than one hundred and eight dropped off through natural attrition but were not replaced. This reduced staff running costs as it reduced total employee count to below three thousand six hundred from over four thousand employees.

4.4.2 Effects of the Cost Management Strategies

The interviewees were requested to provide more information on how the various cost management strategies had affected the performance of the Airline. From the responses, it was ascertained that the cost management strategies adopted had far reaching implications on the performance. First, a reduction in the count of employees led to a reduction of the Airlines monthly staff employees which had similar effect on the operating costs. The Airlines profitability was boosted from a favourable exchange rate and better fuel hedging outcome which all helped the Airline lower its operating costs by almost fifty percent to Ksh. 11.1 billions.

On the aircraft disposal and lease, the interviewees noted that the Airline had subleased three of its Boeing 777s, and two Boeing 787s which brought in additional income and at the same time, two Boeing 777s were sold lowering the fleet costs by about Shs. 1.5 billion from Shs. 15.5 billion to 14 billion. As it can be seen from the above cost management strategies, the Airline was able to cut down on its operational costs so as to improve its profitability.
4.4.3 Managerial Changes Made in the Airline

The interviewees were requested to avail more information on the managerial changes that had taken place in the Airline and cite the reasons for the changes. From the responses, it was noted that the Airline had undertaken a lot of changes in its management team starting with the Chief Executive, Finance Director and Human resource management. The respondents indicated that the Airline had new office holders in these positions as part of the restructuring strategies.

The respondents indicated that the Chief Executive Officer was hired from outside the Country who later hired more additional external experts whom he used to work with to help him in turning around the Airline. These occupied senior positions in the Company handling key aspects that were critical to the turnaround. The dynamic operating environment requires that old ways of operations undergo change and since the old management are used to the status quo, they may not be the right persons to implement the new strategies to align the organization to the changing business environment. This explains why majority of the interviewees were in the Airline for a short period as prior management had been shaken off. The existing management team could be having difficulty working together or they could have run out of ideas on how to improve the performance of the organization hence the need to set them aside and avail the opportunity to other individuals ready and willing to bring in new ideas so as to reverse the negative trends in performance.

4.4.4 Asset Restructuring Strategies

The process of asset restructuring involves identification of areas within the organization where performance is below average so as to invest in areas that will
optimize firm returns. The interviewees were requested to provide information on various investment opportunities with the aim of boosting their balance sheet items. This mainly takes the form of assets and liabilities. On assets part, the interviewees noted that the Airline had to dispose off some airlines specifically selling off two Boeing 777s while at the same time leasing out three of their Boeing 777s and two Boeing 787s. These decisions in essence restructured their assets as their asset value and classification changed. However, these decisions led to a savings of operational costs up to Ksh. 1.5 billions.

4.4.5 Culture Change

Culture defines how individuals go about doing things in organizations. It comprises the unwritten rules that define how activities are conducted. Change of culture challenges past beliefs and assumptions which may not be relevant to the changing operating environment normally taken for granted in the organization (Schoenberg, Collier and Bowman, 2013). The interviewees noted that culture change was important at the Airline if turnaround strategies were to achieve their purposes. The changes in management and engaging the services of an expatriate from Poland who in turn hired other five addition expatriates from his former employer meant that the Airline had to change the way it carried out its activities in the long run. These expatriates have changed the way things are run in the organization with the aim of creating a conducive environment for the turnaround. Employees have been urged to create a culture of putting the interests of the Airline first and those of their customers because the whole essence of their existence is to serve customer needs. Many programs have been initiated which aim at refocusing the energy of all employees towards meeting the changing needs of customers.
The interviewees noted that there have been retraining of employees and exchange programmes with key airlines around the world so that employees can appreciate the changes being implemented and the way that they interfere with the general culture of the Airline. The interviewees indicated that culture defined the common goals and vision pursued by the Airline. Through goals and vision identification, the Airline management worked out a strategy of ensuring that the gaps in skills were filled through arrangement of in-house and external training so that employees could be trained on key aspects. The trainings were aimed at improving staff commitment and productivity for improved overall organizational performance.

4.5 Turnaround Strategies and Performance at Kenya Airways

The interviewees were requested to provide more information on how various turnaround strategies had affected overall organization financial outcome of the Airline. From the responses, it was clear the various turnaround strategies had a positive impact on the overall performance of the Airline. First, the asset restructuring which saw the disposal and leasing of aircrafts realized a cost savings of sh. 1.5 billion. This played a key role in reducing the operating expenses of the Airline which contributed to a decline in the magnitude of current period loss. In addition, fuel hedging and favourable exchange rates reduced the unrealized loss on the financial statement of the airline hence improved profitability.

The results noted that the turnaround strategies involved a reduction in the head count of staff from around four thousands to below three thousand six hundred employees. This resulted in a drop in the monthly operating staff related costs which in turn contributed to a reduction in the operating expense and improvement in overall
operating profitability. However, the Airline suffered a decline in turnover which negatively affected its ability to report profits.

On cost management strategies, the interviewees indicated that Kenya Airways had resorted to disposing off some of its aircrafts or leasing out so that they can manage their running costs especially fuel costs. Some aircrafts had been loaned to other companies at a monthly fee while other had been earmarked for sale to manage the running costs of the airline. This was mainly informed by the excel capacity as some aircrafts were either idle or running on routes which could not allow them to break-even. This led to instant reduction in running costs as fuel consumption reduced. In addition, the disposal and lease of some of its aircrafts led to a reduction on fleet costs by about Shs. 1.5 billion from Shs. 15.5 billion to 14 billion.

On managerial changes made in the airline, the interviewees indicated that the Airline had undertaken a lot of changes in its management team starting with the Chief Executive, Finance Director and Human resource management. The respondents indicated that the Airline had new office holders in these positions as part of the restructuring strategies. This led to cost restructuring and development of new strategies which led to reduction in operating costs and increased performance outcomes where the level of loss reduced by about five billion Kenya shillings.

On asset restructuring strategies, the interviewees noted that the Airline had to dispose off some airlines specifically selling off two Boeing 777s while at the same time leasing out three of their Boeing 777s and two Boeing 787s. These decisions in essence restructured their assets as their asset value and classification changed. However, these decisions led to a savings of operational costs up to Ksh. 1.5 billions.
The study further notes that change in organization culture created a sense of belonging and hard work among employees. This improved their perception of customers and why they needed to meet their dynamic needs for improved future performance.

4.6 Discussion of Findings

In order to help find implications of study findings, discussion of findings has been posted. First the study established that majority of the interviewees and senior management had not been in the organization for more than one year. This shows that senior management team at the Airline has been changed to facilitate the introduction of new minds to drive the turnaround strategy. These findings are consistent with recommendations of Schoenberg, Collier & Browman (2013) that in order to effectively implement turnaround strategies, it is important that senior management teams involved in formulation and implementation of strategies be set aside because they are behind the decisions that brought the organization to where it is and may find it difficult making certain decisions as they may affect their standings in the organizations. It is noted that the prior management may take positions that will seek to justify their events that brought the organization into a declining performance instead of making decisions that would led to improved performance. According to Scherrer (2003), it is important that change at the top management be implemented if an organization seeks to stabilize its declining performance and start a positive trend. The management that watched the company decline will always work hard to defend their decisions thus leading to even poor performance in the subsequent periods.
The study further noted that the views collected from different interviewees echoed similar sentiments and trends in the turnaround strategies and how they had affected overall organization performance. This shows that there were constant consultations among management team to ensure that in case things went wrong, they were arrested in good time to ensure a successful turnaround (Munyae, 2015).

The findings indicated that the Airline engaged in some form of asset restructuring with the aim of restructuring its cost structure so as to improve operating costs. Some of the initiatives in the asset restructuring included disposal of some aircrafts and leasing out others which reduced the fuel and other operating costs related to aircrafts. These findings are consistent with those of Mutunga (2010) where it was established that in order to return to profitability, it may be important for organizations to relook at their balance sheet composition and ascertain its efficiency. In circumstances where some assets can be reduced and leased out to improve the operating bottom line, it is only prudent that the same is done so as to better manage the profitability of an organization. Kiarie (2009) notes that asset restructuring may involve reorganizing the business units so as to achieve efficiency, divesture from business lines not consistent with the core business of the firm, investing resources in business ventures that are aimed at strengthening the core business, entering into strategic alliances and joint ventures with other organizations that will enable the firm emerge competitive. In terms of bringing to an end the production of products and services with a bleak future, the Airline had to revisit its partnerships on some routes and strategic partners with the aim of improving their take out from the partnerships.
The findings further indicated that the Airline engaged in change of management team. The old management were phased out slowly as new management team were introduced so as not to hurt the operations of the airline. In addition, the new management was allowed to hire more managers whom they could trust to work with in the turnaround phase. This saw the Chief Executive Officer engage five more additional expatriates from his former employer to assist him in the turnaround phase. This is consistent with the argument by Hassard, Morris, Sheehan & Yuxin (2010) that the existing management team could be having difficulty working together or they could have run out of ideas on how to improve the performance of the organization hence the need to set them aside and avail the opportunity to other individuals ready and willing to bring in new ideas so as to reverse the negative trends in performance. Constant changes in the operating environment especially at the time of declining performance render old ways of operations insignificant hence the need to undergo change. In addition, old management are more at home with the status quo, they may not be the right persons to implement the new strategies to align the organization to the changing business environment (Kesner & Dalton, 1994). Change in senior management is one of the most tangible evidence that the organization is serious in its turnaround strategies. Slatter and Lovett (1999) argue that a change in senior management team composition has been seen as tangible evidence to shareholders and other stakeholders in an organization that some positive actions have been undertaken following the reported consistent negative trends in performance.

The findings also indicated that there was culture change in the organization as it sought to reinforce the need for employees and other stakeholders to support the turnaround strategy. As noted by Evans, Chitnomrath and Christopher (2013), change
of culture challenges past beliefs and assumptions which may not be relevant to the changing operating environment normally taken for granted in the organization (Schoenberg, Collier and Bowman, 2013). It creates a break in the long practiced routines thereby encouraging employees to adopt new cultures desirable for achievement of the new organizational performance levels. The employees were taken through refresher courses and trained more on organizational goals and vision so that they could help in driving change. This was important in building a new culture that would promote the probability of the Airline to bounce back into profitability.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The general objective of the study is to identify the impact of turnaround strategies on the performance of Kenya Airways. To achieve this the study was driven by two objectives which included: identifying turnaround strategies at Kenya Airways and establishing the effect of turnaround strategies on the performance of Kenya Airways. The study adopted a descriptive research design using an interview guide. The respondents included senior management officer in the Airline. The study collected both primary and secondary data which was used to complete the analysis. Content analysis was adopted to help make sense of the responses collected from the field.

On cost management strategies, the study noted that the Airline had adopted a number of cost management strategies including the reduction of its fleet size. The Airline had resorted to disposing off some of its aircrafts or leasing out so that they can manage their running costs especially fuel costs. Some aircrafts had been loaned to other companies at a monthly fee while other had been earmarked for sale to manage the running costs of the airline. This was mainly informed by the excel capacity as some aircrafts were either idle or running on routes which could not allow them to break-even. The various cost reduction strategies led to a drop in the operating costs by Sh14.9 billion to Sh105.4 billion mainly due to offloading of some aircrafts. The Airlines profitability was boosted from a favourable exchange rate and better fuel
hedging outcome which all helped the Airline lower its operating costs by almost fifty percent to Ksh. 11.1 billions.

The study established that a number of changes were undertaken in the Airline management starting with the Chief Finance Director, Chief Executive Officer and the Human Resource Director among others to help introduce a conducive environment for implementation of turnaround strategies. The Chief Executive Officer was hired from outside the Country who later hired more additional external experts whom he used to work with to help him in turning around the Airline.

The study established that a number of strategies touching on asset restructuring were undertaken in the Airline. The interviewees noted that the Airline had to dispose off some airlines specifically selling off two Boeing 777s while at the same time leasing out three of their Boeing 777s and two Boeing 787s. In total, asset restructuring decisions led to a savings of operational costs up to Ksh. 1.5 billions.

On culture change, the study established that there was a culture change in the Airline. The changes in management and engaging the services of an expatriate from Poland who in turn hired other five addition expatriates from his former employer meant that the Airline had to change the way it carried out its activities in the long run. Employees have been urged to create a culture of putting the interests of the Airline first and those of their customers because the whole essence of their existence is to serve customer needs. The interviewees noted that there have been retraining of employees and exchange programmes with key airlines around the world so that employees can appreciate the changes being implemented and the way that they interfere with the general culture of the Airline. The trainings were aimed at
improving staff commitment and productivity for improved overall organizational performance.

The results showed that the various turnaround strategies had a positive impact on the overall performance of the Airline. The asset restructuring which saw the disposal and leasing of aircrafts realized a cost savings of sh. 1.5 billion. Fuel hedging and favourable exchange rates reduced the unrealized loss on the financial statement of the airline hence improved profitability. The results noted that the turnaround strategies resulted in a drop in the monthly operating staff related costs which in turn contributed to a reduction in the operating expense and improvement in overall operating profitability. However, the Airline suffered a decline in turnover which negatively affected its ability to report profits.

5.2 Conclusions

From the findings presented in chapter four and the summary above, below conclusions were drawn. On cost management strategies, the study established that the Airline reduced its fleet size so as to reduce unnecessary operating costs on fleet. The Airline also reduced the head count of its staff from over four thousand to below three thousand six hundred. In addition, the Airline reviewed its engagements with other stakeholders including suppliers so as to streamline the cost structure. These efforts resulted in cost savings of over 10 billion shillings.

The study further established that the Airline engaged in managerial changes where top key senior managers were replaced. This led to better strategy formulation and implementation to enhance turnaround strategy implementation. The study further concludes that the Airline engaged in some asset restructuring to release some assets
which were increasing operational costs. This in turn led to operational cost saving of up to sh. 1.5 billion.

The study also concludes that the Airline engaged in culture change where employees were re-oriented to Airline vision, goals and the way that they needed to ensure this is achieved. In addition, new senior management from different social and corporate cultural backgrounds were hired to help change the overall corporate culture of the Airline. In general, the study established the turnaround strategies in general led to improved operational efficiency which improved the overall cost reduction of up to 11 billion.

5.3 Recommendations

The study draws the following recommendations:

The Airline continues with its cost management strategies by identifying other cost centers which can be reduced further to optimize operational efficiency and continuously improve operational profits. The study notes that the turnover declined over the study period. This study therefore recommends that revenue improvement strategies also be introduced in the operations so as to extend Airline revenue and improve overall profitability.

The study established that the Airline had engaged in asset restructuring by selling of some aircrafts and leasing others. The study recommends that this exercise be continued until the point of stabilization. This will enable the Airline in offloading unnecessary balance sheet items for improved profitability.
This study further recommends that new culture developed on the basis of retraining and workplace diversity be promoted to sustain operational efficiency. This will improve the future performance of the airline.

5.4 Limitations of the Study

This study encountered a number of challenges which could have affected the responses collected from the field. First, the target respondents to be interviewed operate a very tight schedule which left them with almost no time to participate in the study. To overcome this, the researcher scheduled for interviews after working hours and sometimes late in the night to ensure that there was minimal interruptions in the respondents’ daily work schedules. In some instances, some interviewees were reluctant to provide information as they field it would paint a bad image to their reputation. To overcome this, the researcher moved to assure them that the data given would only be used for academic purposes and not for any other purpose.

5.5 Suggestions for Further Research

This study concentrated on turnaround strategies at the Kenya Airways. This study therefore recommends that other studies be done on turnaround strategies among the retail industry where Uchumi and Nakumatt Retail outlets have faced difficulties turning around their performance. This will help extend the generalization of findings on turnaround strategies among corporate in Kenya.
REFERENCES


Alex A. O. (2013) turnaround strategies and performance of selected commercial banks in Kenya


Appendix: Interview Guide

1. What is your position in the organization?

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2. How long have you held the position?

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3. What can you attribute performance decline to at KQ?

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4. Which cost management strategies have been adopted at Kenya Airways?

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5. How have these cost management strategies impacted on the performance of your firm?

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6. What managerial changes have been made at Kenya Airways? Why?

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7. What has been the response from shareholders and stakeholders to management changes?

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8. Has the changes impacted your performance?

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9. Which asset restricting strategy have you adopted in the recent past?

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10. How has it affected your performance?

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11. How do you think culture change will affect Kenya Airways performance?

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Thank You! The end